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FISCAL IMPACT REPORT

SPONSOR: Taylor, J.G. DATE TYPED: 02/20/01 HB 476

SHORT TITLE: Additional Motor Vehicle Registration Fee SB _____

ANALYST: Hayes

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
			\$ 2,400.0	Recurring	Motor Vehicle Suspense Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in The General Appropriation Act HB2, Committee Substitute

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	\$ 2,400.0	\$ 2,600.0	Recurring	Motor Vehicle Suspense Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC budget files
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

HB476 adds a new section to the Motor Vehicle Code, Section 66-6-6.1 NMSA 1978, which authorizes an additional a two dollar (\$2.00) fee to the annual motor vehicle registration fee for vehicles whose gross weight is less than twenty-six thousand pounds. The revenue generated from this two dollar fee will be used to implement a unit within MVD in order to enforce the Mandatory

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Financial Responsibility Act (MFRA). Moreover, the fees will also be used to further develop and maintain a multi-language driver's license testing program.

Effective date of the bill is July 1, 2001.

Significant Issues

Even though the Mandatory Financial Responsibility Act has been law for several years, there still remains a high level of drivers in State of New Mexico who drive without liability insurance. According to a nationwide ranking by the insurance industry, New Mexico is ranked number one (#1) in the country for the number of uninsured drivers. Currently, the state does not have a systematic way of verifying whether or not a driver has vehicle liability insurance. Without verification and enforcement, the uninsured motorist rate will remain the same— as the highest in the nation.

The legislation proposed in this bill authorizes collection of a two dollar fee, of which, \$1.20 will be earmarked for enforcing MFRA. Specifically, the funds will be utilized to create the Mandatory Financial Responsibility Unit. This unit, staffed by four term positions, will aggressively attempt to identify those motorists who are uninsured. Sanctions will be imposed; warnings will be transmitted. If a motorist fails to produce vehicle liability insurance, the individual's driver's license, license plate or vehicle registration may be revoked. The verification process will be accomplished by contracting with and accessing a third party national vehicle insurance database that provides daily information on which vehicles are or are not insured. Once a vehicle is identified through the database as uninsured, a notice will be produced and mailed to the registered owner. Without proof of insurance, the motorist remains in non-compliance status and will be given progressive sanctions the longer the vehicle remains uninsured.

Accessibility to this national database will also reduce (if not eliminate) acquisition of one-day or one-month insurance policies sold by certain companies to New Mexico motorists.

FISCAL IMPLICATIONS

With a two dollar fee imposed on vehicle registration every twelve-month period, LFC estimates a maximum first-year collection of \$2.4 million. MVD's budget estimate for operating expenses for the Mandatory Financial Responsibility unit is \$2,643.0. However, the fiscal year 2002 expenditure amount was adjusted downward in the appropriation table above to reflect estimated revenues.

TRD estimates assume approximately 1,548,000 registrations in FY02 and therefore, revenue totaling \$3.1 million. The LFC's estimate is lower, accounting for the lag in hiring staff, the implementation date, and the staggered registrations. Moreover, MVD allows motorists to choose a one-year or two-year vehicle registration, thereby affecting revenue flow.

Of this \$2.4 million in estimated registration fees, approximately \$1.4 million would be directed toward enforcement of the Mandatory Financial Responsibility Act and its supporting unit while \$1.0 million would fund a multi-language driver's license testing program.

ADMINISTRATIVE IMPLICATIONS

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In January 2001, the Motor Vehicle Division recommenced Spanish-language driver's testing by producing a new testing manual. MVD would like to expand on this program to include various other major languages spoken and read in New Mexico.

By providing increased financial support for enforcing the Mandatory Financial Responsibility Act and for developing multi-language testing programs, the proposed legislation would improve administration of New Mexico's transportation system overall.

CONFLICT/DUPLICATION/COMPANIONSHIP/RELATIONSHIP

In House Bill 2, committee substitute, language was added which stated that the appropriation for the Mandatory Financial Responsibility unit in Other State Funds is contingent upon passage of HB476 or related bill which authorizes the collection of two dollars per vehicle registration for the purposes described above.

OTHER SUBSTANTIVE ISSUES

In 2000, there were 1,834,218 vehicles registered in New Mexico. Of that total, approximately 500,000 were uninsured—30%. If that percentage could be decreased, the insurance industry would lower vehicle liability premiums in the state, a move that would benefit all drivers. Until the state takes action and demonstrates that it is trying to enforce its own laws regarding uninsured motorists, observers claim that motorists will continue to drive without insurance and insurance companies will continue to impose high rates on those drivers who are compliant. There is concern that compliant drivers in New Mexico are treated inequitably and have become financially burdened with the cost of those who do not have insurance.

CMH/ar