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

BILL ANALYSIS

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

House Bill 5040 (Substitute H-1 as reported without amendment)
House Bill 5041 (Substitute H-1 as reported without amendment)
House Bill 5042 (Substitute H-1 as reported without amendment)
House Bill 5043 (as reported without amendment)
House Bill 5044 (Substitute H-1 as reported without amendment)
House Bill 5045 (Substitute H-1 as reported without amendment)
House Bill 5046 (Substitute S-1 as reported)
House Bill 5079 (Substitute H-1 as reported without amendment)
House Bill 5080 (Substitute H-1 as reported without amendment)
Sponsor: Representative Lee Chatfield (H.B. 5040)
Representative Sylvia A. Santana (H.B. 5041)
Representative Leslie Love (H.B. 5042)
Representative Roger Hauck (H.B. 5043)
Representative Joseph N. Bellino, Jr. (H.B. 5044)
Representative Phil Phelps (H.B. 5045)
Representative Steve Marino (H.B. 5046)
Representative Daire Rendon (H.B. 5079)
Representative Jewell Jones (H.B. 5080)
House Committee: Michigan Competitiveness
Senate Committee: Michigan Competitiveness

CONTENT

All of the bills, except House Bill 5045 (H-1), would amend the Michigan Vehicle Code to discontinue the assessment and collection of driver responsibility fees (DRFs) on October 1, 2018, as follows:

House Bill 5040 (H-1) provides that, beginning September 30, 2018, a DRF that had been assessed could not be collected; an individual would not be liable for an outstanding DRF or responsible for completing community service; and an individual whose driving privileges were suspended for unpaid DRFs could reinstate his or her operator's license if the individual were otherwise in compliance with the Code.

House Bill 5041 (H-1) would require the Department of Treasury to educate individuals whose DRF obligations were affected by changes made to the law on the bill's effective date. The bill also would appropriate $160,000 to the Department for fiscal year 2017-18 to implement and administer this requirement.

House Bill 5042 (H-1) would amend provisions that allow a person to engage in 10 hours of community service instead of paying the DRF, to reflect the provisions of House Bill 5040 (H-1) regarding completion of community service.

House Bill 5043 provides that, concerning an individual who had entered into an installment payment plan, any outstanding DRF or installment payment could not be collected; the individual would not be liable for any outstanding DRF; and, if the individual's driving privileges had been suspended, the individual could reinstate his or her operator's license if he or she were otherwise in compliance with the Code. The bill would take effect 90 days after being enacted.

House Bill 5044 (H-1) would discontinue the assessment of DRFs beginning October 1, 2018, rather than October 1, 2019.

House Bill 5045 (H-1) would amend the Enhanced Driver License and Enhanced Official State Personal Identification Card Act to delete the assessment of DRFs from licensing sanctions that may be imposed on the holder of an enhanced driver license.

House Bill 5046 (S-1) would waive the DRFs for a person whose participation in a DWI/sobriety court program was successfully completed on or after October 1, 2018.

House Bill 5079 (H-1) would prohibit the assessment of DRFs, beginning on the bill's effective date, for driving with a suspended or revoked license, or driving without the required insurance coverage. The bill also would allow an individual to engage in 10 hours of community service or workforce training as an alternative to paying a DRF for either of those violations. The bill would take effect 90 days after being enacted.

House Bill 5080 (H-1) would require the Department of Treasury to create and administer a workforce training payment program. The bill would take effect 30 days after being enacted.

MCL 257.732a (H.B. 5040)
Proposed MCL 257.732d (H.B. 5041)
MCL 257.732b (H.B. 5042)
257.732a (H.B. 5043)
257.732a (H.B. 5044)
28.304 (H.B. 5045)
257.304 (H.B. 5046)
257.732a (H.B. 5079)
Proposed MCL 257.732c (H.B. 5080)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

House Bills 5040 (H-1) through 5046 (S-1) would eliminate the assessment and collection of all driver responsibility fees beginning October 1, 2018. Additionally, drivers would no longer be liable for the fee or required to complete community service in place of paying the DRF. All individuals whose driving privileges had been suspended for nonpayment of DRFs would become eligible for reinstatement of their driver license if they were otherwise in compliance with the Vehicle Code. The elimination of the assessment and collection of DRF fees beginning October 1, 2018, would result in the loss of GF/GP revenue to the State of an estimated $20.6 million in fiscal year (FY) 2017-18; $26.0 million in FY 2018-19; and $10.0 million in FY 2019-20. Additionally, beginning in FY 2018-19 the funds for the $8.5 million deposit into the Fire Protection Fund would no longer be available.

According to the Department of Treasury, an estimated 317,000 drivers currently owe driver responsibility fees to the State and are in default. Based on the data, the outstanding DRF collectable at the end of FY 2016-17 totaled an estimated $630.3 million.

The most recent estimates show that almost 201,000 assessments were issued in FY 2015-16, totaling $106.9 million in DRFs assessed for FY 2015-16. Additionally, an estimated 15,000 individuals have chosen to complete community service in lieu of paying the DRF, resulting in the forgiveness of an estimated $2.0 million annually. The history of collections indicates that payments received in a given fiscal year come primarily from current assessments and those assessed within the past two years of that fiscal year, with an average collection rate of 55% for all DRF debt since the fees began in 2003, meaning that of all DRFs assessed, about 55% of that debt is eventually paid and collected.

Based on those estimates, the January 2018 Consensus Revenue Estimating Conference estimated the amount of DRF revenue to be collected in FY 2016-17 at $65.5 million. The amount of collections was estimated at $44.8 million in FY 2017-18; $26.0 million in FY 2018-19; and $10.0 million in FY 2019-20. Current law requires the first $8.5 million of collections to be deposited into the Fire Protection Fund to provide grants to local units of government (as discussed below). Thus, under current law, the amount of DRF revenue deposited into the State's General Fund in FY 2017-18 would be an estimated $36.3 million.

Due to the eventual elimination of the DRFs on October 1, 2018, the amount of the fees assessed and collected between the bills' enactment and October 1, 2018, that would actually be paid is indeterminate. According to the data from the Department of Treasury, current revenue collected from DRFs primarily consists of collections from people who receive a DRF and pay the total within 90 days, people who enter into a payment plan (representing an estimated $20.0 million in FY 2016-17), and offsets captured from State income tax refunds or other payments to pay off old DRF debt (an estimated $19.0 million in FY 2016-17).

Based on these figures and the best estimate of how much revenue would go uncollected as people simply waited until October 1, 2018, when all DRF fees would be forgiven, it is estimated that the loss in revenue for FY 2017-18 would be $20.6 million. This figure (based on the full 12 months of a fiscal year) is derived from an estimated $8.2 million decrease that would go uncollected from new fees assessed between the bills' enactment and October 1, 2018; $2.0 million in lost revenue that would be forgiven from those choosing to do community service; and an estimated $20.6 million in lost revenue from payment plans entered into after the bills were enacted. (Please note that the estimated revenue loss of $20.6 million in FY 2017-18 is based on the assumption that one-third of the fiscal year has passed; thus, the full-year figures noted above are adjusted for the remaining two-thirds of the fiscal year.)

Based on January 2018 Consensus Revenue Estimating Conference figures and Department of Treasury estimates, the amount of revenue estimated to be collected under current law is $26.0 million in FY 2018-19 (after which no new DRFs may be assessed) and $10.0 million in FY 2019-20. From those amounts, the first $8.5 million would go for Fire Protection Grants, the next $1.0 million to the Department of State, and the remainder to the General Fund. Beginning in FY 2018-19, no funds would be available to make the deposit into the Fire Protection Fund or for the Department of State.

Beginning in FY 2018-19, the Department of State would lose the current $1.0 million annual appropriation from the DRFs collected by the Department uses for costs associated with administering the Breath Alcohol Ignition Interlock Device (BAIID) program. While the Department has spent nearly the full $1.0 million each year, it has indicated that the costs are decreasing and could be absorbed within the Department's annually appropriated budget.

Additionally, the Departments of State, Transportation, and State Police, and the Judiciary would see an increase in revenue from the reinstatement fee of $125 charged to each person who would become eligible to reinstate his or her driver license and did so. The amount of revenue would depend how many of the estimated 317,000 individuals who are currently in default in DRF payments and have had their license revoked would be eligible to reinstate their license. House Bill 5043 would allow a person in a repayment plan, prior to the bill's effective date, to have his or her driver license reinstated upon the bill's effective date if the person were otherwise in compliance with the Michigan Vehicle Code. If half of those 317,000 became eligible to reinstate their driver license, and did so, the amount of revenue generated from the $125 reinstatement fee would total an estimated $19.8 million. Based on the current-law distribution of those fees, the Department of State would receive an estimated $7.9 million; the Department of Transportation would receive an estimated $5.5 million; the Judiciary would receive an estimated $4.8 million; and the Michigan State Police would receive an estimated $1.6 million. The table below shows the distribution of the $125 fee to the Departments of State, Transportation, and State Police, and the Judiciary.

Distribution of Revenue from the $125 Driver License Reinstatement Fee			
Department	**Amount Received**	**Fund into which Deposited**	**Description of Use of Funds**
State	$50	Reinstatement Fees	Supports various activities in the Dept. of State
Transportation	$35	Economic Development Fund	Funds highway, road, and street projects resulting from economic development
Judiciary	$30	Drunk Driving Fund	Funds the drunk driving case-flow program to assist trial courts in the disposition of drunk driving cases
State Police	$10	Drunk Driving Prevention and Training Fund	Supports the purchase and maintenance of breath-alcohol testing equipment and training on its use

As noted above, under current law, the first $8.5 million in revenue collected from DRFs is deposited into the Fire Protection Fund created in the State Treasury. The money in the Fund is spent via fire protection grants to cities, villages, and townships with State-owned facilities for fire services. Beginning in FY 2018-19 there would no longer be any funding available for the deposit of $8.5 million into the Fire Protection Fund. Although a provision in the Vehicle Code states legislative intent to appropriate $8.5 million annually to the Fire Protection Fund, unless the revenue was replaced with another revenue stream or General Fund/General Purpose dollars, those grants to local units of government would be eliminated.

House Bill 5041 (H-1) would increase State costs by at least the $160,000 appropriation required by the bill, plus any other costs incurred by departments to educate affected drivers.

The bills would have no fiscal impact on local units of government.

House Bills 5079 (H-1) and 5080 (H-1) would result in additional costs to the State and Workforce Training Programs. The Department of Treasury would experience administrative costs associated with implementing a workforce training payment program that would work with various local providers to allow individuals to participate in 10 hours of workforce training as an alternative to payment of the driver responsibility fee.

Local workforce training program providers would experience costs associated with training individuals who chose workforce training as an alternative to DRF payments. The bills do not specify how these providers would be compensated for the additional expenses. Providers that base revenue from Temporary Assistance for Needy Families, Federal Workforce Training, or other funding sources on a per-trainee basis would receive additional revenue to cover those expenses. Though an exact number of the individuals who would decide on the workforce training option is difficult to estimate, it is likely to be similar to the percentage of individuals who enter into payment plans or choose community service.

Date Completed: 2-1-18

Fiscal Analyst: Joe Carrasco
Kathryn Summers

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