

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4800-01
Bill No.: HB 1424
Subject: Licenses - Motor Vehicle; Transportation; Department of Revenue
Type: Original
Date: February 20, 2014

Bill Summary: This proposal specifies that motor vehicles licensed in Missouri shall only have one license plate. An owner whose motor vehicle has a front license plate shall surrender the plate to the Department of Revenue.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Highway Fund	\$0	Up to \$936,016	\$936,016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	Up to \$936,016	\$936,016

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Corrections (DOC)** state the **Missouri Vocational Enterprises (MVE)**, a self-sustaining entity, operates to provide jobs and training opportunities for offenders incarcerated in the DOC. The MVE License Plate Factory (or Tag Plant) has provided license plates for Missourians via the Department of Revenue (DOR) for many years. Less than half of the classes of plates that are currently issued contain a two-plate set. Manufacturing costs for one plate will be greater on a per-plate basis than for two plates. Although MVE will recognize a reduction in raw material requirements, the manufacturing process will not be changed and the amount of equipment will remain the same. Staffing will not decrease and deliveries will still be necessary to the 184 DOR fee offices. MVE is reimbursed by DOR for manufacturing costs and operates using the Working Capital Revolving Fund (WCRF), not the General Revenue Fund. The potential fiscal impact is Unknown for WCRF.

Officials from the **Department of Public Safety - Missouri Highway Patrol** assume the proposal will have no fiscal impact on their organization.

Beginning August 28, 2014 this proposal requires the Department of Revenue to issue one license plate and tab when an individual registers a motor vehicle instead of two.

Administrative Impact

Officials from the **Department of Revenue (DOR)** state the following procedures will need to be implemented for the changes in this proposal:

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$840 in FY '15.
- The Department's web site will need to be updated to include information regarding the issuance of one plate. This change will require ten hours for an Administrative Analyst III, at a cost of \$230 in FY '15.
- MVB testing for identified system modifications. This change will require 40 hours for each system modification for a total of 200 hours by a Management Analyst Specialist I at a cost of \$4,200 in FY '15.

ASSUMPTION (continued)

- The IT Department will need to update information on the Titling and Registration Intranet Processing System (TRIPS), General Registration System (GRS), DMVI (Inventory System) and send out Motor Vehicle Renewal Notices. This change will require 480 hours at a cost of \$13,104 in FY '15.

In summary, DOR assumes a cost of \$18,374 (\$840 + \$230 + \$4,200 + \$13,104) in FY 2015 to provide for the implementation of the changes in this proposal.

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Potential License Plate Cost:

Stock Plates (Embossed Plates)

Missouri Vocational Enterprises estimates the cost for a single license plate would increase from \$1.63 to approximately \$2.05 upon passage of this legislation. The price increase is a result of a higher per unit price when ordering fewer units.

In FY 2013, the **Department of Revenue (DOR)** ordered 743,607 sets of license plates for passenger vehicles and light weight trucks (743,607 sets is equivalent to 1,487,214 plates).

Assuming the same volume of embossed license plates will be ordered in FY '15, the Department will only need to order 743,607 total embossed plates.

$743,607 \times \$2.05$ (new plate cost) = \$1,524,394 for passenger and truck plates

In FY 2013, the Department ordered 182,113 license plates for motorcycles, motor tricycles, trailers and heavy weight trucks. Today, motorcycles, motor tricycles, trailers and heavy weight trucks are only issued one license plate; therefore, the number of plates ordered will not decrease, but as stated above, the price will increase because of the total reduction in plates.

$182,113 \times \$2.05$ (new plate cost) = \$373,332 for motorcycle, motor tricycle, trailer and heavy weight truck plates

ASSUMPTION (continued)

The total FY '15 cost for embossed plates with passage of this proposal will be \$1,897,726 (\$1,524,394 + \$373,332).

Personalized and Specialty Plates (Flat Plates)

Missouri Vocational Enterprises estimates the cost for a single flat plate would increase from \$3.50 to approximately \$4.25 upon passage of this legislation. The price increase is a result of a higher per unit price when ordering fewer units.

In FY 2013, the **Department of Revenue** ordered approximately 19,000 **sets** of flat plates for passenger vehicles and light weight trucks (18,500 sets is equivalent to 38,000 plates). Assuming the same volume of flat plates will be ordered in FY '15, the Department will only need to order 19,000 plates.

$19,000 \times \$4.25$ (new flat plate cost) = \$80,750 for passenger and truck plates

In FY 2013, the Department ordered approximately 3,544 flat plates for motorcycles, motor tricycles, trailers and heavy weight trucks. Today, motorcycles, motor tricycles, trailers and heavy weight trucks are only issued one license plate; therefore, the number of plates ordered will not decrease, but as states above, the price will increase because of the total reduction in flat plates.

$3,544 \times \$4.25$ (new flat plate cost) = \$15,062 for motorcycle, motor tricycle, trailer and heavy weight truck plates

The total FY '15 cost for flat plates with passage of this proposal will be \$95,812 (\$80,750 + \$15,062).

Potential Tab Cost:

Currently, the Department pays \$.14 per set of tabs and \$0.09 per single tab. Missouri Vocational Enterprises estimates the cost for a single tab would increase from \$0.09 to approximately \$0.11 upon passage of this legislation. The price increase is a result of a higher per unit price when ordering fewer units.

In FY '13, the Department ordered 2,551,700 **sets** of tabs for passenger vehicles and light weight trucks (2,551,700 sets is equivalent to 5,103,400 total tabs). Assuming the same volume of tabs will be required in FY '15, the Department will only need to order 2,551,700 tabs.

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ASSUMPTION (continued)

$2,551,700 \times \$0.11$ (new price per tab) = \$280,687 for passenger and truck tabs

In FY 2013, the Department ordered 670,200 tabs for motorcycles, motor tricycles, trailers and heavy weight trucks. Today, motorcycles, motor tricycles, trailers and heavy weight trucks are only issued one tab; therefore, the number of tabs ordered will not decrease, but as stated above, the price will increase because of the total reduction in tabs.

$670,200 \times \$0.11$ (new price per tab) = \$73,722 for motorcycle, motor tricycle, trailer and heavy weight truck tabs

The total FY '15 cost for tabs with passage of this proposal will be \$354,409 (\$280,687 + \$73,722).

Overall cost savings:

Assuming the Department's budget does not increase, the overall cost savings is outlined below:

Budgeted Amount:	\$ 3,907,500	
Total Costs:	(\$2,347,947)	(\$1,897,726 + \$95,812 + \$354,409)
Total Potential Savings:	\$1,559,553	

If the legislation passes and is signed in July, the Department will have already filled monthly allotment orders through December 2014. Therefore, the FY '15 cost savings will be limited to 6 months (\$779,777).

Note:

Additionally, the Department states they currently have an inventory of plates and tabs for the years 2014, 2015 and 2016 in stock at license offices across the state. Under this proposal, the Department will need to destroy approximately \$800,000 in inventory. If the implementation is delayed, the Department could avoid waste of the \$800,000 in inventory, a cost already incurred.

Oversight assumes by requiring only one license plate to be issued for all motor vehicles instead of the current two plates, the Highway Fund will have a total annual cost savings of \$936,016 if this legislation were to pass, based upon the calculations on the next page. DOR stated they had enough inventory of plates and tabs for 2014, 2015, and 2016. Therefore, Oversight will not reflect a potential savings in FY 2015, will reflect a potential year of savings in FY 2016 (Oversight is unsure when DOR's inventory will run out), and will reflect a full year of savings in FY 2017.

KC:LR:OD

	Number of plates/tabs	Price per unit	Price Paid
Embossed Plates:			
Current (Set)	1,487,214	\$1.63	\$ 2,424,159
New	743,607	\$2.05	<u>\$ 1,524,394</u>
	Total		\$899,765
Current (Single)	182,113	\$1.63	\$ 296,844
New	182,113	\$2.05	<u>\$ 373,332</u>
	Total		<u>\$ (76,488)</u>
Total Embossed Plates Savings:			<u><u>\$ 823,277</u></u>
Flat Plates:			
Current (Set)	38,000	\$3.50	\$ 133,000
New	19,000	\$4.25	<u>\$ 80,750</u>
	Total		\$ 52,250
Current (Single)	3,544	\$3.50	\$ 12,404
New	3,544	\$4.25	<u>\$ 15,062</u>
	Total		<u>\$ (2,658)</u>
Total Flat Plates Savings:			<u><u>\$ 49,592</u></u>
Tabs:			
Current (set)	2,551,700	\$0.14 (per set)	\$ 357,238
New	2,551,700	\$0.11	<u>\$ 280,687</u>
	Total		\$76,551
Current (Single)	670,200	\$0.09	\$ 60,318
New	670,200	\$0.11	<u>\$ 73,722</u>
	Total		<u>\$ (13,404)</u>
Total Tabs Savings:			<u><u>\$ 63,153</u></u>
Overall Total Cost Savings			<u><u>\$ 936,022</u></u>

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
HIGHWAY FUND			
<u>Savings - DOR</u>	<u>\$0</u>	<u>Up to \$936,016</u>	<u>\$936,016</u>
Reduction of license plates			
ESTIMATED NET EFFECT TO THE HIGHWAY FUND	<u>\$0</u>	<u>Up to \$936,016</u>	<u>\$936,016</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2015 (10 Mo.)	 FY 2016	 FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

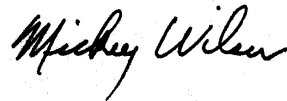
This proposal changes the requirement to have two license plates per motor vehicle to one plate per vehicle and requires that owners of vehicles with two plates surrender the second plate on the vehicle's next registration renewal date.

Owners of property-carrying commercial vehicles may request a second plate and the Director of the Department of Revenue may assess a fee equal to the cost of personalized plates.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Department of Corrections
Department of Public Safety

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 20, 2014

Ross Strobe
Assistant Director
February 20, 2014