

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4983-03
Bill No.: Truly Agreed To and Finally Passed CCS for SB 611
Subject: Transportation; Transportation Department; Roads and Highways
Type: Original
Date: June 1, 2012

Bill Summary: This proposal requires the Department of Transportation to establish minimal yellow light change interval times for traffic - control devices and modifies the law regarding the issuance of temporary permit tags.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(\$15,900 to \$63,600)	\$28,536 (up to \$1,969,759)	\$28,536 (up to \$1,969,759)
Total Estimated Net Effect on General Revenue Fund	(\$15,900 to \$63,600)	\$28,536 (up to \$1,969,759)	\$28,536 (up to \$1,969,759)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Highway Fund	\$0	(\$749,361 or \$2,248,082)	(\$749,361 or \$2,248,082)
Total Estimated Net Effect on Other State Funds	\$0	(\$749,361 or (\$2,248,082))	(\$749,361 or (\$2,248,082))

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
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 2013	FY 2014	FY 2015
Local Government	\$0	(\$249,787 or \$749,360)	(\$249,787 or \$749,360)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Transportation** assume there will be no fiscal impact to their agency.

Section 304.022

Officials from the **Department of Transportation, Department of Public Safety, Office of the State Courts Administrator, Office of Prosecution Services, Department of Insurance, Financial Institutions and Professional Registration** and the **Department of Corrections** each assume the proposal will have no fiscal impact on their respective organizations.

For the purpose of this proposed legislation, officials at the **Office of State Public Defender (SPD)** state that while the number of new cases may be too few or uncertain to request additional funding for this specific proposal, the SPD will continue to request sufficient appropriations to provide competent and effective representation in all its cases.

Oversight assumes the SPD can absorb the additional caseload that may result from this proposal.

Section 301.140

Officials from the **Department of Revenue (DOR) - Motor Vehicle Bureau (MVB)** estimate procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours of overtime at a cost of \$1,182. The Dealer Operating Manual will need to be revised. This will require 40 hours of overtime for a Management Analyst Specialist I, at a cost of \$1,182. The Missouri Titling Manual will need to be revised requiring 40 hours of overtime at a cost of \$1,182. The Department's web site will need to be updated to include the new plate type. This will require 10 hours of over time for an Administrative Analyst III, at a cost of \$319. Total cost to the DOR- MVB is \$3,865 in FY 2013.

MVB assumes the reference to an "other producer authorized by the director" throughout the proposal indicates the Department may contract with a third party vendor to produce temporary permits.

It is uncertain as to what the bid specifications for temporary permits would look like and the bid responses the Department would receive. MVB would contract with a vendor or vendors to

ASSUMPTION (continued)

produce temporary permits.

The **Department of Revenue (DOR)** may implement this legislation in two different ways. The first option is to continue to produce and distribute the new weather resistant, non-tearing temporary permits to motor vehicle dealers and license offices and build a database for law enforcement to query from. If the Department implements this proposal without a vendor the cost for temporary permits will increase from \$.07 per permit to a potential range from \$1 to \$5. This would require a new decision item for General Revenue Funds of \$371,683 to \$1,970,319. The second option is the DOR could authorize a vendor to carry out this function; however, the Department would still need to build a database to allow law enforcement access to this information.

With Vendor

If the DOR would contract with a vendor to produce temporary permits the vendor would sell temporary permits to dealers for not more than \$5 per permit. The vendor would retain all revenue from the sale of these permits. The dealer would then sell these permits to purchasers for \$5 per permit and retain all revenue from those sales. The vendor would sell temporary permits to the license office for no more than \$5 per permit.

The vendor would retain all revenue from the sale of these permits. The license offices would then sell these permits to customers at \$5 per permit and retain all revenue from those sales.

Based on 61,403 temporary permits issued by the license offices during FY 11, the license offices may have to pay in excess of \$307,015 in temporary permit inventory. Today, they pay nothing for this inventory.

The Department (central office only) would sell temporary permits to applicants for no more than \$5 per permit. Revenue received due to the sale of temporary permits by the Department (central office) will be considered state revenue. As such, those funds would be distributed as they are today: \$5 to the highway fund.

As the Department would no longer be required to produce and distribute temporary permits to license offices and dealers, this will result in a cost reduction for producing the temporary permits. It currently cost the DOR \$0.0714 to produce one temporary permit from the current contractor. In FY 2011, the Department produced and issued 399,659 temporary permits. By not having to produce temporary permits will result in a cost reduction of \$28,536 in FY14 and \$28,536 in FY15.

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ASSUMPTION (continued)

In FY 11 the Department sold 399,659 temporary permits at \$7.50 each and collected \$2,997,443. Of those 399,659 temporary permits only 336 were sold by the central office. This proposal changes the distribution of funds for the remaining 399,323 temporary permits sold by motor vehicle dealers and license offices. As a result \$2,994,923 will no longer constitute state revenue annually and the collections will be retained by these entities; permits sold directly by the Department to purchasers will continue to be distributed to the highway funds.

The distribution of the loss of a total of \$2,994,923 from the sales of temporary permits by both dealers and the license offices is shown below:

	<u>FY 14</u>	<u>FY 15</u>
\$5.00 - Highway Fund	(\$1,996,615)	(\$1,996,615)
\$2.50 - 75% Highway Fund	(\$ 748,731)	(\$ 748,731)
15% Cities	(\$ 149,746)	(\$ 149,746)
10% Counties	(\$ 99,831)	(\$ 99,831)

As the Department will charge \$1 to \$5, rather than the current \$7.50, for the issuance of temporary permits out of the central office, there will be a loss of \$2.50 to \$6.50 for each temporary permit sold. In FY11 there were 336 temporary permits sold out of the central office; this will result in a loss of \$840 to \$2,184 as shown below:

	<u>FY 14</u>	<u>FY 15</u>
75% Highway Fund	(\$630 to \$1,638)	(\$630 to \$1,638)
15% Cities	(\$126 to \$328)	(\$126 to \$328)
10% Counties	(\$84 to \$218)	(\$84 to \$218)

Without Vendor

If the Department implements this proposal without a vendor, the cost for temporary permits will increase from \$.07 per permit to a potential range from \$1 to \$5. This would require a new decision item for general revenue funds of \$371,683 to \$1,970,319.

The Department would only charge the amount incurred for the cost of the temporary permit to be produced which can range from \$1 to \$5. The money generated from the sale will be distributed to highway funds and can range from \$399,659 to \$1,998,295. In FY11 \$2,747,656 was distributed to the highway fund as a result of temporary permit sales. In FY11 \$249,787 was distributed to cities and counties as a result of temporary permit sales.

ASSUMPTION (continued)

This will result in a loss of revenue because the current cost of a temporary permit is \$7.50; therefore there will be a loss ranging from \$2.50 to \$6.50 per permit.

The loss in revenue will impact the following funds annually:

Highway Fund - (\$749,361) to (\$2,347,997)

Cities - (\$149,872)

Counties - (\$99,915)

Since Department of Revenue may implement this legislation in two different ways, **Oversight** will range the cost to the DOR as: \$0 (up to \$1,998,295). As a result, the loss to the Highway Fund will be ranged as: (\$749,361 or \$2,248,082) and the loss to the Cities and Counties as: (\$249,787 or \$749,360).

Officials from the **Department of Revenue (DOR) - Motor Vehicle Bureau (MVB)** state procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours of overtime at a cost of \$1,182, the Dealer Operating Manual will need to be revised requiring 40 hours of overtime at a cost of \$1,182, the Missouri Titling Manual will need to be revised requiring 40 hours of overtime at a cost of \$1,182 and the Department's web site will need to be revised requiring 10 hours of overtime for an Administrative Analyst I, at a cost of \$319.

In summary, DOR assumes a cost of \$3,865 ($\$1,182 + \$1,182 + \$1,182 + \319) in FY 2013 to provide for the implementation of the changes in this section.

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the personal service cost related to this proposal in this section.

The Department's response to a similar proposal in prior years would have indicated the Department planned to absorb the administrative costs to implement the proposal. Due to budget constraints, reduction of staff and the limitations within the Department's motor vehicle legacy systems, changes cannot be made without significant impact to the department's resources and budget. Therefore, the IT portion of the fiscal impact for Section 301.140 is estimated with a level of effort valued at \$15,900 to \$63,600.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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GENERAL REVENUE

<u>Savings</u> - Temporary Paper Permits no longer used (Section 301.140)	\$0	\$28,536	\$28,536
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<u>Cost</u> - Temporary license plate permit cost to DOR without third party vendor (Section 301.140)	\$0	\$0 or (up to \$1,998,295)	\$0 or (up to \$1,998,295)
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<u>Cost</u> - IT changes (Section 301.140)	<u>(\$15,900 to \$63,600)</u>	<u>\$0</u>	<u>\$0</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$15,900 to \$63,600)</u>	<u>\$28,536 (up to \$1,969,759)</u>	<u>\$28,536 (up to \$1,969,759)</u>
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HIGHWAY FUND

Loss -Change in fee from \$7.50 to \$5.00 (Section 301.140)	<u>\$0</u>	<u>(\$749,361 or \$2,248,082)</u>	<u>(\$749,361 or \$2,248,082)</u>
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ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>\$0</u>	<u>(\$749,361 or \$2,248,082)</u>	<u>(\$749,361 or \$2,248,082)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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LOCAL POLITICAL SUBDIVISIONS

Loss -Change in fee from \$7.50 to \$5.00 (Section 301.140)	<u>\$0</u>	<u>(\$249,787 or \$749,360)</u>	<u>(\$249,787 or \$749,360)</u>
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>(\$249,787 or \$749,360)</u>	<u>(\$249,787 or \$749,360)</u>
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FISCAL IMPACT - Small Business

License offices and dealers would have to purchase temporary permits from the third party vendor for no more than \$5 per permit. The license offices then sell those permits to citizens at \$5 per permit and retain all revenue generated from such sales.

FISCAL DESCRIPTION

This act modifies various provisions relating to the regulation of transportation.

MINIMAL YELLOW LIGHT STANDARDS - This act requires the Department of Transportation to establish minimal yellow light change interval times for traffic-control devices. The minimal yellow light change interval time shall be established in accordance with nationally recognized engineering standards set forth in the Manual on Uniform Traffic Control Devices, and any such established time shall not be less than the recognized national standard.

MOVE OVER LAW - This act amends Missouri's move over law so that drivers of motor vehicles approaching stationary emergency vehicles or vehicles owned by the commission and operated by Department of Transportation employees displaying amber or amber and white lights shall proceed with caution by making a lane change away from the stationary vehicle, if possible. The act further modifies the definition of "emergency vehicle" to include any vehicle owned by the commission and operated by a Department of Transportation employee that is marked as an emergency response or motorist assistance vehicle (Section 304.022).

TEMPORARY PERMIT TAGS - This act modifies the process for issuing temporary permits to motor vehicle owners. Under the terms of the act, the Director of Revenue is authorized to allow others to produce weather resistant, nontearing temporary permits that allow buyers of motor vehicle or trailers to operate such vehicles for a 30 day period. The temporary permit may be purchased by the motor vehicle buyer from the central office or from an authorized agent of the department. A motor vehicle buyer may also purchase a temporary permit from a motor vehicle dealer. The price paid by a registered dealer for a temporary permit shall not exceed \$5.00 per permit (current law sets the amount at \$7.50). The director shall direct motor vehicle dealers and authorized agents to obtain temporary permits from an authorized producer. Under the act, amounts received by the director for temporary permits shall constitute state revenue while amounts received by an authorized producer shall not constitute state revenue. Amounts received by motor vehicle dealers or authorized agents for temporary permits purchased from an authorized producer shall not constitute state revenue. The act specifically provides that general revenue funds or other state funds shall not be used to compensate motor vehicle dealers and other producers for their role in producing temporary permits. Dealers may not charge more than \$5.00 for each permit it issues (down from \$7.50). Under the act, each temporary permit issued

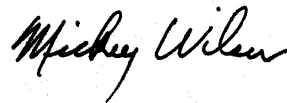
DESCRIPTION (continued)

shall be fastened to the rear of the motor vehicle in a manner and place on the motor vehicle consistent with placement of regular registration plates. The act allows the director to reissue and extend the use of a temporary permit during the time period a title and registration are being obtained. Under the terms of the act, upon the issuance of a temporary permit, the director shall make the temporary permit information immediately available to the law enforcement community of the state of Missouri (Section 301.140). This portion of the act shall become effective on the date the Department of Revenue or a producer authorized by the director of the Department of Revenue begins producing temporary permits described in subsection 4 of such section, or on July 1, 2013, whichever occurs first (Section B). The temporary permit provisions (subsections 4, 5, and 6 of section 301.140) shall expire on July 1, 2019.

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 Transportation
Department of Public Safety
Office of State Courts Administrator
Office of Prosecution Services
Office of State Public Defender
Department of Corrections
Department of Revenue
Department of Insurance, Financial Institutions &
Professional Registration



Mickey Wilson, CPA
Director
June 1, 2012