



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # SB0336

Title: Generally revise driver license laws

Primary Sponsor: Friedel, Chris

Status: As Introduced

- 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 2021</u> <u>Difference</u>	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
Expenditures:					
General Fund	\$0	\$0	\$0	\$0	\$0
State Special Revenue	\$960	\$0	\$0	\$0	\$0
Revenue:					
General Fund	\$74,915	\$370,085	\$398,177	\$399,213	\$401,338
State Special Revenue	\$18,841	\$110,969	\$119,393	\$119,704	\$120,341
Net Impact-General Fund Balance:	<u>\$74,915</u>	<u>\$370,085</u>	<u>\$398,177</u>	<u>\$399,213</u>	<u>\$401,338</u>

Description of fiscal impact: SB 336 allows drivers of qualifying age to obtain standard drivers' licenses that are valid for a term of up to 12 years. The current maximum validity of licenses is eight years.

FISCAL ANALYSIS

Assumptions:

- Under current law, standard drivers' licenses are valid for up to eight years. Drivers obtaining or renewing a standard license that are under 21 years of age or over 67 years of age receive licenses for shorter terms. The standard fee is \$5 per year of validity, a \$0.50 renewal notice fee, and an administrative fee of 3%.
- Commercial drivers' licenses (CDLs) are valid for up to four years and licenses with REAL ID credentialing are valid for up to eight years. SB 336 does not change these licenses.
- SB 336 allows drivers age 21 to age 63 to obtain in person or renew by mail or online a standard drivers' license that is valid for twelve years, or A REAL ID valid for eight years. The bill also extends from three months to one year the period of time an expired license can be used to obtain a license through renewal. The bill also consolidates medical and vision documentation in a department application and expands online and by mail options for those active-duty Montana military service members posted out of state.

4. Per 61-5-111 (4)(b), MCA, licenses issued to persons 75 or older are valid for 4 years. Under current law licenses issued after age 67 but before age 75 expire on the drivers 75th birthday. It is assumed that licenses valid up to 12 years issued after age 63 will expire at age 75.
5. Drivers' license counts were estimated from state accounting system records that tie to state revenue reporting. Total fiscal year license counts can be approximated as every new license is levied a \$0.50 renewal notice fee which is recorded in a separate account. The Office of Budget and Program Planning and the Legislative Fiscal Division estimate state driver's license revenue through FY 2025. OBPP estimates and projects license counts. The LFD estimate is used for HJ 2, but differences are relatively small and are uniform. The OBPP projected counts serve as the starting point for this estimate.
6. The renewal fees provide an estimate of all licenses, however that overstates the number of licenses that could be issued for a 12-year term. The total number of licenses issued each year needs to be reduced for licenses that cannot be issued for more than eight years. That is CDLs, REAL ID drivers' licenses, licenses issued to drivers under age 21, and licenses issued to those over age 64. The Department of Justice Motor Vehicles Division was not able to extract license counts by age and license type from their legacy data systems. Such an extract would allow for a more precise estimate.
7. In order to estimate drivers' ineligible for 12-year licenses due to their age, demographic data was used to estimate the proportion of Montana drivers 18-20, and age 64 to 80 from the population age 18 to 80. This is the pool of drivers who would be eligible under present law and SB 336. The U.S. Census Bureau population estimates by single year of age for CY 2019 show that the Montana population between 18 and 80 was 800,064. Of these residents, 25,828 were age 18 to 20, and 181,531 were age 64 to 80. The resulting age 18 to 80 population shares are 3.2% for the 18 to 20 age group, and 22.7% for the 64 to 80 age group, or 25.9% of the driving population would not be eligible for a 12-year license due to age alone.
8. To arrive at an estimate of four-year CDLs issued, the fee structure for CDLs and revenue posted for FY 2018 through FY 2020 shows that approximately 8.2% of licenses issued each year are CDLs (around 11,500). These drivers also are ineligible for 12-year licensing.
9. The adjustment for REAL ID drivers' licenses is less precise as the REAL ID program is more recent (REAL ID licensing started late in FY 2019), and has two fees based when a driver obtains a REAL ID (there is a \$25 surcharge if a REAL ID is obtained outside a driver's renewal window). REAL ID fees are stacked on standard license fee. Additionally, successive federal deferments of REAL ID travel requirements have led to variable REAL ID licensing with interest peaking near September deadlines. It is also assumed that once a driver obtains a REAL ID driver's license, they are very likely to renew as REAL ID license holders. This means that the accumulation of REAL ID license holders, particularly individuals who convert their licenses to REAL IDs early, will reduce the pool of potential 12-year standard license eligible drivers as more revenue is brought forward sooner.
10. The Department of Justice reports that since inception of the Montana REAL ID program through December 2020, there were 107,982 REAL ID licenses issued, and 66,276 of those were outside the renewal cycle window (61.4%). In FY 2020 the department reports 74,674 REAL ID drivers' licenses were issued
11. SABHRS REAL ID licensing was projected with the assumption that 50% of REAL ID are obtained during the renewal window and 50% are outside the renewal window starting in FY 2023. FY 2021 REAL ID issuance was annualized from year-to-date collections using the 61.4% out of cycle ratio as was the FY 2022 estimate. The estimate for FY 2021 is around 71,132 REAL IDs. With the September 30, 2021 Department of Homeland Security/TSA expiration of travel validity of Montana standard drivers' licenses, it is assumed there will be increased applications for REAL IDs in early FY 2022, similar to FY 2020. Thereafter it is assumed 50% of licenses issued will be REAL ID licenses
12. The adjustments result in the following counts of licenses and pools of 12-year eligible licensees:

Drivers Licensing Under Present Law and SB 336 as Introduced							
	Actual		Projection				
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Annual All Type Drivers Licenses	124,330	140,124	139,251	137,060	141,149	141,516	142,270
Minus							
<i>Drivers ineligible for 12 year licenses due to age (</i>	29,839	33,630	33,420	32,894	33,876	33,964	34,145
<i>Estimated Commercial Drivers Licenses</i>	10,195	11,490	11,419	11,239	11,574	11,604	11,666
<i>Estimated REAL ID drivers licenses</i>	21,524	74,674	71,132	69,574	70,575	70,758	71,135
Subtotal	61,558	119,794	115,971	113,708	116,024	116,326	116,946
Remaining Drivers Eligible for 12 year licenses		20,330	23,280	23,352	25,125	25,190	25,324

13. Total revenue change is the revenue difference between 12-year licensing (\$60) and eight year licensing (\$40) times the number of eligible licensees plus the 3% MVD surcharge. It is assumed that 100% of 12-year eligible licenses will obtain the longer duration licenses.

Drivers Licensing Revenue Under Present Law and SB 336 as Introduced						
	Actual		Projection			
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Present Law Revenue (8 year licensing)	\$813,210	\$931,197	\$934,086	\$1,004,990	\$1,007,606	\$1,012,968
SB 336 Revenue (12 year licensing)	\$1,219,814	\$1,396,796	\$1,401,129	\$1,507,484	\$1,511,410	\$1,519,452
Change due to SB 336		\$465,599	\$467,043	\$502,495	\$503,803	\$506,484

14. The revenue change is then distributed 20.76% to the Traffic Safety Education state special revenue fund and the remainder to the state general fund. If a license is issued by a county treasurer’s office, 2.5% of the license fee is retained in the county general fund. For this fiscal note it is assumed the 2.5% goes to the state general fund as the county retention in recent years from all licenses has been less than \$12,000 per year.
15. The bill is effective on passage an approval, it is assumed the bill is implemented as of May 1, 2021 accruing two of 12 months revenue difference in FY 2021. The motor vehicles division 3% fee is calculated on the sum of the drivers’ license revenue change in the two funds. The distributions are:

Change in the Distribution of Drivers Licensing Revenue under SB 336 as Introduced					
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
	(2 months)				
State General Fund (76.74% + 2.5%)	\$74,915	\$370,085	\$398,177	\$399,213	\$401,338
Traffic Education Safety Fund (20.76%)	\$16,110	\$96,958	\$104,318	\$104,590	\$105,146
MVD 3% Administrative Fee Fund	\$2,731	\$14,011	\$15,075	\$15,114	\$15,195

Motor Vehicle Division Costs

16. It is estimated that programming costs will be \$960. (8 hours * \$120/hour = \$960) in FY 2021. It is assumed that this cost will be funded with the MVD 3% administration fee state special revenue fund.

Fiscal Note Request – As Introduced

(continued)

<u>Fiscal Impact:</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Department of Justice					
FTE	0.00	0.00	0.00	0.00	0.00
Expenditures:					
Personal Services	\$0	\$0	\$0	\$0	\$0
Operating Expenses	\$960	\$0	\$0	\$0	\$0
TOTAL Expenditures	\$960	\$0	\$0	\$0	\$0
Funding of Expenditures:					
General Fund (01)	\$0	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$960	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$960	\$0	\$0	\$0	\$0
Revenues:					
General Fund (01)	\$74,915	\$370,085	\$398,177	\$399,213	\$401,338
Traffic Education SSR	\$16,110	\$96,958	\$104,318	\$104,590	\$105,146
MVD 3% Admin Fee SSR	\$2,731	\$14,011	\$15,075	\$15,114	\$15,195
TOTAL Revenues	\$93,756	\$481,054	\$517,570	\$518,917	\$521,679

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

General Fund (01)	\$74,915	\$370,085	\$398,177	\$399,213	\$401,338
State Special Revenue (02)	\$17,881	\$110,969	\$119,393	\$119,704	\$120,341

Long-Term Impacts:

- To the extent that more drivers choose 12-year standard licenses at renewal, this would increase collections as a portion of future eight-year renewal revenue is collected four years early and revenue after eight years will be lower than it would have been otherwise. After 12 years, revenue should stabilize near where it would have been without SB 336. This will phase-in over time. Unlike the conversion from four-year licensing to eight-year licensing, this change applies to fewer drivers as eight-year licenses. REAL ID licensing and the number of people age eligible for the longer 12-year licensing uptake is a smaller proportion of all license holders and the additional fees are only 50% higher, not 100% higher as it was in the four-year to eight-year conversion. However, 12-year licenses may prove more popular than expected bringing more revenue forward earlier and leading to subsequent future reductions.

NO SPONSOR SIGNATURE

Sponsor's Initials

3/15

Date

KA

Budget Director's Initials

3/15/21

Date