

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1861-02
Bill No.: Truly Agreed To and Finally Passed CCS for SB 368
Subject: Licenses - Motor Vehicle; Motor Vehicles; Transportation
Type: Original
Date: June 13, 2019

Bill Summary: This legislation modifies provisions relating to transportation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	(\$222,269) or Could exceed (\$302,927)	(\$63,578) or Could exceed (\$224,840)	(\$64,095) or Could exceed (\$226,718)
Total Estimated Net Effect on General Revenue	(\$222,269) or Could exceed (\$302,927)	(\$63,578) or Could exceed (\$224,840)	(\$64,095) or Could exceed (\$226,718)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Blind Pension (0621)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Highway Fund (0644)	From (\$135,637) to (\$328,137)	From (\$161,743) to (\$392,743)	From (\$166,535) to (\$397,535)
Organ Donor Fund (0824)	Up to (\$92,515)	Up to (\$21,779)	Up to (\$22,038)
Other State Sales Tax Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on Other State Funds	(\$228,152) or Could exceed (\$420,652)	(\$183,522) or Could exceed (\$414,522)	(\$188,573) or Could exceed (\$419,573)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 28 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	1 or 3 FTE	1 or 3 FTE	1 or 3 FTE
Highway Fund	6 FTE	6 FTE	6 FTE
Organ Donor Fund	0 or 0.5 FTE	0 or 0.5 FTE	0 or 0.5 FTE
Total Estimated Net Effect on FTE	7 or 9.5 FTE	7 or 9.5 FTE	7 or 9.5 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
Local Government	From \$17,373 to Less than \$81,540	From \$20,849 to Less than \$97,849	From \$20,849 to Less than \$97,849

FISCAL ANALYSIS

ASSUMPTION

§68.040 - Taxation on Port Authorities

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this legislation may reduce Total State Revenue and the may impact the calculation under Article X, Section 18(e).

Section 68.040.5 would exempt sales and leases of property by a port authority from all local and state sales or property taxes. B&P notes that sales from a port authority to a private entity are currently subject to sales tax. Therefore, B&P estimates that this legislation would exempt sales, such as those of vehicles, from taxation.

This may reduce revenues for the State Road Fund, State Road Bond Fund, State Transportation Fund, School District Trust Fund, Conservation Commission, as well as Parks, Soil, and Water (DNR). This legislation would also reduce local sales tax collections and funds deposited into the Fuel Local Deposit (FLOYD) Fund.

B&P further notes that this legislation would only exempt the sales or lease of such property and not future property tax collections if such a sale were to a private entity. Therefore, B&P estimates that this legislation will not impact the Blind Pension Trust Fund or local property tax collections.

Officials at the **State Tax Commission** assume this will result in a nominal fiscal impact as port authorities have a tax exemption currently in law, and this legislation extends that exemption to leases.

Officials from the **Department of Revenue** and **Missouri Department of Transportation** each assume the legislation will have no fiscal impact on their organization.

In response to a previous version, officials from the **Department of Social Services** assumed the legislation would have no fiscal impact on their organization.

Oversight notes that the agencies mentioned above have stated the legislation 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 for this section.

ASSUMPTION (continued)

Oversight notes there are 15 port authorities in the State. They are:

Howard-Cooper County Regional Port Authority
Jefferson County Port Authority
Kansas City Port Authority
Lewis County-Canton Port Authority
Marion County Port Authority
Mid-America Port Authority
Mississippi County Port Authority
New Bourbon Regional Port Authority
New Madrid County Port Authority
Pemiscot County Port Authority
Pike - Lincoln County Port Authority
Southeast Missouri Regional Port Authority
St. Joseph Regional Port Authority
St. Louis City Port Authority
St. Louis County Port Authority

Oversight notes that Port Authorities are exempt from state and local assessments and taxes. This legislation would extend that tax exemption to all sales and leases of real and personal property by the Port Authority involving the issuance of bonds authorized under Chapter 68. Oversight will show the impact as \$0 to Unknown to General Revenue, the Other State Sales Tax Funds (Conservation, School, and Park & Soil) and to Local Political Subdivisions on the fiscal note.

Oversight received notice that the New Madrid County Port Authority, Southeast Missouri Regional Port Authority, Howard-Cooper County Regional Port Authority and the Mid-America Port Authority do not currently issue Chapter 68 bonds. The KC Port Authority confirmed they use Chapter 68 bonds to develop property and buildings and then lease those buildings to private companies. Oversight notes that should those properties be currently taxable and then the Port Authority buys them, they become not taxable. If this legislation would exempt those companies that lease the building from paying taxes, then this would be a loss to the state and local governments of taxes due.

Oversight notes it is unsure if this bill will have any impact since, for-profit lessees of property from political subdivisions do not qualify for property tax exemption under Article X, § 6.1, and a statute granting such an exemption was struck down as unconstitutional. *St. Charles County v. Curators of University of Missouri*, 25 S.W.3d 159 (Mo. banc 2000).

ASSUMPTION (continued)

Oversight notes this legislation could also impact the Blind Pension Fund (0621). This fund receives money from the annual tax levy of \$0.03 of each \$100 valuation of assessed property. Oversight will show the loss of funding as \$0 to (Unknown).

§§144.070 & 301.032 - Motor Vehicle Leasing/Rental Companies

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

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

- Update or create procedures, correspondence, and the Department website;
- Update the Application for Permit to Operate as a Motor Vehicle/Marine Craft Leasing Company (DOR-901);
- Complete programming and user acceptance testing;
- Create or amend administrative rules; and
- Train staff.

FY 2020 - Motor Vehicle Bureau

Management Analysis Spec I	440 hrs. @ \$18.42 per hr.	= \$ 8,105
Administrative Analyst III	10 hrs. @ \$19.80 per hr.	= \$ 198
Administrative Office Support Asst.	15 hrs. @ \$13.78 per hr.	= \$ 207
Revenue Manager	80 hrs. @ \$20.59 per hr.	= \$ 1,647
Total		= \$10,157

FY 2020 - Personnel Services Bureau

Administrative Analyst III	10 hrs. @ \$19.80 per hr.	= \$ 198
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Total Costs = **\$10,355**

DOR notes OA-ITSD services will be required at a cost of **\$85,050** (1,134 hours x \$75 per hour) in FY 2020.

Revenue Impact §301.032

DOR notes this legislation will allow licensed lease rental companies that have 3,500 or more vehicles registered in their fleet to be issued fleet license plates that can be transferred around within their fleet without having to transfer the registration through the Department of Revenue. The average passenger vehicle fee in FY 2018 was \$24.

ASSUMPTION (continued)

Revenue Impact §301.032 (continued)

This legislation increases the cost of each plate to \$36 for lease rental companies that utilize this option, but the Department will not collect \$2 transfer fees since the qualifying lease rental companies will no longer be required to transfer their registration through the normal process, but rather will be able to transfer their registration within their fleet without doing so through the Department. It is unknown how many companies will utilize this option. Currently, there are 0 companies that registered their vehicles as a fleet that have 3,500 or more vehicles registered in their fleet. Larger companies this legislation is designed for do not currently register their vehicles as a lease rental, and since the name these entities use for titling purposes can vary, the Department is unable to obtain the number of vehicles that are titled in these larger companies names (Enterprise, Avis, Budget, etc).

For the purposes of this fiscal note, the Department is assuming there will be 4 companies that will utilize the provisions in this legislation. Assuming all 4 companies purchase 3,500 license plates, since the per plate cost (\$36) minus the \$2 transfer fee is \$10 more than the average passenger registration cost (\$24), there will be an estimated increase in registration fees that go to Highways, Cities, and Counties plates issued in the amount of **\$140,000** (3,500 x 4 x \$10). This amount could significantly increase if the amount of plates purchased by lease rental companies is significantly higher than the assumptions used for this fiscal note.

Some of these companies that register their vehicles as a lease rental prescribed in this legislation will have trucks in their fleet. The average cost for noncommercial truck registration is \$46. This will result in a decrease of \$12 per plate for trucks. A vast majority of vehicles in lease rental companies that will qualify for the provisions of this legislation are passenger vehicles, and so this decrease will be minimal.

Revenue Impact §144.070.5

DOR notes there was 673 lease rental companies in FY 2018. With the \$250 licensure fee this legislation creates, there would be an increase in the amount of **\$168,250** that would get distributed to highways, cities, and counties.

ASSUMPTION (continued)

Total Increase in Amount to Distribute \$308,250 (\$140,000 + \$168,250)

	FY 2020 (10 months)	FY 2021	FY 2022
Highways	\$192,656	\$231,187	\$231,187
Cities	\$38,531	\$46,238	\$46,238
Counties	\$25,688	\$30,825	\$30,825
Total	\$256,875	\$308,250	\$308,250

Source: DOR

Oversight does not have any information to the contrary in regards to DOR's assumptions for annual registration fees. Oversight will reflect the increase in revenue due to the annual \$250 registration fee required to rent and/or lease vehicles (Up to \$168,250).

Oversight will range the fiscal impact of the increase of fees for license plates from \$24 (average cost of license plate registration for passenger vehicles) to \$46 (average cost of license plate registration for trucks) rather than the \$36 indicated by DOR:

Legislation: $\$360$ (first 10 plates) + $3,490$ (plates remaining if all 3,500 plates are purchased) x $\$36$ (proposed fee) = $\$126,000$

Current (passenger vehicles): $3,500$ plates x $\$24$ (average passenger registration fee) = $\$84,000$

Current (trucks): $3,500$ x $\$46$ (average truck registration fee) = $\$161,000$

Passenger vehicles difference: $\$126,000 - \$84,000 = \$42,000$ x 4 companies (DOR assumption) = $\$168,000 - \$28,000$ (loss of \$2 transfer fee for license plates, $3,500 \times 4 \times \$2$) = $\$140,000$

Trucks difference: $\$126,000 - \$161,000 = (\$35,000)$ x 4 companies (DOR assumption) = $(\$140,000) - \$28,000$ (loss of \$2 transfer fee for license plates, $3,500 \times 4 \times \$2$) = $(\$168,000)$

ASSUMPTION (continued)

§144.070 673 lease/rental companies x \$250 registration fee = Up to **\$168,250**

	FY 2020 (10 months)	FY 2021	FY 2022
Highways	Up to \$105,156	Up to \$126,187	Up to \$126,187
Cities	Up to \$21,031	Up to \$25,238	Up to \$25,238
Counties	Up to \$14,022	Up to \$16,825	Up to \$16,825
Total	Up to \$140,209	Up to \$168,250	Up to \$168,250

Source: Oversight

§301.032 Loss of truck registration fees (all trucks) **(\$168,000)** to increase in passenger vehicle fees (all cars) **\$140,000**

	FY 2020 (10 months)	FY 2021	FY 2022
Highways	(\$105,000) to \$87,500	(\$126,000) to \$105,000	(\$126,000) to \$105,000
Cities	(\$21,000) to \$17,500	(\$25,200) to \$21,000	(\$25,200) to \$21,000
Counties	(\$14,000) to \$11,667	(\$16,800) to \$14,000	(\$16,800) to \$14,000
Total	(\$142,800) to \$116,667	(\$168,000) to \$140,000	(\$168,000) to \$140,000

Source: Oversight

Oversight notes the \$3.50 agent fee in Section 301.032.7 is already being collected; therefore, there is no fiscal impact from this provision.

Officials from the **Office of Administration - Budget and Planning** assume Section 144.070 & 301.032 allows any person, company, or corporation engaged in renting or leasing motor vehicles, trailers, boats, or outboard motors exclusively for rental or leasing purposes to apply to operate as a leasing or rental company and pay an annual \$250 fee. Also increases the average cost per plate for vehicle registrations for rental or leasing companies. Rental or leasing companies owning 3,500 vehicles or more may pay an annual fee of \$360 for the first 10 registered plates, and \$36 for each additional plate. Because the bill creates a potential increase to the fees, and to the extent that companies utilize the provisions, funds could increase for the Highway Fund as well as local or county governments, impacting TSR/18E.

Oversight will use the data provided by DOR to determine the fiscal impact of this legislation.

ASSUMPTION (continued)

Officials from the **Office of the State Courts Administrator (OSCA)** assume the legislation will have no fiscal impact on their organization.

Oversight notes that OSCA has stated the legislation 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 OSCA.

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 legislation. 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 legislation 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 legislation with existing resources.

ASSUMPTION (continued)

§§194.225 & 302.171 - Organ Donation and Driver's Licenses

Officials from the **Department of Health and Senior Services (DHSS)** assume the following regarding this legislation:

Sections 194.225.1(1) and 302.171.2, RSMo, of the proposed legislation state the Department of Health and Senior Services will work with the Department of Revenue (DOR) to process and provide donor symbol stickers to individuals who want to place a sticker indicating an anatomical gift instead of a printed symbol on their driver license or identification card. When an application to make an anatomical gift is made via the DHSS website, the department shall determine if the symbol is printed on the registrant's driver's license or identification card, and if not, mail a donor symbol sticker to the registrant to place on their license or identification card using first class mail.

DOR data from May 19, 2014, thru June 30, 2018, is reflected in the table below. In addition, the table includes data for the Donor Registry System (DRS), online and paper registrations; actual, percent, and averages are provided.

	May 19, 2014 - May 18, 2015	July 1, 2015 - June 30, 2016	July 1, 2017 - June 30, 2018	Average Annual Number of Individuals
No to Donation so symbol question not asked	840,660	802,507	958,640	867,269
Yes to Donation and Yes to Symbol	724,373	769,580	725,631	739,861
Yes to Donation and No to Symbol	11,200	8,027	5,542	8,256
Total DOR	1,576,233	1,580,114	1,689,813	1,615,386
Online Registrations*	2,706	2,659	366	1,910
Paper Registrations*	2,488	2,339	2,233	2,353

*Online and paper registrations reporting does not coincide with some of the dates in the above table. DHSS has provided the best estimate utilizing dates closest to those presented in the table. The Organ and Tissue Donor Program does not have data for FY 17 from DOR and therefore excluded that year for all rows.

ASSUMPTION (continued)

Section 194.225.5, RSMo, would require the Department of Health and Senior Services to mail a donor symbol sticker to every individual who registers to make an anatomical gift via the department's website. The yearly average of online registrants is 1,910 individuals. Subsection 2 of Section 302.171, RSMo, also allows an individual to request a donor symbol sticker via the department's website if they are already registered to make an anatomical gift. We assume that up to 10 percent of the yearly average that say "yes" to donation at DOR and "no" to the printed symbol may change their mind, and request a donor symbol sticker, which would be 826 requests ($8,256 \times 0.10 = 826$ as a rounded number). We also assume that as much as 45.8 percent of individuals who register via a paper registration will request a donor symbol sticker, on the basis that 45.8 percent of individuals who register at DOR want a donor symbol ($739,861/1,615,386$), which would be 1,078 requests ($2,353 \times 0.458 = 1,078$ as a rounded number). The total number of estimated requests for a donor symbol sticker is therefore 3,814 annually ($1,910 + 826 + 1,078 = 3,814$).

DHSS will incur costs for printing an average of 4,000 stickers at a State Printing cost estimate of \$0.04/each = \$160. DHSS will incur first class mailing costs for an average of 3,814 letters annually at \$0.47 = \$1,793. DHSS will incur costs of window envelopes for 8/boxes of 500 x \$9.37/box = \$75.

An office support assistant (OSA) at 0.5 FTE will be required for clerical aspects of fulfilling the necessary paperwork and phone calls related to the proposed requirements. This includes printing letters, affixing stickers to letters, folding letters, stuffing and sealing envelopes, and answering phone calls from applicants who applied for a sticker or want to apply for a sticker. Division of Community and Public Health (DCPH) staff assume 3,814 sticker requests a year, which breaks down to the OSA processing an approximate average of 73 requests per week or approximately 15 a day. DHSS, accounting for hiring time, assumes this position will begin September 1, 2020. The salary listed for this position reflects the average annual salary of staff in these positions within the Division of Community and Public Health as of December 1, 2018.

The DHSS website will need to be modified to accommodate an application so the public can apply for a sticker. Additionally, the current DRS does not capture data regarding whether individuals say "Yes" or "No" to the symbol at the time of DOR license or identification card application. The DRS system or Organ and Tissue Donor Program staff will need to check with or lookup information in the DOR system for each of the 3,814 annual requests to determine if a symbol was or was not added to the driver license or identification card, develop correspondence to acknowledge receipt of sticker request and indicate the sticker is enclosed. Correspondence will need to include how to adhere the sticker to the license or identification card.

ASSUMPTION (continued)

Oversight is unsure of how much work will be required to implement this legislation; however, Oversight does not have any information to the contrary in regards to DHSS's assumptions. Therefore, Oversight will range the fiscal impact of this legislation from \$0 (does not require additional FTE) to the costs reflected in DHSS's assumptions (0.5 FTE).

Oversight notes the Organ Donor Fund (0824) had a fund balance of \$716,708 as of April 2019.

DHSS also notes OA-ITSD services will be required at a cost of \$61,560 (820.80 hours x \$75 per hour) in FY 2020.

Officials at the **Department of Revenue (DOR)** assume to implement the proposed legislation, the Department would be required to:

- Complete programming, business requirements, design documents, and user acceptance testing of the Missouri Electronic Driver License (MEDL) system;
- Work with DHSS to revise informational pamphlets required to be provided to individuals at the time of application regarding the participation in the Organ, Eye and Tissue Donor Registry;
- Submit a change request to the current license vendor to remove the fillable donor information on the back of the driver license and nondriver identification card and request for a placeholder for a sticker issued by DHSS;
- Complete testing with factory print facility for printing the card with the new placeholder;
- Update the mail-in application forms for military renewal applications;
- Update procedures and the Department website;
- Update the Missouri Driver Guide; and
- Train staff.

FY 2020 - Driver License Bureau

Administrative Analyst II	240 hrs. @ \$17.13 per hr.	= \$ 4,111
Management Analysis Spec II	280 hrs. @ \$20.57 per hr.	= \$ 5,760
Revenue Manager	120 hrs. @ \$20.59 per hr.	= \$ 2,471
Total		= \$12,342

FY 2020 - Personnel Services Bureau

Administrative Analyst III	30 hrs. @ \$19.80 per hr.	= \$ 594
Management Analysis Spec I	20 hrs. @ \$18.42 per hr.	= \$ 368
Total		= \$ 962

ASSUMPTION (continued)

Total Costs = **\$13,304**

License Vendor Costs

Estimated cost to modify card design and factory printing process is **\$28,000**.

DOR notes OA-ITSD services will be required at a cost of **\$5,346** (71.28 hours x \$75 per hour) in FY 2020.

Officials from the **Office of Administration - Budget and Planning** assume these sections modify provisions relating to the Organ Donor Registry. This provision allows for any department to place links to the donor registry on their websites, as well as for applicants who do not have an organ donor emblem on their license to receive a sticker to place on their license. Revenue will be impacted by the cost to manufacture and ship the stickers, as well as potential administration costs. To the extent that citizens register for and require organ donor stickers mailed to them, revenue will be negatively affected.

Oversight will use the data provided by DHSS to determine the fiscal impact of this legislation.

§301.560 - Use of Dealer Plates During Car Repair

Officials from the **Department of Revenue (DOR)**, **Department of Transportation** and **Department of Public Safety - Missouri Highway Patrol** each assume the legislation will have no fiscal impact on their organization.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this section has no direct impact on B&P, has no direct impact on general or total state revenues and will not impact the calculation pursuant to Art. X, Sec. 18(e).

Oversight notes that the agencies mentioned above have stated the legislation 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 for this section.

ASSUMPTION (continued)

§§302.170, 302.720 & 302.768 - Commercial Driver's Licenses

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

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 document 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.
- Modification of commercial third-party tester agreements;
- Modification of commercial third-party tester procedures;
- Modification of new and renewal application forms for commercial third-party testers and examiners;
- Work with MHP and the Missouri Safety Center to define additional third-party tester/examiner trainings;
- Work with MHP to amend third-party program procedures for initial certifications and mandatory audits;
- Increased review of incoming applications for new site requests;
- Increase test data oversight of test forms; electronic test data submissions and monthly reporting from third-party testers;

ASSUMPTION (continued)

Administrative Impact (continued)

- Increased retesting requests to ensure examiner and applicant compliance and reduce fraud.

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

The total impact is unknown due to the unknown number of potential eligible entities that may wish to become a third-party tester. The Department assumes that an increase in the number of testers from our current volume will require adding at least one FTE to process applications, review monthly reports, review test document submissions and review compliance audits, provide training and manage access to mandatory automated test entry systems and other compliance documentation. Currently, due to the limited number of test sites and many being smaller volume sites, these responsibilities account for approximately one quarter to one-half of a Management Analysis Specialist II and a portion of time for reviews by CDL Coordinator (Planner II) based on the processing month. If the increase in the number of testers that are certified with the Department of Revenue is significant, additional FTE will be requested through the appropriations process.

Management Analyst I - 1 FTE

Additionally, CDL test related fraud is an on-going concern within third-party test organizations in many states. It is assumed additional retesting beyond the minimum 10% required by law, and increased compliance audits would also have to be implemented to ensure driver training schools and other private entities remain compliant.

ASSUMPTION (continued)

Administrative Impact (continued)

Unlike the majority of the current third-party programs, these private education institutions are ultimately not the employers and thus do not have the same vested interest as testers limited to developing programs within their own commercial organizations. Occurrence of fraud may lead to unknown amount of cost burden to the state to recall and retest and potentially cancel the license of affected drivers.

Oversight does not have any information to the contrary in regards to DOR's assumptions; therefore, Oversight will reflect DOR's costs (1 FTE) on the fiscal note.

DOR notes OA-ITSD services will be required at a cost of **\$123,525** (1,647 hours x \$75 per hour) in FY 2020.

DOR also notes these sections of this legislation are 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.

ASSUMPTION (continued)

Based on DOR’s response, **Oversight** assumes this legislation 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 notes the following estimates are based on issuance totals from the Missouri Transportation Accounting System report for FY 2018.

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 \$1,401
 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

ASSUMPTION (continued)

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

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

The legislation 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, Section 302.720.6, 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) requires the superintendent of the Highway Patrol to reexamine 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, reexamining 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.

A conservative estimate may assume that the third-party tester number would double within the first year. This would require an additional 6 FTEs, which would be CDL Examination Auditors. However, this legislation could expand the third-party program well beyond the projected number in this fiscal note. In the late 1990's, 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 reexamined by state CDL auditors.

ASSUMPTION (continued)

Oversight does not have any information to the contrary in regards to MHP's assumptions; therefore, Oversight will reflect MHP's costs (6 FTE) on the fiscal note.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume Sections 302.170 & 302.720 allows for qualified current or former military members who have completed tests equivalent to or beyond Missouri standards can receive a waiver for the CDL driver's license tests. These provisions also increase renewal fees for CDL permits. Additionally, revenue would be impacted by any increased costs to implement the change, or administer the program. Because the bill creates a potential increase to the fees, and to the extent that citizens utilize the provisions, funds could increase for the Highway Fund as well as local or county governments, impacting TSR/18E.

Section 302.768 allows for the use of an electronic verification system, approved by the Federal Motor Carrier Safety Administration, to receive medical examiner's certificates for CDL issuance. This provision could result in a loss of licensing fees to local offices, and could require additional costs to administer the program.

This section may reduce TSR.

This section may impact the calculation under Article X, Section 18(e).

Oversight will use the data provided by DOR and MHP to determine the fiscal impact of this legislation.

ASSUMPTION (continued)

Bill as a Whole

Oversight notes there are several sections within this legislation that will result in an administrative impact to DOR. Oversight has summarized this information below.

Position	Number of Hours	Cost
Management Analyst I	540	\$9,947
Management Analyst II	760	\$15,634
Administrative Analyst II	680	\$12,064
Administrative Analyst III	130	\$2,574
Administrative Office Support Assistant	15	\$207
Revenue Manager	200	\$4,118
Total	2,325	\$44,544

Oversight notes none of the positions listed above equate to more than 2,080 hours per position (full-time employee); therefore, Oversight assumes DOR will use existing staff and will not hire additional FTE to conduct these activities.

Oversight notes there are several sections within this legislation that will require OA-ITSD services. Oversight has summarized the OA-ITSD costs in the table below. For simplicity purposes, Oversight will reflect the OA-ITSD costs to the General Revenue Fund as one line item.

Section Number(s)	Estimated OA-ITSD Hours	Estimated OA-ITSD Cost	Page Numbers
§§144.070 & 301.032	1,134	\$85,050	p. 5
§§194.225 & 302.171	71	\$5,346	p. 13
§§194.225 & 302.171	821	\$61,560	p. 12
§§302.170, 302.720 & 302.768	1,647	\$123,525	p. 13
	3,673	\$275,481	

ASSUMPTION (continued)

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 systems. Independently, ITSD estimated the projects would take 3,673 hours at a contract rate of \$75 per hour for a total cost to the state of \$275,481. 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 three 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 (\$275,481) to hiring two additional FTE IT Specialists (roughly \$80,000 per year).

Oversight notes approximately 3,673 hours will be required for OA-ITSD services in FY 2020 for this legislation. Oversight assumes this will equate to approximately 1.8 staff (rounded up to 2 staff for simplicity purposes); therefore, Oversight will range the fiscal impact from the cost of contracting out the work (\$275,481) to hiring two additional FTE IT Specialists.

For simplicity purposes, **Oversight** will reflect the FTE for the work required in relation to Sections 194.225 and 302.171 to the General Revenue Fund. The cost (\$61,560) for ITSD work for these sections will be reflected under the Organ Donor Fund with the remaining \$213,921 reflected under the General Revenue Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE FUND			
<u>Revenue Reduction</u> - DOR - port authorities exempt from sales tax (§68.040) p. 4	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Cost</u> - DOR Vendor changes (§§194.225 & 302.171) p. 13	(\$28,000)	\$0	\$0
<u>Cost</u> - DOR (§302.720.6) p. 15			
Personal Services	(\$31,920)	(\$38,687)	(\$39,074)
Fringe Benefits	(\$20,236)	(\$24,400)	(\$24,518)
Expense and Equipment	<u>(\$8,850)</u>	<u>(\$491)</u>	<u>(\$503)</u>
<u>Total Cost</u> - DOR	(\$61,006)	(\$63,578)	(\$64,095)
Net FTE Change - DOR	1 FTE	1 FTE	1 FTE
 Cost - DOR - ITSD costs (ranged from contracting out programming (\$275,481 - \$61,560 on p. 12) to hiring two (2) additional FTE IT Specialists) p. 20-21	(\$133,263) or <u>(\$213,921)</u>	\$0 or (\$161,262)	\$0 or (\$162,623)
 FTE Change - OA-ITSD	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
 ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	(\$222,269) or Could exceed <u>(\$302,927)</u>	(\$63,578) or Could exceed <u>(\$224,840)</u>	(\$64,095) or Could exceed <u>(\$226,718)</u>
 Estimated Net FTE Change to the General Revenue Fund	1 or 3 FTE	1 or 3 FTE	1 or 3 FTE
BLIND PENSION FUND			
<u>Revenue Reduction</u> - DOR - port authorities exempt from property tax (§68.040) p. 4-5	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
 ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2020	FY 2021	FY 2022
(continued)	(10 Mo.)		

HIGHWAY FUND

<u>Revenue</u> - potential of up to 673 lease rental companies paying \$250 annual fee (§144.070) p. 6-8	Up to \$105,156	Up to \$126,187	Up to \$126,187
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<u>Revenue</u> - increased per plate fees for lease rental companies (ranged from \$24 passenger vehicle registration fee to \$46 truck registration fee) (§ 301.032) p. 6-8	(\$105,000) to \$87,500	(\$126,000) to \$105,000	(\$126,000) to \$105,000
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<u>Revenue</u> - Increase in commercial permit fees (§302.720) p. 17	\$57,803	\$69,364	\$69,364
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Cost - MHP (§32.720.6) p. 18

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)
Net FTE Change - MHP	6 FTE	6 FTE	6 FTE

<u>Loss</u> - Decrease in renewal of commercial learners' permits (§302.720) p. 17	<u>(\$5,844)</u>	<u>(\$7,013)</u>	<u>(\$7,013)</u>
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ESTIMATED NET EFFECT ON THE HIGHWAY FUND

	From	From	From
	(\$135,637) to	(\$161,743) to	(\$166,535) to
	<u>(\$328,137)</u>	<u>(\$392,743)</u>	<u>(\$397,535)</u>

Estimated Net FTE Change to the Highway Fund	6 FTE	6 FTE	6 FTE
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FISCAL IMPACT - State Government **FY 2020** **FY 2021** **FY 2022**
 (continued) (10 Mo.)

ORGAN DONOR FUND

Cost - DHSS (§§194.225 & 302.171) p.

11				
Personal Services	\$0 or (\$9,485)	\$0 or (\$11,932)	\$0 or (\$12,051)	
Fringe Benefits	\$0 or (\$3,000)	\$0 or (\$3,636)	\$0 or (\$3,672)	
Equipment and Expense	\$0 or (\$11,370)	\$0 or (\$4,183)	\$0 or (\$4,287)	
Mailing costs	(\$1,793)	(\$1,793)	(\$1,793)	
Postage costs	(\$75)	(\$75)	(\$75)	
Printing of stickers	<u>(\$160)</u>	<u>(\$160)</u>	<u>(\$160)</u>	
Total Costs - DHSS	(\$25,883)	(\$21,779)	(\$22,038)	
FTE Change - DHSS	0 or 0.5 FTE	0 or 0.5 FTE	0 or 0.5 FTE	

<u>Cost - DHSS - ITSD costs (ranged from contracting out programming (\$61,560) to hiring additional FTE IT Specialist in GR above) (§§194.225 & 302.171) p. 12</u>	<u>\$0 or (\$61,560)</u>	<u>\$0</u>	<u>\$0</u>	
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ESTIMATED NET EFFECT ON THE ORGAN DONOR FUND	<u>Up to (\$92,515)</u>	<u>Up to (\$21,779)</u>	<u>Up to (\$22,038)</u>	
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Estimated Net FTE Change to the Organ Donor Fund	0 or 0.5 FTE	0 or 0.5 FTE	0 or 0.5 FTE	
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OTHER STATE SALES TAX FUNDS

<u>Revenue Reduction - DOR - port authorities exempt from sales tax (§68.040) p. 4</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	
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ESTIMATED NET EFFECT ON OTHER STATE SALES TAX FUNDS	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	
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<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue</u> Cities - potential of up to 673 lease rental companies paying \$250 annual fee (15%) (§144.070) p. 6-8	Up to \$21,031	Up to \$25,238	Up to \$25,238
<u>Revenue</u> - Counties - potential of up to 673 lease rental companies paying \$250 annual fee (10%) (§144.070) p. 6-8	Up to \$14,022	Up to \$16,825	Up to \$16,825
<u>Revenue</u> - Cities (15%) - increased per plate fees for lease rental companies (ranged from \$24 passenger vehicle registration fee to \$46 truck registration fee) (§301.032) p. 6-8	(\$21,000) to \$17,500	(\$25,200) to \$21,000	(\$25,200) to \$21,000
<u>Revenue</u> - Counties (10%) - increased per plate fees for lease rental companies (ranged from \$24 passenger vehicle registration fee to \$46 truck registration fee) (§301.032) p. 6-8	(\$14,000) to \$11,667	(\$16,800) to \$14,000	(\$16,800) to \$14,000
<u>Revenue</u> - Cities (15%) - Increase in commercial permit fees (§302.720) p. 17	\$11,561	\$13,873	\$13,873
<u>Revenue</u> - Counties (10%) - Increase in commercial permit fees (§302.720) p. 17	\$7,707	\$9,249	\$9,249
<u>Revenue Reduction</u> - DOR - port authorities exempt from sales & property tax (§68.040) p. 4	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

<u>FISCAL IMPACT - Local Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
<u>Loss</u> - Cities (15%) - Decrease in renewal of commercial learners' permits (§302.720) p. 17	(\$1,169)	(\$1,401)	(\$1,401)
<u>Loss</u> - Counties (10%) - Decrease in renewal of commercial learners' permits (§302.720) p. 17	<u>(\$779)</u>	<u>(\$935)</u>	<u>(\$935)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	From \$17,373 to Less than <u>\$81,540</u>	From \$20,849 to Less than <u>\$97,849</u>	From \$20,849 to Less than <u>\$97,849</u>

FISCAL IMPACT - Small Business

§§144.070 & 301.032

Leasing or rental companies will be required to pay an annual fee of \$250 to operate as a leasing or rental company.

License Offices may lose out on license transfer fees due to this legislation.

§§194.225 & 302.171

Local contract license offices may be impacted due to an increase in inquiries regarding the new donor symbol sticker option as a result of this legislation.

§§302.170, 302.720 & 302.768

DOR noted 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.

FISCAL IMPACT - Small Business (continued)

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.

§320.720.6

The proposed legislation may affect some small businesses by allowing them to become a commercial third-party tester entity if all requirements are met. This may result in an increase in revenue for private driver training schools and other private entities.

FISCAL DESCRIPTION

The proposed legislation enacts provisions relating to transportation.

Part of this legislation is federally mandated. This legislation would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Department of Public Safety - Missouri Highway Patrol
Department of Transportation
Office of the State Courts Administrator
Office of the Secretary of State
Joint Committee on Administrative Rules
Department of Health and Senior Services
Department of Social Services
Office of Administration - Budget and Planning
New Madrid County Port Authority
Southeast Missouri Regional Port Authority
Howard-Cooper County Regional Port Authority
Mid-America Port Authority
Kansas City Port Authority



Kyle Rieman
Director
June 13, 2019

Ross Strobe
Assistant Director
June 13, 2019