



HF 635 – 2015 Transportation Omnibus (LSB1339HZ.3)

Analyst: Adam Broich (Phone: (515) 281-8223) (adam.broich@legis.iowa.gov)

Fiscal Note Version – As amended and passed by the House - **Revised**

Description

House File 635 as amended and passed by the House, updates several Iowa Code chapters to comply with federal law, reorganizes Iowa Code chapters **307** and **307A**, adopts changes for consistency, and changes fees. Changes are described below:

- **Division One** eliminates a reference to the State aircraft pool that no longer exists and eliminates requirements related to the presentation of an aircraft certificate.
- **Division Two** amends and reorganizes Iowa Code chapters related to duties of the Department of Transportation (DOT) and the Transportation Commission. Amendments separate the duties of the DOT and the Commission into separate Iowa Code chapters and update language to reflect current organization.
 - Requires the DOT to contract with a third-party vendor to maintain a database that will verify if a registered motor vehicle is insured. The DOT is required to adopt rules to administer the program. Currently, the DOT is unable to verify if registered vehicles are insured.
 - The DOT will revoke a motor vehicle registration if the vehicle owner fails to prove that the motor vehicle is insured. Owners are required to pay a \$100 fee to reinstate a revoked vehicle registration.
 - Fees collected from the reinstatement of registration will remain with the DOT to fund program administration.
 - Insurers are required to submit information to the vendor or pay a civil penalty set by the DOT.
- **Division Three** adopts the following provisions:
 - Clarifies that federal authorities are eligible for plates other than official registration plates.
 - Increases the fee for issuance of a replacement driver's license for licensees between the ages of 18 and 21 from \$1 to \$10. License cards for licensees age 21 and under are vertically displayed.
 - Allows an individual with a suspended license for operating-while-intoxicated (OWI) and for other violations to be eligible for a temporary restricted license (TRL). The licensee must be eligible for a TRL under both provisions. The fee to reinstate a TRL is \$20.
 - Decreases the penalty for filing registration fees related to the International Registration Plan (IRP). A registration reciprocity agreement exists among 48 states and Canada.
 - Allows annual oversize and overweight permits for vehicles that haul bagged livestock bedding.
 - Allows vehicles for sale to be displayed at the Iowa State Fair.
 - Extends the allowable length of travel and fifth-wheel trailers from 40 to 45 feet.
 - Requires newly issued disability parking permits to display "Remove from mirror before operating vehicle."
- **Division Four** repeals several Iowa Code sections related to rail transportation that are not in use.

- **Division Five** adopts the following provisions:
 - Updates the definitions of a commercial driver's license (CDL) and a commercial learner's permit (CLP) to match federal regulations.
 - Requires the DOT to adopt rules to implement federal changes to CDLs and CLPs.
 - Requires applicants for a CDL to hold a learner's permit prior to being issued a CDL. The learner's permit must be held a minimum of 14 days. The fee for a commercial learner's permit is \$12.
 - Allows the DOT to waive the requirement of a driving skills test if the applicant has been separated from the military one year or less.
 - Requires the DOT to disqualify the CDL of a person suspected or convicted of fraud.
 - Allows the DOT to adopt rules requiring additional proof, information, or certification to qualify for a CDL.
 - Clarifies that the DOT will presume that CLP applicants are a resident of Iowa if certain conditions are met.

Background

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 being 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 DOT estimates that contracting a vendor to verify the insurance policies of registered vehicles will cost \$2.0 million. The cost of notifying vehicle owners is unknown.
- An estimated 58,000 licensees were between the ages of 18 and 21 in 2014. The number of license holders that may acquire a replacement license is unknown. However, this estimate assumes that 33.0% of the population will acquire a replacement license.
- The number of additional temporary restricted licenses (TRLs) that may be issued is unknown. However, additional applicants may apply for a TRL, and revenue to the Statutory Allocations Fund (SAF) will increase.
- The DOT identified an average of \$257,000 in IRP late fees collected between FY 2012 and FY 2014. Fee collections vary substantially, and it is impossible to exactly predict future collections. The DOT anticipates that a reduced fee may increase collection rates.

- All new CDLs and CDL owners applying for an endorsement will be required to first own a commercial learner's permit (CLP) for 14 days and pay a \$12 fee. This estimate assumes an additional 4,000 CDL applicants will acquire a CLP.
- Provisions related to CDL requirements implement federal requirements. Failure to implement these changes may threaten federal funding to the DOT.
- Redesigning the placards will require minimal additional one-time expenditure by the DOT.
- The DOT will conduct a study related to uninsured motorists with current staff resources.

Insurance Verification Program Assumptions

The Iowa DOT estimates program performance will mirror the characteristics of the Utah 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 DOT estimates that two additional FTE positions will be hired to administer the program.
- 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.

The Program is assumed to increase convictions and fines paid by 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.

The Program is assumed to decrease fines levied due to driving without insurance because additional Iowans will buy 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. Of the number of uninsured vehicles, it is estimated that 2.0% will be issued a citation. Felonies and misdemeanors established in [HF 635](#) are new penalties, and their fiscal impact is unknown. The number of civil penalties that will be assessed to 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

Fiscal Impact

The DOT will expend an additional \$2.0 million per year beginning in FY 2016 to contract with a vendor to verify if registered vehicles maintain valid insurance. The number of additional temporary restricted licenses (TRL's) that will be issued due to [House File 635](#) is unknown. However, additional applicants will apply for a TRL and revenue to the Statutory Allocations Fund (SAF) will increase. The Bill will decrease the dollar amount of fines levied pursuant to the IRP. The impact of this change is unknown.

Increasing the fee for replacement licenses will increase revenue to the SAF by an estimated \$174,000 each fiscal year beginning in FY 2016. Requiring learner's permits will increase revenue to the SAF by an estimated \$48,000 each fiscal year beginning in FY 2016. Year-end SAF resources are transferred to the Road Use Tax Fund (RUTF) the following fiscal year. Therefore, these changes will increase RUTF revenue beginning in FY 2017.

The DOT estimates that failure to comply with federal requirements will reduce federal funding by \$17.2 million in FY 2016 and \$34.3 million in FY 2017. [House File 635](#) adopts changes that will meet federal requirements and secure federal National Highway Performance Program (NHPP) and Surface Transportation Program funding.

Insurance Verification Program

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.

Program costs include salaries, mailing expenses, costs to the vendor, the cost of issuing new plates, and revenues collected. These expenses are outlined in **Table 1**.

Table 1

	Estimated Program Expenses				
	2.0 FTE Positions	Mailing	Plate Issuance	Vendor Contract	Total
FY 2017	\$ 141,000	\$ 268,000	\$ 781,000	\$ 2,000,000	\$3,190,000
FY 2018	141,000	145,000	364,000	2,000,000	2,650,000
FY 2019	141,000	112,000	251,000	2,000,000	2,504,000
FY 2020	141,000	79,000	138,000	2,000,000	2,358,000
FY 2021	141,000	54,000	52,000	2,000,000	2,247,000

Estimated expenditures and revenue for the program are displayed in **Table 2**. Fees paid to the DOT will decline as fewer registrations are revoked in future years.

Table 2

	Estimated Program Expenses and Revenue (in millions)		
	Expenses	Fines Collected	Program Balance
FY 2017	\$ 3.2	\$ 23.0	\$ 19.8
FY 2018	2.7	10.7	8.3
FY 2019	2.5	7.4	5.1
FY 2020	2.4	4.1	2.0

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

Table 3

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

Correctional Impact

The correctional impact cannot be determined because this Bill creates new crimes. There is no data to provide a correctional impact statement. 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 approximately \$6,000.

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.

Sources

Department of Transportation
LSA Calculations

/s/ Holly M. Lyons

May 12, 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.
