

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1564-01
Bill No.: HB 722
Subject: Department of Revenue; Insurance - Automobile
Type: Original
Date: February 6, 2017

Bill Summary: This proposal requires all motor vehicle insurers to notify the Department of Revenue of lapsed policies in order to allow the owner to provide proof of insurance or surrender the license plates if no proof is provided.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(\$2,574,956)	(\$1,896,474)	(\$1,909,304)
Total Estimated Net Effect on General Revenue	(\$2,574,956)	(\$1,896,474)	(\$1,909,304)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Highway Fund	\$3,386,928	\$4,064,310	\$4,064,310
Total Estimated Net Effect on Other State Funds	\$3,386,928	\$4,064,310	\$4,064,310

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 22 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
General Revenue	29 FTE	29 FTE	29 FTE
Total Estimated Net Effect on FTE	29 FTE	29 FTE	29 FTE

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	\$1,128,976	\$1,354,770	\$1,354,770

FISCAL ANALYSIS

ASSUMPTION

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

§303.026.3(1)

This section requires all insurers issuing motor vehicle liability insurance policies in this state to electronically notify the Department of Revenue (DOR) within three business days of the lapse of any such policy.

§303.026.3(1)(a-b)

This section requires the notification from the insurer to include the name and full address of the policyholder(s), the owner(s) of the motor vehicle if different from the policyholder, and the year, make, vehicle identification number and license plate number (if known) of the insured motor vehicle.

§303.026.3(2)

This section specifies that in accordance with §303.210, no insurer shall cancel or terminate any lapsed motor vehicle liability insurance policy until at least ten days after the notice required under subdivision (1) of this subsection has been electronically filed.

§303.026.3(3)(a-b)

This section provides for the director to use a variety of sampling techniques, in addition to the requirements under subdivisions (1) and (2) of this subsection, to ensure compliance with this chapter. This would also allow the director of revenue to require any additional information from insurance companies necessary to enforce the requirements under this section. This would require all licensed insurance companies in this state to provide the information required under subdivisions (1) and (2).

§303.026.4

This section changes the word "may" to "shall" in this subsection, in specifying what information provided to the Department by an insurance company "shall" not be disclosed.

§303.026.4(8)

This section adds a new subdivision to this subsection to include an order from a court of competent jurisdiction for obtaining the information provided to the Department by an insurance company.

ASSUMPTION (continued)

§303.027.1-6

This section adds a new section to chapter 303, specifying the measures to be taken by insurance companies, the Motor Vehicle Bureau (MVB), Highway Patrol and license offices, with respect to insurance policy lapses and cancellations, the surrendering of license plates, and the reinstatement of motor vehicle registration plates.

§303.041.1

This section requires the Driver License Bureau to suspend the driving privilege and/or vehicle registration of the owner of a motor vehicle who has been identified as uninsured as a result of electronic notification by an insurer, or who has not met the provisions of §303.027.

§303.041.2

This section deletes the language "Effective January 1, 2000," from this subsection.

Administrative Impact

The Department's motor vehicle and driver license systems are completely separate and do not have the ability to electronically interact for streamlining of driver license and motor vehicle suspensions as proposed in this proposal. The Department has prepared the fiscal note assuming a front-end system would be programmed interfacing with both motor vehicle and driver license systems.

The implementation of this proposal will require 29 FTE (includes one Revenue Manager Band I and two Revenue Supervisors) for processing insurance suspensions and management oversight of the program.

Motor Vehicle Bureau (MVB)

This proposal will require the Department to correspond with individuals who have a lapse in insurance coverage and collect all related reinstatement fees.

If proof of insurance coverage is not provided to the Department within 20 days of cancellation or termination, the Department will send notification to the owner of the failure to maintain financial responsibility and instruct the owner to surrender the license plates to the nearest license office.

ASSUMPTION (continued)

Administrative Impact (continued)

- It is assumed that, after receiving this notice, an applicant may provide proof of insurance to comply with the requirements and not be required to surrender his or her license plates and the \$50 fee listed below will not be charged.

If proof of financial responsibility is not filed and the motor vehicle license plates are not surrendered within 30 days of the cancellation or termination of the motor vehicle liability insurance policy, the Department shall notify the State Highway Patrol that the registration for such motor vehicle is no longer valid and the license plates for such motor vehicle are required to be surrendered to the nearest license office of the Department.

An additional reinstatement fee in the amount of \$50 will be imposed for any new license plates for the same motor vehicle or for the renewal of the existing license plates for the motor vehicle.

- It is assumed that the \$50 reinstatement fee will only be assessed if the original license plates have been surrendered or confiscated.

Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours in FY 2018.

MVB testing for identified system modifications. 80 hours for each system modification for a total of 280 hours by a Management Analyst Specialist I in FY 2018.

MVB FY 2018

Management Analyst Specialist I - 320 hrs. x \$20.94 = \$6,701

The Department would need to promulgate rules for implementation of the provisions of this section.

- The promulgation of rules associated with this section will require 40 hours for a Revenue Manager Band 1 to prepare, communicate with executive staff, and finalize the administrative rules and 15 hours for an Administrative Office Support Assistant to finalize and complete all filing requirements with the Secretary of State's Office.

ASSUMPTION (continued)

Administrative Impact (continued)

\$25.93	Hourly Rate Manager Band 1
x 40	Hours
<u>\$1,037</u>	

\$12.66	Hourly Rate Admin. Office Support Assistant
x 15	Hours
<u>\$190</u>	

\$1,037 Manager Band 1
+\$190 AOSA
\$1,227 Cost for rule promulgation

According to Department records, there are 4.6 million personal passenger liability policies which are reported to the Department pursuant to §303.412. The Department's records further reflect that approximately 1.4 million policies are dropped from insurance company records.

- Of those 1.4 million policies that are dropped from insurance company records, 90% will comply with the initial lapse notice mailed by the insurance company.
- 10% (140,000) of those individuals will not comply with the insurance company lapse notice and will be sent a notice by the Department to surrender their license plates.
- Of those 140,000 notices there will be a 33% (46,200) return rate (individuals who do not receive the notice for various reasons).
- This will result in 93,800 individuals who will either request a hearing, comply and surrender their license plates and pay the \$50 reinstatement fee to obtain new license plates, or will not take any action at all.
- Of those 93,800 individuals 3% (2,814) will request a hearing leaving 90,986 individuals who may or may not comply and pay the \$50 reinstatement fee.

The following assumptions for insurance cancellations has been prepared using statistics shown above from the current system that requires insurance companies to report liability insurance on personal passenger vehicles.

ASSUMPTION (continued)

Administrative Impact (continued)

FTE Requirements

The Department will require additional FTE resources in order to process the insurance company lapse notices (compliance documents), respond to telephone inquiries, and prepare written responses to correspondence sent by customers after receiving the lapse notice sent by the insurance company and after receiving the surrender notice sent by DOR.

Compliance Processing

Based on a program the Department administered previously, which required individuals to respond to notices of insurance cancellations, the Department assumes there will be a 90% compliance rate to the insurance lapse notices mailed to the policy holder by the insurance company.

In order to process documents received in response to the insurance company lapse notice, staff will be required to enter a vehicle identification number (VIN) into the system designed to administer this program in order to access the appropriate record. Upon retrieving the appropriate record, the insurance policy number and effective date will be entered to the system. Post-data entry work will require preparation of documents for document imaging. Timings indicate that this process will take approximately 30 seconds per transaction, which results in one FTE processing 900 responses per day.

1,400,000	Insurance notices mailed
x 90%	Compliances received
1,260,000	Compliances received annually
/ 252	Work days per year
5,000	Compliances received per day
/ 900	Compliances processed per day
5.55	5 Revenue Processing Techs I

The Department will require equipment, floor space and expenses associated with this requirement.

ASSUMPTION (continued)

Administrative Impact (continued)

Telephone Inquiries

Based on a program the Department previously administered which contained similar requirements, the Department may experience a 90% telephone inquiry rate from the plate surrender notices mailed by the Department. The Department assumes the same rate for this program. A telephone information operator is expected to process 90 telephone inquiries per day.

140,000	Insurance notices (plate surrender notification) mailed
x 90%	% which will generate telephone inquiries
126,000	Telephone inquiries received annually
/ 252	Work days per year
500	Telephone inquiries received per day
/ 90	Telephone inquiries processed per day
5.55	6 Revenue Processing Techs I

The Department will require equipment, floor space and expenses associated with this FTE requirement.

Written Correspondence

It is estimated that 5% of the 140,000 plate surrender notices mailed by the Department will result in written correspondence to DOR from the individual(s) receiving the notice. This will require staff to research the issues presented in the correspondence and prepare a written response. Based on current Department expectations, 1 FTE can research and prepare 30 written correspondence responses per day.

140,000	Insurance notices (plate surrender notification)
x 5%	Correspondence rate
7,000	Annual correspondence
/ 252	Work days per year
27	Correspondence received per day
/ 30	Responses prepared per day
1	Revenue Processing Tech I

The Department will require equipment, floor space and expenses associated with this FTE requirement.

ASSUMPTION (continued)

Administrative Impact (continued)

Document Imaging

This proposal will require approximately 1,800,000 compliance documents to be digitally imaged in order for the Department to meet its document retention obligations.

One FTE can image 7,500 documents per day.

1,800,000	Documents imaged
/ 252	Work days per year
7,143	Documents per day
/ 7,500	Daily production expectation
.95	Photographic Machine Operator

This FTE will require necessary equipment, expenses, and work space associated with this function.

MVB may require the purchase of 1 high volume document imaging machine at a cost of \$270,000 (An ongoing maintenance cost of \$40,000 per year for the high volume document imaging machine will be incurred as well).

Public Communications

The Department will be required to incorporate the requirements of this proposal into the DOR website. This will require 120 hours for research and development by an Administrative Analyst III.

120	Hours
x\$22.59	Hourly rate
\$2,711	

Special Note Regarding Office Space

The physical space for the work area, which is required for the FTE resources associated with this fiscal note, is not available within the Motor Vehicle Bureau. This may result in the Office of Administration procuring office space outside of the current bureau location resulting in additional unknown costs.

ASSUMPTION (continued)

Administrative Impact (continued)

Mailings Increase

The Department's records reflect that 1.4 million policies are dropped from insurance companies records annually.

Of those 1.4 million policies that are dropped from insurance company records, 10% (140,000) of those individuals will not comply with the insurance company lapse notice and the Department will be required to mail a notice to surrender the license plates.

140,000	Total estimated surrender notices mailed by the Department
+ 100,800	Total written correspondence mailed
240,800	Total mailings
x \$.555	Mailing rate (Postage \$.49, Letters \$.025, and Envelopes \$.040)
\$133,644	Annual postage increase

FY 2018 (10 months) - \$111,370

FY 2019 - \$133,644

FY2020 - \$133,644

Driver License Bureau (DLB)

§303.041

This section of the proposal requires the DLB to suspend the driving privilege and/or vehicle registration of the owner of a motor vehicle who fails to comply with the provisions of section 303.027.

According to Department records, there are 4.6 million personal passenger liability policies which were reported to the Department in calendar year 2016, pursuant to section 303.026, RSMo. The Department's records further reflect that approximately 1.4 million personal passenger liability policies were dropped from insurance company records in 2016.

ASSUMPTION (continued)

Administrative Impact (continued)

The following assumptions for the number of suspension notices issued and related processing have been prepared using the current number of dropped private passenger insurance policies reported to the Department (1.4 million) and the suspension rate of 10% from the previous insurance monitoring program for a total of 140,000 suspension notices issued annually (1,400,000 x 10% = 140,000).

FTE Requirements

The Drivers License Bureau will require additional FTE to process suspensions and related processing which includes the following; respond to telephone inquiries, prepare written responses to correspondence, process reinstatement insurance filings and reinstatement fees, returned mail, administrative hearings and final decisions, court appeals and appeal outcomes.

Returned Mail

Prior statistics show approximately 33% of suspension notices issued will be returned to DLB undeliverable by the postal authorities due to no current address, requiring the proposed suspension to be canceled in accordance with section 303.041.1. This will require data entry by a processing technician and preparation of documents for document imaging post data entry. Timings indicate that this process will take approximately 60 seconds per transaction, which results in one FTE processing 450 pieces of returned mail per day.

140,000	Suspension notices issued annually
x 33%	Percent of notices returned by post office
46,200	Returned mail received annually
/ 252	Work days per year
183	Returned mail received per day
/ 450	Pieces of returned mail processed per day
0.41	Revenue Processing Tech I

Written Correspondence

It is estimated that 5% of the suspensions imposed will result in written correspondence to the Department from the individuals receiving the notice. This will require staff to research the issues presented in the correspondence and prepare a written response.

ASSUMPTION (continued)

Administrative Impact (continued)

A processing technician is expected to research and prepare 30 written responses and process all court appeals and outcomes received daily. The number of appeals filed in court is indeterminate. It is assumed they can be handled by the FTE estimated below.

140,000	Suspension notices issued annually
<u>- 46,200</u>	Canceled-no current address
93,800	Suspensions imposed per year
<u>x 5%</u>	Percent which will generate written correspondence
4,690	Written correspondence received per year
<u>/ 252</u>	Work days per year
19	Written correspondence received per day
<u>/ 30</u>	Written responses prepared per day
0.63	Revenue Processing Tech I

Note: The returned mail (.41 FTE) and written correspondence (.63 FTE) functions equal 1.04 FTE which would be rounded to one (1) FTE for both functions combined (Revenue Processing Tech I).

Telephone Inquiries

A telephone operator is expected to process 100 telephone inquiries daily.

140,000	Suspension notices issued annually
<u>- 46,200</u>	Canceled-no current address
93,800	Suspensions imposed per year
<u>x 90%</u>	Percent which will generate telephone inquiries
84,420	Telephone inquiries received per year
<u>/ 252</u>	Work days per year
335	Telephone inquiries received per day
<u>/ 100</u>	Telephone inquiries processed per day
3.35	3 Revenue Processing Techs I

ASSUMPTION (continued)

Administrative Impact (continued)

Reinstatements

Based on FY 2016 statistics, the Department estimates that 35% of those individuals who are suspended will submit their reinstatement requirements in order to reinstate their driving privilege. The Department assumes the same rate for this program. A processing technician is expected to process 350 reinstatement filings daily and another processing technician is expected to process 346 reinstatement fees daily.

Reinstatement Filings:

140,000	Suspension notices issued annually
<u>- 46,200</u>	Suspensions canceled no current address
93,800	Suspensions imposed per year
x 35%	Percent submitting reinstatement requirements
<u>32,830</u>	Reinstatement filings received per year
<u>/ 252</u>	Work days per year
130	Reinstatement filings received daily
<u>/ 350</u>	Reinstatement filings processed daily
0.37	Revenue Processing Tech I

Reinstatement Fees:

32,380	Reinstatement fees received per year
<u>/ 252</u>	Work days per year
128	Reinstatement fees received daily
<u>/ 346</u>	Reinstatement fees processed daily
0.37	Revenue Processing Tech I

Note: The reinstatement filings (.37 FTE) and reinstatement fees (.37 FTE) functions equal .74 FTE which would be rounded to one (1) FTE for both functions combined for a Revenue Processing Tech I

Administrative Hearings

Based on the prior insurance monitoring program statistics, the Department experienced a 10% hearing request rate from individuals who received a suspension notice.

ASSUMPTION (continued)

Administrative Impact (continued)

The Department assumes the same rate for this program. An Appeals Referee I can conduct 35 mandatory insurance (MI Only) hearings per week and issue the findings of fact and conclusions of law within 90 days.

140,000	Suspension notices issued annually
- 46,200	Suspensions canceled-no current address per year
<u>93,800</u>	Suspensions imposed per year
x 10%	Percent of hearings requested
<u>9,380</u>	Hearings requested per year
/ 50	Work weeks per year
188	Hearings requested per week
/ 35	Number of hearings/decisions processed per week
5.37	5 Appeals Referees I

A Docket Clerk is required to process 75 hearing requests per week in addition to handling all incoming telephone calls, responding to written correspondence, documenting evidence and other related legal secretary duties as needed.

188	Hearings requested per week
/ 75	Hearing requests and related duties processed per week
2.50	3 Senior OSAs-Keyboarding

Special Note Regarding Office Space

The physical space for the required work area for the FTE resources associated with this fiscal note are not available within DLB. In addition to the floor space needed for the proposed FTE, at least two hearing rooms will need to be constructed. This may result in the Office of Administration procuring office space outside of the current bureau location resulting in additional unknown costs.

ASSUMPTION (continued)

Administrative Impact (continued)

Increased Postage & Envelope Costs

First Class Mail Costs:

- Suspension notices = 140,000 per year
- Reinstatement notices = 32,830 per year
- Correspondence letters = 4,690 per year
- Total pieces of mail = 177,520 per year (140,000 + 32,830 + 4,690 = 177,520)

FY 2018: $177,520/12 \text{ mos.} = 14,793 \times 10 \text{ mos.} = 147,930 \text{ pcs. of mail in the first year after bill passage} \times \$0.49 = \$72,487 \text{ first class postage cost}$

FY 2019: $177,520 \times \$0.49 = \$86,985 \text{ first class postage cost}$

FY 2020: $177,520 \times \$0.49 = \$86,985 \text{ first class postage cost}$

Certified Mail Costs:

- Hearing decisions = 9,380 per year

FY 2018: $9,380/12 \text{ mos.} = 782 \times 10 \text{ mos.} = 7,817 \text{ pcs. of certified mail in the first year after bill passage} \times \$3.81 = \$29,782 \text{ certified postage cost}$

FY 2019: $9,380 \times \$3.81 = \$35,738 \text{ certified postage cost}$

FY 2020: $9,380 \times \$3.81 = \$35,738 \text{ certified postage cost}$

Envelope Costs:

- Pieces of first class mail = 177,520 per year
- Pieces of certified mail = 9,380 per year
- Total envelopes = 186,900 per year (177,520 + 9,380 = 186,900)

FY 2018: $186,900/12 = 15,575 \times 10 = 155,750 \text{ envelopes in the first year after bill passage} \times \$0.04 = \$6,230 \text{ envelope cost}$

FY 2019: $186,900 \times \$0.04 = \$7,476 \text{ envelope cost}$

FY 2020: $186,900 \times \$0.04 = \$7,476 \text{ envelope cost}$

Total Postage & Envelope Costs:

FY 2018: $\$72,487 \text{ (1st class)} + \$29,782 \text{ (certified)} + \$6,230 \text{ (envelopes)} = \$108,499$

FY 2019: $\$86,985 \text{ (1st class)} + \$35,738 \text{ (certified)} + \$7,476 \text{ (envelopes)} = \$130,199$

FY 2020: $\$86,985 \text{ (1st class)} + \$35,738 \text{ (certified)} + \$7,476 \text{ (envelopes)} = \$130,199$

ASSUMPTION (continued)

Administrative Impact (continued)

Programming Requirements

Programming changes and testing of the Missouri Driver License (MODL) System will be needed to:

- Create new action types in MODL and develop a new suspension notice for the proposed mandatory insurance driving privilege suspension with the ability for DLB to:
- Add, modify and delete the actions;
- Cancel - no current address;
- Access inquiry and history screens;
- Perform action utilities;
- Process stays for hearings and appeals;
- Process hearing and appeal outcomes; and
- Process LDPs and reinstatements.
- Program requirements and testing for new action types:
- The Driver License Bureau estimates 960 hours of system testing and training by one Administrative Analyst; and
- Estimates 960 hours of system testing and training by one Management Analysis Specialist II.
- Make updates to the following:
 - Department's website;
 - Driver Guide;
 - Internal procedures; and
 - Correspondence letters and forms.
- Train internal staff.
- Review administrative rules for revisions.

FY 2018

Testing & Training:

Administrative Analyst I - 960 hrs. @ \$24.83(1 ½) per hrs. =	\$23,837
Management Analyst Spec II - 960 hrs. @ \$23.61 per hrs. =	\$22,666
Revenue Band Manager I -480 hrs. @ \$25.93 per hrs. =	<u>\$12,446</u>
Total =	\$58,949

ASSUMPTION (continued)

Administrative Impact (continued)

Update website: Admin. Analyst III - 10 hrs. @ \$22.59 per hrs. =	\$ 226
Update forms: Mgmt. Analyst Spec I - 40 hrs. @ \$20.94 per hrs. =	\$ 838
Update procedures: Mgmt. Analyst Spec I - 40 hrs. @ \$20.94 per hrs. =	\$ 838
	Total = \$ 1,902

OA-ITSD services will be required at a cost of \$472,910 (6,305.47 hours x \$75 per hour) in FY 2018.

Revenue Impact

DLB

Based on FY 2016 statistics, the Department estimates that 35% of those individuals who are suspended will submit the reinstatement fee. The Department assumes the same rate for this program. This will result in 32,830 reinstatements issued annually (140,000 suspensions issued annually less 46,200 actions canceled due to no current address = 93,800 x 35% reinstatement rate = 32,830 reinstatements issued).

The reinstatement fees for a mandatory insurance (MI) suspension pursuant to §303.042, RSMo, are as follows:

- 1st offense - \$20;
- 2nd offense - \$200; and
- 3rd/subsequent offense - \$400.

Based on current statistics, 97.5% of the MI suspensions issued will be a 1st offense, 1.5% will be a 2nd offense, and 1% will be a 3rd/subsequent offense. Therefore, the increase in reinstatement fees will be as follows:

1st Offense: \$640,180 increase in reinstatement fees collected per year (32,830 x 97.5% = 32,009 first offenses x \$20 = \$640,180);

2nd Offense: \$98,400 increase in reinstatement fees collected per year (32,830 x 1.5% = 492 second offenses x \$200 = \$98,400); and

3rd/Sub Offense: \$131,200 increase in reinstatement fees collected per year (32,830 x 1% = 328 third/sub offenses x \$400 = \$131,200).

ASSUMPTION (continued)

Revenue Impact (continued)

Total increase in reinstatement fees collected annually = \$869,780 (\$640,180 first offenses + \$98,400 second offenses + \$131,200 third/sub offenses = \$869,780).

Fees collected will be distributed 75% Highway Fund, 15% Cities, and 10% Counties.

FY 2018

\$869,780	Increase in reinstatement fees collected annually
/ 12	Number of months in a year
\$ 72,482	Increase in reinstatement fees collected monthly
x 10	Number of months in first year after bill passage
\$724,820	Increase in reinstatement fees collected in first year after bill passage

\$724,820 x 75% = \$543,615 - Highway Fund

\$724,820 x 15% = \$108,723 - Cities

\$724,820 x 10% = \$72,482 - Counties

FY 2019

\$869,780 x 75% = \$652,335 - Highway Fund

\$869,780 x 15% = \$130,467 - Cities

\$869,780 x 10% = \$86,978 - Counties

FY 2020

\$869,780 x 75% = \$652,335 - Highway Fund

\$869,780 x 15% = \$130,467 - Cities

\$869,780 x 10% = \$86,978 - Counties

MVB

The Department's records reflect that 1.4 million policies are dropped from insurance companies records annually.

- Of those 1.4 million policies that are dropped from insurance company records, 10% (140,000) of those individuals will not comply with the insurance company lapse notice and will be sent a notice to surrender their license plates.
- Of those 140,000 notices there will be a 33% (46,200) return rate (individuals who do not receive the notice for various reasons).

ASSUMPTION (continued)

Revenue Impact (continued)

- This will result in 93,800 individuals who will either request a hearing or comply and surrender their license plates and pay the \$50 reinstatement fee to obtain new license plates.
- Of those 93,800 individuals 3% (2,814) will request a hearing leaving 90,986 individuals who will comply and pay the \$50 reinstatement fee resulting in an increase of \$4,549,300 distributed as follows;

FY 2018

\$4,549,300	Increase in reinstatement fees
/ 12	Number of months in a year
\$379,108	Increase in reinstatement fees per month
x 10	Number of months in first year after bill passed
\$3,791,083	Increase in reinstatement fees collected in first year after bill passage

\$3,791,083 x 75% = \$2,843,313 - Highway Fund
\$3,791,083 x 15% = \$568,663 - Cities
\$3,791,083 x 10% = \$379,108 - Counties

FY 2019

\$4,549,300 x 75% = \$3,411,975 - Highway Fund
\$4,549,300 x 15% = \$682,395 - Cities
\$4,549,300 x 10% = \$454,930 - Counties

FY 2020

\$4,549,300 x 75% = \$3,411,975 - Highway Fund
\$4,549,300 x 15% = \$682,395 - Cities
\$4,549,300 x 10% = \$454,930 - Counties

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 **Department of Insurance, Financial Institutions and Professional Registration, Department of Public Safety - Missouri Highway Patrol** and **Office of the State Courts Administrator** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE FUND			
<u>Cost - DOR</u>			
Personal Services	(\$852,725)	(\$950,147)	(\$959,649)
Fringe Benefits	(\$482,570)	(\$581,886)	(\$584,715)
Equipment and Expense	(\$276,882)	(\$60,598)	(\$61,097)
IT services (p. 17)	(\$472,910)	\$0	\$0
Document Imaging System (p. 9)	(\$270,000)	(\$40,000)	(\$40,000)
Postage/Mailing Supples (p. 10, 15)	<u>(\$219,869)</u>	<u>(\$263,843)</u>	<u>(\$263,843)</u>
<u>Total Costs - DOR</u>	<u>(\$2,574,956)</u>	<u>(\$1,896,474)</u>	<u>(\$1,909,304)</u>
FTE Change - DOR	29 FTE	29 FTE	29 FTE
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$2,574,956)</u>	<u>(\$1,896,474)</u>	<u>(\$1,909,304)</u>
Estimated Net FTE change for General Revenue Fund	29 FTE	29 FTE	29 FTE
HIGHWAY FUND			
<u>Revenue - Mandatory insurance suspension reinstatement fees - Drivers License (75%)</u>	\$543,615	\$652,335	\$652,335
<u>Revenue - License plates reinstatement fees - Motor Vehicles (75%)</u>	<u>\$2,843,313</u>	<u>\$3,411,975</u>	<u>\$3,411,975</u>
ESTIMATED NET EFFECT TO THE HIGHWAY FUND	<u>\$3,386,928</u>	<u>\$4,064,310</u>	<u>\$4,064,310</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue</u> - Cities - Mandatory insurance suspension reinstatement Fees - Drivers' License (15%)	\$108,723	\$130,467	\$130,467
<u>Revenue</u> - Counties - Mandatory insurance suspension reinstatement Fees - Drivers' License (10%)	\$72,482	\$86,978	\$86,978
<u>Revenue</u> - Cities - License plates reinstatement fees - Motor Vehicle (15%)	\$568,663	\$682,395	\$682,395
<u>Revenue</u> - Counties - License plates reinstatement fees - Motor Vehicle (10%)	<u>\$379,108</u>	<u>\$454,930</u>	<u>\$454,930</u>
ESTIMATED NET EFFECT TO THE LOCAL POLITICAL SUBDIVISIONS	<u>\$1,128,976</u>	<u>\$1,354,770</u>	<u>\$1,354,770</u>

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 insurers to notify the Department of Revenue within three business days of any motor vehicle liability policy that lapses including required identifying language. The insurer must also notify the policyholder within three business days; however, the insurer cannot cancel or terminate the policy until at least 10 days after the policyholder has been notified.

After providing notice to the policyholder, the owner of the motor vehicle with a lapsed liability insurance policy must file proof of liability insurance coverage for the motor vehicle and pay all related fees to the department within 20 days of cancellation or termination.

FISCAL DESCRIPTION (continued)

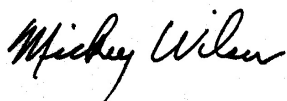
The department must notify any owner of the motor vehicle not complying with these requirements in writing and instruct the owner to surrender the motor vehicle license plates to the nearest license office. If the owner has not complied after 30 days of when the policy was canceled or terminated the department will notify the State Highway Patrol to relay such information.

An additional \$50 reinstatement fee will be imposed for any new license plates or for renewal of the existing license plates.

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

SOURCES OF INFORMATION

Department of Revenue
Department of Insurance, Financial Institutions and Professional Registration
Office of the State Courts Administrator
Department of Public Safety - Missouri Highway Patrol
Joint Committee on Administrative Rules



Mickey Wilson, CPA
Director
February 6, 2017

Ross Strobe
Assistant Director
February 6, 2017