

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1427-03
Bill No.: Perfected SS for SCS for SB 278
Subject: Licenses - Motor Vehicle; Licenses - Miscellaneous; Department of Revenue
Type: Original
Date: April 1, 2015

Bill Summary: This proposal modifies provisions relating to registration of certain motor vehicles.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$55,070)	\$5,659	\$9,791
Total Estimated Net Effect on General Revenue	(\$55,070)	\$5,659	\$9,791

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Highway Fund	(Unknown) to \$1,176,322	(Unknown) to \$1,592,469	(Unknown) to \$1,346,265
Total Estimated Net Effect on Other State Funds	(Unknown) to \$1,176,322	(Unknown) to \$1,592,469	(Unknown) to \$1,346,265

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 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

In response to a previous version, officials from the **Department of Revenue (DOR)** assumed this proposal permits permanent trailer registrations to any trailer as defined in Section 301.010, RSMo, and semitrailers, at a fee of \$52.50, by deleting restrictions to only those trailers or semitrailers which are operated coupled to a towing vehicle by a fifth wheel and kingpin assembly or by a trailer converter dolly.

Administrative Impact:

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$890 in FY2016.
- The Department's web site will need to be updated to include the new plate type. This will require 10 hours for an Administrative Analyst III, at a cost of \$240 in FY2016.

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.

DOR states currently, one and three year trailer registrations expire at the end of a calendar year. Due to permanent trailer plates being non-expiring there will be a cost reduction from the elimination of renewal notices that are currently mailed at the end of each year. This proposal would result in savings to the Department for the cost of postage (\$.224 for each renewal notice) and forms (\$.0224 per renewal notice).

There are currently 308,746 trailer registrations expiring at the end of 2015 (FY2016), 275,972 at the end of 2016 (FY2017), and 160,747 at the end of 2017 (FY2018). Based on current statistics, 54% of trailer registrations have a one year registration and 46% have a three year registration. The Department will not be able to determine how many applicants will switch to a permanent registration at renewal of their current one or three year registration; therefore, for purposes of this fiscal note, it is assumed 10% of all applicants will obtain a permanent registration at renewal time, thus eliminating the need for a renewal notice in subsequent years.

All renewals expiring at the end of 2015 (FY 2016) will need to be mailed and thus no savings. There will be a savings of \$5,659 in FY 2017 and \$9,761 in FY 2018 to General Revenue.

ASSUMPTION (continued)

Revenue Impact

The table below reflects the impact for the proposed permanent registration (\$52.50) versus one and three-year registrations (\$7.50 for 1 year and \$22.50 for 3 year) as shown below:

	FY 2016	FY 2017	FY 2018
1 Year Trailer Plate	(\$125,042)	(\$172,539)	(\$148,957)
3 Year Trailer Plate	(\$319,552)	(\$417,926)	(\$339,394)
Permanent Plate	\$1,620,917	\$2,182,934	\$1,834,616
Total Increase to Highway Fund	\$1,176,322	\$1,592,469	\$1,346,265

Since it is unknown how many potential permanent trailer registrations will be issued, for fiscal note purposes only, **Oversight** will use DOR's estimate. Oversight will reflect a revenue increase for the proposed \$52.50 registration fee and a savings of cost associated with renewals to the Highway Fund.

In response to a previous version, officials from the **Office of the Secretary of State (SOS)** assumed 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.

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

ASSUMPTION (continued)

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

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** and the **Department of Public Safety - Missouri Highway Patrol** assume the proposal will have no fiscal impact on their organization.

Senate Amendment 1

Section 301.140

In response to an identical proposal (SCS for SB 456) from this year, officials from the **Department of Revenue (DOR)** assumed this proposal extends the time period to ninety days for the use of temporary transferred license plates and temporary permits issued by dealers to any person purchasing a vehicle that falls under the provisions of the proposed section 301.213.

Section 301.190

DOR officials stated a person is not required to apply for a certificate of ownership within thirty days if they have acquired the vehicle from a motor vehicle dealer prior to the dealer having a certificate of ownership. The buyer will have thirty days after receiving title from the dealer to apply for a certificate of ownership pursuant to the proposed section 301.213.

Delinquent fee provisions are not to apply to a vehicle purchased under the proposed section 301.213, until thirty days after receiving the title from the dealer.

Section 301.213

DOR assumed this section modifies provisions from Section 407.581, RSMo. A dealer may sell a vehicle prior to receiving the certificate of ownership if such dealer has filed at least a \$100,000 bond with the Department of Revenue. If the dealer chooses to sell the vehicle prior to receiving the certificate of ownership the dealer must provide the purchaser an application for title in the purchaser's name, and have entered into a written agreement for the delivery of the certificate of ownership within sixty days. The purchaser is required to provide the dealer proof of financial responsibility and proof of comprehensive insurance with collision coverage. The dealer shall maintain a copy of this agreement.

ASSUMPTION (continued)

The purchaser may use the dealer-supplied copy of the agreement to transfer his or her ownership of the vehicle to an insurance company in situations where the vehicle has been declared salvage or a total-loss by the insurance company as a result of a settlement of a claim.

If the dealer fails or is unable to deliver a certificate of ownership to the purchaser, and the purchaser of the vehicle is damaged, the dealer is liable for actual damages, plus court costs and attorney fees. If a seller misrepresents to a dealer that they are the owner of the vehicle, and certain parties are damaged as a result, the seller shall be liable to the party for both actual and punitive damages, plus court costs and attorney fees.

When a lienholder is damaged as a direct result of a licensed dealer's violation of this act, the dealer shall also be liable for actual damages, plus court costs and attorney fees.

The Department of Revenue may use a dealer's repeated or intentional violation of this act as a cause to refuse to issue or renew any license.

Administrative Impact

DOR would allow dealerships with a \$100,000 bond to issue temporary permits for 30 or 90-days. Dealerships with a \$25,000 bond will only be able to issue 30-day temporary permits.

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$890 in FY 2016.
- The Titling Manual will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- The Dealer Manual will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- Development of a form required under section 301.213.3(5) by a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- The Department's website will need to be updated. This will require 10 hours for an Administrative Analyst III, at a cost of \$240 in FY 2016.
- MVB user acceptance testing for identified systems. This will require 120 hours by a Management Analyst Specialist I at a cost of \$2,670 in FY 2016.

ASSUMPTION (continued)

- Send out a Titling Tips publication to update licensed Missouri dealers and title services of the change. There will be no additional cost for this.
- OA-ITSD cost of \$48,600 to update existing software to accommodate the changes.

There are no statistics available to determine exactly how many additional contact and e-mails the Department will receive as a result of this legislation. If the volume is significant enough that it cannot be absorbed by existing staff, additional FTE(s) will be requested through the appropriation process.

In summary, DOR assumed a cost of \$55,070 (\$890 + \$890 + \$890 + \$890 + \$240 + \$2,670 + \$48,600) in FY 2016 to provide for the implementation of the changes in this proposal.

Revenue Impact

DOR assumed this proposal extends the time period to 90-days for the use of transferred license plates or temporary permits issued by dealers for any person purchasing a vehicle that falls under the proposed provisions of 301.213. This change may reduce the amount of title penalties the Department will collect.

In response to an identical proposal (SCS for SB 456) from this year, officials from the **Office of the State Courts Administrator** assumed the proposal will have no fiscal impact on their organization.

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

Senate Amendment 2

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

In response to a similar proposal from this year (HCS for HB 553), officials from the **Department of Revenue** and the **Department of Corrections** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Savings</u> - DOR	\$0	\$5,659	\$9,761
Renewal notices not sent out			
<u>Cost</u> - DOR	(<u>\$55,070</u>)	<u>\$0</u>	<u>\$0</u>
Administrative Cost (Senate Amendment 1)			
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$55,070)</u>	<u>\$5,659</u>	<u>\$9,761</u>
HIGHWAY FUND			
<u>Revenue</u> - DOR			
Permanent registration fee (\$52.50) vs 1 year (\$7.50) or 3 year (\$22.50) registration fees	\$1,176,322	\$1,592,469	\$1,346,265
<u>Loss</u> - DOR	(<u>Unknown</u>)	(<u>Unknown</u>)	(<u>Unknown</u>)
Reduction in title penalty fees_(Senate Amendment 1)			
ESTIMATED NET EFFECT TO THE HIGHWAY FUND	<u>(Unknown) to \$1,176,322</u>	<u>(Unknown) to \$1,592,469</u>	<u>(Unknown) to \$1,346,265</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

License offices may see a reduction in processing fees collected from trailer registrations and small business dealers may be impacted by this proposal.

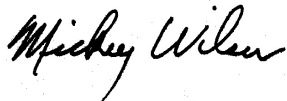
FISCAL DESCRIPTION

This act modifies provisions relating to motor vehicles.

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
Office of the Secretary of State
Joint Committee on Administrative Rules
Department of Insurance, Financial Institutions and Professional Registration



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Director
April 1, 2015

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April 1, 2015