

DRIVER RESPONSIBILITY FEES

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Senate Bill 166 (Substitute H-5)

Sponsor: Sen. Bruce Caswell

House Committee: Transportation

Senate Committee: Appropriations

Complete to 11-2-11

A SUMMARY OF SENATE BILL 166 AS REPORTED FROM HOUSE 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. Senate Bill 166 would amend the section of the Vehicle Code dealing with those fees (MCL 257.732a) to do the following:

Fees Being Eliminated

The driver responsibility fees being eliminated as of October 1, 2012, are:

- The \$150 fee per year for two consecutive years for operating a motor vehicle with an expired operator's or chauffer's license.
- The \$200 fee for two consecutive years for a civil infraction violation for failing to have mandatory motor vehicle insurance coverages.

Fee Being Reduced

- The \$200 fee per year for two consecutive years would instead be reduced to \$140 per year for two consecutive years for failure to produce proof of insurance, or knowingly providing false evidence of insurance.

Fees Remaining in Place

- The \$1,000 fee per year for two consecutive years for a variety of serious offenses 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 for a variety of alcohol-related and controlled substance violations and reckless driving. (See the later description of which offenses this fee applies to.)
- The \$500 fee per year for two consecutive years for misdemeanor violations of the Insurance Code (failure to have required insurance coverage).

-- The \$150 fee per year for two consecutive years for operating without a valid license, having more than once license, or failing to surrender licenses from other states under Section 301 of the Vehicle Code.

Fire Protection Fund

The bill would also amend the statute to indicate that the first \$8.5 million collected would be deposited in the Fire Protection Fund.

DETAILED EXPLANATION:

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.

There is currently a **\$500 driver responsibility fee** assessed each year for two consecutive years for certain violations. 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.
- Misdemeanor violations of the Insurance Code for failure to have mandatory vehicle insurance.

FISCAL IMPACT:

Driver Responsibility Fee Overview

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 2009-10, approximately \$114.8 million in net revenue was generated through the collection of Driver Responsibility Fees after collection costs. Of the \$114.8 million in revenue, \$106.3 million was deposited into the State General Fund and \$8.5 million in funding was dedicated for Fire Protection Grants. According to the May Consensus Revenue Estimating Conference, general fund revenue projections for Driver Responsibility Fee collections were \$108.0 million for both FY 2010-11 and FY 2011-12.

While the overall collection rate since the inception of the Driver Responsibility Fee program has averaged approximately 50 percent, the FY 2009-10 collection rate was 56 percent.

Senate Bill 166 (H-5) Analysis

The provisions of Senate Bill 166 would reduce revenue to the State General Fund by an indeterminate amount by eliminating specified Driver Responsibility Fee assessments for certain assessment categories beginning October 1, 2012. Specifically, the bill eliminates or changes the following driver responsibility fee assessments:

- Eliminates the \$150 assessment for driving with an expired license.
- Eliminates the \$200 assessment for having no insurance (civil infraction).
- Reduces the assessment for having no proof of insurance from \$200 to \$140.

Under this analysis, three collection rate scenarios are provided. The assumption for the low-end scenario is an assessment collection rate of 40 percent. The assumption for the middle scenario is an assessment collection rate of 50 percent. Lastly, the assumption for the high-end scenario is an assessment collection rate of 60 percent. The various scenarios are provided due to the lack of data collected on driver responsibility fee collection rates. Specifically, despite having data on the overall collection rate for driver responsibility fees, collection rates for specific offenses are not available.

Based on the most recent data available (FY 2009-10), estimated revenue loss under SB 166 ranges from a low-end scenario of \$3.2 million to a high-end scenario of \$4.7 million

in the first year after enactment. The following table provides a breakdown of the individual assessment category and the estimate of first year revenue loss under each of the three assessment collection rate scenarios:

<u>Assessment Category</u>	<u>Collection Rate</u>		
	40%	50%	60%
Driving With Expired License	\$481,900	\$602,300	\$722,800
No Proof of Insurance	1,984,200	2,480,300	2,976,300
Failure to have Insurance	684,200	855,300	1,026,400
TOTAL	\$3,150,300	\$3,937,900	\$4,725,500

Beginning in the second year after the effective date of the bill, the revenue loss would rise to a range of \$6.3 million to \$9.45 million annually due to the fact that driver responsibility fees are assessed for two years for each assessment category. Revenue losses would then hold relatively steady, all else remaining equal.

It should be noted that revenue losses may increase from these estimates in future years due a decrease in delinquent assessment collections. By eliminating or reducing certain assessments, the amounts that could potentially be collected, albeit delinquently, would also be reduced. However, an annual estimate is not possible given the amount of data available.

Finally, the bill would amend statute to indicate that the first \$8.5 million collected would be deposited in the Fire Protection Fund. This change would ensure that the Fire Protection Fund would continue to receive \$8.5 million on an annual basis from the collection of the driver responsibility fees. The General Fund would realize a loss of revenues to the extent that funds formerly being deposited in the General Fund would now be deposited in the Fire Protection Fund. The fiscal impact on the General Fund is indeterminate due to a lack of sufficient collection data. However, under the range of revenue loss scenarios listed above, there would be no additional impact on the General Fund due to this statutory change.

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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.