

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4835-01
Bill No.: HB 1444
Subject: Motor Vehicles; Roads and Highways; Licenses - Motor Vehicle
Type: Original
Date: January 16, 2018

Bill Summary: This proposal repeals the requirement that all motor vehicles must obtain an inspection before the vehicle may be licensed.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Highway Fund	Up to (\$1,290,343)	Up to (\$2,580,685)	Up to (\$2,580,685)
Highway Patrol Inspection Fund	Up to (\$634,521)	Up to (\$1,269,043)	Up to (\$1,269,043)
Total Estimated Net Effect on Other State Funds	Up to (\$1,924,864)	Up to (\$3,849,728)	Up to (\$3,849,728)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

☒ 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 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** state the following regarding this proposal:

The proposed legislation would eliminate the vehicle safety inspection requirement and the Motor Vehicle Inspection program within the Missouri State Highway Patrol. The bill would eliminate the requirement for all vehicles, unless exempted by statute, to pass a vehicle safety inspection prior to being registered with the Department of Revenue. The bill would also eliminate vehicle identification/odometer verifications (ID/OD) for out of state vehicles, boats and trailers. The bill would require the Patrol to conduct school bus inspections; however, it eliminates the statute that allows the school buses to have the following safety equipment inspected: brakes, lighting equipment, signaling devices, steering mechanism, horns, mirrors, windshield wipers, tires, wheels, exhaust system, glazing, air pollution control devices, and fuel system. The bill eliminates all fees associated with vehicle safety inspections and licensing requirements for official safety inspection stations.

Current state statutes fund the vehicle safety inspection by charging a fee to the licensed inspection stations for each inspection sticker which is required for a "passing" vehicle inspection. The fee per inspection sticker is \$1.50. This fee covers the cost of administering the vehicle safety inspection and any excess funds go directly into the Highway Fund used to improve the roadways.

According to fiscal year 2017 receipts, the Motor Vehicle Inspection division deposited \$6,020,717.13 for the safety inspection program and the Department of Natural Resources' (DNR) Gateway Vehicle Inspection Program (GVIP) . The funding was deposited in the following funds:

Highway Fund #0644	\$2,580,684.70
Inspection Fund #0297	\$1,269,042.50
DNR Fund #0267	\$2,170,989.93

Eliminating the vehicle safety inspection program will ultimately reduce state revenue by nearly \$4 million per year.

MHP also notes there will be no savings from the elimination of the Motor Vehicle Inspection program.

ASSUMPTION (continued)

Oversight notes, according to the MHP's budget submission, the Motor Vehicle Inspection Division is responsible for the overall administration and enforcement of the statutorily-mandated vehicle safety inspection program. Program expenditures for the past three fiscal years are as follows:

FY 2017	\$5,526,580*
FY 2016	\$5,348,399*
FY 2015	\$5,176,271*

* Mostly "other state funds" including Highway, Highway Patrol Inspection, and OASDHI.

Oversight assumes MHP could realize some amount of savings in program expenditures due to the vehicle inspection program being eliminated. Oversight will reflect the savings as "\$0 or Unknown" to the Highway Fund and the Highway Patrol Inspection Fund.

Officials from the **Department of Natural Resources (DNR)** assume the proposal will have no fiscal impact on their organization. DNR notes that the Gateway Vehicle Emissions Inspection Program would still be authorized to continue.

Officials at the **Department of Revenue (DOR)** assume the following regarding this proposal:

§§307.375 and 307.390

Changes the provisions related to school bus inspections.

§§307.350-307.370 and §§307.380-307.385

The proposed legislation would exempt all vehicles from the safety inspection requirements at any time, except any bus used to transport children to or from school. Removes all provisions related to safety inspection stations.

Section B

The proposed legislation will be effective January 1, 2019.

Administrative Impact

The proposed legislation eliminates all safety inspection requirements for motor vehicles and safety inspection station provisions within §307. Safety inspections are also referenced in chapter 301 and 643.

ASSUMPTION (continued)

Administrative Impact (continued)

To implement the proposed changes, the Department will be required to:

- Update procedures, the Department website, and correspondence letters;
- Update the Application for Missouri Title and License (DOR-108);
- Update the Application for Missouri Vehicle License (DOR-184);
- Update The General Affidavit (DOR-768);
- Update the motor vehicle renewal notices and titling manual;
- Complete programming and user acceptance testing of identified systems;
- Amend and update administrative rules; and
- Train staff.

FY 2019 - Motor Vehicle Bureau

Management Analysis Spec I	520 hrs. @ \$18.42 per hr.	= \$ 9,578
Administrative Analyst III	10 hrs. @ \$19.43 per hr.	= \$ 194
Admin Office Support Asst.	15 hrs. @ \$13.78 per hr.	= \$ 207
Revenue Manager Band I	80 hrs. @ \$25.05 per hr.	= \$ 2,004
Total		= \$11,983

FY 2019 - Personnel Services Bureau

Administrative Analyst III	10 hrs. @ \$19.43 per hr.	= \$ 194
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Total Costs **\$12,177**

The Department would notify 6,174 dealers regarding the elimination of the safety inspection requirement at a cost to the Motor Vehicle Commission Fund.

6,174	Licensed dealers
x .04	Cost per envelope
<u>\$ 246.96</u>	

6,174	Licensed dealers
x .025	Cost per letter
<u>\$ 154.35</u>	

ASSUMPTION (continued)

Administrative Impact (continued)

6,174	Licensed dealers
x .49	Cost of postage per letter
\$3,025.26	

Total cost to the Motor Vehicle Commission Fund = **\$3,427**.

OA-ITSD services will be required at a cost of **\$9,720** (129.60 hours x \$75 per hour) in FY 2019.

In summary, DOR assumes a cost of **\$25,324** (\$12,177 + \$3,427 + \$9,720) in FY 2019.

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.

Officials from the **Department of Transportation** defer to DOR for fiscal impact.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume this proposal would result in insignificant savings due to not having to inspect school buses any longer.

Oversight notes that also according to MHP budget, MHP inspects approximately 12,000 buses annually and spot checks approximately 1,200 buses. The following number of stations are enrolled in the Motor Vehicle Safety Inspection Program:

	Government Stations	Private Stations	Public Stations	Emission Stations	Total Station Count
2017	381	555	3,461	843	5,240
2016	388	563	3,497	853	5,301

Officials from the **Office of the State Courts Administrator**, **Office of Prosecution Services** and **Office of the State Public Defender** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (6 Mo.)	FY 2020	FY 2021
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HIGHWAY FUND

<u>Savings</u> - MHP - elimination of Motor Vehicle Inspection program	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
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<u>Loss</u> - MHP - inspection fees	<u>(\$1,290,343)</u>	<u>(\$2,580,685)</u>	<u>(\$2,580,685)</u>
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ESTIMATED NET EFFECT ON THE HIGHWAY FUND	Up to <u>(\$1,290,343)</u>	Up to <u>(\$1,290,343)</u>	Up to <u>(\$1,290,343)</u>
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**HIGHWAY PATROL INSPECTION
FUND**

<u>Savings</u> - MHP - elimination of Motor Vehicle Inspection program	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
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<u>Loss</u> - MHP - inspection fees	<u>(\$634,521)</u>	<u>(\$1,269,043)</u>	<u>(\$1,269,043)</u>
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ESTIMATED NET EFFECT ON THE HIGHWAY PATROL INSPECTION FUND	Up to <u>(\$634,521)</u>	Up to <u>(\$634,521)</u>	Up to <u>(\$634,521)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2019 (6 Mo.)	FY 2020	FY 2021
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

Elimination of the vehicle safety inspection will create a loss in revenue for small businesses and automotive dealerships that are licensed to perform vehicle safety inspections. Their revenue comes from the \$12.00 safety inspection fee. The estimated loss of revenue by eliminating the vehicle safety inspection would be approximately \$30 million annually, (2,500,000 vehicles inspected x \$12 fee per inspection = \$30 million) in inspection fee revenue.

FY 2017: \$3,797,082 inspection stickers sold divided by \$1.50 per sticker = 2,531,388 inspections conducted.

FISCAL IMPACT - Small Business (continued)

In addition to the above revenue, the average cost of repairs per rejected vehicles is estimated at \$69.02. This estimate is very low; however, using this estimate multiplied by the number of vehicles which do not pass a vehicle safety inspection annually (450,000), the businesses that repair vehicles would lose approximately \$31,059,000 annually in repair revenue.

FISCAL DESCRIPTION

This bill repeals the inspection requirement for non-commercial motor vehicles which is currently required in order to renew a motor vehicle license. The air quality and emission inspection requirements for St. Louis and some specified areas which are mandated by federal law are not modified.

This legislation has an effective date of January 1, 2019.

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 Public Safety - Missouri Highway Patrol
Department of Revenue
Department of Transportation
Office of the State Courts Administrator
Office of Prosecution Services
Office of the State Public Defender
Department of Elementary and Secondary Education
Department of Natural Resources

Ross Strobe



Acting Director
January 16, 2018