

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 198 - SB 209

March 16, 2015

SUMMARY OF BILL: Changes every driver license, excluding Class P licenses, issued by the Department of Safety (DOS) to a validity period of eight years. Authorizes the Commissioner to issue an initial license or a renewed license for three to eight years in order to transition such licensees to the proposed eight-year renewal cycle. License fees for licenses issued for less than an eight-year period will be prorated accordingly, provided, that \$2.00 is deducted from the gross prorated fee. Makes other technical changes to effectuate eight-year issuance periods.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - \$6,409,200/FY15-16
\$12,818,500/FY16-17
\$12,818,500/FY17-18
\$12,818,500/FY18-19
\$12,818,500/FY19-20

Decrease State Revenue - \$23,604,400/FY20-21
\$20,651,200/FY21-22
\$3,916,400/FY22-23 and Subsequent Years

Decrease State Expenditures- \$2,953,300/FY20-21
\$2,953,300/FY21-22
\$1,772,000/FY22-23 and Subsequent Years

Assumptions:

- Effective date of the bill is January 1, 2016.
- Current driver licenses are issued for a period of five years and shall expire on the licensee's birthdate, excluding Class P licenses, which shall expire one year from the date of initial issuance. DOS is authorized to issue an initial license that shall remain valid for three to seven years in order that such licensees would renew on the birthdates for individuals whose age is divisible by five. If the applicant is under 18 years of age and is not applying for a Class P license, then the license shall expire on the applicant's 21st birthday. License fees due under Tenn. Code Ann. § 55-50-323 shall be prorated to reflect the appropriate fee for a renewal cycle that is greater than or less than the current five year cycle.

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- Under the provisions of the bill, DOS is authorized to issue an initial or a renewed license for three to eight years in order to transition such licensees to the proposed eight-year renewal cycle. It is not known if or how DOS would choose to transition to the eight year cycle, but for purposes of estimating future revenue, it is assumed all licenses issued beginning in FY23-24 will be fully integrated to the eight-year cycle.
- According to information provided by DOS, the following are the average number of renewals for each license type over the last five years:

License Type	Average of all License Types Issued	Non-renewal Transactions	Renewal Transactions
A	37,693	5,654	32,039
B	11,301	1,695	9,606
C	1,477	222	1,255
D	1,329,536	199,430	1,130,106
M	45	7	38
Photo ID	177,998	26,700	151,298
Total	1,558,050	233,708	1,324,342

- Under current law, the five-year fee structure is as follows:

License Type	Current Driver Service Fee	Application Fee	Total plus app fee	Per year (with app fee divided by 5 years)
A	\$40.00	\$6.00	\$46.00	\$9.20
B	\$35.00	\$6.00	\$41.00	\$8.20
C	\$35.00	\$6.00	\$41.00	\$8.20
D	\$17.50	\$2.00	\$19.50	\$3.90
M	\$17.50	\$3.00	\$20.50	\$4.10
Photo ID	\$7.50	\$2.00	\$9.50	\$1.90

- Under the provisions of the bill, the eight-year fee structure is as follows:

License Type	Proposed Driver Service Fee	Application Fee	Total plus app fee	Per year (with app fee divided by 5 years)
A	\$62.00	\$6.00	\$68.00	\$8.50
B	\$54.00	\$6.00	\$60.00	\$7.50
C	\$54.00	\$6.00	\$60.00	\$7.50
D	\$26.00	\$2.00	\$28.00	\$3.50
M	\$26.00	\$3.00	\$29.00	\$3.63
Photo ID	\$10.00	\$2.00	\$12.00	\$1.50

- Under the provisions of the bill, the loss per licensed year is as follows:

License Type	Current Law per Licensed Year	Bill per Licensed Year	Loss per Licensed Year
A	\$9.20	\$8.50	\$0.70
B	\$8.20	\$7.50	\$0.70
C	\$8.20	\$7.50	\$0.70
D	\$3.90	\$3.50	\$0.40
M	\$4.10	\$3.63	\$0.47
Photo ID	\$1.90	\$1.50	\$0.40

- Based on calculations provided by the Department of Safety, the first five years under this bill will produce a net revenue gain. Beginning in FY20-21, the bill will result in a net revenue loss.

FY15-16	\$6,409,232.70
FY16-17	\$12,818,465.40
FY17-18	\$12,818,465.40
FY18-19	\$12,818,465.40
FY19-20	\$12,818,465.40
FY20-21	-\$23,604,403.42
FY21-22	-\$20,651,197.84
FY22-23 & Subsequent Years	-\$3,916,366.22

- FY23-24 and beyond projects a fully integrated new pricing system.
- All calculations have taken in to consideration the proposed effective date of January 1, 2016.
- The eight year renewal cycle, when compared to a five year cycle, will result in a lower number of cards produced by DOS overtime. The estimated percentage reduction in cards produced annually is 60 percent $[(8 \text{ years} - 5 \text{ years}) / 5 \text{ years}]$ once the transition to the new renewal schedule has been made.
- During the first five years of the transition, no effect to card production will be realized due to the entire driver population having to renew during that time frame.
- During years six and seven of the transition, there are projected to be no renewals in the state system.
- DOS has indicated a \$2.23 price per card produced.

- The estimated reduction in card production expenditures is as follows:

FY15-16	\$0
FY16-17	\$0
FY17-18	\$0
FY18-19	\$0
FY19-20	\$0
FY20-21	\$ 2,953,282.66
FY21-22	\$ 2,953,282.66
FY22-23 & Subsequent Years	\$ 1,771,969.60

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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