



LEGISLATIVE BUDGET BOARD

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MEMORANDUM

TO: Representative Joseph Pickett
Chair, House Committee on Homeland Security and Public Safety

FROM: Jennifer Fox

DATE: July 31, 2014

SUBJECT: Analysis of Reduced DRP Surcharge Amounts

This memorandum is in response to your request for Legislative Budget Board (LBB) analysis of certain recommendations regarding the Driver Responsibility Program (DRP). These recommendations originated from an April 14th House Homeland Security and Public Safety Committee hearing on the DRP. This memo and the accompanying attachment represent part one of our analysis.

Specifically, the attachment provides an analysis illustrating the potential impact on revenue from reducing DRP surcharge amounts. For example, assuming current compliance rates, reducing the surcharge rate for DWLI by 5 percent could result in a revenue loss of \$385,188 in year 1. Under this scenario, for each one percent increase in compliance rates, the associated revenue gain is estimated to be \$225,796 in year 1. Therefore, the necessary compliance rate to reach current levels of revenue collections is estimated to be 34.12 percent in year 1 up from the current compliance rate of 32.41 percent.

This analysis is based on data from the Department of Public Safety pertaining to the total amount of surcharges billed and collected during fiscal years 2012 and 2013. This analysis is illustrative only; the Comptroller of Public Accounts, not the LBB, is ultimately responsible for certifying specific revenue impacts resulting from changes in legislation.

Please call me at 463-6806 if I can provide additional information.

Attachment

/jf

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cc: Mariann Morelock
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John McGeady
Julie Ivie
Jeremiah Jarrell
Meredith Melecki
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Estimated Fiscal Impact of Reduced Surcharge Amounts

Base Collections					
DRP Category	Surcharge Amount	Actual revenue received from surcharges billed (based on current law) was \$32.1 million for fiscal year 2012 and \$22.3 million for fiscal year 2013. These revenue amounts do not include revenue generated from surcharges billed for points violations.			
		Compliance Rate Year 1	Compliance Rate Year 2	Revenue from Surcharges Billed in Compliance Year 1	Revenue from Surcharges Billed in Compliance Year 2
Driving While License Invalid (DWLI)	\$750	32.41%	23.37%	\$23,111,250	\$17,368,500
No Drivers License (No DL)	\$300	28.29%	23.15%	\$15,912,600	\$11,628,600
No Insurance (NI)	\$750	31.98%	26.44%	\$57,318,000	\$37,917,750
Total				\$96,341,850	\$66,914,850

This data was calculated using the following:

1. Number of DRP convictions that resulted in surcharges assessed in the given fiscal year. Year 1 is based on data from DPS for FY 2012. Year 2 is based on data from DPS for FY 2013.
2. Number of DRP convictions that resulted in surcharges assessed in the given fiscal year which are considered to be in compliance by DPS.
3. Estimated revenue generated from the total number of surcharges assessed in compliance in fiscal years 2012 and 2013.
4. This analysis presents a scenario where all surcharges are assessed in one year instead of over a three year period of time. It is based on compliance rates for fiscal years 2012 and 2013 and does not account for potential decreases to compliance rates associated with this change.

Estimated Fiscal Impact of Reduced Surcharge Amounts

5% Reduction in Surcharge Amounts									
DRP Category	Reduced Surcharge Amount	Scenario One: Assuming Existing Compliance Rates				Scenario Two: Assuming One Percent Increase in Compliance Rates		Estimated Compliance Rate Necessary to Reach FY 2012 and 2013 Revenue Levels Based on 5% Surcharge Reduction	
		Estimated Revenue from Surcharges Billed in Compliance Year 1	Estimated Revenue from Surcharges Billed in Compliance Year 2	Estimated Revenue Gain/(Loss) Year 1	Estimated Revenue Gain/(Loss) Year 2	Estimated Additional Revenue (Over Scenario One) from Each 1% increase in Compliance Year 1	Estimated Additional Revenue (Over Scenario One) from Each 1% increase in Compliance Year 2	Necessary Compliance Rate Year 1	Necessary Compliance Rate Year 2
Driving While License Invalid (DWLI)	\$713	\$21,955,688	\$16,500,075	(\$1,155,563)	(\$868,425)	\$677,388	\$706,016	34.12%	24.60%
No Drivers License (No DL)	\$285	\$15,116,970	\$11,047,170	(\$795,630)	(\$581,430)	\$534,329	\$477,255	29.78%	24.37%
No Insurance (NI)	\$713	\$54,452,100	\$36,021,863	(\$2,865,900)	(\$1,895,888)	\$1,702,832	\$1,362,243	33.66%	27.83%
	Total	\$91,524,758	\$63,569,108	(\$4,817,093)	(\$3,345,743)	\$2,914,550	\$2,545,515		

Estimated Fiscal Impact of Reduced Surcharge Amounts

10% Reduction in Surcharge Amounts									
DRP Category	Reduced Surcharge Amount	Scenario One: Assuming Existing Compliance Rates				Scenario Two: Assuming One Percent Increase in Compliance Rates		Estimated Compliance Rate Necessary to Reach FY 2012 and 2013 Revenue Levels Based on 10% Surcharge Reduction	
		Estimated Revenue from Surcharges Billed in Compliance Year 1	Estimated Revenue from Surcharges Billed in Compliance Year 2	Estimated Revenue Gain/(Loss) Year 1	Estimated Revenue Gain/(Loss) Year 2	Estimated Additional Revenue (Over Scenario One) from Each 1% increase in Compliance Year 1	Estimated Additional Revenue (Over Scenario One) from Each 1% increase in Compliance Year 2	Necessary Compliance Rate Year 1	Necessary Compliance Rate Year 2
Driving While License Invalid (DWLI)	\$675	\$20,800,125	\$15,631,650	(\$2,311,125)	(\$1,736,850)	\$641,736	\$668,858	36.01%	25.97%
No Drivers License (No DL)	\$270	\$14,321,340	\$10,465,740	(\$1,591,260)	(\$1,162,860)	\$506,207	\$452,137	31.43%	25.72%
No Insurance (NI)	\$675	\$51,586,200	\$34,125,975	(\$5,731,800)	(\$3,791,775)	\$1,613,210	\$1,290,546	35.53%	29.38%
	Total	\$86,707,665	\$60,223,365	(\$9,634,185)	(\$6,691,485)	\$2,761,152	\$2,411,540		

Estimated Fiscal Impact of Reduced Surcharge Amounts

20% Reduction in Surcharge Amounts											
DRP Category	Reduced Surcharge Amount	Scenario One: Assuming Existing Compliance Rates				Scenario Two: Assuming One Percent Increase in Compliance Rates		Scenario Two: Assuming One Percent Increase in Compliance Rates		Estimated Compliance Rate Necessary to Reach FY 2012 and 2013 Revenue Levels Based on 20% Surcharge Reduction	
		Estimated Revenue from Surcharges Billed in Compliance Year 1	Estimated Revenue from Surcharges Billed in Compliance Year 2	Estimated Revenue Gain/(Loss) Year 1	Estimated Revenue Gain/(Loss) Year 2	Probable Revenue Gain/(Loss) Year 1	Probable Revenue Gain/(Loss) Year 2	Estimated Additional Revenue (Over Scenario One) from Each 1% increase in Compliance Year 1	Estimated Additional Revenue (Over Scenario One) from Each 1% increase in Compliance Year 2	Necessary Compliance Rate Year 1	Necessary Compliance Rate Year 2
Driving While License Invalid (DWLI)	\$600	\$18,489,000	\$13,894,800	(\$4,622,250)	(\$3,473,700)	(\$4,051,818)	(\$2,879,160)	\$570,432	\$594,540	40.52%	29.21%
No Drivers License (No DL)	\$240	\$12,730,080	\$9,302,880	(\$3,182,520)	(\$2,325,720)	(\$2,732,558)	(\$1,923,821)	\$449,962	\$401,899	35.36%	28.93%
No Insurance (NI)	\$600	\$45,854,400	\$30,334,200	(\$11,463,600)	(\$7,583,550)	(\$10,029,636)	(\$6,436,398)	\$1,433,964	\$1,147,152	39.97%	33.05%
	Total	\$77,073,480	\$53,531,880	(\$19,268,370)	(\$13,382,970)	(\$16,814,012)	(\$11,239,379)	\$2,454,358	\$2,143,591		