

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1275-01
Bill No.: HB 500
Subject: Transportation; Motor Vehicles; Licenses - Motor Vehicle; Department of Revenue
Type: Original
Date: February 27, 2019

Bill Summary: This proposal establishes a miles-per-gallon based motor vehicle registration fee.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
General Revenue	Could exceed (\$400,000) to (\$791,613)	\$0 to (\$403,155)	\$0 to (\$406,560)	\$0 to (\$409,994)
Total Estimated Net Effect on General Revenue	Could exceed (\$400,000) to (\$791,613)	\$0 to (\$403,155)	\$0 to (\$406,560)	\$0 to (\$409,994)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
State Road Fund (0320)	\$0	\$0	\$62,773,013 or Unknown	\$76,834,167 to \$88,538,402 or Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$62,773,013 or Unknown	\$76,834,167 to \$88,538,402 or Unknown

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 13 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
General Revenue	0 or 5 FTE	0 or 5 FTE	0 or 5 FTE	0 or 5 FTE
Total Estimated Net Effect on FTE	0 or 5 FTE	0 or 5 FTE	0 or 5 FTE	0 or 5 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	Fully Implemented (FY 2023)
Local Government	\$0	\$0	\$20,924,338 or Unknown	\$25,611,389 to \$29,512,800 or Unknown

FISCAL ANALYSIS

ASSUMPTION

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

This proposal eliminates passenger registration fees based on horsepower, motorcycle, and motortricycle registration fees.

This proposal provides that passenger registration fees are to be a base registration fee of \$24. Vehicles are subject to the base fee plus an additional fee of \$6 for each mile the vehicle is rated above 29 MPG. The fees are as follows:

Miles per Gallon	Registration Fees
29 and less	\$24
30	\$30
31	\$36
32	\$42
33	\$48
34	\$54
35	\$60
36	\$66
37	\$72
38	\$78
39	\$84
40	\$90
41	\$96
42	\$102
43	\$108
44	\$114
45	\$120

46	\$126
47	\$132
48	\$138
49	\$144
50	\$150
51	\$156
52	\$162
53	\$168
54	\$174
55	\$180
56	\$186
57	\$192
58	\$198
59	\$204
60	\$210
61 or more	\$210

Administrative Impact

The proposed legislation is effective August 28, 2021, however due to the amount of time required for changes and programming, costs are being shown in FY 2020.

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

- Update the fees in Missouri Transportation Accounting System (MTAS);
- Complete programming and user acceptance testing;
- Update procedures, correspondence letters, motor vehicle fee charts, and the Department website;
- Modify reject letter verbiage;
- Update administrative rules; and
- Train staff.

ASSUMPTION (continued)

Administrative Impact (continued)

FY 2020 - Motor Vehicle Bureau

Management Analysis Spec I	680 hrs. @ \$18.42 per hr.	= \$12,526
Administrative Office Support Asst.	15 hrs. @ \$13.78 per hr.	= \$ 207
Revenue Manager	80 hrs. @ \$20.59 per hr.	= \$ 1,647
Total		= \$14,380

FY 2020 - Personnel Services Bureau

Administrative Analyst III	20 hrs. @ \$19.80 per hr.	= \$ 396
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Total Cost = **\$14,776**

The Department will have to secure a contract with a vendor for software that would enable the Department to extract MPG from VIN numbers in order to determine the appropriate registration fee based on this legislation. This cost is currently unknown, but if substantial enough, could be requested through the appropriations process.

The proposed legislation may cause an increase in telephone inquiries and email correspondence received by the Department. If the volume is more significant than anticipated, additional FTEs will be requested through the appropriations process.

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.

The **Department of Revenue** notes OA-ITSD services will be required at a cost of **\$791,613** (10,554.84 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 various DOR systems. ITSD estimates the project would take 10,554.84 hours at a contract rate of \$75 per hour for a total cost to the state of \$791,613. 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 5 additional IT Specialists ($10,554.84 / 2,080 = 5.07$ FTE) to perform the work required from this bill.

ASSUMPTION (continued)

Administrative Impact (continued)

Therefore, Oversight will range the fiscal impact from the cost of contracting out the work (\$791,613) to hiring 5 additional FTE IT Specialists (roughly \$80,000 for each FTE per year).

Revenue Impact

The **Department of Revenue** states this proposal replaces the current horsepower-based registration fee for passenger motor vehicles with a miles-per-gallon (MPG) based registration fee.

Based on current passenger vehicle information, and MPG model revenue* based on the number of current fleet (obtained from the Department of Transportation), this legislation would result in a significant increase in passenger registration fee collection. This increase will continue to inflate past the scope of this fiscal note due to passenger vehicles becoming more fuel efficient.

This legislation has a delayed implementation date of August 28, 2021; therefore the revenue impact will start in FY 2022.

Fiscal Year	MPG Model Revenue*	DOR Current Passenger Registration with 2% Inflation	Net Impact
FY 2020	N/A	N/A	N/A
FY 2021	N/A	N/A	N/A
FY 2022	\$195,070,573	\$94,633,753	\$100,436,820
FY 2023	\$198,971,984 to \$214,577,630*	\$96,526,428	\$102,445,556 to \$118,051,202*

*Ranged from 2% inflation to a 10% estimated increase in MPG revenue (provided to DOR by MoDOT)

	FY 2020	FY 2021	FY 2022 (10 Months)	FY 2023
Increase in Revenue	N/A	N/A	\$83,697,351	\$102,445,556 to \$118,051,202
Highway Fund (75%)	N/A	N/A	\$62,773,013	\$76,834,167 to \$88,538,402
Cities (15%)	N/A	N/A	\$12,554,603	\$15,366,833 to \$17,707,680
Counties (10%)	N/A	N/A	\$8,369,735	\$10,244,556 to \$11,805,120

ASSUMPTION (continued)

Oversight notes currently we do not have any information to estimate the change in registration revenue and have requested source data from both DOR and MoDOT on their calculations. MoDOT responded to Oversight's request for information by deferring to DOR's response for net fiscal impact, therefore, Oversight will rely on DOR's data. Oversight assumes the first full year of implementation will be FY 2023 and will range the fiscal impact from \$102,445,556 (2% inflation) to \$118,051,202 (using an estimated 10% increase in MPG revenue provided by MoDOT) for the FY 2023 amounts.

In response to a similar proposal from this year, SB 201, officials from the **Department of Transportation (MoDOT)** deferred to the Department of Revenue. However, for this proposal, MoDOT assumes the following regarding this proposal:

MoDOT used a VIN data set provided by DOR in 2017 to determine the number of registered vehicles by fee category under the existing registration fee structure. The VIN data set did not differentiate between one-year and two-year registration, but instead provided a snapshot in time of all registered vehicles. This data set was used to determine the number of vehicles, to which MoDOT then applied an approximate 1% growth rate. The increased MPG efficiency growth was determined through research performed by a consultant and used in a financial model to estimate overall revenues in a transition from taxable horsepower (THP) to MPG based registration.

MoDOT base year is 2017 in the analysis. Under the current proposed scenario (\$24 base fee up to 29 MPG, with an additional \$6 per MPG thereafter), Year 1 sees a slight negative fiscal impact to MoDOT, but is considered revenue neutral to MoDOT. While there is an overall net increase to the state revenue derived from highway users (SRHU), this revenue is considered new and is now subject to the Hancock Amendment. Therefore SRHU collected under the MPG-based registration fee structure would be subject to Hancock allocations distributing a higher share of funds to cities and counties (25%). Cities and counties would then receive a greater share than the previous (THP) distribution method, as MoDOT now retains on average 82 to 92 percent of those THP-based registration fee funds, depending on fee category.

In this analysis, Year 1 is based upon a 2017 model year, which was built with data supplied by the Department of Revenue that was current as of December 31, 2016.

ASSUMPTION (continued)

Revenue	Existing THP-based Revenue	Proposed MPG-based Revenue	Increased Revenue	Change to DOR Revenue	Change to MoDOT Revenue	Change to City and County Revenue
Year 1	\$100,042,210	\$117,617,802	\$17,575,592	\$543,575	\$(1,341,033)	\$18,916,625
Year 2	\$100,998,712	\$128,411,299	\$27,412,586	\$847,812	\$5,897,868	\$21,514,728
Year 3	\$102,024,106	\$141,621,686	\$39,597,580	\$1,224,667	\$14,887,753	\$24,709,826
Year 4	\$103,130,091	\$156,586,532	\$53,456,441	\$1,653,292	\$25,121,348	\$28,335,093
Year 5	\$104,330,583	\$172,515,886	\$68,185,304	\$2,108,824	\$35,993,724	\$32,191,579
Year 6	\$105,622,911	\$189,218,456	\$83,595,545	\$2,585,429	\$47,636,803	\$36,231,742

Source: MoDOT

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

Oversight was unable to verify the data provided by both DOR and MoDOT.

Oversight will continue to analyze and compare the methodologies used by DOR and MoDOT to determine a better estimate of revenue impact from this proposal. If Oversight is able to ascertain a better estimate than what is presented in this fiscal note, Oversight will start the process of publishing an updated fiscal note. Until we are able to verify the estimates, we will reflect the change in revenue estimates provided by DOR or an “Unknown” amount.

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	Fully Implemented (FY 2023)
GENERAL REVENUE FUND				
<u>Cost</u> - DOR - software to enable DOR to extract MPG from VIN p. 5	\$0 or (Unknown)	\$0	\$0	\$0
Cost - DOR - ITSD costs (ranged from contracting out programming to hiring an additional 5 FTE IT Specialists) p. 5-6	(\$400,000) to (\$791,613)	\$0 to (\$403,155)	\$0 to (\$406,560)	\$0 to (\$409,994)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	Could exceed (\$400,000) to (\$791,613)	\$0 to (\$403,155)	\$0 to (\$406,560)	\$0 to (\$409,994)
Estimated net FTE change to the General Revenue Fund	0 or 5 FTE	0 or 5 FTE	0 or 5 FTE	0 or 5 FTE

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
STATE ROAD FUND				
<u>Revenue - MoDOT -</u> increase in passenger registration fees p. 6- 8	<u>\$0</u>	<u>\$0</u>	<u>\$62,773,013 or</u> <u>Unknown</u>	\$76,834,167 to <u>\$88,538,402 or</u> <u>Unknown</u>
ESTIMATED NET EFFECT ON THE STATE ROAD FUND	<u>\$0</u>	<u>\$0</u>	<u>\$62,773,013 or</u> <u>Unknown</u>	<u>\$76,834,167 to</u> <u>\$88,538,402 or</u> <u>Unknown</u>

FISCAL IMPACT -
Local Government

**LOCAL
 POLITICAL
 SUBDIVISIONS**

Revenue - Cities
 (15%) - increase in
 passenger
 registration fees p. 6-
 8

FY 2020
 (10 Mo.)

FY 2021

FY 2022

Fully
 Implemented
 (FY 2023)

\$0

\$0

\$12,554,603 or
 Unknown

\$15,366,833 to
 \$17,707,680 or
 Unknown

Revenue - Counties
 (10%) - increase in
 passenger
 registration fees p. 6-
 8

\$0

\$0

\$8,369,735 or
Unknown

\$10,244,556 to
\$11,805,120 or
Unknown

**ESTIMATED NET
EFFECT ON
LOCAL
POLITICAL
SUBDIVISIONS**

\$0

\$0

\$20,924,338 or
Unknown

\$25,611,389 to
\$29,512,800 or
Unknown

FISCAL IMPACT - Small Business

The Department of Revenue notes there could be an increased cost to small businesses that would have to pay an increased fee for their fleet as a result of this proposal.

FISCAL DESCRIPTION

This bill mandates the filing of miles per gallon fuel ratings when a vehicle is registered, prescribes methods for determining miles per gallon ratings, and adjusts certain fees based on ratings.

The base annual registration fee for motor vehicles other than commercial motor vehicles is \$24. Motor vehicles with a combined city/highway miles per gallon rating of 29 MPG or less will not pay any additional fee.

FISCAL DESCRIPTION (continued)

Motor vehicles with a combined city/highway miles per gallon rating greater than 29 MPG, will pay an additional fee, as follows:

- 1) For motor vehicles with a rating greater than 29 MPG, up to and including 60 MPG, \$6 for each mile per gallon the motor vehicle is rated above 29 MPG;
- 2) For motor vehicles with a rating greater than 60 MPG, an amount equivalent to the total fee paid by a motor vehicle with a rating of 60 MPG.

The annual registration fee for motor vehicles not regulated as commercial vehicles is as follows:

- 1) Motorcycles shall pay a fee of \$8.50;
- 2) Motortricycles and autocycles shall pay a fee of \$10;
- 3) Motor vehicles that have paid the alternative fuel decal fee required under Section 142.869,

RSMo, shall pay a fee equivalent to the total fee paid by motor vehicles with a rating greater than 60 MPG. This fee shall be in addition to any fee required under Section 142.869.

This act takes effect on August 28, 2021.

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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February 27, 2019

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February 27, 2019