

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2102-01
Bill No.: HB 1009
Subject: Licenses - Driver's; Motor Carriers; Department of Revenue
Type: Original
Date: March 11, 2019

Bill Summary: This proposal specifies that beginning December 1, 2019, private entities shall be eligible for certification as third-party testers for commercial driver's licenses.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	(\$61,006)	(\$63,578)	(\$64,095)
Total Estimated Net Effect on General Revenue	(\$61,006)	(\$63,578)	(\$64,095)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Highway Fund (0644)	(\$380,252)	(\$455,281)	(\$460,073)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$380,252)	(\$455,281)	(\$460,073)

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
General Revenue	1 FTE	1 FTE	1 FTE
Highway Fund	6 FTE	6 FTE	6 FTE
Total Estimated Net Effect on FTE	7 FTE	7 FTE	7 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	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

The legislation states the Director of the Department of Revenue shall certify as a third-party tester any private education institution or other private entity, provided the institution or entity meets the necessary qualifications required by the state.

It appears this proposed legislation, Section 302.720.6, is to allow additional third-party testers (to include private education institutions or other private entities) to administer the Commercial Driver License (CDL) skills tests (pre-trip, basic, and road tests).

Section 302.721.2.2 requires the superintendent of the Highway Patrol to reexamine a minimum of 10% of those drivers who have passed the CDL skills examination administered by a certified third-party commercial driver license examination program in the state of Missouri. Furthermore, federal regulations require on-site inspections of each third-party tester. Currently Missouri conducts audits of each third-party tester at least annually.

Assuming additional private education institutions and private entities will become third-party testers, additional personnel will be needed to perform the duties required.

Currently, the Missouri State Highway Patrol employs 6 CDL auditors in 4 of the 9 troops. There are 11 third-party testers. The auditors are responsible for conducting the initial and ongoing training of the third-party examiners, conducting audits at least annually, which includes auditing the facility, basic skills pads, road test routes and records, reexamining a minimum of 10% of the tests conducted by third-party testers, and maintaining statistics of each third-party examiner focusing on examiners with unusually high or low pass/fail rates.

A conservative estimate may assume that the third-party tester number would double within the first year. This would require an additional 6 FTEs, which would be CDL Examination Auditors. However, this legislation could expand the third-party program well beyond the projected number in this fiscal note. In the late 1990's, the number of third-party testers was in excess of 100.

In 2018, 13,652 tests were conducted by third-party examiners, with 1,986 tests reexamined by state CDL auditors.

ASSUMPTION (continued)

Oversight does not have any information to the contrary in regards to MHP's assumptions; therefore, Oversight will reflect MHP's costs (6 FTE) on the fiscal note.

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:

- Modification of commercial third-party tester agreements;
- Modification of commercial third-party tester procedures;
- Modification of new and renewal application forms for commercial third-party testers and examiners;
- Work with MHP and the Missouri Safety Center to define additional third-party tester/examiner trainings;
- Work with MHP to amend third-party program procedures for initial certifications and mandatory audits;
- Increased review of incoming applications for new site requests;
- Increase test data oversight of test forms; electronic test data submissions and monthly reporting from third-party testers;
- Increased retesting requests to ensure examiner and applicant compliance and reduce fraud.

The total impact is unknown due to the unknown number of potential eligible entities that may wish to become a third-party tester. The Department assumes that an increase in the number of testers from our current volume will require adding at least one FTE to process applications, review monthly reports, review test document submissions and review compliance audits, provide training and manage access to mandatory automated test entry systems and other compliance documentation. Currently, due to the limited number of test sites and many being smaller volume sites, these responsibilities account for approximately one quarter to one-half of a Management Analysis Specialist II and a portion of time for reviews by CDL Coordinator (Planner II) based on the processing month. If the increase in the number of testers that are certified with the Department of Revenue is significant, additional FTE will be requested through the appropriations process.

Management Analyst I - 1 FTE

ASSUMPTION (continued)

Administrative Impact (continued)

Additionally, CDL test related fraud is an on-going concern within third-party test organizations in many states. It is assumed additional retesting beyond the minimum 10% required by law, and increased compliance audits would also have to be implemented to ensure driver training schools and other private entities remain compliant. Unlike the majority of the current third-party programs, these private education institutions are ultimately not the employers and thus do not have the same vested interest as testers limited to developing programs within their own commercial organizations. Occurrence of fraud may lead to unknown amount of cost burden to the state to recall and retest and potentially cancel the license of affected drivers.

Oversight does not have any information to the contrary in regards to DOR's assumptions; therefore, Oversight will reflect DOR's costs (1 FTE) on the fiscal note.

Officials from the **Department of Transportation (MoDOT)** assume the proposal will have no fiscal impact on their organization.

Oversight notes that MoDOT 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 MoDOT.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE FUND			
<u>Cost - DOR</u>			
Personal Services	(\$31,920)	(\$38,687)	(\$39,074)
Fringe Benefits	(\$20,236)	(\$24,400)	(\$24,518)
Equipment and Expense	(\$8,850)	(\$491)	(\$503)
<u>Total Cost - DOR</u>	<u>(\$61,006)</u>	<u>(\$63,578)</u>	<u>(\$64,095)</u>
Net FTE Change - DOR	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$61,006)</u>	<u>(\$63,578)</u>	<u>(\$64,095)</u>
Estimated Net FTE Change on the General Revenue Fund	1 FTE	1 FTE	1 FTE

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

HIGHWAY FUND

<u>Cost - MHP</u>			
Personal Services	(\$191,520)	(\$232,122)	(\$234,443)
Fringe Benefits	(\$170,932)	(\$207,169)	(\$209,240)
Equipment and Expense	(\$17,800)	(\$15,990)	(\$16,390)
<u>Total Costs - MHP</u>	<u>(\$380,252)</u>	<u>(\$455,281)</u>	<u>(\$460,073)</u>
Net FTE Change - MHP	6 FTE	6 FTE	6 FTE

ESTIMATED NET EFFECT ON THE HIGHWAY FUND	<u>(\$380,252)</u>	<u>(\$455,281)</u>	<u>(\$460,073)</u>
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Estimated Net FTE Change to the Highway Fund	6 FTE	6 FTE	6 FTE
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<u>FISCAL IMPACT - Local Government</u>	FY 2020	FY 2021	FY 2022
	(10 Mo.)		
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposed legislation may affect some small businesses by allowing them to become a commercial third-party tester entity if all requirements are met. This may result in an increase in revenue for private driver training schools and other private entities.

FISCAL DESCRIPTION

This bill allows specified private educational or other entities to gain certification to conduct tests for commercial driver's licenses under Section 302.720, RSMo. The certification for qualified private entities will begin December 1, 2019.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Public Safety - Missouri Highway Patrol
Department of Revenue
Department of Transportation



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March 11, 2019

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