

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5730-03
Bill No.: HCS for SB 899
Subject: Transportation
Type: Original
Date: May 11, 2016

Bill Summary: This proposal designates certain transportation infrastructure and adds provisions regarding signs and license plates.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2021)
General Revenue	(\$35,399)	(\$13,583,502)	(\$5,568,927)	(\$273,636)
Total Estimated Net Effect on General Revenue	(\$35,399)	(\$13,583,502)	(\$5,568,927)	(\$273,636)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2021)
Highway Fund	(Less than \$100,000)	(Less than \$100,000)	Up to \$10,158,162	Up to \$677,211
Total Estimated Net Effect on Other State Funds	(Less than \$100,000)	(Less than \$100,000)	Up to \$10,158,162	Up to \$677,211

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2021)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2021)
General Revenue	0 FTE	0 FTE	6 FTE	6 FTE
Total Estimated Net Effect on FTE	0 FTE	0 FTE	6 FTE	6 FTE

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 2017	FY 2018	FY 2019	Fully Implemented (FY 2021)
Local Government	\$0	\$0	\$3,386,054	\$225,737

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume the following regarding this proposal:

§301.125 - Advisory Committee

This section establishes a committee that will facilitate and design the new license plate to be issued for vehicle registrations.

- Qualifying registrations would be exempt from the additional fee; and
- Qualifying registrations would be exempt from the bicentennial license plate design.

Administrative Impact

§301.125 - Advisory Committee

This proposed legislation requires the advisory committee to hold at least three public meetings in different areas of the state to invite public input on the final design. This will require travel, meals, and lodging expenses in FY 2018 for the Director of Revenue.

Meals \$34 per day x 6 days = \$204

Lodging \$100 per day x 6 days = \$600

Mileage 200 miles @ \$.37 per mile x 6 days = \$444

Total travel expense: \$1,248

§301.130.8 - Specialized License Plates

- Increase the availability of all special personalized license plates to commercial motor vehicles registered up to 24,000 lbs gross weight.
- Provides that on or after August 28, 2016, owners of motor vehicles, other than apportioned motor vehicles or commercial motor vehicles licensed in excess of twenty-four thousand pounds gross weight, may apply for any pre-existing or hereafter statutorily created special personalized license plates.

This proposal does not make appropriate changes to 301.144, 301.3150, and all individual military, collegiate, and organizational specialty plates. For purposes of this fiscal note the department is assuming "On and after August 28, 2016, owners of motor vehicles, other than apportioned motor vehicles or commercial motor vehicles licensed in excess of twenty-four

ASSUMPTION (continued)

thousand pounds gross weight, may apply for any preexisting or hereafter statutorily created special personalized license plates." is blanket language and therefore will apply to all relevant statutes.

Administrative Impact

Motor Vehicle Bureau

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$890 in FY 2017.
- The Application for Missouri Personalized and Special license Plates (DOR-1716) will need to be revised to include the availability of 24,000 local and beyond local plates. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2017.
- The Application for Military Personalized License Plates (DOR-4601) will need to be revised to include the availability of 24,000 local and beyond local plates. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2017.
- The Department's website will need to be updated to include the availability of 24,000 local and beyond local plates. This will require 10 hours for an Administrative Analyst III, at a cost of \$240 in FY 2017.
- The Department would incur 40 hours for a Revenue Processing Tech II to set up the 24,000 lb specialty plate option for all specialty and personalized plates within MVB systems and testing at a cost of \$934 in FY 2017.
- MVB user acceptance testing for identified system modifications. Each system modification will take 80 hours, for a total of 160 hours by a Management Analyst Specialist I at a cost of \$3,560 in FY 2017.

This proposal may have additional unknown impact on the Department in the amount of phone and email correspondence. 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 FY 2015 there were 109,786 commercial motor vehicles registered at 18,000 lbs gross weight with 1.21% (1,326) of those being personalized or special personalized license plates.

ASSUMPTION (continued)

In FY 2015 there were 64,257 commercial motor vehicles registered at 24,000 lbs gross weight.

- Assuming the same percentage (1.21%) of applicants may want personalized or special personalized license plates at 24,000 lbs. This will result in 777 personalized and special 24,000 lb license plates being issued by the Department.

Set-up cost

- The Department will be charged \$45 per plate type for the initial set-up of a 24,000 lb category for 214 plate types at a total cost of **\$9,630**. This is a one-time fee that will be charged upon passage and implementation of this bill.

Plate manufacturing cost

- The Department pays \$3.50 per plate for manufacturing flat plates.
- 24,000 lb plates are only issued on plate pursuant to section 301.130, RSMo.
- Assuming 777 applicants would apply for 24,000 lb personalized or special personalized license plates at cost to the Department of **\$2,266** in FY 2017 (10 Months), **\$2,787** in FY 2018, and **\$2,857** in FY 2019.

Mailings

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

- Assuming 777 applicants would apply for 24,000 lb personalized or special personalized plates at a cost to the Department of **\$356** in FY 2017, **\$438** in FY 2018, and **\$449** in FY 2019 to ship 77 boxes to contract offices in various regions across the state.

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.

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

- Assuming 777 applicants would apply for 24,000 lb personalized or special personalized plates at a cost to the Department of **\$359** in FY 2017, **\$442** in FY 2018, and **\$453** in FY 2019 for envelopes (\$0.04), letters (\$0.025), and postage (\$0.49).

ASSUMPTION (continued)

OA-ITSD services are required at a cost of **\$32,400** in FY 2017 (432 hours @ \$75 per hour).

In summary, DOR assumes a cost of **\$52,415** (\$890 + \$890 + \$890 + \$240 + \$934 + \$3,560 + \$9,630 + \$2,266 + \$356 + \$359 + \$32,400) in FY 2017, **\$4,915** (\$1,248 + \$2,787 + \$438 + \$442) in FY 2018, and **\$3,759** (\$2,857 + \$449 + \$453) in FY 2019.

Revenue Impact

SB 147 (2012) expanded the availability of biennial registrations for commercial motor vehicles to include 18,000 lb and 24,000 lb license plates effective July 1, 2015.

Based on current statistics 54% of registrations are one year and 46% are two year. Assuming 777 applicants might apply for 24,000 lb personalized or special personalized plates, 420 would choose one year and 357 would choose two years. There will be an increase in general revenue of **\$17,016** in FY 2017, **\$9,189** in FY 2018, and **\$15,685** in FY 2019 from the annual \$15 (\$30 for biennial) personalized and specialty license plates.

- Not all specialty plates require the \$15 fee. Therefore, the revenue generated may decrease depending on the type and amount of specific plate type applied for.

§301.130.9

- Provides that no later than January 1, 2019 the director shall begin the reissuance of new license plates approved by the advisory committee under §301.125.
- The license plate design to "commemorate the bicentennial of Missouri". The manufacturer will charge for a redesign of the license plate sheeting used during the manufacturing process.
- Qualifying registrations to "pay the cost of the bicentennial plates". The Department interprets this to mean citizens will pay an additional average cost that includes redesign and manufacturing for all re-issued, new, and replacement plates bearing the bicentennial design. Once the re-issuance period ends, the fee would no longer be charged;
- Qualifying registrations would be exempt from the additional fee; and
- Qualifying registrations would be exempt from the bicentennial license plate design.

ASSUMPTION (continued)

Administrative Impact

Motor Vehicle Bureau

This proposal requires a license plate re-issuance to begin January 01, 2019. Due to biennial registrations and three-year trailer plates, a license plate re-issuance will require a three-year implementation.

It is assumed all preparation would need to be performed in FY 2019 in order for an implementation date of January 01, 2019 which is in FY 2019.

- Procedures will need to be developed. This will require 160 hours for a Management Analyst Specialist I, at a cost of \$3,560 in FY 2019.
- Develop a notice to plate holders requiring special handling. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2019.
- Develop a notice to plate holders exempt from the bicentennial plate requirement. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2019.
- 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 2019.
- Technology system changes and development will need to be documented, designed, and tested. This will require 160 hours for a Management Analyst Specialist I, at a cost of \$3,560 in FY 2019.
- 160 hours at a cost of \$3,560 for a Management Analyst Specialist I in FY 2018 to coordinate and work with the license plate advisory committee to have the new license plate design ready by January 1, 2019.

Approximately six million registrations exist annually. An announcement and notification will be sent to all registration holders providing instruction on obtaining new bicentennial plates. This announcement will replace the current renewal notice. Postage will increase from \$.25 postcard rate to \$.376 letter rate.

ASSUMPTION (continued)

Due to biennial versus annual registrations and three-year trailer plate registration, it is assumed 75% of the six million will be mailed the announcement for the bicentennial plate in FY 2019, 20% in FY 2020, and 5% in FY 2021 resulting in an increased cost of **\$567,000** in FY 2019, **\$151,200** in FY 2020, and **\$37,800** in FY 2021.

Plate Costs

In 2008, the manufacturer charged the Department approximately **\$40,000** for plate sheeting for redesign.

The Department must order and pay for license plates in FY 2018 for plates that will be issued in CY 2019; pay for plates in FY 2019 that will be issued in CY 2020, and pay for license plates in FY 2020 for plates that will be issued in CY 2021.

- Plate costs are currently \$3.50 per flat plate and \$1.605 per embossed plate.

Assuming all six million registrations will be re-issued the bicentennial plate at renewal, it is assumed 75% of the six million will be ordered for CY 2019, 20% in CY 2020, and 5% in CY 2021 at cost of **\$13,544,216** in FY 2018, **\$3,611,791** in FY 2019, and **\$902,948** in FY 2020.

Personalized License Plates

The Department will mail a notice to all personalized license plate holders (excluding specialty personalized and personalized historic registrations) after January 01, 2019, providing instruction on retaining their personalized configurations on the new bicentennial plate. There are currently 110,523 personalized registrations resulting in a cost of **\$61,340** in FY 2019 for envelopes (\$0.04), letters (\$0.025), and postage (\$0.49)

Online and Mail in Renewals

This proposal will require funding for mailing of plates due to mail in and online registration renewals. Once a renewal is performed online or via the mail a new set of the reissued plates will be mailed to the applicant. In FY 2015 there were 217,012 mail in and online renewals. The cost to mail a set of stock and embossed plates is \$3.54 (the cost for mailing is weight based and will decrease if only one plate or a motorcycle plate is mailed). Assuming the rate of online and mail in renewals remain consistent; the cost will be **\$640,185** in FY 2019 (6 months) and **\$787,428** in FY 2020.

The mailing cost may decrease or increase based on the weight of the package and the area to which it is being sent.

ASSUMPTION (continued)

Additional FTE will be required for a Revenue Processing Tech I to mail new plates to the mail in and online renewal applicants. Assuming the rate of online and mail in renewals remain consistent, in FY 2015 there were 835 transactions processed per day.

217,012	Annual Online and Mail-in Renewals
<u>/ 260</u>	Work days per year
835	Received per day
<u>/144</u>	Plates prepared and Mailed per day
6	FTE required (Revenue Processing Tech I)

The Department will require equipment, floor space, and expenses associated with this FTE requirement at a cost of **\$35,646** in FY 2019.

OA-ITSD services are required at a cost of **\$387,504** in FY 2019 (5,166.72 hours @ \$75 per hour).

In summary, DOR assumes a cost of **\$13,587,776** (\$3,560 + \$40,000 + \$13,544,216) in FY 2018, **\$5,312,609** (\$3,560 + \$890 + \$890 + \$240 + \$3,560 + \$567,000 + \$3,611,794 + \$61,340 + \$640,185 + \$35,646) in FY 2019 and **\$1,841,576** (\$151,200 + \$902,948 + \$787,428) in FY 2020.

Revenue Impact

This legislation provides for a fee to be charged to each applicant to cover the cost of the bicentennial plate for all new and renewal registrations. Assuming all 6 million registrations will be re-issued the bicentennial plate it is assumed that, due to the propensity for an applicant to obtain a one-year registration over two-year expiration, 75% of the 6 million will be issued the bicentennial plate in FY 2019, 20% in FY 2020, and 5% in FY 2021. And assuming the actual cost for the plate will be charged based on the number and type of plates (embossed or flat) issued there will an increase in revenue as shown below.

		<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Increase from fee		\$13,544,216	\$3,611,791	\$902,948
Highway Fund	75%	\$10,158,162	\$2,708,843	\$677,211
Cities	15%	\$ 2,031,632	\$ 541,769	\$135,442
Counties	10%	\$ 1,354,422	\$ 361,179	\$ 90,295

This will increase **Total State Revenue**.

ASSUMPTION (continued)

Officials from the **Department of Corrections** assume the proposal will have no fiscal impact on their organization.

Officials from the **Department of Transportation (MoDOT)** assume an unknown fiscal impact.

Oversight assumes the provisions in Sections 226.540 & 226.550 would have some negative impact on the amount of revenue MoDOT receives for billboards. Oversight assumes the amount would be less than \$100,000.

<u>FISCAL IMPACT -</u> <u>State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2021)
GENERAL REVENUE				
<u>Revenue - DOR</u>				
Personalized plate fees (§301.130)	\$17,016	\$9,189	\$15,685	\$0
<u>Cost - DOR - Adv. committee (§301.125) and Specialty plates (§301.130.8)</u>				
	(\$52,415)	(\$4,915)	(\$3,759)	\$0
<u>Cost - DOR (§301.130.9)</u>				
Personal Services	\$0	\$0	(\$163,126)	(\$166,405)
Fringe Benefits	\$0	\$0	(\$105,118)	(\$107,231)
Equipment and Expense	\$0	(\$13,587,776)	(\$5,312,609)	\$0
<u>Total Cost - DOR</u>	<u>(\$35,399)</u>	<u>(\$13,583,502)</u>	<u>(\$5,568,927)</u>	<u>(\$273,636)</u>
Total FTE Change	0 FTE	0 FTE	6 FTE	6 FTE
ESTIMATED NET EFFECT TO GENERAL REVENUE				
	<u>\$35,399</u>	<u>(\$13,583,502)</u>	<u>(\$5,568,927)</u>	<u>(\$273,636)</u>

<u>FISCAL IMPACT - State Government (continued)</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2021)
HIGHWAY FUND				
<u>Revenue -</u> (§301.130.9)				
Reissuance cost recovery fee (75%)	\$0	\$0	\$10,158,162	\$677,211
<u>Loss - MoDOT -</u>				
billboard revenue §§226.540, 226.550	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT TO HIGHWAY FUND	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>Up to \$10,158,162</u>	<u>Up to \$677,211</u>

<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2021)
LOCAL POLITICAL SUBDIVISIONS				
<u>Revenue - Cities</u>				
Reissuance Recovery Fees (15%)	\$0	\$0	\$2,031,632	\$135,442
<u>Revenue - Counties</u>				
Reissuance Recovery Fees (10%)	<u>\$0</u>	<u>\$0</u>	<u>\$1,354,422</u>	<u>\$90,295</u>
ESTIMATED NET EFFECT TO THE LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$3,386,054</u>	<u>\$225,737</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 establishes an advisory committee to design uniform designs and common colors for license plates and determine parameters for license plates. The committee is to design a color scheme and design for license plates commemorating the bicentennial of Missouri. The proposal establishes the composition of the advisory commission and requires the commission to develop design and license plate parameters no later than January 1, 2019.

This proposal provides that the owner of a personal motor vehicle, other than an apportioned or commercial motor vehicle licensed in excess of 24,000 pounds, may apply for a special personalized license plate.

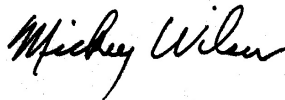
FISCAL DESCRIPTION (continued)

§226.550 - waive the permit and biannual inspection fee for land owners engaged in outdoor advertising provided that the land owner owns both the land where the advertising is located and the business being advertised, and that business being advertised is within 750 feet of the outdoor advertising.

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 Corrections
Department of Transportation



Mickey Wilson, CPA
Director
May 11, 2016

Ross Strobe
Assistant Director
May 11, 2016