



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: [H.B. 71 of the 130th G.A.](#)

Date: April 8, 2014

Status: As Introduced

Sponsor: Rep. Roegner

Local Impact Statement Procedure Required: No

Contents: Makes changes to the financial responsibility law

State Fiscal Highlights

- The Bureau of Motor Vehicles (BMV) could incur one-time costs of approximately \$1.0 million to \$3.0 million to implement the electronic motor vehicle insurance verification system required by the bill.
- Annual maintenance costs of the system will be approximately 10% to 15% of the implementation costs (\$100,000 to \$450,000 per year).
- The BMV will also incur annual postage costs of \$96,000 to \$156,000 to send notices to people who are found to not have a valid motor vehicle liability policy.
- The elimination of the current financial responsibility random verification program will result in a savings of approximately \$675,000 per year.
- These costs and savings will be incurred by the Financial Responsibility Compliance Fund (Fund 8350).

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

The bill requires the Registrar of Motor Vehicles to establish and maintain an electronic motor vehicle insurance verification system, in lieu of the existing financial responsibility random verification program. The current random verification program costs about \$675,000 per year. An electronic system will have one-time implementation costs, but could have lower annual maintenance costs than the current \$675,000. The implementation costs will depend on the type of system selected and the contract negotiated with the vendor. Other states have implemented electronic verification systems of varying types and costs. For example, New York expended \$4.5 million to implement their database; Utah implemented a version that cost approximately \$1.2 million; and Alabama spent \$500,000 to implement their system. Based on the experiences of these states, implementation of Ohio's system may cost approximately \$1.0 million to \$3.0 million.

Annual maintenance costs for such a system are generally from 10% to 15% of implementation costs. Assuming Ohio's system costs from \$1.0 million to \$3.0 million to implement, annual maintenance costs could be in the range of \$100,000 to \$450,000.

The bill requires the BMV to send notification to any person whom the system identifies as not having a valid motor vehicle liability policy. The BMV estimates sending from 150,000 to 225,000 notices each year at an annual postage cost of from \$96,000 to \$156,000.

Under the current financial responsibility random verification program, a random selection of 5% of vehicle owners are sent a letter requiring proof of financial responsibility. Generally, about 280,000 letters are sent each year. The BMV contracts with Validati at a cost of \$600,000 per year to administer the program, including sending out the letters, processing the responses, and operating a full service call center. An additional cost of \$75,000 per year is a result of the Department of Public Safety providing staff support to the program.