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FISCAL IMPACT REPORT

SPONSOR <u>Sen. Gonzales/Rep. Garcia, H</u>	LAST UPDATED <u>1/30/24</u>
	ORIGINAL DATE <u>1/28/24</u>
SHORT TITLE <u>Electronic Driver’s License Credentials</u>	BILL NUMBER <u>Senate Bill 88</u>
	ANALYST <u>Anderson</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Motor Vehicle Division	\$140.8		\$140.8	Nonrecurring	Other state funds
Motor Vehicle Division	\$36.0		\$36.0	Recurring	Other state funds
Total	\$176.8		\$176.8	Nonrecurring	Other state funds

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
 Taxation and Revenue Department (TRD)
 Department of Public Safety (DPS)

SUMMARY

Synopsis of Senate Bill 88

Senate Bill 88 amends the Motor Vehicle Code, Section 66-1-4.3 NMSA 1978, to enable the Taxation and Revenue Department (TRD) to issue electronic credentials for driver’s licenses and identification cards in addition to physical driver’s license cards or physical identification cards. Electronic credentials include both full or limited profiles; a full profile includes all information provided on a driver's license or identification card while a partial includes only a portion of the information. TRD may issue electronic credentials if physical credential(s) has previously been issued. Electronic credentials shall be issued via download from a state-approved electronic application. A digital copy, photograph, or image of an electronic credential that is not downloaded through a state approved electronic application shall not be considered valid. This bill contains no appropriation.

Electronic credential holders must continue to possess a valid, physical driver's license when operating a motor vehicle and present the physical credential upon demand of a magistrate, peace

officer, field deputy, or inspector of the motor vehicle division. Failure to do so will result in a misdemeanor conviction.

TRD shall establish a verification system and phone applications for the new electronic credentials and may charge a fee for issuance or use of the system. The bill enables TRD to contract with a third party to administer any system developed for the issuance, verification, or use of electronic credentials. TRD shall adopt the rules it deems necessary to implement the program.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or May 15, 2024, if enacted.

FISCAL IMPLICATIONS

Establishment of technology systems such as a database, a verification system, and phone applications are indicated in the bill for electronic credentials. TRD estimates the time to develop, create applications, and implement necessary database (Tapestry) system changes between mobile wallet providers is approximately \$140.8 thousand for contractual resources and \$36 thousand for personnel. TRD did not provide any estimates for recurring system maintenance costs, which appear to be at minimum an average of \$10 thousand per year among programs based on FY23 actuals reported in the agency's FY25 budget request.

The bill enables TRD to contract with a third party to administer any system developed for the issuance, verification, or use of electronic credentials. Third party agreements are permitted between TRD and an agency of the state, another state, or with national vendors, to facilitate the issuance, use, and verification of the electronic credentials. TRD shall adopt the rules it deems necessary to implement the program.

This bill requires system changes to allow electronic credential to be the official versions of the physical driver's license or identification card credential currently issued to citizens. This will require the creation of data element exchange protocols to wallet providers to provide the citizen of New Mexico the ability to utilize the electric credential to conduct business with participating business and government entities.

SIGNIFICANT ISSUES

Agency analysis did not account for recurring annual maintenance costs for systems of record such as Tapestry. The average annual IT cost per program is \$55.6 thousand. For FY23 alone, TRD's Motor Vehicle Division spent nearly \$5.2 million on IT services and while it is not clear the estimated cost of system maintenance included in the amount, the agency paid \$9.3 million for IT services that fiscal year. TRD cited rising costs of information technology and an increasing number of legislative changes as justification for requesting significant base budget and nonrecurring appropriations, raising the likelihood of increased maintenance costs in the future. Because information technology costs for the agency largely involve updating existing systems of record, TRD projects do not utilize agency technology appropriations, otherwise known as C2 funding, relying primarily on general fund increases for new system implementations and updates. TRD's FY25 budget request includes a \$3.5 million increase in

contractual services for maintaining and updating systems of record and a \$5.1 million nonrecurring request for enhancing systems of record.

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