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FISCAL IMPACT REPORT

ORIGINAL DATE 2/13/08

SPONSOR HBIC LAST UPDATED _____ HB 593/HBICS

SHORT TITLE Motor Vehicle Insurance Changes SB _____

ANALYST Earnest

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
none	1,695	1,525	Recurring	MVD
none	\$0.1*	\$0.1*	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

*Indeterminate but positive revenue impact due to new \$75 penalty assessment fines.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
Administrative Office of the Courts (AOC)

No Response Received From

Department of Public Safety (DPS)

SUMMARY

Synopsis of Bill

The HBIC substitute for HB 593 imposes an additional reinstatement fee of \$75 if the registration for a vehicle was suspended for failure to comply with the Mandatory Financial Responsibility Act (MFRA), and appropriates the additional fee to MVD for the purpose of enforcing the MFRA.

The bill also changes the penalty for uninsured motor vehicles from a misdemeanor with a fine not to exceed \$300 to a penalty assessment misdemeanor with a \$75 fine. The fee for replacing a plate that has been removed or defaced by a law enforcement officer for failure to comply with the MFRA is increased from \$25 to \$100. The bill clarifies that temporary operation stickers issued to drivers that have been cited for a violation of the Mandatory Financial Responsibility Act shall not create liability on the part of the officer or the Taxation and Revenue Department for damages arising from the future operation of the vehicle.

The bill additionally prohibits law enforcement officers from charging a person with failure to carry evidence of financial responsibility if the officer can verify the person's compliance with MFRA by checking a computer database that is immediately available to the officer.

FISCAL IMPLICATIONS

TRD based the revenue impact for MVD on 22,618 reinstatements in FY07 times the \$75 increase in reinstatement fees. Declining amounts in future years reflects assumed increased compliance. The general fund revenue impact reflects increased penalty assessment fines, lessened by a decrease in misdemeanor fines, but an overall positive fiscal impact. TRD/MVD has no information on the number or level of fines imposed under the existing statute, but it is presumed to be small.

This bill provides for continuing appropriations by appropriating revenue to the Motor Vehicle Division. The LFC has concerns with including continuing appropriation language in statutory provisions, as earmarking reduces the ability of the legislature to establish spending priorities.

SIGNIFICANT ISSUES

The increased reinstatement fee may result in increased compliance with the Mandatory Financial Responsibility Act requirement that drivers must maintain liability insurance. While some number of fines may be imposed for failure to have insurance, probably many more are identified through the New Mexico Insurance Identification Database (IIDB), resulting in suspension of the vehicle registration but without imposition of misdemeanor fines.

TRD reports that the bill is designed to further decrease the uninsured rate. If made law, this bill may close loopholes, increase compliance and make people more inclined to purchase and maintain insurance. Since 2002, MVD has been funded to implement the Mandatory Financial Responsibility Act, which requires that vehicles maintain liability insurance. Since then the uninsured driver rate has gone from among the worst in the nation at 33% to below the national average of 14%. The current uninsured rate is 10.28%.

It isn't clear whether a database is available to law enforcement officers to verify whether a driver is in compliance with the Mandatory Financial Responsibility Act.

AOC notes that as penalties become more severe, defendants may invoke their right to trial and their right to trial by jury. Conversely, as penalties become *less* severe, fewer defendants will be likely to invoke their right to trial and their right to trial by jury.

ADMINISTRATIVE IMPLICATIONS

TRD indicated that the additional funds appropriated to the department in this bill would be used to fund programs designed to further reduce the uninsured driver rate in New Mexico, and to increase compliance with insurance requirements. For example, money could be used to work with local law enforcement to fund efforts, such as booting a vehicle without required insurance.

TECHNICAL ISSUES

TRD notes the following technical issue:

On page 5, lines 21-22, the \$100 reinstatement fee is presumably the same reinstatement fee provided in Section 1 of the bill (\$25 plus an additional \$75). This should probably be more clearly specified, either by referencing a “reinstatement fee specified in Section 66-5-33.1 NMSA 1978”, or “in addition to the reinstatement fee specified in 66-5-33.1 NMSA 1978, an additional reinstatement fee of \$100.”

BE/bb