

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4511-07  
Bill No.: Truly Agreed To and Finally Passed SCS for HCS#2 for HB 1503  
Subject: Military Affairs, Veterans, Department of Revenue, Licenses- Motor Vehicle, Professional Registration and Licensing, State Treasurer  
Type: Original  
Date: June 11, 2018

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Bill Summary: This proposal modifies provisions regarding loans for veteran-owned small businesses, license plates for veterans, professional licensure for military spouses, and the Missouri reserve military force.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(\$119,977)	\$15,436	\$15,436
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$119,977)</b>	<b>\$15,436</b>	<b>\$15,436</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 10 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §30.750, §30.756 and §620.3250 Veteran Loan Program

Officials at the **Office of Administration Division of Budget and Planning** assume this proposal would allow veterans to participate in Missouri's Linked Deposit program in order to obtain small business loans. There is no direct impact to General and Total State Revenues.

Officials at the **Department of Economic Development (DED)** assume this creates a new section, 620.3250. It authorizes DED to issue state guarantees to lenders for loans to veteran-owned small businesses. Upon approval of the guarantee, the applicant will be assigned a “mentor” for one year following approval and the applicant must meet with the mentor once every 90 days. The cap per veteran is \$500,000.

There is no cap on the program. Also the legislation does not say who employs the “mentor” so it is unclear if it is a bank employee or a state employee. For the purposes of the fiscal note, DED assumes they will employ the “mentors”.

Assuming there are 100 loans per year, and each loan is between \$100,000 and \$500,000, the cost of the program annually would be between \$100,000 - \$500,000. DED will need to hire 1 Band II Manager (\$63,618), 1 Economic Development Incentive Specialist III (\$53,136), and 10 Marketing/Business Specialists III (\$53,136) to implement the program.

The 12 FTE will require that DED pay for more space in the Truman Building, or, if that is not available, rent additional office space in Jefferson City. The cost for space for 12 FTE in the Truman Building is \$1,518/person/year for a cost of \$18,216/year. If DED is required to rent space in Jefferson City the cost is \$4,025/person/year for a total annual cost of \$48,300.

**Oversight** notes this proposal allows any veteran, who has a eligible veteran-owned small business as defined in this proposal, to receive a small business loan through the state treasurer’s linked deposit program. Oversight assumes this portion of the proposal would have no additional fiscal impact.

**Oversight** notes that §620.3250.3, requires any applicant who receives a loan from an eligible lending institution be assigned a mentor and to meet with the mentor once every ninety days for one year. Oversight notes this proposal does not require DED to provide the mentors or to pay for the mentors. Oversight assumes that DED will be able to provide a list of mentors (not additional (new) state employees) in the applicants’ area of the state they could work with. Oversight assumes that DED could provide the information using existing resources.

ASSUMPTION (continued)

Officials at the **Office of the State Treasurer** assume there is no fiscal impact from this proposal.

Officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state 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 SOS 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, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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.

§41.050, §41.070, §41.080, §41.110, §41.260, §41.450, §41.460, §41.490, §41.500 Military Name Change

Officials from the **Department of Public Safety - Office of the Adjutant General** and the **Office of the Governor** each assume the proposal would not fiscally impact their respective agencies.

**Oversight** notes this proposal would change the name in statute from "Missouri reserve military force" to "Missouri state defense force". Oversight assumes this would not have a fiscal impact.

ASSUMPTION (continued)

§301.074, §301.075 and §301.145 Motor Vehicle Fees

Officials at the **Department of Revenue (DOR)** assume this makes several changes.

§301.074 - Removes the limitation of one set Disabled Veteran license plates.

§301.075 - Allows for the first set of Disabled Veteran license plates to be at no fee, but any subsequent sets of plates issued will be subject to regular registration fees and the fee required for a personalized license plate. Currently, the Department can only issue one set of Disabled Veteran license plates to a qualified applicant. The applicant is not charged a fee for registration or the personalized plate. Under the proposed legislation, the first set of plates will remain at no fee. Any subsequent set of plates issued will be subject to the required registration fees and personalized plate fees.

§301.145- Allows for the Department to waive the \$15 personalization fee for Congressional Medal of Honor license plates. There are currently only two "Congressional Medal of Honor" license plates in use. The revenue impact would be minimal to waive the \$15 personalization fee.

To implement the proposed legislation, the Department will be required to:

- Update procedures, specialty or military license plate charts, and the Department website;
- Update the Application for Missouri Military Personalized License Plates (DOR-4601);
- Update the license plate rejection language; and
- Complete programming and user acceptance testing of required systems.

FY 2019 - Motor Vehicle Bureau

Management Analysis Spec I	280 hrs, @ \$18.42 per hr.	= \$5,158
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FY 2019 - Personnel Services Bureau

Management Analysis Spec I	40 hrs. @ \$18.42 per hr.	= \$ 737
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Administrative Analyst III	10 hrs. @ \$19.43 per hr.	= \$ 194
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Total		= \$ 931
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Total Costs		\$6,089
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ITSD assumes costs estimate equals 1,771.20 hrs. @ \$75 per hr. = \$132,840

ASSUMPTION (continued)

Plate manufacturing costs:

The Department pays \$3.75 per plate (\$7.50 per set) for manufacturing flat plates through Missouri Vocational Enterprises.

Based on 2,416 additional sets of disabled veteran license plates issued, the cost to the Department equals \$15,100 (10 months) in FY 2019, \$18,120 in FY 2020, and \$18,120 in FY 2021.

Mailings:

The Department currently pays on average \$5.55 to ship a box of 10 sets of plates to the contract offices once they have completed the manufacturing processing. The cost to mail the boxes of additional plates to the contract offices would equal \$1,120 in FY 2019, \$1,343 in FY 2020, and \$1,343 in FY 2021.

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 additional postage cost for mailing notifications to those applicants notifying them that their plates are ready for pick up at the respective license office. The cost for mailing notifications to applicants equals \$1,117 in FY 2019, \$1,341 in FY 2020, and \$1,341 in FY 2021. This cost includes \$0.04 for envelopes, \$0.025 for letters, and \$0.49 for postage.

**Oversight** assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb some of the costs related to this proposal; therefore, Oversight will reflect a fiscal impact of \$150,177 for IT services and mailing costs in FY 2019 and \$20,804 in FY 2020 and FY 2021.

Revenue Impact

The applicant is required to pay the registration fees whether obtaining a disabled veteran plate or other type of plate. Therefore, the Department will not see an increase in registration fees collected. Assuming the applicant would not otherwise apply for another specialty or military license plate and pay the \$15\*, there may be an increase in the amount of specialty plate fees collected and distributed to General Revenue.

There are 8,054 disabled veteran license plates currently in use. The average household owns 1.5 vehicles. This legislation will result in an increase of disabled veteran license plates issued. We are basing this response on 30% of applicants applying for an additional set of disabled veteran license plates, which will result in an additional 2,416 sets of disabled veteran

ASSUMPTION (continued)

license plates issued and an increase of \$36,240 fees collected.

FY 2019 (10 Months)	FY 2020	FY 2021
\$30,200	\$36,240	\$36,240

\*By way of example, if an applicant has a set of disabled veteran license plates on one vehicle and Army license plates on another vehicle (of which the \$15 is collected); then the applicant wants to replace the Army license plates with a second set of disabled veteran license plates, there will not be an increase in the \$15 collected.

If an applicant has a set of disabled veteran license plates on one vehicle and stock license plates on another vehicle (of which the \$15 is not collected); then the applicant wants to replace the stock license plates with a second set of disabled veteran license plates, there will be an increase in the \$15 collected.

§324.006 Professional Licensing and Registration

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume there is no fiscal impact from this proposal.

**Oversight** notes this provision allows that first priority should be given to spouses of members of the Armed Forces in regards to all professional licensing boards and commissions. Oversight assumes this would not have a fiscal impact.

Bill as a Whole

Officials at the **Missouri Veterans Commission** assume there is no fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>GENERAL REVENUE</b>			
<u>Revenue</u> - DOR - increase in license plate fees for disabled veteran plates (§§301.074 & 301.075)	\$30,200	\$36,240	\$36,240
<u>Cost</u> - DOR - IT services	(\$132,840)	\$0	\$0
<u>Cost</u> - DOR - disabled veteran license plates (§§301.074 & 301.075)	(\$15,100)	(\$18,120)	(\$18,120)
<u>Cost</u> - DOR - mailing costs (§§301.074 & 301.075)	(\$2,237)	(\$2,684)	(\$2,684)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(\$119,977)</u></b>	<b><u>\$15,436</u></b>	<b><u>\$15,436</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal; however, loan guarantees might make it more likely some small businesses qualify for loans.

FISCAL DESCRIPTION

This bill changes the laws relating to military affairs.

VETERANS SMALL BUSINESS LOANS - The bill allows veteran-owned small businesses to participate in the Missouri Linked Deposit Program. An "eligible veteran-owned small business" is defined as any business owned by an honorably discharged veteran and Missouri resident who has agreed to locate his or her business in the state for at least three years and employs less than 100 employees, a majority of whom are Missouri residents. In considering which small



FISCAL DESCRIPTION (continued)

businesses should receive reduced-rate loans through the Linked Deposit Program, a lending institution must give priority to those owned by veterans.

Any veteran who receives a small business loan through the Linked Deposit Program must also complete a boots-to-business program approved by the Department of Economic Development and be assigned a mentor for 365 days following the loan approval date. The owner and his or her mentor must meet at least once every 90 days. (§30.750, §30.756 and §620.3250)

MISSOURI MILITARY CODE - This bill changes references to the "reserve military force" in the Missouri Military Code to the "state defense force". (§41.050, §41.070, §41.080, §41.110, §41.206, §41.450, §41.460, §41.490, §41.500, and §115.013)

DISABLED VETERAN LICENSE PLATES - Currently, a person eligible to receive disabled veteran license plates may receive one set of the plates and shall not be charged a fee to receive them. The bill provides that a person may license a second or subsequent motor vehicle for disabled veteran plates, subject to the regular registration and personalized license plate fees. (Sections §301.074 and §301.075)

CONGRESSIONAL MEDAL OF HONOR PLATES - This bill specifies that an applicant will pay no additional fee to the regular registration fee for the Congressional Medal of Honor license plates. (§301.145)


PROFESSIONAL LICENSE APPLICATIONS FOR MILITARY SPOUSES - This bill specifies that military spouses will be given first priority during the processing of all applications for professional licenses. (§324.006)

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 Economic Development  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Public Safety  
    Office of the Adjutant General  
Department of Revenue  
Joint Committee on Administrative Rules  
Missouri Veterans Commission  
Office of Administration  
    Division of Budget and Planning  
Office of the Governor  
Office of the Secretary of State  
Office of the State Treasurer

Ross Strope



Acting Director  
June 11, 2018