

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1215-01
Bill No.: SB 200
Subject: Licenses - Driver's; Licenses - Motor Vehicle; Department of Revenue;
 Telecommunications
Type: Original
Date: February 13, 2019

Bill Summary: This proposal enacts provisions relating to licenses granted by the Department of Revenue.

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 (\$1,566,317) to (\$2,670,504)	Could exceed (\$40,000) to (\$1,172,421)	Could exceed (\$40,000) to (\$10,802,673)	Could exceed (\$40,000) to (\$2,619,987)
Total Estimated Net Effect on General Revenue	Could exceed (\$1,566,317) to (\$2,670,504)	Could exceed (\$40,000) to (\$1,172,421)	Could exceed (\$40,000) to (\$10,802,673)	Could exceed (\$40,000) to (\$2,619,987)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
Highway Fund	\$0	\$0	Could exceed \$66,517	Could exceed \$133,035
Total Estimated Net Effect on Other State Funds	\$0	\$0	Could exceed \$66,517	Could exceed \$133,035

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 15 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 12 FTE	0 or 15 FTE	0 or 11 FTE	0 or 10 FTE
Total Estimated Net Effect on FTE	0 or 12 FTE	0 or 15 FTE	0 or 11 FTE	0 or 10 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	Could exceed \$22,173	Could exceed \$44,345

ASSUMPTION (continued)

Administrative Impact (continued)

\$350,000 Development Fee
+ \$200,000 for 4 kiosks @ \$50,000 per kiosk
+ \$40,000 /year for 4 kiosks' maintenance @ \$10,000 per kiosk

Total Estimated Cost: \$590,000

The estimated \$350,000 one-time vendor development fee to implement the Motor Vehicle kiosk program, and \$50,000 per kiosk cost, and \$10,000 yearly kiosk maintenance cost is based on an estimate provided by a vendor based on 1 cost model type. The Department will consider these fees at this time, however, there could be potential cost models in which the cost to the State could be minimized or eliminated based on what is proposed in the bids that come in. Until the RFP is awarded, the exact cost and cost model will be unknown.

Driver License Bureau

The proposed legislation will require amendments to our current vendor contract or a request for procurement of a new license issuance contract to include a digital driver's license, referred to as the Mobile Driver License Application (mDL).

The Department will implement a pilot program for the Mobile Driver License (mDL) portion of this bill and has provided the costs associated with a pilot program based on estimates provided by the Department's current licensing vendor. The Department will seek additional appropriations if a decision is made to move forward with full implementation.

There is a \$4.49 annual subscription fee associated with the purchase of an mDL, which is paid by the mDL holder to the app store when activating the mDL after it has been downloaded. This fee includes the app store fee and the vendor's fee. Once the app store collects its portion of the fee, the remaining fee balance is passed on to the vendor for its services. This pricing and the final pricing could potentially be higher or lower depending on the final scope, requirements, adoption trends, development of the alternate business models, etc.

mDL - Mobile Driver License Program (Pilot)

Hardware Cost - Implementation of the pilot program	\$350,000
FedRAMP Cost - Cloud hosting service (statewide implementation)	\$400,000

ASSUMPTION (continued)

Administrative Impact (continued)

If the Department expanded the implementation of the mDL program statewide, there would be a cloud hosting service cost of \$400,000. Since this legislation will implement the mDL program on a pilot level to start with, this cost is not figured into this fiscal note.

The estimated \$350,000 one-time vendor development fee to implement the mDL program cost is based on an estimate provided by a vendor based on 1 cost model type. The Department will consider this fee at this time, however, there could be potential cost models in which the cost to the State could be minimized or eliminated based on what is proposed in the bids that come in.

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

- Work with the Office of Administration to amend the current license issuance vendor contract or issue a Request for Proposal (RFP) to compare available pricing and technology for Mobile Driver License Applications;
- Complete business requirements and design documents to modify the Missouri Electronic Driver License (MEDL) Central Issuance system, the Missouri Driver License System (MODL), Missouri AAMVA Interface (MAI), and supporting applications to allow for integration with the Mobile Driver License Application (mDL).
- Complete user acceptance testing of the Missouri Electronic Driver License System (MEDL) and supporting applications to ensure new remote electronic renewals process and post to system diagnostic reports;
- Update forms, manuals, letters, and the Department website;
- Design and develop new system generated notices providing a PIN number for the remote renewal of the Mobile Driver License (mDL);
- Update the on-line and printed versions of the Missouri Driver Guide, Missouri Motorcycle Guide and Commercial Driver License Manual;
- Update policies, procedures, and the Uniform License Issuance Manual (ULIM);
- Train staff; and
- Deploy outreach efforts to inform the public, state and federal agencies and other entities using the Department of Revenue issued driver or nondriver license (identification card) for verification of identity of the Mobile Driver License Application (mDL).

ASSUMPTION (continued)

Administrative Impact (continued)

FY 2020 - Driver License Bureau

Administrative Analyst II	1,512 hrs. @ \$17.13 per hr.	= \$25,901
Management Analysis Spec II	2,352 hrs. @ \$20.57 per hr.	= \$48,381
Revenue Manager	756 hrs. @ \$20.59 per hr.	= <u>\$15,566</u>
Total		= \$89,848

FY 2021 - Driver License Bureau

Revenue Processing Tech II	1,008 hrs. @ \$13.07 per hr.	= \$ 13,175
Administrative Analyst II	1,531 hrs. @ \$17.13 per hr.	= \$ 26,226
Management Analysis Spec II	3,659 hrs. @ \$20.57 per hr.	= \$ 75,266
Revenue Manager	766 hrs. @ \$20.59 per hr.	= <u>\$ 15,772</u>
Total		= \$130,439

FY 2022 - Driver License Bureau

Revenue Processing Tech II	504 hrs. @ \$13.07 per hr.	= \$ 6,587
Administrative Analyst II	765 hrs. @ \$17.13 per hr.	= \$13,104
Management Analysis Spec II	1,829 hrs. @ \$20.57 per hr.	= \$37,623
Revenue Manager	382 hrs. @ \$20.59 per hr.	= <u>\$ 7,865</u>
Total		= \$65,179

FY 2021 - Personnel Services Bureau

Administrative Analyst II	1,176 hrs. @ \$17.13 per hr.	= \$20,145
Management Analysis Spec II	1,176 hrs. @ \$20.57 per hr.	= <u>\$24,190</u>
Total		= \$44,335

Total Costs = **\$329,801**

Oversight assumes DOR could hire additional FTE as a result of this proposal. Based on the number of hours required to implement this proposal, Oversight assumes DOR could hire eight FTE. Oversight will reflect the costs of potential FTE in the corresponding years the work will be required.

Below is a summary of the FTE costs by fiscal year:

ASSUMPTION (continued)

Administrative Impact (continued)

FY 2020 (10 Months)

1 Administrative Analyst II
1 Management Analysis Specialist II
Salary plus fringe benefits = \$106,278

FY 2021

2 Administrative Analyst II
3 Management Analysis Specialist II
Salary plus fringe benefits = \$326,106

FY 2022

1 Management Analysis Specialist II
Salary plus fringe benefits = \$69,557

Oversight inquired of DOR and notes there are 176 contracted license offices (not including Central Office). Oversight assumes the pilot program assumed by DOR would be 1 kiosk per license office and would be implemented statewide (to all of the license offices); therefore, Oversight will range the fiscal impact of this proposal from the costs associated with the pilot program only to the costs required for statewide implementation of the remote driver's license renewal system.

The **Department of Revenue** notes OA-ITSD costs will be required at a cost of **\$1,664,226** (21,395.88 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 various DOR systems. ITSD estimates the project would take 21,395.88 hours at a contract rate of \$75 per hour for a total cost to the state of \$1,664,226. 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 10 additional IT Specialists (21,395.88 hours / 2,080 hours = 10.2 FTE) to perform the work required from this bill. Therefore, Oversight will range the fiscal impact from the cost of contracting out the work (\$1,664,226) to hiring an additional 10 FTE IT Specialists (roughly \$800,000 per year).

ASSUMPTION (continued)

Revenue Impact

DOR notes driver license online renewals would result in an increase in Central Office processing fees collected. It is unknown how many people will choose to renew their driver licenses online. Using CY 2018 statistics from another state that remotely renews driver licenses, and for the purpose of this fiscal note, we will assume Missouri will process a similar amount of online driver license renewals yearly (70,952).

This will result in an increase in Central Office processing fees collected in the amount of \$177,380 yearly.

Oversight inquired of DOR as to the estimated implementation date of this pilot program. DOR stated it is estimated to be implemented by January 1, 2022. Therefore, Oversight will not reflect the revenue impact of this proposal until FY 2022 (6 months) ($\$177,380 / 2 = \$88,690$), with the fully implemented revenue impact reflected in FY 2023.

	FY 2020	FY 2021	FY 2022 (6 months)	FY 2023
<i>Total Amount to Distribute</i>	\$0	\$0	\$88,690	\$177,380
Highways	\$0	\$0	\$66,517	\$133,035
Cities	\$0	\$0	\$13,304	\$26,607
Counties	\$0	\$0	\$8,869	\$17,738

Source: DOR

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 (MHP)** assume the proposal will have no fiscal impact on their organization.

Oversight notes that the Department of Public Safety - Missouri Highway Patrol 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.

ASSUMPTION (continued)

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** 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)
GENERAL REVENUE FUND				
<u>Cost</u> - DOR - unknown IT cost for kiosks p. 3	(Unknown)	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - DOR - kiosk development fee p. 3-4	(\$350,000)	\$0	\$0	\$0
<u>Cost</u> - DOR - kiosk fee including software p. 3-4 (\$50,000 each)	(\$200,000)	\$0	\$0 to (\$8,600,000)	\$0
<u>Cost</u> - DOR - IT costs for potential statewide implementation p. 4	\$0	\$0	\$0 to (\$400,000)	\$0
<u>Cost</u> - DOR - kiosk maintenance annual fee p. 3-4 (\$10,000 each)	\$0	(\$40,000)	(\$40,000) to (\$920,000)	(\$40,000) to (\$1,800,000)
<u>Cost</u> - DOR - one-time vendor hardware cost for mobile driver license program p. 4-5	(\$350,000)	\$0	\$0	\$0

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
<u>Cost - ITSD costs</u> (ranged from contracting out programming to hiring 10 additional FTE IT Specialists) p. 7	(\$666,317) to (\$1,664,226)	\$0 to (\$806,315)	\$0 to (\$813,116)	\$0 to (\$819,987)
FTE Change	0 or 10 FTE	0 or 10 FTE	0 or 10 FTE	0 or 10 FTE
 <u>Cost -</u> Administrative costs (ranged from \$0 or up to costs of FTE per fiscal year) p. 6- 7	<u>\$0 to (\$106,278)</u>	<u>\$0 to (\$326,106)</u>	<u>\$0 to (\$69,557)</u>	<u>\$0</u>
FTE Change	0 or 2 FTE	0 or 5 FTE	0 or 1 FTE	0 FTE
 ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	 Could exceed (\$1,566,317) to <u>(\$2,670,504)</u>	 Could exceed (\$40,000) to <u>(\$1,172,421)</u>	 Could exceed (\$40,000) to <u>(\$10,802,673)</u>	 Could exceed (\$40,000) to <u>(\$2,619,987)</u>
 Estimated net FTE change to the General Revenue Fund (DOR + ITSD)	 0 or 12 FTE	 0 or 15 FTE	 0 or 11 FTE	 0 or 10 FTE

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
HIGHWAY FUND				
<u>Revenue</u> - increase in driver license online renewals p. 8	\$0	\$0	\$66,517	\$133,035
<u>Revenue</u> - potential increase in driver license online renewals if implemented state- wide	\$0	\$0	\$0 or Unknown	\$0 or Unknown
<u>Savings</u> - DOR - program savings	<u>\$0</u>	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT ON THE HIGHWAY FUND	<u>\$0</u>	<u>\$0</u>	Could exceed <u>\$66,517</u>	Could exceed <u>\$133,035</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
LOCAL POLITICAL SUBDIVISIONS				
<u>Revenue</u> - Cities (15%) - increase in driver license online renewals p. 7-8	\$0	\$0	\$13,304	\$26,607
<u>Revenue</u> - Counties (10%) - increase in driver license online renewals p. 8	\$0	\$0	\$8,869	\$17,738
<u>Revenue</u> - potential increase in driver license online renewals if implemented state- wide	<u>\$0</u>	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>Could exceed</u> <u>\$22,173</u>	<u>Could exceed</u> <u>\$44,345</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act authorizes the Department of Revenue to establish remote kiosks for the remote renewal of motor vehicle registrations in counties where certain records can be verified electronically.

The act also requires the Department to develop and implement a remote renewal system for driver's licenses in compliance with federal law no later than January 1, 2022.

Drivers may apply for no more than one consecutive renewal remotely, and shall apply within six months before or after the license expires as required for conventional renewal.

Applicants for remote renewal shall not be required to complete the vision test or highway sign recognition test unless the Department has technology allowing the tests to be conducted remotely.

This act authorizes the Department to develop, or contract with one or more entities to develop, a secure digital driver's license system. Digital driver's licenses shall be in addition to applicants' card-based licenses, shall be accessible through a mobile software application on the person's electronic device, and shall be valid for the same purposes as a card-based license.

The Department shall suspend, disable, or terminate a person's participation in the digital driver's license system if the person's driving privileges are suspended, revoked, denied, withdrawn, or cancelled as provided by law, or if the person notifies the Department that the person's electronic device has been lost, stolen, or compromised.

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
Office of the Secretary of State
Joint Committee on Administrative Rules
Department of Public Safety - Missouri Highway Patrol



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February 13, 2019

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