

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4227H.011
 Bill No.: HB 2096
 Subject: Transportation; Department of Revenue; Motor Vehicles; Licenses - Motor Vehicle
 Type: Original
 Date: March 1, 2024

Bill Summary: This proposal establishes a five-year motor vehicle registration option for motor vehicles with a model year of manufacture that is less than five years old.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	(\$511,875)	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$511,875)	\$0	\$0

*Most of the cost above (\$386,875) are for OA-ITSD services. This cost could be avoided if there was a delayed effective date of implementation as DOR is in the process of obtaining a new Motor Vehicle and Driver’s License software system.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Highway Fund*	Unknown	Unknown	Unknown or (Unknown)
Highway Patrol Inspection Fund	\$0	\$0	(Unknown, Less than \$250,000)
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown	Unknown	Unknown or (Unknown)

*Increase in revenue in first two fiscal years is due to having a five-year registration option for vehicles that are less than five years old (potentially collecting registration fees for years 3 through 5 in year 1). The increase in revenue will balance out after the first two years of implementation.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Local Government	Unknown	Unknown	Unknown or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

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:

- 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;
- Train internal and contract license office staff; and
- Install a new phone number or options for these calls.

FY 2025 Motor Vehicle Bureau

Research/Data Analyst 100 Hrs @ \$27.11/hr = \$2,700
Associate Research/Data Analyst 300 Hrs @ \$25.22/hr. = \$7,566
Lead Administrative Support Asst. 75 Hrs @ \$18.54 = \$1,390
Administrative Manager 60 Hrs @ \$29.31 = \$1,759

FY 2025 – Systems Analysis and Support

Research/Data Analyst 395 hrs. @ \$27.00 per hr. = \$10,665
Administrative Manager 198 hrs. @ \$29.31 per hr. = \$5,803
Associate Research/Data Analyst 1581 hrs. @ \$21.64 per hr. = \$34,213

FY 2025 – Strategy and Communications Office

Associate Research/Data Analyst 400 hrs. @ \$19.90/hr. = \$7,960

Total Cost = \$72,056

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 **\$386,875** in FY 2025 (3,684.52 hours x \$105 per hour).

The fiscal impact estimated above is based on changes in the current Department's Motor Vehicle and Driver Licensing system environment. 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 (SB 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.

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. Oversight notes, this cost could be avoided if a delayed effective date is implemented for this proposal.

Fusion Impact

DOR notes, an Implementation Consultant will be required at \$250/hour x 500hrs = **\$125,000**

The costs associated with these legislative changes may be outside of the current contract and identified programming work for DOR's incoming integrated system. As such, the department has included the potential costs associated with making the changes to the integrated system by the department's current vendor.

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

Revenue Impact

DOR notes the following:

FY 2022 321,097 vehicles 5 years and under that were registered

FY 2023 377,023 vehicles 5 years and under that were registered

FY 2022 \$34,750,934 total amount of fees paid

FY 2023 \$40,772,891 total amount of fees paid

It is unknown how many registrants will elect for a 5-year registration. There will be an unknown increase in registration fees collected in the first few years after implementation of this bill. This increase should balance out in subsequent years. Registration fees are distributed to 75% Highways/15% Cities/10% Counties.

Oversight assumes there will be an increase in revenue in the first two years after implementation of this proposal if vehicle owners (of vehicles less than five years old) choose

the five-year registration option. Oversight will reflect an increase in revenue for fiscal years 2025 and 2026. Oversight assumes the revenue will then even out in FY 2027 as registrations will decrease due to vehicles utilizing the five-year registration option in 2025 and 2026. Oversight is unsure if the revenue from new 5 year registrations collected in FY 2027 will be greater than or less than the normal (1 or 2 year) registration fee that would normally be collected in FY 2027, but were already paid in FY 2025 or FY 2026. Therefore, Oversight will range the revenue impact in FY 2027 from a positive Unknown to negative (Unknown)

Officials from the **Missouri Highway Patrol (MHP)** assume the following regarding this proposal:

The Patrol assumes that approximately 25% of those eligible for the 5-year registration option proposed in the bill would choose this option. As such, the Patrol determines the potential decrease in motor vehicle safety inspections performed statewide, as a result of the provisions of the bill, is estimated to be 6,250 inspections.

The state of Missouri receives \$1.50 from each safety inspection performed. Of that amount, \$1.00 is deposited into the Highway Fund (0644) and \$0.50 to the Highway Patrol Inspection Fund (0297). The potential reduction of an estimated 6,250 safety inspections could result in a negative fiscal impact to the Highway Fund of \$6,250 and \$3,125 to the Highway Patrol Inspection Fund per year.

Oversight is unable to determine how many vehicles will no longer require safety inspections as a result of this proposal; however, Oversight assumes the number will be minimal as current statute does not require a safety inspection if the vehicle is less than ten years old and has less than 150,000 miles. Oversight will reflect an “Unknown, but less than \$250,000” fiscal impact to the Highway Fund and the Highway Patrol Inspection Fund starting in FY 2027.

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

<u>FISCAL IMPACT – State Government</u>	FY 2025 (6 Mo.)	FY 2026	FY 2027
GENERAL REVENUE FUND			
<u>Cost – DOR – OA-ITSD</u>	(\$386,875)	\$0	\$0
<u>Cost – DOR – Fusion implementation consultant</u>	(\$125,000)	\$0	\$0
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	(\$511,875)	\$0	\$0

<u>FISCAL IMPACT – State Government</u> (continued)	FY 2025 (6 Mo.)	FY 2026	FY 2027
HIGHWAY FUND			
<u>Revenue</u> – increase and then potentially decrease in registration fees due to a five-year registration option	Unknown	Unknown	Unknown or (Unknown)
<u>Revenue</u> – MHP – decrease in the number of inspections	<u>\$0</u>	<u>\$0</u>	(Unknown, Less than \$250,000)
ESTIMATED NET EFFECT ON THE HIGHWAY FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown or (Unknown)</u>
HIGHWAY PATROL INSPECTION FUND			
<u>Revenue</u> – MHP – decrease in the number of inspections	<u>\$0</u>	<u>\$0</u>	(Unknown, Less than \$250,000)
ESTIMATED NET EFFECT ON THE HIGHWAY PATROL INSPECTION FUND	<u>\$0</u>	<u>\$0</u>	<u>(Unknown, Less than \$250,000)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (6 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue</u> (Cities 15%) – increase and then potentially decrease in registration fees due to a five-year registration option	Unknown	Unknown	Unknown or (Unknown)
<u>Revenue</u> (Counties 10%) – increase and then potentially decrease in registration fees due to a five-year registration option	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown or (Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown or (Unknown)</u>

FISCAL IMPACT – Small Business

Small businesses that provide safety inspections could be impacted as a result of this proposal. In addition, license contract offices’ processing fees in §136.055 could be impacted.

FISCAL DESCRIPTION

This proposal establishes a five-year motor vehicle registration option for motor vehicles with a model year of manufacture that is less than five years old.

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

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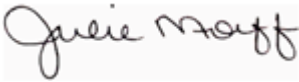
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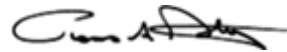
March 1, 2024

SOURCES OF INFORMATION

Department of Revenue
Missouri Department of Transportation
Missouri Highway Patrol



Julie Morff
Director
March 1, 2024



Ross Strobe
Assistant Director
March 1, 2024