LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 2350

STATE OF NEW JERSEY
219th LEGISLATURE

DATED: DECEMBER 20, 2021

SUMMARY

Synopsis:	Establishes program allowing certain applicants to perform community service in lieu of paying motor vehicle surcharges.
Type of Impact:	Reduced annual State revenue, increased annual State costs, reduced annual local government costs
Agencies Affected:	New Jersey Motor Vehicle Commission; Department of Labor and Workforce Development; local government units

Office of Legislative Services Estimate

Fiscal Impact	Annual
State Cost Increase	Indeterminate
State Revenue Decrease	Indeterminate
Local Cost Decrease	Indeterminate

- The Office of Legislative Services (OLS) finds that allowing individuals to have surcharges forgiven through community service will reduce the total surcharge revenues collected by the Motor Vehicle Commission (MVC). There is insufficient data upon which to base an estimate of the amount of surcharges potentially forgiven and resultant impact on total State revenue collections. However, the OLS notes a drop in motor vehicle surcharge revenue over the last decade that has been exacerbated, in part, by the Covid-19 pandemic.

- The community service that can be performed in lieu of surcharge payments are improvements to county and municipal assets that presumably would not have otherwise taken place, which represents a benefit to the local governments and indirectly reduces their costs.

- The Department of Labor and Workforce Development (DOLWD) will face increased costs because of the staff time needed to administer the community service program. The MVC may also incur administrative costs to reinstate program participant's driving privileges when the applicant commences the community service program.

BILL DESCRIPTION

This bill establishes a program in the DOLWD to allow certain applicants to perform community service in lieu of paying certain motor vehicle surcharges.

The bill provides for the program to be administered by the DOLWD and directs the commissioner to coordinate with the MVC to waive certain motor vehicle surcharges imposed on applicants who complete a community service project in participating counties and municipalities.

To be eligible to participate in the program, the bill requires an applicant to demonstrate to the commissioner that the applicant: (1) is unemployed; (2) has been assessed and is unable to pay certain motor vehicle surcharges; and (3) is enrolled in a job training or education program or in the process of applying for a commercial driver license or endorsement. Under the bill, if the driving privilege of an applicant has been suspended for failure to pay surcharges, the chief administrator is required to reinstate the applicant's driving privilege when the applicant commences the community service program. If an applicant fails to complete a community service project, the applicant's total outstanding motor vehicle surcharges and any interest accrued become due immediately. In addition, the applicant's driving privilege is to be suspended until the applicant satisfies the outstanding surcharge assessment.

The bill permits the governing body of any county or municipality to apply to the commissioner to participate in the program. Under the bill, eligible community service projects include improvements to county and municipal buildings, grounds, roads, streams, and other county or municipal property. The bill provides that the volunteer labor used by a municipality or county is not to displace or remove from employment any paid public or private employee or in any way reduce the workforce within a county or municipality. The bill further provides that a qualifying applicant is not to be denied participation in the program due to a lack of volunteer labor projects.

After a person has completed a community service project under the program, the bill requires the chief administrator to waive all surcharges and interest levied for accumulated motor vehicle points, those levied for unsafe driving convictions, and those levied for motor vehicle violations or convictions for which points are not assessed.

The bill provides that any driver whose outstanding surcharges include levies imposed for a drunk driving conviction or refusal to submit to a breathalyzer test are not eligible to participate in this program.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds the bill will have three primary fiscal impacts. The first impact is in the form of decreased State revenue as surcharge debt forgiven by the MVC will constitute reduced revenue to the State. Secondly, municipal and county government entities that sponsor community service projects will benefit in the form of free labor; however, the restrictions preventing those community service activities from reducing paid workforce will limit the ability of local governments to reduce costs with the community service labor. Finally, the DOLWD will have to administer this community service program, which will likely require additional staff resources to coordinate and increase annual State expenditures. The MVC may also incur administrative costs to reinstate program participant's driving privileges when the applicant commences the community service program.

Allowing individuals to have their surcharges forgiven through community service will reduce total surcharge revenues collected by the MVC by an indeterminate amount. Although a person's inability to pay a surcharge may be presumed, enhanced collection options are permitted through the surcharge program, which include the use of collection agencies and the ability of the State to capture tax refunds and apply them towards payment. Thus, it is likely that the MVC may have realized revenues from individuals eligible for forgiveness under the bill. However, there is insufficient data upon which to base an estimate of the amount of revenue potentially foregone. Factors that will influence this amount are the number of individuals eligible for surcharge forgiveness under the bill who also want to participate in the program, and the number of municipalities and counties that will choose to sponsor community service projects. The OLS cannot project these factors with any certainty. For context, it is noted that the amount of MVC surcharges billed has been declining over the last decade, falling 11 percent from $55 million in Calendar Year 2008 to $48.7 million in Calendar Year 2019.

The community service labor that can be performed in lieu of surcharge payments are improvements to county and municipal assets. The program also provides that the municipal and county governments cannot reduce their workforce as a result of the community service projects and that no applicant can be denied access to the surcharge forgiveness program as a result of unavailable community service projects. When community service projects are available, the monetary benefit to a local government is limited because the service cannot be used to reduce the local government's workforce. With respect to debt reduction, any attempt to quantify the value of that community service is limited because the bill does not quantify any relationship between the community service to be performed and a debt amount to be forgiven. Most of the benefit is likely to be realized in the form of community improvement projects that a government entity would not have otherwise undertaken with existing financial resources. While this will result in a benefit to the community as free labor, it will not likely have a direct impact on local costs.

The job training services provided to participants in the program will result in no increase in costs for the DOLWD because these are services that the department already provides to unemployed individuals. However, the department does not currently have a program that forgives surcharges in exchange for community service. The DOLWD will face increased annual costs in performing the work necessary to set up this community service program and to track the participants and ensure completion of the community service. The department will also need to coordinate with the MVC to inform it of individuals participating in the program and to certify that those individuals are eligible for forgiveness. The magnitude of these administrative charges is not clear because it cannot be known at this time how many individuals that are currently delinquent on surcharges, are unemployed, unable to pay surcharges, and interested in engaging in job training and community service in exchange for forgiveness. It also is not clear what level of interest local governments will have in creating community service activities for program participants.

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).