

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5176-01
Bill No.: HB 2344
Subject: Motor Vehicles; Department of Revenue
Type: Original
Date: March 3, 2020

Bill Summary: This proposal modifies provisions relating to salvage vehicles.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
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 5 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
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:

It is assumed that by removing the six year age restriction, all motor vehicles, regardless of age will be issued a salvage title, excluding owner retained motor vehicles, semi-trailers and house trailers, if damaged to the extent that the total cost of repairs to rebuild or reconstruct the vehicle to its condition immediately before it was damaged for legal operation on the roads or highways exceeds 80 percent of the fair market value of the vehicle immediately preceding the time it was damaged.

This will eliminate the option for vehicles older than six years to be issued a salvage title, original title (branded prior salvage), or junking certificate.

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

- Update procedures, correspondence letters, forms, and the Department website;
- Update the Missouri Titling manual;
- Send communications to insurance companies; and
- Train Staff.

FY 2021 - Motor Vehicle Bureau

Admin Office Support Assistant	10 hrs.	@ 13.78 per hr.	= \$ 138
Administrative Analyst I	60 hrs.	@ \$14.70 per hr.	= \$ 882
Rev Manager	20 hrs.	@ \$20.59 per hr.	= \$ 412
Total			<u>\$1,432</u>

FY 2021 - Strategy and Communications Office

Administrative Analyst II	10 hrs.	@ \$18.75 per hr.	= \$187
Management Analysis Spec. I	20 hrs.	@ \$18.42 per hr.	= \$368
Total			<u>\$555</u>

Total Costs **= \$1,987**

The Department anticipates being able to absorb these costs. If multiple bills are passed that require Department resources, FTE may be requested through the appropriations process.

ASSUMPTION (continued)

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.

Revenue Impact

DOR notes the Department anticipates a slight decrease in revenue based on the proposed language as vehicle owners who retain ownership of a vehicle with more than 80 percent damage would no longer be required to surrender their original certificate of ownership and obtain a salvage or original title with a prior salvage brand. The Department is unable to determine the number of owner-retained vehicles that previously would have met the definition of a salvage vehicle and would now be allowed to retain an original title with no brand designation.

Upon further inquiry, **Oversight** notes the potential decrease in revenue is due to the loss of title fees and processing fees charged by DOR to persons who retain ownership of a vehicle with more than 80% damage. Salvage title fees are \$8.50 and the processing fee is \$6. **DOR** notes, in most total loss cases, the owner lets the insurance company keep the vehicle in order to get the total payout. It is uncommon for the owner to retain the vehicle; therefore, **Oversight** will not reflect the potential minimal loss of revenue on the fiscal note.

Officials from the **Department of Transportation** and **Department of Public Safety - Missouri Highway Patrol** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the agencies mentioned above have 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 these agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2021
(10 Mo.)

FY 2022

FY 2023

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill changes the definition of "salvage vehicle" by removing the vehicle's age as a component of the damages and by excepting vehicles from the definition when a person retains ownership of the vehicle.

This bill repeals a provision stating when a purchaser of a vehicle sold for salvage must apply for a salvage title and when the application is discretionary, based upon the age of the vehicle.

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



Julie Morff
Director
March 3, 2020



Ross Strobe
Assistant Director
March 3, 2020