

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0463-02
Bill No.: HCS for HB 26
Subject: Motor Vehicles; Licenses - Motor Vehicle; Department of Revenue
Type: Original
Date: February 8, 2017

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	Up to (\$69,861)	\$0	\$0
Total Estimated Net Effect on General Revenue	Up to (\$69,861)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Highway Fund	\$15,000,000	\$15,000,000	(\$15,000,000)
Highway Patrol Inspection Fund	Less than (\$334,361)	Less than (\$334,361)	Less than (\$334,361)
Total Estimated Net Effect on Other State Funds	Up to \$15,000,000	Up to \$15,000,000	Could be (More than \$15,000,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on FTE	0	0	0

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

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

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:

- 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 \$838 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 \$838 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 \$838 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 \$838 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 \$226 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 \$226 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 \$5,026 in FY 2018.
- The promulgation of a rule will require 80 hours for a Revenue Manager Band 1 to prepare at a cost of \$2,074, communicate with executive staff, and finalize the administrative rules and 15 hours for an Administrative Office Support Assistant at a cost of \$232 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 **\$69,861** ($\$838 + \$838 + \$838 + \$838 + \$226 + \$226 + \$5,026 + \$2,074 + \$232 + \$58,725$) 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.

ASSUMPTION (continued)

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.

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 5,363,766 vehicles registered in Missouri as of December 31, 2016. The Department of Revenue's records show there are 1,351,431 vehicles with a model year between 2012 and 2016 that would currently be exempt from inspection. Therefore, 4,012,335 vehicles (5,363,766 - 1,351,431) vehicles would require a state safety inspection.

Fifty percent of the vehicles registered would be ineligible for the two-year registration (4,012,335 / 2 = 2,006,168), so 2,006,167 (4,012,335 - 2,006,168) vehicles would be affected annually. The Highway Patrol receives \$1.50 of the \$12 fee for safety inspection stickers or \$3,009,250.50 (2,006,167 x \$1.50) 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 (\$3,009,250.50 / 3 = \$1,003,083.50). 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.

ASSUMPTION (continued)

Highway Fund:

$\$1,003,083.50 \times 2/3 = \$668,722$

Highway Patrol Inspection Fund:

$\$1,003,083.50 \times 1/3 = \$334,361$

The option of a three-year registration could reduce state revenue by as much as \$1,003,083 (\$668,722 + \$334,361) annually.

Oversight will reflect a fiscal impact of "Less than \$668,722" to the Highway Fund and "Less than \$334,361" 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 **Department of Natural Resources** assume the proposal will have no fiscal impact on their organization.

Officials from the **Department of Transportation** assume the proposal will have no fiscal impact on their organization.

Utilizing MHP's estimate of 5,363,766 registered vehicles in Missouri and DOR's estimate of 46 percent currently utilizing the biennial registration option, **Oversight** notes this equates to 2,467,332 ($5,363,766 \times 46\%$) vehicles that have a biennial registration. For purposes of this fiscal note, Oversight will assume that 50 percent ($50\% \times 2,467,332 = 1,233,666$) of the current biennial registrants (and none of the current annual registrants) will now choose to get a triennial registration. Therefore, assuming half of these current biennial registrations come due in FY 2018 and the other half in FY 2019, Oversight assumes that when the registrant pays for a triennial registration instead of a biennial, DOR would collect that third year of registration fee earlier than it would have without this bill. Therefore, Oversight assumes the timing of DOR collecting registration fees for the third year would be moved up by two years for those choosing this option.

This means that 1,233,666 vehicle owners would choose the triennial registration, resulting in an earlier collection of revenue of approximately \$30,000,000 ($1,233,666$ vehicles \times \$24.75 typical annual registration fee). Oversight further assumes that half of that amount of vehicles registrations will come due in FY 2018 and the other half in FY 2019. Therefore, Oversight will reflect a positive fiscal impact of \$15,000,000 in FY 2018 and FY 2019 and a similar loss of revenue in FY 2020 from registrants in FY 2018 who would have paid a registration fee in FY 2020 (but already paid for it in FY 2018). Oversight assumes this to be a timing difference

ASSUMPTION (continued)

between paying for a triennial registration in FY 2018 or FY 2019 versus paying for a two year registration in the same years.

For comparison, Oversight provides the following table showing different scenarios regarding the percentage of current biennial registrants that would choose to utilize the triennial option (75% , 50%, and 25%). For fiscal note purposes, Oversight will reflect a change in timing of registration income as if 50% (middle column) of current biennial registrants utilize the new triennial option. Oversight will round down to a \$15 million annual impact.

Total population of registered vehicles	5,363,766	5,363,766	5,363,766
46% of those vehicles choose Biennial registration	2,467,332	2,467,332	2,467,332
Potential percentage of current Biennial registrants that would now choose Triennial	75%	50%	25%
Possible number of vehicles that could acquire a Triennial registration	1,850,499	1,233,666	616,833
Typical annual registration fee	\$24.75	\$24.75	\$24.75
Total potential dollar amount for Triennial registration fees	\$45,799,850	\$30,533,234	\$15,266,617
Year 1 (half)	\$ 22,899,925	\$ 15,266,617	\$ 7,633,309
Year 2 (half)	\$ 22,899,925	\$ 15,266,617	\$ 7,633,309
Year 3 (loss)	\$ (22,899,925)	\$ (15,266,617)	\$ (7,633,309)

ASSUMPTION (continued)

In addition, **Oversight** contacted two other states (Arkansas and Virginia) that have the triennial registration option. They were unable to provide a percentage of motor vehicles that have one, two or three year registrations in their states.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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GENERAL REVENUE

<u>Cost - DOR - Administrative costs</u>	<u>Up to (\$69,861)</u>	<u>\$0</u>	<u>\$0</u>
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ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>Up to (\$69,861)</u>	<u>\$0</u>	<u>\$0</u>
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HIGHWAY FUND

<u>Revenue - DOR - those moving to triennial registration fees</u>	\$15,000,000	\$15,000,000	(\$15,000,000)
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<u>Loss - DPS-MHP - decreased safety inspections</u>	Less than <u>(\$668,722)</u>	Less than <u>(\$668,722)</u>	Less than <u>(\$668,722)</u>
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ESTIMATED NET EFFECT TO THE HIGHWAY FUND	<u>Up to \$15,000,000</u>	<u>Up to \$15,000,000</u>	<u>Could be (More than \$15,000,000)</u>
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**HIGHWAY PATROL INSPECTION
FUND**

<u>Loss - DPS-MHP - decreased safety inspections</u>	Less than <u>(\$334,361)</u>	Less than <u>(\$334,361)</u>	Less than <u>(\$334,361)</u>
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ESTIMATED NET EFFECT TO THE HIGHWAY PATROL INSPECTION FUND	<u>Less than (\$334,361)</u>	<u>Less than (\$334,361)</u>	<u>Less than (\$334,361)</u>
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<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.

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



Mickey Wilson, CPA
Director
February 8, 2017

Ross Strope
Assistant Director
February 8, 2017