

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: #Updated
Date: April 9, 2019
#Updated Department of Revenue response based upon Department of Transportation data

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	\$26,053,137	\$32,344,339
Total Estimated Net Effect on Other State Funds#	\$0	\$0	\$26,053,137	\$32,344,339

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 15 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
Total Estimated Net Effect on <u>All</u> 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	\$8,684,379	\$10,781,447

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	#\$137,608,000	\$94,633,753	#\$42,974,247
FY 2023	#\$140,986,000	\$96,526,428	#\$44,459,572

	FY 2020	FY 2021	FY 2022 (10 Months)	FY 2023
<i>Increase in Revenue</i>	N/A	N/A	#\$36,026,744	#\$44,459,572
#DOR 3% Collection	N/A	N/A	#\$1,289,227	#\$1,333,787
Highway Fund (75%)	N/A	N/A	#\$26,053,137	#\$32,344,339
Cities (15%)	N/A	N/A	#\$5,210,627	#\$6,468,868
Counties (10%)	N/A	N/A	#\$3,473,752	#\$4,312,579

ASSUMPTION (continued)

#Officials from the **Department of Transportation (MoDOT)** defer to the Department of Revenue. However, for this proposal, MoDOT assumes the following:

#This fiscal note utilizes the Missouri 2016 "snap shot" of decoded VINs provided by DOR. This snapshot consists of all registered Missouri vehicles on December 31, 2016. This snap shot represents the only complete decoded VIN data set available at this time. Performing additional VIN decoding on previous years is cost and time prohibitive for this fiscal note. The 2016 VIN data set was used to find trend lines to forecast vehicle and MPG growth in Missouri for purposes of implementing an MPG based vehicle registration fee.

#Missouri Department of Revenue provided FY 2014 through FY 2018 total number of registered passenger vehicles. The average growth rate over this period was found to be 0.88% annually (table 1). This rate was applied to find forecasted passenger vehicles through 2026 (table 2).

#Table 1: Existing Passenger Vehicles

Fiscal Year	Vehicle registrations processed *
2018	3,724,782
2017	3,697,476
2016	3,661,126
2015	3,626,147
2014	3,567,415
Rate	0.8822%

*2 year registrations are counted as 2 items; 1 year registrations are counted as 1 item

ASSUMPTION (continued)

#Table 2: Forecast Passenger Vehicles

Fiscal Year	Vehicle registrations processed
2017	3,697,476
2018	3,724,782
2019	3,757,644
2020	3,790,795
2021	3,824,240
2022	3,857,979
2023	3,892,016
2024	3,926,353
2025	3,960,993
2026	3,995,939

#Using the 2016 snap shot, VINs were disaggregated by model year and MPG. The trend has been increased fuel efficiency with newer vehicles. The decreasing percent of vehicles getting less than 30 MPG was established from 2012 through 2016 (table 3) and applied to years 2017 through 2026 (table 4).

#Table 3: Existing Passenger Vehicles (less than 30 MPG)

Fiscal Year	% of Vehicles Less than 30 MPG
2012	83.54%
2013	81.97%
2014	84.94%
2015	83.84%
2016	81.15%
Rate	0.82972274

ASSUMPTION (continued)

#Table 4: Forecast Passenger Vehicles (less than 30 MPG)

Fiscal Year	% of Vehicles Less than 30 MPG
2017	80.53%
2018	79.92%
2019	79.31%
2020	78.70%
2021	78.10%
2022	77.51%
2023	76.91%
2024	76.33%
2025	75.75%
2026	75.17%

#The 2016 VINs were then used to forecast vehicle sales by MPG and model year with a 1% growth rate applied. This provided a percent of total vehicles that would be sold in each MPG category through 2026. Using the forecasted passenger vehicles (table 2) and holding the less than 30 MPG vehicles constant (table 4) the remaining passenger vehicles (30 MPG and greater) were distributed using the forecasted vehicles sale percentages.*Note: all vehicles 55 MPG and above are classified as plugin hybrid electric vehicles.

#The forecasted annual MPG registration fee is shown below in table 5.

ASSUMPTION (continued)

#Table 5: Forecast Annual MPG Revenue

Fiscal Year	Annual MPG Revenue
2017	\$108,755,000
2018	\$123,603,000
2019	\$126,613,000
2020	\$131,066,000
2021	\$134,786,000
2022	\$137,608,000
2023	\$140,986,000
2024	\$147,280,000
2025	\$146,537,000
2026	\$148,904,000

MoDOT goes on to state that 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.

#**Oversight** met with DOR and MoDOT regarding the methodologies used to determine the revenue impact of this proposal. MoDOT recalculated the data model they used to determine the increase in fuel efficient vehicles. Previously, the model was based on national averages. In the updated model, the model is based on actual numbers of current fuel efficient vehicles. The updated model resulted in less revenue than previously estimated. Oversight has reflected the updated revenue on the fiscal note.

Oversight assumes the first full year of implementation will be FY 2023.

#For consistency purposes, Oversight will not reflect the 3% collection fee to DOR.

ASSUMPTION (continued)

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 -</u> <u>State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
GENERAL REVENUE FUND				
<u>Cost - DOR -</u> software to enable DOR to extract MPG from VIN p. 5	\$0 or (Unknown)	\$0	\$0	\$0
<u>Cost - DOR - ITSD</u> costs (ranged from contracting out programming (\$791,613) 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</u> - MoDOT - increase in passenger registration fees p. 6- 10	<u>\$0</u>	<u>\$0</u>	<u>\$26,053,137</u>	<u>\$32,344,339</u>
#ESTIMATED NET EFFECT ON THE STATE ROAD FUND	<u>\$0</u>	<u>\$0</u>	<u>\$26,053,137</u>	<u>\$32,344,339</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
LOCAL POLITICAL SUBDIVISIONS				
<u>#Revenue</u> - Cities (15%) - increase in passenger registration fees p. 6- 10	\$0	\$0	\$5,210,627	\$6,468,868
<u>#Revenue</u> - Counties (10%) - increase in passenger registration fees p. 6- 10	<u>\$0</u>	<u>\$0</u>	<u>\$3,473,752</u>	<u>\$4,312,579</u>
#ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$8,684,379</u>	<u>\$10,781,447</u>

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; and
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



Kyle Rieman
Director
April 9, 2019

Ross Strobe
Assistant Director
April 9, 2019

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