

DRIVER'S LICENSE FEES

Revenue Description

Fees for driver's licenses, commercial driver's licenses, and motorcycle endorsements are set in 61-5-111, MCA. The fee for replacing a lost or destroyed license is set in 61-5-114, MCA. The distribution of revenue from driver's license fees is set in 61-5-121, MCA. Fees for original and replacement licenses are allocated to the state general fund, the traffic education account, and the highway patrol retirement fund. Commercial driver's license fees are allocated to the general fund. Motorcycle endorsement fees are allocated to the state general fund and the motorcycle safety account. Counties retain a small percentage of fees that they collect.

Historical and Projected Revenue

Table 1 shows actual collections for FY 1994 through FY 2004 and forecast collections through FY 2007.

| Table 1 Driver's License Fees (\$ millions) | | | | |
|--|---------------|----------------|--------------|----------------|
| Fiscal Year | Total Revenue | Percent Change | General Fund | Percent Change |
| A 1994 | 3.151 | | 1.755 | |
| A 1995 | 3.260 | 3.4% | 2.184 | 24.4% |
| A 1996 | 4.525 | 38.8% | 2.574 | 17.8% |
| A 1997 | 5.034 | 11.2% | 2.954 | 14.7% |
| A 1998 | 4.824 | -4.2% | 2.828 | -4.3% |
| A 1999 | 5.372 | 11.4% | 3.234 | 14.4% |
| A 2000 | 3.836 | -28.6% | 2.333 | -27.8% |
| A 2001 | 3.063 | -20.2% | 1.896 | -18.8% |
| A 2002 | 4.173 | 36.3% | 2.580 | 36.1% |
| A 2003 | 3.421 | -18.0% | 2.119 | -17.8% |
| A 2004 | 4.895 | 43.1% | 3.021 | 42.6% |
| F 2005 | 4.537 | -7.3% | 2.825 | -6.5% |
| F 2006 | 4.868 | 7.3% | 3.031 | 7.3% |
| F 2007 | 4.634 | -4.8% | 2.886 | -4.8% |

| Fiscal Year | Total Revenue (\$ millions) | General Fund (\$ millions) |
|-------------|-----------------------------|----------------------------|
| 1994 | 3.151 | 1.755 |
| 1995 | 3.260 | 2.184 |
| 1996 | 4.525 | 2.574 |
| 1997 | 5.034 | 2.954 |
| 1998 | 4.824 | 2.828 |
| 1999 | 5.372 | 3.234 |
| 2000 | 3.836 | 2.333 |
| 2001 | 3.063 | 1.896 |
| 2002 | 4.173 | 2.580 |
| 2003 | 3.421 | 2.119 |
| 2004 | 4.895 | 3.021 |
| 2005 | 4.537 | 2.825 |
| 2006 | 4.868 | 3.031 |
| 2007 | 4.634 | 2.886 |

Total collections and the general fund share have been affected by significant legislative changes. In FY 1995 the general fund share of driver's license fees was increased. Beginning in FY 1996, portions of motorcycle endorsements and duplicate license fees were allocated to the general fund.

In October 1995, the state began a process of converting from four-year licenses to eight-year licenses. Between October 1995 and October 1999, half of licenses issued were four-year licenses and half were eight-year licenses, with the fee for an eight-year license being twice the fee for a four-year license. During this period, the number of licenses was the same as it would have been with no change in the law - new drivers and new residents got new licenses and about one-fourth of existing drivers renewed their licenses each year. However, the average revenue per license was higher because half of renewals were paying the higher eight-year license fee. Beginning in October 1999, all licenses for drivers between 21 and 68 years old are eight-year licenses. Between October 1999 and October 2003, drivers who received four-year licenses between October 1995 and October 1999 were required to renew. On average, renewals were half of what they would have been without the change, but the fee for each renewal license was higher.

This transition process resulted in temporarily higher revenue in FY 1996 through FY 1999. The transition also produced a pattern of annual fluctuations in revenue from FY 1996 through FY 2003. Revenue was significantly higher in FY 1997 and FY 1999 than in FY 1996 and FY 1998. Although four-year and eight-year licenses were issued on alternate days, it appears that the proportion of four-year and eight-year licenses varied between years, probably because holidays and the less busy days of the week fell on four-year license days more often in FY 1997 and FY 1999 than in the other two years. In FY 2001 and FY 2003, when four-year licenses issued in FY 1997 and FY 1999 were being renewed, revenue was significantly lower than in FY 2000 and FY 2002, when four-year licenses issued in FY 1996 and FY 1998 were being renewed.

Beginning July 1, 2004, fees for noncommercial driver's licenses were raised from \$4 to \$5 per year. A renewal notice fee of \$0.50 was imposed beginning October 1, 2004. These changes increased revenue in FY 2004.

Forecast Methodology and Projection Calculation

Base driver's license revenue is estimated from detailed information on state population by age. Commercial driver's license, motorcycle endorsement, and replacement license revenue have been roughly proportional to base driver's license revenue. They are forecast to continue to be collected in these proportions.

Table 2 shows revenue from each type of fee and total revenue from FY 1994 through FY 2004.

| Table 2 Revenue by Type of License FY 1994 through FY 2004 (\$ millions) | | | | | |
|---|------------------------|---------------------|------------------------|-------------------|---------------|
| Fiscal Year | Basic Driver's License | Commercial Licenses | Motorcycle Endorsement | Duplicate License | Total Revenue |
| 1994 | \$2.910 | \$0.212 | \$0.030 | \$0.000 | \$3.151 |
| 1995 | \$3.005 | \$0.222 | \$0.032 | \$0.000 | \$3.260 |
| 1996 | \$3.980 | \$0.331 | \$0.041 | \$0.071 | \$4.424 |
| 1997 | \$4.403 | \$0.375 | \$0.046 | \$0.091 | \$4.914 |
| 1998 | \$4.211 | \$0.358 | \$0.040 | \$0.090 | \$4.699 |
| 1999 | \$4.808 | \$0.414 | \$0.053 | \$0.098 | \$5.372 |
| 2000 | \$3.320 | \$0.351 | \$0.038 | \$0.126 | \$3.836 |
| 2001 | \$2.573 | \$0.340 | \$0.028 | \$0.122 | \$3.063 |
| 2002 | \$3.470 | \$0.517 | \$0.042 | \$0.144 | \$4.173 |
| 2003 | \$2.852 | \$0.366 | \$0.031 | \$0.173 | \$3.421 |
| 2004 | \$4.130 | \$0.421 | \$0.040 | \$0.304 | \$4.895 |

The fee for a basic driver's license is \$5.00 per year. Motorcycle endorsement is an additional \$0.50 per year. Commercial licenses are an additional \$3.50 per year for an intrastate license and \$5.00 per year for an interstate license. With each license, there is an additional fee of \$0.50 for mailing a renewal notice before it expires.

Drivers of different ages are licensed for different numbers of years and therefore pay different fees. Learner's permits expire after six months. Drivers under 21 are issued a license that expires on their twenty-first birthday. Drivers between 21 and 67 years of age are issued eight-year licenses. Drivers between 68 and 75 years of age are issued a license that expires on their seventy-fifth birthday. Drivers over 75 years of age are issued four-year licenses. Table 3 shows the fees drivers of different ages pay for their licenses.

| Table 3 Driver's License Fees | | |
|--|------------------|-----------------|
| -----Base License----- | | |
| Age/Type | Term | Fee |
| Learner's Permit | 6 months | \$5.50 |
| Under 21 | to 21st birthday | \$5/yr + \$0.50 |
| Age 21 - 67 | 8 years | \$40.50 |
| Age 68 - 74 | to 75th birthday | \$5/yr + \$0.50 |
| Age 75 and Over | 4 years | \$20.50 |
| -----Additional Fees----- | | |
| Motorcycle | | \$0.50/yr |
| Commercial - Intrastate Only | | \$3.50/yr |
| Commercial - Interstate | | \$5.00/yr |

The 2003 legislature made two changes to license fees. The fee for a basic license was increased from \$4.00 to \$5.00 per year effective July 1, 2003. The additional fee of \$0.50 for renewal notices went into effect October 1, 2003. Table 4 shows the fees drivers of different ages paid for a base driver's license before and after these changes. No fee changes are scheduled through the end of FY 2007.

| Table 4 | | | | | |
|-----------------------------------|-------------------------------|-----------------------------|--|-----------------------------|--|
| Base Driver's License Fees | | | | | |
| FY 2000 through FY 2007 | | | | | |
| Fiscal Years | Age 15 Learner's Permit | Age 16 5 Year License | Ages 21 through 61 8 Year License | Age 69 6 Year License | Ages 75 and Over 4 Year License |
| Through June 30, 2003 | \$4.00 | \$20.00 | \$32.00 | \$24.00 | \$16.00 |
| July 1, 2003 - September 30, 2003 | \$5.00 | \$25.00 | \$40.00 | \$30.00 | \$20.00 |
| October 1, 2003 and After | \$5.50 | \$25.50 | \$40.50 | \$30.50 | \$20.50 |

To estimate revenue from driver's license fees, it is necessary to estimate the number of drivers who will pay each level of fee each year. Table 5 shows estimates of Montana population eligible for a new or renewed license in the five age groups shown in Table 4. The middle group is the sum of population at the ages where someone who renewed their license at age 21 would need to renew again. Through FY 2003, the population estimates are from the Census Bureau. Estimates for FY 2004 through FY 2007 were developed from the Census Bureau estimates. The FY 2004 population of 16 year olds was estimated by multiplying the FY 2003 population of 15 year olds by the average ratio of 16 year olds in one year to 15 year olds in the previous year, which is 1.0037. This ratio means that, because of the combination of people moving into and out of the state and dying, for every 1,000 fifteen year olds in Montana this year, there will be about 1,004 sixteen year olds next year. A similar calculation was used to estimate future populations at other ages.

| Table 5 | | | | | |
|--|---------------|---------------|------------------------------------|--------------|------------------------|
| Population at Ages to Obtain or Renew Driver's Licenses | | | | | |
| FY 2000 through FY 2007 | | | | | |
| Fiscal Year | Age 15 | Age 16 | Ages 21, 29, 37, 45, 53, and 61 | Age 69 | Ages 75, 79, and 83 |
| A 2000 | 14,547 | 14,558 | 71,586 | 6,452 | 13,440 |
| A 2001 | 14,004 | 14,302 | 72,398 | 6,264 | 13,387 |
| A 2002 | 13,714 | 14,141 | 71,691 | 6,268 | 13,458 |
| A 2003 | 13,559 | 13,758 | 73,327 | 6,363 | 13,200 |
| A 2004 | 13,379 | 13,610 | 73,652 | 6,752 | 13,851 |
| F 2005 | 13,679 | 13,471 | 74,801 | 6,837 | 13,798 |
| F 2006 | 13,389 | 13,788 | 75,369 | 6,858 | 13,706 |
| F 2007 | 13,195 | 13,584 | 75,023 | 7,291 | 13,552 |

Table 6 shows the populations eligible for a license in Table 5 multiplied by the license fees in Table 4.

| Table 6 Population at Ages to Obtain or Renew Driver's Licenses Multiplied by Average Fee | | | | | | |
|--|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|--------------------|
| <u>Fiscal Year</u> | <u>Learner's Permit</u> | <u>5 Year License</u> | <u>8 Year License</u> | <u>6 Year License</u> | <u>4 Year License</u> | <u>Total</u> |
| A 2000 | \$58,188 | \$291,160 | \$2,290,752 | \$154,848 | \$215,040 | \$3,009,988 |
| A 2001 | \$56,016 | \$286,040 | \$2,316,736 | \$150,336 | \$214,192 | \$3,023,320 |
| A 2002 | \$54,856 | \$282,820 | \$2,294,112 | \$150,432 | \$215,328 | \$2,997,548 |
| A 2003 | \$54,236 | \$275,160 | \$2,346,464 | \$152,712 | \$211,200 | \$3,039,772 |
| A 2004 | \$71,912 | \$345,350 | \$2,973,688 | \$205,095 | \$282,222 | \$3,878,266 |
| F 2005 | \$75,236 | \$343,522 | \$3,029,429 | \$208,515 | \$282,852 | \$3,939,554 |
| F 2006 | \$73,637 | \$351,589 | \$3,052,447 | \$209,182 | \$280,980 | \$3,967,835 |
| F 2007 | \$72,572 | \$346,393 | \$3,038,445 | \$222,374 | \$277,812 | \$3,957,596 |

Table 7 compares the totals for FY 2000 through FY 2004 from Table 6 to actual collections in those years.

The top part of the table shows population times fees, actual revenue, and the ratio of actual revenue to population times fees for FY 2000 through FY 2004. This ratio is higher than 100% in even numbered fiscal years and lower than 100% in odd numbered fiscal years, reflecting the renewal of the varying number of eight-year licenses issued between FY 1996 and FY 1999. The difference between even and odd numbered years appears to be decreasing over time.

| Table 7 Population Times Fees v. Actual Revenue | | | |
|--|--------------------------|----------------|------------------------------------|
| <u>Fiscal Year</u> | <u>Population x Fees</u> | <u>Revenue</u> | <u>Revenue / Population x Fees</u> |
| A 2000 | \$3,009,988 | \$3,319,750 | 110.29% |
| A 2001 | \$3,023,320 | \$2,572,685 | 85.09% |
| A 2002 | \$2,997,548 | \$3,469,811 | 115.75% |
| A 2003 | \$3,039,772 | \$2,851,971 | 93.82% |
| A 2004 | \$3,878,266 | \$4,129,977 | 106.49% |
| Average Ratio 2001 - 2004 | | | 100.29% |

The lower part of the table shows the average ratio for FY 2001 through FY 2004. This ratio is slightly higher than 100% because new residents, who must get a new license regardless of their age, slightly outnumber non-drivers on average.

Table 8, on the next page, shows the forecast of revenue from base driver's license fees. The second column shows the total of population needing a new license multiplied by fees from Table 6. The third column shows forecast ratios of revenue to population times fees for FY 2005 through FY 2007. The annual swings in

revenue are expected to continue but to decrease further over time. The ratios in FY 2005 and FY 2006 are half as far from the average as the ratios in FY 2003 and FY 2004. The ratio in FY 2007 is half as far from the average as the ratio in FY 2005. The right-hand column shows the forecast of revenue from basic license fees, which is the product of population times fees in the second column and the ratio in the third column.

| Table 8 | | | |
|---|--------------------------|------------------------------------|----------------|
| Population Times Fees and Forecast Basic License Revenue FY 2005 through FY 2007 | | | |
| <u>Fiscal Year</u> | <u>Population x Fees</u> | <u>Revenue / Population x Fees</u> | <u>Revenue</u> |
| F 2005 | \$3,939,554 | 97.06% | \$3,823,580 |
| F 2006 | \$3,967,835 | 103.39% | \$4,102,360 |
| F 2007 | \$3,957,596 | 98.67% | \$3,905,091 |

Fees for commercial driver's licenses, motorcycle endorsements and duplicate licenses have maintained fairly stable proportions to base license fees. Table 9 shows the ratios of revenue from these fees to revenue from base licenses for FY 2000 through FY 2004 and the average over this period.

| Table 9 | | | |
|--|----------------------------|-------------------------------|--------------------------|
| Ratios of Commercial, Motorcycle, and Duplicate Fees to Base License Fees | | | |
| <u>Fiscal Year</u> | <u>Commercial Licenses</u> | <u>Motorcycle Endorsement</u> | <u>Duplicate License</u> |
| A 2000 | 10.59% | 1.16% | 3.81% |
| A 2001 | 13.23% | 1.08% | 4.73% |
| A 2002 | 14.91% | 1.20% | 4.15% |
| A 2003 | 12.83% | 1.07% | 6.05% |
| A 2004 | 10.19% | 0.98% | 7.36% |
| Average | 12.35% | 1.10% | 5.22% |

Future collections are forecast to equal the average percentages of base license fees. Table 10 shows the forecasts of collections from each fee and the total.

| Table 10 | | | | | |
|---|-------------------------------|----------------------------|-------------------------------|--------------------------|--------------|
| Forecast Driver's License Fees (\$ millions) | | | | | |
| <u>Fiscal Year</u> | <u>Basic Driver's License</u> | <u>Commercial Licenses</u> | <u>Motorcycle Endorsement</u> | <u>Duplicate License</u> | <u>Total</u> |
| F 2005 | 3.824 | 0.472 | 0.042 | 0.200 | 4.537 |
| F 2006 | 4.102 | 0.507 | 0.045 | 0.214 | 4.868 |
| F 2007 | 3.905 | 0.482 | 0.043 | 0.204 | 4.634 |

When driver's license fees are collected by a county, the county retains 2.5% of base license fees and commercial driver's license fees, 3.34% of motorcycle endorsement fees, and 3.75% of duplicate license fees. This revenue is not received by the state, and is not included in the estimates in Table 10. However, the allocation of driver's license fees is based on the total amount collected, not just the part received by the state. The Highway Patrol Retirement Fund receives 22.3% of base license fees and 25% of duplicate license fees. The Traffic Education Account is allocated 20.7% of base license fees and 8.75% of duplicate license fees. The Motorcycle Safety Account receives 63.46% of motorcycle endorsement fees. The remainder is allocated to the general fund.

Table 11 shows the percentage of revenue received by the state allocated to each fund in FY 2004. These percentages are not expected to change.

| Table 11 | | | | |
|---|---------------------------|------------------------|---------------------------|----------------------|
| Driver's License Fees Allocation Percentages | | | | |
| | Basic Driver's License | Commercial Licenses | Motorcycle Endorsement | Duplicate License |
| General Fund | 57.57% | 100.00% | 36.51% | 68.50% |
| Highway Patrol Retirement Fund | 21.82% | 0.00% | 0.00% | 25.86% |
| Traffic & Safety Education | 20.61% | 0.00% | 0.00% | 5.64% |
| Motorcycle Safety Training | 0.00% | 0.00% | 63.49% | 0.00% |

Table 12 shows forecast driver's license fees allocated to the four funds in FY 2005 through FY 2007.

| Table 12 | | | | | |
|--|--------------|-----------------------------------|-------------------------------|-------------------------------|---------|
| Driver's License Fee Allocation | | | | | |
| FY 2004 through FY 2007 | | | | | |
| (\$ millions) | | | | | |
| Fiscal Year | General Fund | Highway Patrol Retirement Fund | Traffic & Safety Education | Motorcycle Safety Training | Total |
| F 2005 | \$2.825 | \$0.886 | \$0.799 | \$0.027 | \$4.537 |
| F 2006 | \$3.031 | \$0.951 | \$0.858 | \$0.029 | \$4.868 |
| F 2007 | \$2.886 | \$0.905 | \$0.816 | \$0.027 | \$4.634 |