

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5056-01  
Bill No.: HB 1566  
Subject: Department of Revenue; Motor Vehicles; Licenses - Motor Vehicle  
Type: Original  
Date: January 9, 2018

---

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(\$58,887)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$58,887)</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Highway Fund	\$28,500,000	\$14,300,000	(\$28,500,000)
Highway Patrol Inspection Fund	Less than (\$334,361)	Less than (\$334,361)	Less than (\$334,361)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Less than \$28,500,000</b>	<b>Less than \$14,300,000</b>	<b>More than (\$28,500,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 10 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</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 2019</b>	<b>FY 2020</b>	<b>FY 2021</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 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

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

#### §301.147

Provides that, notwithstanding subsection 1, beginning January 1, 2019, the Director will be required to provide owners of motor vehicles the option of a three year (triennial) registration for motor vehicles:

- Other than commercial vehicles licensed in excess of 54,000 lbs. gross weight;
- Ineligible for a biennial registration; and
- Eligible for an annual registration.

Triennial registrations are subject to the following requirements:

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

#### Administrative Impact

This proposal requires personal property tax for the previous two years, a safety/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 §307.350 and emissions inspections under §643.315.

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

To implement the proposed language, the Department will be required to:

- Update procedures, registration fee charts, and the Department website;
- Update the Application for Missouri Title and License (DOR-108);
- Update the Application for Motor Vehicle License (DOR-184);
- Update related correspondence and the renewal notice;
- Complete programming and user acceptance testing; and
- Prepare and update administrative rules.

ASSUMPTION (continued)

Administrative Impact (continued)

FY 2019 - Motor Vehicle Bureau

Management Analysis Spec I	480 hrs. @ \$18.42 per hr.	= \$8,842
Admin. Office Support Asst.	15 hrs. @ \$13.78 per hr.	= \$ 207
Revenue Manager Band I	80 hrs. @ \$25.05 per hr.	= \$ 2,004
Total		= \$11,053

FY 2019 - Personnel Services Bureau

Administrative Analyst III	20 hrs. @ \$19.43 per hr.	= \$ 389
----------------------------	---------------------------	----------

**Total Costs** = **\$11,442**

OA-ITSD services will be required at a cost of **\$58,887** (785.16 hours x \$75 per hour) in FY 2019.

In summary, DOR assumes a cost of **\$70,329** (\$11,442 + \$58,887) in FY 2019.

**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; therefore, Oversight will reflect a fiscal impact of **\$58,887** for IT services in FY 2019.

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 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 the 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 57% of registrations are two-year and 43% are one-year.

ASSUMPTION (continued)

Officials from the **Department of Public Safety - Missouri Highway Patrol** assume the following regarding this proposal:

According to DOR records, as of December 31, 2016, there are 5,363,766 vehicles currently registered in Missouri. Vehicles model year 2012-2016 are exempt from inspection. DOR records show 1,351,431 vehicles registered are model year 2012-2016, and are thereby exempt from inspection.

The total number of vehicles licensed (5,363,766) minus the vehicles exempted from inspection (1,351,431) = 4,012,335 vehicles registered that require a state safety inspection.

50% of the 4,012,335 vehicles registered with DOR and requiring a safety inspection, would be ineligible for the two-year registration (simply because approximately 50% of the licensed vehicles would be even model year and 50% will be odd model year vehicles):  $4,012,335 \times 50\% = 2,006,167$  vehicles.

State revenue generated from safety inspection is \$1.50 per inspection. On average, the state receives \$1.50 per inspection on 2,523,598 vehicles yearly which equals \$3,785,397 in revenue. 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.

The model year of vehicles affected in DOR data is  $2,006,167 \times \$1.50$  for inspection fee = \$3,009,251 yearly revenue from the vehicles affected by this proposal.

Therefore, if each vehicle ineligible for the 2-year registration opted for the 3-year registration, then in theory, these vehicles would be inspected every 3 years instead of 2 years.

This would reduce the revenue generated by the state by 1/3 for a three-year period.

For this fiscal note,  $\$3,009,251 \times 2$  years = \$6,018,502 in revenue currently generated every 2 years. 6 years of revenue  $\times \$3,009,251 = \$18,055,500$  in revenue generated in 6 years.

If this bill is passed, vehicles would be inspected every 3 years instead of 2 years, reducing the 6-year revenue by 1/3.  $\$18,055,500 \times 1/3 = \$6,018,500$  in revenue lost in 6 years.

The 1/3 reduction of safety inspections would result in a loss of \$6,018,500 in state revenue every 6-year period. ( $\$18,055,500 \times 1/3 = \$6,018,500$  loss in revenue in 6 years.)

ASSUMPTION (continued)

To calculate the yearly fiscal note, the 6-year revenue loss (\$6,018,500) is divided by 6 years (\$6,018,500 x 1/6 = \$1,003,083). Yearly loss of revenue is: \$1,003,083.

Highway Fund:

$\$1,003,083 \times 2/3 = \$668,722$

Highway Patrol Inspection Fund:

$\$1,003,083 \times 1/3 = \$334,361$

The yearly loss of \$1,003,083 is the maximum potential loss of revenue. This number could be reduced by several factors to include persons trading cars frequently.

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

Utilizing MHP's estimate of 5,363,766 registered vehicles in Missouri and DOR's estimate of 43 percent currently utilizing the annual registration option, **Oversight** notes this equates to 2,306,419 (5,363,766 x 43%) vehicles that have an annual registration. For purposes of this fiscal note, Oversight will assume that 50 percent (50% x 2,306,419 = 1,153,210) of the current annual registrants (and none of the current biennial registrants) will now choose to get a triennial registration. Therefore, assuming half of these current annual registrations come due in FY 2019 and the other half in FY 2020, Oversight assumes that when the registrant pays for a triennial registration instead of an annual, DOR would collect that second and third year of registration fee earlier than it would have without this bill. Therefore, Oversight assumes the timing of DOR collecting registration fees would be moved up by one or two years for those choosing this option.

This means that 1,153,210 vehicle owners would choose the triennial registration, resulting in an earlier collection of revenue of approximately \$28,000,000 (1,153,210 vehicles x \$24.75 typical annual registration fee). Oversight further assumes that half of that amount of vehicles registrations will come due in FY 2019 and the other half in FY 2020. Therefore, Oversight will reflect a positive fiscal impact in FY 2019 and FY 2020 and a similar loss of revenue in FY 2021 from registrants in FY 2019 who would have otherwise paid a registration fee in FY 2021 (but already paid it in FY 2019).

ASSUMPTION (continued)

Oversight assumes this to be a **timing difference** between paying for a triennial registration in FY 2019 or FY 2020 versus paying for an annual registration in the same years.

For comparison, Oversight provides the following table showing different scenarios regarding the percentage of current annual 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 annual registrants utilize the new triennial option. Oversight will round the annual impact.

Total population of registered vehicles	5,363,766	5,363,766	5,363,766
43% of those vehicles utilize annual registration	2,306,419	2,306,419	2,306,419
Potential percentage of current annual registrants that could now choose Triennial	75%	50%	25%
Possible number of vehicles that could acquire a Triennial registration	1,729,814	1,153,210	576,605
Typical annual registration fee	\$24.75	\$24.75	\$24.75
Total potential dollar amount for Triennial registration fees	\$42,812,897	\$28,541,948	\$14,270,974
Year 1 (half)	\$ 21,406,449	\$ 14,270,974	\$ 7,135,487
Year 2 (half)	\$ 21,406,449	\$ 14,270,974	\$ 7,135,487
Year 3 (loss)	\$ (21,406,449)	\$ (14,270,974)	\$ (7,135,487)

ASSUMPTION (continued)

Oversight as attempted to show the timing difference in registration fee revenue if fifty percent of the cars currently getting annual registrations choose to get a triennial registration.

Total cars	5,363,766			
43% choose annual	43%			
	2,306,419			
Half of annuals would choose the triennial registration	50%			
	1,153,210			
Half of year (begin date of 1/1/19)	50%			
Number of cars in FY 2019	576,605			
Typical registration fee	\$24.75			
Total registration fees for half of year	\$14,270,970			
		<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
Half of year (would have collected anyway)		\$14,270,970	\$14,270,970	
Collect early for year 2		\$14,270,970	\$14,270,970	
Collect early for year 3		\$14,270,970	\$14,270,970	
Lost revenue for year 2			(\$14,270,970)	(\$14,270,970)
Lost revenue for year 3				(\$14,270,970)
<b>Total</b>		<b>\$28,541,940</b>	<b>\$14,270,970</b>	<b>(\$28,541,940)</b>

	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b><u>FISCAL IMPACT - State Government</u></b>			
<b>GENERAL REVENUE</b>			
<u>Cost</u> - DOR - IT services	<u>(\$58,887)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>(\$58,887)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>HIGHWAY FUND</b>			
<u>Revenue</u> - DOR - <b>Timing difference ONLY</b> - those moving to triennial registration	\$28,500,000	\$14,300,000	(\$28,500,000)
<u>Loss</u> - DPS-MHP - decreased safety inspections	Less than <u>(\$668,722)</u>	Less than <u>(\$668,722)</u>	Less than <u>(\$668,722)</u>
<b>ESTIMATED NET EFFECT TO THE HIGHWAY FUND</b>	<b><u>Less than \$28,500,000</u></b>	<b><u>Less than \$14,300,000</u></b>	<b><u>(More than \$28,500,000)</u></b>
<b>HIGHWAY PATROL INSPECTION FUND</b>			
<u>Loss</u> - DPS-MHP - decreased safety inspections	Less than <u>(\$334,361)</u>	Less than <u>(\$334,361)</u>	Less than <u>(\$334,361)</u>
<b>ESTIMATED NET EFFECT TO THE HIGHWAY PATROL INSPECTION FUND</b>	<b><u>Less than (\$334,361)</u></b>	<b><u>Less than (\$334,361)</u></b>	<b><u>Less than (\$334,361)</u></b>
<b><u>FISCAL IMPACT - Local Government</u></b>			
	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

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 bill requires the Department of Motor Vehicles, within the Department of Revenue, 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

Ross Strobe



Acting Director  
January 9, 2018