

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0870S.04C  
Bill No.: SCS for SB 4  
Subject: Commerce and Insurance, Department of; Insurance - Automobile; Law Enforcement Officers and Agencies; Motor Vehicles; Revenue, Department of; Telecommunications; Transportation;  
Type: Original  
Date: February 26, 2021

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Bill Summary: This proposal modifies provisions relating to motor vehicle financial responsibility.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
General Revenue*	(\$267,580)	(\$153,928)	(\$181,138)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$267,580)</b>	<b>(\$153,928)</b>	<b>(\$181,138)</b>

\*FY 2022 fiscal impact is the estimated DOR-ITSD cost for building and implementing a system. Oversight assumes an implementation date of January 1, 2023 for the new system; therefore we have reflected six (6) months of impact in FY 2023.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Highway Fund	\$0	\$50,880	\$101,760
Motor Vehicle Financial Responsibility Verification and Enforcement Fund*	\$0	Less than \$35,400 to \$177,100	Less than \$70,800 to \$354,200
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>Less than \$86,280 to \$227,980</b>	<b>Less than \$172,560 to \$455,960</b>

\*FY 2022 fiscal impact is the estimated DOR-ITSD cost for building and implementing a system. Oversight assumes an implementation date of January 1, 2023 for the new system; therefore we have reflected six (6) months of impact in FY 2023.

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
General Revenue	0 FTE	1 FTE	1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>0 FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☒ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Local Government*</b>	<b>\$0</b>	<b>Less than \$16,960</b>	<b>Less than \$33,920</b>

\*Decreased fine revenue to schools may result in an increase in the foundation formula the following fiscal year of the decrease.

## FISCAL ANALYSIS

### ASSUMPTION

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

#### Motor Vehicle Driver License Administrative Impact

The proposal requires the Department to establish and maintain a web-based system for online insurance verification. The system's goal is to identify uninsured motorists in the most effective way. To establish the objectives, details, and deadlines for the system, the Department must create an advisory council, which consists of representatives from the insurance industry who will also serve as voting members. To implement and enforce the program and to require real-time reporting, administrative rules will be promulgated.

The proposal allows the Department to contract or consult with a third-party vendor who has implemented a similar program in other states to create the web-based system; however, there is no funding provided in the proposal to fund a third-party vendor. As such, OA-ITSD will be responsible for the development, implementation, and maintenance of the system, unless funding becomes available. The OA-ITSD cost will be shown later in this response.

An online "real-time" insurance verification system will allow law enforcement to verify compliance with the Financial Responsibility Law at the time of roadside-traffic stops and motor vehicle crash investigations. This will result in an increase in the number of "no insurance" citations being issued by law enforcement to motor vehicle operators or owners. Missouri currently has approximately 7.1 million registered vehicles. The uninsured vehicle rate in Missouri is believed to be approximately 13 percent. This equates to 923,000 uninsured vehicles possibly being operated on Missouri roadways, not including out-of-state vehicles. It is unclear how many citations will be issued annually and of those, how many will result in a court conviction. According to statistics maintained by the Missouri Attorney General's Office, in 2019, there were 1,524,640 traffic stops in this state. This shows 21% of the motor vehicles registered are stopped annually ( $1,524,640 / 7,100,000 = 21\%$ ). This may result in the Department receiving 193,830 convictions ( $923,000 \times 21\%$ ) annually.

A court sends the conviction either electronically or by paper to the Department to post to the driver record and assess four points. (§303.025.3). The Department currently receives approximately 25% of all traffic convictions by paper ( $193,830 \times 25\% = 48,458$ ). An Associate Customer Service Representative (ACSR) can key 350 paper convictions daily.

48,458	Number of paper convictions received annually
\ 252	Number of working days per year
192	Convictions received daily
\ 350	Convictions processed per day
<b>0.5</b>	<b>ACSR I needed = 1 FTE @ \$25,812</b>

The Department is required to issue point warning notices when a person accumulates four points on their driver record. No insurance convictions result in the assessment of four points. As such, each of these convictions will result in a point warning notice or a suspension notice for those individuals who have already accumulated points on their record prior to this point assessment.

193,830	Number of notices issued by the Department
X \$.038	Cost per letter
\$7,366	Total Annual Cost for letter
\ 2	Number of months in FY 2022 after law becomes effective
<b>\$ 3,683</b>	<b>FY 2022 Letter Cost (6 months only)</b>
<b>\$7,550</b>	<b>FY 2023 Letter Cost</b>
<b>\$7,738</b>	<b>FY 2024 Letter Cost</b>

193,830	Number of envelopes issued by the Department
x \$.068	Cost per envelope
\$13,180	Total Annual Cost for envelopes
\ 2	Number of months in FY 2022 after law becomes effective
<b>\$6,590</b>	<b>FY 2022 Envelope Cost (6 months only)</b>
<b>\$13,510</b>	<b>FY 2023 Envelope Cost</b>
<b>\$13,848</b>	<b>FY 2024 Envelope Cost</b>

193,830	Number of notices issued by the Department
x \$.55	Cost for postage
\$106,607	Total Annual Cost for postage
\ 2	Number of months in FY 2022 after law becomes effective
<b>\$ 53,304</b>	<b>FY 2022 Postage Cost (6 months only)</b>
<b>\$109,272</b>	<b>FY 2023 Postage Cost</b>
<b>\$112,003</b>	<b>FY 2024 Postage Cost</b>

The court also has the ability to enter an order suspending the driving privilege, pursuant to §303.025.3. In CY 2019, the Department received zero court-ordered suspensions. As such, additional FTE will not be necessary for this process.

This online system will also allow the Department and contract offices to verify insurance at the time a vehicle is registered or a registration is renewed both in-person and online. The registration or renewal will be denied if insurance is not confirmed.

The proposal allows the Department to suspend registration of a vehicle if it has reason to believe a vehicle is uninsured. Currently, the Department enforces compliance with the insurance law in the following ways:

- If an owner fails to show proof of insurance at the time of registration, registration or renewal of registration is denied;
- A no insurance conviction assesses four points to a driver or owners driving record; and
- If an uninsured driver and owner are involved in an accident and it is reported to the Department pursuant to §303.040, the driver's operating privilege and the owner's vehicle registration is suspended.

It is unclear in what other circumstance the Department may have reason to believe a vehicle owner is operating an uninsured vehicle, and thereby suspend the owner's registration. Section 303.026, RSMo, allows the Department to conduct a random sampling of vehicle owners who showed uninsured in the motorists' insurance database; however, that program was discontinued due to budget restraints after the passage of Constitutional Amendment 3. Furthermore, the language in this bill states that this web-based system will supersede any other database. Based on the IICMVA's standards, this web-based system will require a unique key information to route to the appropriate insurance company, and therefore, the system would not have the capabilities to conduct random sampling.

#### FTE Requirements

\$25,812	One ACSR
\ 12	Number of months in a year
\$2,151	Monthly salary
x 6	Number of months in FY22 after law becomes effective
<b>\$12,906</b>	<b>FY 2022 Salary (6 months only)</b>

Desk, chair, PC w/ Monitors, and misc. software= \$8,574

The Department has no data that would help us determine how much of an increase in hearing requests the Department will receive, but assumes it will not cause additional FTE. If the increase in hearing requests is more significant than anticipated or additional laws are passed that affect the staff who mediate these hearings, additional FTE may be requested through the appropriations process.

#### Increased letter, envelope, and postage cost

FY 2022: \$63,577  
FY 2023: \$130,332  
FY 2024: \$133,589

**Oversight** does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DOR.

To implement the proposed legislation, **DOR** states they will be required to:

- Programming changes and testing of the web-based online insurance system for a minimum of nine months, per bill provisions
- Update Department's website
- Update Driver Guide
- Draft Internal and external procedures
- Create an Advisory Council to establish the objectives, details, and deadlines for the system
- Draft Administrative Rules

FY 2022 – Motor Vehicle Bureau (MVB) and Driver License Bureau (DLB)

Associate Research/Data Analyst	450 hrs. @ \$19.08 per hr. = \$ 8,586
Research/Data Analyst	175 hrs. @ \$23.82 per hr. = \$ ,169
Administrative Manager	60 hrs. @ \$22.24 per hr. = \$ ,334
	<b>\$14,089</b>

The Department anticipates being able to absorb this administrative impact. If multiple bills are passed that require Department resources, funding 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.

Revenue Impact

**DOR** states if a no insurance conviction subsequently results in a point accumulation suspension, the individual will be required to pay a \$20 reinstatement fee. With a presumption that 10% of all convictions received will result in a suspension, the reinstatement fees collected would be as follows:

193,830	Number of annual convictions
x 10%	Presumed percent of suspensions
19,383	Number of annual point suspensions
X 35%	Percent that reinstate annually
6,784	Number of annual reinstatements from these suspensions
x \$20	Reinstatement fee per suspension
\$135,680	Reinstatement fees collected annually
\ 12	Number of months in a year
\$11,307	Increase in reinstatement fees collected monthly
x 6	Number of months in FY 2022 after law becomes effective

**\$67,842      Fees Collected in FY 2022 (6 months only)**

Fees collected will be distributed 75% Highway Fund, 15% Cities, and 10% Counties.

FY 2022

$\$67,842 \times 75\% = \$50,882$       Highway Fund  
 $\$67,842 \times 15\% = \$10,176$       Cities  
 $\$67,842 \times 10\% = \$ 6,784$       Counties

FY 2023

$\$135,680 \times 75\% = \$101,760$       Highway Fund  
 $\$135,680 \times 15\% = \$20,352$       Cities  
 $\$135,680 \times 10\% = \$13,568$       Counties

FY 2024

$\$135,680 \times 75\% = \$101,760$       Highway Fund  
 $\$135,680 \times 15\% = \$20,352$       Cities  
 $\$135,680 \times 10\% = \$13,568$       Counties

Compliance and Investigation Bureau (CIB) Administrative Impact

It is unknown the fiscal impact to CIB at this time as it is unknown if CIB would be part of the new program or if it would be a newly created program with new FTE assigned.

The fiscal impact to DOR would be as follows:

1. FTE required to administer the new Motor Vehicle Financial Responsibility Enforcement and Compliance incentive program.
2. FTE required to enforce the violations of the new Motor Vehicle Financial Responsibility Enforcement and Compliance incentive program
3. FTE and programming expenses to build the new IT system created by this bill
4. Equipment, office space, supplies necessary for implementation and administration of the new program

In addition, it may be necessary for supplemental funding to be given to establish the program and IT system since the funding source listed in this bill would not have any funds until it was collected from violators.

DOR will have a significant fiscal impact, dependent upon how this program is implemented.

**DOR** notes OA-ITSD services will be required at a cost of **\$267,580** in FY 2022 (2,816.63 hours x \$95 per hour).

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

**Oversight** also notes this proposal creates a fund titled the “Motor Vehicle Financial Responsibility Verification and Enforcement Fund”, which shall consist of money collected under Sections 303.420 to 303.440, RSMo. Oversight notes fees from the pretrial diversion program being established will be deposited into this fund.

**Oversight** notes the following misdemeanor convictions for violations of §303.025:

FY 2020	5,662
FY 2019	7,333
<u>FY 2018</u>	<u>8,256</u>
Average	7,084

There is no way to determine how much revenue will be collected as a result of this provision; however, Oversight will estimate that 5% to 25% of violators will participate in the diversion program.

$$7,084 \times 5\% = 354 \times \$200 \text{ (diversion participation fee)} = \$70,800$$
$$7,084 \times 25\% = 1,771 \times \$200 \text{ (minimum fine for first offense)} = \$354,200$$

In addition, Oversight will reflect an “Unknown” cost to DOR for the administration of Sections 303.420 to 303.440, RSMo.

**Oversight** notes because this is a diversion program, offenders may choose this option instead of paying a normal fine, which will result in a decrease in fine revenue to schools; therefore, Oversight will reflect an “Unknown” loss to schools. For simplicity, Oversight will not reflect the possibility that fine revenue paid to school districts may act as a subtraction in the foundation formula.

**Oversight** notes the verification system shall be installed and fully operational by January 1, 2023, following an appropriate testing or pilot period of not less than nine months; therefore, Oversight will reflect the DOR FTE costs in FY 2023 (6 months) and FY 2024 (12 months).

For the purpose of the proposed legislation, and as a result of excessive caseloads, the **Missouri State Public Defender (SPD)** cannot assume existing staff will be able to provide competent, effective representation for any new cases where indigent persons are charged with the proposed new crime(s) concerning motor vehicle financial responsibility under Section 303.025, RSMo. The Missouri State Public Defender System is currently providing legal representation in caseloads in excess of recognized standards. While the number of new cases may be too few or uncertain to request additional funding for this specific bill, the SPD will continue to request sufficient appropriations to provide competent and effective representation in all cases where the right to counsel attaches.



**Oversight** assumes the SPD will be able to perform any additional duties required by this proposal with current staff and resources and will reflect no fiscal impact to the SPD for fiscal note purposes.

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

Officials from the **Missouri Highway Patrol, Office of the State Courts Administrator, Missouri Office of Prosecution Services and Department of Corrections** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a previous version, officials from the **Department of Commerce and Insurance** assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **Kansas City Police Department, St. Joseph Police Department and St. Louis County Police Department** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a previous version, Officials from the **Boone County Sheriff, Crestwood Police Department, Ellisville Police Department, Greenwood Police Department and Springfield Police Department** each assumed the proposal would have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other law enforcement agencies were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

#### Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize 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 our office can sustain with our core budget. Therefore, they reserve 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.

<u>FISCAL IMPACT – State Government</u>	FY 2022	FY 2023 (6 mos.)	FY 2024
<b>GENERAL REVENUE FUND</b>			
Cost – DOR			
Personal Services	\$0	(\$13,035)	(\$26,331)
Fringe Benefits	\$0	(\$10,370)	(\$20,827)
Expense and Equipment	\$0	(\$191)	(\$391)
<u>Total Costs – DOR</u>	\$0	(\$23,596)	(\$47,549)
FTE Change – DOR	0 FTE	1 FTE	1 FTE
<u>Cost – DOR – mailing costs</u>		(\$130,332)	(\$133,589)
<u>Cost – DOR – OA-ITSD Services</u>	(\$267,580)	\$0	\$0
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(\$267,580)</u></b>	<b><u>(\$153,928)</u></b>	<b><u>(\$181,138)</u></b>
Estimated Net FTE Change to the General Revenue Fund	0 FTE	1 FTE	1 FTE

<b>HIGHWAY FUND</b>			
<u>Revenue</u> – increased reinstatement fees for not having required insurance	<u>\$0</u>	<u>\$50,880</u>	<u>\$101,760</u>
<b>ESTIMATED NET EFFECT ON THE HIGHWAY FUND</b>	<b><u>\$0</u></b>	<b><u>\$50,880</u></b>	<b><u>\$101,760</u></b>
<b>MOTOR VEHICLE FINANCIAL REPSONSIBILITY VERIFICATION AND ENFORCEMENT FUND</b>			
<u>Revenue</u> – money collected under Sections 303.420 to 303.440, RSMo	\$0	\$35,400 to \$177,100	\$70,800 to \$354,200
<u>Cost</u> – DOR to administer program	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON THE MOTOR VEHICLE FINANCIAL RESPONSIBILITY VERIFICATION AND</b>	<b><u>\$0</u></b>	<b><u>Less than \$35,400 to \$177,100</u></b>	<b><u>Less than \$70,800 to \$354,200</u></b>

<b>ENFORCEMENT FUND</b>			
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<u>FISCAL IMPACT – Local Government</u>	FY 2022 (6 Mo.)	FY 2023	FY 2024
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue</u> – Cities (15%) – increased reinstatement fees for not having required insurance	\$0	\$10,176	\$20,352
<u>Revenue</u> – Counties (10%) – increased reinstatement fees for not having required insurance	\$0	\$6,784	\$13,568
<u>Loss</u> – Schools – decreased in fine revenue for those who choose to the diversion program over paying the standard fine	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>Less than \$16,960</u></b>	<b><u>Less than \$33,920</u></b>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

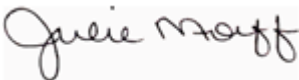
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This act modifies provisions relating to motor vehicle financial responsibility.

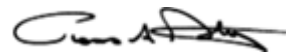
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

#### SOURCES OF INFORMATION

Department of Revenue  
Department of Commerce and Insurance  
Missouri Highway Patrol  
Missouri Office of Prosecution Services  
Office of the State Courts Administrator  
Office of the State Public Defender  
Office of the Secretary of State  
Joint Committee on Administrative Rules  
Department of Corrections  
Boone County Sheriff  
Crestwood Police Department  
Ellisville Police Department  
Greenwood Police Department  
Kansas City Police Department  
Springfield Police Department  
St. Joseph Police Department  
St. Louis County Police Department



Julie Morff  
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February 26, 2021



Ross Strope  
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February 26, 2021