



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 5040 (Substitute H-1 as passed by the House)
House Bill 5041 (Substitute H-1 as passed by the House)
House Bill 5042 (Substitute H-1 as passed by the House)
House Bill 5043 (as passed by the House)
House Bill 5044 (Substitute H-1 as passed by the House)
House Bill 5045 (Substitute H-1 as passed by the House)
House Bill 5046 (Substitute H-2 as passed by the House)
House Bill 5079 (Substitute H-1 as passed by the House)
House Bill 5080 (Substitute H-1 as passed by the House)

Sponsor: Representative Lee Chatfield (H.B. 5040)
Representative Sylvia A. Santana (H.B. 5041)
Representative Leslie Love (H.B. 5042)
Representative Roger Hauck (H.B. 5043)
Representative Joseph N. Bellino, Jr. (H.B. 5044)
Representative Phil Phelps (H.B. 5045)
Representative Steve Marino (H.B. 5046)
Representative Daire Rendon (H.B. 5079)
Representative Jewell Jones (H.B. 5080)

House Committee: Michigan Competitiveness
Senate Committee: Michigan Competitiveness

Date Completed: 2-1-18

CONTENT

All of the bills, except House Bill 5045 (H-1), would amend the Michigan Vehicle Code to discontinue the assessment and collection of driver responsibility fees (DRFs) on October 1, 2018, as follows:

House Bill 5040 (H-1) provides that, beginning September 30, 2018, a DRF that had been assessed could not be collected; an individual would not be liable for an outstanding DRF or responsible for completing community service; and an individual whose driving privileges were suspended for unpaid DRFs could reinstate his or her operator's license.

House Bill 5041 (H-1) would require the Department of Treasury to educate individuals whose DRF obligations were affected by changes made to the law on the bill's effective date. The bill also would appropriate \$160,000 to the Department for fiscal year 2017-18 to implement and administer this requirement.

House Bill 5042 (H-1) would amend provisions that allow a person to engage in 10 hours of community service instead of paying the DRF, to reflect the provisions of House Bill 5040 (H-1) regarding completion of community service.

House Bill 5043 provides that, concerning an individual who had entered into an installment payment plan, any outstanding DRF or installment payment could not

be collected; the individual would not be liable for any outstanding DRF; and, if the individual's driving privileges had been suspended, the individual could reinstate his or her operator's license.

House Bill 5044 (H-1) would discontinue the assessment of DRFs beginning October 1, 2018, rather than October 1, 2019.

House Bill 5045 (H-1) would amend the Enhanced Driver License and Enhanced Official State Personal Identification Card Act to delete the assessment of DRFs from licensing sanctions that may be imposed on the holder of an enhanced driver license.

House Bill 5046 (H-2) would waive the DRFs for a person whose participation in a DWI/sobriety court program was successfully completed on or after October 1, 2018.

House Bill 5079 (H-1) would prohibit the assessment of DRFs, beginning on the bill's effective date, for driving with a suspended or revoked license, or driving without the required insurance coverage. The bill also would allow an individual to engage in 10 hours of community service or workforce training as an alternative to paying a DRF for either of those violations.

House Bill 5080 (H-1) would require the Department of Treasury to create and administer a workforce training payment program.

House Bills 5043 and 5079 (H-1) would take effect 90 days after enactment. House Bill 5080 (H-1) would take effect 30 days after enactment.

House Bill 5040 (H-1)

The Vehicle Code requires the Secretary of State to assess a range of driver responsibility fees for violations of the Code, subject to a schedule that phases out the fees between October 1, 2015, and October 1, 2019. A person who accumulates seven or more points on his or her driving record within two years must be assessed a DRF of \$100, plus \$50 for each point above seven. A DRF of \$1,000 must be assessed if an individual is convicted of specific violations, such as operating under the influence of alcohol or a controlled substance, or fleeing and eluding an officer. For certain other violations, such as reckless driving or operating a vehicle while impaired, a DRF of \$500 must be imposed. Originally, the DRFs for specific violations had to be imposed each year for two consecutive years. (Table 1, below, lists all of the DRFs.)

If a person fails to pay his or her DRF after the Secretary of State mails two notices of the assessment, the person's driving privileges will be suspended.

The bill provides that, beginning September 30, 2018, all of the following would apply:

- Any outstanding DRF could not be collected.
- An individual would not be liable for an outstanding DRF that had been assessed and would not be responsible for completing community service.
- An individual whose driving privileges were suspended would be eligible to reinstate his or her operator's license if the individual were otherwise in compliance with the Code.

House Bill 5041 (H-1)

The bill would add Section 732d to the Code to require the Department of Treasury, in consultation with the Department of State, the Department of Health and Human Services, the Department of Corrections, the Unemployment Insurance Agency, and Michigan Works Agencies, to educate individuals whose driver responsibility fee obligations were affected by changes made to State law on the bill's effective date. The education would have to consist of informational materials and effective outreach.

In addition, for the 2017-18 fiscal year, the bill would appropriate \$160,000 to the Department of Treasury to implement and administer Section 732d.

House Bill 5042 (H-1)

Previously, the Code required the Secretary of State to assess a DRF of \$150 each year for two consecutive years for driving without a valid license or failing to produce proof of insurance upon the request of a police officer. A DRF could not be assessed for such a violation committed on or after October 1, 2012. A person who had been assessed a DRF for either of these violations was permitted to engage in 10 hours of community service as an alternative to paying any unpaid portion of the fee.

The Code required community service to be completed within 45 days after an application to engage in community service was filed with the Department of Treasury. Under the bill, this requirement would be subject to the provisions that House Bill 5040 (H-1) would add.

Also, the Code required a person who completed community service to return a form to the Department by December 31, 2015. The bill would delete that deadline.

House Bill 5043

The Code allows the Secretary of State to authorize payment of DRFs by installment for up to two years. The bill specifies that all of the following would apply to an individual who, before the bill's effective date, had entered into an installment payment plan:

- Any outstanding DRF or outstanding installment payment could not be collected.
- The individual would not be liable for an outstanding DRF that had been assessed.
- If the individual's driving privileges were suspended, the individual would be eligible to reinstate his or her operator's license if he or she were otherwise in compliance with the Code.

House Bill 5044 (H-1)

The driver responsibility fee for an individual who accumulates seven or more points on his or her driving record within two years is \$100, plus an additional \$50 for each point above seven (except for points assessed for specific violations). Under the current phase-out schedule, the assessment must be the following percentage of the DRF:

- 75% beginning on October 1, 2015.
- 50% beginning on October 1, 2016.
- 25% beginning on October 1, 2018.

Beginning October 1, 2019, no fee may be assessed for accumulating seven or more points within two years. The bill would delete the 25% assessment that begins October 1, 2018, and provides that no DRF could be assessed beginning on that date.

For the specific violations that are subject to DRFs, the fees must be assessed as follows:

- For a violation occurring on or after October 1, 2015, 100% for the first year and 50% for the second year.
- For a violation occurring on or after October 1, 2016, 100% for the first year and no fee for the second year.
- For a violation occurring on or after October 1, 2018, 50% for the first year and no fee for the second year.

No DRF may be assessed for a violation that occurs on or after October 1, 2019. Under the bill, beginning on October 1, 2018, no DRF could be assessed.

House Bill 5045 (H-1)

The Enhanced Driver License and Enhanced Official State Personal Identification Card Act specifies that the holder of an enhanced driver license is subject to every licensing sanction provided under the Michigan Vehicle Code. The definition of "licensing sanction" includes the assessment of a driver responsibility fee. Under the bill, the definition would include the assessment of a DRF until October 1, 2018.

House Bill 5046 (H-2)

The Vehicle Code requires the Secretary of State to issue a restricted license to a person whose license was suspended or revoked based on certain convictions of driving under the influence of alcohol or a controlled substance, if the person has been admitted into a DWI/sobriety court and other conditions are met. All driver responsibility fees required to be assessed for the conviction must be held in abeyance while the person is participating in the program. At the end of the person's participation, the DRFs must be assessed and paid under the payment schedule described in the Code.

Under the bill, if the person's participation in the DWI/sobriety court program were successfully completed on or after October 1, 2018, the DRFs would be waived and could not be collected.

House Bill 5079 (H-1)

Beginning on the bill's effective date, no DRF could be assessed against an individual for violating Section 904 of the Vehicle Code (driving with a suspended or revoked license) or driving without the mandatory coverage required by the Insurance Code.

If an individual had been assessed a DRF for either of these violations, he or she could engage in 10 hours of community service or 10 hours of participation in a workforce training payment program as an alternative to paying that fee or any unpaid portion of it. The individual would have to obtain a community service or workforce training form from the Secretary of State (SOS) or the Department of Treasury. The Department would have to mail to each affected individual a one-time-only notice of this option. The SOS would have to make community service and workforce training forms available to the public at all branch offices, and provide forms to the Department of Treasury for this purpose.

An individual who chose to engage in community service or workforce training would have to complete the form and return it to the Department of Treasury, which would have to inform the SOS. The SOS then would have to hold the DRF in abeyance. An individual would be

allowed only one opportunity to complete the community service or workforce training, but the Department could allow someone to withdraw from it for good cause shown.

Upon completing community service or workforce training, an individual could request the person with whom he or she engaged in the service or training to verify the completion on the community service or workforce training form. The individual then could return the form to the Department of Treasury. A person who falsely represented verification would be responsible for a State civil infraction and could be fined up to \$200.

The Department would have to waive the DRF or any portion of it upon receiving verification that an individual had successfully completed community service or workforce training, and notify the Department of State.

House Bill 5080 (H-1)

The bill would require the Department of Treasury to create, and be the administrator of, a workforce training payment program. The Department could work with a local workforce development board, a Michigan Works One-Stop Center, or a training program offered by the Department of Corrections to develop the program.

- MCL 257.732a (H.B. 5040)
- Proposed MCL 257.732d (H.B. 5041)
- MCL 257.732b (H.B. 5042)
- 257.732a (H.B. 5043)
- 257.732a (H.B. 5044)
- 28.304 (H.B. 5045)
- 257.304 (H.B. 5046)
- 257.732a (H.B. 5079)
- Proposed MCL 257.732c (H.B. 5080)

BACKGROUND

Table 1 lists the driver responsibility fees that were enacted in 2003. Under amendments enacted in 2014, the DRFs are being phased out, as described below the table.

Table 1

Violation resulting in Fee	Amount of Fee
Accumulation of 7 or more points within two years	\$100 plus \$50 for each point above 7 (except for a violation subject to a higher DRF)
Driving without a valid license or possessing more than one driver license*	\$150 each year for two consecutive years
Failing to produce proof of insurance upon request by a police officer, or knowingly providing false evidence of insurance*	\$150 each year for two consecutive years
Operating a motor vehicle while visibly impaired due to the consumption of alcohol or a controlled substance	\$500 each year for two consecutive years
Driving with any bodily alcohol content, if under the age of 16	\$500 each year for two consecutive years
Operating while visibly impaired or intoxicated with a passenger under 16	\$500 each year for two consecutive years
Reckless driving	\$500 each year for two consecutive years
Driving with a suspended or revoked license	\$500 each year for two consecutive years
Driving a motor vehicle or motorcycle without insurance	\$500 each year for two consecutive years

Manslaughter, negligent homicide, or a felony resulting from the operation of a motor vehicle, off-road vehicle, or snowmobile	\$1,000 each year for two consecutive years
A moving violation subject to criminal penalties that results in injury or death to a person working in a construction zone or operating an implement of husbandry; or causing injury or death to a police officer, firefighter, or other emergency response personnel in the immediate area of a stationary emergency vehicle	\$1,000 each year for two consecutive years
Operating while intoxicated; or causing the death or serious impairment of a body function of another person while driving under the influence or while visibly impaired due to the consumption of alcohol or a controlled substance	\$1,000 each year for two consecutive years
Failing to stop and disclose identity at the scene of an accident when required by law	\$1,000 each year for two consecutive years
Fleeing or eluding an officer	\$1,000 each year for two consecutive years
*Not applicable after September 30, 2012	

Under the phase-out schedule, for an individual who accumulates seven or more points on his or her driving record within two years, the assessment must be the following percentage of the DRF:

- 75% beginning on October 1, 2015.
- 50% beginning on October 1, 2016.
- 25% beginning on October 1, 2018.

Beginning on October 1, 2019, no DRF may be assessed for the accumulation of driving record points.

For the specific violations that are subject to DRFs, the fees must be assessed as follows:

- For a violation occurring on or after October 1, 2015, 100% for the first year and 50% for the second year.
- For a violation occurring on or after October 1, 2016, 100% for the first year and no fee for the second year.
- For a violation occurring on or after October 1, 2018, 50% for the first year and no fee for the second year.

No DRF may be assessed for a violation that occurs on or after October 1, 2019.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

House Bills 5040 (H-1) through 5046 (H-2)

This package of bills would eliminate the assessment and collection of all driver responsibility fees beginning October 1, 2018. Additionally, drivers would no longer be liable for the fee or required to complete community service in place of paying the DRF. All individuals whose driving privileges had been suspended for nonpayment of DRFs would become eligible for

reinstatement of their driver license if they were otherwise in compliance with the Vehicle Code.

The elimination of the assessment and collection of DRFs beginning October 1, 2018, would result in the loss of GF/GP revenue to the State of an estimated \$20.6 million in fiscal year (FY) 2017-18; \$26.0 million in FY 2018-19; and \$10.0 million in FY 2019-20. Additionally, beginning in FY 2018-19, the funds for the \$8.5 million deposit into the Fire Protection Fund would no longer be available.

According to the Department of Treasury, an estimated 317,000 drivers currently owe driver responsibility fees to the State and are in default. Based on the data, the outstanding DRF collectable fees at the end of FY 2016-17 totaled an estimated \$630.3 million.

The most recent estimates show that almost 201,000 assessments were issued in FY 2015-16, totaling \$106.9 million in DRFs assessed for FY 2015-16. Additionally, an estimated 15,000 individuals have chosen to complete community service in lieu of paying the DRF, resulting in the forgiveness of an estimated \$2.0 million annually. The history of collections indicates that payments received in a given fiscal year come primarily from current assessments and those assessed within the past two years of that fiscal year, with an average collection rate of 55% for all DRF debt since the fees began in 2003, meaning that of all DRFs assessed, about 55% of that debt is eventually paid and collected.

Based on those estimates, the January 2018 Consensus Revenue Estimating Conference estimated the amount of DRF revenue to be collected in FY 2016-17 at \$65.5 million. The amount of collections for FY 2017-18 was estimated at \$44.8 million; \$26.0 million in FY 2018-19; and \$10.0 million in FY 2019-20. Current law requires the first \$8.5 million of collections to be deposited into the Fire Protection Fund to provide grants to local units of government (as discussed below). Thus, under current law, the amount of DRF revenue deposited into the State's General Fund in FY 2017-18 would be an estimated \$36.3 million.

Due to the timeline of the eventual elimination of the DRFs on October 1, 2018, the amount of the fees assessed and collected between the bills' enactment and October 1, 2018, that would actually be paid is indeterminate. According to the data from the Department of Treasury, current revenue collected from DRFs primarily consists of collections from people who receive a DRF and pay the total within 90 days, people who enter into a payment plan (representing an estimated \$20.0 million in FY 2016-17), and offsets captured from State income tax refunds or other payments to pay off old DRF debt (an estimated \$19.0 million in FY 2016-17).

Based on these figures and the best estimate of how much revenue would go uncollected as people simply waited until October 1, 2018, when all DRF fees would be forgiven, it is estimated that the loss in revenue for FY 2017-18 would be \$20.6 million. This figure (based on the full 12 months of a fiscal year) is derived from an estimated \$8.2 million decrease that would go uncollected from new fees assessed between the bills' enactment and October 1, 2018; \$2.0 million in lost revenue that would be forgiven from those choosing to do community service; and an estimated \$20.6 million in lost revenue from payment plans entered into after the bills were enacted. (Please note that the estimated revenue loss of \$20.6 million in FY 2017-18 is based on the assumption that one-third of the fiscal year has passed; thus, the full-year figures noted above are adjusted for the remaining two-thirds of the fiscal year.)

Based on January 2018 Consensus Revenue Estimating Conference figures and Department of Treasury estimates, the amount of revenue estimated to be collected under current law is \$26.0 million in FY 2018-19 (after which no new DRFs may be assessed) and \$10.0 million in

FY 2019-20. From those amounts, the first \$8.5 million would go for Fire Protection Grants, the next \$1.0 million to the Department of State, and the remainder to the General Fund. Beginning in FY 2018-19, no funds would be available to make the deposit into the Fire Protection Fund or for the Department of State.

Beginning in FY 2018-19, the Department of State would lose the current \$1.0 million annual appropriation from the DRFs collected that is used by the Department for costs associated with administering the Breath Alcohol Ignition Interlock Device (BAIID) program. While the Department has spent nearly the full \$1.0 million each year, it has indicated that the costs are decreasing and could be absorbed within the Department's annually appropriated budget.

Additionally, the Departments of State, Transportation, and State Police, and the Judiciary would see an increase in revenue from the reinstatement fee of \$125 charged to each person who would become eligible to renew his or her driver license and did so. The amount of revenue is dependent on how many of the estimated 317,000 individuals who are currently in default in DRF payments and have had their license revoked who would be eligible to reinstate their license. House Bill 5043 would allow a person in a repayment plan, prior to the bill's effective date, to have his or her driver license reinstated upon the bill's effective date if the person were otherwise in compliance with the Michigan Vehicle Code. If half of those 317,000 became eligible to reinstate their driver license, and did so, the amount of revenue generated from the \$125 reinstatement fee would total an estimated \$19.8 million. Based on the current-law distribution of those fees, the Department of State would receive an estimated \$7.9 million; the Department of Transportation would receive an estimated \$5.5 million; the Judiciary would receive an estimated \$4.8 million; and the Michigan State Police would receive an estimated \$1.6 million. Table 2 below details the breakdown of the distribution of the fees to the Departments of State, Transportation, State Police, and the Judiciary.

Table 2

Distribution of Revenue from the \$125 Driver License Reinstatement Fee			
Department	Amount Received	Fund into which Deposited	Description of Use of Funds
State	\$50	Reinstatement Fees	Supports various activities in the Dept. of State
Transportation	\$35	Economic Development Fund	Funds highway, road, and street projects resulting from economic development
Judiciary	\$30	Drunk Driving Fund	Funds the drunk driving case-flow program to assist trial courts in the disposition of drunk driving cases
State Police	\$10	Drunk Driving Prevention and Training Fund	Supports the purchase and maintenance of breath-alcohol testing equipment and training on its use

As noted above, under current law, the first \$8.5 million in revenue collected from DRFs is deposited into the Fire Protection Fund created in the State Treasury. The money in the Fund is then spent via fire protection grants to cities, villages, and townships with State-owned facilities for fire services. Beginning in FY 2018-19 there would no longer be any funding available for the deposit of \$8.5 million into the Fire Protection Fund. Although there is a provision in the Vehicle Code that states legislative intent to appropriate \$8.5 million annually to the Fire Protection Fund, unless the revenue was replaced with another revenue stream or General Fund/General Purpose dollars, those grants to local units of government would be eliminated.

House Bill 5041 (H-1) would increase State costs by at least the \$160,000 appropriation required by the bill, plus any other costs incurred by departments to educate affected drivers.

The bills would have no fiscal impact on local units of government.

House Bills 5079 (H-1) & 5080 (H-1)

The bills would result in additional costs to the State and Workforce Training Programs. The Department of Treasury would experience administrative costs associated with implementing a workforce training payment program that would work with various local providers to allow individuals to participate in 10 hours of workforce training as an alternative to payment of the driver responsibility fee.

Local workforce training program providers would experience costs associated with training individuals who chose workforce training as an alternative to DRF payments. The bills do not specify how these providers would be compensated for the additional expenses. Providers that base revenue from Temporary Assistance for Needy Families (TANF), Federal Workforce Training, or other funding sources on a per-trainee basis would receive additional revenue to cover those expenses. Though an exact number of the individuals who would decide on the workforce training option is difficult to estimate, it is likely to be similar to the percentage of individuals who enter into payment plans or choose community service.

Fiscal Analyst: Joe Carrasco
Kathryn Summers

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