

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4835-05
Bill No.: HCS for HB 1444
Subject: Motor Vehicles; Roads and Highways; Licenses - Motor Vehicle
Type: Original
Date: March 30, 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 (\$2,745,988)	Up to (\$2,491,975)	Up to (\$2,491,975)
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 (\$3,380,509)	Up to (\$3,761,018)	Up to (\$3,761,018)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 12 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	Up to \$44,355	Up to \$88,710	Up to \$88,710

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 require all homemade trailer inspections, (regardless of length), to be inspected by the Sheriff or the Missouri State Highway Patrol. The bill would change the fee for the trailer inspections from \$10 to \$25.

The bill would require the Patrol to conduct school bus inspections, but eliminates all funding to do so since it eliminates the \$1.50 fee currently charged for each inspection sticker that is sold to licensed safety inspection stations.

The bill maintains licensed safety inspections and licensed inspector mechanics; however, it eliminates all funding for MHP to administer oversight over all inspections stations and inspector mechanics. The fee for licensed inspection stations remains \$10 per year; however, the bill eliminates the exemption of government agencies to obtain their station license at no cost. The bill eliminates all safety inspections performed by current licensed inspection stations; however, it maintains their ability to perform ID/OD verifications for vehicles titled out of state that are required to be titled in Missouri. The fee for all ID/OD inspections would be \$12.

The bill requires school buses to be inspected by "official school bus inspection stations"; however, the bill eliminates all funding to the Missouri State Highway Patrol for administering the school bus inspections. The bill would create hardship on school districts who would have to transport their school buses a greater distance to find an "official school bus inspection" station.

The bill eliminates all fees associated with vehicle inspections and eliminates the Highway Patrol Inspection fund, resulting in a loss of \$3.8 million in annual state revenue.

Negative Fiscal Impact

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.

ASSUMPTION (continued)

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

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

The state of Missouri would be required to reimburse all current motor vehicle safety inspection stations for unused safety inspection stickers and motorcycle decals rendered unusable by this bill. The estimated number of unused stickers/decals is 1,000,000. The cost to reimburse each unused sticker/decal is \$1.50 each. Therefore, there would be a one-time cost to the state of approximately \$1.5 million dollars for this reimbursement (1,000,000 stickers/decals x \$1.50 fee = \$1,500,000).

In addition to the revenue lost from the \$1.50 inspection fee, there would be a loss of sales tax generated from the \$31 million dollars for repairs for defective vehicle parts identified from the vehicle safety inspection. This revenue loss would be approximately \$1.3 million in general revenue ($\$31 \text{ million} \times .04225\% = \$1,309,750$ in tax revenue).

Also, the current computer database used for vehicle safety inspections would have to be modified and/or replaced to comply with the new requirements of this bill. The cost for modification of the system is unknown, but would have to be completed before this bill goes into effect.

Positive Fiscal Impact

The bill would require homemade trailer inspections to receive an inspection by either the Sheriff or the Missouri State Highway Patrol. The bill changes the fee for this inspection from \$10 to \$25. This fee is deposited into the Highway Fund only if the inspection is conducted by the Missouri State Highway Patrol. If the Sheriff performs the inspection, then the fee is deposited to the local law enforcement fund.

ASSUMPTION (continued)

According to FY 17 DOR records, there were 4,985 homemade trailers under 16' inspected and 929 homemade trailers over 16' inspected, for a total of 5,914 homemade trailers inspected.

The bill changes the fee for all of homemade trailer inspections from \$10 to \$25.

Therefore, there would be a positive fiscal impact of \$88,710 per year with the fee increasing \$15 (5,914 homemade trailers inspected x \$15 (increase in fee) = \$88,710 in inspection fees.

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.

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 **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.

ASSUMPTION (continued)

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

§301.020

Removes references to a vehicle inspection report in regards to the Department retaining odometer information and requires the owner of the vehicle to provide the odometer reading.

§301.032

Removes references to a vehicle inspection report in regards to fleet vehicles.

§301.074

Removes reference to a vehicle inspection report in regards to disabled veteran license plates.

§301.132

Removes reference to a safety inspection in regards to street rod and custom vehicle license plates.

§301.147

Removes reference to a vehicle safety inspection in regards to biennial registrations.

§301.190

Removes references to safety inspections.

§301.191

Removes the reference to length of a trailer and increases the fee for a homemade trailer inspection from ten dollars to twenty-five dollars.

§301.380

Modifies homemade trailer inspection provision by requiring a vehicle examination certificate issued by MSHP or other law enforcement authorized by the director or revenue.

For the issuance of an ID number for the homemade trailer, the applicant is to pay a fee of twenty-five dollars for such examination certificate, payable to the director of revenue, which shall be deposited into the state treasury to the credit of the state highways and transportation department fund.

§301.443

Removes reference to a vehicle inspection in regards to former P.O.W. license plates.

ASSUMPTION (continued)

§301.800

Removes reference to a vehicle inspection for solar powered vehicles.

§§307.375 & 307.390

Changes the provisions related to school bus inspections.

§§307.350-307.370 & §§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.

§643.303

Eliminates provisions allowing safety inspection stations to perform emissions inspections.

§643.315

Removes reference to a safety inspection and related statute reference.

Eliminates the emissions inspection exemption for new motor vehicles that have not been previously titled and registered, for the four-year period following their model year of manufacture, provided the odometer reading for such motor vehicles are under forty thousand miles.

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 chapters 301, 307, and 643.

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

ASSUMPTION (continued)

Administrative Impact (continued)

- 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
\$ 246.96	

6,174	Licensed dealers
x .025	Cost per letter
\$ 154.35	

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.

ASSUMPTION (continued)

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.

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.

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Joint Committee on Administrative Rules** state that the proposal is not anticipated to cause a fiscal impact to their agency beyond its current appropriation.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (6 Mo.)	FY 2020	FY 2021
HIGHWAY FUND			
<u>Savings</u> - MHP - elimination of Motor Vehicle Inspection program	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Income</u> - MHP - increased fee for homemade trailer inspections	Up to \$44,355	Up to \$88,710	Up to \$88,710
<u>Cost</u> - MHP - reimbursement of inspection stickers to inspection stations	Up to (\$1,500,000)	\$0	\$0
<u>Loss</u> - MHP - inspection fees	<u>(\$1,290,343)</u>	<u>(\$2,580,685)</u>	<u>(\$2,580,685)</u>
ESTIMATED NET EFFECT ON THE HIGHWAY FUND	Up to <u>(\$2,745,988)</u>	Up to <u>(\$2,491,975)</u>	Up to <u>(\$2,491,975)</u>
HIGHWAY PATROL INSPECTION FUND			
<u>Savings</u> - MHP - elimination of Motor Vehicle Inspection program	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Loss</u> - MHP - inspection fees	<u>(\$634,521)</u>	<u>(\$1,269,043)</u>	<u>(\$1,269,043)</u>
ESTIMATED NET EFFECT ON THE HIGHWAY PATROL INSPECTION FUND	Up to <u>(\$634,521)</u>	Up to <u>(\$1,269,043)</u>	Up to <u>(\$1,269,043)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (6 Mo.)	FY 2020	FY 2021
LOCAL LAW ENFORCEMENT			
<u>Income</u> - Sheriffs - inspection for homemade trailers	<u>Up to \$44,355</u>	<u>Up to \$88,710</u>	<u>Up to \$88,710</u>
ESTIMATED NET EFFECT TO LOCAL LAW ENFORCEMENT	<u>Up to \$44,355</u>	<u>Up to \$88,710</u>	<u>Up to \$88,710</u>

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.

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.

The bill also eliminates vehicle safety inspection stations from conducting homemade trailer (under 16') inspections which they currently perform for \$10 per inspection. According to DOR statistics, there were 4,985 homemade trailer inspections conducted in FY 17 which would be a total loss of revenue for the stations of \$49,850.

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
Office of the Secretary of State
Joint Committee on Administrative Rules

Ross Strobe



Acting Director
March 30, 2018