

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5037-07
Bill No.: HCS for SCS for SB 673
Subject: Motor Vehicles; Licenses - Driver's; Revenue Department
Type: Original
Date: April 26, 2012

Bill Summary: This proposal allows temporary motorcycle instruction permit holders to renew such permits only 2 additional times and applies permit restrictions to all holders, regardless of age.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|-------------------------------|-------------------------------|-------------------------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| General Revenue | (\$505,009 to Unknown) | (\$918,199 to Unknown) | (\$918,199 to Unknown) |
| Total Estimated Net Effect on General Revenue Fund | (\$505,009 to Unknown) | (\$918,199 to Unknown) | (\$918,199 to Unknown) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|--|------------------|--------------------|--------------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| Highway Fund | \$921,645 | \$1,886,398 | \$1,886,398 |
| Total Estimated Net Effect on Other State Funds | \$921,645 | \$1,886,398 | \$1,886,398 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 11 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 | \$306,202 | \$612,384 | \$612,384 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education, Department of Health and Senior Services , Office of the State Treasurer and Department of Insurance, Financial Institutions and Professional Registration** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

In response to a previous version of this proposal, officials from the **Joint Committee on Administrative Rules** state this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to a similar proposal from this year, HB 1451, officials from the **Office of the State Auditor** assume the proposal will have no fiscal impact on their organization.

Section 301.030

In response to an identical proposal from last year, officials from the **St Louis County Police Department** and the **Boone County Sheriff's Department** assumed no fiscal impact for their respective departments.

In response to an identical proposal from last year, officials from the **Springfield Police Department** state this proposal has no fiscal impact. It actually falls in line with current practice. This proposal simply clarifies current regulation.

ASSUMPTION (continued)

In response to an identical proposal from last year, officials from the **Jefferson City Police Department (JCPD)** state this proposal does not have a fiscal impact on law enforcement. Statutory violations are not written as a revenue source but as a forced compliance contact. As a department, the JCPD has always followed the change in procedure that this proposal suggests in past contacts anyway.

Section 302.020

Officials from the **Department of Public Safety - Missouri Highway Patrol** assumes that the rider motorcycle training course would be required to be an approved license waiver course and would take the place of the current Highway Patrol test; therefore, motorcycle skills testing would no longer be required at Highway Patrol examination sites.

In 2011, the Driver's Examination Division conducted 5,910 motorcycle skills tests at Missouri Highway Patrol examination offices. Each motorcycle skills test takes approximately 30 minutes. Therefore, each examiner could potentially conduct 16 motorcycle tests each day (2 tests per hour x 8 hours). With 5,910 motorcycle tests conducted in 2011, this equates to 369 days of testing ($5,910/16 = 369$). Since there are 248 working days in a calendar year ($5*52 = 260 - 12 \text{ holidays} = 248$), this could potentially eliminate one examiner position if motorcycle testing was eliminated ($369/248 = 1.48 \text{ FTE}$).

| | |
|---------------------------------|-----------------|
| 1 Driver Examiner I (\$1,152*2) | \$27,648 |
| Fringe Benefits | \$20,739 |
| Uniform Allowance (\$800) | <u>\$ 800</u> |
| Total Savings | \$49,187 |

With the passage of this legislation, the Missouri Motorcycle Operator Manual will need to be updated. The cost to print each manual is approximately .23 cents. This information is also available on cd, and the cost to burn each CD is also .23 cents.

65,000 motorcycle manuals x .23 cents = \$14,950
100,000 CDs x .23 cents = \$23,000 (Each CD includes both the motorcycle manual and driver guide). The total cost to reprint manuals and burn CDs is approximately \$37,950 (\$14,950 + \$23,000) in FY 2013.

ASSUMPTION (continued)

Officials from the **Department of Transportation** states they concur with Department of Revenue regarding any impact to their organization.

In response to a similar proposal from this year, HB 1451, officials from the **Department of Corrections (DOC)** state the color of the license tab indicates the year of the expiration of the license. Passage of this bill may require the tabs or window stickers that have the license registration information recorded on them to correlate with the license plate issuance for vehicles, motorcycle and trailers. MVE cannot provide tabs or window stickers with this information because (at the time of manufacture) MVE will not know whether the consumer is purchasing a one or two-year registration, therefore not knowing which color of tab to make. Due to this conflict, fiscal impact for DOC is unknown per each fiscal year.

In response to a similar proposal from this year, HB 1451, officials from the **Department of Revenue - Motor Vehicle Bureau** 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 Department's web site will need to be updated to include information regarding window stickers. This will require 10 hours of overtime for an Administrative Analyst III, at a cost of \$319.

An instruction pamphlet will need to be developed to provide to the offices for the citizens on the requirements on how to display the window stickers at a cost of \$2,184 (182 offices x 200 pamphlets = 36,400 x \$.06). This will require 40 hours of overtime for a Management Analysis to develop the form at the cost of \$1,182.

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. If multiple bills pass which require additional staffing and duties at substantial cost, DOR could request funding through the appropriation process.

Officials from the **Department of Revenue - Information Technology - OA-ITSD (DOR)** stated 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 is estimated with a level of effort valued at \$50,880. The value of the level of effort is calculated on 1,920 FTE hours.

ASSUMPTION (continued)

DOR assumes information provided by the business unit today, a vendor would produce enhanced security window stickers and the Missouri Vocational Enterprises (MVE) would produce stock window stickers. Department of Revenue would issue both.

Title and Registration Intranet Processing System (TRIPS) changes would include modifying the registration replacement process to issue a window sticker stock for non-enhanced security tab offices and enhanced window sticker for enhanced security tab office. Modifying the Office Profile to include an Enhanced Security Tab (EST) Office indicator and programming changes in the registration processes to read the indicator instead of the inventory number. Modifying the registration processes to read kind of vehicle (KOV) to determine whether to issue window sticker or tab. Creating a new Web Service to provide the vendor with enhanced security window sticker data. Revising the renewal print program to inform applicants about the window sticker. Revising the Title and Registration Intranet Processing System (TRIPS) to issue/accommodate a window sticker with any vehicle information that is determined as necessary.

TRIPS will also need to require an \$8.50 replacement fee for every transfer that occurs, except on motorcycles and trailers, when a new window sticker is issued. These systems will still need to accommodate tabs for cycles and trailers.

Appropriate changes will need to be made to the inventory system. Missouri License Plate Online Renewal System changes would include modifying the online processes to create two files (one for tabs and one for window stickers) based on KOV information and providing to vendors.

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. If multiple bills pass which require additional staffing and duties at substantial cost, DOR could request funding through the appropriation process.

DOR assumes the window stickers will be issued the same as tabs are issued today.

On Demand Window Stickers

Currently, the Department issues "Enhanced Security Tabs on Demand" in 13 license offices and mail-in, walk-in, and online transactions conducted at the central office in Jefferson City. The Department pays \$.295 for each set of tabs. Assuming a window sticker cost of \$.46 to \$1.21, the net cost difference would be \$.165 to \$.915 by going from two tabs to one window sticker.

ASSUMPTION (continued)

The range in the assumed impact is due to uncertainty as to what the bid specifications of enhanced security window stickers will look like and the bid responses the Department would receive. Assuming the bids for this proposal will be similar to the enhanced security tabs on demand program, the fiscal note has been calculated with a cost per window sticker ranging from \$.46 to \$1.21.

There were 634,129 tabs on demand issued by license offices in calendar year (CY) 11. It is assumed for FY13 an additional 10% would be required to ensure inventory levels are sufficient.

Estimated cost range for this proposal using the net cost difference is \$62,779 to \$348,136 in FY13 (6 months) and \$104,631 to \$580,228 in FY14 and FY15. $((.165 \text{ to } .915) \times 634,129)$

Stock Supply Window Stickers

The remaining offices will issue non-correlating window stickers from a stock supply manufactured through Missouri Vocational Enterprises.

Based on discussions with the current Missouri vendor (who is also Texas' vendor) the estimated cost will be \$.46 for each window sticker.

Under this proposal, all vehicles, except motorcycles and trailers, would be issued one window sticker in lieu of any license plate tab.

Currently, the Department pays \$.14 for each set of tabs. Assuming a window sticker cost of \$.46 each, the net cost difference would be \$.32 by going from two tabs to one window sticker.

Based on the first six (6) months of FY12, the Department orders 2,542,400 sets of tabs annually. It is assumed for FY13 an additional 10% would be required to ensure inventory levels are sufficient.

Estimated cost for this proposal using the net cost difference is \$488,140 in FY 13 (6 months) and \$813,568 $(2,542,400 \times \$.32)$ in FY 14 and FY15.

This will result in a total cost increase for stickers as below:

ASSUMPTION (continued)

| | <u>FY13 (6 mos)</u> | <u>FY14 & 15</u> |
|------------------------------|-------------------------------|---------------------------------|
| On Demand Window Stickers | \$62,779 to \$348,136 | \$104,631 to \$580,228 |
| Stock Supply Window Stickers | <u>\$488,140</u> | <u>\$813,568</u> |
| Total Cost = | \$550,919 to \$836,276 | \$918,199 to \$1,393,796 |

Oversight assumes DOR will be able to contract for “On Demand Window Stickers” at a cost similar to the “Stock Supply Sticker”. For fiscal note purposes, Oversight will show the cost of the “On Demand Window Stickers” as follows: 317,065 (half the amount of tabs ordered annually) + 31,706 (10%) = 348,771 x .165 = \$57,547 for six months of FY 2013 and \$104,631 annually thereafter.

Oversight calculated the cost for six month supply of “Stock Supply Stickers” as follows: 1,271,200 (half of the amount of tabs ordered annually) + 127,120 (10%) = 1,398,320 x .32 = \$447,462.

The total cost of window stickers for FY 13 would be \$505,009 (\$57,547 + \$447,462) and \$918,199 (104,631 + 813,568) per year thereafter.

Oversight assumes DOR will need an appropriation from General Revenue to implement this legislation due to the 3% cap from Amendment 3.

Section 301.140

During FY 2011 the Department processed 288,190 license plate transfers which would require a plate and window sticker change. There will be an increase in revenue from the \$8.50 replacement window sticker fee of \$2,449,615 per year distributed as follows:

| | <u>FY 13 (6 months)</u> | <u>FY 14 & FY 15</u> |
|---------------------|-------------------------|--------------------------|
| Highway Fund (75%): | \$918,606 | \$1,837,211 |
| Cities (15%): | \$ 183,721 | \$367,442 |
| Counties (10%): | <u>\$ 122,481</u> | <u>\$244,962</u> |
| Totals: | \$1,224,808 | \$2,449,615 |

DOR currently has 607,695 sets of tabs for the years 2012, 2013, and 2014 in stock at contract offices across the state and in storage. It is assumed the Department would need to destroy all sets of tabs currently in offices as each tab has an identifying number and replace them with one window sticker. The Department has paid \$.14 per set of tabs at a cost of \$85,077.

ASSUMPTION (continued)

The single tabs currently in stock would still need to be maintained for motorcycles and trailers and are not included.

| <u>FISCAL IMPACT - State Government</u> | FY 2013 (2 Mo.) | FY 2014 | FY 2015 |
|--|--|--|--|
| GENERAL REVENUE | | | |
| Cost - Department of Corrections - Missouri Vocational Enterprises - Window sticker production | (Unknown) | (Unknown) | (Unknown) |
| <u>Cost</u> - Department of Revenue - Window sticker cost | <u>(\$505,009)</u> | <u>(\$918,199)</u> | <u>(\$918,199)</u> |
| ESTIMATED EFFECT ON GENERAL REVENUE | <u>(\$505,009 to Unknown)</u> | <u>(\$918,199 to Unknown)</u> | <u>(\$918,199 to Unknown)</u> |
| HIGHWAY FUND | | | |
| <u>Income</u> - Transfer fee increase (Section 301.140) | \$918,606 | \$1,837,211 | \$1,837,211 |
| <u>Savings</u> - Missouri Highway Patrol Reduction in Staff (Section 302.020) | \$40,989 | \$49,187 | \$49,187 |
| <u>Cost</u> - Missouri Highway Patrol Administrative cost for printing (Section 302.020) | <u>(\$37,950)</u> | <u>\$0</u> | <u>\$0</u> |
| ESTIMATED NET EFFECT TO THE HIGHWAY FUND | <u>\$921,645</u> | <u>\$1,886,398</u> | <u>\$1,886,398</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2013 (2 Mo.) | FY 2014 | FY 2015 |
|---|-------------------------|-------------------------|-------------------------|
| LOCAL POLITICAL SUBDIVISIONS | | | |
| <u>Income</u> - Cities - Transfer fee increase | \$183,721 | \$367,422 | \$367,422 |
| <u>Income</u> - Counties - Transfer fee increase | <u>\$122,481</u> | <u>\$244,962</u> | <u>\$244,962</u> |
| ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS | <u>\$306,202</u> | <u>\$612,384</u> | <u>\$612,384</u> |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

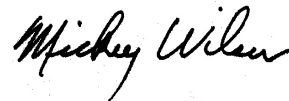
This proposal allows holders of temporary motorcycle instruction permits to only renew such permits two additional times (for a total permit period of 18 months). The proposal also applies the same renewal restriction to temporary driver instruction permits. If a temporary driver instruction permit includes a motorcycle endorsement, then the temporary driver instruction permit with the motorcycle endorsement shall only be valid for 6 months (not 12 months as it is under current law) and may only be renewed two additional times (for a total of 18 months). The proposal also removes the motorcycle engine size restriction and the 50 mile operating restriction from the temporary motorcycle instruction permit. In addition, the proposal applies the two remaining restrictions (passenger restriction and night-time operation restriction) that currently only apply to permit holders under the age of 16 to all temporary motorcycle instruction permit holders, regardless of age.

The act has an effective date of May 1, 2013.

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
Department of Transportation
Department of Elementary and Secondary Education
Office of the Secretary of State
Joint Committee on Administrative Rules
Office of the State Treasurer
Office of the State Auditor
Department of Insurance, Financial Institutions and Professional Registration
Department of Health and Senior Services
Jefferson City Police Department
Boone County Sheriff's Department
Springfield Police Department
St. Louis County Police Department



Mickey Wilson, CPA
Director
April 26, 2012