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## FISCAL IMPACT REPORT

SPONSOR Beffort DATE TYPED 2-10-04 HB \_\_\_\_\_

SHORT TITLE Cash Deposits By Uninsured Motorists SB 143

ANALYST Reynolds-Forte

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
			Substantial See Narrative	Recurring	General Funds

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department  
Department of Public Safety

### SUMMARY

#### Synopsis of Bill

Senate Bill 143 makes changes to the Mandatory Financial Responsibility Act which will require drivers to deposit cash or collateral with the Motor Vehicle Division when they are cited for failure to comply with the Mandatory Financial Responsibility Act and are also cited for a moving traffic violation before the Division will return their license plate.

### FISCAL IMPLICATIONS

The Taxation and Revenue Department believes the administrative cost of this bill will be substantial. It would require the Department to accept cash or collateral payments that would be held in escrow awaiting outcome of a court orders in civil actions, monitor court orders and respond accordingly. MVD would also need programming changes to account for the \$500 fees/deposits. Field office personnel would need to be trained on what to look for before a plate is returned or issued. One FTE at an annual cost of perhaps \$40,000 would be required to administer provisions of the proposed statute.

## **TECHNICAL ISSUES**

The Department of Public Safety points out that in Subsection B (2) the “and” after the semi colon should be an “or”.

The Taxation and Revenue Department notes that: 1) The bill incorrectly quotes statutes in minor ways in several places, including the semicolon on line 20, page 2, lack of capitalization of “If” on the following line, and the semicolon at the end of line 3, page 3. 2) The proposal may require individuals to deposit the \$500 in collateral to the Department in cases where two or more drivers are cited for moving violation and there is no clear distinction regarding which particular driver is at fault. 3) The proposal contains no provisions for what happens in cases where the driver of an uninsured vehicle fails to deposit the \$500 with the Department.

## **OTHER SUBSTANTIVE ISSUES**

The Department of Public Safety notes that cash or collateral deposited with the department would be in the amount of \$500. This is a small amount for auto accident damages. A cost benefit analysis would disfavor such a low amount of collateral or money. For any real benefit to the injured party, the amount should be increased. In addition, the cash or collateral can only be awarded to the injured party if that party files a lawsuit against the driver. The filing of a civil lawsuit entails additional costs to the injured party and as a practical matter; many cases can be settled prior to the filing of a formal law suit.

The cash or collateral can be returned to the driver who deposited it under two circumstances (1) if the driver is found not guilty of violating both the mandatory responsibility act and the separate moving traffic violation; or (2) if the driver petitions the department showing that the time for filing the civil action for injuries and damages has expired. The current expiration for a civil law suit is at least 3 years. Keeping money in escrow for this period of time is both problematic to the department and to the driver who has deposited the cash or collateral. For example, if the driver should become incapacitated or die, does his right to claim the collateral pass to his estate?

## **POSSIBLE QUESTIONS**

New language on page 3 of the bill states that the driver must furnish proof of compliance with the Mandatory Financial Responsibility Act and deposit cash or collateral of \$500. Does this mean the person must prove they have insurance AND deposit the cash before getting their license returned?

**PRF/yr:dm**