

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4292-01
Bill No.: HB 1851
Subject: Licenses - Motor Vehicle; Department of Revenue
Type: Original
Date: March 10, 2020

Bill Summary: This proposal modifies provisions relating to certificates of self-insurance.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	(\$126,007)	(\$146,417)	(\$147,506)
Total Estimated Net Effect on General Revenue	(\$126,007)	(\$146,417)	(\$147,506)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	3 FTE	3 FTE	3 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 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

Administrative Impact

§303.220.1

Currently, 20 religious organizations participate in Missouri's Self-Insurance Program because their religious beliefs "prohibit" their members from purchasing insurance. The proposed legislation revising "prohibits" to "discourages" will significantly increase the number of religious denominations qualifying for self-insurance. This presumption is based on a religious organization only being required to "discourage" its members from purchasing insurance, rather than "prohibiting" (forbidding) the purchase of insurance.

The Department is unaware of how many religious organizations exist in Missouri, so it is unable to determine the number of applications it may receive. As such, we will assume that two percent of all Missouri drivers belong to an organization that will potentially seek to participate in Missouri's current Religious Self-Insurance Program. In addition, statistics show that the average household owns at least two motor vehicles. We will use these statistics in determining FTE requirements.

To implement the proposed changes, the Driver License Bureau will be required to:

- Update forms and correspondence;
- Update procedures and Department website;
- Revise Administrative Rules; and
- Train staff.

FY 2021 - Driver License Bureau

Administrative Analyst I	120 hrs. @ \$14.70 per hr.	= \$1,764
Management Analysis Spec II	120 hrs. @\$20.57 per hr.	= \$2,468
Revenue Manager	80 hrs. @\$20.59 per hr.	= \$1,647
Total		\$5,879

FY 2021 - Personnel Services Bureau

Administrative Analyst III	40 hrs. @\$19.80 per hr.	= \$ 792
Management Analysis Spec I	40 hrs. @\$18.42 per hr.	= \$ 737
Total		\$1,529

ASSUMPTION (continued)

Total FY 2021 Cost

\$7,408

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.

FTE Requirements

DOR notes the Department issues the Certificate of Insurance and the insurance cards in the name of the Religious Organization rather than the members or vehicle owners' names. Part of the application process and yearly renewal requires the religious organization to provide a listing of all members, as well as the make, model, year, vehicle identification number (VIN), and license plate number for each vehicle covered by the Certificate of Self-Insurance. Every vehicle is researched and key-entered into our Department Self-Insurance Verification System (DSIV). This provides the local License Offices the ability to verify insurance compliance at the time of vehicle registration and renewal. It takes an employee approximately two minutes to research and key each vehicle. The Department currently has one FTE (Account Clerk) to oversee the Self-Insurance Programs.

4,748,345	Total number of valid Missouri drivers
X 2%	Percent of participants
94,967	Total participants
X 2	Average number of vehicles owned per driver
189,934	Total self-insured vehicles
X 2	Number of minutes to research and key each vehicle
379,868	Total minutes
/ 60	Number of minutes per hour
6,331	Total number of FTE hours needed for DSIV research and entry
/ 8	Hours per day
791	Total days needed to process religious vehicle listings
/ 252	Work days per year
3	TOTAL FTE (Account Clerk- \$26,340)

FY 2021 FTE Salary Cost = \$65,850

FY 2022 FTE Salary Cost = \$79,810

FY 2023 FTE Salary Cost = \$80,608

ASSUMPTION (continued)

The three FTE will require necessary equipment, expenses, and workspace associated with this function.

Increased Cost for Self-Insurance Card Stock

The Department prints all Self-Insurance Cards on secure-card stock to prevent fraud. Six insurance cards are printed on each 8 x 10 sheet. The cost per sheet is \$0.12.

189,934	Number of vehicles requiring an insurance card
/ 6	Number of cards printed per sheet
31,656	Number of 8 x 10 card stock sheets
X \$.12	Cost per sheet
\$3,799	Total cost for additional card stock

Increased Cost for Envelopes and Postage

The Department mails large envelopes containing the quantity of insurance cards needed for each self-insured organization. Postage is determined based on the weight of each envelope, which contains different quantity volumes of cards. This varies based on the number of members and vehicles insured under each self-insurance certificate issued. Each envelope will hold approximately 350 pages x 6 per page = 2,100 cards.

Envelopes

31,656	Number of card-stock sheets
/ 350	Number of sheets per envelope
90	Total Envelopes
X \$.99	Cost per Envelope
\$89	Total Cost of Envelopes

Postage

90	Total Envelopes
X \$7	Estimated postage cost per envelope
\$ 630	Total cost for postage

FY 2021 Total Cost for card stock, envelopes, and postage (3,799 + 89 + 630) =
\$4,518/12=\$377x10 = \$3,770

FY 2022 Total Cost for card stock, envelopes, and postage (3,799 + 89 + 630) = \$4,518

FY 2023 Total Cost for card stock, envelopes, and postage (3,799 + 89 + 630) = \$4,518

ASSUMPTION (continued)

Oversight does not have any information to the contrary in regards to DOR's assumptions; therefore, Oversight will reflect DOR's costs for 3 FTE and mailing costs on the fiscal note.

Officials from the **Department of Commerce and Insurance (DCI)** assume the proposal will have no fiscal impact on their organization.

Oversight notes that DCI 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 DCI.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE			
<u>Cost - DOR</u>			
Personal services	(\$65,850)	(\$79,810)	(\$80,608)
Fringe benefits	(\$50,669)	(\$61,065)	(\$61,330)
Expense and equipment	<u>(\$5,718)</u>	<u>(\$1,024)</u>	<u>(\$1,050)</u>
<u>Total Costs - DOR</u>	(\$122,237)	(\$141,899)	(\$142,988)
FTE Change - DOR	3 FTE	3 FTE	3 FTE
<u>Cost - DOR - mailing (card stock, envelopes, postage)</u>	<u>(\$3,770)</u>	<u>(\$4,518)</u>	<u>(\$4,518)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$126,007)</u>	<u>(\$146,417)</u>	<u>(\$147,506)</u>
Estimated Net FTE Change to the General Revenue Fund	3 FTE	3 FTE	3 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill allows any religious denomination that discourage its members from purchasing insurance as being contrary to its religious tenets, but has more than 25 members with motor vehicles, to qualify as a self-insurer by obtaining a self-insurance certificate issued by the Director of the Department of Revenue.

Currently, a religious denomination can only qualify if it prohibits its members from purchasing insurance of any form.

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 Commerce and Insurance



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Director
March 10, 2020



Ross Strobe
Assistant Director
March 10, 2020