

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4054-03
Bill No.: SB 777
Subject: Department of Revenue; Licenses - Motor Vehicle
Type: Original
Date: March 4, 2020

Bill Summary: This proposal modifies provisions relating to the selection of Department of Revenue fee offices.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	(\$719,666)	(\$603,185)	(\$609,048)
Total Estimated Net Effect on General Revenue	(\$719,666)	(\$603,185)	(\$609,048)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	8 FTE	8 FTE	8 FTE
Total Estimated Net Effect on FTE	8 FTE	8 FTE	8 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 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

Administrative Impact

To enforce the regulations and ensure consistent application of these provisions, the department would need additional staff to audit license offices for the requirements that would be contained within the regulations. If the department cannot adequately enforce the regulations, protests on contract award will likely increase and it may be difficult to ensure continuity of license office operations across the state. In addition, more information would need to be routinely compiled in order to provide the annual report to the General Assembly.

To implement the proposed change, the department would be required to:

- Request eight additional field coordinators to perform contract compliance duties around the state, and supply the coordinators with necessary equipment.
 - Currently, there are 13 Field Coordinators covering approximately 172 offices, with the possibility that additional offices may open in the future. Each field coordinator has between 11-15 offices in regions throughout the state that they oversee and often have to drive significant distances to get to offices in their region.
- Field Coordinators perform the following duties
 - Respond to emails and phone calls from assigned offices
 - Observe customer interaction with license office staff
 - Monitor license office staff transactions to ensure they are being completed correctly and all questions are being asked;
 - Review security cameras to ensure they are recording as required;
 - Observe customers as they enter the office to ensure the ticket system is being utilized and is understood by the customers;
 - Ensure office staff are working on correct shipment as well as using the correct user ID;
 - Review any available deposits that have not already been taken to the bank;
 - Go over any error reports/complaints that have been generated related to the office, including but not limited to:
 - Bank deposits;
 - Driver license transactions;
 - Site code errors (for determining tax liability);

ASSUMPTION (continued)

- Customer calls/emails; and
 - Motor vehicle transaction errors
 - Review voided transactions;
 - Complete the License Office Observation Survey, which includes most contract compliance components;
 - Notify the office of any positive or negative issues identified during their visit;
 - Encourage customers to complete the on-line Customer Satisfaction Survey on the state issued iPad;
 - Assist with license office transitions upon the award of a new contract:
 - Take a physical inventory count of all items in the office;
 - If location is moving, assist with packing the office up an moving the equipment and inventory to the new location;
 - Ensure cameras are operational and viewing the appropriate areas;
 - Mediate transition from old contractor to new to ensure keys are transferred, etc., if staying in current location;
 - Work with new contractor to ensure inventory book is set-up correct; and
 - Ensure all systems are operational, including TRIPS, MEDL, Jetpay, Central Bank Remote Deposit;
 - Assist with transferring inventory between offices;
 - Pick-up surrendered plates for destruction by MVE;
 - Verify Federal Heavy Vehicle Use transactions are processed correctly and have required tax paperwork;
 - Complete location assessments as needed;
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- This bill would require that the department determine within a reasonable degree of certainty whether a current contractor is and was "compliant" throughout the duration of its contracts with the state. Because a significant number of points will be allotted to current contractors who are found compliant in any scoring mechanism, whether or not a contractor was compliant will become a significant point of contention in future bids and justifying awards will require more contract compliance monitoring at greater frequencies than is currently performed.
 - It may be difficult to enforce the residential and local preferences within the bill, and additional language may be necessary granting the department the authority to inspect and audit tax documents and other business records to substantiate that all individuals and entities were truly residents of the state.

ASSUMPTION (continued)

- "The department estimates that it would need eight additional field coordinators to perform compliance monitoring and visit license offices at least every 2-3 weeks to determine contract compliance. With 21 field coordinators covering approximately 172 offices, each field coordinator would have approximately 8 offices that they would oversee, a reduction of approximately five (5) offices per field coordinator and a reduction in the amount of driving required. With this in mind, the department estimates that field coordinators would be able to visit each office every 2-3 weeks, and would be able to engage in other practices such as secret shoppers. The additional field coordinators would ensure that future bids are accurately and consistently awarded, and would further minimize the risk of litigation as a result of license office contract awards.

FY 2021 - License Office Bureau

8 Revenue Field Services Coordinator- \$35,692(10 mos) x 8 = \$285,540

FY 2022 - License Office Bureau

8 Revenue Field Services Coordinator = \$346,074

FY 2023- License Office Bureau

8 Revenue Field Services Coordinator = \$349,535

Field coordinators are employees that work remotely for the department, and they require the following equipment and expenses:

FY 2021 - equipment and miscellaneous expenses

State issued van (one time purchase)	= \$25,000
IPad Pro (one time purchase)	= \$1,000
IPhone purchase (one time purchase)	= \$600
Ink Jet Printer (one time purchase)	= \$150
Three polo shirts (one time purchase)	= \$45
Laptop (one time purchase)	= \$664
Shredder (one time purchase)	= \$50
Additional monitor (one time purchase)	= \$150
Laptop case (one time purchase)	= \$70
IPad Pro monthly charge - \$60.00(10 mos)	= \$600
IPhone monthly charge - \$60.00(10 mos)	= \$600
Office supplies - \$42.00(10 mos)	= \$420
Gas/maintenance on state van - \$292(10 mos)	= \$2,920
Hotel for every other month in-house meeting - \$110(5 mos)	= <u>\$550</u>

ASSUMPTION (continued)

Total = **\$32,819**

Grand total (per employee cost x 8) = **\$262,552**

FY 2022 - equipment and miscellaneous expenses

IPad Pro monthly charge	= \$720
IPhone monthly charge	= \$720
Office supplies	= \$500
Gas/maintenance on state van	= \$3,500
Hotel for every other month in-house meeting	<u>= \$660</u>
Total	= \$6,100

Grand total (per employee cost x 8) = **\$48,800**

FY 2023 - equipment and miscellaneous expenses

IPad Pro monthly charge	= \$720
IPhone monthly charge	= \$720
Office supplies	= \$500
Gas/maintenance on state van	= \$3,500
Hotel for every other month in-house meeting	<u>= \$660</u>
Total	= \$6,100

Grand total (per employee cost x 8) = **\$48,800**

In order to prepare and promulgate the regulations necessary for implementation of this legislation, and to effectively enforce the provision of the regulations, the department requests a delayed effective date of January 1, 2021.

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

Officials from the **Department of Transportation, Office of Administration** and **Office of the Governor** each assume the proposal will have no fiscal impact on their respective organizations.

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.

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 (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 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE FUND			
Cost - DOR			
Personal services	(\$285,540)	(\$346,074)	(\$349,535)
Fringe benefits	(\$171,628)	(\$207,091)	(\$208,241)
Expense and equipment	(\$262,498)	(\$50,020)	(\$51,272)
Total Costs - DOR	(\$719,226)	(\$603,185)	(\$609,048)
FTE Change - DOR	8 FTE	8 FTE	8 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	(\$719,666)	(\$603,185)	(\$609,048)
Estimated Net FTE Change to the General Revenue Fund	8 FTE	8 FTE	8 FTE

FISCAL IMPACT - Local Government	FY 2021 (10 Mo.)	FY 2022	FY 2023
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

License contract offices could be impacted as a result of this proposal.

FISCAL DESCRIPTION

Current law allows the Department of Revenue to promulgate rules and regulations for the awarding of fee office contracts. This act requires such rules to give preference to certain factors in the following order of importance: 1) Persons or entities currently operating one or more fee offices in compliance with current law; 2) persons and entities that are based in the county in which the fee office is located; 3) certain tax-exempt organizations; and 4) persons and entities that reinvest at least seventy-five percent of net proceeds to charitable organizations in the state. If the Department utilizes a scoring mechanism to evaluate bids, such scoring mechanism shall ensure that a person or entity currently operating one or more fee offices shall receive a bonus of ten percent of the available points.

No contract shall be awarded to a person or entity that is not a resident of the state, as defined in the act.

This act also requires the Department to submit an annual report to the General Assembly that provides information on each fee office contract awarded, including the performance of each entity on any scoring mechanism used by the Department to evaluate bids.

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

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SOURCES OF INFORMATION

Department of Revenue
Department of Transportation
Office of Administration
Office of the Secretary of State
Joint Committee on Administrative Rules
Office of the Governor



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Director
March 4, 2020

Ross Strobe
Assistant Director
March 4, 2020