



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill # SB0303

Title: Require display of proof of motor vehicle liability insurance

Primary Sponsor: Barkus, Gregory D

Status: As Introduced-Revised

- | | | |
|---|---|--|
| <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 checked="" 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	\$10,333	\$30,234	\$30,234	\$30,234
Revenue:				
General Fund	(\$26,258)	\$128,742	\$155,000	\$155,000
Net Impact-General Fund Balance	<u>(\$36,591)</u>	<u>\$98,508</u>	<u>\$124,766</u>	<u>\$124,766</u>

Description of Fiscal Impact:

Department of Justice (DoJ)

SB 303 would increase the number of suspensions and reinstatements of licenses for operating a motor vehicle without liability insurance. This increase will increase general fund and local government revenues. The increased workload will require 0.50 FTE and \$30,234 annually to process the license suspensions and reinstatements for these violations.

FISCAL ANALYSIS**Assumptions:****Department of Justice****DoJ – Motor Vehicle Division**

1. SB 303 requires that an adhesive label be attached to each vehicle of proof of vehicle insurance. This new requirement would be effective October 1, 2007.
2. Proof of insurance labels would be provided by insurance companies at the time each policy is renewed. Most vehicle insurance policies are renewed at six month intervals. Thus, enforcement would begin April 1, 2008.
3. For a second or subsequent offense of operating a motor vehicle without liability insurance, the registration for the uninsured vehicle is suspended. For a fourth or subsequent offense, the owner's driver's license is suspended.
4. Through creation of a new compliance requirement, SB 303 will increase enforcement activities and conviction rates for offenders who operate motor vehicle without liability insurance. Persistent offenders will be, immediately, more obvious to law enforcement. Any driver who neglects to comply with the newly established adhesive label requirement may be cited and convicted.
5. Under current law, there were 2,831 motor vehicle registration suspensions and 238 driver's license suspensions due to no insurance violations in calendar year 2006.
6. It is estimated that SB 303 could double the number of offenders convicted for operating without required motor vehicle insurance.
7. The Motor Vehicle Division would require an additional 0.50 FTE to process the additional suspensions and reinstatements, beginning April 1, 2008. Salary and benefits would be \$6,573 for three months in FY 2008 and \$26,290 for the full year in FY 2009, FY 2010, and FY 2011.
8. Operating costs are \$985 in FY 2008, \$3,944 for the full year in FY 2009, FY 2010, and FY 2011. Additional one-time operating costs in FY 2008 would be: \$2,775 for new employee office package of desk, chair, file cabinet, and computer.
9. A \$100 reinstatement fee would be collected from suspended drivers. Some individuals would already be paying the reinstatement fee for other withdrawal actions, and commercial drivers are exempt from the reinstatement fees. It is anticipated that 50 percent of the drivers suspended for no insurance violations will pay the \$100 reinstatement fee.
10. Since suspensions are for a minimum of 90 days, there will be no additional reinstatements in FY 2008. There will be 1,400 additional registration reinstatements and 150 additional driver's license reinstatements in FY 2009, FY 2010, and FY 2011. This will result in \$155,000 in additional revenue to the general fund ($\$100 \times 1,400 + 150$).

DoJ – Montana Highway Patrol

11. Under this measure, it is anticipated that the MHP will increase the number of insurance citations by approximately 40 percent.
12. Most people cited for insurance violations actually have insurance, and approximately nine out of ten citations are dismissed.
13. The current bond average is approximately \$350.
14. Fifty percent of the bond remains with the county in which the citation was issued, and fifty percent is deposited in the state general fund.
15. Under SB303, the average bond will drop to approximately \$250 in the estimation of the MHP.
16. The amount of the bond change is greater than the anticipated increase in the number of citations and convictions, resulting in a negative impact on the state general fund. This is estimated to be \$26,258 in decreased revenue to the general fund.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
FTE	0.13	0.50	0.50	0.50
<u>Expenditures:</u>				
Personal Services	\$6,573	\$26,290	\$26,290	\$26,290
Operating Expenses	\$3,760	\$3,944	\$3,944	\$3,944
TOTAL Expenditures	<u>\$10,333</u>	<u>\$30,234</u>	<u>\$30,234</u>	<u>\$30,234</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$10,333	\$30,234	\$30,234	\$30,234
<u>Revenues:</u>				
General Fund (01)	(\$26,258)	\$128,742	\$155,000	\$155,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$36,591)	\$98,508	\$124,766	\$124,766

Effect on County or Other Local Revenues or Expenditures:

MVD:

1. Local law enforcement agencies, as well as the Montana Highway Patrol, issue citations for operating a vehicle without liability insurance. Local law governmental agencies will see in increase in revenues for fines resulting from these citations.

Technical Notes:

Department of Justice

1. Section 1 requires insurance companies to provide proof of insurance adhesive labels for motor vehicle windows at the time an insurance policy is issued or renewed. Most vehicle insurance policies are renewed every six months. Thus, some insured vehicles will not have adhesive labels until six months after this bill goes into effect. This makes it impractical to start enforcement until six months after the bill goes into effect. If earlier enforcement is desired, Section 1 could be amended to require insurance companies to provide window adhesive labels by a fixed date.
2. Permanent vehicle registrations are currently issued a “gold” tab. It is unclear whether the color of the proof of insurance window adhesive label should match the annual light vehicle registration expiration sticker colors that change every calendar year or match the gold color for the permanent registration expiration sticker that would be applied to the license plate for a permanently registered vehicle.
3. Montana Motor Carrier Services issues tabs with expirations dates up to five years into the future. Some IRP vehicle registrations are renewed every month or every six months. Adding an adhesive label every

month or every six months may be problematic for the vehicle owner, the insurance company, and law enforcement.

4. Coordination with many insurance companies with the state DMV would need to occur

Sponsor's Initials

Date

Budget Director's Initials

Date