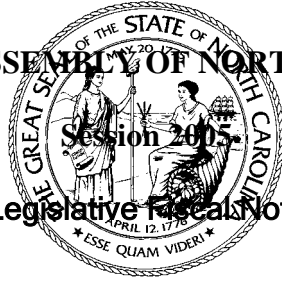


GENERAL ASSEMBLY OF NORTH CAROLINA



BILL NUMBER: Senate Bill 881 (Third Edition)

SHORT TITLE: Lapse in Liability Insurance.

SPONSOR(S):

	FISCAL IMPACT				
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
REVENUES:					
Schools (Penalties)		\$2,500,000	\$5,000,000	\$5,000,000	\$5,000,000
EXPENDITURES:					
Highway Fund					
DMV IT	\$168,156	\$434,700			
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Division of Motor Vehicles (DMV)					
EFFECTIVE DATE: January 1, 2007					

BILL SUMMARY: Sections 1-3 of the Bill reorganize and rewrite the statutes governing financial responsibility for individuals operating motor vehicles and revise the penalties for noncompliance. The bill would increase monetary penalties (paid to local school boards) for not maintaining financial responsibility based on the number of lapses an owner has had in the previous three years.

ASSUMPTIONS AND METHODOLOGY: The bill would have significant fiscal impacts in two areas:

1. Increases in civil penalties to local school districts.

Estimated impact: Increase of \$5 million per year.

Under current law an owner whose insurance lapses is subject to a civil penalty of \$50 to retain the registration plate. Revenues from this penalty totaled about \$10 million in fiscal year 2004-05. These revenues have accrued to the Highway Fund in the past but as a result of the recent NC Supreme Court ruling in *North Carolina School Boards Association v. Moore* penalties now go to the local school boards. This bill increases the penalties from \$50 to \$75

for the first lapse, \$150 for the second lapse within three years, and \$250 for subsequent lapses. A very rough estimate is that the 50% increase for the first lapse would yield a 50% increase in civil penalties, or \$5 million per year.

2. Costs to Highway Fund for DMV computer changes.

Estimated impact: \$602,856

DMV estimates that to carry out the provisions of the bill would require changes to three of its computer systems at a total cost of \$602,856.

LITES (Liability Insurance Tracking and Enforcement System)

This system will require major changes at a high technical level of effort. DMV estimates 3,000 hours of IT effort and notes that the developers who would be involved are highly specialized and are billed out at \$150 per hour, rather than the customary \$80 per hour charge for IT contractors on other DMV systems. (Additional detail on the DMV IT requirements are included in Technical Considerations, below.) The total cost for the LITES changes is \$450,000 for programming plus \$27,000 for state IT overhead, for a total of \$477,000. **DMV indicates that these would be major changes to a system that is unstable and suggests consideration be given to rewriting the entire LITES program. The current DMV estimate for a full rewrite is \$20 million.**

STARS (State Titling and Registration System)

Changes to STARS will require 1,000 hours at \$80 per hour, or \$80,000, plus state IT overhead of \$7,200 for a total of \$87,200.

SADLS (State Automated Driver License System)

Changes to SADLS will be required for an additional interface with STARS and LITES. These changes will require 443 hours at \$80 per hour, or \$35,440, plus state IT overhead of \$3,216, for a total of \$38,656.

SOURCES OF DATA: Division of Motor Vehicles

TECHNICAL CONSIDERATIONS:

Additional Detail from DMV on IT Requirements

STARS AND LITES

LITES (Liability Insurance Tracking and Enforcement System) and STARS (State Titling And Registration System) will require modifications to implement the Bill. The following major changes will be required:

- *Modification of the STARS application to remove the maximum 30-day unlicensed period for non-accident Revocations because the unlicensed period can be indefinite.*
- *Modification of the LITES application to generate Revocation letters without the 30-day period for non-accident Revocations, and including statements concerning penalties and registration renewal.*
- *Modification of the LITES application to generate Revocation letters with the 30-day period for lapses involving accidents, and including statements concerning penalties and registration renewal.*
- *Modification of FR3 (Self-Certification) processing in the LITES mainframe and Internet applications, and STARS application, to compute the different penalty amounts based on number of lapses.*
- *Modification of FR3 processing in the LITES mainframe and Internet applications, and the STARS application, to allow owners to enter FR-3s on lapses that have reached Revocation.*

- Modification of the FS5/7 (Insurance Lapse Notification) process in the LITES mainframe system to send customers FS5/7 letters stating the correct penalty.
- Modification of the STARS application to handle LITES penalty collection correctly.
- Modification of the STARS title transfer process to close the lapse when the vehicle is transferred to a family member with valid insurance.
- Modification of the STARS fee calculation process for the new fee structure.
- Modification of the LITES Hearing Decision process to display civil penalty decision correctly.
- Modification of the LITES mainframe system to allow only Accident Prima Facie lapses to be created. False Certification, False Self-Certification (false FR-3), and Self-certification Random Sampling Prima Facie lapses will be discontinued.

Technical Level of Effort – High

Detailed Cost Justifications for LITES:

<u>Activity</u>	<u>Estimated Hours</u>		
Analysis	300		
Design	300		
Programming/Testing	1300		
System Testing	300		
Client Testing	500		
Implementation	150		
Post Implementation	150		
Total	3000	x \$150/hr	\$450,000
		=	

SIPS Charges = (15% of Programming & testing & implementation hours) x \$80 = .15 x 2250 hrs x 80 hour = \$27,000

Bill rate for LITES is based on contracting Sapiens developers.

Total Estimate (including Programming & SIPS Charges) = \$477,000

Detailed Cost Justifications for STARS:

<u>Activity</u>	<u>Estimated Hours</u>		
Analysis	150		
Design	100		
Programming/Testing	300		
System Testing	50		
Client Testing	200		
Implementation	50		
Post Implementation	150		
Total	1000	x \$80/hr =	\$80,000

ITS Charges = (15% of Programming & testing & implementation hours) x \$80 = .15 x 600 hrs x 80 hour = \$7,200

Total Estimate (including Programming & ITS Charges) = \$87,200

SADLS

Interface necessary with STARS and LITES to obtain proper information to reflect on MVR application

Technical Level of Effort – Medium

<u>Activity</u>	<u>Estimated Hours</u>
HLR / Analysis	60
RDD / SOW	40
Design / Spec	75
Programming / Unit	120
System test	40
Regression test	20
Client test	60
Implementation	8
Post implementation	20
	===
	443 hrs * 80/hr = \$ 35,440

*ITS Charges = (15% of Programming & testing & implementation hours) * \$80 = .15 * 268 * \$80 = \$3,216*

Total Estimate (including Programming & ITS charges) = \$ 38,656

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Fiscal Research Division



DATE: August 10, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices