

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6595

BILL NUMBER: HB 1199

NOTE PREPARED: Apr 12, 2021

BILL AMENDED: Apr 8, 2021

SUBJECT: Driving Privileges.

FIRST AUTHOR: Rep. McNamara

FIRST SPONSOR: Sen. Messmer

BILL STATUS: Enrolled

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

- (1) Provides that the Bureau of Motor Vehicles (BMV) shall stay a suspension of a person's driving privileges, and terminate that suspension, upon a showing of proof of future financial responsibility, and provides that an individual whose suspension has been terminated because the individual submitted proof of future financial responsibility is not required to pay a reinstatement fee.
- (2) Requires that the BMV terminate a suspension of a person's driving privileges if the BMV does not receive proof that financial responsibility is not in effect after 180 days.
- (3) Provides that a suspension may be stayed and then terminated if a person fails to pay the judgment.
- (4) Provides that a warrant may be issued for failing to appear in a traffic violation case if the charge is a misdemeanor or a felony.
- (5) Provides that a person whose support obligation is enforced by the Title IV-D agency may have the obligor's driving privileges reinstated.
- (6) Provides that the BMV shall place in forbearance license reinstatement fees of individuals who: (a) are nonviolent offenders; (b) have completed a criminal sentence or are serving terms of probation or parole; and (c) are enrolled in job training or maintain consistent employment for at least three years following completion of job training.
- (7) Provides that the BMV shall waive all reinstatement fees and reinstate the driving privileges of an individual who has had reinstatement fees placed in forbearance after the individual maintains consistent employment for at least three years.
- (8) Provides that the BMV, in collaboration with the Department of Correction, shall administer programs and activities to facilitate the reinstatement of driving privileges for convicted offenders not later than July 1, 2021.

(9) Extends the traffic amnesty program for one year to permit certain persons owing unpaid traffic fines, or who may be required to pay a fee for reinstatement of driving privileges, to obtain a reduction in the amount owed or amount payable.

Effective Date: July 1, 2021.

Explanation of State Expenditures: This bill requires the BMV to (1) process requests for license suspension stays depending on the number of individuals who obtain SR 22 insurance coverage as required by the bill and (2) process license reinstatement forbearance application requests. Additionally, the bill requires the BMV and the Department of Correction (DOC) to work together for the purposes of reinstating the driving privileges of convicted offenders.

The bill's requirements represent an additional workload [and/or expenditure] on the BMV and the DOC, and existing staffing and resource levels, if currently being used to capacity, may be insufficient for full implementation. The additional funds and resources required could be supplied through existing staff and resources currently being used in another program or with new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

Explanation of State Revenues: Summary - This bill could have several impacts to state revenue. The bill could decrease revenue the Financial Responsibility Compliance Verification Fund and State Highway Fund (by way of the Motor Vehicle Highway Account) receive from license reinstatement fees. Estimated annual decreases to these funds could be a *maximum* of \$12.9 M; \$7.7 M to the Financial Responsibility Compliance Verification Fund and \$5.2 M to the State Highway Fund. Extending the traffic amnesty program could offset revenue losses to the State Highway Fund and increase revenue to the BMV Commission Fund, however any revenue from amnesty is expected to be minimal.

The bill could also increase General Fund revenue to the extent more individuals purchase SR-22 insurance policies to comply with the requirements of the bill. The bill could also decrease the number of criminal violations for operating a motor vehicle with a suspended license.

Additional Information - The bill allows individuals with certain license suspensions to request a stay of their suspension period and, in certain instances, waives reinstatement fees under the condition these individuals obtain and provide proof they have long-term financial responsibility policies in effect (SR-22 insurance policies).

The bill also creates a forbearance program for individuals who meet eligibility criteria. The number of individuals who have had their driving privileges suspended for failing to maintain financial responsibility policies on their vehicles, and meet the other requirements of the bill are expected to be very small. The BMV reports the agency has no way to track which individuals have had their license suspended for failing to maintain financial responsibility and are also nonviolent offenders who meet the other requirements of the bill for reinstatement fee forbearance.

Effect on Reinstatement Fees: This bill will affect individuals who both previously had, and will have, their driving privileges suspended as a result of failure to maintain financial responsibility. The state will not experience revenue losses from individuals with outstanding license suspensions since it is assumed the reinstatement fees were cost prohibitive for this population. For those individuals who otherwise would have

requested license reinstatement, the state will experience revenue losses from fees they would have annually paid to the BMV.

The current fees paid to have a driver’s license reinstated after suspension (along with the amount that is forwarded to the Financial Responsibility Compliance Verification Fund) for failure to maintain financial responsibility are included in the following table. Revenue forwarded to the Motor Vehicle Highway Account (MVHA) has a formulaic suballocation to the State Highway Fund (INDOT) and local units of government.

Suspension	Total Fee	MVHA	Financial Responsibility Compliance Verification Fund
First Occurrence	\$250	\$130	\$120
Second Occurrence	\$500	\$305	\$195
Third or Subsequent Occurrence	\$1,000	\$730	\$270

Between FY 2016 and FY 2020, the BMV received an average of \$16.1 M in annual revenue from license and reinstatement fees. Of this amount, an average of (1) \$7.7 M was deposited into the Financial Responsibility Compliance Verification Fund, (2) \$5.2 M was deposited into the State Highway Fund, and (3) \$3.2 M was forwarded to local units of government, annually from reinstatement fees. It is unknown how much of this annual revenue will be impacted by the bill; however, revenue losses are estimated to be a *maximum* of \$16.1 M per year, affecting the Financial Responsibility Compliance Verification Fund, State Highway Fund, and local units of government.

[For FY 2020, the State Highway Fund received approximately \$818.2 M from the MVHA. Revenue deposited into the State Highway Fund from reinstatement fees accounts for 0.6% of total state distributions from the MVHA.]

The main funding source for the Financial Responsibility Compliance Verification Fund comes from reinstatement fees. Revenue reductions to the Fund stemming from the bill would impact the BMV’s work in verifying if motorists have policies of financial responsibility in place. Decreases in reinstatement fee revenue could require the BMV to utilize BMV Commission Funds to make up any associated revenue loss or perform less verification requests. As of November 2020, the Financial Responsibility Compliance Verification Fund has a fund balance of approximately \$8.2 M and Fund expenses for FY 2020 totaled approximately \$5.9 M.

Amnesty Extension: The BMV reports that through late November 2020, a total of 44 applications for amnesty were received by courts in the state. Total revenue from reduced reinstatement fees under the amnesty program were reported to be \$4,005. Of these 44 applications, 34 licenses are still suspended for various reasons. Revenue received from amnesty does not have a fund designation in statute. Currently the BMV splits amnesty revenue between the BMV Commission Fund and the MVHA. Extending the amnesty program for an additional year during FY 2022 is expected to have a minimal impact on state revenue received from amnesty reinstatement fees.

Insurance Premium Tax: If this bill increases the number of SR-22 insurance plans purchased in the state, the state could receive additional revenue from either the insurance premium tax or the adjusted gross income (AGI) tax collected on domestic insurers. Any increase in General Fund revenue is indeterminable, but expected to be minor.

Penalty Provision: Offenses related to suspended licenses are punishable as Class C misdemeanors. To the extent this bill decreases the number of individuals with suspended licenses, the bill could potentially decrease the number of individuals who commit Class C misdemeanors. If additional court cases occur and fines are collected, revenue to both the Common School Fund (from fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class C misdemeanor is \$500. However, any additional revenue would likely be small.

Explanation of Local Expenditures: The bill removes the ability for courts to issue arrest warrants for individuals who fail to appear before a court for traffic violations that are not misdemeanor or felony offenses. As a result, local jails would house less individuals as they await court hearings.

Additionally, to the extent the bill decreases offenses related to suspended licenses, local jails will experience decreases in incarceration costs to house less offenders. A Class C misdemeanor is punishable by up to 60 days in jail.

Explanation of Local Revenues: *Penalty Provision:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, any change in revenue would likely be small.

MVHA Revenue: Decreases in revenue deposited into the MVHA would impact revenue local units of government receive from the local MVHA distribution formula. Local units of government receive approximately 38% of revenue deposited in the MVHA for use in construction and maintenance of local transportation infrastructure. The bill's estimated revenue loss to local units of government could be a *maximum* of \$3.2 M per year from MVHA losses.

[For FY 2020, local units of government received approximately \$501.5 M from local distributions from the MVHA. Revenue local units of government received from the local share of reinstatement fees accounts for 0.6% of total revenue distributions to local units from the MVHA.]

State Agencies Affected: BMV; INDOT; DOC.

Local Agencies Affected: Trial courts, local law enforcement agencies, MVHA recipients.

Information Sources: Tamytha Cooper, BMV; Auditor's Data.

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