

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0463-01  
Bill No.: HB 26  
Subject: Motor Vehicles; Licenses - Motor Vehicle; Department of Revenue  
Type: Original  
Date: January 23, 2017

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Bill Summary: This proposal requires the Department of Revenue to offer a three-year motor vehicle registration option for certain vehicles newer than ten years old.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	Up to (\$70,533)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue</b>	<b>Up to (\$70,533)</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Highway Fund	More than \$100,000	More than \$100,000	(More than \$100,000)
Highway Patrol Inspection Fund	Less than (\$99,735)	Less than (\$99,735)	Less than (\$99,735)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>More than \$100,000</b>	<b>More than \$100,000</b>	<b>(More than \$100,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 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 from the **Department of Revenue (DOR)** state the following regarding this proposal:

#### Section 301.147

Provides that, notwithstanding subsection 1, beginning January 1, 2018, the Director may provide owners of motor vehicles the option of a three year (triennial) registration for motor vehicles:

- With a model year not more than 10 years old;
- Other than commercial motor vehicles licensed in excess of 54,000 lbs gross weight;
- The vehicle would be ineligible for a biennial registration; and
- Eligible for an annual registration.

Subject to the following requirements:

- Biennial fee plus an additional twelve months;
- Presentation of personal property tax for the two preceding years;
- Proof of motor vehicle safety/emissions inspection not more than 60 days old; and
- Proof of insurance.

#### Administrative Impact

##### Motor Vehicle Bureau (MVB)

This proposal requires personal property tax for the previous two years, a safety and any applicable emissions inspection, and proof of insurance for an applicant to obtain a triennial registration. The Department assumes this would require a safety and emissions inspection (if applicable) off sequence from the even/even and odd/odd rule for safety inspections under section 307.350 and emissions inspections under 643.315.

Section 301.147.3 gives the department rule making authority for provisions within section 301.147. The Department assumes it would need to file a rule to better regulate the issuance of triennial registrations.

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$890 in FY 2018.

ASSUMPTION (continued)

- 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 \$890 in FY 2018.
- 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 \$890 in FY 2018.
- All related motor vehicle registration fee charts will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2018.
- The motor vehicle renewal notice will need to be updated. This will require ten hours for an Administrative Analyst III, at a cost of \$240 in FY 2018.
- The Department's web site will need to be updated. This will require 10 hours for an Administrative Analyst III, at a cost of \$240 in FY 2018.
- MVB testing for identified system modifications. 80 hours for each system modification for a total of 240 hours by a Management Analyst Specialist I at a cost of \$5,340 in FY 2018.
- The promulgation of a rule will require 80 hours for a Revenue Manager Band 1 to prepare at a cost of \$2,182, communicate with executive staff, and finalize the administrative rules and 15 hours for an Administrative Office Support Assistant at a cost of \$246 to finalize and complete all filing requirements with the Secretary of State's Office in FY 2018.
- OA-ITSD services are required at a cost of \$58,725 in FY 2018.

In summary, DOR assumes a cost of **\$70,533** (\$890 + \$890 + \$890 + \$890 + \$240 + \$240 + \$5,340 + \$2,182 + \$246 + \$58,725) 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 some of the costs related to this proposal.

Revenue Impact

The revenue impact is dependent on the amount of individuals that choose the triennial registration at the time they would otherwise only be available for an annual registration.

ASSUMPTION (continued)

Revenue Impact (continued)

It is unknown how applicants will respond to the triennial registration option as it will require a safety and or emissions inspection that they would not normally have to get.

As there are numerous variables that can be factored into a revenue impact for triennial registrations the department is unable to assume a revenue impact for any given year.

Each fiscal year is dependent on the previous fiscal year. If the majority of those that are eligible to do so register triennially then that year will see an increase in registration fees to the Highway Fund. The year following will see a decrease in registration fees to the Highway Fund as the applicant will not be renewing and paying an annual or biennial registration fee.

DOR states currently 46% of registrations are two-year and 54% are one-year.

Officials from the **Department of Public Safety - Missouri Highway Patrol (DPS-MHP)** state the following regarding this proposal:

§301.147

According to the Department of Revenue's (DOR) records, there are 1,196,818 vehicles registered between the vehicle model year 2008 and 2012. Model year 2008-2012 were calculated as these would be the model years affected if this bill was passed in 2017. Fifty percent of the vehicles registered would be ineligible for the two-year registration. Therefore, 598,409 (1,196,818 x .50) vehicles would be effected annually. The fee for safety inspection stickers is \$1.50 each (598,409 x \$1.50) or \$897,613.50 in yearly revenue. If each vehicle ineligible for the two-year registration opted for the three-year registration, this would reduce the state revenue generated from safety inspections by 1/3 for a three-year period ( $\$897,613.50 / 3 = \$299,204.50$ ). For each sticker sold, one dollar (or 2/3) is deposited in the Highway Fund and fifty cents (or 1/3) is deposited in the Highway Patrol Inspection Fund.

Highway Fund:

$$\$299,204.50 \times 2/3 = \$199,470$$

Highway Patrol Inspection Fund:

$$\$299,204.50 \times 1/3 = \$99,735$$

ASSUMPTION (continued)

**Oversight** will reflect a fiscal impact of "Less than \$199,470" to the Highway Fund and "Less than \$99,735" to the Highway Patrol Inspection fund for each fiscal year as this is the maximum amount of fees that could be lost due to the triennial registration option.

Officials from the **Department of Transportation** and **Department of Natural Resources** each assume the proposal will have no fiscal impact on their respective organizations.

**Oversight** assumes that approximately 46% of motor vehicle owners will choose the triennial registration option based off of the current biennial registration percentage provided by DOR. This means that 275,268 vehicle owners would choose the triennial registration, resulting in an earlier collection of revenue of approximately \$6,812,883 (275,268 vehicles x \$24.75 typical registration fee). Oversight assumes that half of the 275,268 vehicle owners will choose the triennial registration; therefore, Oversight will reflect a fiscal impact of "More than \$100,000" in FY 2018 and FY 2019 and a fiscal impact of (More than \$100,00) in FY 2020 (decrease in registration fees due to triennial registration). Oversight assumes this to be a timing difference between paying for a triennial registration in FY 2018 or FY 2019 versus paying for a one or two year registration in the same years.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
<b>GENERAL REVENUE</b>			
<u>Cost</u> - DOR - Administrative costs	<u>Up to (\$70,533)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>Up to (\$70,533)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>HIGHWAY FUND</b>			
<u>Revenue</u> - DOR - those moving to triennial registration fees	More than \$100,000	More than \$100,000	(More than \$100,000)
<u>Loss</u> - DPS-MHP - decreased safety inspections	Less than <u>(\$199,470)</u>	Less than <u>(\$199,470)</u>	Less than <u>(\$199,470)</u>
<b>ESTIMATED NET EFFECT TO THE HIGHWAY FUND</b>	<b><u>More than \$100,000</u></b>	<b><u>More than \$100,000</u></b>	<b><u>(More than \$100,000)</u></b>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2018 (10 mo.)	FY 2019	FY 2020
<b>HIGHWAY PATROL INSPECTION FUND</b>			
<u>Loss</u> - DPS-MHP - decreased safety inspections	Less than <u>(\$99,735)</u>	Less than <u>(\$99,735)</u>	Less than <u>(\$99,735)</u>
<b>ESTIMATED NET EFFECT TO THE HIGHWAY PATROL INSPECTION FUND</b>	<b>Less than <u>(\$99,735)</u></b>	<b>Less than <u>(\$99,735)</u></b>	<b>Less than <u>(\$99,735)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The Missouri Department of Revenue contract offices, safety inspection stations, and potential small business motor vehicle mechanics would see a decrease in revenue due to this proposal.

FISCAL DESCRIPTION

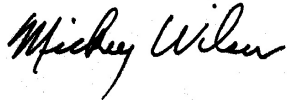
This proposal requires the department of motor vehicles to offer a three year registration option for specified vehicles newer than ten years in age.

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  
Department of Public Safety - Missouri Highway Patrol  
Department of Transportation  
Department of Natural Resources



Mickey Wilson, CPA  
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January 23, 2017

Ross Strobe  
Assistant Director  
January 23, 2017