



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2019 Biennium

<b>Bill #</b>	SB0366
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<b>Title:</b>	Generally revise driver's license and state identification laws
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<b>Primary Sponsor:</b>	Cohenour, Jill
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<b>Status:</b>	As Introduced
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- Significant Local Gov Impact     
 Needs to be included in HB 2     
 Technical Concerns  
 Included in the Executive Budget     
 Significant Long-Term Impacts     
 Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$1,823,992	\$1,852,933	\$1,378,182	\$1,430,460
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$2,664,183	\$5,235,319	\$3,720,424	\$4,157,449
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Description of fiscal impact:** SB 366 provides for an optional REAL ID compliant driver license or identification card for Montana Residents. Real ID compliant licenses would be available for an additional fee of \$25 over the regular license fees if the request is during the regular driver's license renewal period. The additional fee increases to \$50 if the REAL ID license request is outside the regular renewal period. The department will incur additional field personnel and systems costs and personnel to implement REAL ID compliant systems changes.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Justice (Motor Vehicle Division)**

- Montana has issued approximately 885,000 currently valid state issue driver licenses and state issued identification cards currently in circulation. Every year approximately 122,000 licenses are renewed along with 38,000 new licenses and ID card and, 35,000 replacement licenses. Most licenses have an 8-year validity period. However, licenses issued for individuals under 21, and over age 74 are generally valid for four years. Commercial drivers' licenses are valid for five years. Because of that rotation and the effects of in-migration and out migration, on average licenses turnover approximately every six years.
- The option to receive a REAL ID compliant license or identification card (ID) starts on January 1, 2018 halfway through FY 2018.

3. It is assumed that half of all new and renewed licenses will be REAL ID compliant in FY2018, 60% in FY 2019, and 70% in FY 2020 on. The remaining license holders (without a REAL ID) would seek a REAL ID before their regular renewal period. It is assumed that this share of early REAL ID adopters will be small (but the base is initially large) at 10% in FY 2018, this share would rise to 15% in FY 2019, FY 2020 and FY 2020 as the federal requirement approaches (and passes). Because the pool of people without REAL ID drops (as more people acquire compliant licenses) the number of early adopters falls quickly.
4. It is assumed that there will be a significant increase in FY 2020 as on October 1st, 2020 full implementation of REAL ID will be in effect. This means TSA will no longer accept non-REAL ID cards to board a plane.
5. The following table presents the revenues are projected based on the HJ 2 drivers license assumptions and the above assumptions:

<b>Current Licensing and Adoption of Real ID Under SB 366</b>				
	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>All Licenses and IDs</b>	885,000	880,802	888,870	894,029
Renewals	141,633	137,388	144,312	148,705
Not renewed (13.5%)	(19,103)	(18,530)	(18,530)	(18,530)
New Licenses (and IDs) 14.9%	21,139	20,505	21,539	22,194
ID less than 21 (0.53%)	4,673	4,696	4,720	4,743
ID 21 or over (1.38%)	12,256	12,342	12,428	12,515
<b>Total Licenses &amp; IDs per yr.</b>	<b>160,598</b>	<b>156,401</b>	<b>164,469</b>	<b>169,628</b>
Replacement Licenses	34,372	36,161	37,316	35,354
<b>Total Licenses &amp; IDs Issued</b>	<b>194,970</b>	<b>192,562</b>	<b>201,785</b>	<b>204,982</b>
<b>Licenses and IDs in force</b>	<b>885,000</b>	<b>880,802</b>	<b>888,870</b>	<b>894,029</b>
\$25 Real ID eligible	143,669	139,363	147,321	152,369
\$50 Real ID Eligible	741,331	668,456	484,680	343,135
<b>REAL ID Adopters \$25</b>	<b>35,917</b>	<b>83,618</b>	<b>103,124</b>	<b>106,658</b>
Percent of eligible	50%	60%	70%	70%
<b>REAL ID Adopters \$50</b>	<b>37,067</b>	<b>100,268</b>	<b>38,530</b>	<b>48,831</b>
Percent of Eligible	10%	15%	15%	15%
<b>REAL IDs Issued</b>	<b>72,984</b>	<b>183,886</b>	<b>141,655</b>	<b>155,490</b>

6. The Revenue generated from these fees as outlined in REAL ID adoption above is as follows:

<b>Revenue Due to SB 366 REAL ID Fees</b>				
	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
Revenue @ \$25	\$897,934	\$2,090,439	\$2,578,112	\$2,666,459
Revenue @ \$50	\$1,853,326	\$5,013,419	\$1,926,524	\$2,441,557
<b>Total State Special Revenue</b>	<b>\$2,751,260</b>	<b>\$7,103,858</b>	<b>\$4,504,635</b>	<b>\$5,108,016</b>

7. The time required to process a new REAL ID compliant driver license, renewal or state issued identification card is estimated to increase from 15 minutes per applicant to approximately 25 minutes per applicant. Due to the increased processing time, additional FTE is required to process the additional applications in FY 2018

will be 5.83 FTE in FY 2018, 14.68 FTE in FY 2019, 11.31 FTE in FY 2020 and 12.41 FTE in FY 2021. These FTE will be Band 4 License Permit Technicians.

8. 490 hours of reprogramming to multiple IT systems which would need to be contracted out to a third party at a rate of \$110 per hour for a total of \$53,900.
9. Contracted services on a one-time only basis are necessary in FY 2018 in the amount of \$500,000 to modify systems to new requirements.
10. Additional 3.50 FTE will be necessary to support increased staff, systems, security and devices therefore 1.00 FTE Band 5 Network Administrator is requested , 1.00 FTE Band 6 Computer Systems Analyst is necessary to administer the additional requirements on the existing imaging system; 0.50 FTE of a Band 6 Computer Application Engineer is requested in order to develop, program, and maintain the requirements of the existing imaging system; and a 1.00 FTE of a band 6 Computer Security Analyst is needed to administer the on-going security assessments and auditing requirements for personally identifiable information (PII) included in the REAL ID database.
11. Operating expenses are estimated to be FY2018 is \$1,239,566, FY2019 is \$829,478, and FY2020 is \$545,475, and FY 2021 is \$544,530.

<b><u>Fiscal Impact:</u></b>	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>	<b><u>FY 2020</u></b>	<b><u>FY 2021</u></b>
<b>Department of Justice (MVD)</b>	<b>Difference</b>	<b>Difference</b>	<b>Difference</b>	<b>Difference</b>
<b>FTE</b>	9.50	18.50	14.50	15.50
<b><u>Expenditures:</u></b>				
Personal Services	\$584,426	\$1,023,455	\$832,707	\$885,930
Operating Expenses	\$1,239,566	\$829,478	\$545,475	\$544,530
Equipment	\$0	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b><u>\$1,823,992</u></b>	<b><u>\$1,852,933</u></b>	<b><u>\$1,378,182</u></b>	<b><u>\$1,430,460</u></b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$1,823,992	\$1,852,933	\$1,378,182	\$1,430,460
<b>TOTAL Funding of Exp.</b>	<b><u>\$1,823,992</u></b>	<b><u>\$1,852,933</u></b>	<b><u>\$1,378,182</u></b>	<b><u>\$1,430,460</u></b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$2,751,260	\$7,103,858	\$4,504,636	\$5,108,016
<b>TOTAL Revenues</b>	<b><u>\$2,751,260</u></b>	<b><u>\$7,103,858</u></b>	<b><u>\$4,504,636</u></b>	<b><u>\$5,108,016</u></b>

**Net Impact to Fund Balance (Revenue minus Funding of Expenditures):**

General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$927,268	\$5,250,925	\$3,126,454	\$3,677,556

**Long-Term Impacts:**

1. Revenue is anticipated to stabilize at around \$3.5 million per year after six to eight years as most people will then select REAL ID compliant licenses when they renew their licenses
2. In the future, some of the staff will need to be permanent due to the additional processing time to issue a REAL ID compliant driver license or state issued identification card.

**Technical Notes:**

1. Section 1, page 2, lines 2 through 4, outline a state special revenue fund. There is no appropriation for startup costs. Implementation requires funding for startup costs ahead of the implementation date.

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*Sponsor's Initials*

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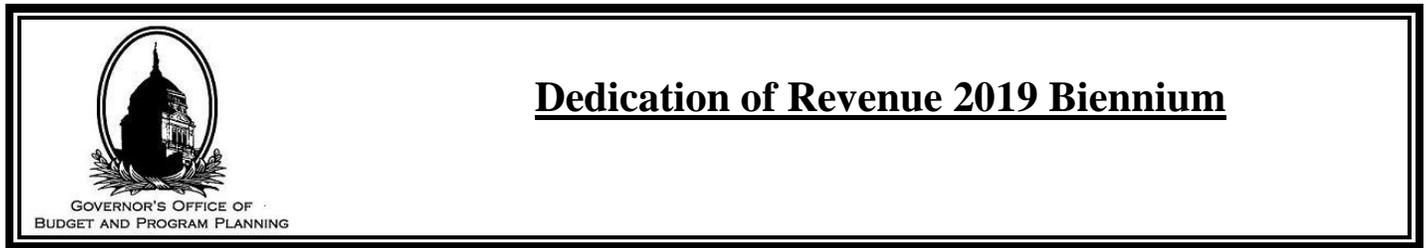
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*Budget Director's Initials*

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**17-1-507, MCA.**

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay?**  
No those wanting a REAL ID driver's license will benefit directly.
  
- b) **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?**  
Funding is specific to be used to fund and staff services necessary to provide REAL ID complainant drivers licenses and identification cards.
  
- c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)**  
Yes
  
- d) **Does the need for this state special revenue provision still exist? \_\_\_Yes \_\_\_No**  
Yes
  
- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending?**  
Unknown
  
- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**  
Unknown
  
- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**  
The dedication of revenue will not impact administrative functions in our agency negatively.