



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill # HB0249

Title: Revise requirements for self-insuring motor vehicles

Primary Sponsor: Ward, John

Status: As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$1,513,911	\$1,394,693	\$1,381,293	\$1,420,482
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance	<u>(\$1,513,911)</u>	<u>(\$1,394,693)</u>	<u>(\$1,381,293)</u>	<u>(\$1,420,482)</u>

Description of Fiscal Impact:

The bill revises requirements for self insuring motor vehicles. An estimated 50,000 to 100,000 people may apply for self-insurance certificates. The Department of Justice will require an additional 26.00 FTE to administer, assess, and monitor insurance compliance.

FISCAL ANALYSIS

Assumptions:

Department of Justice – Motor Vehicle Division

1. An estimated 50,000 to 100,000 people may apply. Individuals would make application annually for a certificate of self-insurance, providing proof of ability to pay judgments.
2. 25.00 FTE will be required to administer the program including: 1.00 FTE supervisor; 1.00 FTE insurance risk analyst; 2.00 FTE compliance auditors; 1.00 FTE lead worker, and; 20.00 FTE technical certification specialists/claims auditors. Authorized FTE salaries and benefits for FY 2008 would be 18.75 FTE / \$695,417 due to the October 1, 2007 effective date. 25.00 FTE salaries and benefits estimated for FY 2009 is \$955,040; FY 2010 is \$983,690; and FY 2011 is \$1,013,202.

3. One-time-only purchase of a symposium call center estimated at \$100,000 would be necessary in FY 2008 to manage the customer services contacts that would be generated by this program.
4. Start-up costs estimated for new employee office packages are (25 x \$1,375 = \$34,375); personal computers (25 x \$1,400 = \$35,000); and laptops (5 x \$2,200 = \$11,000).
5. Operating costs for network communications, phones, postage, supplies, printing, etc. are estimated at \$104,313 in FY 2008, \$143,256 in FY 2009, \$147,554 in FY 2010, and \$151,980 in FY 2011.
6. Operating expenditures would also include non-Department of Administration rental space in Helena for 18.75 FTE for \$123,750 in FY 2008; 25 FTE for \$169,950 in FY 2009; \$175,049 in FY 2010; and \$180,300 in FY 2011. (25 FTE x 300 square feet per FTE x \$22 per square foot = \$165,000/yr x .75 year = \$123,750 in FY 2008. Non-DOA Rent would increase 3 percent in subsequent years -- \$165,000 x 3% = \$169,950 in FY 2009 x 3% = \$175,049; in FY 2010 x 3% = \$180,300 in FY 2011.
7. Additionally, handling of contested cases will require hearings and legal services to resolve. Assuming an average cost of \$1,500 for each contested hearing/legal case with 20 contested hearings/legal cases in FY 2008 and 50 in each year for FY 2009, FY 2010, and FY 2011, operating costs would increase an estimated \$30,000 in FY 2008 and \$75,000 in FY 2009, FY 2010, and FY 2011.

Department of Justice – Information Technology Services Division

8. To support the requirements of this bill, 4 blade servers with MS-SGL licenses will be needed totaling \$88,000.00 (\$22,000.00/server x 4 servers).
9. One project manager and two program developers will be required to gather requirements, design, develop, test, and implement the database costing \$250,000.00 Operating Expense (contracted services) (1 Program Manager + 2 Developers - \$125,000.00 + \$62,500 x 2 = \$250,000.00).
10. An additional 1.00 FTE (LAN Manager) will be required to support the additional MVD staff needed in supporting the requirements of this bill. Personal services of \$36,506 in FY 2008 based on a Oct 1, 2007 effective date and \$48,672 in FY 2009.
11. Operating expenses to support the additional FTE will include: New employee office package \$1,375 in FY 2008. Computer \$1,400 in FY 2008. Operating expense including office supplies, active directory connection, etc. \$2,775 for FY 2008 and FY 2009.

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
Department of Justice				
FTE	19.50	26.00	26.00	26.00
<u>Expenditures:</u>				
Personal Services	\$731,923	\$1,003,712	\$1,033,822	\$1,064,838
Operating Expenses	\$693,988	\$390,981	\$347,471	\$355,644
Equipment	\$88,000	\$0	\$0	\$0
TOTAL Expenditures	<u>\$1,513,911</u>	<u>\$1,394,693</u>	<u>\$1,381,293</u>	<u>\$1,420,482</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	<u>\$1,513,911</u>	<u>\$1,394,693</u>	<u>\$1,381,293</u>	<u>\$1,420,482</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$1,513,911)	(\$1,394,693)	(\$1,381,293)	(\$1,420,482)

Effect on County or Other Local Revenues or Expenditures:

1. Local legal jurisdictions may see a significant increase in the number of cases presented for judgment which would increase filing fees and expenditures.

Long-Range Impacts:

1. The potential risk may be significant for individuals and the state if the ability of an individual issued a certificate of self-insurance to pay a judgment would change reducing the assets available to satisfy any judgments or a certificate were issued incorrectly.

Technical Notes:

1. The definition and standards for “ability to pay” that this bill states will qualify an individual for a certificate of self-insurance issued by the department are unclear.
2. Additionally, it is unclear whether an applicant who has been issued a certificate of self-insurance by the department would be required to re-apply or provide subsequent proof of ability to pay once a certificate has been issued by the department.
3. The department will heavily rely on legal advise to support determinations for the issuance or denial of certificates of self-insurance and the handling of hearings and legal cases resulting in judgments.

Sponsor’s Initials

Date

Budget Director’s Initials

Date