

PHASE OUT DRIVER RESPONSIBILITY FEES & ENHANCED DRIVER LICENSE LICENSING SANCTIONS

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House Bill 5414
Sponsor: Rep. Joe Haveman

House Bill 5501
Sponsor: Rep. Alberta Tinsley-Talabi

Committee: Appropriations
Complete to 5-12-14

A SUMMARY OF HOUSE BILL 5414 AS INTRODUCED 3-28-14 AND HOUSE BILL 5501 AS INTRODUCED 4-30-14

House Bill 5414 would amend the Michigan Vehicle Code (MCL 257.732a) to phase out driver responsibility fees enacted in Public Act (PA) 165 of 2003. The fees were established for drivers who accumulate a certain number of points on their licenses or commit certain specified offenses. These fees are in addition to the standard penalties for committing the offenses. Specifically, House Bill 5414 would do the following:

- Beginning October 1, 2014, require the \$1,000 assessment for a variety of offenses to be assessed for only one year (See detailed description of offenses below). Current law requires the assessment to be levied for two consecutive years.
- Beginning October 1, 2014, require the \$500 assessment for a variety of offenses to be assessed for only one year (See detailed description of offenses below). Current law requires the assessment to be levied for two consecutive years.
- After September 30, 2017, eliminate driver responsibility fee assessments for all offenses.

\$1,000 Driver Responsibility Fee

Currently, there is a \$1,000 driver responsibility fee assessed each year for two consecutive years for certain moving violations. As noted above, the bill would eliminate the second-year assessment beginning and subsequently eliminate the assessment altogether after September 30, 2017. The \$1,000 fee applies to the following offenses:

- Manslaughter, negligent homicide, or a felony resulting from the operation of a motor vehicle, off-road vehicle (ORV), or snowmobile.
- A moving violation subject to criminal penalties that results in injury or death to a person working in a construction zone or operating an implement of husbandry on a highway; or causing injury or death to a police officer, fire-fighter, or other emergency response personnel in the immediate area of a stationary authorized emergency vehicle.
- Operating a motor vehicle or ORV while intoxicated; or causing the death or serious impairment of a body function of another person while driving under the influence

or while visibly impaired due to the consumption of alcohol or a controlled substance (OWI).

- Failing to stop and disclose identity at the scene of an accident when required by law.
- Fleeing or eluding an officer.
- A moving violation that causes serious impairment of body function or death, or reckless driving causing serious impairment of a body function or death.

\$500 Driver Responsibility Fee

There is a \$500 driver responsibility fee assessed each year for two consecutive years for certain violations. As noted above, the bill would eliminate the second-year assessment and subsequently eliminate the assessment altogether after September 30, 2017. The \$500 driver responsibility fee applies to the following offenses:

- Operating under the influence or while visibly impaired due to the consumption of alcohol or a controlled substance.
- Driving with any bodily alcohol content if under the age of 21.
- Operating under the influence of alcohol or a controlled substance or OWI with a passenger under 16.
- Driving while license suspended/revoked/denied.
- Operating with any bodily amount of a Schedule 1 drug or cocaine.
- Reckless driving.
- Misdemeanor violations of the Insurance Code for failure to have mandatory vehicle insurance.

\$100 Driver Responsibility Fee

There is a \$100 driver responsibility fee assessed if a person accumulates seven or more points on their driving record within a two-year period. For each point exceeding seven, an additional \$50 driver responsibility fee is assessed. The fees are collected once each year that the point total is seven points or more.

House Bill 5501 would amend Section 4 of the Enhanced Driver License and Enhanced Official State Personal Identification Card Act (MCL 28.304) to strike “the assessment of a driver responsibility fee” from the list of licensing sanctions a holder of an enhanced driver license is subject to. The provisions of the bill would take effect October 1, 2017 to coincide with the elimination of driver responsibility fees under House Bill 5414.

Current law requires a driver’s license to be suspended for nonpayment of a driver responsibility fee. A \$125 driver license reinstatement fee is assessed to obtain a license after proof that the driver responsibility fee was paid or that the individual entered into a payment plan with the Department of Treasury.

FISCAL IMPACT:

Background

Driver responsibility fees are two-year assessments for certain moving violations (listed above). The most recent data available indicate that the collection rate for driver responsibility fees is about 56.0%. The penalty for nonpayment of a driver responsibility fee is suspension of the driver's license. In any given year, collections consist of a combination of first-year assessment collections, second-year assessment collections, and delinquent collections.

After collection/administration expenses (\$5.0-7.0 million) and the statutorily-required deposit of \$8.5 million into the Fire Protection Fund to support fire protection grants to local units of government, driver responsibility fee revenue is required to be deposited in the General Fund.

In the years immediately prior to enactment of PA 255 of 2011, an act that eliminated all \$150 and \$200 driver responsibility fee assessments, driver responsibility fee collections to the General Fund ranged from \$100.0 to \$110.0 million. Due to driver responsibility fees being a two-year assessment, the full impact of PA 255 of 2011 took two years to be realized with one-half of the estimated impact reducing General Fund revenues in FY 2012-13 and the full impact realized in FY 2013-14. General Fund driver responsibility fee revenue in FY 2012-13 dropped to \$85.4 million from \$100.2 million in FY 2011-12. In FY 2013-14, General Fund driver responsibility fund revenue is estimated to drop to \$69.0 million (See Table 2 below). Without further revisions to the law, collections are estimated to remain close to the \$69.0 million level in future years.

House Bill 5414 Analysis

House Bill 5414 proposes to phase out the remaining driver responsibility fee assessments between FY 2014-15 and FY 2017-18. Beginning in FY 2014-15 and through FY 2016-17, all driver responsibility fee assessments would become one-year assessments. Beginning in FY 2017-18, all driver responsibility fee assessments would be eliminated.

Table 1 provides a look at the proposed phase out of driver responsibility fees. The black bars indicate first-year assessments and the grey bars indicate second-year assessments (eliminated in FY 2014-15).

TABLE 1: House Bill 5414 Phase-Out Plan

First Year of Assessment	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
FY 2011								
FY 2012								
FY 2013								
FY 2014								
FY 2015								
FY 2016								
FY 2017								
FY 2018								

Annual driver responsibility fee revenues consist of first-year assessments, second-year assessments, and delinquent collections. Due to the lack of data on the percentage each source provides, the analysis provides a revenue impact range and assumes 55.0-65.0% of annual collections are from first-year assessment collections and delinquent collections. Therefore, the remainder of annual driver responsibility fee General Fund revenue, 35.0%-45.0%, is assumed to be from second-year collections.

There would be no impact to FY 2014-15 collections due to the structure of the phase out. As was noted above, driver responsibility fee revenues in any given year are comprised of first-year assessments, second-year assessments, and delinquent collections. In FY 2014-15, the bill would eliminate the second-year assessment on new driver responsibility fee assessments. Therefore, in FY 2014-15 collections would still include first-year assessments from new assessments in FY 2014-15, second-year assessments for the preceding year's assessments (FY 2013-14), and delinquent collections.

The first year of the fiscal impact would be FY 2015-16. Based on a blended average of FY 2011-12 and FY 2012-13 revenues from the existing driver responsibility fees and accounting for the fixed administration/collection costs and Fire Protection Fund deposit, it is estimated that General Fund revenues from driver responsibility fees will be reduced by between \$30.3-38.1 million in both FY 2015-16 and FY 2016-17. Therefore, total collections would total \$30.9-\$38.7 million in both fiscal years.

Beginning in FY 2017-18, General Fund revenues from driver responsibility fees would be eliminated. The only source of driver responsibility fee revenue would be delinquent collections because all new assessments would be eliminated beginning in FY 2017-18. Delinquent collections are assumed to make up a small percentage of annual driver responsibility fee revenues. Therefore, any delinquent collections would not exceed the cost of collections/administration or the amount required to be deposited in the Fire Protection Fund.

TABLE 2: General Fund (GF/GP) Impact - HB 5414

	Driver Responsibility Fee GF/GP Revenues	HB 5414 Projected GF/GP Revenue Loss
FY 2010	\$106,305,000	N/A
FY 2011	102,551,000	N/A
FY 2012	100,188,367	N/A
FY 2013	85,436,000	N/A
FY 2014 (est.)	69,000,000	N/A
FY 2015 (est.)	69,000,000	0
FY 2016 (est.)	30,900,000 - 38,700,000	(30,300,000) - (38,100,000)
FY 2017 (est.)	30,900,000 - 38,700,000	(30,300,000) - (38,100,000)
FY 2018 (est.)	0	(69,000,000)
FY 2019 (est.)	0	(69,000,000)

Assumptions:

- *FYs 2016 and 2017 ranges assume 55-65% of annual collections are from 1st year assessment collections and delinquent collections*
- *FY 2018 and 2019 collections would not exceed amounts required for administration/collections and Fire Protection Grants*

The estimates are subject to several caveats. First, driver responsibility fee collections can fluctuate substantially in any given year independent of any policy change depending on the number of assessments and collection rates. Second, there is a lag in collections which could affect the fiscal impact in the years immediately following a policy change. Driver responsibility fees assessed late in a fiscal year may not be collected until the following fiscal year due to timing or an individual choosing to go on a payment plan. Lastly, it is unknown what percentage of total revenues delinquent collections account for in any given fiscal year. At the close of FY 2012-13, total accounts receivable for delinquent driver responsibility fees was \$617.1 million.

Fire Protection Fund

Currently, after accounting for administration/collection fees, the first \$8.5 million of driver responsibility fee revenues are deposited in the Fire Protection Fund for fire protection grants to local units of government with state property in their localities. In FYs 2012-13 and 2013-14, the Legislature appropriated an additional \$773,900 from the Liquor Protection Revolving Fund for a total of \$9.3 million for fire protection grants. Absent a new source of revenue for fire protection grants, the elimination of driver responsibility fees in FY 2017-18 will have a significant fiscal impact on fire protection grants.

While a specific fiscal impact cannot be ascertained, it is estimated that most of the \$8.5 million from driver responsibility fees going to the Fire Protection Fund will be eliminated beginning in FY 2017-18. The only source of revenue would be delinquent driver responsibility fee collections and it cannot be determined if they will exceed the cost of collection/administration. No new Fire Protection Fund funding source is included in this bill.

Driver License Reinstatement Fees

House Bill 5414 would lower driver license reinstatement fee revenues by an indeterminate amount. Failure to pay a driver responsibility fee results in a suspension of the person's driver's license. Upon payment of a delinquent driver responsibility fee an individual must pay a \$125 driver license reinstatement fee to reinstate a suspended driver's license.

With the elimination of driver responsibility fees, fewer individuals would have their license suspended due to nonpayment. Any fiscal impact will be directly correlated to the number of license suspensions foregone due to the nonpayment driver responsibility fees. Data is not available on annual driver license reinstatement fees due to payment of previously delinquent driver responsibility fees.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.