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## The Financial Impact of Lost Licenses in Texas

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## The Financial Impact of Lost Licenses in Texas



Texas is considering a bill to end debt-based driver's license renewal holds. Renewal holds are implemented by Texas criminal courts when individuals accrue "court debt", which includes nonpayment of fines, court costs, and court fees, most often for traffic violations and other fine-only offenses.<sup>1</sup> While license renewal holds are distinct from license suspension—financial hardship rather than conviction for dangerous driving is the trigger—the effect is the same: (1) license expiry and (2) removing one's legal right to drive.

This dual-effect is directly associated with loss of employment opportunities, loss of productivity, and compounded financial loss because **driving is essential to daily needs**, i.e., grocery shopping and obtaining medical care, **and accessing the workplace**, including commuting to work and earning one's living.<sup>2</sup> As the Supreme Court commented on suspended licenses in *Bell v. Burson*, "[o]nce licenses are issued . . . their continued possession may become essential in the pursuit of a livelihood..."<sup>3</sup> Thus, debt-based driver's license holds perpetuate socioeconomic disparities and financial hardship.

According to the Texas Department of Public Safety, a **total of 454,000 Texans have lost their driver's license** due to a debt-based renewal hold, as of November 2022.<sup>4</sup> Racial disparities are also significant: **Black drivers represent 28% of those who cannot renew their licenses due to renewal holds**, despite only accounting for 11% of the driving population in Texas.<sup>5</sup>

To estimate the financial impact of these 454,000 lost driver's licenses, we apply the methodology of Chien et al's publication, *Estimating The Earnings Loss Associated With A Criminal Record And Suspended Driver's License*.<sup>6</sup>

### Calculation:

Chien et al. relies on the city of Phoenix's "Compliance Assistance Program" ("CAP") to estimate the impact on earnings of lacking a driver's license.<sup>7</sup> Chien et al. first estimates lost annual income for the typical (median) person with a suspended license to be \$36,800 but scales this downward to account for individuals who were not working or whose work was not disrupted by suspension.<sup>8</sup> Noting that 36% of the CAP sample was not working at the time of license suspension and 72% experienced disruption due to either job loss or reduction in hours, Chien et al. conservatively estimates that a lost license results in **\$12,700 in lost annual earnings** per person.<sup>9</sup>

### Cost of Lost Drivers Licenses:

To calculate the financial impact of lost licenses in Texas we follow the methodology of Chien et al.: multiplying the number of lost licenses by the cost estimate for the per person earnings impact per above.

The number of lost licenses is 454,000, according to the Texas Department of Public Safety. The per person annual earnings impact is \$12,700, as calculated by Chien et al. above, leading to an **aggregate annual earnings loss of \$5.76 Billion in Texas**. This is a conservative earnings loss estimate; thus, the true financial impact is likely higher.

### Quick Facts:

- Texans with a Debt-Based Renewal Hold, who have effectively lost their license: **454,000**<sup>10</sup>
- Earnings Estimate Per Lost License: **\$12,700**
- Aggregate Annual Financial Impact of Lost Licenses Among Texas Drivers: **\$5.76 Billion**<sup>11</sup>

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<sup>1</sup> See Tex. Transp. Code § 706.004

<sup>2</sup> Meyre, Cole. *Texas' Failure to Appear/Pay Program Issue Brief* (February 2023).

<sup>3</sup> *Bell v. Burson*, 402 U.S. 535, 539 (1971).

<sup>4</sup> Data obtained via Public Information Request to the Texas Department of Public Safety on the total number of holds by jurisdiction as of Nov 1, 2022.

<sup>5</sup> Meyre, Cole. *Texas' Failure to Appear/Pay Program Issue Brief* (February 2023).

<sup>6</sup> Chien, Colleen, et al. *Estimating the Earning Loss Associated with a Criminal Record and Suspended Driver's License*. Ariz. L. Rev. 64: 675 (2022).

<sup>7</sup> Chien et al., at 709.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> Data obtained via Public Information Request to the Texas Department of Public Safety on the total number of holds by jurisdiction as of Nov 1, 2022.

<sup>11</sup> Calculation summarized above.