

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2903

STATE OF NEW JERSEY

DATED: JUNE 22, 2009

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2903.

This bill establishes a 60-day motor vehicle surcharge amnesty program during which certain outstanding surcharges imposed under the New Jersey Motor Vehicle Violations Surcharge System be satisfied without interest or collection costs.

This amnesty applies only to those surcharges levied for accumulated motor vehicle points and those levied for motor vehicle violations or convictions for which points are not assessed. Drivers who, with the approval of the Chief Administrator of the New Jersey Motor Vehicle Commission, are paying these types of surcharges on an installment basis are eligible to participate in the program.

The amnesty does not apply to surcharges levied against drivers convicted of drunk driving or failing to consent to a chemical test to determine their blood alcohol content. Further, any driver whose outstanding surcharges include any levies imposed for a drunk driving conviction or a refusal to submit to a blood alcohol content test are not eligible to participate in this amnesty program.

During the amnesty period, a person who has an outstanding amnesty eligible surcharge may pay that surcharge without any interest or collection costs being imposed, provided those outstanding surcharges are paid in full. Interest and collection costs will not be waived if the outstanding surcharges are not paid in full within the 60-day amnesty period.

The bill imposes a five percent penalty on those outstanding eligible surcharges that are not satisfied during the amnesty period. This penalty is in addition to all other penalties, interest or costs authorized by law. The five percent penalty will not be assessed against anyone who:

(1) is participating in a commission authorized installment payment program; or

(2) is on active military duty during the 60-day amnesty period.

These motor vehicle surcharge moneys securitize the State's covenant to repay certain bonds and refunding bonds the State and the New Jersey Economic Development Authority have issued. The delinquent surcharge amounts collected during this amnesty period will be allocated to meet the costs needed to retire those securitized

bonds and refunding bonds.

If the amount collected during this amnesty program exceeds the amount required to be paid under the “Motor Vehicle Surcharges Securitization Act,” P.L.2004, c.70 (C.34:1B-21.23 et seq.), the excess funds are to be transferred to the General Fund and made available for general State purposes.

FISCAL IMPACT:

According to information provided by the Motor Vehicle Commission, there is approximately \$274 million in eligible surcharge debt, of which \$168.2 million is considered collectible, the balance being involved in bankruptcy proceedings or for which the debtor is untraceable. The MVC anticipates a total of \$17 million would be collected due to the proposed amnesty program, based on the experience of the amnesty program offered in the fall of 2003, and that \$2.6 million would be expended to administer the program.

The Office of Legislative Services (OLS) believes it is reasonable to conclude, that the proposed amnesty program would result in net revenues to the State; that is, revenues that would not likely be collected, less costs of amnesty program administration. This is based on the above from the MVC, plus the results of the previous amnesty, and the likelihood that given the cited amount of delinquent surcharges modest participation would produce something in excess of costs. But the OLS does not have sufficient information on which to base a precise estimate of amount that would be collected due to the amnesty program.

The information provided by the MVC does not indicate the number of individuals who owe the estimated amount of unpaid surcharges considered collectible, or the typical amount owed. Further, the OLS lacks information on the economic position of individuals with past due surcharge payments. Overall, economic conditions are worse than in the Fall of 2003; whether they are significantly worse for many individuals owing surcharges is unknown, but it can be reasonably assumed that they are worse for such persons, and that this would curtail participation under a program that commenced during 2009. In the report of the “Motor Vehicles Affordability and Fairness” issued in 2006, the MVC reported that in May 2004, 85% of drivers whose licenses were suspended for surcharge nonpayment came from households with income of \$60,000 or less. The OLS assumes that percentage to hold today, thus it might well be expected that those persons would be unable to participate in an amnesty program. The value of unpaid surcharges that are attributable to those in that economic range, is unknown, but if it is a significant share of the total deemed collectible by the MVC, then an amnesty program conducted in 2009 could be notably less successful than that of 2003.