

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1071S.02P
 Bill No.: Perfected SS for SB 46
 Subject: Consumer Protection; Motor Vehicles; Revenue, Department Of; Transportation
 Type: Original
 Date: April 1, 2021

Bill Summary: Modifies provisions relating to the Department of Revenue.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	(\$383,942)	(\$18,719)	(\$19,616)
Total Estimated Net Effect on General Revenue	(\$383,942)	(\$18,719)	(\$19,616)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Motor Vehicle Administration Technology Fund*	Could exceed \$5,416,667 to \$27,083,333	Could exceed \$6,500,000 to \$32,500,000	Could exceed \$6,500,000 to \$32,500,000
Water Patrol Division Fund**	More or less than \$5,353,008	More or less than \$6,295,145	More or less than \$5,904,940
Total Estimated Net Effect on <u>Other</u> State Funds	Could exceed \$10,769,675 to \$32,436,341	Could exceed \$12,795,145 to \$38,795,145	Could exceed \$12,404,940 to \$38,404,940

*Funds are dedicated for the purpose of development and maintenance of a modernized, integrated system for the titling of vehicles and related other purposes. Once the integrated system is implemented (estimated to cost \$105 million), the amount remitted to DOR decreases to 1% of the administrative fee charged by dealers to be used for maintenance of the system – expires January 1, 2037.

**Oversight assumes starting in FY 2025, there could be a reduction in the number of registrations resulting in a potential loss in revenue to the Water Patrol Fund. With the optional lifetime registration fee being three times the current fee, the State will not realize a potential overall loss of funding for nine to eleven years. Oversight used the assumption that 50 percent of all boat renewals will chose this new option. The percentage of registrations that utilize this option could vary substantially from this estimate, therefore the “More or Less than”.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Officials from the **Department of Revenue (DOR)** assume the following regarding this proposal: OA-ITSD services will be required to update DOR systems to be able to collect the fee from dealers at a cost of **\$67,306** in FY 2022 (708 hours x \$95 per hour) and \$6,731 in subsequent years.

Oversight does not have any information to the contrary in regards to DOR's assumptions; therefore, Oversight will reflect DOR's OA-ITSD costs on the fiscal note.

Revenue Impact

Motor vehicle dealers, boat dealers, and power sport dealers are not required by law to report to the Department whether they charge an administrative fee in connection with the sale or lease of a new or used motor vehicle, vessel, or vessel trailer. Therefore, the Department is unaware of the number of motor vehicle dealers assessing an administrative fee in connection with the sale of a new or used motor vehicle.

For calendar year 2020, approximately 1,300,000 vehicles were sold by dealers. If each dealer assessed an administrative fee of \$100 and the Motor Vehicle Administration Technology Fund received ten percent, this would equate to \$13,000,000 annually. Once the integrated system is implemented, and the fund received one percent, this would equate to \$1,300,000. If each dealer assessed the max allowed administrative fee of \$500, the fund would receive \$65,000,000 annually. Once the integrated system is implemented, and the fund received one percent, this would equate to \$6,500,000 annually. It is unknown what administrative fee each dealer will charge to their customers.

Oversight is unable to determine how many dealers in Missouri charge an administrative fee and the amount of these fees; therefore, Oversight will utilize the estimates provided by DOR. However, Oversight will assume 50% of dealers will charge an administrative fee; therefore, Oversight will range the fiscal impact from 50% of dealers charging \$100 to 50% of dealers charging the maximum fee of \$500 on the fiscal note.

Oversight is unable to determine when the integrated system indicated in Section 301.558.3, RSMo, will be implemented; however, DOR has indicated that this integrated system could cost

up to \$105 million. Therefore, Oversight will reflect the revenue into the newly established Motor Vehicle Administration Technology Fund at the 10% level of the administrative fee assessed by dealers in all fiscal years on the fiscal note.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume the following regarding this proposal:

This bill allows for an increase in motor vehicle dealer administrative fees to increase from less than \$200, to \$500 or less and requires the fee to increase annually by an amount equal to the percentage change in the Consumer Price Index. This bill also requires that 10% of that fee be remitted to the state to implement a modernized motor vehicle and driver’s licensing system. Any portion of the fee remitted to the state shall be deposited into the newly created “Motor Vehicle Administration Technology Fund.” Upon completion of the system, 1% of the fee shall be remitted to pay for the maintenance of the system.

To the extent that individuals purchase vehicles from Missouri dealers and pay the administrative fee, TSR/18(e) would increase. B&P defers to the Department of Revenue for specific revenue estimates.

Officials from the **Missouri Highway Patrol, Missouri Department of Transportation, Office of the State Treasurer and Attorney General’s Office** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the above mentioned agencies 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.

Senate Amendment 3 – Permanent Registrations for Boats

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

The proposed language establishes a permanent registration option for vessels and watercraft titled in Missouri.

Below are the proposed fees associated to permanent registrations.

		Current three-year fee	Proposed permanent fee
Length	< 16 feet	\$25.00	\$75.00
	> 16 feet & < 26 feet	\$55.00	\$165.00
	> 26 feet & < 40 feet	\$100.00	\$300.00
	> 40 feet	\$150.00	\$450.00

Administrative Impact

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

- Update internal procedures, forms, and Department website;
- Update the Missouri Titling Manual;
- Implement identified system changes and conduct UAT testing;
- Train Staff

FY 2022 – Motor Vehicle Bureau

Lead Administrative Support Assistant	10 hrs. @ \$14.54 per hr.	=	\$145
Research /Data Assistant	35 hrs. @ \$15.49 per hr.	=	\$542
Associate Research/Data Analyst	470 hrs. @ \$18.50 per hr.	=	\$8,695
Research/Data Analyst	118 hrs. @ \$23.09 per hr.	=	\$2,725
Administrative Manager	59 hrs. @ \$21.56 per hr.	=	\$1,273

FY 2022 – Strategy and Communications Office

Associate Research/Data Analyst	40 hrs. @ \$18.50 per hr.	=	\$740
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Total Costs = **\$14,120**

The Department anticipates that they will be able to absorb the above listed administrative costs. If multiple bills pass which require Department resources, FTE may be requested through the appropriations process.

The Department does not have an estimated cost for the design of a permanent boat decal at this time. The Department anticipates that they will be able to absorb the cost associated to the new design and implementation.

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.

DOR notes OA-ITSD services will be required at a cost of **\$165,494** in FY 2022 (1,742 hours x \$95 per hour).

Oversight does not have any information to the contrary in regards to DOR's assumptions; therefore, Oversight will reflect DOR's OA-ITSD costs on the fiscal note.

Revenue Impact

The Department is unable to estimate the number of owners that will elect to obtain a permanent registration for their vessel or watercraft.

For the purpose of this response, the Department assumes that 50% of owners will elect the permanent registration instead of the current 3-year registration for their vessel or watercraft. Current and proposed registration fees:

		Current three-year fee	Proposed permanent fee
Length	< 16 feet	\$25.00	\$75.00
	> 16 feet & < 26 feet	\$55.00	\$165.00
	> 26 feet & < 40 feet	\$100.00	\$300.00
	> 40 feet	\$150.00	\$450.00

Estimated Revenue Collected:

FY 2022 Expiration				
Length	Current Total Registrations	Current 3-Year Renewal	If 50% Elect for 3-Year Renewal	If 50% Elect for Permanent Registration
< 16 feet	25,391	\$634,775	\$317,400	\$793,469
>16 feet & < 28 feet	54,866	\$3,017,630	\$1,508,815	\$3,772,038
>28 feet & < 40 feet	5,486	\$548,600	\$274,300	\$685,750
>40 feet	472	\$70,800	\$35,400	\$88,500
Total	86,215	\$4,271,805	\$2,135,915	\$5,339,757

Difference: \$3,203,842

FY 2023 Expiration				
Length	Current Total Registrations	Current 3-Year Renewal	If 50% Elect for 3-Year Renewal	If 50% Elect for Permanent Registration
< 16 feet	26,672	\$666,800	\$333,400	\$1,000,200
>16 feet & < 28 feet	58,735	\$3,230,425	\$1,615,680	\$4,845,638
>28 feet & < 40 feet	5,359	\$535,900	\$267,900	\$803,850
>40 feet	459	\$68,850	\$34,350	\$103,275
Total	91,225	\$4,501,975	\$2,251,330	\$6,752,963

Difference: \$4,501,633

FY 2024 Expiration*				
Length	Current Total Registrations	Current 3-Year Renewal	If 50% Elect for 3-Year Renewal	If 50% Elect for Permanent Registration
< 16 feet	25,078	\$626,950	\$313,475	\$940,425
>16 feet & < 28 feet	52,474	\$2,886,070	\$1,443,035	\$4,329,105
>28 feet & < 40 feet	5,197	\$519,700	\$259,800	\$779,550
>40 feet	527	\$79,050	\$39,450	\$118,575
Total	83,276	\$4,111,770	\$2,055,760	\$6,167,655

*FY 24 numbers are based on FY 21 registrations that are set to expire in June 2021

Difference: \$4,111,895

Average New Registrations				
Length	Average New Registrations From Previous 3 Years	Current 3-Year Renewal	If 50% Elect for 3-Year Renewal	If 50% Elect for Permanent Registration
< 16 feet	11,474	\$286,850	\$143,425	\$430,275
>16 feet & < 28 feet	23,174	\$1,274,570	\$637,285	\$1,911,855
>28 feet & < 40 feet	1,413	\$141,300	\$70,600	\$211,950
>40 feet	603	\$90,450	\$45,150	\$135,675
Total	36,664	\$1,793,170	\$896,460	\$2,689,755

While the Department will see an increase in revenue for FY 2022, FY 2023, and FY 2024, as a result of the increased fees for permanent registrations, the Department anticipates a potential decline in revenue for subsequent fiscal years. This decrease will negatively impact the Water Patrol Division Fund.

Oversight notes the following increases in revenue:

FY 2022 Expiration (10/12 of a full year)					
Length	Current Total Registrations	Current 3-Year Renewal	If 50% Elect for 3-Year Renewal	If 50% Elect for Permanent Registration	Increase in Revenue
< 16 feet	25,391	\$634,775	\$317,388	\$952,163	\$528,979
>16 feet & < 28 feet	54,866	\$3,017,630	\$1,508,815	\$4,526,445	\$2,514,692
>28 feet & < 40 feet	5,486	\$548,600	\$274,300	\$822,900	\$457,167
>40 feet	472	\$70,800	\$35,400	\$106,200	\$59,000
Total	86,215	\$4,271,805	\$2,135,903	\$6,407,708	\$3,559,838

FY 2023 Expiration					
Length	Current Total Registrations	Current 3-Year Renewal	If 50% Elect for 3-Year Renewal	If 50% Elect for Permanent Registration	Increase in Revenue
< 16 feet	26,672	\$666,800	\$333,400	\$1,000,200	\$666,800
>16 feet & < 28 feet	58,735	\$3,230,425	\$1,615,213	\$4,845,638	\$3,230,425
>28 feet & < 40 feet	5,359	\$535,900	\$267,950	\$803,850	\$535,900
>40 feet	459	\$68,850	\$34,425	\$103,275	\$68,850
Total	91,225	\$4,501,975	\$2,250,988	\$6,752,963	\$4,501,975

FY 2024 Expiration					
Length	Current Total Registrations	Current 3-Year Renewal	If 50% Elect for 3-Year Renewal	If 50% Elect for Permanent Registration	Increase in Revenue
< 16 feet	11,474	\$286,850	\$143,425	\$430,275	\$626,950
>16 feet & < 28 feet	23,174	\$1,274,570	\$637,285	\$1,911,855	\$2,886,070
>28 feet & < 40 feet	1,413	\$141,300	\$70,650	\$211,950	\$519,700
>40 feet	603	\$90,450	\$45,225	\$135,675	\$79,050
Total	36,664	\$1,793,170	\$896,585	\$2,689,755	\$4,111,770

Average New Registrations					
Length	Current Total Registrations	Current 3-Year Renewal	If 50% Elect for 3-Year Renewal	If 50% Elect for Permanent Registration	Increase in Revenue
< 16 feet	11,474	\$286,850	\$143,425	\$430,275	\$286,850
>16 feet & < 28 feet	23,174	\$1,274,570	\$637,285	\$1,911,855	\$1,274,570
>28 feet & < 40 feet	1,413	\$141,300	\$70,650	\$211,950	\$141,300
>40 feet	603	\$90,450	\$45,225	\$135,675	\$90,450
Total	36,664	\$1,793,170	\$896,585	\$2,689,755	\$1,793,170

Oversight notes the increase in revenue each fiscal year plus the average new registration revenue will be more or less than:

FY 2022 - \$3,559,838 + 1,793,170 = \$5,353,008
 FY 2023 - \$4,501,975 + 1,793,170 = \$6,295,145
 FY 2024 - \$4,111,770 + 1,793,170 = \$5,904,940

Oversight notes moneys collected under §306.030, RSMo are deposited into the Water Patrol Division Fund (0400), after the first \$1 million collected is deposited into General Revenue. Oversight assumes General Revenue revenues will not be impacted by this additional up-front registration fee option.

Oversight notes annual revenue may decrease in the fourth year due to those that obtained a permanent registration in the first year the option was available. For fiscal note purposes, Oversight will use the estimate of 50% that elect to obtain a permanent registration provided by DOR.

Oversight notes there was a \$4,388,987 balance in the Water Patrol Division Fund (0400) as of December 31, 2020.

Officials from the **Missouri Highway Patrol** defer to the DOR for the potential fiscal impact of this proposal.

Officials from the **Missouri Department of Transportation** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Senate Amendment 4

Oversight assumes this amendment will not have a fiscal impact.

Senate Amendment 5 – Voter Registration

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

Administrative Impact

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

- Coordinate with the Secretary of State to develop requirements for the data and signature file specifications for election authorities;
- OA-ITSD must develop a data pull process for voter registration data collected at the time of license, permit or nondriver license issuance, including electronic signatures;
- OA-ITSD must develop a secure process that is a format compatible with the Missouri voter registration system for sending the required signature and voter registration information file to the data file for submission to the election authorities;
- OA-ITSD Test the file generation and secure transfer process to ensure all required data elements and signature are sent as required;
- Obtain format and procedure approvals from Secretary of State and others as applicable;
- Develop website information to link inquirers to the Secretary of State for information regarding the new automatic voter registration and provisions for declining automatic registration.
- Define requirements to modify the Missouri Electronic Driver License (MEDL) system to modify the voter registration application form data and signature collection to comply with electronic transmission requirements.
- Develop and initiate user acceptance testing for changes the MEDL system.
- Modify office procedures to reflect changes to voter registration application data collection.
- Obtain necessary approvals from all entities for the application and procedure changes as well as data transfer specifications.

FY 2022 – Driver License Bureau

Research/Data Assistant	320 hrs. @ \$15.98	=\$ 5,114
Research/Data Analyst	640 hrs. @ \$23.82	=\$15,245
Administrative Manager	80 hrs. @ \$22.24	=\$ 1,779
Total		=\$22,138

FY 2022 – Personnel Services Bureau

Associate Research/Data Analyst	20 hrs. @ \$19.09	=\$ 382
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Total Costs **=\$22,520**

Cost Savings (based on FY 20 volumes)

Envelopes	16,416 x @\$0.07	=\$ 1,149
Postage	16,416 x @\$0.80	=\$13,133
Motor Voter Card Stock	213,600 x @\$0.045	=\$ 9,612
Total Cost Savings FY2022 and subsequent years		=\$23,894

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. Oversight will reflect the savings for mailings as indicated by DOR.

DOR notes OA-ITSD services will be required at a cost of **\$175,036** in FY 2022 (1,842 hours x \$95 per hour), **\$35,882** in FY 2023 and **\$36,779** in FY 2024.

Oversight does not have any information to the contrary in regards to DOR's assumptions; therefore, Oversight will reflect DOR's OA-ITSD costs on the fiscal note.

In response to a similar proposal from 2021 (HB 372), officials from the **Office of the Secretary of State (SOS)** assumed the proposal would have no fiscal impact on their organization.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

In response to a similar proposal from 2021 (HB 372), officials from the **Kansas City Election Board** and **Platte County Board of Elections** both assumed the proposal would have no fiscal impact on their organization.

In response to a similar proposal from 2021 (HB 372), officials from the **St. Louis County Board of Elections** assumed this proposal would save 350 hours of work a year. At the lowest temporary employee salary, this would save us \$13,000 annually. Electronic registrations are much less labor intensive and save quite a bit of time. Temporary employees would normally be processing paper registration forms. If made electronic, they wouldn't require as many temporary employees to process these registrations.

Oversight notes that §115.160 states the Director of Revenue shall utilize electronic voter registration application forms and provide for secure electronic transfer of voter registration information to election authorities. As stated above, by the St. Louis County Board of Elections, there would be a savings as a result of electronic registrations. Therefore, Oversight will reflect an unknown positive impact to local election authorities on the fiscal note.

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Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other local election authorities were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Savings</u> – DOR - envelopes, postage, and card stock (\$115.160) p. 10	\$23,894	\$23,894	\$23,894
<u>Cost</u> – DOR – OA- ITSD services (\$115.160) p. 10	(\$175,036)	(\$35,882)	(\$36,779)
<u>Cost</u> – DOR – OA- ITSD services (\$301.558) p. 3	(\$67,306)	(\$6,731)	(\$6,731)
<u>Cost</u> – DOR – OA- ITSD services (\$306.030) p. 5	(\$165,494)	\$0	\$0
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$383,942)</u>	<u>(\$18,719)</u>	<u>(\$19,616)</u>
MOTOR VEHICLE ADMINISTRATION TECHNOLOGY FUND			

<u>Revenue</u> – DOR – 10% of administrative fee charged by dealers – ranged from \$100 to \$500 per administrative fee (§301.558) p. 3	Could exceed \$5,416,667 to <u>\$27,083,333</u>	Could exceed \$6,500,000 to <u>\$32,500,000</u>	Could exceed \$6,500,000 to <u>\$32,500,000</u>
ESTIMATED NET EFFECT ON THE MOTOR VEHICLE ADMINISTRATION TECHNOLOGY FUND	Could exceed \$5,416,667 to <u>\$27,083,333</u>	Could exceed \$6,500,000 to <u>\$32,500,000</u>	Could exceed \$6,500,000 to <u>\$32,500,000</u>
WATER PATROL DIVISION FUND (0400)			
<u>Revenue Increase</u> – Fees for permanent certificates (§306.030) p. 9	More or less than <u>\$5,353,008</u>	More or less than <u>\$6,295,145</u>	More or less than <u>\$5,904,940</u>
ESTIMATED NET EFFECT ON THE WATER PATROL DIVISION FUND	More or less than <u>\$4,553,008</u>	More or less than <u>\$6,295,145</u>	More or less than <u>\$5,904,940</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Savings</u> - Local Election Authorities - Electronic registrations (§115.160.3) p. 11	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

FISCAL IMPACT – Small Business

Motor vehicle dealers will be able to charge more in administrative fees as a result of this proposal.

Small businesses that register vessels in Missouri could be impacted by this proposal.

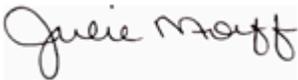
FISCAL DESCRIPTION

This act modifies provisions relating to the Department of Revenue.

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
Missouri Department of Transportation
Attorney General's Office
Missouri Highway Patrol
Office of the State Treasurer
Office of Administration - Budget and Planning
Office of the Secretary of State
Kansas City Election Board
Platte County Board of Elections
St. Louis County Board of Elections



Julie Morff
Director
April 1, 2021



Ross Strobe
Assistant Director
April 1, 2021