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BILL ANALYSIS

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Senate Bill 166 (Substitute H-8 as passed by the House)
Sponsor: Senator Bruce Caswell
Senate Committee: Appropriations
House Committee: Transportation

Date Completed: 11-10-11

CONTENT

The bill would amend the Michigan Vehicle Code to eliminate the following driver responsibility fees (DRFs) on or after October 1, 2012:

-- **The fee for driving with an expired license.**
-- **The fee for failing to produce proof of insurance.**
-- **The fee for failing to obtain no-fault insurance under the Insurance Code.**

The Vehicle Code requires the Secretary of State to assess a $150 driver responsibility fee each year for two consecutive years on an individual who has been found guilty of driving with an expired license. The Secretary of State must assess a $200 driver responsibility fee each year for two consecutive years on a licensed or unlicensed individual who has been found responsible for failing to produce proof of insurance upon request by a police officer, or found guilty of knowingly providing false evidence of insurance. The Secretary of State also must assess a fee of $200 for two consecutive years for the civil infraction of failing to obtain no-fault insurance under the Insurance Code.

Under the bill, a DRF could not be assessed or collected on or after October 1, 2012, for driving with an expired license, failing to produce proof of insurance, or the civil infraction of failing to obtain no-fault insurance.

Finally, the bill would change the distribution of the fees collected such that the first $8.5 million would be credited to the Fire Protection Fund and all additional funds would be credited to the General Fund. Currently, the first $65.0 million is credited to the General Fund, the next $3.5 million to the Fire Protection Fund, and any amount above $100.0 million up to $105.0 million also is credited to the Fire Protection Fund. Thus, if $105.0 million or more is collected annually in DRFs, a maximum of $8.5 million is credited to the Fire Protection Fund. All other fees collected are credited to the General Fund.

MCL 257.732a

FISCAL IMPACT

The bill would result in a revenue loss of approximately $23.6 million annually based on the first-year assessment data for driver responsibility fees in calendar year (CY) 2010.

The total amount of all driver responsibility fees assessed each year (including both first-year and second-year assessments) averages an estimated $220.0 million. The collection rate for these fees averaged 56.0% for CY 2010, meaning that the total amount of funds collected in 2010 was an estimated $123.2 million. Of those fees, all but $8.5 million is deposited into the State's General Fund. The remaining $8.5 million collected annually is deposited into the State's Fire Protection Fund, which disburses grants to local fire prevention programs.

Under the bill, the elimination of fees for driving with an expired license, failing to obtain no-fault insurance, and failing to produce proof of insurance would result in the loss of an estimated $23.6 million in revenue for the State annually.

Based on CY 2010 data, there were approximately 17,752 violations in 2010 for driving with an expired license, subject to the assessment of a $150 fee. With a collection rate of 56.0%, the revenue from this fee was an estimated $1.5 million for 2010 for the first year of assessment. There were approximately 8,553 violations annually for the civil infraction of failing to obtain no-fault insurance, subject to a $200 fee. The 56.0% collection rate yielded approximately $958,000 in revenue in 2010 for first year of assessment. Finally, there were approximately 82,676 violations in 2010 for failure to provide proof of insurance, subject to a $200 fee. Again, the collection rate of 56.0% yielded approximately $9.3 million in revenue for the first year of assessment.

The sum of the loss in revenue for the first-year assessments for the driver responsibility fees listed above is an estimated $11.8 million. Current law assesses driver responsibility fees for a two-year period. For that reason, the three fees affected by the bill would be assumed to be assessed for two years; thus, the actual loss in revenue to the State would be twice the amount listed above for the individual fees, or $23.6 million annually.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.