

Department of Planning and Budget 2005 Fiscal Impact Statement

1. Bill Number HB1563

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|------------------------|--|-------------------------------------|------------------------------------|
| House of Origin | <input checked="" type="checkbox"/> Introduced | <input type="checkbox"/> Substitute | <input type="checkbox"/> Engrossed |
| Second House | <input type="checkbox"/> In Committee | <input type="checkbox"/> Substitute | <input type="checkbox"/> Enrolled |

2. Patron Rust

3. Committee Transportation

4. Title DMV; assessment of additional fees on certain drivers.

5. Summary/Purpose:

This legislation proposes to amend the Code of Virginia by adding a section numbered [46.2-206.1](#) to require the DMV Commissioner to impose and collect fees on drivers who have accumulated more than six net driver demerit points or have been convicted of reckless driving, aggressive driving, driving on a suspended or revoked license, DUI, or any other misdemeanor involving operation of a motor vehicle. These fees, minus cost of collection, will be used to support issuance of bonds whose proceeds are to be used for transportation construction, reconstruction, maintenance, maintenance replacement, and/or improvement projects.

6. Fiscal Impact Estimates are: Preliminary. See item #8.

7. Budget amendment necessary: Yes. Item 477.

8. Fiscal implications: The Department of Motor Vehicles (DMV) estimates that the demerit point fees, without any adjustments, could generate revenues of as much as \$100 million annually. However, fees assessed for demerit point balances are subject to decrease based on the ability of drivers to voluntarily attend driver improvement courses every two years for a five-point reduction in demerit points. Thus, any driver who has between 4 and 8 demerit points on their record would be able to attend a driver improvement course (if they've not attended one in the last two years), receive 5 demerit points and thereby avoid the demerit point fee. Drivers with 4 to 8 demerit points account for the bulk of the revenue (\$61 million of the \$100 million).

It is also important to note that collection of these fees will not be at 100 percent. A similar program has been implemented in the State of New Jersey, operated by a private vendor. This private vendor advises that it experiences a collections rate of 81 percent for the demerit point fees. Assuming a collection rate equal to New Jersey, would net the Commonwealth revenues of approximately \$82 million. From the \$82 million the costs of administering the program must be deducted. Again, using the New Jersey program as an example, the vendor reports that the cost of collecting the fees to be between 12 and 18 percent of collected revenues. Thus revenues available for transportation projects could range between \$67.4

million and \$72.3 million annually. DMV is currently attempting to develop cost estimates for administering the program in house.

The legislation also provides for other fees on certain types of misdemeanors associated with bad drivers. Based on data obtained from the Compensation Board there are approximately 843 individuals convicted of the misdemeanors specified in this legislation. If the number of convictions remains constant, the fees generated would provide approximately \$126,450 annually for a three-year period.

Finally, DMV estimates that it would require approximately \$300,000 to modify existing systems and applications to meet the functional requirements of the legislation.

9. Specific agency or political subdivisions affected: Departments of Motor Vehicles and Transportation

10. Technical amendment necessary: None.

11. Other comments: Given the uncertainty of the actual revenues that might be collected under these provisions, and that individuals could pursue options to reduce the fees charged them, these funds could prove to be an unreliable source of revenue, especially in light of the fact that these funds will be used to pay for debt service on transportation bonds.

Date: 01/21/05 / MEM

Document: G:\Fis\05\Dmv\Hb1563.Doc Michael McMahon

cc: Secretary of Transportation