

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5957-01  
Bill No.: HJR 84  
Subject: Constitutional Amendments; Motor Vehicles; Transportation; Transportation,  
 Department of; Revenue, Department of  
Type: Original  
Date: April 15, 2014

Bill Summary: This proposal proposes a constitutional amendment establishing a "miles driven" fee to be paid at the time of registration of a motor vehicle.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0 or (More than \$7,100,000) or Up to \$3,296,003	\$0 or Up to \$6,592,008	\$0 or Up to \$9,888,012
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0 or (More than \$7,100,000) or Up to \$3,296,003</b>	<b>\$0 or Up to \$6,592,008</b>	<b>\$0 or Up to \$9,888,012</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Highway Fund *	\$0 or Up to \$79,929,098	\$0 or Up to \$159,856,193	\$0 or Up to \$239,784,291
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0 or Up to \$79,929,098</b>	<b>\$0 or Up to \$159,856,193</b>	<b>\$0 or Up to \$239,784,291</b>

\*Additional Revenue from increased "miles driven" fees which will occur in 2019 (\$150 for one year registration/\$300 for two-year registration) and in 2021 (\$200 for one year registration/\$400 for two year registration).

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Local Government</b>	<b>\$0 or Up to \$26,642,699*</b>	<b>\$0 or Up to \$53,285,399</b>	<b>\$0 or Up to \$79,928,097</b>

**\*There are also Offsetting Transfers In and Expenses of \$0 or More than \$7,100,000 in FY 2015.**

Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 13 pages.

## FISCAL ANALYSIS

### ASSUMPTION

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$2,500. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what their office can sustain with their core budget. Therefore, SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal with core funding. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

According to officials from the **Office of Secretary of State (SOS)**, each year a number of Joint Resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a Constitutional Amendment are submitted to a vote of the people at the next general election. Article XII, Section 2(b) of the Missouri Constitution authorizes the Governor to order a special election for Constitutional Amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, §115.063.2, RSMo, requires the state to pay the costs. The cost of the special election has been estimated to be \$7.1 million based on the cost of the 2012 Presidential Preference Primary. This figure was determined through analyzing and totaling expense reports from the 2012 Presidential Preference Primary received from local election authorities.

The SOS is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and §§116.230-116.290, RSMo. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted

ASSUMPTION (continued)

on the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2013, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$2.17 million to publish (an average of \$434,000 per issue). Therefore, the SOS assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. However, because these requirements are mandatory, the SOS reserves the right to request funding to meet the cost of their publishing requirements if the Governor and the General Assembly change the amount or eliminate the estimated nature of the SOS appropriation.

**Oversight** has reflected in this fiscal note, the cost to the state for potential reimbursement to local political subdivisions for the cost of having this joint resolution voted on during a special election in fiscal year 2014. This reflects the decision made by the Joint Committee on Legislative Research, that the cost of the elections should be shown in the fiscal note. The next scheduled general election is in November 2014 (FY 2015). It is assumed the subject within this proposal could be on that ballot; however, it could also be on a special election called for by the Governor. Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2015.

Officials from the **Department of Transportation** made an estimate fiscal impact, based on the following assumptions:

- FY 2013 new motor vehicle registrations of 730,000 according to information from Department of Revenue (DOR);
- No growth assumed;
- Revenues may not be used for bonding;
- Fee does not apply to vehicles with model years of 25 years and older; and,
- 43% of renewals are for one year and 57% are for two years (from DOR).

ASSUMPTION (continued)

The following positive revenue impacts are based solely on the miles driven fee. The impacts do not take into consideration pro-rated credits on miles driven between renewals, as current laws do not require safety inspections odometer readings on exempted vehicles. The impacts also do not include DOR cost of collection. DOR cannot determine the average miles driven on a motor vehicle between renewals, so the actual impact is unknown.

<b>REVENUE FROM FEE TO MODOT</b>	
FY 15	\$ 29,000,000
FY 16	\$ 57,000,000
FY 17	\$ 86,000,000
FY 18	\$115,000,000
FY 19	\$143,000,000
FY 20	\$172,000,000
FY 21	\$201,000,000
FY 22 and thereafter	\$229,000,000

Officials from the **Department of Revenue (DOR)** assume this proposal requires that, in addition to all other registration fees, DOR is to charge and collect a "miles driven" fee to each owner registering or renewing the registration of a motor vehicle in the following amounts:

- Beginning January 1, 2015, \$50 for a one-year registration and \$100 for a two-year registration;
- Beginning January 1, 2017, \$100 for a one-year registration and \$200 for a two-year registration;
- Beginning January 1, 2019, \$150 for a one-year registration and \$300 for a two-year registration;
- Beginning January 1, 2021, and thereafter, \$200 for a one-year registration and \$400 for a two-year registration.

DOR shall prorate fees to adjust for registrations that span more than one of the time periods.

ASSUMPTION (continued)

At the time of issuance of registration, an odometer reading shall be recorded by the DOR which shall be either taken from the bill of sale or certificate of title of a vehicle if newly acquired, or from the official odometer reading at the motor vehicle's most recent safety inspection, or other method approved by DOR to verify the vehicle mileage.

Upon registration renewal, the owner registering the motor vehicle shall be entitled to a prorated credit against the miles driven fee for that registration period:

- Minus a fifty-dollar paperwork processing fee;
- Adjusted at the rate of one cent per mile, if the miles driven during the immediately preceding one-year registration period are less than twenty thousand miles;
- Adjusted at the rate of one cent per mile, if the miles driven during the immediately preceding two-year registration period are less than forty thousand miles.

The odometer reading used to determine credit eligibility shall be the official odometer reading recorded at the time of the motor vehicle's most recent safety inspection.

The director of the Department of Revenue may promulgate all necessary rules for the administration of this section under the provisions of chapter 536, RSMo.

The proposal exempts motor vehicles with model years twenty-five years or greater at the time of registration or renewal from the "miles driven" fees.

No toll roads in this state shall be operated or maintained on any existing interstate highway corridors and rights-of-way for a minimum of ten years after the effective date of this amendment. This provision has no fiscal impact to the Motor Vehicle Bureau.

**Administrative Impact**

Motor Vehicle Bureau (MVB)

Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$840 in FY 15 and FY 2017.

The Application for Missouri Title and License (DOR-108) will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$840 in FY 15 and FY 17.

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ASSUMPTION (continued)

The Application for Motor Vehicle License (DOR-184) will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$840 in FY 15 and FY 17.

The motor vehicle renewal notice will need to be updated. This will require 10 hours for an Administrative Analyst III, at a cost of \$230 in FY 15 and FY 17.

The DOR web site will need to be updated. This will require 10 hours for an Administrative Analyst III, at a cost of \$230 in FY 15 and FY 17.

Correspondence letters will need to be modified to include the "miles driven fees". This will require 80 hours for a Management Analyst Specialist I, at a cost of \$1,680 in FY 15 and FY 17.

MVB will need to test identified system modifications. 40 hours for each system modification for a total of 200 hours by a Management Analyst Specialist I at a cost of \$4,200 in FY 16.

DOR is required, beginning January 1, 2015, to charge and collect a "miles driven" fee for each owner registering or renewing the registration of a motor vehicle based on the odometer reading from the bill of sale or certificate of title of a vehicle, if newly acquired, or from the official odometer reading at the motor vehicle's most recent safety inspection.

§407.556, RSMo, exempts the following vehicles from an odometer reading at the time of ownership transfer:

- A vehicle with a gross vehicle weight rating (GVWR) of more than 16,000 pounds; and
- A vehicle which is ten years of age or older at the time of transfer.

§Section 301.020, RSMo, only requires an odometer reading at the time of registration renewal if the vehicle is:

- Five years old or less;
- Licensed for 12,000 pounds or less; and
- Required to have a vehicle safety inspection

§307.350, RSMo, exempts motors vehicles from the safety inspection requirement for the five-year period following their model year of manufacture.

DOR assumes that upon a transfer of ownership, even on a new vehicle with zero miles, and such registration issuance to the new owner the full "miles driven" fee for a one-year registration and

ASSUMPTION (continued)

for a two-year registration is to be charged.

As shown above, currently laws exempt certain motor vehicles from a safety inspection or the odometer reading requirement. Under current process the DOR will be unable to determine the miles driven within the time frame between renewals on those vehicles exempted and access the appropriate "miles driven" fee. It is assumed, as this proposal states "or other method approved by the department to verify the vehicle mileage", DOR has the authority to require a safety inspection each year a registration renewal is required in order to capture the current odometer reading and assess the appropriate miles driven fees.

OA-ITSD Impact

Title and Registration Intranet Processing System	1,000
Missouri Online Registration Exchange	816
General Registration System	80
Motor Vehicle Renewal Notices	20
Missouri Transportation Accounting System	<u>84</u>
Total Hours Impact:	2,000 hours

Total IT Cost: 2,000 x \$27.30 = \$54,600

**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.

Revenue Impact

New Registration:

In FY 2013 there were 730,040 new registrations issued to motor vehicles (passenger and truck) that were less than 25 years old.

Under this proposal, after January 1, 2015, a "miles driven" fee of \$50 will be charged for a one-year registration and \$100 for a two-year registration. This fee will be assessed for FY 15 (6 months), FY 16 (12 months) and FY 17 (6 months). Based on prior DOR research, 57% of all registrations are biennial and 43% are annual.



ASSUMPTION (continued)

FY 15

If 43% (313,917) obtain annual registrations the increase will be: \$15,685,850  
 If 57% (416,123) obtain biennial registrations the increase will be: \$41,612,300  
 Total Revenue: \$57,308,150

<u>FY 15 (6 months)</u>	<u>FY 16 (12 months)</u>	<u>FY 17 (6 months)</u>
\$28,654,075	\$57,308,150	\$28,654,075

After January 1, 2017 a "miles driven" fee of \$100 will be charged for a one-year registration and \$200 for a two-year registration. This fee will be assessed for FY 17 (6 months).

FY 17

If 43% (313,917) obtain annual registrations the increase will be: \$ 31,391,700  
 If 57% (416,123) obtain biennial registrations the increase will be: \$ 83,224,600  
 Total Revenue: \$114,616,300

FY 17 (6 months)  
 \$57,308,150

Increased Revenue - New Registrations

	<u>FY 15</u>	<u>FY 16</u>	<u>FY17</u>
Highway Fund	\$20,845,840	\$41,691,679	\$62,537,519
Cities	\$ 4,169,168	\$ 8,338,336	\$12,507,504
Counties	\$ 2,779,445	\$ 5,558,891	\$ 8,338,336
Cost of Collection - 3%	<u>\$ 859,622</u>	<u>\$ 1,719,245</u>	<u>\$ 2,578,867</u>
<u>Increased Revenue</u>	<u>\$28,654,075</u>	<u>\$57,308,150</u>	<u>\$85,962,225</u>

Note: The revenue generated may fluctuate in any given year depending on the number of new registrants who obtain annual registrations or biennial registrations.

Renewal Registration:

In FY 2013 there were 2,069,115 renewal registrations issued to motor vehicles (passenger and truck) that were less than 25 years old.

Under this proposal, after January 1, 2015, a "miles driven" fee of \$50 will be charged for a

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ASSUMPTION (continued)

one-year registration and \$100 for a two-year registration. This fee will be assessed for FY 15 (6 months), FY 16 (12 months) and FY 17 (6 months). Based on prior Department research, 57% of all registrations are biennial and 43% are annual.

FY 15

If 43% (889,719) obtain annual registrations the increase will be: \$ 44,485,950  
 If 57% (1,179,395) obtain biennial registrations the increase will be: \$117,939,500  
 Total Revenue: \$162,425,450

<u>FY 15 (6 months)</u>	<u>FY 16 (12 months)</u>	<u>FY 17 (6 months)</u>
\$81,212,725	\$162,425,450	\$81,212,725

After January 1, 2017 a "miles driven" fee of \$100 will be charged for a one-year registration and \$200 for a two-year registration. This fee will be assessed for FY 17 (6 months).

FY 17

If 43% (889,719) obtain annual registrations the increase will be: \$ 88,971,900  
 If 57% (1,179,395) obtain biennial registrations the increase will be: \$235,897,000  
 Total Revenue: \$324,850,900

FY 17 (6 months)  
 \$162,425,450

New and Renewal Registrations Combined

	<u>FY 15</u>	<u>FY 16</u>	<u>FY17</u>
Highway Fund	\$ 79,928,098	\$159,856,193	\$239,784,291
Cities	\$ 15,985,619	\$ 31,971,239	\$ 47,956,858
Counties	\$ 10,657,080	\$ 21,314,160	\$ 31,971,239
Cost of Collection - 3%	<u>\$ 3,296,003</u>	<u>\$ 6,592,008</u>	<u>\$ 9,888,012</u>
<b>Increased Revenue</b>	<b><u>\$109,866,800</u></b>	<b><u>\$219,733,600</u></b>	<b><u>\$329,600,400</u></b>

Note: The total state revenue generated may fluctuate in any given year depending on the number of new registrants who obtain annual registrations or biennial registrations.

Oversight will use "Up to" in Fiscal Impact to account for the unknown credit for under 20,000 driven in a years (40,000 for biannually)

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE</b>			
<u>Revenue</u> - Department of Revenue - 3% collection fee*	\$0 or Up to \$3,296,003	\$0 or Up to \$6,592,008	\$0 or Up to \$9,888,012
<u>Transfer Out</u> - Office of Secretary of State - Reimbursement to local election authorities for election costs <b>if</b> a special election is called	\$0 or (More than \$7,100,000)	<u>\$0</u>	<u>\$0</u>
	<u>\$0 or (More than \$7,100,000) or Up to \$3,296,003</u>	<u>\$0 or Up to \$6,592,008</u>	<u>\$0 or Up to \$9,888,012</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>			
<b>HIGHWAY FUND</b>			
<u>Revenue</u> - Fee Income*	\$0 or Up to \$79,929,098	\$0 or Up to \$159,856,193	\$0 or Up to \$239,784,291
<b>ESTIMATED NET EFFECT ON HIGHWAY FUND*</b>	<u>\$0 or Up to \$79,929,098</u>	<u>\$0 or Up to \$159,856,193</u>	<u>\$0 or Up to \$239,784,291</u>

**\*Additional Revenue from increased "miles driven" fees will occur in 2019 (\$150 for one year registration/\$300 for two-year registration) and in 2021 (\$200 for one year registration/\$400 for two year registration).**

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue</u> - Cities - Fee income*	\$0 or Up to \$15,985,619	\$0 or Up to \$31,971,239	\$0 or Up to \$47,956,858
<u>Revenue</u> - Counties - Fee Income*	\$0 or Up to \$10,657,080	\$0 or Up to \$21,314,160	\$0 or Up to \$31,971,239
<u>Transfer In</u> - Local Election Authorities - Cost reimbursement from the State for a special election	\$0 or More than \$7,100,000	\$0	\$0
<u>Expense</u> - Local Election Authorities - Cost of special election	\$0 or (More than \$7,100,000)	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS*</b>	<b><u>\$0 or Up to \$26,642,699</u></b>	<b><u>\$0 or Up to \$53,285,399</u></b>	<b><u>\$0 or Up to \$79,928,097</u></b>

**\*Additional Revenue from increased "miles driven" fees will occur in 2019 (\$150 for one year registration/\$300 for two-year registration) and in 2021 (\$200 for one year registration/\$400 for two year registration).**

FISCAL IMPACT - Small Business

DOR assumes there could be a fiscal impact to small businesses due to the potential additional fees assessed for the issuance or renewal of a motor vehicle registration.

FISCAL DESCRIPTION

Upon voter approval, this proposed constitution amendment requires, beginning January 1, 2015, the Department of Revenue to charge and collect a "miles driven" fee.

At the time of the issuance of registration, an odometer reading must be recorded by the DOR that must be taken from the bill of sale or certificate of title for a newly acquired vehicle, from the official odometer reading at the vehicle's most recent safety inspection, or other method approved by DOR. Upon registration renewal, the owner must be entitled to a prorated credit against the miles driven fee for that registration period adjusted at the rate of one cent per

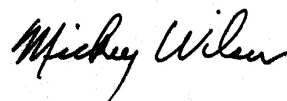
FISCAL DESCRIPTION (continued)

mile if the miles driven are less than 20,000 miles during a 1-year registration or 40,000 miles during a 2-year registration period less a \$50 paperwork processing fee. All revenue from the fee must be deposited in the State Road Fund. The amendment also prohibits the operation or maintenance of any toll road on any existing interstate highway corridors or rights-of-way for a minimum of 20 years after the effective date of the amendment.

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  
    Motor Vehicle Bureau  
Department of Transportation  
Office of Secretary of State  
    Division of Elections  
    Administrative Rules Division



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