

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0374-01  
Bill No.: HB 525  
Subject: Licenses - Driver's  
Type: Original  
Date: January 25, 2017

Bill Summary: This proposal requires same-day service for driver's license issuance and renewal.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(\$5,064,395)	\$330,355	\$660,710
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$5,064,395)</b>	<b>\$330,355</b>	<b>\$660,710</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</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 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Revenue (DOR)** state the following regarding this proposal:

#### §302.171.11

This legislation would require the Department to implement same-day service for license issuance and renewal in which an applicant's license is printed in the individual license office and is issued to the applicant at the time of his or her application.

#### Administrative Impact

The changes to this section will require the department to:

- Amend the current license issuance contract with the vendor to acquire over-the-counter printers, card design functionality and consumables required to produce the driver and nondriver licenses in the license offices;
- Modify the Missouri Electronic Driver License (MEDL) Central Issuance system and supporting applications to allow for integration of new equipment and processing of the driver and nondriver license in the license offices;
- Install new equipment in each of the 178 license offices;
- Install new equipment in the central office for testing and development;
- Modify website information, forms and manuals with references to license issuance requirements and new card design elements;
- Conduct new equipment and card review training with license office staff;
- Complete test case development and end-user testing of hardware and license issuance procedures for issuance of the driver and nondriver license documents;
- Deploy outreach efforts to inform the public, state and federal agencies and other entities using a Department of Revenue issued driver or nondriver license (identification card) for verification of identity of the changes; and
- On-going management of inventory processes for maintaining and securing document production consumables in all offices.

#### FY 2018 Driver License Bureau

Administrative Analyst II -	960 hrs. @ \$29.15(\$19.43x 1.5) per hr. =	\$27,984
Management Analyst Specialist II -	1000 hrs @ \$23.61 per hr =	\$23,610
Revenue Band Manager II -	320 hrs @ 30.59 per hr =	<u>\$ 9,789</u>
		\$61,383

ASSUMPTION (continued)

Administrative Impact (continued)

FY 2018 Personnel Services Bureau

Update Web Page Information - Administrative Analyst III	10 hrs @ \$22.59 = \$ 226
Develop Form - Management Analysis Spec I	80 hrs @ \$20.94 = \$1,675
Develop Procedures - Management Analysis Spec I	80 hrs @ \$20.94 = <u>\$1,675</u>
	Total = \$3,576

OA ITSD Impact

OA-ITSD services will be required at a cost of \$64,395 (858.60 hours x \$75 per hour) in FY 2018.

The equipment and card design software will be provided by the vendor. If not, then a graphics designer will need to be hired and OA ITSD initial and on-going costs will increase.

In summary, DOR assumes a cost of \$129,354 (\$61,383 + \$3,576 + \$64,395) in FY 2018.

**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 and will reflect a fiscal impact of \$64,395 in FY 2018 for IT costs.

Revenue Impact

To meet the requirements of this proposal the Department must amend the current license issuance hardware and card printing vendor contract to acquire over-the-counter printers, card design and consumable card materials in all offices.

The cost to obtain the necessary printers for each of the 178 license offices and central office systems, maintenance, card design hardware and software and consumables by amending the current contract is estimated to be a one-time cost of \$5,000,000 to cover services until the end of the current vendor contract and contract renewal periods. This is assuming the amendment of the current contract is permissible under OA policy since it would be a large contract change and we are currently in a renewal phase of the original contract. For purposes of this fiscal note, it is assumed this cost will occur in FY 2018; however, depending upon vendor contract amendment this cost may be incurred after implementation in a subsequent fiscal year.

ASSUMPTION (continued)

Revenue Impact (continued)

The current contract renewal extension is set to expire in September 2018. The department will be required to request bids for a new license vendor contract. In this rebid process it is assumed, based on a prior legislative estimate received from our current vendor in 2014, the per card cost could be equal to or greater than \$3.00 per card for an over-the-counter document issuance contract. However, the total estimated increased cost to the state which may be incurred in future fiscal years under a new vendor contract is unknown.

The implementation of an over-the-counter process will result in an estimated annual cost savings of \$660,710 due to the reduction in postage costs associated with mailing of documents since the license would be given to the customer at the time of application.

Postage cost savings estimate is based on the average of transaction issuance over the 3 year period of FY 2014, FY 2015 and FY 2016 (Total 4,577,665/3= 1,525,888 average) and the current contracted postage cost per document mailed of \$0.433:

$1,525,888 \times \$0.433 = \$660,710/2 = \$330,355$  estimated savings for six months of FY 2019

$1,525,888 \times \$0.433 = \$660,710$  estimated savings FY 2020

Officials from the **Joint Committee on Administrative Rules** state that the proposal is not anticipated to cause a fiscal impact to their agency beyond its current appropriation.

Officials from the **Office of the State Treasurer** assume the proposal will have no fiscal impact on their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
<b>GENERAL REVENUE</b>			
<u>Savings</u> - DOR - reduction of postage costs	\$0	\$330,355	\$660,710
<u>Cost</u> - DOR - IT costs	(\$64,395)	\$0	\$0
<u>Cost</u> - DOR - vendor cost for printers	<u>(\$5,000,000)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(\$5,064,395)</u></b>	<b><u>\$330,355</u></b>	<b><u>\$660,710</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

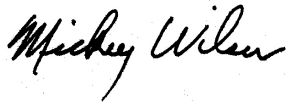
This proposal requires, by January 2, 2019, the Department of Revenue to provide same day service for the issuance and renewal of a driver's license. The license will be printed and issued at the individual license office at the time of his or her application.

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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SOURCES OF INFORMATION

Department of Revenue  
Office of the State Treasurer  
Joint Committee on Administrative Rules



Mickey Wilson, CPA  
Director  
January 25, 2017

Ross Strobe  
Assistant Director  
January 25, 2017