

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 they collect.

Historical and Projected Revenue

Table 1 shows actual general fund revenue from driver's license fees for FY 1996 through FY 2006 and forecast revenue for FY 2007 through FY 2009.

Table 1				
Driver's License Fees				
(\$ millions)				
Fiscal Year	Total Revenue	Percent Change	General Fund	Percent Change
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%
A 2005	5.563	13.6%	3.373	11.6%
A 2006	4.872	-12.4%	3.828	13.5%
F 2007	4.770	-2.1%	3.733	-2.5%
F 2008	5.079	6.5%	3.975	6.5%
F 2009	4.926	-3.0%	3.855	-3.0%

Year	Total Revenue (\$ millions)	General Fund (\$ millions)
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	5.563	3.373
2006	4.872	3.828
2007	4.770	3.733
2008	5.079	3.975
2009	4.926	3.855

Total collections and the general fund share have been affected by significant legislative changes. 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 starting in FY 1996. 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 and subsequent years.

The 2005 Legislature passed three bills affecting driver's license revenues. SB 1 provides for an indication on the driver license that the license holder has executed a living will declaration. This change was expected to increase the volume of duplicate driver license fees as some license holders opted to have the living will designation placed on their driver license prior to their license renewal date. HB 102 (2005 Session) requires a general fund appropriation to pay the state's contribution to the Montana highway patrol retirement pension fund. Prior to HB 102, portions of driver's license and duplicate driver's license revenues were earmarked for the highway patrol pension fund. HB 192 (2005 Session) changed commercial licenses from an eight-year license to a five-year license and combined the commercial fee and the basic driver's license, but did not change the annual amount for a commercial driver's license. However, because the period covered by the commercial driver's license is reduced, revenue from this source is also reduced (compared to what it would have been before enactment of HB 192) for a period of five years.

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 2000 through FY 2006.

Table 2					
Revenue by Type of License					
FY 2000 through FY 2006					
(\$ millions)					
Fiscal Year	Basic Driver's License	Commercial Licenses	Motorcycle Endorsement	Duplicate License	Total Revenue
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
2005	\$4.757	\$0.411	\$0.049	\$0.345	\$5.563
2006	\$4.057	\$0.429	\$0.035	\$0.351	\$4.872

Table 3 shows the fees drivers of different ages pay for their licenses. The fee for a basic driver's license is \$5.00 per year. A motorcycle endorsement is an additional \$0.50 per year. Commercial licenses are \$8.50 per year for an intrastate license and \$10.00 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.

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 Driver's License (includes base license)		
Intrastate Only	5 years	\$8.50/yr + \$0.50
Interstate	5 years	\$10.00/yr + \$0.50

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 4 shows the population in the age categories who will be likely obtaining or renewing driver's licenses. The population data is from the Census data and the forecast populations are from the 2005 forecast by the Census Bureau for Montana.

Table 4					
Population at Ages to Obtain or Renew Driver's Licenses					
FY 2000 through FY 2009					
Fiscal Year	Age 15	Age 16	Ages 21, 29, 37, 45, 53, and 61	Age 69	Ages 75, 79, and 83
A 2000	14,642	14,568	72,025	6,445	13,061
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	13,084	13,200	73,949	6,553	13,586
A 2005	13,346	12,895	74,757	6,679	13,837
A 2006	12,910	13,151	75,594	6,819	13,663
F 2007	12,576	12,721	76,440	6,909	13,778
F 2008	12,133	12,382	78,278	7,149	13,673
F 2009	11,856	11,936	77,821	7,410	13,840

Table 5 shows the populations eligible for a license in Table 4 multiplied by the license fees in Table 3.

Table 5						
Population at Ages to Obtain or Renew Driver's Licenses						
Multiplied by Average Fee						
Fiscal Year	Learner's Permit	5 Year License	8 Year License	6 Year License	4 Year License	Total
A 2000	\$58,568	\$291,360	\$2,304,800	\$154,680	\$208,976	\$3,018,384
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	\$70,327	\$334,950	\$2,985,691	\$199,047	\$276,815	\$3,866,830
A 2005	\$73,403	\$328,823	\$3,027,659	\$203,710	\$283,659	\$3,917,252
A 2006	\$71,005	\$335,351	\$3,061,557	\$207,980	\$280,092	\$3,955,984
F 2007	\$69,168	\$324,386	\$3,095,820	\$210,725	\$282,449	\$3,982,547
F 2008	\$66,732	\$315,741	\$3,170,259	\$218,045	\$280,297	\$4,051,073
F 2009	\$65,208	\$304,368	\$3,151,751	\$226,005	\$283,720	\$4,031,052

Table 6 compares the totals for FY 2000 through FY 2006 from Table 5 to actual collections in those years. The second column of the table is population times fees, the third column shows actual revenue, and the fourth column has the ratio of actual revenue to population times fees for FY 2000 through FY 2006. 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 lower part of the table shows the average ratio for FY 2001 through FY 2006. This ratio is higher than 100% because new residents, who must get a new license regardless of their age, slightly outnumber non-drivers on average.

Table 6			
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	\$3,018,384	\$3,319,750	109.98%
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	\$3,866,830	\$4,129,977	106.81%
A 2005	\$3,917,252	\$4,757,330	121.45%
A 2006	\$3,955,984	\$4,057,231	102.56%
Average Ratio 2000 - 2006			105.07%

Table 7 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 5. The third column shows forecast ratios of revenue to population times fees for FY 2007 through FY 2009.

Table 7			
Population Times Fees and Forecast Basic License Revenue			
FY 2007 through FY 2009			
<u>Fiscal Year</u>	<u>Population x Fees</u>	<u>Revenue / Population x Fees</u>	<u>Revenue</u>
F 2007	\$3,982,547	100.97%	\$4,021,251
F 2008	\$4,051,073	105.69%	\$4,281,716
F 2009	\$4,031,052	103.02%	\$4,152,757

As can be seen from the table, the annual swings in revenue from basic license fees are expected to continue to some degree. 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.

Fees for commercial driver's licenses, motorcycle endorsements, and duplicate licenses have maintained fairly stable proportions to base license fees. Table 8 shows the ratios of revenue from these fees to revenue from base licenses for FY 2000 through FY 2006 and the average over this period. Future collections are forecast to equal the average percentages of base license fees.

Table 8			
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%
A 2005	8.65%	1.03%	7.26%
A 2006	10.58%	0.86%	8.65%
Average	11.57%	1.05%	6.00%

Table 9 shows the forecasts of collections from each fee and the total.

Table 9					
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 2007	\$4.021	\$0.465	\$0.042	\$0.241	\$4.770
F 2008	\$4.282	\$0.495	\$0.045	\$0.257	\$5.079
F 2009	\$4.153	\$0.480	\$0.044	\$0.249	\$4.926

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 11. However, the allocation of driver's license fees is based on the total amount collected, not just the part received by the state. The traffic education account is allocated 20.7% of basic license fees, 16.94% of commercial driver's 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 10 shows the percentage of revenue received by the state allocated to each fund in FY 2006. These percentages are not expected to change.

Table 10
Driver's License Fees Allocation Percentages

	<u>Basic Driver's License</u>	<u>Commercial Licenses</u>	<u>Motorcycle Endorsement</u>	<u>Duplicate License</u>
General Fund	77.48%	82.54%	34.93%	90.77%
Traffic & Safety Education	22.52%	17.46%	0.00%	9.23%
Motorcycle Safety Training	0.00%	0.00%	65.07%	0.00%

Table 11 shows forecast driver's license fees allocated to the three funds - general fund, traffic and safety education, and motorcycle safety training - for FY 2007 through FY 2009.

Table 11
Driver's License Fee Allocation
FY 2007 through FY 2009
(\$ millions)

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Traffic & Safety Education</u>	<u>Motorcycle Safety Training</u>	<u>Total</u>
F 2007	\$3.733	\$1.009	\$0.028	\$4.770
F 2008	\$3.975	\$1.075	\$0.029	\$5.079
F 2009	\$3.855	\$1.042	\$0.028	\$4.926

Data Sources

Past collections are from the state accounting system. Estimates of Montana population by age are from the Census Bureau of the U.S. Department of Commerce.