



HF 606 – Motor Vehicle Insurance Verification (LSB1042HZ)
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Fiscal Note Version – New

Description

HF 606 requires the Department of Transportation (DOT) to contract with a third-party vendor to maintain a database that will verify if a registered motor vehicle is insured. The vendor is required to send a notice to the owner of uninsured vehicles to provide proof of liability coverage. The DOT will revoke a motor vehicle registration if the vehicle owner fails to respond to a second notice. Owners are required to pay a \$100 fee to reinstate a revoked vehicle registration. Fees collected from the reinstatement of registration will fund program administration. Fees revenue that exceeds the cost of administering the program will be deposited in the Road Use Tax Fund (RUTF) and impact the following fiscal year.

The Bill adopts the following provisions:

- Prohibits vehicle owners from disclosing fraudulent information to the DOT or the vendor. This violation is a simple misdemeanor.
- Requires insurers to provide certain information to the vendor to track the vehicles covered. Insurers that fail to comply are subject to a civil penalty of \$250 per day.
- Requires the database information to remain confidential. Disclosure of database information is a Class D felony.
- The Bill takes effect on July 1, 2016.

Background

Currently, the DOT is unable to verify that registered vehicles are insured. However, other states have begun to utilize third-party vendors that routinely compare insurance records to vehicle registrations.

Corrections Information

This Bill creates new offenses and imposes penalties of either a simple misdemeanor or a Class D felony. These are nonviolent crimes. Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, [Correctional Impact Statements](#), dated January 30, 2015, for estimates on criminal justice system costs for criminal penalties. Offenders convicted of simple misdemeanors are usually sentenced to a financial penalty or community service, or both. Generally, they are rarely supervised in the corrections system.

Minority Data Information

This Bill creates new penalties and relates to several existing penalties. There is no historical data for new crimes. Refer to the LSA memo, [Minority Impact Statements](#), dated January 30, 2015, for information related to minorities in the criminal justice system. Under current law, it is illegal to operate a vehicle in Iowa without first registered with the DOT or to operate without liability insurance. The table below shows the FY 2014 offender-based convictions for these offenses. African Americans are disproportionately convicted compared to their percentage of the Iowa population.

	Asian/Pac Islander	African American	Caucasian	Hispanic	Native American	Other	Unknown	Totals
Operating Non Registered Vehicle	14	92	1,122	30	2	20	261	1,541
No Proof Of Financial Liability - Accident	12	89	592	137	26	6	134	996
Violation - Financial Liability Coverage	164	2,047	8,299	604	53	240	1,984	13,391
Violation - Financial Liability - Accident	40	493	1,809	127	7	39	462	2,977
Totals	226	2,721	11,822	898	88	305	2,841	18,905

Assumptions

The Iowa DOT believes program performance will mirror the characteristics of Utah's insurance verification program. The following assumptions reflect performance of the Utah program.

- An estimated 306,000 vehicle registrations will be revoked in the first year. This is an estimated 8.8% of all registered vehicles. Revocations will decrease to 183,000 in the second year, and each year thereafter.
- The majority of revoked registrations will pay a reinstatement fee. In Utah, for CY 2014, revoked registrations that were not reinstated were 2.2% of all registered vehicles. This estimate assumes that the number of permanently revoked registrations will be 2.2% of all vehicles registered for all fiscal years.
- It is assumed that 50.0% of these vehicles would have dropped a vehicle registration in the following fiscal year without the Bill. Revoked registrations that are not reinstated only impact the first fiscal year. The revenue loss from these registration fees will impact the TIME-21 Fund.
- Registration fees paid by vehicles with revoked registration are \$126, the average registration fee paid to the DOT in FY 2014.
- The vendor contract will be approximately \$2.0 million per year.
- The impact of reduced registration fees and program surplus to the RUTF will be transferred in the year after collection.

Cost to the DOT

- The vendor contract will be funded through fees collected due to reinstating registrations. Cost of personnel and notifications will be funded by an annual appropriation.
- The DOT estimates that two additional FTE positions will be hired to administer the program. These positions will be funded by the annual Motor Vehicle Division appropriation.
- Reinstated registrations will require the reissuance of a license plate at a cost of \$3.40 per plate. Plate issuance is funded by the Road Use Tax Fund.
- Additional administrative costs will be funded by the Motor Vehicle Division operating budget. Costs include expenses related to reissuing plates and notification expenses.

HF 606 will increase convictions and paid fines due to motorists operating without proper registration (Iowa Code section **321.17**). It is estimated that 2.0% of motorists operating without a vehicle registration will be issued a citation, and that 90.0% will pay the fine. These fines are deposited in the General Fund.

HF 606 will decrease fines levied due to driving without insurance (Iowa Code section **321.20B**). The Bill may enable law enforcement to identify uninsured drivers more quickly, but the impact of potential changes is unknown. This estimate assumes that law enforcement activities will not change due to **HF 606**. Of the number of uninsured vehicles, it is estimated that 2.0% will be issued a citation. Felonies and misdemeanors established in **HF 606** are new penalties, and their fiscal impact is unknown. The number of civil penalties assessed on insurance companies is unknown. These fines are deposited in the General Fund.

Correctional Information

Prisoner length of stay under supervision, revocation rates, plea bargaining, and other criminal justice system policies and practices will not change over the projection period. There is a six-month lag between the effective date of this Bill (FY 2017) and the date of first entry of affected offenders into the criminal justice system.

Minority Data Information

There is no data for new crimes. The impact on minorities will remain consistent with current law.

Summary of Impacts

Correctional Impact

The correctional impact cannot be determined because this Bill creates new crimes. There is no data to provide a correctional impact statement.

Minority Impact

There is no data regarding new crimes. The impact of the new simple misdemeanor and Class D felony in this Bill cannot be estimated. The Bill is expected to have a minority impact on African Americans. They represent 3.3% of Iowa's population and 14.4% of total convictions of existing offenses affected by this Bill. Citations issued for driving without registration are expected to increase. Citations issued for driving without insurance are expected to decrease. This assumes that law enforcement decisions will remain consistent with current practices.

Fiscal Impact

Revoked registration fees that are unpaid are estimated to reduce revenue to the TIME-21 Fund by \$5.1 million in each fiscal year beginning in FY 2017. The fiscal impact of creating new offenses cannot be determined because the number of new convictions cannot be estimated. The State's cost for one simple misdemeanor conviction under this Bill is estimated to be no more than \$300. The State's cost of one Class D felony conviction under this Bill is estimated to be about \$6,000.

Program expenditures for administration are estimated to be \$409,000 in FY 2017 and \$286,000 in FY 2018. All administrative expenses associated with mailing and FTE positions will be funded through annual appropriations. These expenses are outlined in **Table 1**.

Table 1

	Estimated Administrative Expenses		
	<u>FTE Positions</u>	<u>Mailing</u>	<u>Total</u>
FY 2017	\$ 141,000	\$ 268,000	\$ 409,000
FY 2018	141,000	145,000	286,000
FY 2019	141,000	112,000	253,000
FY 2020	141,000	79,000	220,000
FY 2021	141,000	54,000	195,000

Estimated expenses paid to the vendor, the cost of issuing new plates, and revenues collected are displayed in **Table 2**. Fees paid to the DOT will decline as fewer registrations are revoked in future years. As a result, revenue in excess of vendor costs will not be sufficient to pay for the cost of a vendor contract in future years. An estimated 20,000 registration renewals must be paid each year to cover the estimated cost of the vendor contract.

Table 2

	Estimated Program Expenses and Revenue (in millions)			
	Vendor Contract	Plate Issuance	Fines Collected	Surplus to RUTF
FY 2017	\$ 2.0	\$ 0.8	\$ 23.0	\$ 20.2
FY 2018	2.0	0.4	10.7	8.3
FY 2019	2.0	0.3	7.4	5.1
FY 2020	2.0	0.1	4.1	2.0
FY 2021	2.0	0.1	1.5	(0.6)

Changes in General Fund revenue due to citations are outlined in **Table 3**.

Table 3

Estimated General Fund Revenue Impact (in millions)	
FY 2017	\$ 0.19
FY 2018	(0.50)
FY 2019	(0.68)
FY 2020	(0.87)
FY 2021	(1.01)

Sources

Iowa Department of Transportation
Utah Department of Transportation
Criminal and Juvenile Justice Planning
LSA Calculations

/s/ Holly M. Lyons

March 30, 2015

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
