

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0902H.03C
 Bill No.: HCS for SB 47
 Subject: Department of Revenue; Fees; Licenses - Driver's
 Type: Original
 Date: April 13, 2023

Bill Summary: This proposal modifies provisions relating to fees collected by the Department of Revenue.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue	(\$90,808)	\$41,019	\$41,019
Total Estimated Net Effect on General Revenue	(\$90,808)	\$41,019	\$41,019

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Highway Fund	\$2,158,013	\$2,589,615	\$2,589,615
License Office Distribution Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other State Funds</u>	\$2,158,013	\$2,589,615	\$2,589,615

*Revenue and distributions net to zero. Officials from the Department of Revenue (DOR) estimate the annual distribution per open contract offices from License Office Distribution Fund would be \$47,269.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on FTE	0	0	0

- 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.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Local Government	\$719,338	\$863,205	\$863,205

FISCAL ANALYSIS

ASSUMPTION

§136.055 – Department of Revenue Fee Offices

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

Administrative Impact

To implement these provisions for permit, driver license and nondriver license processing fees, the Department would be required to:

- Complete project request and monitoring documentation as required by OA ITSD for systems projects.
- Complete business requirements and design documents to modify the Missouri Electronic Driver License (MEDL) issuance system;
- Update the Missouri Transportation Accounting System (MTAS) and related tables used by the Missouri Electronic Driver License system (MEDL);
- Complete programming and user acceptance testing of the Missouri Electronic Driver License (MEDL) system to ensure system update with the required fee increase;
- Update policies, procedures, and the Uniform License Issuance Manual (ULIM);
- Update forms, manuals, and the Department website;
- Create new procedures, training manuals, notices, and forms;
- Update procedures, forms, and correspondence;
- Update associated fee charts, and the Department website;
- Update the Dealer Operating Manual;
- Update the Missouri Titling Manual;
- Send communications to contracted license offices and other contracted stakeholders;
- Complete programming and user acceptance testing;
- Update the Missouri Transportation Accounting System (MTAS) tables; and
- Train internal and contract license office staff.

FY 2024 Driver License Bureau

Research/Data Assistant 160 hrs. x \$17.20 = \$2,752

Research/Data Analyst 200 hrs. x \$25.63 = \$5,126

Administrative Manager 40 hrs. x \$27.82 = \$1,113

FY 2024 Personnel Services Bureau

Associate Research/Data Analyst 20 hrs. x \$20.54 = \$411

Associate Research/Data Analyst 20 hrs. x \$20.54 = \$411

FY 2024 – Motor Vehicle Bureau

Research/Data Analyst 288 Hrs @ \$24.84/hr = \$7,154
Associate Research/Data Analyst 673 Hrs @ \$19.90/hr. = \$13,393
Lead Administrative Support Asst. 20 Hrs @ \$17.05 = \$341
Administrative Manager 89 Hrs @ \$26.96 = \$2,399

FY 2024 – Strategy and Communications Office

Associate Research/Data Analyst 1,000 hrs. @ \$19.90/hr. = \$19,900

Total Cost = **\$53,000**

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.

DOR notes OA-ITSD services will be required at a cost of **\$69,381** in FY 2024 (730.32 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.

DOR notes the fiscal impact estimated above is based on changes in the current MO Electronic Driver License System and supporting application. The implementation of this legislation will be coordinated with the integration of the Department’s Motor Vehicle and Driver Licensing software system approved and passed by the General Assembly in 2020 (Senate Bill 176). To avoid duplicative technology development and associated costs to the state, it is recommended a delayed effective date be added to this bill to correlate with the installation of the new system.

Revenue Impact

DOR notes the proposed processing fee increases in §136.055, RSMo, will also be applied to transactions occurring in Department operated “Branch” licensing offices (DOR central site.)

Central Office (retained by the state)

Estimated Annual Increase for Permits, Driver License, or Non-driver License Issued (Highway Fund 75%, Cities 15% & Counties 10%):

1,428	Estimated annual 0-3 year transaction processing fees in DOR Branch Office
x \$3.00	Amount of fee increase from proposed change from \$6.00 to \$9.00
\$ 4,284	Estimated annual increase in DOR branch office processing fees

5,452	Estimated annual 3-6 3 year transaction processing fees in DOR Branch Office
<u>x \$6.00</u>	Amount of fee increase proposed from \$12.00 to \$18.00
\$32,712	Estimated annual increase in DOR branch office processing fees

\$32,712 + \$4,284 = **\$36,996**

Estimated Annual Increase for State office title, registration issuance/renewal, online registration renewal, phone in registration renewal, and registration transfers issued (**Highway Fund 75%, Cities 15% & Counties 10%**):

1,138,608	Estimated annual Motor Vehicle (MV) in DOR Branch Office
<u>x \$3.00</u>	Amount of fee increase from proposed change from \$6.00 to \$9.00
\$3,415,824	Estimated annual increase in DOR branch office processing fees

Total annual increase to Highway Fund from increase in DOR branch office processing fee collections = **\$3,452,820 (\$36,996 + \$3,415,824)**

Estimated Annual Increase for Notice of Lien and Duplicate Titles (**General Revenue**):

13,673	Estimated annual 3-6 3 year transaction processing fees in DOR Branch Office
<u>x \$3.00</u>	Amount of fee increase proposed from \$6.00 to \$9.00
\$41,019	Estimated annual increase in DOR branch office processing fees

License Office Fee Increases

Estimates are based on Missouri Transportation Accounting System Driver License Transaction reporting totals for FY 2022

Permits, Driver License, or Non-driver License Issued:

352,500	Total 0-3 year transactions
<u>x \$2.00</u>	Proposed agent transaction processing fee collection increase for 0- 3 year term transactions changing fee from \$6.00 to \$9.00, less \$1.00 to be remitted to License Office Distribution Fund
\$705,000	Total Estimated increase to agent processing fees for 3 year transactions annually

983,966	Total 3-6 year transactions
<u>x \$5.00</u>	Proposed agent transaction processing fee collection increase for 3- 6 year term transactions changing fee from \$12.00 to \$18.00, less \$1.00 to be remitted to License Office Distribution Fund
\$4,919,830	Total estimated agent fee collection increase for 3-6yr transactions

\$5,624,830 Total estimated statewide annual contract office revenue increase from portion of proposed processing fee **not** distributed to new License Office Distribution Fund from Driver License Transactions (\$705,000 + \$4,919,830)

Estimated annual License Office Distribution Fund remittance derived from \$1 of each office processing fee collected for driver license transactions:

352,500 Total 0-3 year transactions
x \$1.00 Proposed \$1.00 portion of proposed agent fee increase to be remitted to License Office Distribution Fund
\$352,500 Total estimated statewide agent fee \$1 remittance to new fund

983,966 Total 3-6 year transactions
x \$1.00 Proposed \$1.00 of total proposed agent fee increase to be remitted to the License Office Distribution Fund
\$983,966 Total estimated statewide agent fee \$1 remittance to new fund

\$1,336,466 Total estimated statewide annual amount remitted to and to be distributed from the proposed License Office Distribution Fund from Driver License Transactions

Motor Vehicle (MV) Transactions:

6,935,666 Total MV transactions
x \$2.00 Proposed agent transaction processing fee collection increase for MV transactions changing fee from \$6.00 to \$9.00, less \$1.00 to be remitted to License Office Distribution Fund

\$13,871,322 Total estimated statewide annual contract office revenue increase from portion of proposed processing fee **not** distributed to new License Office Distribution Fund from MV transactions

6,935,666 Total Motor Vehicle (MV) Transactions
x \$1.00 Proposed \$1.00 portion of proposed agent fee increase to be remitted to License Office Distribution Fund

\$6,935,666 Total estimated statewide annual amount remitted to and to be distributed from the proposed License Office Distribution Fund from Driver License Transactions from MV Transactions

License Office Distribution Fund projections (\$1 per transaction) \$6,935,666 + \$1,336,466 =
\$8,272,132

Total estimated statewide annual amount remitted to and to be distributed from the proposed License Office Distribution Fund:

\$8,272,132	Estimated revenue into the License Office Distribution Fund
/ 175	Number of possible contract license offices
\$47,269	Estimated annual distribution per open contract offices from License Office Distribution Fund

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

Officials from the **Missouri Department of Transportation (MoDOT)** assume the revenues collected from these fees are state revenue derived from highway users (SRHU) subject to the distribution requirements set out in Art. IV, Sec. 30(b)1, Mo. Constitution., meaning only 3% of these fees should go to DOR and the remaining revenue should be deposited into the State Road Fund (SRF).

Currently, these funds are not being deposited to the SRF, but rather 100% of the proceeds of these fees are distributed to the privately or not-for-profit owned and operated DOR license offices.

MoDOT does not have the numbers to determine the current negative fiscal impact to MHTC/MoDOT from this diversion and any increased negative fiscal impact due to the increase in fees.

Therefore, MoDOT defers to DOR for these numbers.

This diversion also impacts cities and counties.

§193.265 – Birth Certificates Fees Waived for Domestic Violence Victims

In response to a similar proposal from 2023 (HB 71), officials from the **Department of Health and Senior Services (DHSS)** stated §193.265.6 of this proposed legislation states no fee shall be required or collected for a certification of birth if the request is made by a victim of domestic violence or abuse, as defined in §455.010 RSMo, and if the victim provides documentation signed by an employee, agent, or volunteer of a victim service provider, an attorney, or a health care or mental health care professional, from whom the victim has sought assistance relating to the domestic violence or abuse. The victim may only be eligible one time for a fee waiver under this subsection.

Per Missouri Coalition against Domestic and Sexual Violence (MCADS) and the National Coalition Against Domestic Violence (NCADV) 2019 statistical data, domestic violence programs served 36,304 Missourians with over 26,000 requests for services going unmet due to a lack of resources. Therefore, a **total number** equaling more than **62,304**.

There is no estimate of how many of these individuals will request birth certificates. Requests could range from 0% to 100% issuance of approximately 62,304 certificates. Each certificate costs \$15. Therefore, the total loss of revenue for the issuance of requests at 100% would be equivalent to \$778,800 for FY 24; \$934,560 for FY 25; and \$934,560 for FY 26. Birth certificates have a current fee split of \$5 per certificate to the Children’s Trust Fund; \$5 to the Missouri Public Health Services (MOPHS) Fund; \$4 to General Revenue; and \$1 to the Endowed Care Cemetery Fund.

Moreover, these types of requests typically take more time than regular requests. Many of these applications come with incomplete information which makes the match more difficult and takes more time in processing. If a match does not result in the issuance of a certified copy, a search fee is not collected like it is from the general public. DHSS expects the number of requests to increase and the loss of revenue and lack of adequate staff to be an issue for program operations. The Department would request a range of one (1) to up to seven (7) FTE to account for the deficiency in staffing depending on how much the work load increases.

FTE count comes from the calculation of a fifteen (15) minute application review, processing, and issuance time average with 2,080 working hours per annum which equals 8,320 applications processed per FTE.

Fund Name	FY 2024 (10 mos.)	FY 2025	FY 2026
General Revenue (\$4)	\$207,680	\$249,216	\$249,216
Children’s Trust Fund (\$5)	\$259,600	\$311,520	\$311,520
MOPHS Fund (\$5)	\$259,600	\$311,520	\$311,520
Endowed Care Cemetery Audit Fund (\$1)	\$51,920	\$62,304	\$62,304
TOTAL	\$778,800	\$934,560	\$934,560

General Revenue	62,304* \$4 = \$249,216
Children’s Trust	62,304* \$5 = \$311,520
Endowed Care	62,304* \$1 = \$62,304
MOPHS Fund	62,304* \$5 = <u>\$311,520</u>
Total	\$934,560

Oversight notes, based on DHSS calculations, the loss of revenue to the various state funds impacted by this proposal are estimated to be as shown in the above table.

Oversight notes this legislation does not contain a provision to limit the number of free birth certificates that may be issued annually; however, the legislation does provide that a victim is only eligible one time for a waiver of the fee (§193.265.6(2)).

Oversight also notes HB 1300 (2020 legislative session) contained similar language regarding the provision of a free birth certificate to victims of domestic violence. In that fiscal note response, DHSS stated that while they did not know the number of birth certificates that would be issued and the actual potential fiscal impact was unknown, they believed the number of qualifying individuals who would apply for a free birth certificate would be minimal due to the target population most likely being unaware of the legislation.

Since the number of individuals actually applying for a free birth certificate was assumed to be minimal, Oversight assumed, for fiscal note purposes, that it was possible for up to 10% of victims to request a free birth certificate annually.

The annual estimated loss of funds to GR in the fiscal note for HB 1300 was \$0 to \$26,724; the loss to the Children's Trust Fund was \$0 to \$33,405; the loss to the MOPHS Fund was \$0 to \$33,405; and the loss to the Endowed Care Cemetery Audit Fund was \$0 to \$6,681.

For the current proposal, assuming up to 10% of 62,304 individuals would apply for a free birth certificate each year, the estimated loss in birth certificate fees would be $(62,304 * 10\% = 6,203 * \$15)$ up to \$93,056 or a loss of up to \$24,812 to GR $(6,203 * \$4)$; a loss of up to \$31,015 to each the Children's Trust Fund and the MOPHS Fund; and a loss of up to \$6,203 to the Endowed Care Cemetery Audit Fund. **Oversight** assumes these losses to be minimal and will not present for fiscal note purposes.

Oversight also notes DHSS assumes it will need between one (1) and seven (7) new FTE as a result of this proposal. Because Oversight assumes a minimal number of individuals will actually request a free birth certificate, Oversight further assumes the DHSS will likely not need additional FTE. However, if the DHSS needs additional funding as a result of the provisions of this proposal, they may request additional funding through the budget process.

Officials from the **Newton County Health Department** assume the proposal will have no fiscal impact on their organization.

In response to a similar proposal from 2023 (HB 71), officials from the **St. Louis County Health Department** assumed the proposal would not have a 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 local public health agencies.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other public health departments were requested to respond to this proposed legislation

but did not. A general listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request

§§302.178 & 302.181 – Identification Fees Waived for Homeless Youth

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

Administrative Impact

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

- Complete business requirements and design documents to modify the Missouri Electronic Driver License (MEDL) issuance system, MEDL central applications and supporting systems to remove the fee for a nondriver for homeless child, youth, or an intermediate for emancipated youths.
- Complete programming and user acceptance testing of the Missouri Electronic Driver License (MEDL) issuance system;
- OA-ITSD Test the file generation and secure transfer process to ensure all required data elements and signature are sent as required;
- Obtain format and procedure approvals from Secretary of State and others as applicable;
- Update policies, procedures, and the Uniform License Issuance Manual (ULIM);
- Update forms, manuals, and the Department website;
- Complete training as required.

FY 2024 – Driver License Bureau

Research/Data Assistant 360hrs. @ \$17.20 per hr. =\$6,192
Research/Data Analyst 400hrs. @ \$25.63 per hr. =\$10,252
Administrative Manager 80 hrs. @ \$27.82 per hr. =\$2,226

FY 2024 – Personnel Services Bureau

Associate Research/Data Analyst 20 hrs. @ \$20.54 per hr. =\$411
Associate Research/Data Analyst 10 hrs. @ \$20.54 per hr. =\$205

Total Costs \$19,286

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.

DOR notes OA-ITSD services will be required at a cost of **\$55,610** in FY 2024 (585.37 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.

Revenue Impact

DOR notes during FY 2022 there were a total of 113,014 new non-driver licenses issued. DOR does not have statistics to determine of this count how many potential annual applicants may be eligible for a fee waiver under the proposed provisions, therefore the total impact to State and Local Revenue is unknown.

For each fee waiver eligible non-driver license issued pursuant to this proposed language in §302.181 there would be a loss to General Revenue of \$6.00.

During FY 2022 there were a total of 52,348 intermediate driver licenses issued. DOR does not have statistics to determine of this count how many may potential applicants may be eligible for a fee waiver under the proposed provisions, therefore the total impact to State and Local Revenue is unknown.

For each fee waiver eligible intermediate driver license issued pursuant to this proposed language in §302.178 there would be a loss of fees distributed to the Highway Fund and Local Funds for cities and counties as follows

Hwy Fund Loss (75%) = \$3.75
Cities Fund Loss (15%) = \$0.75
Counties Fund Loss (10%) = \$0.50

For each issued document, DOR would be required to pay fees to the card vendor for printing and postage costs of \$2.4724 per card.

There would also be a loss to General Revenue for office processing fees which would have been collected for non-driver or intermediate license transactions issued in State license offices eligible for waiver of fees pursuant to the proposed language in §136.055. An estimated volume of eligible applicants applying in State branch offices is unknown.

Office Processing Fee each New Non-driver License: \$12.00

Office Processing Fee for each Intermediate License \$ 6.00

The fiscal impact estimate above is based on changes in the current MO Driver License System environment. The Department is pursuing an upgraded Motor Vehicle and Driver Licensing system. The total potential fiscal impact to develop changes in the proposed system in addition to the current environment is unknown.

Oversight notes, according to the National Conference of State Legislatures (NCSL), as of January 2019, 6,179 individuals of all ages were homeless in Missouri. Of these, 1,359 were under the age of 18. Among the homeless youth and young adults, 477 were unaccompanied by an adult.

If all 1,359 of these homeless youth applied for a non-driver license or intermediate driver license, the loss would amount to approximately \$8,154 (1,359 x \$6). Oversight assumes there will be a minimal loss of revenue from this proposal; therefore, Oversight will not reflect a material loss to the Highway Fund or local political subdivisions. In addition, Oversight will not reflect a loss to General Revenue for processing fees as Oversight assumes this loss will be minimal.

Officials from the **Missouri Highway Patrol, Department of Social Services and Department of Elementary and Secondary Education** 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.

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

§408.900 – Digital Asset Mining

In response to a similar proposal from 2023 (SB 536), officials from the **Department of Commerce and Insurance, City of Kansas City, and City of Springfield** 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 for this section of the proposal.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the MOLIS database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE FUND			
<u>Revenue</u> – DOR – increased fees for notice of lien and duplicate titles (p. 5) §136.055	\$34,183	\$41,019	\$41,019
<u>Cost</u> – DOR – OA-ITSD services (p. 11) §302.178	(\$55,610)	\$0	\$0
<u>Cost</u> – DOR – OA-ITSD services (p. 4) §136.055	(\$69,381)	\$0	\$0
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$90,808)</u>	<u>\$41,019</u>	<u>\$41,019</u>
HIGHWAY FUND			
<u>Revenue</u> – DOR – increased fees for driver license transactions (p. 5) §136.055	\$23,123	\$27,747	\$27,747
<u>Revenue</u> – DOR – increased fees for motor vehicle transactions (p. 6) §136.055	<u>\$2,134,890</u>	<u>\$2,561,868</u>	<u>\$2,561,868</u>
ESTIMATED NET EFFECT ON THE HIGHWAY FUND	<u>\$2,158,013</u>	<u>\$2,589,615</u>	<u>\$2,589,615</u>

<u>FISCAL IMPACT – State Government</u> (continued)	FY 2024 (10 Mo.)	FY 2025	FY 2026
LICENSE OFFICE DISTRUBTION FUND			
<u>Revenue</u> – increased fees for driver license transactions (p. 5) §136.055	\$1,113,722	\$1,336,466	\$1,336,466
<u>Revenue</u> – increased fees for motor vehicle transactions (p.) §136.055	\$5,779,722	\$6,935,666	\$6,935,666
<u>Transfer Out</u> – to license contract offices (p. 6) §136.055	(\$6,893,444)	(\$8,272,132)	(\$8,272,132)
ESTIMATED NET EFFECT ON THE LICENSE OFFICE DISTRIBUTION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue</u> – Cities (15%) – increased fees for driver license transactions (p. 5) §136.055	\$4,625	\$5,549	\$5,549
<u>Revenue</u> – Cities (15%) – increased fees for motor vehicle transactions (p. 6) §136.055	\$426,978	\$512,374	\$512,374
<u>Revenue</u> – Counties (10%) – increased fees for driver license transactions (p. 5) §136.055	\$3,083	\$3,700	\$3,700
<u>Revenue</u> – Counties (10%) – increased fees for motor vehicle transactions (p. 6) §136.055	\$284,652	\$341,582	\$341,582
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$719,338</u>	<u>\$863,205</u>	<u>\$863,205</u>

FISCAL IMPACT – Small Business

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

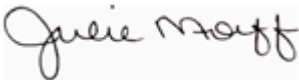
FISCAL DESCRIPTION

This proposal modifies provisions relating to fees collected by the Department of Revenue.

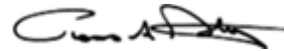
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Missouri Highway Patrol
Department of Social Services
Department of Elementary and Secondary Education
Missouri Department of Transportation
Department of Health and Senior Services
Newton County Health Department
St. Louis County Health Department
Department of Commerce and Insurance
City of Kansas City
City of Springfield



Julie Morff
Director
April 13, 2023



Ross Strobe
Assistant Director
April 13, 2023