

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0198-01
Bill No.: HB 101
Subject: Licenses - Driver's; Federal - State Relations; Department of Revenue
Type: Original
Date: April 23, 2019

Bill Summary: This proposal modifies provisions of law relating to the REAL ID Act of 2005.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	\$0 or Up to (\$314,500)	\$0 or Up to (\$377,400)	\$0 or Up to (\$377,400)
Total Estimated Net Effect on General Revenue	\$0 or Up to (\$314,500)	\$0 or Up to (\$377,400)	\$0 or Up to (\$377,400)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Highway Fund (0644)	\$0 or Up to \$5,312,500	\$0 or Up to \$6,375,000	\$0 or Up to \$6,375,000
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or Up to \$5,312,500	\$0 or Up to \$6,375,000	\$0 or Up to \$6,375,000

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Local Government	\$0 or Up to \$1,770,833	\$0 or Up to \$2,125,000	\$0 or Up to \$2,125,000

FISCAL ANALYSIS

ASSUMPTION

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

Administrative Impact

Regarding new or renewed licenses, the additional cost per license is approximately \$0.222 which includes both increases in product costs and the services required to check various databases. It does not include OA-ITSD costs for the server and software required by statute or other costs outside of those directly related to the transaction itself.

In HB 151 (2017) the Department used two scenarios, 60 percent compliance and 100 percent compliance and we will mirror that here. For the purposes of this fiscal note, a third compliance scenario (25%) will be used.

The current number of licenses issued annually is about 1.7 million.

At 100 percent compliance	$$.222 \times 1.7 \text{ million} = \$377,400$
At 60 percent compliance	$$.222 \times 1.02 \text{ million} = \$226,440$
At 25 percent compliance	$$.222 \times 425,000 = \$94,350$

Any increased fee is constitutionally required to be split 75% Highways, 15% Cities, and 10% Counties. Because of that, the Department would not be reimbursed for the extra cost of Real ID implementation. However, if an increased fee is implemented, the Department would incur costs for system updates and testing, as well as other administrative costs to update the Department website.

Regarding duplicate licenses, it is unclear how the administrative fee proposed under §302.177, RSMo, of this bill could be implemented consistently with the fee waiver created in §302.185. Because this legislation says the fee "may be charged" and we believe §302.177 directly conflicts, we would likely honor current statute and choose not to charge a fee at all on duplicate licenses.

Oversight does not have any information to the contrary in regards to DOR's assumptions; therefore, Oversight will range the fiscal impact from "\$0" (fee increase is not implemented) to a cost of \$377,400 (1.7 million licenses x \$0.222 additional cost per license) to the General Revenue Fund (if the fee increase is implemented) for system updates and testing and administrative costs on the fiscal note.

ASSUMPTION (continued)

Oversight has reflected below the revenue impact if a fee increase were to be implemented at either \$1 or \$5:

\$1 Fee Increase (1.7 million licenses at 100% compliance x \$1 = \$1.7 million)

	Highway Fund	Cities	Counties
FY 2020 (10 Mo.)	\$1,062,500	\$212,500	\$141,667
FY 2021	\$1,275,000	\$255,000	\$170,000
FY 2022	\$1,275,000	\$255,000	\$170,000

\$5 Fee Increase (1.7 million licenses at 100% compliance x \$5 = \$8,500,000)

	Highway Fund	Cities	Counties
FY 2020 (10 Mo.)	\$5,312,500	\$1,062,500	\$708,333
FY 2021	\$6,375,000	\$1,275,000	\$850,000
FY 2022	\$6,375,000	\$1,275,000	\$850,000

Oversight notes that according to the Missouri Constitution, any license fee increase is to be distributed to the Highway Fund, cities and counties. If DOR were to implement the fee increase in this proposal, the revenue created from that fee increase would be distributed to the Highway Fund, cities and counties; therefore, Oversight will reflect a \$0 (fee increase is not implemented) or “Up to \$8,500,000” (if a \$5 fee increase were implemented) distributed to the Highway Fund, cities and counties.

Officials from the **Department of Transportation (MoDOT)** assume this proposal modifies state law regarding the REAL ID Act of 2005 by authorizing DOR to charge an additional fee for REAL ID compliant driver's licenses and identification cards. The fee would be set in DOR's discretion, but shall not exceed DOR's administrative costs to implement a REAL ID compliant system for license issuance.

Per Art. IV, Sec. 30(b)1, Mo. Const., all state revenue derived from highway users (SRHU) as an incident to their use or right to use the highways of the state, including all state license fees, shall be deposited in the state road fund (SRF).

ASSUMPTION (continued)

DOR is authorized to receive appropriations of SRHU from the General Assembly prior to its deposit into the SRF, but such appropriations cannot exceed 3% of the total amount of SRHU collected. The fee contemplated in this proposal would generate SRHU as contemplated in the Mo. Const. noted above.

This legislation would result in an unconstitutional diversion of SRHU under two scenarios. First, a diversion occurs if DOR fails to recognize this fee to be state revenue derived from highway users (SRHU) and deposits the fees into the General Revenue Fund, instead of the SRF. Second, a diversion would occur if DOR were to recognize it as SRHU, and take all of the proceeds to administer the REAL ID compliant system for license issuance, rather than limiting such receipt to not exceed the 3% cap. Under either of these scenarios, there will be a negative fiscal impact to MoDOT/Missouri Highways and Transportation Commission.

Oversight does not have any information to the contrary in regards to MoDOT's assumptions; however, if DOR implements the fee increase, the additional revenue will be distributed to the Highway Fund, cities and counties.

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

Oversight notes that MHP has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for MHP.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE FUND			
<u>Cost</u> - DOR - administration of potential increase in fees for REAL ID compliant licenses	\$0 or Up to <u>(\$314,500)</u>	\$0 or Up to <u>(\$377,400)</u>	\$0 or Up to <u>(\$377,400)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	\$0 or Up to <u>(\$314,500)</u>	\$0 or Up to <u>(\$377,400)</u>	\$0 or Up to <u>(\$377,400)</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
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HIGHWAY FUND

Revenue - (75%) - potential increase in fees for REAL ID compliant licenses	\$0 or Up to <u>\$5,312,500</u>	\$0 or Up to <u>\$6,375,000</u>	\$0 or Up to <u>\$6,375,000</u>
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ESTIMATED NET EFFECT ON THE HIGHWAY FUND	\$0 or Up to <u>\$5,312,500</u>	\$0 or Up to <u>\$6,375,000</u>	\$0 or Up to <u>\$6,375,000</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
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LOCAL POLITICAL SUBDIVISIONS

<u>Revenue</u> - Cities (15%) - potential increase in fees for REAL ID compliant licenses	\$0 or Up to \$1,062,500	\$0 or Up to \$1,275,000	\$0 or Up to \$1,275,000
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<u>Revenue</u> - Counties (10%) - potential increase in fees for REAL ID compliant licenses	\$0 or Up to <u>\$708,333</u>	\$0 or Up to <u>\$850,000</u>	\$0 or Up to <u>\$850,000</u>
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0 or Up to <u>\$1,770,833</u>	\$0 or Up to <u>\$2,125,000</u>	\$0 or Up to <u>\$2,125,000</u>
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FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The bill authorizes the Department of Revenue to collect an additional fee for issuing a REAL ID compliant driver's license or identification card, but prohibits the fee from exceeding the cost of implementing a REAL ID compliant system.

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 Transportation
Department of Public Safety - Missouri Highway Patrol



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April 23, 2019

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April 23, 2019