

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5796-01
Bill No.: HB 2286
Subject: Motor Vehicles; Insurance - Automobile
Type: #Updated
Date: March 15, 2016
#Updated with Department of Revenue, Department of Public Safety and Department of Insurance, Financial Institutions, and Professional Registration responses.

Bill Summary: This proposal specifies that any person who fails to provide proof of motor vehicle financial responsibility will have the vehicle he or she is operating impounded until valid proof is provided and all fees are paid.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
#General Revenue	(\$556,334)	(\$508,037)	(\$512,690)
Total Estimated Net Effect on General Revenue	(\$556,334)	(\$508,037)	(\$512,690)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
#General Revenue	10 FTE	10 FTE	10 FTE
Total Estimated Net Effect on FTE	10 FTE	10 FTE	10 FTE

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

#Due to time constraints, **Oversight** prepared the fiscal note for the original bill without agency responses. Oversight has since received responses from the impacted agencies and has incorporated their estimates into this fiscal note.

#Officials from the **Department of Revenue (DOR)** state the following regarding this proposal:

#Administrative Impact:

#Driver License Bureau

#§303.025.4

#The proposed change to Chapter 303 requires the impoundment of a vehicle for failure to provide proof of financial responsibility as required under "this chapter".

#Chapter 303 requires proof of financial responsibility to be shown:

- #To law enforcement at the time of a traffic stop;
- #To courts when a ticket for failure to show proof is issued; and
- #To the Department of Revenue (Department) when an accident report is filed and as a reinstatement requirement under various statutes.

#The proposed legislation is not specific as to impoundment procedures relating to all three financial responsibility requirements.

#For the purposes of this fiscal note, the Department assumes this includes any financial responsibility actions associated with Chapter 303, related to accident reports and failure to maintain proof.

#This legislation will require system modifications to Missouri Driver License System (MODL), to identify and then generate a daily report of vehicle operator/owners who are suspended for failure to show proof of financial responsibility.

ASSUMPTION (continued)

#MODL notices, Correspondence Tracking and Generation (CTG) letters, hearing notices and final decision letters issued to citizens will need to be developed and/or revised.

#A new notice will need to be developed for towing services.

- #The Department estimates 160 hours for notice development and modifications, system design, and user acceptance testing by two Management Analysis Specialist I, at a cost of \$6,720 in FY 2017.
- #The Department estimates 40 hours for procedure development and training for the Department staff and towing companies by two Management Analysis Specialist I, at a cost of \$1,680 in FY 2017.
- #The Department estimates 40 hours for development of new rules and regulations by one Revenue Band Manager, at a cost of \$1,040 in FY 2017.
- #Web site changes and updating internal procedures 10 hours by one Administrative Analyst III, at a cost of \$230 in FY 2017.
- #OA-ITSD services are required at a cost of \$61,560 (820.80 x \$75 per hour).

#The Department will need to hire an additional 10 FTE to administer this program to:

- #Research the daily MODL report to identify vehicle owners and the vehicle year, make, model and vehicle identification number for each vehicle to be impounded;
- #Research current towing companies serving localities for each vehicle being impounded;
- #Issue notices to citizens and towing services;
- #Process incoming compliances and impound verification documents;
- #Issue compliance notices/reject letters;
- #Respond to written correspondence, e-mails, in person and telephone inquiries from citizens, towing services, insurance companies, law enforcement, license offices, courts, etc;

ASSUMPTION (continued)

- #Conduct administrative hearings and issue findings of fact and conclusions of law.
- #Perform administrative hearing docketing and related duties; and
- #Process appeals and appeal outcomes.

#The number of FTE needed was determined based on the following methodology using figures from FY '15 Monthly Production Reports:

#In FY '15, there were a total of 14,475 individuals suspended for failing to show proof of financial responsibility to the Department as required under Chapter 303; 6,709 due to motor vehicle accident reports (we assume all vehicles would be required to be impounded by the Department), and 7,766 for failure to maintain proof as required due to prior suspension/revocations.

#Assuming the same number will fail to show proof to the Department in the next fiscal year, there would be 14,475 (6,709 + 7,766 = 14,475) impound notices issued to individuals, and 14,475 impound notices issued to towing services. This results in a total of 28,950 (14,475 + 14,475 = 28,950) impound notices issued annually.

#A Revenue Processing Technician I (RPT I) can research and key 45 impound notices daily.

$$\begin{array}{l} 28,950 \text{ impound notices issued annually} \\ \underline{\quad 252 \quad} \text{ working days per year} \\ 115 \text{ impound notices issued daily} \\ \underline{\quad 45 \quad} \text{ volume of notices processed daily} \\ 2.55 = 3 \text{ RPT I} \end{array}$$

#Each impound notice issued could result in a compliance document from the individual, and/or notification from the tow company verifying the status of the impounded vehicle. This results in at least 115 compliances and/or impound verification documents received daily. An RPT I can process 57 compliances and related documents daily.

$$\begin{array}{l} 115 \text{ compliances and impound verification documents received daily} \\ \underline{\quad 57 \quad} \text{ volume of documents processed daily} \\ 2.01 = 2 \text{ RPT I} \end{array}$$

ASSUMPTION (continued)

#The incoming compliances and impound verification documents would increase the pieces of incoming mail/faxes received in the Department and required to be sorted, prepared for imaging, and distributed. An Office Support Assistant (OSA clerical) can sort, prepare and distribute 143 pieces of incoming mail/faxes daily.

$$\begin{array}{r} 115 \text{ pieces of incoming mail received daily} \\ \underline{/143} \text{ volume of incoming mail sorted, prepared and distributed daily} \\ 0.80 = 1 \text{ OSA (clerical)} \end{array}$$

#Based on the severity of this penalty, the Department assumes at least 80% of those notified will contact the Department by telephone. Based on percentages from FY '15 telephone call statistics, this would result in 92 (115 impound notices x 80% = 92) telephone calls received daily. An RPT I (TIO) can handle 100 telephone calls daily.

$$\begin{array}{r} 115 \text{ impound notices issued daily} \\ \underline{\times 80\%} \text{ percent of customers who will call} \\ 92 \text{ telephone calls received daily} \\ \underline{/100} \text{ volume of telephone calls handled daily} \\ 0.92 = 1 \text{ RPT I (TIO)} \end{array}$$

#Based on FY '15 statistics, the Department assumes 20% of those notified will contact the Department either in writing, via e-mail, or in person resulting in 23 (115 impound notices x 20% = 23) customer contacts daily. An RPT I can handle 30 customer contacts daily.

$$\begin{array}{r} 115 \text{ impound notices issued daily} \\ \underline{\times 20\%} \text{ percent of customers who will write or appear in person} \\ 23 \text{ customer contacts daily} \\ \underline{/30} \text{ volume of customer contacts handled daily} \\ 0.76 = 1 \text{ RPT I} \end{array}$$

#For this new law the hearing rate would be unknown. Based on the severity of the penalty and statistics from the Department's previous insurance monitoring (sampling) program, the Department assumes the hearing rate would be 14% resulting in 8 (57 impound notices to individual only x 14%) hearings requested daily.

ASSUMPTION (continued)

#An Appeals Referee I can conduct 13 hearings daily and is required to issue the findings of fact and conclusions of law for all hearings held within 90 days.

$$\begin{array}{rcl}
 14,475 & \text{impound notices issued annually to individuals only} & \\
 / & 252 & \text{working days per year} \\
 \hline
 57 & \text{impound notices issued daily to individuals only} & \\
 \times & 14\% & \text{percent of individuals requesting hearings} \\
 \hline
 8 & \text{hearings requested daily} & \\
 / & 13 & \text{volume of hearings conducted daily} \\
 \hline
 0.61 & = & 1 \text{ Appeals Referee I}
 \end{array}$$

#The docket clerk processes incoming hearing mail, docket hearings, issues hearing notices, proofs hearing decisions and prepares for signature, prepares certified mailings, responds to written correspondence and e-mails, and answers all telephone calls related to the hearing process. A Senior Office Support Assistant (Senior OSA-keyboarding) can docket and issue hearing notices for 15 hearing requests daily in addition to performing all other related duties.

$$\begin{array}{rcl}
 8 & \text{hearings requested daily} & \\
 / & 15 & \text{volume of hearings docketed and hearing notices issued daily} \\
 \hline
 0.53 & = & 1 \text{ Senior OSA (keyboarding)}
 \end{array}$$

#Estimated Annual Mailing Costs:

- #Total impound notices issued $28,950 \times \$0.025 =$ \$ 724
- #Rejects/compliance letters issued $14,475 \times \$0.025 =$ \$ 362
- #Hearing notices issued $(14,475 \times 14\%) = 2,027 \times \$0.025 =$ \$ 51
- #Hearing final decision issued $2,027 \times \$0.025 =$ \$ 51
- #Envelopes $47,479$ (total notices/letters) $\times \$0.040 =$ \$ 1,899
- #Postage - 1st Class $\$0.49 \times 45,452$ (notices/letters) = \$22,271
- #Postage - Certified $\$3.94 \times 2,027$ (hearing decisions) = \$ 7,986

Total: \$33,344

ASSUMPTION (continued)

Officials from the **Office of State Courts Administrator** assume the proposal will have no fiscal impact on their organization.

#Officials from the **Department of Public Safety - Missouri Highway Patrol** and **Department of Insurance, Financial Institutions and Professional Registration** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
#Cost - DOR			
Personal Services	(\$248,360)	(\$289,292)	(\$292,185)
Fringe Benefits	(\$149,310)	(\$179,955)	(\$180,745)
Equipment and Expenses	(\$158,664)	(\$38,790)	(\$39,760)
<u>Total Costs - DOR</u>	<u>(\$556,334)</u>	<u>(\$508,037)</u>	<u>(\$512,690)</u>
FTE Change - DOR	10 FTE	10 FTE	10 FTE
ESTIMATED NET EFFECT TO GENERAL REVENUE	<u>(\$556,334)</u>	<u>(\$508,037)</u>	<u>(\$512,690)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

#Small business towing companies, vehicle storage lots and small businesses that own motor vehicles subject to impoundment could be impacted by this proposal.

FISCAL DESCRIPTION

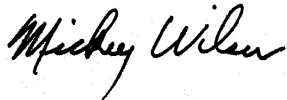
This proposal specifies that any person who fails to provide proof of motor vehicle financial responsibility will have the vehicle he or she is operating impounded until providing valid proof and paying all fees, if any, incurred for the impoundment of the vehicle.

FISCAL DESCRIPTION (continued)

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

Office of State Courts Administrator
Department of Revenue
Department of Public Safety
Missouri Highway Patrol

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

Mickey Wilson, CPA
Director
March 15, 2016

Ross Strobe
Assistant Director
March 15, 2016