

Fiscal Estimate Narratives

DOT 4/24/2006

LRB Number	05-4018/1	Introduction Number	SB-684	Estimate Type	Original
Description Compulsory financial responsibility for the operation of motor vehicles, granting rule-making authority, and providing a penalty					

Assumptions Used in Arriving at Fiscal Estimate

BILL SUMMARY

- Prohibits operation of a motor vehicle unless the owner or operator has a motor vehicle liability insurance policy or bond for the motor vehicle. Persons violating this provision could be fined up to \$500. This forfeiture would be subject to surcharges and fees.
- Requires proof of motor vehicle liability insurance policy or bond to be carried at all times while operating a motor vehicle. Persons violating this provision would be fined \$10. This is exempt from surcharges and fees.
- Prohibits law enforcement from stopping or inspecting a vehicle solely to determine financial responsibility (secondary enforcement).
- Requires department to include information with every operator's license issued that financial responsibility is required to operate a motor vehicle.

ASSUMPTIONS

- The Department will not issue the proof of insurance for carrying in the vehicle, it will be issued by insurance companies. The format will be prescribed by DOT Rule, using the national standard for insurance identification cards.
- All persons who currently have insurance carry proof of insurance in their possession.
- 12.6% of people involved with reportable accidents in 2003 were not insured.
- 25% of persons who are cited for not having a liability insurance or bond will get a policy within 5 days. Their citations will be amended to no proof of insurance.
- Base forfeiture for not having insurance is assumed to be \$100. With surcharges and penalties, the total forfeiture would be \$249.
- Failure to pay withdrawal cases will not increase significantly because the secondary conviction will be part of the failure to pay forfeiture case for the primary conviction.

COST SUMMARY:

One-time Costs:

\$42,500 for data processing work to develop a charge code for financial responsibility citations

Ongoing Costs:

\$60,316 salary/fringe to process additional citations and distribute financial responsibility brochures at field stations to all driver license applicants.

\$31,746 for brochure to hand out to all driver license applicants that includes requirements and penalties for financial responsibility law.

Ongoing Local Revenues:

\$15,850,988 annually from forfeiture, surcharges and fees related to financial responsibility convictions.

BASIS FOR CONCLUSION:

One-time costs:

50 days data processing work to develop a charge code * \$850 per day = \$42,500
(\$600 contract programmer, plus \$250 computer processing charges)

Ongoing costs:

111,675 additional citations per year would result from this bill. This bill prohibits officers from stopping vehicles solely to determine if they have insurance. As such, citations would come from two sources: persons who are stopped because they are violating other traffic laws, or persons involved in a traffic crash

who do not have insurance, and are not cited for other reasons.

769,765 citations were issued in 2003 from primary enforcement
12.6% of persons involved in an accident in 2003 were not insured
 $769,764 * 12.6\% = 96,990$

208,127 vehicles were involved in reportable crashes in 2003.
12.6% of persons involved in an accident in 2003 were not insured
 $208,127 * 12.6\% = 26,224$

56% of these uninsured persons did not receive a citation for other reasons, but would be cited under this bill
 $26,224 * 56\% = 14,685$

$96,990$ (primary enforcement stops) + $14,685$ (uninsureds involved in a crash not previously cited) =
 $111,675$ total new financial responsibility citations

DMV processed 1,269,829 driver-licensing transactions in 2004. All of these transactions would incur additional time to distribute brochure on financial responsibility law (estimated at 3 seconds per transaction).

FTE Costs:

$111,675$ citations * 1.0 minute per citation / 60 minutes per hour = 1,861 hours
 $1,861 / 1725$ hours per FTE = 1.1 FTE to process citations

$1,269,829$ transactions * 3 seconds / 60 seconds per minute / 60 minutes per hour = 1,058 hours
 $1,058$ hours / 1725 hours per FTE = .6 FTE

1.1 FTE (process citations) + .6 FTE (distribute brochures) = 1.7 FTE
1.7 FTE * \$35,480 salary/fringe for a Transportation Customer Representative 2 = \$60,316

Supply Costs:

$1,269,829$ driver licensing transactions * \$0.025 per brochure = \$31,746

INCREASED LOCAL REVENUE

111,675 additional citations

25% will get insurance in 5 days, and will be convicted of no proof of insurance.
 $111,675 * 25\% = 27,919$
 $27,919 * \$10$ fine = \$279,190

75% will be convicted of not having insurance
 $111,675 * 75\% = 83,756$
 $83,756 * \$249 = \$20,855,461$

Total Revenue = \$279,190 + \$20,855,461 = \$21,134,651
Less 25% non-payment rate = \$21,134,651 * 75% = \$15,850,988 revenue collected

It should be noted that this revenue is split between county, common school fund, and various courts and governmental units for surcharges and other assessments.

Long-Range Fiscal Implications

See above

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-4018/1		Introduction Number SB-684	
Description Compulsory financial responsibility for the operation of motor vehicles, granting rule-making authority, and providing a penalty			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): \$42,500 to develop a charge code for financial responsibility citations			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$60,316	
(FTE Position Changes)		(1.7 FTE)	
State Operations - Other Costs		31,746	
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$92,062	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S		92,062	
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$92,062	\$
NET CHANGE IN REVENUE		\$	\$15,850,988
Agency/Prepared By		Authorized Signature	
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		Date	
		4/21/2006	