

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION
FISCAL NOTE

L.R. No.: 4046-01
Bill No.: HB 1742
Subject: Licenses - Motor Vehicle; Department of Revenue
Type: Original
Date: January 29, 2020

Bill Summary: This proposal establishes a one-time three-year motor vehicle registration option.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
General Revenue	(\$23,495)	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$23,495)	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Highway Fund* (0644)	\$0	Less than \$2,575,000	Less than \$1,125,000	Less than (\$3,225,000)
Highway Patrol Inspection Fund (0297)	\$0	Less than (\$162,500)	Less than (\$162,500)	Less than (\$162,500)
Total Estimated Net Effect on Other State Funds	\$0	Less than \$2,412,500	Less than \$950,000	Less than (\$3,387,500)

* The bulk of this impact is a TIMING DIFFERENCE of vehicle registrations that choose a triennial option. An actual loss of vehicle inspection fees would occur.

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Total Estimated Net Effect on FTE	0	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 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

Administrative Impact

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

- Update procedures, registration fee charts, forms, and the Department website;
- 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 2021 - Motor Vehicle Bureau

Admin. Office Support Asst.	10 hrs. @ \$13.78 per hr.	= \$ 138
Administrative Analyst I	80 hrs. @ \$14.70 per hr.	= \$ 1,176
Management Analyst I	400 hrs. @ \$18.42 per hr.	= \$ 7,368
Management Analyst II	35 hrs. @ \$20.57 per hr.	= \$ 720
Revenue Manager Band I	60 hrs. @ \$20.59 per hr.	= \$ 1,235
Total		= \$10,637

FY 2021 - Communications Bureau

Administrative Analyst II	60 hrs. @ 17.13 per hr.	= \$ 1,028
Management Analyst I	40 hrs. @ 18.42 per hr.	= \$ 737
Total		= \$ 1,765

Total Costs **\$12,402**

Oversight assumes DOR will use existing staff and will not hire additional FTE to conduct these activities; therefore, Oversight will not reflect the administrative costs DOR has indicated on the fiscal note.

DOR notes OA-ITSD services will be required at a cost of **\$23,495** in FY 2021 (247.32 hours x \$95 per hour).

Oversight does not have any information to the contrary in regards to DOR's assumptions; therefore, Oversight will reflect DOR's OA-ITSD costs on the fiscal note.

ASSUMPTION (continued)

Revenue Impact

DOR states this legislation will result in a short term increase in registration fee revenue due to registrants having the option for a three-year registration for qualifying transactions. It is unknown how many registrants that will be eligible for three-year registration will obtain one, but any short term increase will offset after the 1st year since the registration fees collected over a three year period will remain the same.

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

DOR estimates that 50% of those currently eligible to select a two-year registration will select only a one-year registration; therefore, an assumption is made that 50% of those eligible to select a three-year registration will select a one-year registration.

An estimate of 325,000 registrations requiring motor vehicle safety inspections was calculated utilizing DOR records which include vehicles over 10 years of age, or under 10 years of age with a mileage of over 150,000 miles, who registered in an "off-cycle" (i.e., even year model during odd calendar year or odd year model during even calendar year).

A decrease in state revenue of \$487,500 ($325,000 \times \1.50) is anticipated due to a reduction in the sale of motor vehicle safety inspection stickers/authorities and motorcycle inspection decals. Each safety inspection sticker/authority/decals is sold at a price of \$1.50, with \$1.00 deposited to the Highway Fund (0644) and \$0.50 deposited to the Highway Patrol Inspection Fund (0297).

In response to a similar proposal in 2018 (HB 1566), MHP estimated 234,096 registered vehicles 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 registration. 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 ($117,048 \text{ vehicles} \times \$24.75 \text{ typical annual registration fee}$). 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

ASSUMPTION (continued)

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.

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)

Total cars	234,096			
Half of annuals would choose the triennial registration	50%			
	117,048			
Half of year	50%			
Number of cars in FY 2019	58,524			
Typical registration fee	\$24.75			
Total registration fees for half of year	\$1,450,000			
		Year 1	Year 2	Year 3
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)

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.

Therefore, Oversight assumes the timing of DOR collecting registration fees would be moved up by one or two years for those choosing this option.

Oversight assumes this to be a **timing difference** between paying for a triennial registration in FY 2021 or FY 2022 versus paying for an annual registration in the same years.

ASSUMPTION (continued)

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.

Oversight notes that the agencies mentioned above have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Oversight is anticipating a revenue estimate from the Department of Revenue regarding the number of vehicles that may utilize the triennial option and what impact this bill will have on registration revenues. When Oversight receives this estimate, we will determine if an updated fiscal note is required.

As the estimates from the MHP for this bill is larger than their HB 1566 in 2018, Oversight will reflect an impact of “Less than” their 2020 estimate.

<u>FISCAL IMPACT - State Government</u>	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
GENERAL REVENUE FUND				
<u>Cost - DOR - OA- ITSD services p. 3</u>	<u>(\$23,495)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$23,495)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT -
State Government
 (continued)

Fully
 Implemented
 (FY 2024)

FY 2021 FY 2022 FY 2023

HIGHWAY FUND

Revenue - DOR -
Timing difference
ONLY - those
 moving to triennial
 registration p. 4-5

\$0 \$2,900,000 \$1,450,000 (\$2,900,000)

Loss - DPS-MHP -
 decreased safety
 inspections (\$1.00 of
 \$1.50) p. 4

\$0 Less than
(\$325,000) Less than
(\$325,000) Less than
(\$325,000)

ESTIMATED NET
EFFECT TO THE
HIGHWAY FUND

\$0 Less than
\$2,575,000 Less than
\$1,125,000 Less than
(\$3,225,000)

HIGHWAY
PATROL
INSPECTION
FUND

Loss - DPS-MHP -
 decreased safety
 inspections (\$0.50 of
 \$1.50) p. 4

\$0 Less than
(\$162,500) Less than
(\$162,500) Less than
(\$162,500)

ESTIMATED NET
EFFECT TO THE
HIGHWAY
PATROL
INSPECTION
FUND

\$0 Less than
(\$162,500) Less than
(\$162,500) Less than
(\$162,500)

FISCAL IMPACT -
Local Government

	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
	<u>\$0</u>	<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 Division of Motor Vehicles, within the Department of Revenue, to offer a one-time only three-year registration option for specified vehicles. Fee offices may collect an extra proportional fee for the three-year license sale.

FISCAL DESCRIPTION (continued)

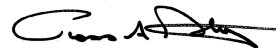
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

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



Julie Morff
Director
January 29, 2020



Ross Strope
Assistant Director
January 29, 2020