

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0230-02  
Bill No.: SB 114  
Subject: Motor Vehicles; Department of Taxation and Revenue - General  
Type: Original  
Date: March 5, 2019

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Bill Summary: This proposal modifies the fees charged by Department of Revenue contractor license offices.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	(\$54,270) to (\$66,632)	\$0 to (\$80,631)	\$0 to (\$81,312)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$54,270) to (\$66,632)</b>	<b>\$0 to (\$80,631)</b>	<b>\$0 to (\$81,312)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Highway Fund (644)	\$2,277,171 or \$22,459,083	\$2,732,606 or \$26,950,900	\$2,732,606 or \$26,950,900
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$2,277,171 or \$22,459,083</b>	<b>\$2,732,606 or \$26,950,900</b>	<b>\$2,732,606 or \$26,950,900</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 11 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</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 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
General Revenue	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>0 or 1 FTE</b>	<b>0 or 1 FTE</b>	<b>0 or 1 FTE</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 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Local Government</b>	<b>\$759,057 or \$7,486,361</b>	<b>\$910,868 or \$8,983,633</b>	<b>\$910,868 or \$8,983,633</b>

## FISCAL ANALYSIS

### ASSUMPTION

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

#### Administrative Impact

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

- Update procedures, forms, correspondence, associated fee charts, and the Department website;
- Update the Dealer Operating Manual;
- Update the Missouri Titling Manual;
- Update the Uniform License Issuance Manual;
- Update the on-line and printed versions of the Missouri Driver guide, Missouri Motorcycle Guide, and the Commercial Driver License (CDL) Manual;
- Complete programming and user acceptance testing;
- Update the Missouri Transportation Accounting System (MTAS) tables used by the Missouri Electronic Driver License System (MEDL); and
- Train internal and license office staff.

#### FY 2020 - Motor Vehicle Bureau

Management Analysis Spec I	520 hrs. @ \$18.42 per hr.	= \$9,578
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#### FY 2020 - Driver License Bureau

Administrative Analyst II	160 hrs. @ \$17.13 per hr.	= \$2,741
Management Analysis Spec II	180 hrs. @ \$20.57 per hr.	= \$3,703
Revenue Manager	30 hrs. @ \$20.59 per hr.	= \$ 618
Total		= \$7,062

#### FY 2020 - Personnel Services Bureau

Administrative Analyst III	40 hrs. @ \$19.80 per hr.	= \$ 792
Management Analysis Spec I	60 hrs. @ \$18.42 per hr.	= \$1,105
Management Analysis Spec II	30 hrs. @ \$20.57 per hr.	= \$ 617
Total		= \$2,514

<b>Total Costs</b>		<b>= \$19,154</b>
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ASSUMPTION (continued)

Administrative Impact (continued)

**Oversight** assumes DOR will use existing staff and will not hire additional FTE to conduct these activities; therefore, Oversight will not reflect the administrative costs DOR has indicated on the fiscal note.

**DOR** notes OA-ITSD services will be required at a cost of \$54,270 (723.60 hours x \$75 per hour) in FY 2020.

**Oversight** notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this bill, ITSD assumes they will contract out the programming changes needed to the various DOR systems. ITSD estimates the project would take 723.60 hours at a contract rate of \$75 per hour for a total cost to the state of \$54,270. Oversight notes that an average salary for a current IT Specialist within ITSD is \$51,618, which totals roughly \$80,000 per year when fringe benefits are added. Assuming that all ITSD resources are at full capacity, Oversight assumes ITSD may (instead of contracting out the programming) hire an additional IT Specialist to perform the work required from this bill. Therefore, Oversight will range the fiscal impact from the cost of contracting out the work (\$54,270) to hiring an additional FTE IT Specialist (roughly \$80,000 per year).

Revenue Impact

**DOR** notes this legislation will also increase processing fees for transactions processed at the Central Office Branch Office, through the mail, and online. This fee increase will be split to the Highway Fund, Cities, and Counties 75/15/10.

Motor Vehicle Bureau

Registrations for 1 year in FY 2021 and FY 2022:

70,744	Estimated 2 year transactions in Central Office and Online (MORE)
x \$ 2.50	Increased agent processing fee from \$3.50 to \$6.00
\$176,860	Total annual increase in processing fees for 1 year transactions.

ASSUMPTION (continued)

Revenue Impact (continued)

Registrations for 2 year in FY 2021 and FY 2022:

173,493	Estimated 2 year transactions in Central Office and Online (MORE)
x \$ 5.00	Increased agent processing fee from \$7.00 to \$12.00
\$ 867,465	Total annual increase in processing fees for 2 year transactions.

Titles in FY 2021 and FY 2022:

154,246	Estimated 1 year fees by Branch Office - Central Site and Online (MORE)
x \$ 3.50	Increased agent processing fee from \$2.50 to \$6.00
\$ 539,861	Total annual increase in title processing fees

Notice of Liens in FY 2021 and FY 2022:

6,112	Central Office Filed
+ 570,172	Online Notice of Liens
576,284	Total Notice of Liens Filed
x \$ 3.50	Estimated 1 year fees by Branch Office - Central Site and Online (MORE)
\$ 2,016,994	Total annual increase in Notice of Lien Process Fees

Driver License Bureau

Permits, Driver License, or Nondriver License Issued for 3 years or less in FY 2021 and FY 2022:

816	Estimated 3 year fees by Central Branch Office
x \$ 3.50	Increased agent processing fee from \$2.50 to \$6.00
\$ 2,856	Total annual increase in agent processing fees for exceeding 3 year transactions.

ASSUMPTION (continued)

Revenue Impact (continued)

Permits, Driver License, or Nondriver License Issued for 6 years or less in FY 2021 and FY 2022:

5,634	Estimated 6 year fees Central Branch Office
<u>x \$ 7.00</u>	Increased agent processing fee from \$5.00 to \$12.00
\$39,438	Total annual increase in agent processing fees for exceeding 3 years transactions.

It is unknown how many notary fees or additional electronic transmission fees may be collected under the proposed change to §135.055.1(5) RSMo.

Total Central Office, mail-in, and online processing fees to distribute: **\$3,643,474**

**Oversight** notes the following fee changes:

Transaction Type	Current Fee	Proposed Fee
Motor vehicle or trailer registration (one year)	\$3.50	\$6.00
Motor vehicle or trailer registration (two year)	\$7.00	\$12.00
Application of transfer	\$2.50	\$6.00
Instruction permit, nondriver license, chauffeur's, operator's or driver's license (three years or less)	\$2.50	\$6.00
Instruction permit, nondriver license, chauffeur's, operator's or driver's license (exceeds three years)	\$5.00	\$12.00
Notice of liens	\$2.50	\$6.00
Notary fee	\$2.00 (only collected for telephone receptions)	\$2.00 per transaction

Source: Oversight

ASSUMPTION (continued)

Revenue Impact (continued)

	FY 2020 (10 mos.)	FY 2021	FY 2022
<i>Amount to Distribute</i>	\$3,036,228	\$3,643,474	\$3,643,474
Highways (75%)	\$2,277,171	\$2,732,606	\$2,732,606
Cities (15%)	\$455,434	\$546,521	\$546,521
Counties (10%)	\$303,623	\$364,347	\$364,347

Source: DOR

Officials from the **Department of Transportation (MoDOT)** considers the revenues collected from these fees to be State Revenue Derived from Highway Users (SRHU) subject to the distribution requirements set out in Art. IV, Sec. 30(b)1, Mo. Const. MoDOT does not collect these fees, so we defer to DOR for the dollar figure.

**Oversight** notes that the additional fee revenue estimate provided by DOR is only for transactions at the Central Office and online. DOR assumes the additional fees charged by the fee offices will be retained by the fee offices. If MoDOT is correct in their assertion that the fee increases on transactions at all fee offices statewide (176 contracted license offices) should be distributed as SRHU revenue as well, there could be a significantly larger increase in revenue to distribute between the state's Highway Fund, cities and counties.

DOR provided information that **Oversight** used to estimate the estimated fee increase state-wide:

Registrations for 1 year in FY 2021 and FY 2022:

1,485,689	Total Transactions
x \$2.50	Increased agent processing fee from \$3.50 to \$6.00
\$3,714,222	Total annual increase in agent processing fees for 1 year transactions.

Registrations for 2 year in FY 2021 and FY 2022:

2,304,276	Total Transactions
x \$5.00	Increased agent processing fee from \$7.00 to \$12.00
\$11,521,380	Total annual increase in agent processing fees for 2 year transactions.

ASSUMPTION (continued)

Titles in FY 2021 and FY 2022:

2,059,457	Total Transactions
x <u>\$3.50</u>	Increased agent processing fee from \$2.50 to \$6.00
\$7,208,100	Total annual increase in agent processing fees for Title transactions.

Notice of Liens in FY 2021 and FY 2022:

737,754	Notice of Lien Transactions (number adjusted from DOR est.)
x <u>\$3.50</u>	Increased agent processing fee from \$2.50 to \$6.00
\$2,582,139	Total annual increase in agent processing fees for Title transactions.

Permits, Driver License, or Nondriver License Issued for 3 years or less in FY 2021 and FY 2022:

167,333	Total Permits
330,521	Total Driver License (DL)
4,538	Total Nondriver License (NDL)
+ <u>18,785</u>	Total Estimated Duplicates (DL, NDL and Permits)
521,177	Total annual 3 year or less transactions
x <u>\$3.50</u>	Increased agent processing fee from \$2.50 to \$6.00
\$1,824,120	Total annual increase in agent processing fees for 3 year transactions.

Permits, Driver License, or Nondriver License Issued for 6 years or less in FY 2021 and FY 2022:

888,535	Total Driver License (DL)
130,063	Total Nondriver License (NDL)
+ <u>279,198</u>	Total Estimated Duplicates (DL, NDL and Permits)
1,297,796	Total annual transactions exceeding 3 years
x <u>\$7.00</u>	Increased agent processing fee from \$5.00 to \$12.00
\$9,084,572	Total annual increase in agent processing fees for exceeding 3 years transactions.



ASSUMPTION (continued)

<b>Transaction Type</b>	<b>2020</b>	<b>2021 &amp; 2022</b>
Motor vehicle or trailer registration (one year)	\$3,095,185	\$3,714,222
Motor vehicle or trailer registration (two year)	\$9,601,150	\$11,521,380
Titles	\$6,006,750	\$7,208,100
Instruction permit, nondriver license, chauffeur's, operator's or driver's license (three years or less)	\$1,520,100	\$1,824,120
Instruction permit, nondriver license, chauffeur's, operator's or driver's license (exceeds three years)	\$7,570,476	\$9,084,572
Notice of liens	\$2,151,783	\$2,582,139
<b>TOTAL</b>	<b>\$29,945,444</b>	<b>\$35,934,533</b>

For simplicity, **Oversight** will assume, if MoDOT is correct in their assertion that this additional revenue shall be distributed according to Art. IV, Sec. 30(b)1, of the Missouri Constitution, that the additional fee revenue will be distributed 75% to highways, 15% to cities and 10% to counties. Oversight notes that DOR is allowed to retain 3% of the tax or fee collected for collection costs; however, Oversight will simply provide that amount for informational purposes and not reflect it in the fiscal note.

	<b>FY 2020 (10 mos.)</b>	<b>FY 2021 &amp; FY 2022</b>	<b>3%</b>
<i>Amount to Distribute</i>	\$29,945,444	\$35,934,533	\$1,078,036
Highways (75%)	\$22,459,083	\$26,950,900	
Cities (15%)	\$4,491,817	\$5,390,180	
Counties (10%)	\$2,994,544	\$3,593,453	

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** assume the proposal will have no fiscal impact on their organization.

**Oversight** notes that MHP has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for MHP.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>GENERAL REVENUE FUND</b>			
<u>Cost</u> - DOR - ITSD costs (ranged from contracting out programming (\$54,270) to hiring one additional FTE IT Specialist)	(\$54,270) to <u>(\$66,632)</u>	\$0 to <u>(\$80,631)</u>	\$0 to <u>(\$81,312)</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b>(\$54,270) to <u>(\$66,632)</u></b>	<b>\$0 to <u>(\$80,631)</u></b>	<b>\$0 to <u>(\$81,312)</u></b>
Estimated Net FTE Change to the General Revenue Fund	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
<b>HIGHWAY FUND</b>			
<u>Revenue</u> - increased processing fees for licenses, registrations, notice of liens and notary services	\$2,277,171 or <u>\$22,459,083</u>	\$2,732,606 or <u>\$26,950,900</u>	\$2,732,606 or <u>\$26,950,900</u>
<b>ESTIMATED NET EFFECT ON THE HIGHWAY FUND</b>	<b>\$2,277,171 or <u>\$22,459,083</u></b>	<b>\$2,732,606 or <u>\$26,950,900</u></b>	<b>\$2,732,606 or <u>\$26,950,900</u></b>
<b>FISCAL IMPACT - Local Government</b>			
	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue</u> - Cities (15%) - increased processing fees for licenses, registrations, notice of liens and notary services	\$455,434 or \$4,491,817	\$546,521 or \$5,390,180	\$546,521 or \$5,390,180
<u>Revenue</u> - Counties (10%) - increased processing fees for licenses, registrations, notice of liens and notary services	\$303,623 or <u>\$2,994,544</u>	\$364,347 or <u>\$3,593,453</u>	\$364,347 or <u>\$3,593,453</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>\$759,057 or <u>\$7,486,361</u></b>	<b>\$910,868 or <u>\$8,983,633</u></b>	<b>\$910,868 or <u>\$8,983,633</u></b>

FISCAL IMPACT - Small Business

Contract offices could see an increase in processing fees collected for motor vehicle/marine titles, registrations, notice of liens, driver license, instruction permits, nondriver license, and notary transactions.

Small businesses that register vehicle or conduct other business at fee offices could pay more for these services.

FISCAL DESCRIPTION

Under current law, organizations acting as an agent of the Department of Revenue for the processing of motor vehicle title and registration transactions are permitted to collect fees as compensation. This act increases the maximum fee allowable for various transactions from either \$3 or \$2.50, depending on the type of transaction, to \$6.

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 Transportation  
Department of Public Safety - Missouri Highway Patrol



Kyle Rieman  
Director  
March 5, 2019

Ross Strobe  
Assistant Director  
March 5, 2019