

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: #Updated
Date: May 12, 2020
#Updated with a revised response from the Department of Revenue

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	\$0	\$0	\$0
#Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

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	0	0	0
#Total Estimated Net Effect on FTE	0	0	0

☐ #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		<u>\$5,879</u>

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		<u>\$1,529</u>

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.

#	6,070	Current vehicles with religious exemption
	X 4	Estimated increase in religious exemptions
	24,280	Estimated total participants of the religious exemption
	X 2	Number of minutes to research and key each vehicle
	48,560	Total minutes
	X 60	Number of minutes per hour
	809	Total number of FTE hours needed for DSIV research and entry
	/ 8	Hours per day
	101	Total days needed to process religious vehicle listings
	/ 252	Work days per year
	0.4	Total FTE (Account Clerk \$26,340)

#For the purposes of this fiscal note, the Department will round the fiscal note requirement down to 0 FTE. Changing the requirement to be eligible for the religious exemption to insurance from "prohibited" to "discouraged" could potentially result in an increase in individuals claiming this exemption. If the increase is more significant than anticipated, FTE will be requested through the appropriations process.

ASSUMPTION (continued)

#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.

24,280	Number of vehicles requiring an insurance card
/ 6	Number of cards printed per sheet
4,047	Number of 8 x 10 card stock sheets
X \$.12	Cost per sheet
\$486	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

4,047	Number of card-stock sheets
/ 350	Number of sheets per envelope
12	Total Envelopes
X \$.99	Cost per Envelope
\$11	Total Cost of Envelopes

Postage

12	Total Envelopes
X \$7	Estimated postage cost per envelope
\$84	Total cost for postage

#Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

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

ASSUMPTION (continued)

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
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<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.

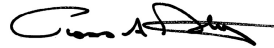
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Department of Commerce and Insurance



Julie Morff
Director
May 12, 2020



Ross Strobe
Assistant Director
May 12, 2020