

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6131-04
Bill No.: SCS for HCS for HB 2380
Subject: Motor Vehicles; Licenses - Motor Vehicle
Type: Original
Date: April 27, 2016

Bill Summary: This proposal modifies provisions relating to license plates.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2020)
General Revenue	(\$35,399)	(\$13,543,509)	(\$5,842,064)	(\$311,436)
Total Estimated Net Effect on General Revenue	(\$35,399)	(\$13,543,509)	(\$5,842,064)	(\$311,436)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2020)
Highway Fund	\$0	\$0	\$10,158,162	\$677,211
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$10,158,162	\$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 2020)
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 2020)
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 2020)
Local Government	\$0	\$0	\$3,386,054	\$225,737

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** state the following:

§301.130

Increases 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.

§301.144

Increase the availability of all personalized license plates to commercial motor vehicles registered at 24,000 lbs gross weight.

§301.3150

Increase the availability of specialty license plates to commercial motor vehicles registered at 24,000 lbs gross weight in regards to the creation of a new specialty plate for an organization.

This proposal increases and streamlines language for the availability of military, collegiate, and organizational specialty plates to commercial motor vehicles registered at 24,000 lbs gross weight.

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.

ASSUMPTION (continued)

- 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.
- OA-ITSD services are required at a cost of \$32,400 (432 hours x \$75 per hour).

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.

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.

ASSUMPTION (continued)

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).

In summary, DOR assumes a cost of **\$52,415** ($\$890 + \$890 + \$890 + \$240 + \$934 + \$3,560 + \$32,400 + \$9,630 + \$2,266 + \$356 + \359) in FY 2017, **\$3,674** ($\$2,787 + \$438 + \449) 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.

ASSUMPTION (continued)

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.

§301.125.1

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

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

Administrative Impact

Advisory Committee Expenses

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 2017 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

Motor Vehicle Bureau

This proposal requires a license plate re-issuance to begin January 1, 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 1, 2019, which is in FY 2019.

ASSUMPTION (continued)

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

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

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.

ASSUMPTION (continued)

- 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 1, 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.

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
/ 260	Work days per year
835	Received per day
/144	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.

ASSUMPTION (continued)

In summary, DOR assumes a cost of **\$13,549,024** (\$1,248 + \$3,560 + \$13,544,216) in FY 2018, **\$5,585,746** (\$3,560 + \$890 + \$890 + \$240 + \$3,560 + 567,000 + \$3,611,791 + \$61,340 + \$640,185 + 387,504 + \$163,216 + \$105,118 + \$35,6464 +\$4,806) in FY 2019, **\$1,841,576** (\$151,200 + \$902,948 + \$787,428) in FY 2020 and **\$37,800** in FY 2021.

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.

		FY 2019	FY 2020	FY 2021
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**.

Officials from the **Department of Transportation** concur with DOR regarding this proposal.

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

In response to a previous version, officials at the **Department of Insurance, Financial Institutions and Professional Registration** assumed the proposal would have no fiscal impact on their organization.

<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	\$17,016	\$9,189	\$15,685	\$0
<u>Cost - DOR</u>				
Administrative, mailing and specialty plate	(\$52,415)	(\$3,674)	(\$3,759)	\$0
<u>Cost - DOR</u>				
Administrative costs for advisory commission and for creation of bicentennial plates (\$301.125 & §301.130.9)				
Personal Services	\$0	\$0	(\$163,126)	(\$166,405)
Fringe Benefits	\$0	\$0	(\$105,118)	(\$107,231)
Equipment & Expense	<u>\$0</u>	<u>(\$13,549,024)</u>	<u>(\$5,585,746)</u>	<u>(\$37,800)</u>
Total Cost - DOR	<u>\$0</u>	<u>(\$13,543,509)</u>	<u>(\$5,842,064)</u>	<u>(\$311,436)</u>
Total FTE				
Change - DOR	0 FTE	0 FTE	6 FTE	6 FTE
ESTIMATED NET EFFECT TO THE GENERAL REVENUE				
	<u>(\$35,399)</u>	<u>(\$13,543,509)</u>	<u>(\$5,842,064)</u>	<u>(\$311,436)</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2021)
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HIGHWAY FUND

<u>Revenue -</u> Reissuance cost recovery fee (75%)	<u>\$0</u>	<u>\$0</u>	<u>\$10,158,162</u>	<u>\$677,211</u>
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ESTIMATED NET EFFECT TO THE HIGHWAY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$10,158,162</u>	<u>\$677,211</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2021)
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**LOCAL
POLITICAL
SUBDIVISIONS**

<u>Revenue - Cities</u> Reissuance Recovery Fees (15%)	\$0	\$0	\$2,031,632	\$135,442
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<u>Revenue - Counties</u> Reissuance Recovery Fees (10%)	<u>\$0</u>	<u>\$0</u>	<u>\$1,354,422</u>	<u>\$90,295</u>
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ESTIMATED NET EFFECT TO THE LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$3,386,054</u>	<u>\$225,737</u>
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FISCAL IMPACT - Small Business

A direct fiscal impact to organizations receiving donations from specialty license plates would be expected as a result of this proposal.

FISCAL DESCRIPTION

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.

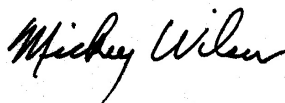
Currently, the owner of a motor vehicle, other than an apportioned motor vehicle or commercial motor vehicle licensed in excess of 18,000 pounds, may apply for a special personalized license plate.

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, 2017.

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 Highway Patrol
Department of Transportation
Department of Corrections
Department of Insurance, Financial Institutions and Professional Registration



Mickey Wilson, CPA
Director

Ross Strobe
Assistant Director

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