

DRIVER RESPONSIBILITY FEE AMENDMENTS

Mary Ann Cleary, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5198 (H-3)
Sponsor: Rep. Kurt Damrow
Committee: Transportation

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A SUMMARY OF HOUSE BILL 5198 (PROPOSED COMMITTEE SUBSTITUTE H-3)

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. Senate Bill 166 would amend the section of the Vehicle Code dealing with those fees (MCL 257.732a) to do the following:

Fees no longer to be assessed

Beginning January 1, 2015, a driver responsibility fee could not be assessed or collected for:

**** The accumulation of 7 or more points on a driving record within a 2-year period. (This now results in a \$100 fee, plus an additional \$50 fee for each additional point above 7 points.)**

**** Driving without a license or with a suspended or revoked license and allowing someone to drive his or motor vehicle without a license or with a suspended or revoked license. (These are *misdemeanor* offenses that carry a driver responsibility fee of \$500 for two consecutive years.)**

**** Not carrying mandatory coverages under the No-Fault auto insurance law. (This *misdemeanor* offense carries a driver responsibility fee of \$500 for two consecutive years.)**

Beginning January 1, 2015 an individual paying a driver responsibility fee for the abovementioned violations would not be required to make payments for those violations, whether payment is being made under an installment plan or otherwise.

No suspension of driving privileges

As of the effective date of the bill, the Secretary of State could not suspend an individual's driving privileges for the failure to pay a driver responsibility fee or to establish an installment plan.

Beginning January 1, 2015, an individual could petition a court to have convictions set aside or dismissed for operating without a license during a period in which his or her driving privileges had been suspended for failure to pay a driver responsibility fee. A

court so petitioned would have to set aside or dismiss one or more judgments if the court finds the judgments resulted from the individual's failure to pay a driver responsibility fee.

Obtaining an operator's license

Beginning January 1, 2015, an individual would not have to pay more than a total of \$500 in fines and costs for violating one or more of the following in one or more courts and to obtain an operator's license: driving without a valid license or with a suspended or revoked license; driving without proof of insurance; or driving without mandatory no-fault coverages.

FISCAL IMPACT:

House Bill 5198 would have a negative fiscal impact on the state General Fund. It is anticipated that the provisions of this bill would have a net negative impact of \$22.4 - \$54.1 million annually. There are additional potential costs as described later. An explanation of this calculation follows.

Due to the limited data available on Driver Responsibility Fee (DRF) collections, it is difficult to predict with any certainty the fiscal impact of the provisions of the bill. However, using the information we do have, a low-and high-range outcome can be estimated. The range differences are due to the collection rate assumptions on the remaining DRFs collected and the DRFs eliminated under the provisions of the bill.

On the low-end, assuming a 40% collection rate, DRF collections would total an estimated \$44.0 million in the first full year after December 31, 2014. On the high-end, assuming a 60% collection rate, DRF collections would total an estimated \$67.3 million in the first full year after December 31, 2014. Considering average collection rates across all offense codes were 56% in 2011, it is estimated total DRF collections would be on the higher end of the range, but that is uncertain due to the lack of information on individual offense code collection rates. It is possible that the remaining offense codes have historically been collected at a lower rate than the average. Conversely, it is possible that they are collected at a higher rate. Both estimates include a reduced delinquent collection amount, based on collection rates and the percentage of outstanding delinquent funds collected annually, due to the provision allowing all delinquent payments and payment plans to stop once the December 31, 2014, date arrives.

Therefore, as compared to current law, with annual collections totaling approximately \$115.0 million, the provisions of the bill would reduce overall collections by \$47.7 - \$71.0 million in the first full year after enactment. However, all of that reduction should not be attributable to the provisions of House Bill 5198. Public Act 255 of 2011, which takes effect this October, eliminated DRFs for certain offense codes, which was projected to lower annual revenues by \$16.7 - \$25.1. Therefore, the provisions of this bill would have a net impact of \$22.4 - \$54.1 million.

Additionally, the bill includes certain provisions where a fiscal impact cannot be determined with any certainty:

- The bill would lead to reduced collections of driver reinstatement fees. The reduction would immediately go into effect due to the provision stating the Secretary of State shall not suspend for nonpayment. By eliminating driver license suspensions, driver reinstatement fee collections would fall.
- The suspension of the driver's license was presumably put in place to incentivize payment of the driver responsibility fee assessed. However, without that penalty, there is the possibility that collection rates across all remaining assessments would drop leading to lower revenues under the remaining assessments.
- Under the bill, a person could petition the court and the court could grant their petition to reinstate their license. The person could also petition the court to set aside any conviction for driving with suspended license if that license was suspended due to an unpaid driver responsibility fee. Any fiscal impact on the court system would depend on the number of petitions filed under the provisions of the bill.
- The bill would also cap the fines and costs at \$500 for committing certain listed offenses. This would diminish fine and cost revenue.

Legislative Analyst: Chris Couch
Fiscal Analyst: Ben Gielczyk

■ 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.