

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0391-10
Bill No.: HCS for SCS for SB 82
Subject: Motor Vehicles: Revenue Department; Insurance - Automobile
Type: Original
Date: April 19, 2007

Bill Summary: Modifies several provisions of law relating to motor vehicles.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(\$634)	(\$634)	(\$634)
Total Estimated Net Effect on General Revenue Fund	(\$634)	(\$634)	(\$634)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Highway Fund	(Less than \$146,970)	(Less than \$146,970)	(Less than \$146,970)
Motor Vehicle Commission Fund	(\$1,739)	\$0	\$0
Total Estimated Net Effect on Other State Funds	(Less than \$148,709)	(Less than \$146,970)	(Less than \$146,970)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	(Less than \$101,838)	(Less than \$101,838)	(Less than \$101,838)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Office of the Director and Missouri State Highway Patrol** state there is no fiscal impact to their agencies.

Officials from the **Department of Revenue (DOR)** will be required to revise policies, procedures, and forms and in addition, must notify dealers, salvage dealers, and insurance companies regarding this legislation. DOR will incur \$1,739 in paper costs to notify all dealers of the dealer licensure/plate related issues, sales contract issues, etc., at the time renewal instructions are sent out (no envelope or postage cost is required).

DOR officials state that the **Office of Administration Information Technology (ITSD DOR)** estimates that this legislation could be implemented utilizing existing resources of 1 existing CIT I for 2 months at a rate of \$4,546 and 2 existing CIT III's for 2 months at a rate of \$4,186. However, if priorities shift and additional FTE/overtime would be needed to implement, the cost will be approximately \$ 25,836. They plan to use existing resources to implement this legislation.

§301.010 (26) & (27)

This part of the section expands the area in which local log trucks and local log truck tractors can operate.

Officials at the **Missouri Department of Transportation (MoDOT)** assume this proposal expands the area in which local log trucks may operate from no more than a 50 mile radius from a forested site to no more than a 100 mile radius from such sites. An extension of this zone from 50 miles to 100 miles with increased weights and axle loads will lead to additional deterioration of bridges and presents increased safety concerns.

The proposed definition change for "Local log truck" and "Local log truck tractor" appears to allow these vehicles to bypass current overweight permitting process and allows heavier than normal legal loads that do not meet the customary limits of RSMo 304.180 to travel state highways within the current fifty mile radius. Potentially, expanding this area to one hundred miles could lead to additional damage and/or increased risk of unexpected collapse of existing bridges. Also, additional "wear and tear" on structures due to these overweight vehicles, where capacity of the individual bridge is not checked through the permit process, will likely shorten the life of bridges in the state system and increase bridge maintenance needs.

ASSUMPTION (continued)

MoDOT is unable to estimate the fiscal impact to the state road fund at this time. The cost likely would run in the millions of dollars for additional bridge replacements, increased bridge maintenance costs, re-rating analysis of these bridges, and installation of new posting signs.

Officials from the **City of Centralia, St. Louis County,** and the **City of Kansas City** each assume that there is no fiscal impact from this section of the proposal.

Oversight assumes that there is no direct fiscal impact from the implementation of this proposal on MoDOT or cities or counties. Road and bridge repair and replacement costs are figured into the on-going maintenance costs already performed by MoDOT, cities, and counties.

§301.010 (51); 301.020; 301.190; 301.196; 301.218; 301.221; 201.225 301.227

These sections modify provisions relating to salvage motor vehicles.

Officials from the **Department of Transportation, Department of Public Safety - Office of the Director and Missouri State Highway Patrol,** and the **Department of Insurance, Finance, and Professional Regulation** state this portion of the proposal will have no fiscal impact on their respective agencies.

§301.010 (51)

DOR officials state there will be an unknown decrease in revenue because the definition of salvage vehicle is being revised to exclude hail-damaged vehicles, which will result in a reduction in the number of salvage titles issued.

A search of the GRS file indicates there are currently 49,316 salvage title records on file with a purchase date during calendar year 2006. Applying the proposed salvage vehicle definition to these vehicles would reduce this number to only 19,372 vehicles (61% reduction) actually requiring a salvage title (this does not take into account the change in the percentage of damage from 75% to 80%). Accordingly, there will be:

1. An unknown decrease in the amount of salvage title fees (\$8.50 + \$2.50 processing fees), as rebuilders who purchase these vehicles from individuals will not have to obtain salvage titles before rebuilding. Individuals who retain ownership of their salvaged vehicle will no longer need to retitle the vehicle because it will no longer be deemed "salvaged" by the insurance company in most cases. Insurance companies who acquire the vehicle due to a total loss claim will obtain original titles instead of salvage so there will be no revenue loss for those

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ASSUMPTION (continued)

transactions.

2. Unknown decrease in DOR 551 forms purchased (at \$25 each) to convert a title from salvage to original since the salvage title won't be required in many cases.

3. A potential reduction in revenue from sales tax on parts used to rebuild a vehicle. Currently, to convert a salvage title to an original title, the applicant must obtain a 551 form and submit proof of purchase for all parts used. Often times, taxes haven't been paid on the parts and are paid at the time application for title is made. Under this proposal, there will be fewer salvage titles obtained so the vehicles can be sold on original titles without presenting any parts receipts.

Oversight assumes, based in information from DOR, salvage titles issued for vehicles no more than six years after the manufacturer's model year designation were as follows:

2005	22,639	x	\$8.50 =	\$192,432
2004	25,572	x	\$8.50 =	\$217,362
2003	25,342	x	\$8.50 =	\$214,407

Oversight assumes that even if fifty percent of the salvage titles had been due to hail damage, eliminating hail damaged vehicles as being eligible for a salvage title could decrease the number of salvage titles issued but general revenue losses should not exceed \$100,000 in any given year since 75% of the income goes to general revenue and 25% goes to cities and counties.

§301.218

DOR officials assume there will be a decrease in revenues for highway and local funds in an amount of \$7,350 each year as DOR will no longer issue non-resident salvage ID cards. In FY'06, DOR issued 294 ID cards and collected \$7,350 in related fees.

This proposed legislation could also cause an unknown decrease in revenue because it no longer requires proof in order to buy at salvage pools. Therefore, there may be a decrease in some salvage dealer registrations/fees by no longer requiring purchasers to present their salvage ID card in order to buy at salvage pools.

ASSUMPTION (continued)

§301.560

This section refers to dealer application requirements.

§301.560.1 (3)

This proposal states that surety bond or letter of credit requirements will be increased from \$25,000 to \$30,000 and also that evidence of current dealer garage insurance must be produced. Officials from the **Department of Insurance, Finance, and Professional Regulation** state this will have no fiscal impact on their agency.

§310.560.6

DOR assumes there will be an increase in plate revenue due to provisions that require DOR to issue (and the applicant to purchase) three plates for every registration (original plus two). This will require 514 motor vehicle dealers to purchase 744 additional dealer plates resulting in a revenue increase of \$7,812 and will require 62 boat dealers to purchase 84 additional certificates of number resulting in revenue increase of \$882.

DOR states they will see savings from ordering fewer dealer plates (\$28,190 - Highway Fund) and boat dealer certificates of number (\$3,062 - General Revenue) due to the limitation on plates issued to dealers.

DOR assumes there will be a decrease in revenue each year due to the following:

1798 motor vehicle dealers will need to purchase 7,377 fewer plates due to basing plate quantities on sales (this excludes dealers who made fewer than 6 sales per year) resulting in a decrease of \$77,459.

84 boat dealers will need to purchase 436 fewer certificates of number due to basing certificate quantities on sales resulting in a decrease of \$4,578.

Revenue projections are based on a January 1, 2008 effective date. However, since dealer plate fees for calendar year 2008 are collected in the last quarter of calendar year 2007, this revenue impact is also included.

ASSUMPTION (continued)

The NET DECREASE in revenue each year for dealer plates is as follows:

Highway Fund (motor vehicle dealer plates)	(\$69,647)
General Revenue Fund (boat dealer plates)	(\$ 3,696)

It is unknown as to how many "RV" dealers the department licenses so DOR was unable to calculate the revenue/plate cost impact for these dealers.

§301.640

This sections deals with release of liens.

Officials from the **Department of Revenue** and **Department of Insurance, Finance, and Professional Regulation** state this section of the proposal would have no fiscal impact on their respective agencies.

§304.022

This section adds vehicles driven by conservation agents to the list of vehicles considered "emergency vehicles."

Officials at the **Missouri Highway Patrol, Department of Conservation, and Missouri Department of Transportation** each assume that there is no fiscal impact from this proposal.

§304.170

This section increases the maximum length for drive away saddle mount combinations from 75 feet to 97 feet.

Officials from the **Missouri Department of Transportation (MoDOT)** and **Department of Revenue** assume the proposal will have no fiscal impact on their organizations.

MoDOT notes that this section of the proposal is federally mandated under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) enacted August 10, 2005, as public law 109-59. Section 4141 of SAFETEA-LU amended 49 United States Code (U.S.C.) Section 31111(b)(1) by adding paragraph (D) which prohibits states from prescribing or enforcing a regulation that imposes a vehicle length limitation of not less

ASSUMPTION (continued)

than or more than 97 feet on a drive away saddle mount with full mount vehicle transporter combinations.

§407.815

This section modifies the definition of "motor vehicle" contained in the Motor Vehicle Franchise Practices Act to include certain types of engines, transmissions, and rear axles.

Officials from the **Office of State Courts Administrator** state this proposal has no fiscal impact on the Courts.

Officials from the **Office of Administration - Administrative Hearing Commission** anticipate that this legislation will not significantly alter its caseload; however, if other similar bills also pass, there will be fiscal impact. If there are more cases, or more complex cases, there could be a fiscal impact.

Officials from the **Department of Revenue** and the **Department of Transportation** state this section of the proposal will have no fiscal impact on their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
<u>Income</u> - DOR - Additional boat certificates of number (§301.560.6)	\$882	\$882	\$882
<u>Savings</u> - DOR - Fewer boat dealer certificates ordered (§310.560.6)	\$3,062	\$3,062	\$3,062
<u>Loss</u> - DOR - Fewer boat certificates of number issued based on quantities of sale (§301.560.6)	<u>(\$4,578)</u>	<u>(\$4,578)</u>	<u>(\$4,578)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	(\$634)	(\$634)	(\$634)

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
HIGHWAY FUND			
<u>Income</u> - DOR - Additional dealer plates issued (§301.560.2)	\$7,812	\$7,812	\$7,812
<u>Savings</u> - DOR - Fewer dealer plates ordered (§301.560.6)	\$28,190	\$28,190	\$28,190
Loss - DOR - Revenue from decrease in salvage title fees (§301.010 (51))	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
<u>Loss</u> - DOR - Fee Revenue due to elimination of salvage ID cards (§301.218)	(\$5,513)	(\$5,513)	(\$5,513)
Loss - DOR - Fewer motor vehicle dealer plates issued due to quantities of sales (§301.560.6)	<u>(\$77,459)</u>	<u>(\$77,459)</u>	<u>(\$77,459)</u>
ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>(Less than \$146,970)</u>	<u>(Less than \$146,970)</u>	<u>(Less than \$146,970)</u>
MOTOR VEHICLE COMMISSION			
Cost - DOR - Dealer notification	<u>(\$1,739)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON MOTOR VEHICLE COMMISSION	<u>(\$1,739)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
POLITICAL SUBDIVISIONS			
<u>Loss</u> - Cities and Counties - Revenue due to decrease in salvage title fees (§301.010 (51))	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
<u>Loss</u> - Cities and Counties - Fee Revenue due to elimination of salvage ID cards (§301.218)	<u>(\$1,838)</u>	<u>(\$1,838)</u>	<u>(\$1,838)</u>
ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	<u>(Less than \$101,838)</u>	<u>(Less than \$101,838)</u>	<u>(Less than \$101,838)</u>

FISCAL IMPACT - Small Business

Fewer vehicles will be declared salvage which will impact the rebuilt vehicle industry. The value of these vehicles will increase since they will no longer be titled as salvage and consequently no longer branded "Prior Salvage". More businesses will be able to buy at salvage pools without being paying a fee to be registered as a salvage business. Dealers may incur costs for surety bond increases.

FISCAL DESCRIPTION

SALVAGE VEHICLES

§301.010 (51)

Revises the definition of salvage vehicle to one that has been damaged during a year that is no more than six years after the vehicle's model year and raises the damage limit from 75% to 80% of the fair market value of the vehicle immediately preceding the time it was damaged. Hail damage is excluded from the damage calculations.

§301.218

This section requires that motor vehicle sales at salvage pools or salvage disposal sales be open to all potential buyers.

DESCRIPTION (continued)

DEALER APPLICATION REQUIREMENTS

§301.560

DOR shall issue to new motor vehicle manufacturers and other dealers 1 distinctive dealer plate and 2 additional number plates. The fee for the 2 additional number plates is \$21.

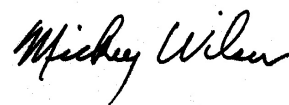
The number of additional plates a new motor vehicle manufacturer may hold will be limited to no more than 347. New applicants must estimate their first year sales for purposes of determining the quantity of additional plates they must purchase. New and used dealers are limited to one additional plate or certificate of number per 10-unit transactions annually.

The provisions in Section 301.560 regarding the number of additional plates a new motor vehicle manufacturer may hold become effective January 1, 2008.

This legislation is not federally mandated (with the exception of §304.170), would not duplicate any other program, and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Department of Insurance, Finance, and Professional Regulation
Office of State Courts Administrator
Department of Public Safety
 Office of the Director
 Missouri State Highway Patrol
Department of Transportation
Office of Administration
 Administrative Hearing Commission
Department of Conservation



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