

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0739-01
Bill No.: SB 135
Subject: Highway Patrol; Motor Vehicles; Public Safety Department; Roads and Highways; Transportation
Type: Original
Date: February 6, 2015

Bill Summary: This proposal allows qualified motorcycle operators to operate motorcycles and motortricycles without protective headgear under certain conditions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	Minimal	Minimal	Minimal
Total Estimated Net Effect on General Revenue	Minimal	Minimal	Minimal

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Highway Fund	(Minimal)	(Minimal)	(Minimal)
Total Estimated Net Effect on Other State Funds	(Minimal)	(Minimal)	(Minimal)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	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 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

Officials from the **Department of Health and Senior Services (DHSS)** assume the proposed bill exempts motorcyclists age 21 and older from wearing protective headgear when operating a motorcycle or a motortricycle if they have met the following requirements: possessed their license for at least two years or have passed a motorcycle rider training course, obtained "HELMET FREE" license plates, and have proof of financial responsibility by means of insurance that includes personal injury protection of at least \$50,000.

DHSS officials state changing the helmet law to allow persons 21 years of age or older to operate or ride as a passenger on any motorcycle or motortricycle without a helmet will increase the number of adults incurring a traumatic brain injury, thus there will be an increase in participants requesting services through the Adult Brain Injury (ABI) Program.

Based on the most recently published motorcycle crash statistics by the Missouri State Highway Patrol, there were 2,065 motorcycle crashes that resulted in personal injuries in 2012. Of these 2,065 motorcycle crashes, based on population estimates it is estimated that 80 percent of those crashes would involve persons age 21 and older. According to a National Occupant Protection Use Survey, it is also estimated that half of those would not be wearing a helmet if this proposed legislation is passed resulting in 826 individuals involved in a motorcycle crash while not wearing a helmet ($2,065 \times .80 \times .50 = 826$). Based on assessment of other states, if 50 percent of those individuals experience a traumatic brain injury (TBI), and 50 percent of those with a TBI are eligible for the ABI program, there would be an additional 207 new enrollments to the ABI Program per year ($826 \times .50 \times .50$).

The current average cost per participant to provide rehabilitation services through the ABI Program is \$5,200 per year. The total needed for rehabilitation services would be \$1,076,400 ($\$5,200 \times 207$ participants). The increase in participants would also require the ABI Program to add five additional service coordinators, based on the fact that currently there is an average of 40 participants per service coordinator caseload. Service coordinators provide case management for participants enrolled in the ABI program and are contracted through local public health agencies (LPHA) at a cost of \$61,800 per service coordinator.

ASSUMPTION (continued)

The total needed for all five additional service coordinators would be \$309,000 (\$61,800 x 5 service coordinators).

Participation in the ABI Program is subject to available funding and without additional funding any potential new participants will be added to a waiting list for rehabilitation services. Currently, there are 56 Missourians on the ABI Program wait list, with a wait time of over 259 days before rehabilitation services are started through the program. It is clear that additional program participants would result in the ABI Program requesting additional funding for the program. The total needed to cover the costs for the additional participants would be at least \$1,385,400 per year.

Officials from the **Department of Social Services - MO HealthNet Division (MHD)** state currently, all users of motorcycles and motortricycles are required to wear protective headgear when the vehicle is in motion. This bill specifies that this provision will not apply to an individual 21 years of age or older, unless he or she has only been issued an instruction permit, provided that they maintain proof of financial responsibility and at least \$50,000 of personal medical insurance.

Officials from the Department of Health and Senior Services (DHSS) and the Department of Mental Health (DMH) stated that their response includes costs that are covered under their respective budgets. Therefore, only those medical costs that are in the Department of Social Services (DSS) budget are reported here.

MHD estimates there will be 20 additional head-injury cases each year if the helmet law is repealed for people age 21 and over. It is estimated that 2 of these cases will be uninsured and require initial hospital care and on-going medical expenses.

The annual cost estimate is based on initial inpatient hospital charges and on-going medical costs. It is assumed the hospital will be reimbursed for the uninsured care by the MO HealthNet program.

The DHSS provided data regarding the initial hospital charges for un-helmeted and helmeted riders. In 2003, the average initial cost for an un-helmeted rider was \$66,850 and \$55,234 for a helmeted rider. The cost was \$11,616 per person higher for an injured un-helmeted rider than for a helmeted rider in 2003. This initial cost was inflated by 5.09% annually from 2003 to arrive at an estimate for 2016 through 2018. This inflationary factor is an average based on Healthcare Cost Review for Hospitals data from FY '03 through FY '15. Therefore, the initial cost is estimated to be \$22,149 in FY '16.

ASSUMPTION (continued)

The average annual cost for on-going medical costs is based on the first three months of FY `15 (July 2014 through September 2014). Nursing facility, hospital, physician, dental, pharmacy, Medicare Part D co-pays, home health and rehab/specialty services are in the on-going cost calculation. The average annual on-going cost was inflated by 1.9%. The on-going cost per person for one full year is \$14,364 (\$1,197 x 12 months).

FY `16

MHD assumes two un-helmeted individuals will be injured due to a motorcycle accident and be eligible or become eligible for MO HealthNet services. The initial hospitalization will be \$22,149 per person ($\$22,149 \times 2 = \$44,298$). The on-going medical costs will be \$14,364 per person for the year. Total annual cost to MHD is \$73,026. For fiscal note purposes, assume a 10-month cost of \$68,238 (\$25,028 GR).

FY `17

MHD assumes both FY `16 injured people survive, the estimated cost for FY `17 for these people will be a full year (12 month) on-going medical costs but will not include the initial hospitalization costs. In addition, there will be the initial hospitalization cost and on-going medical costs for the two new individuals estimated to be injured in FY `17. Costs are inflated by 5.09% annually. Total cost is \$106,932 (\$39,219 GR).

FY `18

MHD assumes all FY `16 and all FY `17 injured people survive, the estimated cost for FY `18 for these people will be a full year (12 month) on-going medical cost but will not include the initial hospitalization costs. In addition, there will be the initial hospitalization cost and on-going medical costs for the two new people estimated to be injured in FY `18. Costs are inflated by 5.09% annually. Total cost \$144,100 (\$52,852 GR).

Data from the Missouri State Highway Patrol, United States Census Bureau, Centers for Disease Control, and fiscal data from the Division of Developmental Disabilities were utilized to arrive at an estimated fiscal impact.

Officials from the **Department of Mental Health (DMH)** assumes riders 21 years of age would be in compliance with section 302.026.1 at the time of a motorcycle crash resulting in TBI, and would carry the proposed minimum \$50,000 of first-party insurance coverage. Given the nature of treating TBI in a hospital setting and current inpatient healthcare costs, we assume this amount of coverage would serve to defray an individual's initial medical bills, and would therefore not serve as a mitigating factor for placement in a DMH waiver program.

ASSUMPTION (continued)

Crash Rates

The MO State Highway Patrol reports 1,683 personal injury motorcycle crashes in 2005, injuring 1,978 people. By 2012 those figures had risen to 2,065 and 2,404 respectively (MO State Highway Patrol, 2014). The State's eight-year average for motorcycle crashes between 2005 and 2012 is 1,854 and 2,165 for persons injured (Missouri State Highway Patrol, 2014). In 2011 and 2012, the number of crashes increased 9% over each preceding year.

DMH officials state based on available data, projections indicate Missouri will have experienced an average of 2,120 motorcycle crash injuries per year between 2015 and 2019.

State Demographics

The United States Census Bureau estimates that in 2013 the percentage of persons aged 21 years old residing in Missouri comprised 1% of the total state population, or 89,781 persons out of 6,044,171 (US Census Bureau, 2014).

Head Injury Rate of Occurrence

The federal Centers for Disease Control (CDC) reports an incidence rate for head injury requiring hospitalization of 81.2 per 100,000 people aged 16 to 22 (Centers for Disease Control, 2014). Comparing this data to the census data previously discussed yields an estimate of 73 persons aged 16 to 22 per year in Missouri who will experience a head injury requiring hospitalization (persons aged 21 in MO / CDC unit of measurement x CDC incidence rate)

Developmental Disabilities (DD) Community Placements & Cost Estimate

In 2014, the Division of DD admitted 64 individuals with head injuries.

DD estimates an average cost per day of \$300 (\$109,500/yr.) for community placement services. The state share of that cost in FY 2015 is \$40,411 ($\$109,500 \times 36.905\%$ state share = \$40,411).

Estimated Annual Fiscal Impact

Assuming this bill becomes law in August 2015, and a 15% rate of TBI incidence for motorcycle crashes each year between 2015 and 2019 for individuals aged 21 in Missouri, a total of 15 additional individuals or 3 people per year could become eligible for DD waiver services and Department of Behavior Health services.

Utilizing the Division of DD's cost estimates for FY 2015, this represents an increased cost to the DMH of \$121,233 of general revenue per year ($\$40,411 \times 3 = \$121,233$).

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** assume this proposal allows any qualified motorcycle operator to operate a motorcycle or motortricycle upon any highway of this state without wearing protective headgear fastened upon his or her head if the qualified motorcycle operator has first-party insurance coverage and licenses his or her motorcycle or motortricycle with distinctive license plates.

It also provides that any such person shall apply for the special license plates on a form provided by the director and furnish such proof to the director as required under this proposal.

The license plates required under this proposal shall contain the words "HELMET FREE" in place of the words "SHOW-ME STATE". The plates will cost the applicant an additional \$15 which is the standard fee for the issuance of specialty license plates.

Administrative Cost

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 `16.
- 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 `16.
- The Department's 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 `16.
- The Department 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 `16.
- The Department would incur 112 hours of programming the new speciality plate type and facilitate the process through the Titling and Registration Internet Processing System at a cost of \$8,424 in FY `16.

In summary, DOR assumes an cost of \$10,784 (\$840 + \$840 + \$230 + \$450 + \$8,424) in FY 2016 to provide for the implementation of the administrative changes in this proposal.

ASSUMPTION (continued)

Set-up, Mailing & Plate Manufacturing Cost:

Set-up:

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 '16.

Mailing:

DOR officials state the Department will stock each office with 20 plates. There are 182 license offices in the state of Missouri.

It currently costs the Department, on average, \$5.55 to ship a box of 20 individual plates to license offices once they have completed the manufacturing process through Missouri Vocational Enterprises (MVE).

- DOR assumes the mailing cost will be \$1,010 in FY '16 and \$505 in FY '17 and '18.

Note: \$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.

Plate Manufacturing:

DOR also pays \$3.50 per flat plate (all specialty and personalized license plates are flat plates). The cost of the plate is taken from Highway Funds. Therefore, DOR assumes a cost to the Highway Fund of \$12,740 (20 applicants x \$3.50 per plate x 182 license offices - all at 10 months of the first year because of the August 28, 2016 effective date) in FY 2016. DOR assumes some offices will run out of license plates by the following fiscal year; therefore the DOR estimates half of the offices will request 20 additional plate at a cost of \$6,370 in FY 2017 and FY 2018.

This proposal may require the Department to manually verify through the drivers license records that an applicant is "qualified motorcycle operator" as defined in subsection 5, which may result in an additional FTE being requested. This may be alleviated if the applicant provides a copy of his or her motorcycle operator's license with the application.

ASSUMPTION (continued)

In summary, DOR assumes a cost of \$24,749 (\$10,784 + \$215 + \$1,010 + \$12,740) in FY '16, \$6,875 (\$505 + \$6,370) in FY '17 and \$6,875 (\$505 + \$6,370) in FY '18 to provide for personnel changes, set-up, mailing and plate manufacturing cost.

Revenue Impact

Assuming 200 would apply for this plate each year there would be an increase in revenue from the \$15 specialty plate fee of \$2,500 in FY '16 (10 months) and \$3,000 in FY '17 and FY '18 to the General Revenue Fund.

Oversight assumes some people 18 and over could choose not to wear protective headgear as a result of this proposal. Accordingly, there may be an increase in injuries or the severity of injuries to motorcyclists not wearing protective headgear which may **indirectly** result in increased costs to the state. Oversight assumes no **direct** fiscal impact to state and local governments from the protective headgear exemption.

Since it is unknown how many applications will be received for this plate, Oversight will use DOR estimate of 200 applications per year. This would result in fees of \$2,500 in 2016 and \$3,000 in FY 2017 and 2018 into the General Revenue Fund and plate cost of \$12,740 (20 applicants x \$3.50 per plate x 182 license offices - all at 10 months) in and \$6,370 in FY 2017 and FY 2018. Oversight considers these amounts to be 'Minimal'.

Oversight will estimate a minimal increase in revenue to the General Revenue Fund generated from the \$15 specialty plate fee. Oversight will also estimate a minimal cost for the set-up and processing of specialty license plates to the General Revenue Fund and to the Highway Fund. Oversight assumes the revenue into the General Revenue Fund will at least cover the estimated costs from the proposal, resulting in a positive "Minimal" estimated net effect to the General Revenue Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Revenue - DOR</u>			
Specialty plate fees (\$15 per applicant)	Minimal	Minimal	Minimal
<u>Cost - DOR</u>			
Processing costs for specialty plates	<u>(Minimal)</u>	<u>(Minimal)</u>	<u>(Minimal)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Minimal</u>	<u>Minimal</u>	<u>Minimal</u>
HIGHWAY FUND			
<u>Cost - DOR</u>			
Manufacturing Cost (\$3.50 per plate)	<u>(Minimal)</u>	<u>(Minimal)</u>	<u>(Minimal)</u>
ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>(Minimal)</u>	<u>(Minimal)</u>	<u>(Minimal)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

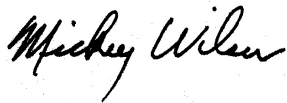
Currently, all users of motorcycles and motortricycles are required to wear protective headgear when the vehicle is in motion. This act allows qualified motorcycle operators to operate motorcycles and motortricycles without protective headgear if the operator has first-party insurance coverage and possesses distinctive license plates as described in the act.

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 Insurance, Financial Institutions and Professional Registration
Department of Public Safety
 Missouri Highway Patrol
Department of Corrections
Department of Transportation
Office of the State Courts Administrator
Department of Social Services
Department of Mental Health
Department of Health and Senior Services



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