

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/CS/HB 359 Motor Vehicle Financial Responsibility
SPONSOR(S): Policy & Budget Council; Kriseman & others
TIED BILLS: **IDEN./SIM. BILLS:** SB 846

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Committee on Infrastructure</u>	<u>8 Y, 0 N</u>	<u>Owen</u>	<u>Miller</u>
2) <u>Economic Expansion & Infrastructure Council</u>	<u>14 Y, 0 N, As CS</u>	<u>Owen</u>	<u>Tinker</u>
3) <u>Policy & Budget Council</u>	<u>31 Y, 0 N, As CS</u>	<u>Martin</u>	<u>Hansen</u>
4) _____	_____	_____	_____
5) _____	_____	_____	_____

SUMMARY ANALYSIS

Under Florida law, motorists are required to purchase personal injury protection (PIP) and property damage (PD) liability coverages. The no-fault coverage, referred to as PIP, provides \$10,000 of coverage. Current law also requires vehicle owners to obtain \$10,000 in PD liability coverage which pays for the physical damage expenses caused by the insured to third parties in the accident. Additionally, under Florida's Financial Responsibility law, motorists must provide proof of ability to pay monetary damages for bodily injury (BI) and PD liability after motor vehicle accidents or serious traffic violations.

The bill creates s. 324.023, F.S., to increase the limits of PIP and PD insurance and require purchase of BI insurance for anyone who has been found guilty, after October 1, 2007, of s. 316.193, F.S., which address driving under the influence (DUI), in the amounts of \$100,000/\$300,000/\$50,000 and provides the option of posting a bond or furnishing a certificate of deposit in an amount no less than \$350,000. Such higher limits must be carried for a period of three years. If the person has not been found guilty of a DUI or a felony traffic offense during the three year period, they are allowed to return to the standard coverage limits.

The bill requires those directed to maintain the higher insurance limits to keep proper proof of the insurance in his or her possession at all times. Violation of this provision is a nonmoving traffic violation. If the violator provides the necessary proof before the court date the fine and court appearance may be waived. Failure to furnish proof results in suspension of the registration and driver's license of the person.

The bill requires tax collector employees to verify that BI insurance has been purchased by a person required to do so under s. 324.023, F.S., at the time the person applies for a vehicle registration or registration renewal.

The bill increases the reinstatement fee of a driver's license from \$15 (s. 324.071, F.S.) to the limits under the no-fault law, which are \$150 for a first reinstatement, \$250 for a second reinstatement, or \$500 for each subsequent reinstatement during the three years following the first reinstatement.

The Department of Highway Safety and Motor Vehicles' (Department) estimates a nonrecurring impact of \$110,000 to re-program computer systems and a recurring impact of \$18,450 annually for postage for notices. They also estimate an increase of \$2.3 million in fee revenues for the first year, with recurring revenues of \$3 million for all subsequent years. The agency is able to absorb the up-front costs of the computer programming and will be able to offset those costs with the additional fee revenue that is received in the first year. However, there is no provision made for any increased budget authority that may be needed by the department to spend the additional revenues.

There may be additional fines for state and local governments based on additional citations issued for failure to provide adequate proof of insurance.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

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The bill is effective upon becoming law.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide Limited Government: The Department is provided additional authority to require DUI offenders to carry increased liability insurance limits for a minimum period of three years.

Promote Personal Responsibility: Those found guilty of DUI are required to carry increased liability insurance limits for a minimum period of three years. Such increased coverage would be available to pay expenses related to personal injury or property damage caused by the DUI offender in the future.

B. EFFECT OF PROPOSED CHANGES:

Present Situation:

Under Florida law, motorists are required to purchase personal injury protection (PIP) and property damage (PD) liability coverages. The no-fault coverage, referred to as PIP, provides \$10,000 of coverage. Current law also requires vehicle owners to obtain \$10,000 in PD liability coverage which pays for the physical damage expenses caused by the insured to third parties in the accident. Additionally, under Florida's Financial Responsibility law, motorists must provide proof of ability to pay monetary damages for bodily injury (BI) and PD liability after motor vehicle accidents or serious traffic violations. They are required to have evidence of such coverage in a form prescribed by the Department and maintain such limits for three years. The form used by the Department is called the SR-22 and is provided by the insurance carriers, with a requirement for the carrier to notify the Department immediately upon cancellation.

According to s. 324.021(9)(b)1., F.S., a person who leases a motor vehicle for one year or longer, is required to obtain insurance containing limits not less than \$100,000/\$300,000 BI liability and \$50,000 PD liability.

The current financial responsibility reinstatement fee per s. 324.071, F.S., is \$15 which is deposited into the Department's Highway Safety Operating Trust Fund.

Proposed Changes:

The bill creates s. 324.023, F.S., and requires two separate limits of liability insurance, depending on the type of offense. The current law with limits of \$10,000/\$20,000/\$10,000 will continue to apply to motorists who are involved in serious traffic violations. The bill will increase the limits to \$100,000/\$300,000/\$50,000 whenever a revocation is applied on a person's driver's license for a violation of s. 316.193, F.S., which addresses DUI. More specifically, the person must establish and maintain the ability to respond in damages for liability on account of accidents arising out of the use of a motor vehicle in the amount of \$100,000 because of bodily injury to, or death of, one person in any one crash and, subject to such limits for one person, in the amount of \$300,000 because of bodily injury to, or death of, two or more persons in any one crash and in the amount of \$50,000 because of property damage in any one crash.

The bill indicates that the revised higher limits apply to any owner or operator who has been found guilty of a charge of DUI after October 1, 2007. The Department estimates that there are 45,000 new DUI convictions each year. Such higher limits must be carried for a minimum of three years. If the person is not found guilty of a DUI or a felony traffic offense during the three year period, they may return to the standard coverage requirements.

The bill amends s. 316.646, F.S., to require law enforcement officers to verify proof of insurance and to verify that the driver carries the right type of coverage based on the violations the person may have committed. Violation of this provision is a nonmoving traffic violation. If the violator provides the necessary proof before the court date, the fine and court appearance may be waived. Failure to furnish proof results in suspension of the registration and driver's license of the person. Currently, the details required to enforce this provision are not available to the officer at road side, according to the Department. It will require programming changes to their computer system to make the information available.

The bill amends s. 320.02, F.S., to require tax collector employees to verify that BI insurance has been purchased by a person required to do so under s. 324.023, F.S., at the time the person applies for a vehicle registration or registration renewal.

The bill amends s. 627.733, F.S., to increase the driver's license reinstatement fee for violation of s. 324.023, F.S., to the limits found under the no-fault law, which are \$150 for a first reinstatement of a driver's license, \$250 for a second reinstatement, or \$500 for each subsequent reinstatement during the three years following the first reinstatement.

C. SECTION DIRECTORY:

Section 1. Creates s. 324.023, F.S., requiring proof of increased financial responsibility for bodily injury or death caused by owners or operators found guilty of a DUI offense.

Section 2. Amends s. 316.646, F.S., with a conforming a provision.

Section 3. Amends s. 320.02, F.S., with a conforming a provision.

Section 4. Amends s. 627.733, F.S., providing an additional cross-reference concerning motor vehicle security following motor vehicle license or registration suspension.

Section 5. Provides an effective date of upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

	<u>Amt. Year 1</u> <u>FY 2007-08</u>	<u>Amt. Year 2</u> <u>FY 2008-09</u>	<u>Amt. Year 3</u> <u>FY 2009-10</u>
Highway Safety Operating TF			
Financial Responsibility Reinstatement Fee:	\$2,278,200	\$3,037,500	\$3,037,500
TOTAL:	<u>\$2,278,200</u>	<u>\$3,037,500</u>	<u>\$3,037,500</u>

SEE FISCAL COMMENTS.

2. Expenditures:

Highway Safety Operating TF			
Contracted Programming (DDL):	\$90,000	\$0	\$0
Contracted Programming (DMV):	\$20,000	\$0	\$0
Postage:	<u>\$18,450</u>	<u>\$18,450</u>	<u>\$18,450</u>
TOTAL:	\$128,450	\$18,450	\$18,450

SEE FISCAL COMMENTS.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The bill may generate additional fine revenues for local governments based on additional citations issued for failure to provide adequate proof of insurance. The amount of which is indeterminate.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill applies to any owner or operator who has been found guilty of a DUI offense. This population will be required to carry motor vehicle insurance at the increased rate of \$100,000/\$300,000/\$50,000. According to the Department, there are approximately 45,000 new DUI convictions each year. Each person found guilty of a DUI would be required to carry the increased limits for a minimum period of three years.

The Department provided sample quotes for motor vehicle operators of different genders and age who could be affected by the bill. These quotes are *estimates* based on the increased limits found in the bill. No discounts other than a SRS Airbag are provided. No multi-car or home-owner's discounts are provided. All quotes are for a 6-month period and are based on a 1997 Ford Taurus vehicle.

Gender	Age	County	Quote w/ one DUI	Quote w/ two DUIs
Male	21	Miami-Dade	\$1,639.23	\$1,895.71
Female	35	Lake	\$870.62	\$1,020.04
Male	70	Escambia	\$888.76	\$1,054.44

D. FISCAL COMMENTS:

According to the Department, implementation of the bill will require 900 hours of contracted programming modifications to the Driver License Software Information systems at a cost of \$100 per hour. In addition, 200 hours of DMV programming will be required to the Florida Real Time Vehicle Information System to determine if increased coverage is required and if the required coverage has been provided to the Financial Responsibility Section of the Division of Drivers License. An estimated 45,000 notices will need to be mailed to customers to notify them of the new financial responsibility requirements, at a cost of \$0.41 per piece of mail.

According to the Department, the bill may increase financial responsibility reinstatement revenues which are deposited into the Highway Safety Operating Trust Fund. Since there are approximately 45,000 new DUI cases per year, the Department assumed that 45% of them will be non-compliant with the new insurance requirements, resulting in 20,250 additional suspensions per year. At a reinstatement fee of \$150 each, there will be an estimated increase in revenue of \$3,037,500 each year. However, because the bill will not be implemented until October 1, 2007, it is estimated that only 15,188 suspension cases will occur. This will provide for revenues of \$2,278,200 in the first fiscal year.

In summary, the Department of Highway Safety and Motor Vehicles' (Department) estimates a nonrecurring impact of \$110,000 to re-program computer systems and a recurring impact of \$18,450 annually for postage for notices. They also estimate an increase of \$2.3 million in fee revenues for the first year, with recurring revenues of \$3 million for all subsequent years. The agency is able to absorb the up-front costs of the computer programming and will be able to offset those costs with the additional

fee revenue that is received in the first year. However, there is no provision made for any increased budget authority that may be needed by the department to spend the additional revenues.

The bill may also generate additional fines for state and local governments based on additional citations issued for failure to provide adequate proof of insurance. The amount of which is indeterminate.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable because the bill does not appear to: require counties or cities to spend funds or take action requiring the expenditure of funds; reduce the authority that cities or counties have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with cities or counties.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

D. STATEMENT OF THE SPONSOR

This bill simply raises the amount of financial responsibility required for persons guilty of DUI or other serious traffic offenses.

Under current law, someone who has committed a DUI or other serious offense, like vehicular manslaughter, is only required to carry bodily injury (BI) liability insurance of \$10,000 per person and \$20,000 per incident. (A "10/20" insurance policy). This amount has not changed since the 1970s. These limits are extremely low in light of today's medical costs which would be incurred in the event a serious accident occurred.

My bill will raise the minimum amount of BI required of DUI offenders to \$100,000 per person, \$300,000 per incident, plus \$50,000 for property damage. (A "100/300/50" insurance policy.) These are the same limits required by car leasing companies if you lease a car instead of purchasing a car.

It is reasonable to expect that someone who has been found guilty of a DUI may drive under the influence again. As such, it is reasonable to require a DUI offender to be completely financially responsible to other drivers if the DUI offender is to continue to enjoy the privilege of driving on our Florida highways.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

On March 20, 2007, this bill was considered by the Committee on Infrastructure. An amendment was adopted which deleted the retroactive provision of the bill and limited the increased financial responsibility requirements to only those found guilty of DUI (s. 316.193, F.S.). The bill was reported favorably with one amendment.

On April 4, 2007, this bill was considered by the Economic Expansion and Infrastructure Council. An amendment was adopted which specified that the higher limits must be carried for a minimum of three

years and allowed for the owner/operator to be exempt from the higher limits if that person has not been convicted of a DUI or felony traffic offense during the three year period. The bill was reported favorably as a council substitute.

On April 20, 2007, this bill was considered by the Policy and Budget Council and two amendments were adopted.

Amendment #1: Inserted a cross reference in the bill section that amends s. 627.733, F.S., to refer to the new s. 324.023, F.S., created by the bill.

Amendment #2: Replaced "convicted" of DUI with "found guilty", regardless of adjudication of guilt or plea of guilty or nolo contendere.

The bill was reported as a council substitute.