

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** HB 140

**SHORT TITLE:** Insurance Lapse Penalty Changes

**SPONSOR(S):** Committee Substitute

**FISCAL IMPACT:**   **Expenditures:**    **Increase (X)**        **Decrease ( )**  
                   **Revenues:**            **Increase ( )**        **Decrease (X)**  
                   **No Impact ( )**  
                   **No Estimate Available (X)**

**FUND AFFECTED:**   **General Fund ( )**   **Highway Fund (X)**   **Local Govt. ( )**  
                           **Other Funds ( )**

**BILL SUMMARY:** The bill would revise the laws related to the sanctions imposed on motorists whose insurance coverage expires. The bill would change the penalty for a lapse of insurance coverage from a uniform \$50.00 to a penalty that is based upon the number of lapses within the previous three years. Motorists with no lapses within the previous three years would still pay \$50. Those with one previous lapse within the last three years would pay \$200.00, and those with more than one lapse would pay \$500.00. In addition to changing the penalty scheme, the bill reduces the fee that must be paid if a motorists registration is revoked due to a lapse in insurance coverage from \$50.00 to \$25.00. This action brings this restoration fee in line with all others imposed by the Division of Motor Vehicles (DMV), except for the DWI restoration fee, which is \$50.00.

**EFFECTIVE DATE:** January 1, 1996.

**FISCAL IMPACT**

	<u>95-96</u>	<u>96-97</u>	<u>97-98</u>	<u>98-99</u>	<u>99-00</u>
<b>HIGHWAY FUND</b> (\$ Millions)					
<b>REVENUES:</b>					
<b>Penalties</b>	No estimate available				
<b>Restoration Fees</b>	-\$1.0	-\$1.0	-\$1.0	-\$1.0	-\$1.0
<b>EXPENDITURES:</b>	\$0.2	\$0.1	\$0.1	\$0.1	\$0.1

**ASSUMPTIONS AND METHODOLOGY:**

**Revenues**

Currently DMV maintains records on lapses in insurance coverage for a period of 8-10 months. As a result, no figures are available on the

number of violations that would be subject to the higher penalties, from which additional penalty revenue to be generated can be calculated.

The reduction of the restoration fee from \$50.00 to \$25.00 would cause the Highway Fund to lose one-half of the revenues that would be generated from registration restoration fees associated with insurance lapses. It is expected that this loss of revenue will be approximately \$1,000,000 per year.

### **Expenditures**

DMV indicates that it would be required to incur additional costs to maintain insurance lapse records for a period of three years and implement the other provisions of the bill. DMV has provided the following preliminary estimate of the additional costs:

<u>One-time</u>	
Equipment	\$100,000
Form Redesign	\$ 20,000
Computer Programming	\$ 2,000
PC Rental	\$ 500
Space	\$ 500
Total	<u>\$123,000</u>

<u>Recurring</u>	
Maintenance	\$ 20,000
Telephone	\$ 5,000
Personnel	\$ 21,565
Postage	\$ 24,000
Computer Storage	\$ 30,000
Total	<u>\$100,565</u>

### **FISCAL RESEARCH DIVISION**

**733-4910**

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**APPROVED BY:** Tom Covington **TomC**

**DATE:** May 9, 1995

**[FRD#001]**



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