

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1175-04
Bill No.: Perfected HCS No. 2 for HB 451
Subject: Motor Vehicles; Licenses - Motor Vehicle
Type: #Corrected
Date: April 12, 2019
#To correct math error on the Net Effect on the Highway Fund. See pages 1 and 10

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 2020 | FY 2021 | FY 2022 |
| General Revenue | (\$66,632) to (\$92,988) | \$0 to (\$80,631) | \$0 to (\$81,312) |
| Total Estimated Net Effect on General Revenue | (\$66,632) to (\$92,988) | \$0 to (\$80,631) | \$0 to (\$81,312) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2020 | FY 2021 | FY 2022 |
| #Highway Fund (0644) | \$(More than \$14,034) to (\$550,299) | \$(More than \$28,069) to (\$1,100,598) | \$(More than \$28,069) to (\$1,100,598) |
| Highway Patrol Inspection Fund (0297) | (More than \$143,757) to (\$294,289) | (More than \$287,514) to (\$588,578) | (More than \$287,514) to (\$588,578) |
| #Total Estimated Net Effect on <u>Other</u> State Funds* | \$(More than \$157,791) to (\$844,588) | \$(More than \$315,583) to (\$1,689,176) | \$(More than \$315,583) to (\$1,689,176) |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 12 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 |
| General Revenue | 0 or 1 FTE | 0 or 1 FTE | 0 or 1 FTE |
| Highway Fund | (0 to 7 FTE) | (0 to 7 FTE) | (0 to 7 FTE) |
| Total Estimated Net Effect on FTE | From (0 to 7 FTE) to 1 FTE | From (0 to 7 FTE) to 1 FTE | From (0 to 7 FTE) to 1 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 2020 | FY 2021 | FY 2022 |
| Local Government | Up to \$59,753 | Up to \$119,505 | Up to \$119,505 |

FISCAL ANALYSIS

ASSUMPTION

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

Currently, the vehicle safety inspection program is funded by charging licensed inspection stations a fee of \$1.50 for each safety inspection sticker and/or motorcycle decal purchased. These stickers and/or decals are used by licensed stations to indicate a presented vehicle has passed the vehicle safety inspection. \$1.00 for each sticker/decal sold is deposited into the Highway Fund (0644), while \$0.50 for each sticker/decal sold is deposited into the Highway Patrol Inspection Fund (0297). Activities of the Motor Vehicle Inspection Division (MVID) are primarily supported by monies from the Highway Fund, with additional monies from the Highway Patrol Inspection Fund dedicated to safety and education programs of the division.

FY 2018 MVID records indicate deposits from the vehicle safety inspection program, totaling \$3,838,481, were made into the following accounts:

| | |
|---|--------------------|
| Highway Fund (#0644): | \$2,573,303 |
| Highway Patrol Inspection Fund (#0297): | <u>\$1,265,178</u> |
| Total Income Loss from Program Elimination: | \$3,838,481 |

Upon further inquiry, **Oversight** notes MHP stated that \$10 station fees and fees for additional optional inspection signs for stations are also deposited into the Highway Fund, which accounts for the Highway Fund not being exactly twice as large as the Highway Patrol Inspection Fund.

MHP notes this proposal would require vehicles more than 10 years old or having 150,000 or more miles to be inspected. There are currently 5,111,087 vehicles registered in Missouri (as of January 4, 2019), of which 2,517,132 are less than 10 years old. This means the remaining 2,593,955 would be more than 10 years old.

Information obtained from the Gateway Vehicle Inspection Program (GVIP) non-attainment area indicates that 22,609 vehicles out of the 1,001,862 inspections performed in that area on vehicles less than 10 years old had an odometer reading of 150,000 or more miles. This is approximately 2.2%, and extrapolating that to the entire state would indicate that 112,444 vehicles would be less than 10 years old but have more than 150,000 miles ($5,111,087 \times 2.2\%$).

ASSUMPTION (continued)

As a result, 2,706,399 vehicles would fall under the biennial inspection process (2,593,955 plus 112,444), meaning half of them, or 1,353,200, would be inspected each year (2,706,399 / 2).

The current inspection process generates \$2,573,303 per year in Highway funds and \$1,265,178 in Highway Patrol Inspection funds. The revenue generated by the amendment would only be \$1,353,200 in Highway funds (\$1.00 per vehicle) and \$676,600 in Highway Patrol Inspection funds (\$0.50 per vehicle). As a result, there would be a \$1,220,103 loss of Highway revenue (\$2,573,303 minus \$1,353,200), and a \$588,578 loss of Highway Patrol Inspection revenue (\$1,265,178 minus \$676,600).

This loss of revenue would directly impact the funding of Highway Patrol operations. The portion of sticker sales that is deposited into the Highway fund (\$2,573,303 per year) partially funds the Patrol's Motor Vehicle Inspection Division. This division is comprised of 72 FTE and has a personal services budget of \$5,307,336 including fringe benefits, and an expense and equipment budget of \$410,804.

Oversight assumes the cars impacted by this proposal that will no longer be required to be inspected are those between 5 years and 10 years of age, without having more than 150,000 miles. Oversight inquired with the Department of Revenue (DOR) and there are 1,388,523 registered vehicles that are five years old or newer. Oversight assumed MHP's estimate of 112,444 vehicles x proportion of population cars 10 years old or newer.

| | Provided by MHP or DOR | Determined |
|---|------------------------|-----------------------------------|
| Total Cars registered | 5,111,087 | |
| | | |
| Registered cars 5 years or newer | 1,388,523 | |
| | | |
| Registered cars more than 10 years | 2,593,955 | |
| | | |
| Registered cars 10 years or newer | 2,517,132 | |
| | | (2,593,955 - 1,388,523) |
| Registered cars between 10 and 5 years | | 1,205,432 |
| Less # of cars 10 years old or less that will have more than 150,000 miles and still require an inspection (MHP's 112,444 x (2,517,132 / 5,111,087)) | | (55,377) |
| | | |
| Number of vehicles that will no longer require inspection as a result of this bill | | (1,205,432 - 55,377) 1,150,055 |

ASSUMPTION (continued)

Therefore, assuming a biennial inspection process, Oversight will assume a loss to the Highway Fund of \$575,028 ($1,150,055 / 2 \times \1.00) annually, and a corresponding loss to the Highway Patrol Inspection Fund of \$287,514 annually (\$0.50). Oversight assumes some cars will be inspected more than once during a biennial period (bought/sold, transferred, owner reassurance, etc.), so we will range the fiscal impact from “More than” Oversight’s estimates provided above to the MHP’s estimates.

Oversight does not have information regarding the number/percent of vehicles that will be 10 years of age or newer, but have over 150,000 miles. Therefore, Oversight will utilize MHP’s estimate of 112,444 vehicles.

MHP notes the proposal also eliminates the inspection of homemade trailers under 16' in length by official safety inspection stations. All previously untitled homemade trailers, regardless of length, would require inspection performed by either the sheriff of the county in which the owner is a resident, or by MHP. The current cost of such inspections is \$10. This proposal would increase the fee for this inspection to \$25. When inspected by the sheriff, these revenues would be deposited into the local law enforcement fund, or if no such fund exists, into the county's general revenue fund. When inspected by MHP, the fee would be paid to the Director of Revenue for deposit into the Highway Fund.

Approximately 4,308 such trailer inspections were performed at official safety inspection stations in FY 2018. With this proposal, these inspections could be performed by MHP, creating additional revenue for the state of Missouri in the amount of \$107,700.

| | | |
|---------|---|---------------------|
| FY2018: | Homemade trailer inspections (under 16'): | 4,308 |
| | Inspection Fee: | $\times \quad \$25$ |
| | Revenue Increase | \$107,700 |

In addition, in FY 2018, 787 trailers over 16' in length were inspected by local sheriff's or MHP, as required by statute. The current cost of such inspections is \$10. This proposal would increase the fee for this inspection to \$25, with the same provisions as stated above, for a net increase in revenues per inspection of \$15. This fee increase could increase state revenues by \$11,805.

| | | |
|---------|--|---------------------|
| FY2018: | Homemade trailer inspections (16' and over): | 787 |
| | Increase in Inspection Fee (\$10 to \$25): | $\times \quad \$15$ |
| | Revenue Increase | \$11,805 |

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 2018 | \$5,692,377* |
| FY 2017 | \$5,526,580* |
| FY 2016 | \$5,348,399* |

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

Oversight does not have any information to the contrary in regards to MHP's assumptions regarding trailer inspections; therefore, Oversight will reflect the increase in revenue due to all trailer inspections being done by MHP.

Oversight inquired of **MHP** as to any potential program savings from reducing the number of inspections conducted. MHP stated there would be no elimination of FTE; however, based on a previous response from MHP in which 14 FTE would be eliminated due to the repeal of the inspection program, Oversight will assume up to half (7) of these FTE could still be eliminated.

5,111,087 (currently registered vehicles in Missouri) / 2,599,028 (vehicles 10 years or older + approximate number of vehicles with over 150,000 miles that are less than 10 years old) = 51% which equates to approximately 7 FTE (14 FTE estimated from elimination of inspection program x 53%).

For simplicity purposes, Oversight will range the fiscal impact of the reduced program savings from \$0 (as indicated by MHP) to the elimination of 7 FTE (half of the amount indicated in the previous fiscal note as Oversight does not know which specific positions would be eliminated). Oversight will not break out the possible savings to the Highway Patrol Inspection Fund.

Additionally, Oversight will reflect income (increased fee for homemade trailer inspections) to local law enforcement on the fiscal note.

Oversight notes that the MHP stated there are currently 33 states that do not have vehicle inspections.

ASSUMPTION (continued)

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

Administrative Impact

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

- Update procedures, correspondence letters, and the Department website;
- 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);
- Send out notification to all dealers via GovDelivery;
- 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 2020 - Motor Vehicle Bureau

| | | |
|-------------------------------------|----------------------------|------------|
| Management Analysis Spec I | 560 hrs. @ \$18.42 per hr. | = \$10,315 |
| Administrative Analyst III | 10 hrs. @ \$19.80 per hr. | = \$ 198 |
| Administrative Office Support Asst. | 15 hrs. @ \$13.78 per hr. | = \$ 207 |
| Revenue Manager | 80 hrs. @ \$20.59 per hr. | = \$ 1,647 |
| Total | | = \$12,367 |

Administrative Impact (continued)

FY 2020 - Personnel Services Bureau

| | | |
|----------------------------|---------------------------|----------|
| Administrative Analyst III | 10 hrs. @ \$19.80 per hr. | = \$ 198 |
|----------------------------|---------------------------|----------|

Total Costs = **\$12,565**

It is assumed that all vehicles less than 10 years of age and less than 150,000 miles will be required to report the odometer reading. For those vehicles, there will not be a safety inspection to determine if mileage should be recorded or not. Only assignments of title will note the mileage.

It is assumed that if a vehicle is less than 10 years old, but has 150,000 miles or more that a safety inspection will be required. The Department will not know when that 150,000 mile threshold is reached to require a safety inspection.

ASSUMPTION (continued)

The Department may not be able to administer this proposal due to the Department not knowing when a vehicle reaches the 150,000 mile limit before a required renewal of registration that would require a safety inspection.

Oversight assumes DOR will use existing staff and will not hire additional FTE to conduct these activities; therefore, Oversight will not reflect the administrative costs DOR has indicated on the fiscal note.

DOR notes OA-ITSD assumes services will be required at a cost of \$92,988 (1,239.84 hours x \$75 per hour) in FY 2020.

Oversight notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this bill, ITSD assumes they will contract out the programming changes needed to the TRIPS, MORE and Motor Vehicle Renewals systems. ITSD estimates the project would take 1,239.84 hours at a contract rate of \$75 per hour for a total cost to the state of \$92,988. Oversight notes that an average salary for a current IT Specialist within ITSD is \$51,618, which totals roughly \$80,000 per year when fringe benefits are added. Assuming that all ITSD resources are at full capacity, Oversight assumes ITSD may (instead of contracting out the programming) hire an additional IT Specialist to perform the work required from this bill. Therefore, Oversight will range the fiscal impact from the cost of contracting out the work (\$92,988) to hiring an additional FTE IT Specialist (roughly \$80,000 per year).

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

Oversight inquired of DNR in regards to the fiscal impact of the loss of funds indicated by MHP to the Gateway Vehicle Emissions Inspection Program. Oversight was unable to confirm if this proposal would have a direct fiscal impact on this program; therefore, Oversight has not reflected a fiscal impact to DNR on the fiscal note.

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

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

ASSUMPTION (continued)

Oversight notes that the agencies mentioned above have 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 those agencies.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume this proposal would result in insignificant savings due to not being required to have department vehicles inspected.

Oversight assumes the savings DESE indicated will not be material; therefore, Oversight will not reflect the savings on the fiscal note.

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 \$5,000. 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 require additional resources.

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

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

| <u>FISCAL IMPACT - State Government</u> | FY 2020 (6 Mo.) | FY 2021 | FY 2022 |
|---|---|---|---|
| GENERAL REVENUE FUND | | | |
| <u>Cost</u> - DOR - ITSD costs (ranged from contracting out programming (\$92,988) to hiring additional FTE IT Specialist) p. 7 | (\$66,632) to <u>(\$92,988)</u> | \$0 to <u>(\$80,631)</u> | \$0 to <u>(\$81,312)</u> |
| ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND | (\$66,632) to <u>(\$92,988)</u> | \$0 to <u>(\$80,631)</u> | \$0 to <u>(\$81,312)</u> |
| Estimated Net FTE Change for General Revenue | 0 or 1 FTE | 0 or 1 FTE | 0 or 1 FTE |
| HIGHWAY FUND | | | |
| <u>Savings</u> - MHP - reduction of Motor Vehicle Inspection program (personal services + fringe benefits) p. 5 | \$0 to \$213,727 | \$0 to \$427,454 | \$0 to \$427,454 |
| FTE Change - MHP | (0 to 7 FTE) | (0 to 7 FTE) | (0 to 7 FTE) |
| <u>Income</u> - MHP - increased fee for homemade trailer inspections p. 3-4 | Up to \$59,753 | Up to \$119,505 | Up to \$119,505 |
| <u>Loss</u> - MHP - inspection fees p. 4 | (More than \$287,514) to <u>(\$610,052)</u> | (More than \$575,028) to <u>(\$1,220,103)</u> | (More than \$575,028) to <u>(\$1,220,103)</u> |
| #ESTIMATED NET EFFECT ON THE HIGHWAY FUND | \$(More than \$14,034) to <u>(\$550,299)</u> | \$(More than \$28,069) to <u>(\$1,100,598)</u> | \$(More than \$28,069) to <u>(\$1,100,598)</u> |
| Estimated Net FTE Change to the Highway Fund | (0 to 7 FTE) | (0 to 7 FTE) | (0 to 7 FTE) |

FISCAL IMPACT - State Government
 (continued)

FY 2020
 (6 Mo.)

FY 2021

FY 2022

**HIGHWAY PATROL INSPECTION
 FUND**

Loss - MHP - inspection fees p. 4

(More than
\$143,757) to
(\$294,289)

(More than
\$287,514) to
(\$588,578)

(More than
\$287,514) to
(\$588,578)

**ESTIMATED NET EFFECT ON THE
 HIGHWAY PATROL INSPECTION
 FUND**

(More than
\$143,757) to
(\$294,289)

(More than
\$287,514) to
(\$588,578)

(More than
\$287,514) to
(\$588,578)

FISCAL IMPACT - Local Government

FY 2020
 (6 Mo.)

FY 2021

FY 2022

LOCAL POLITICAL SUBDIVISIONS

Income - Sheriffs - increased fee for
 homemade trailer inspections p. 3--4

Up to \$59,753

Up to \$119,505

Up to \$119,505

**ESTIMATED NET EFFECT TO
 LOCAL POLITICAL SUBDIVISIONS**

Up to \$59,753

Up to \$119,505

Up to \$119,505

FISCAL IMPACT - Small Business

MHP notes each inspection station is allowed to retain \$10.50 of the \$12.00 inspection charge. With this committee substitute causing there to be approximately 1,177,156 less inspections per year (2,530,356 minus 1,353,200), there would be a loss of revenue to those stations of approximately \$12,360,138 per year (1,177,156 x \$10.50).

Oversight assumes there will be an unknown fiscal impact to small businesses as a result of this proposal; however, Oversight was unable to verify the data provided by MHP.

FISCAL DESCRIPTION

This bill requires inspections for non-commercial motor vehicles which are older than ten years old or have more than 150,000 miles. The air quality and emission inspection requirements for St. Louis and some specified areas which are mandated by federal law are not modified.

Currently, an untitled, homemade trailer that is 16 feet or more in length must have a certificate of inspection. This bill requires all homemade trailers to have a certificate of inspection and increases the inspection fee from \$10 to \$25. The State Highway Patrol or other authorized law enforcement agency shall issue the vehicle examination certificate. The Superintendent of the State Highway Patrol shall provide law enforcement agencies performing the inspections with the needed forms.

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



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April 12, 2019

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