

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5056-02
Bill No.: HCS for HB 1566
Subject: Department of Revenue; Motor Vehicles; Licenses - Motor Vehicle
Type: Original
Date: January 23, 2018

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(\$30,294)	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$30,294)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Highway Fund*	\$2,841,476	\$1,332,952	(\$3,017,048)
Highway Patrol Inspection Fund	(\$29,262)	(\$58,524)	(\$58,524)
Total Estimated Net Effect on Other State Funds*	\$2,812,214	\$1,274,428	(\$3,075,572)

* The bulk of this impact is a TIMING DIFFERENCE of vehicle registrations that choose a triennial option

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

§301.147.2

Provides that, notwithstanding subsection 1 and the provisions of §301.020, beginning January 1, 2019, the Director will be required to provide owners of motor vehicles during a complete change of ownership the option of a three year (triennial) registration for motor vehicles:

- Other than commercial vehicles licensed in excess of 54,000 lbs. gross weight; and
- That are ineligible for a biennial registration; and

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.

A triennial registration can only be issued once per eligible motor vehicle transfer and is not renewable.

Contract offices shall be entitled to charge three years' worth of processing fees when processing a triennial registration.

§301.147.4

Changes "must" to "shall" in reference to maintaining the biennial registration for a full twenty-four month period.

Administrative Impact

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

ASSUMPTION (continued)

Administrative Impact (continued)

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;
- Complete programming and user acceptance testing; and
- Prepare and update administrative rules.

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	10 hrs. @ \$19.43 per hr.	= \$ 194
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Total Costs = **\$11,247**

OA-ITSD services will be required at a cost of **\$30,294** (403.92 hours x \$75 per hour) in FY 2019.

In summary, DOR assumes a cost of **\$41,541** (\$11,247 + \$30,294) 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 \$30,294 for IT services in FY 2019.

Tab Inventory and Tabs on Demand

The Department anticipates a minimal impact to the tab inventory. However, if more owners elect to take a triennial registration, the Department would request additional funds through the appropriations process.

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 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 there were 410,778 vehicles in FY 2017 that would be eligible for a triennial registration.

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

This proposal amends Section 301.147 RSMo to allow the Department of Revenue to provide the option of a three-year registration for vehicles which are ineligible for a biennial registration. The bill limits the option of a three-year registration to vehicles which have been acquired through a change of ownership and the three-year registration is a one-time option that would allow odd model year vehicles acquired in an even year, (or vice versa), to sync their registration period.

Currently, a new vehicle is exempt from vehicle safety inspections for the first 5 years, then a safety inspection is required every two years. Even year vehicles are inspected in even calendar years, and odd year vehicles are inspected in odd calendar years. The bill as written would allow an individual who purchases a 5-year-old vehicle, which is still exempt from a safety inspection for one registration year, to be licensed for an additional three years without a safety inspection. This would allow a vehicle to be driven for up to 8 years without a safety inspection.

ASSUMPTION (continued)

The bill would also allow persons who acquire a vehicle over 5-years of age to opt for a three-year registration, thereby avoiding one cycle of having their vehicle safety inspected. This would create a greater risk for the motoring public by allowing a greater number of vehicles with vehicle defects that have gone undetected due to the three-year registration.

It is estimated this bill could reduce state revenues by as much as \$351,144 if all (100%) eligible vehicles were registered with the three-year registration option.

Methodology for State Revenue lost due to the 3-year registration bill:

Inspection stations purchase vehicle safety inspection stickers from the Missouri State Highway Patrol as required by state statute. The \$1.50 fee for the inspection sticker covers the cost of the sticker and the excess is deposited into Highway Funds. Using the DOR statistics, 234,096 vehicles meet this exception annually.

$$234,096 \text{ vehicles} \times \$1.50 \text{ fee} = \$351,144$$

Therefore, the loss of Highway funds would be \$351,144 annually, assuming each year the same number of vehicles would meet the three-year registration requirements.

MHP notes \$1.00 of the \$1.50 fee is deposited into the Highway Fund and \$0.50 is deposited into the Highway Patrol Inspection fund.

Oversight notes that according to the DOR, approximately 43% of those eligible, currently choose the biennial registration option. Therefore, for fiscal note purposes, Oversight will assume that 50% of those eligible will choose the new triennial option. Therefore, Oversight will reflect the impact to the DPS-MHP of approximately 50% of their estimate. Oversight will reflect only 6 months of impact in FY 2019 as this is effective beginning January 1, 2019.

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

Officials from the **Department of Transportation** defer to DOR for the fiscal impact of this proposal.

Utilizing MHP's estimate of 234,096 registered vehicles that will be eligible to receive a triennial registration and DOR's estimate of 43 percent currently utilizing the annual registration option, **Oversight** will assume that 50 percent ($50\% \times 234,096 = 117,048$) will choose to get a triennial

ASSUMPTION (continued)

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 117,048 vehicle owners would choose the triennial registration, resulting in an earlier collection of revenue of approximately \$2.9 million (117,048 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). Oversight will round the annual impact.

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.

Total population of registered vehicles	234,096
Potential percentage of current annual registrants that could now choose Triennial	50%
Possible number of vehicles that could acquire a Triennial registration	117,048
Typical annual registration fee	\$24.75
Total potential dollar amount for Triennial registration fees	\$2,900,000
Year 1 (half)	\$ 1,450,000
Year 2 (half)	\$ 1,450,000
Year 3 (loss)	\$ (1,450,000)

ASSUMPTION (continued)

Total cars	234,096			
Half of annuals would choose the triennial registration	50%			
	117,048			
Half of year (begin date of 1/1/19)	50%			
Number of cars in FY 2019	58,524			
Typical registration fee	\$24.75			
Total registration fees for half of year	\$1,450,000			
		FY 2019	FY 2020	FY 2021
Half of year (would have collected anyway)		\$1,450,000	\$1,450,000	
Collect early for year 2		\$1,450,000	\$1,450,000	
Collect early for year 3		\$1,450,000	\$1,450,000	
Lost revenue for year 2			(\$1,450,000)	(\$1,450,000)
Lost revenue for year 3				(\$1,450,000)
Total		\$2,900,000	\$1,450,000	(\$2,900,000)

<u>FISCAL IMPACT - State Government</u>	FY 2019 (6 Mo.)	FY 2020	FY 2021
GENERAL REVENUE			
<u>Cost - DOR - IT services</u>	<u>(\$30,294)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$30,294)</u>	<u>\$0</u>	<u>\$0</u>
 HIGHWAY FUND			
<u>Revenue - DOR - Timing difference ONLY - those moving to triennial registration</u>	\$2,900,000	\$1,450,000	(\$2,900,000)
<u>Loss - DPS-MHP - decreased safety inspections (\$1.00 of \$1.50)</u>	<u>(\$58,524)</u>	<u>(\$117,048)</u>	<u>(\$117,048)</u>
ESTIMATED NET EFFECT TO THE HIGHWAY FUND	<u>\$2,841,476</u>	<u>\$1,332,952</u>	<u>(\$3,017,048)</u>
 HIGHWAY PATROL INSPECTION FUND			
<u>Loss - DPS-MHP - decreased safety inspections (\$0.50 of \$1.50)</u>	<u>(\$29,262)</u>	<u>(\$58,524)</u>	<u>(\$58,524)</u>
ESTIMATED NET EFFECT TO THE HIGHWAY PATROL INSPECTION FUND	<u>(\$29,262)</u>	<u>(\$58,524)</u>	<u>(\$58,524)</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The safety inspection stations, and potential small business motor vehicle mechanics could 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 Strope



Acting Director
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