

## Department of Planning and Budget

### 2006 Fiscal Impact Statement

**1. Bill Number:** HB527

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

**2. Patron:** Rust and Albo

**3. Committee:** Finance

**4. Title:** Assessment of fees by the Department of Motor Vehicles 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 four or more net driver demerit points or who have been convicted of reckless driving, aggressive driving, driving on a suspended or revoked license, driving under the influence, or any other violation of titles 18.2 and 46.2 which constitutes a driving or motor vehicle related misdemeanor or felony. Annually, the first \$35 million of these fees, after the costs of collection, will be directed to a special matching fund for highway systems in localities established by § 33.1-23.05 (in pending HB 681 and SB 721), the next \$25 million will be directed to the Transportation Partnership Opportunity Fund, and the remainder will be directed to the Local Congestion Mitigation Incentive Fund.

**6. Fiscal impacts are preliminary. See Item #8.**

**6a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2005-06	-	-	-
2006-07	\$21,049,057	57	NGF
2007-08	27,117,688	57	NGF
2008-09	33,186,319	57	NGF
2009-10	34,181,909	57	NGF

**b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2005-06	-	-	-
2006-07	\$116,939,203	-	NGF
2007-08	\$150,653,821	-	NGF
2008-09	\$184,368,439	-	NGF
2009-10	\$184,368,439	-	NGF

7. **Budget amendment necessary:** Yes, Item 435. Both the House and Senate budget proposals include language amendments to provide for DMV's costs to administer this program. The House's proposal authorizes up to 18 percent of the revenue collected for administrative costs, based on New Jersey's experience with a similar program. The Senate's proposal caps the cost recovery at \$5.1 million. The impacts included above are based on 18 percent of the estimated revenue. The expenditure impact in FY 2010 is based on 3 percent growth over FY 2009.

An additional budget amendment will be required to appropriate the necessary FTEs.

8. **Fiscal implications:** HB 527 includes two fee components:
- assessment of an annual fee for 4 or more demerit points on a driving record,
  - assessment of additional fees for certain convictions related to driving.

The broad categories of driving infractions include: driving with suspended or revoked license; reckless driving; driving under the influence; misdemeanors, and felonies. DMV will collect all fees.

### **Demerit Points**

Based on FY 2005 data, approximately 470,000 driving records have demerit points that range from 4 to more than 12. Violations are grouped according to the number of DMV demerit points assigned to each violation; 3, 4 or 6. The fees imposed by HB 527 on these records would increase in amount as the number of demerit points increased. For 4 demerit points, a fee of \$100 would be assessed, while for 12 or more a \$700 fee would be assessed. Prior to demerit and collection rate adjustments, the gross revenue from the fees is estimated at \$128.9 million annually.

<b>Demerit Point Revenue</b>	<b>In millions</b>
Total gross revenue	\$128.9
25% driver improvement reduction – 4-8 demerit points	(\$18.1)
25% driver improvement reduction – 9-16 demerit points	(\$6.8)
Adjusted gross amount	\$104.0
<b>Projected collection @ 80% success rate</b>	<b>\$83.2</b>
DMV Collection costs	\$15.0
<b>Projected net revenue</b>	<b>\$68.2</b>

The bill allows citizens with demerits on their records to attend a driving school once every two years. DMV's current driver improvement program identifies 8 demerit points as "habitual behavior," since a driver can reach this level only after two or more convictions. Current procedure is to issue an "advisory letter" at the 8 demerit point level that discusses the merits of voluntarily attending driving school to earn 5 safe driving points to offset the demerits. Ten percent of the people receiving the letter have gone on to voluntarily attend safe driving school. Based on this experience and the expected incentive to attend driving school provided by the increase in fees, it can be conservatively estimated that 25 percent of drivers with 8 or less demerit points will obtain the 5 good driver points and opt out of the fees. This will reduce gross revenue by \$18,073,294. A higher percentage of drivers

deciding to attend driving school to offset the demerits will further erode gross revenues. In addition, drivers with 9-16 demerit points are also likely to obtain positive points to reduce the amount of fee assessed. The impact of these drivers will further reduce gross revenue by \$6,774,525.

Based on the New Jersey program's experience with fee collection, the estimated collection rate for these fees will be 80 percent, leaving \$20,806,146 uncollected. HB 527 authorizes DMV to suspend driver's licenses if the fees are not paid.

#### **Conviction Fees**

Estimated gross revenues:

FY 07 - \$33.7 million

FY 08 - \$67.4 million

FY 09 - \$101.1 million

FY 10 - \$101.1 million

The above revenues are based on conviction and collection rate information by conviction from the Supreme Court of Virginia for calendar year 2005, as audited by the Auditor of Public Accounts. HB 527 requires DMV to collect the fees for three years for each of the convictions. The fees, number of convictions, and collection rate information are illustrated below:

Conviction	Fee	Collection Rate	Revenue Estimate (in millions)		
			FY 2007	FY 2008	FY 2009
Driving with suspended/revoked license	\$250	13%	\$1.6	\$3.3	\$4.9
Reckless	\$350	59%	\$15.6	\$31.1	\$46.7
Driving under the influence	\$750	44%	\$9.6	\$19.2	\$28.7
Misdemeanors	\$300	30%	\$6.8	\$13.6	\$20.4
Felonies	\$1,000	5%	\$.1	\$.2	\$.4
<b>Gross Total</b>			<b>\$33.7</b>	<b>\$67.4</b>	<b>\$101.1</b>
DMV Collection costs			\$6.1	\$12.1	\$18.2
<b>Net Revenue</b>			<b>\$27.6</b>	<b>\$55.3</b>	<b>\$82.9</b>

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

**10. Technical amendment necessary:** HB 527 requires DMV to establish a new collection system that will require programming and system changes and will take approximately six months to implement. Technical amendments should be considered that would authorize DMV to look back to convictions on or after July 1, 2006.

**11. Other comments:** If DMV were to outsource the fee collection, the agency estimates it would still require 16 FTEs to implement and administer the provisions of the bill. Even if outsourced, it is expected that many phone calls would still have to be referred to DMV by a

vendor, since the agency would have both expertise and access to the driver records to be able to respond to questions. In addition, DMV's Driver Services would be required to both place suspensions on the records of those who do not pay and remove them once requirements are met. This is expected to be a significant volume, when compared to current workloads.

This bill is similar in nature to a portion of SB 708.

**Date:** 2/24/06/jlv

**Document:** G:\06-08\Fis\Dmv\Hb527h2.Doc Janet Vogelgesang

cc: Secretary of Transportation