

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 872** HLS 14RS 634

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

|   |         |                                   |
|---|---------|-----------------------------------|
| <b>Date:</b> May 12, 2014                         | 1:16 PM | <b>Author:</b> IVEY               |
| <b>Dept./Agy.:</b> Public Safety                  |         | <b>Analyst:</b> Matthew LaBruyere |
| <b>Subject:</b> Motor Vehicle Liability Insurance |         |                                   |

MTR VEHICLE/COMPULS INS RE INCREASE SG RV See Note  
Provides relative to motor vehicle liability security

Page 1 of 1

Present law requires a fine not to exceed \$1,000 for violation of the Motor Vehicle Safety Responsibility law. Proposed law retains present law and requires a minimum fine of \$75. Proposed law requires that DPS&C revoke the registration, impound the vehicle and cancel the vehicle license plate of a vehicle not covered by security as required by the Motor Vehicle Safety Responsibility law, and increases the minimum suspension to 12 months when the owner submits false information that the vehicle was covered by the required security. Proposed law increases the reinstatement fee if a vehicle was not covered by the required security. Proposed law increases the reinstatement fee when the registration has been revoked because the owner submitted false information that the vehicle was covered by the required security in his application for registration or in his application for inspection. Proposed law imposes a minimum fine of \$500 and a maximum fine of \$1,000. Proposed law provides that a portion of the monies collected from each set of sanctions shall be appropriated to fund the creation and maintenance of a real-time system.

| EXPENDITURES        | 2014-15    | 2015-16    | 2016-17    | 2017-18    | 2018-19    | 5 -YEAR TOTAL     |
|---------------------|------------|------------|------------|------------|------------|-------------------|
| State Gen. Fd.      | \$0        | \$0        | \$0        | \$0        | \$0        | <b>\$0</b>        |
| Agy. Self-Gen.      | INCREASE   | INCREASE   | INCREASE   | INCREASE   | INCREASE   |                   |
| Ded./Other          | \$0        | \$0        | \$0        | \$0        | \$0        | <b>\$0</b>        |
| Federal Funds       | \$0        | \$0        | \$0        | \$0        | \$0        | <b>\$0</b>        |
| Local Funds         | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <b><u>\$0</u></b> |
| <b>Annual Total</b> |            |            |            |            |            |                   |

| REVENUES            | 2014-15  | 2015-16  | 2016-17  | 2017-18  | 2018-19  | 5 -YEAR TOTAL |
|---------------------|----------|----------|----------|----------|----------|---------------|
| State Gen. Fd.      | \$0      | \$0      | \$0      | \$0      | \$0      | <b>\$0</b>    |
| Agy. Self-Gen.      | INCREASE | INCREASE | INCREASE | INCREASE | INCREASE |               |
| Ded./Other          | \$0      | \$0      | \$0      | \$0      | \$0      | <b>\$0</b>    |
| Federal Funds       | \$0      | \$0      | \$0      | \$0      | \$0      | <b>\$0</b>    |
| Local Funds         | INCREASE | INCREASE | INCREASE | INCREASE | INCREASE |               |
| <b>Annual Total</b> |          |          |          |          |          |               |

**EXPENDITURE EXPLANATION**

The proposed legislation will result in an increase in self-generated expenditures as a result of providing real-time automotive liability insurance information. The Department of Public Safety (DPS) anticipates the following modifications: real-time transactions and nightly batch programs for the Driver's Reinstatement & Suspension System, Financial and Revenue Classification system, and Official Notice of Violation of Mandatory Liability insurance generation program. In addition, a real-time insurance information database and interface must be created. DPS estimates these changes will require 1,200 hours of overtime for an IT Programmer Analyst III, 460 hours for IT Programmer Analyst II, 240 hours for an IT Management Consultant, 100 hours for an IT Programmer Manager II, and 200 hours for an IT Support Specialist III. At \$32 per hour, the overtime expense is estimated at \$71,421 (2,200 hours x \$32 = \$70,400 for salaries; \$70,400 X 1.45% = \$1,021 for Medicare costs).

In addition, DPS also anticipates entering into a professional services contract at a projected amount of \$1,000,000 for the real-time insurance database for automotive liability insurance, and \$110,500 for new IT equipment as a result of operating the database. The proposed legislation indicates monies generated from the increased penalties will fund the creation and maintenance of the real-time insurance database.

**REVENUE EXPLANATION**

The proposed legislation will result in an increase in self-generated revenue as a result of increasing the penalties for operating a vehicle without liability insurance. To the extent the violations issued remain constant, revenues may increase by approximately \$18.1 M. The penalties for operating and providing false liability insurance information are detailed below:

| Violation                                 | Current fee | Proposed fee | Current collections | Proposed collections |
|---|-------------|--------------|---------------------|----------------------|
| Insurance cancellation less than 30 days: | \$25        | \$50         | \$3,750,000         | \$7,500,000          |
| Insurance cancellation 31-90 days:        | \$100       | \$150        | \$7,500,000         | \$11,250,000         |
| Insurance cancellation 91+ days:          | \$200       | \$300        | \$19,000,000        | \$28,500,000         |
| Notice of violation 1st offense:          | \$50        | \$100        | \$1,000,000         | \$2,000,000          |
| Notice of violation 2nd offense:          | \$150       | \$250        | \$82,200            | \$137,000            |
| <b>Total:</b>                             |             |              | <b>\$31,332,200</b> | <b>\$49,387,000</b>  |

Local funds will increase as a result of misdemeanor fines increasing. Fines collected accrue to the local level.

NOTE: The bill states that \$75 from the fee for lack of carrying insurance for a period of less than 30 days will fund the database; however, the proposed fee in this legislation is only \$50. OMV would have to absorb the \$25 difference, which is expected to be \$3.8 M.

- |  |                            |       |  |
|--|----------------------------|-------|--|
| Senate   | <u>Dual Referral Rules</u> | House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}                    |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}       |                            |       | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S}                  |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} |                            |       | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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