

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0253-04
Bill No.: Perfected SCS for SB 89
Subject: Federal - State Relations; Fees; Licenses - Driver's; Motor Carriers; Department of Revenue; Veterans
Type: Original
Date: February 12, 2019

Bill Summary: This proposal enacts provisions relating to licenses to operate motor vehicles.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	Could exceed (223,525)	Could exceed (\$180,631)	Could exceed (\$181,312)
Total Estimated Net Effect on General Revenue	Could exceed (223,525)	Could exceed (\$180,631)	Could exceed (\$181,312)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Highway Fund	(\$328,293)	(\$392,230)	(\$397,722)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$328,293)	(\$392,230)	(\$397,722)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
Highway Fund	6 FTE	6 FTE	6 FTE
Total Estimated Net Effect on FTE	6 or 7 FTE	6 or 7 FTE	6 or 7 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 2020	FY 2021	FY 2022
Local Government	\$17,320	\$20,786	\$20,786

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

In response to a previous version, officials at the **Department of Revenue (DOR)** assumed the following regarding this proposal:

Administrative Impact

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

- Work with OA-ITSD to update the Missouri Electronic Driver License system (MEDL) and develop possible interfaces with the Federal Motor Carrier Safety Act (FMCSA) defined verification system, which may include changes to the Missouri AAMVAnet Interface (MAI) application or a newly developed interface;
- Update Missouri Driver License system (MODL) to update, store and respond to information request related to medical certificate information;
- Update the current issuance term for commercial instruction permits in MEDL and update MODL and MEDL to ensure only one, one-year term documented is issued without retesting as required;
- Update the MEDL system and the MAI application to receive and send out required medical certificate data and post updates to the driver record as required;
- Modify MEDL test entry screens for military waiver applicants to allow the written and skills testing to be waived for military applicants;
- Complete programming and user acceptance testing;
- Update the Uniform License Issuance Manual (ULIM);
- Update the Missouri Driver Guide and CDL manual;
- Update the Missouri Transportation Accounting System (MTAS) to reflect the increased fee;
- Update procedures and the Department website; and
- Train staff.

ASSUMPTION (continued)

Administrative Impact (continued)

FY 2020 - Driver License Bureau

Administrative Analyst II	320 hrs. @ \$17.13 per hr.	= \$ 5,482
Management Analysis Spec II	480 hrs. @ \$20.57 per hr.	= \$ 9,874
Revenue Manager	120 hrs. @ \$20.59 per hr.	= \$ 2,471
Total		= \$17,827

FY 2020 - Personnel Services Bureau

Administrative Analyst III	80 hrs. @ \$19.80 per hr.	= \$ 1,584
Management Analysis Spec I	80 hrs. @ \$18.42 per hr.	= \$ 1,474
Total		= \$ 3,058

Total Costs = **\$20,885**

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 as indicated on the fiscal note. Oversight notes administrative costs were included on a previous version of this proposal (SB 89); however, Oversight has since updated its assumptions in regards to administrative costs performed/incurred by utilizing existing resources/FTE.

DOR noted OA-ITSD services will be required at a cost of **\$123,525** (1,647 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 MODL and CDIS systems. ITSD estimates the project would take 1,647 hours at a contract rate of \$75 per hour for a total cost to the state of \$123,525. 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 (\$123,525) to hiring an additional FTE IT Specialist (roughly \$80,000 per year).

ASSUMPTION (continued)

Administrative Impact (continued)

DOR also noted this legislation is federally mandated. The Federal Motor Carrier Safety Administration's (FMCSA) Minimum Training Requirements for Entry-Level Commercial Motor Vehicle Operators final rule was mandated by the Moving Ahead for Progress in the 21st Century Act (MAP-21) and was effective February 6, 2017. The FMCSA requirements are defined in accordance with 49 CFR Part 380, Subpart F: CDL Entry-Level Driver Training. The current Federal compliance deadline is February 7, 2020. Non-compliance may result in the loss of federal funding and could compromise our commercial driver license issuance program as defined in 49 CFR 384 Subpart C-Procedures for Determining State Compliance 49.

The FMCSA Medical Examiner's Certification Integration rule was posted April 23, 2015 and later amended for a correction and compliance extension. The requirement for electronic verification of medical examiner certificate (MEC) information for commercial drivers is defined in 49 CFR Part §383.73.

The amended deadline for state licensing agency compliance is June 22, 2021. Non-compliance may result in the loss of federal funding and could compromise our commercial driver license issuance program as defined in 49 CFR 384 Subpart C-Procedures for Determining State Compliance 49.

Pursuant to 49 CFR §384.401, following the first year of non-compliance, up to 4% of Federal-aid highway funds apportioned to any State under sections 104(b)(1), (b)(3), and (b)(4) of title 23 U.S.C. shall be withheld from a State on the first day of the fiscal year following such State's first year of non-compliance. For second and subsequent year(s) of non-compliance, an amount up to 8% shall be withheld.

Based on DOR's response, **Oversight** assumes this proposal is federally mandated and will place Missouri in compliance with federal regulations. If Missouri were to remain non-compliant, Missouri would risk losing federal funding of \$26 million (4%) in FY 2021 and \$52 million (8%) in FY 2022 and beyond.

Revenue Impact

DOR noted the following estimates are based on issuance totals from the Missouri Transportation Accounting System report for FY 2018.

ASSUMPTION (continued)

Revenue Impact (continued)

Estimated increase in commercial permit fees

18,497	New permits issued
x \$5	Increased fee
\$92,485	Increased fees collected annually

75% Distributed to Highway Fund	\$69,364
15% Distributed to Cities	\$13,873
10% Distributed to Counties	\$ 9,248

Estimated decrease in renewal of commercial learners' permit fees

1,870	Renewal permits issued
x \$5	Current permit fee
\$9,350	Decrease in permit fees collected annually

75% Distributed to Highway Fund	\$7,013
15% Distributed to Cities	\$1,402
10% Distributed to Counties	\$ 935

	FY 2019 (10 Mo.)	FY 2020	FY 2021
<i>Amount to Distribute</i>	\$69,279	\$83,135	\$83,135
75% Highway Fund	\$51,959	\$62,351	\$62,351
15% Cities	\$10,392	\$12,472	\$12,472
10% Counties	\$6,928	\$8,314	\$8,314

Source: DOR

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

Oversight notes that the Department of Transportation 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 the Department of Transportation.

ASSUMPTION (continued)

Senate Amendment 1 (as amended)

Oversight notes Senate Amendment 1 requires the Department of Revenue to certify any private education institution or other private entity as third-party testing administrators for commercial driver's licenses.

DOR has indicated this could have a new significant fiscal impact but could not get Oversight an official response by the imposed deadline.

Oversight is unsure of the fiscal impact to DOR as a result of this amendment; therefore, Oversight will reflect a fiscal impact of "Could exceed \$100,000" to the General Revenue Fund.

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** assume the following regarding this amendment:

The amendment to Senate Bill 89 states the Director of the Department of Revenue shall certify as a third-party tester any private education institution or other private entity, provided the institution or entity meets the necessary qualifications required by the state.

It appears this proposed legislation, amendment to SB 89, Section 302.720.6, RSMo., is to allow additional third-party testers (to include private education institutions or other private entities) to administer the Commercial Driver License (CDL) skills tests (pre-trip, basic, and road tests).

Section 302.721.2.2, RSMo. requires the superintendent of the Highway Patrol to re-examine a minimum of 10% of those drivers who have passed the CDL skills examination administered by a certified third-party commercial driver license examination program in the state of Missouri. Furthermore, federal regulations require on-site inspections of each third-party tester. Currently Missouri conducts audits of each third-party tester at least annually.

Assuming additional private education institutions and private entities will become third-party testers, additional personnel will be needed to perform the duties required.

Currently, the Missouri State Highway Patrol employs 6 CDL auditors in 4 of the 9 troops. There are 11 third-party testers. The auditors are responsible for conducting the initial and ongoing training of the third-party examiners, conducting audits at least annually, which includes auditing the facility, basic skills pads, road test routes and records, re-examining a minimum of 10% of the tests conducted by third-party testers, and maintaining statistics of each third-party examiner focusing on examiners with unusually high or low pass/fail rates.

ASSUMPTION (continued)

A conservative estimate may assume that the third-party tester number would double within the first year. This would require an additional 6 FTE, which would be CDL Examination Auditors (V07604). However, this legislation could expand the third-party program well beyond the projected number in this fiscal note. In the late 1990s, the number of third-party testers was in excess of 100.

In 2018, 13,652 tests were conducted by third-party examiners, with 1,986 tests re-examined by state CDL auditors.

Oversight does not have any information to the contrary in regards to MHP's assumptions; therefore, Oversight will reflect MHP's costs on the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE FUND			
<u>Cost</u> - DOR - ITSD costs (ranged from contracting out programming to hiring additional FTE IT Specialist) p. 4	(\$66,632) to (\$123,525)	\$0 to (\$80,631)	\$0 to (\$81,312)
<u>Cost</u> - implement SA 1 (as amended) p. 7	Could exceed <u>(\$100,000)</u>	Could exceed <u>(\$100,000)</u>	Could exceed <u>(\$100,000)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>Could exceed</u> <u>(\$223,525)</u>	<u>Could exceed</u> <u>(\$180,631)</u>	<u>Could exceed</u> <u>(\$181,312)</u>
Estimated Net FTE Change for the General Revenue Fund	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
HIGHWAY FUND			
<u>Revenue</u> - §302.720 Increase in commercial permit fees p. 5-6	\$57,803	\$69,364	\$69,364
<u>Cost</u> - MHP p. 7-8			
Personal Services	(\$191,520)	(\$232,122)	(\$234,443)
Fringe Benefits	(\$170,932)	(\$207,169)	(\$209,240)
Expense and Equipment	<u>(\$17,800)</u>	<u>(\$15,990)</u>	<u>(\$16,390)</u>
<u>Total Costs</u> - MHP	(\$380,252)	(\$455,281)	(\$460,073)
Total FTE Change - MHP	6 FTE	6 FTE	6 FTE
<u>Loss</u> - §302.720 Decrease in renewal of commercial learners' permits p. 5-6	<u>(\$5,844)</u>	<u>(\$7,013)</u>	<u>(\$7,013)</u>
ESTIMATED NET EFFECT ON THE HIGHWAY FUND	<u>(\$328,293)</u>	<u>(\$392,930)</u>	<u>(\$397,722)</u>
Estimated Net FTE Change for the Highway Fund	6 FTE	6 FTE	6 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue</u> - Cities (15%) - §302.720 Increase in commercial permit fees p. 5-6	\$11,561	\$13,873	\$13,873
<u>Revenue</u> - Counties (10%) - §302.720 Increase in commercial permit fees p. 5-6	\$7,707	\$9,249	\$9,249
<u>Loss</u> - Cities (15%) - §302.720 Decrease in renewal of commercial learners' permits p. 5-6	(\$1,169)	(\$1,401)	(\$1,401)
<u>Loss</u> - Counties (10%) - §302.720 Decrease in renewal of commercial learners' permits p. 5-6	<u>(\$779)</u>	<u>(\$935)</u>	<u>(\$935)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$17,320</u>	<u>\$20,786</u>	<u>\$20,786</u>

FISCAL IMPACT - Small Business

The overall impact to small business is unknown. The mandate to complete FMCSA-approved CDL entry-level driver training will increase costs for businesses requirements for CDL operators. The newly required training may also result in increased revenue for new or current CDL training programs since all new and upgrading CDL applicants would now be required to attend a formal training program to become eligible for CDL skills testing and licensing.

The proposed changes in §302.720.1 may result in a loss of license office agent fees of a combined total of \$4,675 (total statewide) due to the change in commercial permit issuance terms, thus prohibiting permit renewal.

The proposed changes in §302.768 may result in a loss of license agent fees statewide. Based on the FY 2018 statistics for medical certificate update transactions completed, and the \$2 agent processing fee currently collected, contract license offices may lose a combined total of approximately \$167,868 since drivers' information would be received electronically, thus eliminating the requirement for an applicant to return to the license office to update the medical certificate information.

FISCAL DESCRIPTION

This act enacts provisions relating to commercial driver's licenses.

This act adds test score documents from Missouri commercial third-party tester examiners to an exemption from the prohibition against retaining certain driver's license application materials. (Section 302.170.3(2))

The act provides that commercial driver's instruction permits shall be nonrenewable, and lengthens, from 6 months to 1 year, the period for which the permits are valid. This act increases, from 5 dollars to 10 dollars, the fee for a commercial driver's instruction permit, and specifies that the fee for a duplicate shall be 5 dollars. This act also repeals a provision allowing for the issuance of a 30-day commercial driver's instruction permit. (Section 302.720.1)

Beginning January 1, 2020, all applicants for a commercial driver's license shall complete an entry-level driver training program established and required under federal law. (Section 302.720.2)

The Director of Revenue currently has the authority to waive the driving skills test for a commercial driver's license for qualified military applicants. This act allows the Director of Revenue to also waive the knowledge test. (Section 302.720.2(5))

The act lengthens, from 90 days to one year, how recently an applicant must have been employed in a qualifying military position in order to be eligible for the waivers. (Section 302.720.2(5)(f))

This act provides for the use of an electronic verification system, approved by the Federal Motor Carrier Safety Administration, to receive medical examiner's certificates for commercial driver's license issuance. (Section 302.768.3)

This act requires the Department of Revenue to certify private education institutions or other private entities which meet state qualifications as third party commercial driver's license testers.

This legislation is 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



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February 12, 2019

Ross Strobe
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February 12, 2019