

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4187-02
Bill No.: HCS for SB 600
Subject: Veterans; Military Affairs; Licenses - Motor Vehicle; Department of Revenue; Motor Vehicle; Business and Commerce; Secretary of State; Treasurer, State
Type: Original
Date: April 11, 2014

Bill Summary: This proposal changes laws regarding veterans.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Less than \$100,000) to Less than \$100,000	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on General Revenue Fund	(Less than \$100,000) to Less than \$100,000	(Less than \$100,000)	(Less than \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Veterans Commission Capital Improvements Trust	(Less than \$138,000)	\$0	\$0
Highway Fund	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Less than \$238,000)	(Less than \$100,000)	(Less than \$100,000)

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 13 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Transportation** assume no fiscal impact to their agency associated with this proposed legislation.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS's office 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 Secretary of State's office for Administrative Rules is less than \$2,500. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, SOS also recognizes 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 their office can sustain with their core budget. Therefore, SOS reserves 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal with core funding. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

§§42.170, 42.200, 42.220, 42.310, 42.315 - Authorizes the issuance of a medallion, medal, and certificate to veterans who served in certain wars.

Officials from the **Department of Public Safety - Office of the Adjutant General (OTAG)** state the proposal creates the Operation Iraqi Freedom and the New Dawn Medallion Program (§42.310) and the Operation Desert Shield and Desert Storm Medallion Program (§42.315) which will be administered by the OTAG. Every veteran who honorably served during these wars is entitled to receive a medallion, medal, and certificate regardless of whether such veteran served within the United States or in a foreign country and regardless of whether such veteran is or ever was a legal resident of this state.

As of September 13, 2013, the estimated Missouri veteran population was 497,874. The number of medals requested to order for these new programs is based off the Vietnam War Medallion program counts.

The cost of the medal, certificate, presentation folder, envelopes and stationary for mailing one

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ASSUMPTION (continued)

award is estimated at \$9.00.

OTAG assumes the need for one new FTE, an Office Support Assistant (at \$23,208 per year), to be responsible for program clerical functions, correspondence, maintenance of program files, data entry, internal accounts, communications, record keeping, etc.

OTAG anticipates costs of 13,500 units, with 80 percent (10,800) awarded in FY 2015, and ten percent (1,350) awarded in each of FY 2016 and FY 2017. OTAG also assumes travel, advertising, and printing expenses of \$16,000 in FY 2015, and approximately \$7,230 in FY 2016 and \$7,261 in FY 2017.

Officials from the **Missouri Veterans Commission** assume the additional cost would impact the Veterans Commission Capital Improvement Trust Fund (VCCITF).

In response to a similar proposal from 2013 (SCS for HB 450), **OTAG** stated approximately 15,153 Soldiers and Airmen have been deployed since 2003. Medal sets cost approximately \$9.00 per set (includes medal, folder and mailing). Therefore, OTAG estimated a cost of \$138,000 for that proposal. OTAG also assumed they would not need an additional FTE to administer the additional medal program.

Oversight assumes only a portion of the Soldiers and Airmen deployed will apply for the medals. Therefore, Oversight will reflect the cost of "Less than \$138,000" (15,153 x \$9) in FY 2015. Oversight will not reflect a cost in subsequent years.

§301.3142 - Removes additional fee for issuance of Gold Star license plates.

Officials from the **Department of Revenue (DOR)** assume changes within this section eliminate the \$15 specialty plate fee for an applicant to obtain the "We Shall Not Forget" specialty license plate and ensure consistency with other military specialty personalized plates in regards to placement of wording, and the design.

ASSUMPTION (continued)

Officials from the DOR state the following changes will need to be made:

Administrative Impact

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$840 in FY 2015.
- The Application for Military Personalized License Plates (DOR-4601) will need to be revised to include the change in fee. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$840 in FY 2015.
- The Department's web site will need to be updated. This will require 10 hours for an Administrative Analyst III, at a cost of \$230 in FY 2015.
- IT programming will require 2 hours at a cost of \$55 in FY 2015.

In summary, DOR assumes a cost of \$1,965 ($\$840 + \$840 + \$230 + \55) in FY 2015 to provide for the implementation of the changes in this proposal.

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Revenue Impact

DOR states that this proposal eliminates the \$15 specialty plate fee for an applicant to obtain the "We Shall Not Forget" specialty license plate. Currently, there are three "We Shall Not Forget" specialty license plates in use. This will result in a loss of the \$15 fee being collected at the renewal of that plate or the issuance of any new plates.

The minimum impact for this proposal is \$45 in FY 2016. Specialty plates expire in July, therefore, the fiscal impact for the current three plates will not occur until FY 2016. Additionally, any new applicants applying after the effective date of this proposal will not be required to pay the \$15 specialty plate fee.

The revenue impact of \$45 is factored with the assumption that the current three "We Shall Not Forget" plate holders will renew in the upcoming years. DOR did not calculate for new

ASSUMPTION (continued)

applicants as there are only three currently. Any increase will be a loss in revenue the Department would have otherwise collected.

Oversight assumes this revenue impact will be minimal and will not reflect the \$45 loss in the fiscal note.

§301.3172 - Allows a female veteran to obtain "Woman Veteran" special license plates.

Officials from the **Department of Corrections**, and the **Missouri Veterans Commission** each assume this section will have no fiscal impact on their respective organizations.

Officials from the **Department of Revenue (DOR)** state this legislation creates a "Woman Veteran" specialty license plate. Each applicant must present proof of military service and pay a \$15 fee in addition to the regular registration fees. DOR may work with the Missouri Veterans Commission when determining or designing the image which shall be placed on the plate.

Administrative Impact

The following procedures will need to be implemented for the changes in this proposal:

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$840 in FY 2015.
- The Application for Military Personalized License Plates (DOR-4601) will need to be revised to include a new plate type. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$840 in FY 2015.
- The DOR web site will need to be updated to include the new plate type. This will require 10 hours of overtime for an Administrative Analyst III, at a cost of \$230 in FY 2015.
- DOR would incur 20 overtime hours for a Revenue Processing Tech II to work with military personnel on the design of the plate and finalizing the design at a cost of \$450 in FY 2015.
- DOR would incur 20 overtime hours for a Revenue Processing Tech II to set up the new specialty plate within Motor Vehicle Bureau systems and testing at a cost of \$450 in FY 2015.

ASSUMPTION (continued)

- DOR would incur 16 hours of programming the new speciality plate type and facilitate the process through the Titling and Registration Internet Processing System. At a cost of \$437 in FY '15.

In summary, DOR assumes a cost of \$3,247 (\$840 + \$840 + \$230 + \$450 + \$450 + \$437) in FY 2015 to provide for the implementation of the administrative changes in this proposal.

Oversight assumes at least some of these expenses could be absorbed by DOR.

Set-up, Mailing & Plate Manufacturing Cost:

Set-up:

The printing of flat plates has changed from Irwin Hodson to Missouri Vocational Enterprises (MVE); as a result, the cost for the set-up of a new specialty plate has changed from previous years.

The Department is charged \$215 for the initial set-up of a new specialty plate for passenger, truck, RV, disabled and motorcycle plates. This is a one-time fee that will be charged upon passage of this bill in FY 2015.

Plate manufacturing cost:

- DOR pays \$3.50 per plate, \$7 per set of plates, for manufacturing flat plates through MVE.
- The Missouri Veterans Commission indicates there are 38,206 identifiable women veterans in Missouri.
- It is unclear as to how many of those potential applicants would apply for these license plates. DOR is assuming 20% (7,641) of women veterans would apply for these plates in the first 3 years with 33% (2,522) each year at cost to DOR of \$14,712 (10 Months) in FY 15, \$18,095 in FY 16, and \$18,548 in FY 17.

Mailing:

It currently costs DOR, on average, \$5.55 to ship a box of 10 sets of plates to license offices once they have completed the manufacturing process through MVE.

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ASSUMPTION (continued)

DOR assumes the cost to ship 252 sets up plates to contract offices in various regions across the state would be \$1,166 in FY 2015, \$1,434 in FY 2016, and \$1,469 in FY 2017.

DOR notes that \$5.55 is an average cost, as the cost may decrease or increase based on the weight of the package, the area to which it is being sent, and how many boxes are being sent at one time.

DOR would also incur an additional postage cost for mailing notifications to those applicants notifying them their plates are ready for pickup at the respective license office.

With 2,522 applications, it would cost \$1,093 in FY 2015 (10 months), \$1,344 in FY 2016, and \$1,378 in FY 2017 for envelopes (\$0.04), letters (\$0.025), and postage (\$0.45).

Revenue Impact

Assuming 20% (7,641) of women veterans would apply for these plates in the first 3 years with 2,522 in each fiscal year, there would be an increase in revenue from the \$15 specialty plate fee of \$31,525 in FY 2015 (10 months), \$37,830 in FY 2016 and FY 2017 to the General Revenue Fund.

Since it is unknown how many applications will be received for this plate, **Oversight** will estimate an increase in revenue of "Less than \$100,000". Oversight will also estimate a cost to the General Revenue and the Highway Fund of " (Less than \$100,000)". For fiscal years 2016 and 2017, Oversight assumes the revenue into the General Revenue Fund will at least cover the estimated costs from the proposal, resulting in a positive "Less than \$100,000" estimated net effect to the General Revenue Fund. For FY 2015, Oversight assumes the start-up costs incurred by DOR might exceed the specialty plate fee revenue if the response to the proposal is less than expected. Therefore, Oversight will range the fiscal impact in FY 2015 from a net cost of under \$100,000 to a net gain of under \$100,000.

§§347.179, 351.065, 354.150, 355.021, 357.060, 358.440, 359.651, 394.250, 417.220 - Waives certain business fees for a person who is a member of the Missouri National Guard or any other military branch, resides in Missouri and provides proof of service to the Secretary of State.

Officials at the **Office of the Secretary of State (SOS)** assume General Revenue would be reduced by the creation fees that would be waived for Missouri National Guard or any other active duty military members under this proposed legislation. It is estimated that there are

ASSUMPTION (continued)

51,000 National Guard and other active duty military members in Missouri. It is estimated that approximately 3% will start their own businesses in each year after this legislation is adopted. It is estimated that the average cost for starting a business is \$25. The true cost figures are between \$7 to \$105 for filing fees for the different filing types, but more fictitious name registrations are filed than any other type of filing which is the lower, \$7 filing fee. These estimations bring the net total impact on General Revenue to \$38,250 for subsequent full fiscal years and \$31,875 for the first ten months of FY 2015.

Officials at the **Missouri National Guard** assume there is no fiscal impact from this portion of the proposal.

Oversight assumes it is unclear how many members of the military would create a business and be exempt from paying these business fees. Oversight will show the impact as a loss of revenue of less than \$100,000 per year, to the Office of the Secretary of State.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Revenue</u> - Department of Revenue (DOR) - Specialty plate fees (§301.3172)	Less than \$100,000	Less than \$100,000	Less than \$100,000
<u>Costs</u> - DOR - Processing costs for specialty plates (§301.3172)	(Less than \$100,000)	Less than \$100,000)	(Less than \$100,000)
<u>Loss</u> - Secretary of State - Waiver of business fees for members of the military (§§347.179, 351.065, 354.150, 355.021, 357.060, 358.440, 359.651, 394.25, 417.220)	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Less than \$100,000) to Less than \$100,000</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
VETERANS COMMISSION CAPITAL IMPROVEMENTS TRUST FUND			
<u>Costs</u> - Office of the Adjutant General (OTAG) - New medallion programs (§§ 42.310 & 42.315)	(Less than <u>\$138,000</u>)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE VETERANS COMMISSION CAPITAL IMPROVEMENTS TRUST FUND	<u>(Less than \$138,000)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2015	FY 2016	FY 2017
(Continued)	(10 Mo.)		

HIGHWAY FUND

<u>Costs - DOR - Manufacturing costs for specialty plates (§301.3172)</u>	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2015	FY 2016	FY 2017
	(10 Mo.)		
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses owned by members of the military may be impacted by the waiver of certain fees.

FISCAL DESCRIPTION

§§42.170, 42.200, 42.220, 42.310, 42.315 - Authorizes the issuance of a medallion, medal, and certificate to veterans who served in certain wars.

This proposal creates two new medallion programs, "Operation Iraqi Freedom and Operation New Dawn Medallion Program" and the "Operation Desert Shield and Operation Desert Storm Medallion Program." Any veteran who served on active duty during certain dates, is a legal resident of this state, was a legal resident at the time of discharge from military service, or was a Missouri National Guard member regardless of residency is eligible for a medal of appreciation for service.

The bill further authorizes the issuance of a military medallion, medal, and certificate of appreciation to any veteran who served in World War II, the Korean Conflict, or the Vietnam War as a member of the Missouri National Guard regardless of whether the veteran is a resident of Missouri.

FISCAL DESCRIPTION (continued)

§301.3142 - Removes additional fee for issuance of Gold Star license plates.

Currently, certain family members of resident members of the U.S. military may receive special personalized gold star license plates upon payment of an additional fee and meeting certain other requirements. This section removes the additional fee.

§301.3172 - Allows a female veteran to obtain "Woman Veteran" special license plates.

This section allows any woman who currently serves in any branch of the United States Armed Forces or was honorably discharged to apply for a special license plate bearing the words "WOMAN VETERAN" for any motor vehicle she owns, either solely or jointly, except a commercial vehicle weighing over 18,000 pounds.

To obtain this plate, a person must apply to the Director of the Department of Revenue, furnish proof of military service, and pay an additional \$15 fee. The plates are not transferable, but a registered co-owner may operate the vehicle with the plates for the duration of the year it is licensed in the event of the death of the qualified person.

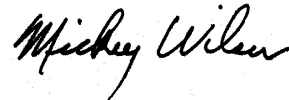
§§347.179, 351.065, 354.150, 355.021, 357.060, 358.440, 359.651, 394.25, 417.220 - Waives certain business fees for a person who is a member of the Missouri National Guard or any other military branch, resides in Missouri and provides proof of service to the Secretary of State.

These sections of the bill waive specified business fees when a specified organizer, majority shareholder, officer, director, or partner of a company, corporation, health services corporation, nonprofit corporation, cooperative company, or partnership is a member of the Missouri National Guard or any other active duty member of the military, resides in Missouri, and provides proof of service to the Secretary of State.

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
 Motor Vehicle and Drivers License Division
Department of Transportation
Department of Corrections
Office of Secretary of State
 Administrative Rules Division
 Business Services Division
Department of Public Safety
 Missouri Veterans Commission
 Office of the Adjutant General



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