

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1119-02
Bill No.: SB 201
Subject: Fees; Licenses - Motor Vehicle; Motor Vehicles; Department of Revenue;
 Transportation
Type: Original
Date: February 5, 2019

Bill Summary: This proposal replaces the current motor vehicle registration fee system with a system based on fuel economy.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
General Revenue	Could exceed (\$400,000) to (\$791,613)	\$0 to (\$403,155)	\$0 to (\$406,560)	\$0 to (\$409,994)
Total Estimated Net Effect on General Revenue	Could exceed (\$400,000) to (\$791,613)	\$0 to (\$403,155)	\$0 to (\$406,560)	\$0 to (\$409,994)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
State Road Fund (0320)	\$0	\$0	\$62,773,013	\$76,834,167 to \$88,538,402
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$62,773,013	\$76,834,167 to \$88,538,402

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
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 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
General Revenue	0 or 5 FTE	0 or 5 FTE	0 or 5 FTE	0 or 5 FTE
Total Estimated Net Effect on FTE	0 or 5 FTE	0 or 5 FTE	0 or 5 FTE	0 or 5 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	Fully Implemented (FY 2023)
Local Government	\$0	\$0	\$20,924,338	\$25,611,389 to \$29,512,800

FISCAL ANALYSIS

ASSUMPTION

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

This proposal eliminates passenger registration fees based on horsepower, motorcycle, and motortricycle registration fees.

This proposal provides that passenger registration fees are to be a base registration fee of \$24. Vehicles are subject to the base fee plus an additional fee of \$6 for each mile the vehicle is rated above 29 MPG. The fees are as follows:

Miles per Gallon	Registration Fees
29 and less	\$24
30	\$30
31	\$36
32	\$42
33	\$48
34	\$54
35	\$60
36	\$66
37	\$72
38	\$78
39	\$84
40	\$90
41	\$96
42	\$102
43	\$108
44	\$114
45	\$120

46	\$126
47	\$132
48	\$138
49	\$144
50	\$150
51	\$156
52	\$162
53	\$168
54	\$174
55	\$180
56	\$186
57	\$192
58	\$198
59	\$204
60	\$210
61 or more	\$210

Administrative Impact

The proposed legislation is effective August 28, 2021, however due to the amount of time required for changes and programming, costs are being shown in FY 2020.

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

- Update the fees in Missouri Transportation Accounting System (MTAS);
- Complete programming and user acceptance testing;
- Update procedures, correspondence letters, motor vehicle fee charts, and the Department website;
- Modify reject letter verbiage;
- Update administrative rules; and
- Train staff.

ASSUMPTION (continued)

Administrative Impact (continued)

FY 2020 - Motor Vehicle Bureau

Management Analysis Spec I	680 hrs. @ \$18.42 per hr.	= \$12,526
Administrative Office Support Asst.	15 hrs. @ \$13.78 per hr.	= \$ 207
Revenue Manager	80 hrs. @ \$20.59 per hr.	= \$ 1,647
Total		= \$14,380

FY 2020 - Personnel Services Bureau

Administrative Analyst III	20 hrs. @ \$19.80 per hr.	= \$ 396
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Total Cost = **\$14,776**

The Department will have to secure a contract with a vendor for software that would enable the Department to extract MPG from VIN numbers in order to determine the appropriate registration fee based on this legislation. This cost is currently unknown, but if substantial enough, could be requested through the appropriations process.

The proposed legislation may cause an increase in telephone inquiries and email correspondence received by the Department. If the volume is more significant than anticipated, additional FTEs will be requested through the appropriations process.

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.

The **Department of Revenue** notes OA-ITSD services will be required at a cost of **\$791,613** (10,554.84 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 10,554.84 hours at a contract rate of \$75 per hour for a total cost to the state of \$791,613. 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 5 additional IT Specialists ($10,554.84 / 2,080 = 5.07$ FTE) to perform the work required from this bill.

ASSUMPTION (continued)

Administrative Impact (continued)

Therefore, Oversight will range the fiscal impact from the cost of contracting out the work (\$791,613) to hiring 5 additional FTE IT Specialists (roughly \$80,000 for each FTE per year).

Revenue Impact

The **Department of Revenue** states this proposal replaces the current horsepower-based registration fee for passenger motor vehicles with a miles-per-gallon (MPG) based registration fee.

Based on current passenger vehicle information, and MPG model revenue* based on the number of current fleet (obtained from the Department of Transportation), this legislation would result in a significant increase in passenger registration fee collection. This increase will continue to inflate past the scope of this fiscal note due to passenger vehicles becoming more fuel efficient.

This legislation has a delayed implementation date of August 28, 2021; therefore the revenue impact will start in FY 2022.

Fiscal Year	MPG Model Revenue*	DOR Current Passenger Registration with 2% Inflation	Net Impact
FY 2020	N/A	N/A	N/A
FY 2021	N/A	N/A	N/A
FY 2022	\$195,070,573	\$94,633,753	\$100,436,820
FY 2023	\$198,971,984 to \$214,577,630*	\$96,526,428	\$102,445,556 to \$118,051,202*

*Ranged from 2% inflation to a 10% estimated increase in MPG revenue (provided to DOR by MoDOT)

	FY 2020	FY 2021	FY 2022 (10 Months)	FY 2023
Increase in Revenue	N/A	N/A	\$83,697,351	\$102,445,556 to \$118,051,202
Highway Fund (75%)	N/A	N/A	\$62,773,013	\$76,834,167 to \$88,538,402
Cities (15%)	N/A	N/A	\$12,554,603	\$15,366,833 to \$17,707,680
Counties (10%)	N/A	N/A	\$8,369,735	\$10,244,556 to \$11,805,120

ASSUMPTION (continued)

Oversight has no information to estimate the change in registration revenue; therefore, Oversight will rely on DOR's data. Oversight assumes the first full year of implementation will be FY 2023 and will range the fiscal impact from \$102,445,556 (2% inflation) to \$118,051,202 (using an estimated 10% increase in MPG revenue provided by MoDOT) for the FY 2023 amounts.

Officials from the **Department of Transportation** defer to DOR for the fiscal impact of this proposal.

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

Oversight notes that the agencies mentioned above have 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 these agencies.

Officials from the **Office of the Secretary of State (SOS)** assume 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 \$5,000. 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 require additional resources.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state that the proposal is not anticipated to cause a fiscal impact to their agency beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

FISCAL IMPACT -
State Government

	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
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**GENERAL
REVENUE FUND**

Cost - DOR -

software to enable
 DOR to extract
 MPG from VIN p. 5

\$0 or (Unknown)	\$0	\$0	\$0
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Cost - DOR - ITSD
 costs (ranged from
 contracting out
 programming to
 hiring additional
 FTE IT Specialists)
 p. 5-6

(\$400,000) to (\$791,613)	\$0 to (\$403,155)	\$0 to (\$406,560)	\$0 to (\$409,994)
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**ESTIMATED NET
EFFECT ON THE
GENERAL
REVENUE FUND**

Could exceed (\$400,000) to (\$791,613)	\$0 to (\$403,155)	\$0 to (\$406,560)	\$0 to (\$409,994)
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Estimated net FTE
 change to the
 General Revenue
 Fund

0 or 5 FTE	0 or 5 FTE	0 or 5 FTE	0 or 5 FTE
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**STATE ROAD
FUND**

Revenue - DOR -
 increase in passenger
 registration fees p. 6

<u>\$0</u>	<u>\$0</u>	<u>\$62,773,013</u>	\$76,834,167 to <u>\$88,538,402</u>
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**ESTIMATED NET
EFFECT ON THE
STATE ROAD
FUND**

<u>\$0</u>	<u>\$0</u>	<u>\$62,773,013</u>	\$76,834,167 to <u>\$88,538,402</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
LOCAL POLITICAL SUBDIVISIONS				
<u>Revenue - Cities</u> (15%) - increase in passenger registration fees p. 6	\$0	\$0	\$12,554,603	\$15,366,833 to \$17,707,680
<u>Revenue - Counties</u> (10%) - increase in passenger registration fees p. 6	<u>\$0</u>	<u>\$0</u>	<u>\$8,369,735</u>	\$10,244,556 to <u>\$11,805,120</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$20,924,338</u>	\$25,611,389 to <u>\$29,512,800</u>

FISCAL IMPACT - Small Business

The Department of Revenue notes there could be an increased cost to small businesses that would have to pay an increased fee for their fleet as a result of this proposal.

FISCAL DESCRIPTION

This act replaces the current registration fee system for certain motor vehicles, based on horsepower, with a fee system that is based on the vehicles' combined city/highway fuel economy.

Noncommercial motor vehicles rated at less than 29 miles per gallon (MPG), as defined in the act, shall pay a base fee of \$24. Vehicles rated at more than 29 but less than 61 MPG shall pay an additional fee of \$6 per MPG by which the vehicle exceeds 29 MPG. Vehicles rated at 61 MPG or more shall pay a fee equivalent to the fee for a vehicle rated at 60 MPG.

FISCAL DESCRIPTION (continued)

Vehicles subject to the alternative fuel decal fee shall pay registration fees equal to those of vehicles rated at greater than 61 MPG, in addition to the fees required for the alternative fuel decal. The act does not modify registration fees for motorcycles, motortricycles, or autocycles.

The Director of the Department of Revenue shall determine vehicles' MPG rating based on the vehicles' combined city/highway miles per gallon rating as included on the fuel economy label provided by the Environmental Protection Agency, or as obtained using a vehicle identification number decoding system. If a MPG rating can not be determined, the motor vehicle shall be rated at 29 MPG, or shall not be rated if it is subject to the alternative fuel decal requirement.

This act takes effect on August 28, 2021.

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
Office of the Secretary of State
Joint Committee on Administrative Rules



Kyle Rieman
Director
February 5, 2019

Ross Strobe
Assistant Director
February 5, 2019