



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 633 (Substitute S-4) *(Senate-passed version)*
House Bill 5414 (Substitute S-2)
Sponsor: Senator Bruce Caswell (S.B. 633)
Representative Joe Haveman (H.B. 5414)
Senate Committee: Appropriations
House Committee: Appropriations

Date Completed: 6-11-14

CONTENT

The bills would amend the Michigan Vehicle Code to allow an individual to perform community service in lieu of paying a driver responsibility fee for certain violations, provide for reduced fees and eventually eliminate fees for certain violations, and revise the distribution of fee revenue.

Senate Bill 633 (S-4)

The bill would add Section 732b to the Code, which would provide that if an individual had been assessed a fee under Section 732a(2)(c) or (d), the individual could engage in 10 hours of community service in lieu of paying the fee.

(Under Section 732a(2)(c) and (d), through September 30, 2012, a person who had driven without a valid license, or failed to produce proof of vehicle insurance to a police officer, was responsible for a \$150 or \$200 fee, respectively, for two consecutive years. The fees could not be assessed after that date.)

"Community service" would mean engaging in a useful and productive activity without compensation for a person other than a family member, including an entity organized under Section 501(c)(3) of the Internal Revenue Code, and community service offered through the Michigan Community Service Commission.

To qualify for community service, the individual would have to obtain a community service form from the Secretary of State (SOS) or the Department of Treasury, complete the form, and submit it to the Department by December 31, 2015. Any community service would have to be completed within 45 days after the application was filed. If a person engaged in community service but failed to successfully complete it within the 45-day period, the SOS would have to suspend his or her driving privileges. The individual would be allowed only one opportunity to complete the community service as an alternative for each fee owed. For good cause shown, however, the SOS could allow an individual to withdraw from community service before the 45-day period expired, in which case it would not count against the one opportunity allowed to perform community service.

Upon receiving verification of an individual's successful completion of community service, the Department would have to waive the fee or any unpaid portion. The individual could request verification of successfully completing community service from the person with whom he or she engaged in community service.

A person who falsely verified community service, falsely requested community service verification, or submitted a community service form with knowledge that it was falsely verified, would be responsible for a State civil infraction and subject to a maximum fine of \$200.

The Secretary of State would have to make community service forms available to the public at all branch offices and on the SOS website, and provide the forms to the Department of Treasury.

If a person applied to the Department for community service, it would have to inform the Department of State that the individual intended to complete community service as an alternative to paying a driver responsibility fee. The SOS then would have to hold the fee in abeyance for 45 days. If the individual's license had been suspended for failure to pay the fee, the Department of State would have to reinstate the license, upon payment of a reinstatement fee.

The Treasury Department would have to notify the Department of State as to whether a fee was waived, or the 45-day period had expired and the fee was not waived. If the SOS were notified that the fee was not waived, the Department of State would have to enter that information into its records and suspend the individual's license.

The bill would be effective October 1, 2014, and is tie-barred to House Bill 5414.

House Bill 5414 (S-2)

Currently, the Secretary of State may authorize installment payments on driver responsibility fees that are assessed for various moving violations (described below), but the installment period may not exceed 24 months. If an individual fails to pay a driver responsibility fee within 30 days after the SOS mails notice of the assessment, his or her driving privileges are suspended. The bill would allow an individual to engage in community service under proposed Section 732b in lieu of paying a driver responsibility fee.

The Code requires the Secretary of State to assess a \$100 driver responsibility fee to an individual who accumulates seven or more points on his or her driving record within a two-year period, and a \$50 fee for each additional point.

Under the bill, the fee for this violation would have to be assessed at a reduced rate each year, until the fee was eliminated, as shown in Table 1 below. The bill also would provide for the same good cause exception as in Senate Bill 633 (S-4) for performing community service in lieu of paying fees for a driving record with seven or more points.

Table 1

| Beginning Date | Fee Rate |
|-----------------------|-----------------|
| October 1, 2015 | 75% |
| October 1, 2016 | 50% |
| October 1, 2018 | 25% |
| October 1, 2019 | No Fee |

The Code also provides for a \$1,000 driver responsibility fee for two consecutive years for a moving violation that involves any of following: manslaughter, negligent homicide, or a felony resulting from driving a motor vehicle, off-road vehicle, or snowmobile; a violation in a work zone or school bus zone involving at least three points and causing injury or death; a violation that results in death or serious impairment of a body function; failing to exercise caution for a roadside emergency vehicle resulting in death or injury to emergency personnel; or driving a motor vehicle while intoxicated.

In addition, the Code provides for a \$500 driver responsibility fee for two consecutive years for a violation that involves any of the following: driving while visibly impaired by alcohol, a Schedule 1 narcotic or other controlled substance, or another intoxicant; driving while under 21 years old and having any bodily alcohol content; driving while intoxicated with a passenger who is less than 16 years old; reckless or grossly negligent driving; driving without a license; permitting a vehicle to be driven by a person without a license; or failure to maintain auto-related insurance as required by law.

Under the bill, the fee for these violations would be assessed as shown in [Table 2](#).

Table 2

| Violation Date (on or after) | First Year Fee Rate | Second Year Fee Rate |
|---|--------------------------------|---------------------------------|
| October 1, 2015 | 100% | 50% |
| October 1, 2016 | 100% | No Fee |
| October 1, 2018 | 50% | No Fee |
| October 1, 2019 | No Fee | No Fee |

Currently, the Secretary of State must transmit collected driver responsibility fees to the State Treasurer. The Treasurer must credit the first \$8.5 million to the Fire Protection Fund and the remainder to the General Fund.

Under the bill, depending on the fiscal year, the fees would have to be credited as shown in [Table 3](#), [Table 4](#), or [Table 5](#).

Table 3: Fee Distribution for Fiscal Year 2014-15

| Recipient | Amount | Purpose (if applicable) |
|------------------------|--|------------------------------------|
| Fire Protection Fund | \$8.5 Million | |
| Department of Treasury | \$500,000 | Administration of Sec. 732b |
| Department of Treasury | \$50,000 | Providing Notice Under Sec. 732b |
| Department of State | Up to \$1.0 Million (limited by actual costs) | Administrative Expenses |
| General Fund | Remainder | |

Table 4: Fee Distribution for Fiscal Year 2015-16

| Recipient | Amount | Purpose (if applicable) |
|------------------------|--|------------------------------------|
| Fire Protection Fund | \$8.5 Million | |
| Department of Treasury | \$500,000 | Administration of Sec. 732b |
| Department of State | Up to \$1.0 Million (limited by actual costs) | Administrative Expenses |
| General Fund | Remainder | |

Table 5: Fee Distribution for Fiscal Year 2016-17 and Subsequent Years

| Recipient | Amount | Purpose (if applicable) |
|----------------------|--|------------------------------------|
| Fire Protection Fund | \$8.5 Million | |
| Department of State | Up to \$1.0 Million (limited by actual costs) | Administrative Expenses |
| General Fund | Remainder | |

The bill states, "It is the intent of the legislature that beginning with the fiscal year ending September 30, 2018, and each fiscal year after that, \$8,500,000.00 shall be appropriated to the fire protection fund created under subsection (8)."

The bill is tie-barred to Senate Bill 633.

Proposed MCL 257.732b (S.B. 633)
MCL 257.732a (H.B. 5414)

Legislative Analyst: Glenn Steffens

FISCAL IMPACT

The bills would have a significant fiscal impact on State revenue beginning with State fiscal year 2014-15. Senate Bill 633 (S-4) provides that if an individual had been assessed a driver responsibility fee (DRF) under Section 732a(2)(c) or (d), the individual could engage in 10 hours of community service in lieu of paying the fee. The amount of fees collected in FY 2012-13 for these offenses totaled \$23.9 million. If all those who paid a driver responsibility fee for these offenses decided to do community service in place of paying the fee, the loss in revenue to the State would be an estimated \$23.9 million beginning in FY 2014-15. Because these fees have been eliminated through previous legislation, this is the maximum estimated loss in revenue calculated using FY 2012-13 data. It is anticipated and assumed that the amount of revenue collected from these fees will go down over time; thus, the loss in revenue to the State from this provision over time also would decrease, although it is impossible to determine that amount.

House Bill 5414 (S-2) would phase in the elimination of all DRFs beginning on October 1, 2015 (as shown in Table 1 above). The total amount of fees collected for DRFs issued for the affected offenses for fiscal year 2012-13 totaled \$3.1 million. Because these fees have not yet been eliminated and because it is not possible to predict what future collections are likely to be, it is assumed for this analysis that the fees collected from these offenses total \$3.1 million each year.

Based on the proposed elimination of DRFs, the fiscal impact for FY 2015-16 would be an estimated loss in revenue to the State of \$775,000 (25% of \$3.1 million). The loss in revenue for FY 2016-17 and FY 2017-18 would be an estimated \$1.6 million each year. The estimated loss in revenue in FY 2018-19 would be \$2.3 million, while the total loss in revenue beginning in FY 2019-20 would be the full \$3.1 million. The \$3.1 million loss in revenue would continue in perpetuity.

Regarding the fees associated with Table 2 above, the loss in revenue is a little more complex. Because the collection data do not track what assessment is being collected, there are no data that tell how much of the revenue collected is for the first year of assessment, the second year of assessment, or a delinquent assessment. Driver responsibility fees are assessed over two consecutive years. As shown in Table 2, the assessed fees would differ depending on whether the assessment was for the first year or the second year.

The revenue collected in FY 2012-13 for the fees associated with Table 2 totaled approximately \$97.0 million. However, the first \$8.5 million of revenue collected is deposited into the State's Fire Protection Fund, which supports grants to local fire prevention programs. An additional \$7.0 million annually is paid to a third-party contractor that collects the DRFs on behalf of the State. Thus, an estimated net \$81.5 million is what remains to be deposited into the State's General Fund.

Again, because the majority of these fees have not yet been eliminated and because future collections cannot be predicted, it is assumed for this analysis that the annual fees collected from these offenses total \$97.0 million with a net total of \$81.5 million being deposited into the General Fund.

Following is the estimated loss to the State's General Fund each fiscal year based on the fees shown in Table 2:

2015-16: Because this would be the first year of any proposed changes and DRF collections would continue at 100%, there would be no revenue loss due to the legislation in FY 2015-16.

2016-17: This year, only half of the second-year assessments for the previous year would have to be paid, so the revenue loss is estimated at \$20.4 million: $\$81.5 \text{ million} / 2 = \$40.75 \text{ million} = 2^{\text{nd}}$ year assessment. Half of that second-year amount equals \$20.4 million. The first year of assessment for assessments issued after October 1, 2016, would be 100%; thus, no additional revenue loss would occur from the first year of assessment.

2017-18: This year would realize the full revenue loss from the second year of assessments, which are assumed to be \$40.75 million. Thus, the estimated loss in revenue for FY 2017-18 would be \$40.75 million. Because those in violation still would have to pay 100% of the first-year assessment, there would be no additional revenue loss from the first-year assessments in FY 2017-18.

2018-19: This year would begin the phase in which violators would pay only half of the first-year assessment and no second-year assessment. The estimated loss in revenue for FY 2018-19 would be \$20.4 million. Beginning in FY 2018-19, the second year of assessments would be eliminated; thus, there be no additional revenue loss from the second-year assessments in this year.

2019-20: In this year, all DRFs would be eliminated, resulting in the estimated loss in revenue of the full \$81.5 million.

In addition to the \$8.5 million that already goes to the Fire Protection Fund and the \$7.0 million for third-party contractors, House Bill 5414 (S-2) would require that the next \$1.55 million (in FY 2014-15, shown in [Table 3](#) above) of fee revenue be directed to the Departments of Treasury and State. A total of \$550,000 would go to the Department of Treasury: \$500,000 to cover costs associated with administering the collection of the DRFs and the community service program and an additional \$50,000 for the mailing of notifications to inform offenders that they qualified for community service. The remaining \$1.0 million would go to the Department of State to cover costs of administering the ignition interlock program. As a result, the General Fund would receive \$1.55 million less annually from DRFs than is currently received, based on the estimates above. The \$1.55 million figure would be adjusted for FY 2015-16 and FY 2016-17, as shown in [Table 4](#) and [Table 5](#) above.

Finally, any revenue from the proposed State civil infraction under Senate Bill 633 (S-4) would be distributed to public libraries. The amount of any fine revenue is unknown.

Fiscal Analyst: Joe Carrasco

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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.