

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2100-02
Bill No.: CCS for SB 446
Subject: Department of Revenue - Licenses - Motor Vehicle; Veterans
Type: Original
Date: May 5, 2015

Bill Summary: This proposal removes the additional fee equal to the fee for personalized license plates for subsequent sets of special Purple Heart license plates and allows a person who has been awarded a Korea Defense Service Medal to obtain a special license plate

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 <u>Other</u> State Funds	(Minimal)	(Minimal)	(Minimal)

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

Section 301.451

In response to a previous version, officials from the **Department of Revenue (DOR)** assumed this proposal eliminates the one-time \$15 plate fee charged for each additional set of Purple Heart license plates.

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 \$890 in FY `16.
- The Application for Personalized and Special License Plates (DOR-1716) will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY `16.
- 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 `16.

In summary, DOR assumes a cost of \$2,020 (\$890 + \$890 + \$240) in FY 2016 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:

This proposal will result in a loss of \$585 (39 additional sets) to General Revenue due to the Department not charging the \$15 to applicants for each additional set of Purple Heart license plates.

Oversight assumes some of the potential applicants for the Purple Heart specialty license plate may not apply for an additional set of plates. Oversight will estimate a minimal loss to the

ASSUMPTION (continued)

General Revenue Fund.

Officials from the **Department of Corrections** and the **Department of Public Safety - Missouri Veterans Commission** each assume the proposal will have no fiscal impact on their respective organizations.

Section 301.474

In response to a similar proposal (HB 229), officials from the **Department of Corrections** assumed the proposal will have no fiscal impact on their organization.

In response to a similar proposal (HB 229), officials from the **Department of Transportation** concurred with the Department of Revenue regarding the fiscal impact to their organization.

Administrative Impact

In response to a similar proposal (HB 229), officials from the **Department of Revenue (DOR)** stated this legislation creates the "Korea Defense Service Medal" specialty license plate. It will cost an applicant \$15 and application shall be made on a form approved by the Director of Revenue. The Department may work with an organization which represents the interests of persons receiving the medal when formulating the design.

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.

ASSUMPTION (continued)

- 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 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 `16.
- The Department 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 \$1,200 in FY `16.

In summary, DOR assumes a cost of \$4,010 ($\$840 + \$840 + \$230 + \$450 + \$450 + \$1,200$) in FY 2016 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 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:

It is unclear as to how many qualified applicants would apply for these military license plates. DOR has made the assumption that there would be 20% (9,083) of Korean War veterans apply for these plates in the first 3 years with one-third of the 20% (3,028) each year.

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

- DOR assumes the cost to ship 1 box of plates to contract offices in various regions across the state would be \$1,401 in FY `16 (10 months), \$1,724 in FY `17, and \$1,767 in FY `18.

ASSUMPTION (continued)

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.

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 3,028 applications, it would cost \$1,400 in FY '16 (10 months), \$1,723 in FY '17, and \$1,766 in FY '18 for envelopes (\$0.04), letters (\$0.025), and postage (\$0.49).

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 \$17,663 (10 applicants x \$3.50 per plate x 2 plates per vehicle - all at 10 months of the first year because of the August 28, 2016 effective date) in FY 2016, \$21,726 in FY 2017, and \$22,269 in FY 2018 (using a 2.5% cost increase in fiscal years 2016 and 2017).

In summary, DOR assumes a cost of \$24,689 (\$4,010 + \$215 + \$1,400 + \$1,401 + \$17,663) in FY '16, \$25,173 (\$1,724 + \$1,723 + \$21,726) in FY '17 and \$25,802 (\$1,767 + \$1,766 + \$22,269) in FY '18 to provide for personnel changes, set-up, mailing and plate manufacturing cost.

Revenue Impact

Assuming 20% (9,083) of Korean War veterans would apply for these plates in the first 3 years with one-third of the 20% (3,028) each year there would be an increase in revenue from the \$15 specialty plate fee of \$37,850 in FY '16 (10 months) and \$45,420 in FY '17 and FY '18 to the General Revenue Fund.

ASSUMPTION (continued)

The Department of Revenue provided Oversight with a summary of all specialty license plates available and how many are currently issued per plate. **Oversight** assumes some of the potential applicants for the Korean War Veteran specialty license plate may already have a similar speciality license plate and will not apply for a new one. Oversight assumes approximately 1,000 Korean War Veterans would apply for these plates in the first 3 years with one-third of the 1,000 (333) per year. This would result in fees of \$5,000 (333 x \$15) into the General Revenue Fund and plate costs of \$2,300 (333 x \$3.50 x 2 plates per vehicle) from Highway Funds each year. Oversight considers these amounts to be 'Minimal'.

Largest group of Specialty License Plates as of 12/15/14:	
Plate Name	Plate Total
Historic Personalized	7,250
Children's Trust Fund	6,841

Similar Specialty License Plates	
Plate Name	Plate Total
Vietnam War	1,515
World War II	91

Potential Subgroups already being used	
Plate Name	Plate Total
Disabled Veteran	6,186
Purple Heart	2,208
Retired Military - Army	1,853
Retired Military - Air Force	1,385
Retired Military - Navy	911
Retired Military - Marine	321

ASSUMPTION (continued)

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>			
Section 301.474 - Specialty plate fees (\$15 per applicant)	Minimal	Minimal	Minimal
<u>Cost - DOR</u>			
Section 301.474 - Processing costs for specialty plates	(Minimal)	(Minimal)	(Minimal)
<u>Loss - DOR</u>			
Section 301.451 - Removing additional \$15 fee	(Minimal)	(Minimal)	(Minimal)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Minimal</u>	<u>Minimal</u>	<u>Minimal</u>
HIGHWAY FUND			
<u>Cost - DOR</u>			
Section 301.474- Manufacturing Cost (\$3.50 per plate)	(Minimal)	(Minimal)	(Minimal)
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
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This act removes the additional fee equal to the fee charged for personalized license plates for subsequent sets of special Purple Heart license plates so that all Purple Heart license plates carry no fee in addition to regular registration fees.

This proposal allows a person who has been awarded a Korea Defense Service Medal to obtain a special license plate.

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
Missouri Veterans Commission
Department of Corrections

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Director
May 5, 2015



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May 5, 2015