

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0842H.03P
 Bill No.: Perfected HCS for HB 424
 Subject: Motor Vehicles; Fees; Licenses - Motor Vehicle
 Type: Original
 Date: April 12, 2023

Bill Summary: This proposal modifies provisions relating to Department of Revenue fee offices and establishes the "License Office Distribution Fund".

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue	(\$95,918)	\$41,019	\$41,019
Total Estimated Net Effect on General Revenue	(\$95,918)	\$41,019	\$41,019

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Highway Fund	\$2,158,013	\$2,589,615	\$2,589,615
License Office Distribution Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other State Funds</u>	\$2,158,013	\$2,589,615	\$2,589,615

*Revenue and distributions net to zero. Officials from the Department of Revenue (DOR) estimate the annual distribution per open contract offices from License Office Distribution Fund would be \$47,269.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
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 2024	FY 2025	FY 2026
Local Government	\$719,338	\$863,205	\$863,205

FISCAL ANALYSIS

ASSUMPTION

§136.055 – Department of Revenue Fee Offices

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

Administrative Impact

To implement these provisions for permit, driver license and nondriver license processing fees, the Department would be required to:

- Complete project request and monitoring documentation as required by OA ITSD for systems projects.
- Complete business requirements and design documents to modify the Missouri Electronic Driver License (MEDL) issuance system;
- Update the Missouri Transportation Accounting System (MTAS) and related tables used by the Missouri Electronic Driver License system (MEDL);
- Complete programming and user acceptance testing of the Missouri Electronic Driver License (MEDL) system to ensure system update with the required fee increase;
- Update policies, procedures, and the Uniform License Issuance Manual (ULIM);
- Update forms, manuals, and the Department website;
- Create new procedures, training manuals, notices, and forms;
- Update procedures, forms, and correspondence;
- Update associated fee charts, and the Department website;
- Update the Dealer Operating Manual;
- Update the Missouri Titling Manual;
- Send communications to contracted license offices and other contracted stakeholders;
- Complete programming and user acceptance testing;
- Update the Missouri Transportation Accounting System (MTAS) tables; and
- Train internal and contract license office staff.

FY 2024 Driver License Bureau

Research/Data Assistant 160 hrs. x \$17.20 = \$2,752

Research/Data Analyst 200 hrs. x \$25.63 = \$5,126

Administrative Manager 40 hrs. x \$27.82 = \$1,113

FY 2024 Personnel Services Bureau

Associate Research/Data Analyst 20 hrs. x \$20.54 = \$411

Associate Research/Data Analyst 20 hrs. x \$20.54 = \$411

FY 2024 – Motor Vehicle Bureau

Research/Data Analyst 288 Hrs @ \$24.84/hr = \$7,154
Associate Research/Data Analyst 673 Hrs @ \$19.90/hr. = \$13,393
Lead Administrative Support Asst. 20 Hrs @ \$17.05 = \$341
Administrative Manager 89 Hrs @ \$26.96 = \$2,399

FY 2024 – Strategy and Communications Office

Associate Research/Data Analyst 1,000 hrs. @ \$19.90/hr. = \$19,900

Total Cost = **\$53,000**

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 **\$69,381** in FY 2024 (730.32 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.

DOR notes the fiscal impact estimated above is based on changes in the current MO Electronic Driver License System and supporting application. The implementation of this legislation will be coordinated with the integration of the Department’s Motor Vehicle and Driver Licensing software system approved and passed by the General Assembly in 2020 (Senate Bill 176). To avoid duplicative technology development and associated costs to the state, it is recommended a delayed effective date be added to this bill to correlate with the installation of the new system.

Revenue Impact

DOR notes the proposed processing fee increases in §136.055, RSMo, will also be applied to transactions occurring in Department operated “Branch” licensing offices (DOR central site.)

Central Office (retained by the state)

Estimated Annual Increase for Permits, Driver License, or Non-driver License Issued (Highway Fund 75%, Cities 15% & Counties 10%):

1,428	Estimated annual 0-3 year transaction processing fees in DOR Branch Office
x \$3.00	Amount of fee increase from proposed change from \$6.00 to \$9.00
\$ 4,284	Estimated annual increase in DOR branch office processing fees

5,452	Estimated annual 3-6 3 year transaction processing fees in DOR Branch Office
<u>x \$6.00</u>	Amount of fee increase proposed from \$12.00 to \$18.00
\$32,712	Estimated annual increase in DOR branch office processing fees

\$32,712 + \$4,284 = \$36,996

Estimated Annual Increase for State office title, registration issuance/renewal, online registration renewal, phone in registration renewal, and registration transfers issued (**Highway Fund 75%, Cities 15% & Counties 10%**):

1,138,608	Estimated annual Motor Vehicle (MV) in DOR Branch Office
<u>x \$3.00</u>	Amount of fee increase from proposed change from \$6.00 to \$9.00
\$3,415,824	Estimated annual increase in DOR branch office processing fees

Total annual increase to Highway Fund from increase in DOR branch office processing fee collections = **\$3,452,820 (\$36,996 + \$3,415,824)**

Estimated Annual Increase for Notice of Lien and Duplicate Titles (**General Revenue**):

13,673	Estimated annual 3-6 3 year transaction processing fees in DOR Branch Office
<u>x \$3.00</u>	Amount of fee increase proposed from \$6.00 to \$9.00
\$41,019	Estimated annual increase in DOR branch office processing fees

License Office Fee Increases

Estimates are based on Missouri Transportation Accounting System Driver License Transaction reporting totals for FY 2022

Permits, Driver License, or Non-driver License Issued:

352,500	Total 0-3 year transactions
<u>x \$2.00</u>	Proposed agent transaction processing fee collection increase for 0- 3 year term transactions changing fee from \$6.00 to \$9.00, less \$1.00 to be remitted to License Office Distribution Fund
\$705,000	Total Estimated increase to agent processing fees for 3 year transactions annually

983,966	Total 3-6 year transactions
<u>x \$5.00</u>	Proposed agent transaction processing fee collection increase for 3- 6 year term transactions changing fee from \$12.00 to \$18.00, less \$1.00 to be remitted to License Office Distribution Fund
\$4,919,830	Total estimated agent fee collection increase for 3-6yr transactions

\$5,624,830 Total estimated statewide annual contract office revenue increase from portion of proposed processing fee **not** distributed to new License Office Distribution Fund from Driver License Transactions (\$705,000 + \$4,919,830)

Estimated annual License Office Distribution Fund remittance derived from \$1 of each office processing fee collected for driver license transactions:

352,500 Total 0-3 year transactions
x \$1.00 Proposed \$1.00 portion of proposed agent fee increase to be remitted to License Office Distribution Fund

\$352,500 Total estimated statewide agent fee \$1 remittance to new fund

983,966 Total 3-6 year transactions
x \$1.00 Proposed \$1.00 of total proposed agent fee increase to be remitted to the License Office Distribution Fund

\$983,966 Total estimated statewide agent fee \$1 remittance to new fund

\$1,336,466 Total estimated statewide annual amount remitted to and to be distributed from the proposed License Office Distribution Fund from Driver License Transactions

Motor Vehicle (MV) Transactions:

6,935,666 Total MV transactions
x \$2.00 Proposed agent transaction processing fee collection increase for MV transactions changing fee from \$6.00 to \$9.00, less \$1.00 to be remitted to License Office Distribution Fund

\$13,871,322 Total estimated statewide annual contract office revenue increase from portion of proposed processing fee **not** distributed to new License Office Distribution Fund from MV transactions

6,935,666 Total Motor Vehicle (MV) Transactions
x \$1.00 Proposed \$1.00 portion of proposed agent fee increase to be remitted to License Office Distribution Fund

\$6,935,666 Total estimated statewide annual amount remitted to and to be distributed from the proposed License Office Distribution Fund from Driver License Transactions from MV Transactions

License Office Distribution Fund projections (\$1 per transaction) \$6,935,666 + \$1,336,466 =
\$8,272,132

Total estimated statewide annual amount remitted to and to be distributed from the proposed License Office Distribution Fund:

\$8,272,132	Estimated revenue into the License Office Distribution Fund
<u> 175</u>	Number of possible contract license offices
\$47,269	Estimated annual distribution per open contract offices from License Office Distribution Fund

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DOR.

Officials from the **Missouri Department of Transportation (MoDOT)** assume the revenues collected from these fees are state revenue derived from highway users (SRHU) subject to the distribution requirements set out in Art. IV, Sec. 30(b)1, Mo. Const., meaning only 3% of these fees should go to DOR and the remaining revenue should be deposited into the State Road Fund (SRF).

Currently, these funds are not being deposited to the SRF, but rather 100% of the proceeds of these fees are distributed to the privately or not-for-profit owned and operated DOR license offices.

MoDOT does not have the numbers to determine the current negative fiscal impact to MHTC/MoDOT from this diversion and any increased negative fiscal impact due to the increase in fees.

Therefore, MoDOT defers to DOR for these numbers.

This diversion also impacts cities and counties.

§301.3175 – Back the Blue License Plates (House Amendment 1)

In response to a similar proposal from 2023 (HB 369), officials from the **Department of Revenue (DOR)** assumed the following regarding this proposal:

Administrative Impact

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

- Update procedures and the Department website;
- Update the Application for Missouri Personalized and Special License Plates (DOR-1716);
- Communicate with the Missouri Law Enforcement Memorial Foundation for any additional developments of the license plate; and
- Complete programming and user acceptance testing for identified systems.

FY 2024 – Motor Vehicle Bureau

Associate Research Data Analyst 161 hrs. @ \$19.91 per hr. = \$3,206

Research Data Analyst 40 hrs. @ \$24.84 per hr. = \$994

Administrative Manager 20 hrs. @ \$26.97 per hr. = \$539

FY 2024 – Strategy and Communications Office

Associate Research Data Analyst 40 hrs. @ \$19.91 per hr. = \$796

Total Costs = \$5,535

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.

Plate manufacturing cost:

DOR states they pay \$3.90 per plate for manufacturing flat plates through Missouri Vocational Enterprises (MVE).

It is unknown how many applicants would continue to apply for these license plates. The Department made 1,409 this year at a cost to the Department of \$10,990, on average DOR keys about 117 of these applications a month, currently.

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.

DOR notes OA-ITSD services will be required at a cost of **\$40,528** in FY 2024 (426.61 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

DOR notes this legislation will result in an increase in the \$15 specialty plate reservation fees collected. It is unknown how significant of an increase this legislation will have on the issuance of Back the Blue plates, but the increase should be minimal. \$15 specialty plate reservation fees are split 75-15-10 to Highways, Cities, and Counties.

Oversight notes if DOR processes approximately 117 applications for the "Back the Blue" license plate per month, this would equate to approximately \$21,060 per year (117 x \$15 x 12 months).

Oversight is not able to determine how many drivers that were not able to obtain the plates due to vehicle weight restrictions will now apply for these specialty plates. Oversight assumes the number of drivers with vehicles in this weight class that will now apply for the “Back the Blue” plates will not be material; therefore, Oversight assumes the increase in revenue from these specialty plates will be minimal.

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.

§301.469 – Missouri Conservation Heritage Foundation License Plates (House Amendment 1 to House Amendment 1)

In response to a similar proposal from 2023 (HB 142), officials from the **Department of Revenue (DOR)** assumed the following regarding this proposal:

Administrative Impact

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

- Update charts, procedures and the Department website;
- Update the Application for Missouri Personalized and Special License Plate (DOR-1716); and
- Complete programming and user acceptance testing for identified systems.

FY 2024 – Motor Vehicle Bureau

Associate Research/Data Analyst 151 hrs. @ \$19.91 per hr. = \$3,006
Research/Data Analyst 38 hrs. @ \$24.84 per hr. = \$944
Administrative Manager 19 hrs. @ \$26.97 per hr. = \$512

FY 2024 – Strategy and Communications Office

Associate Research/Data Analyst 40 hrs. @ \$19.91 per hr. = \$797

Total costs: \$5,259

The Department anticipates being able to absorb this cost. If multiple bills pass that require Department resources, FTE may be requested through the appropriations process.

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 **\$20,192** in FY 2024 (212.55 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.

Officials from the **Missouri Department of Conservation** 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 for this agency.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE FUND			
<u>Revenue</u> – DOR – increased fees for notice of lien and duplicate titles (p. 5)	\$34,183	\$41,019	\$41,019
<u>Cost</u> – DOR – OA-ITSD services (p. 4)	(\$69,381)	\$0	\$0
<u>Cost</u> – DOR – OA-ITSD services (p. 9) (HA 1)	(\$40,528)	\$0	\$0
<u>Cost</u> – DOR – OA-ITSD services (p. 10) (HA 1 to HA 1)	(\$20,192)	\$0	\$0
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$95,918)</u>	<u>\$41,019</u>	<u>\$41,019</u>
HIGHWAY FUND			
<u>Revenue</u> – DOR – increased fees for driver license transactions (p. 5)	\$23,123	\$27,747	\$27,747
<u>Revenue</u> – DOR – increased fees for motor vehicle transactions (p. 5)	\$2,134,890	\$2,561,868	\$2,561,868
ESTIMATED NET EFFECT ON THE HIGHWAY FUND	<u>\$2,158,013</u>	<u>\$2,589,615</u>	<u>\$2,589,615</u>

<u>FISCAL IMPACT – State Government</u> (continued)	FY 2024 (10 Mo.)	FY 2025	FY 2026
LICENSE OFFICE DISTRIBUTION FUND			
<u>Revenue</u> – increased fees for driver license transactions (p. 6)	\$1,113,722	\$1,336,466	\$1,336,466
<u>Revenue</u> – increased fees for motor vehicle transactions (p. 6)	\$5,779,722	\$6,935,666	\$6,935,666
<u>Transfer Out</u> – to license contract offices (p. 7)	(\$6,893,444)	(\$8,272,132)	(\$8,272,132)
ESTIMATED NET EFFECT ON THE LICENSE OFFICE DISTRIBUTION FUND	\$0	\$0	\$0

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue</u> – Cities (15%) – increased fees for driver license transactions (p. 5)	\$4,625	\$5,549	\$5,549
<u>Revenue</u> – Cities (15%) – increased fees for motor vehicle transactions (p. 5)	\$426,978	\$512,374	\$512,374
<u>Revenue</u> – Counties (10%) – increased fees for driver license transactions (p. 5)	\$3,083	\$3,700	\$3,700
<u>Revenue</u> – Counties (10%) – increased fees for motor vehicle transactions (p. 5)	\$284,652	\$341,582	\$341,582
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$719,338	\$863,205	\$863,205

FISCAL IMPACT – Small Business

Small license contract offices will be positively impacted while other small businesses that are required to license and title vehicles will pay more as a result of this proposal.

FISCAL DESCRIPTION

This bill establishes the "License Office Distribution Fund", which consists of certain moneys collected by motor vehicle registration fee offices, and which will be distributed equally among the fee offices in four quarterly disbursements.

The bill increases the following fees authorized to be charged by motor vehicle registration offices:

- 1) A motor vehicle or trailer registration issued, renewed or transferred, increases to \$9 from \$6; and a license sold or biennially renewed, increases to \$18 from \$12;
- 2) An application or transfer of title, increases to \$9 from \$6;
- 3) An instruction permit, non-driver license, chauffeur's, operator's, or driver's license issued for a period of three years or less, increases to \$9 from \$6; and a license or instruction permit issued or renewed for a period exceeding three years, increases to \$18 from \$12; and
- 4) A notice of lien processed, increases to \$9 from \$6.

One dollar from each of these fee increases will be remitted to the License Office Distribution Fund.

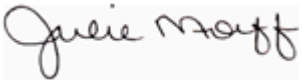
This bill provides that the application for a Missouri Conservation Heritage Foundation emblem license plate and payment of the \$25 contribution may be made at the time of registration to the Director of the Department of Revenue, who must deposit the contribution to the credit of the Missouri Conservation Heritage Foundation.

This bill directs the Department of Revenue to issue the Back the Blue special license plate for non-apportioned vehicles of any classification for which it issues plates.

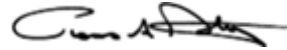
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Missouri Department of Transportation
Missouri Department of Conservation



Julie Morff
Director
April 12, 2023



Ross Strobe
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April 12, 2023