

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1490S.04C
 Bill No.: SCS for SB 366
 Subject: Boats and Watercraft; Contracts and Contractors; Fees; Motor Vehicles;
 Department of Revenue; State Employees; Taxation and Revenue - Sales and Use;
 Transportation; Treasurer, State
 Type: Original
 Date: April 10, 2023

Bill Summary: This proposal modifies or enacts provisions relating to Department of Revenue fee offices.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue	(\$35,198)	\$41,019	\$41,019
Total Estimated Net Effect on General Revenue	(\$35,198)	\$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</u> State Funds	\$2,158,013	\$2,589,615	\$2,589,615

*Revenue and costs net to zero. Officials from the Department of Revenue (DOR) estimate the annual distribution per open contract office from the 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

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.

<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	\$34,183	\$41,019	\$41,019
<u>Cost</u> – DOR – OA-ITSD services p. 4	(\$69,381)	\$0	\$0
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	(\$35,198)	\$41,019	\$41,019
HIGHWAY FUND			
<u>Revenue</u> – DOR – increased fees for driver license transactions p. 5	\$23,123	\$27,747	\$27,747
<u>Revenue</u> – DOR – increased fees for motor vehicle transactions p. 5	\$2,134,890	\$2,561,868	\$2,561,868
ESTIMATED NET EFFECT ON THE HIGHWAY FUND	\$2,158,013	\$2,589,615	\$2,589,615

<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. 6	\$1,113,722	\$1,336,466	\$1,336,466
<u>Revenue</u> – increased fees for motor vehicle transactions p. 6	\$5,779,722	\$6,935,666	\$6,935,666
<u>Transfer Out</u> – to license contract offices p. 7	(\$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	\$4,625	\$5,549	\$5,549
<u>Revenue</u> – Cities (15%) – increased fees for motor vehicle transactions p. 5	\$426,978	\$512,374	\$512,374
<u>Revenue</u> – Counties (10%) – increased fees for driver license transactions p. 5	\$3,083	\$3,700	\$3,700
<u>Revenue</u> – Counties (10%) – increased fees for motor vehicle transactions p. 5	<u>\$284,652</u>	<u>\$341,582</u>	<u>\$341,582</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$719,338</u>	<u>\$863,205</u>	<u>\$863,205</u>

FISCAL IMPACT – Small Business

Small license contract offices will be positively impacted while other small businesses that are required to license and title vehicles will pay more as a result of this proposal.

FISCAL DESCRIPTION

This act increases fees charged by Department of Revenue fee offices for certain transactions.

The act also specifies that the Director of the Department of Revenue shall not award fee office contracts to entities affiliated in any manner, as defined in the act, with a current employee of the Department or with a former employee of the Department for the two-year period following the employee's termination of employment.

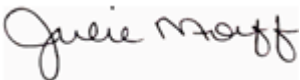
One dollar from every fee increased under the act shall be remitted to the License Office Distribution Fund, established in the act. The remitted funds shall be held in trust for the fee office contract holders, and shall not be considered state revenue. In the event a court of competent jurisdiction requires money remitted to the fund under the act to be distributed in accordance with certain constitutional provisions, the required remittance to the fund shall be null and void.

Beginning with the fourth quarter of 2024, the amount of money remitted to the fund each quarter shall be distributed equally among the fee offices as provided in the act.

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



Julie Morff
Director
April 10, 2023



Ross Strobe
Assistant Director
April 10, 2023