

Legislative Analysis



DRIVER RESPONSIBILITY FEES

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House Bill 4098 (Substitute H-2)
Sponsor: Rep. Bettie Cook Scott
Committee: Judiciary

Complete to 12-1-09

A SUMMARY OF HOUSE BILL 4098 AS REPORTED FROM COMMITTEE

Public Act 165 of 2003 amended the Michigan Vehicle Code to establish "driver responsibility fees" for drivers who accumulate a certain number of points on their licenses or who commit certain specified offenses. These are in addition to the penalties for committing the offenses. House Bill 4098 would amend the section of the Vehicle Code dealing with those fees (MCL 257.732a) to do the following:

Fees Remaining in Place

****** The \$1,000 fee per year for two consecutive years remains in place with no substantive change. (See the later description of which offenses this fee applies to.)

****** The \$500 fee per year for two consecutive years remains in place, but as of December 31, 2009, it would no longer apply to (1) driving without a license or (2) violations of mandatory insurance provisions in the Insurance Code. (See below for the offenses this fee would continue to be imposed on.)

Fees Being Eliminated

******The other driver responsibility fees are eliminated as of December 31, 2009. These are:

-- The \$150 fee per year for two consecutive years for operating without a valid license, having more than one license, or failing to surrender licenses from other states.

-- The \$200 fee per year for two consecutive years for failure to produce proof of insurance.

-- The \$100 fee per year for two consecutive years for the accumulation of seven or more points within a two-year period, and the extra \$50 for each additional point over seven points.

Partial Amnesty on Amounts Owed

****** The bill allows an individual who owes a fee as of the date the bill is enacted to settle the account by paying 50 percent of the amount owed by January 1, 2010. The balance of the fee would be waived.

Fire Protection Fund Earmark

** The first \$8.5 million collected from the fees would be credited to the Fire Protection Fund, with the remainder going to the General Fund.

A more detailed explanation follows.

Remaining Fees

** Currently, there is a \$1,000 driver responsibility fee assessed each year for two consecutive years for certain moving violations. The bill would not make any substantive change to this provision. The \$1,000 fee would continue to apply to:

- 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 a body function or death, or reckless driving causing serious impairment of a body function or death. (These violations were added by Public Act 463 of 2008, and fees for these violations will not take effect until October 31, 2010.)

** There is currently a \$500 fee assessed each year for two consecutive years for certain violations. Beginning December 31, 2009, fees would no longer be assessed for either (1) driving without a license (whether denied, suspended, revoked, or the person never applied for a license) or (2) violations of mandatory insurance provisions in the Insurance Code. Fees of \$500 would continue to be assessed for two consecutive years for the following violations:

- 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.
- Operating with any bodily amount of a Schedule 1 drug or cocaine.
- Reckless driving.

Fire Protection Fund Distribution

The bill would revise the distribution of revenue collected from the driver responsibility fees. Currently, in each fiscal year, the first \$65 million collected is credited to the General Fund. Any amount over that but less than \$68.5 million is credited to the Fire Protection Fund. In addition, any amount in excess of \$100 million up to \$105 million that is collected also gets credited to the Fire Protection Fund. Amounts collected over \$105 million go to the General Fund. Thus, the most that can be credited to the Fire Protection Fund in any single fiscal year is \$8.5 million.

The bill would eliminate the current distribution schedule and instead specify that in each fiscal year, the first \$8.5 million would be credited to the Fire Protection Fund with any amount collected over that being credited to the General Fund.

Tie Bar

The bill is tie-barred to three other bills addressing driver responsibility fees, House Bills 4101, 4604, and 5603. Together, as reported from the Judiciary Committee, those bills contain provisions that are also contained entirely within House Bill 4098.

FISCAL IMPACT:

Driver Responsibility Fee Overview

Under statute, Driver Responsibility Fee revenue is required to be deposited into the State General Fund. If the amount of collections is high enough, revenue is also deposited into the Fire Protection Fund, which is used for Fire Protection Grants funded within the Department of Energy, Labor, and Economic Growth. Public Act 165 of 2003 provides that if Driver Responsibility Fee collections exceed \$65.0 million, then \$3.5 million of the revenue is to be deposited into the Fire Protection Fund. The act also provides that an additional \$5.0 million may be deposited if collections exceed \$100.0 million, for a potential total deposit of \$8.5 million.

In FY 2008, approximately \$114.2 million in net revenue was generated through the collection of Driver Responsibility Fees after collection costs. Of the \$114.2 million in revenue, \$8.5 million was dedicated for Fire Protection Grants and \$105.7 million was deposited in the State General Fund. According to the May Consensus Revenue Estimating Conference, general fund revenue projections for Driver Responsibility Fee collections were \$100 million for both FY 2008-09 and FY 2009-10.

As of 2008, the collection rate of Driver Responsibility Fees since the program's inception in 2004 was 48.5 percent. In 2008, the total of all assessments for Driver Responsibility Fees over the program's five years of existence equaled almost \$800.0 million. Of this amount, just under \$400.0 million has been collected. With collection rates still hovering around 50.0 percent, the uncollected amount through FY 2008-09 has likely risen to around \$450.0 million.

House Bill 4098 Analysis

The provisions of House Bill 4098 would reduce revenue to the State General Fund by a significant amount due to the elimination of specified Driver Responsibility Fee assessments after December 31, 2009. The only revenue that would be recovered under the eliminated assessment categories after the specified date of fee elimination would come from collection of past assessments that individuals have not yet paid.

For this analysis, a low-end scenario and a high-end scenario has been provided. Assumptions in the low-end scenario are an assessment collection rate of 30.0 percent and a delinquency settlement participation rate of 15.0 percent. Assumptions in the high-end scenario are an assessment collection rate of 50.0 percent and a delinquency settlement participation rate of 25.0 percent. The delinquency participation rate was derived from calculating an estimated annual delinquency collection rate of 6.0 percent and assuming an increase between two to four times the current rate due to the settlement of delinquent assessment payments at 50.0 percent of the assessment amount owed. Please note that there is a great deal of uncertainty in this analysis due to a lack of historical precedent and data.

Under this analysis, estimates of revenue for FY 2009-10, assuming the delinquency settlement period is implemented during this fiscal year, range from a low end of \$75.3 million to a high of \$103.8 million. Even on the high end, the annual collection in FY 2009-10 would be lower than estimated Driver Responsibility Fee revenue under current law. The reduction would be much lower if there was not the projected increased participation in delinquency settlement under the provisions of the bill. For FY 2009-10 the delinquency settlement collection period will offset a large portion of the lost revenue due to various assessment eliminations.

Starting in FY 2010-11 and going forward, estimates of revenue from the Driver Responsibility Fees range from a low-end scenario of \$35.5 million to a high-end scenario of \$50.2 million under the provisions of the bill. The low revenue estimates starting in FY 2010-11 are due to the following factors:

- Only \$1,000 assessments and a few \$500 assessments would still be assessed under the provisions of HB 4098. Collection rates would likely be lower than the 50.0 percent average in recent years due to the higher fees only being assessed.
- Annual delinquency collection rates would likely drop due to the fact that those persons most likely to settle delinquent payments would have done so under the delinquency settlement period offered under the bill during FY 2009-10. For purposes of this analysis, a drop from 6.0 percent (the annual rate of collection calculated under current law) to 3.0 percent was assumed.

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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.