

## Department of Planning and Budget 2006 Fiscal Impact Statement

**1. Bill Number** HB527

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed  
**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron**        Rust and Albo

**3. Committee**   Transportation

**4. Title**            Assessment of fees by Department of Motor Vehicles (DMV) on certain drivers; use of fees collected.

**5. Summary/Purpose:** This bill requires the Commissioner of the Department of Motor Vehicles (DMV) to impose and collect fees on drivers who have accumulated more than four net driver demerit points or have been convicted of reckless driving, aggressive driving, driving on a suspended or revoked license, driving under the influence (DUI), or any other misdemeanor constituting a violation of Title 46.2. Annually, the first \$40 million of these fees, after the cost of collection, will be directed to the Transportation Partnership Opportunity Fund and the remainder will be directed to the Local Congestion Mitigation Incentive Fund.

**6. Fiscal impact estimates are preliminary.** (See item #8)

**6a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2005-06	\$250,865	-	NGF
2006-07	-	-	-

**6b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2005-06	-	-	-
2006-07	\$97,695,449	-	NGF
2007-08	\$124,269,648	-	NGF
2008-09	\$150,843,848	-	NGF

*Note: Revenue is net of collection costs.*

**7. Budget amendment necessary:** Yes. Item 432.

**8. Fiscal implications:** The Department of Motor Vehicles estimates the demerit point fees, net of collection costs, could generate revenues of as much as \$128.9 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 for a five-point reduction in demerit points. Drivers with 4 to 8 demerit points account for the bulk of the revenue (\$72.3 million of the \$128.9 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 80 percent for the demerit

point fees. Assuming a collection rate equal to New Jersey, the Commonwealth would net revenues of approximately \$108.4 million. The costs of administering the program must then be deducted. Again, using the New Jersey program as an example, the vendor reports the cost of collecting the fees at 18 percent of collected revenues. Thus, revenues available for residential and secondary road improvements from demerit fees are estimated to be \$71.1 million annually.

The legislation also provides for other fees on certain types of misdemeanors associated with bad drivers. Based on conviction data from the DMV system for FY 2005, 248,058 individuals were convicted of the misdemeanors specified in this legislation. Assuming the number and type of convictions remained constant, projected revenue from conviction fees would be \$26.6 million in the first year, \$53.1 million in the second year, and \$79.7 million in the third year, net of collection costs.

Finally, DMV estimates that it would require approximately \$250,865 to modify existing systems and applications to meet the functional requirement of the legislation.

Other assumptions for fiscal impact estimates include:

- Success rate for collection of DUI related fees: 57%
- Success rate for collection of other fees on convictions: 30%
- Success rate for collection of fees on demerit points: 80%
- Costs and expenses associated with collection of fees: 18% of revenue collected
- A fee is to be assessed annually for three years for each conviction, including multiple convictions within one category.
- Fees will be assessed for convictions and demerit points of drivers operating with a learner's permit.
- The projected revenues for fees assessed on demerit points assume that 20% of the drivers will reduce their obligation by obtaining five positive points.
- Full revenue will be realized in Year 1.
- Once started, the revenue will continue on a consistent basis. Of all the assumptions, this one is the least certain.

9. **Specific agency or political subdivisions affected:** Department of Motor Vehicles, Virginia Department of Transportation.

10. **Technical amendment necessary:** No.

11. **Other comments:** This bill is identical to HB 683.

**Date:** 01/19/06 /jlv

**Document:** G:\06-08\Fis\Dmv\Hb527.Doc Janet Vogelgesang

cc: Secretary of Transportation