

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0348S.03P
 Bill No.: Perfected SCS for SB 3
 Subject: Boats and Watercraft; Contracts and Contractors; Fees; Licenses - Driver's;
 Licenses - Motor Vehicle; Motor Vehicles; Department of Revenue; State
 Employees; Taxation and Revenue - Sales and Use; Transportation
 Type: Original
 Date: February 18, 2025

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 2026	FY 2027	FY 2028
General Revenue	\$1,131,273	\$1,441,527	\$1,441,527
Total Estimated Net Effect on General Revenue	\$1,131,273	\$1,441,527	\$1,441,527

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Highway Fund (0644)	\$1,677,364	\$2,012,835	\$2,012,835
Total Estimated Net Effect on <u>Other</u> State Funds	\$1,677,364	\$2,012,835	\$2,012,835

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Local Government	\$559,122	\$670,945	\$670,945

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 the proposed legislation, the Department will be required to:

- 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 2026 – Motor Vehicle Bureau

Research/Data Analyst 288 hrs. @ \$27.87/hr. = \$8,027

Associate Research/Data Analyst 673 hrs. @ \$26.03/hr. = \$17,518

Lead Administrative Support Asst. 20 hrs. @ \$19.13/hr. = \$383

Administrative Manager 89 hrs. @ \$35.10/hr. = \$3,124

FY 2026 – Strategy and Communications Office

Associate Research/Data Analyst 1000 hrs. @ \$22.33/hr. = \$22,330

FY 2026 License Offices Bureau:

Staff Development Trainer 120 hrs. x \$22.49 = \$2,699

Administrative Manager 120 hrs. x \$36.06 = \$4,327

Implementation Consultant 200 hrs. @ \$225 per hr. = \$45,000

Total Cost = **\$58,408**

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.

FUSION Impact

DOR notes the following impact:

Motor Vehicle Bureau - Implementation Consultant \$250/hour x 100 hrs. = **\$25,000**
License Office Bureau - Implementation Consultant 200 hrs. @ \$250 per hr. = **\$45,000**

The costs associated with these legislative changes may be outside of the current contract and identified programming work for their incoming integrated system. As such, DOR has included the potential costs associated with making the changes to the integrated system by the department's current vendor.

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

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 proposal will increase the current processing fees for every motor vehicle registration issued, renewed, or transferred biennially from \$6.00 to \$9.00 for one year and from \$12.00 to \$18.00 for two-year renewal (biennial). For each application or transfer of title processing fees would increase from \$6.00 to \$9.00 and for each notice of lien filed from \$6.00 to \$9.00.

A trailer would be charged \$9.00 for annual, \$27.00 for three-year, or \$45.00 for permanent registration. The current permanent registration for a trailer is \$52.50 with a \$6.00 processing fee for a total of \$58.50. This language will decrease the cost for trailers by \$7.50, not including the processing fee.

It will also increase instruction permits, non-driver, chauffeur, operator, and driver's license fees for 3 years from \$6.00 to \$9.00 and from \$12.00 to \$18.00 for a period of over three years.

Trailer Permanent Registration Impact

During FY 2023 and FY 2024 an average of 18,013 permanent trailer plates were processed. This proposal may decrease revenue by **\$135,098** (18,013 x \$7.50 decreased fee for trailer permanent registrations) assuming the same amount of permanent trailer plates are processed. The Highway Fund (75%), Cities (15%) and Counties (10%) will incur the loss.

Oversight notes the follow summary of impact to state funds for Central Office:

	Highway Fund (75%)	Cities (15%)	Counties (10%)
FY 2026	\$84,436	\$16,887	\$11,258
FY 2027	\$101,324	\$20,265	\$13,510
FY 2028	\$101,324	\$20,265	\$13,510

DOR notes:

Registration, titling, notice of lien and MORE (online renewals) projections are based on an average of the last two fiscal years.

The volume shown from the system counts transactions singularly in the Estimated Contractor Transaction Counts and Processing Fees report was used.

Notice of Lien (filed online) (General Revenue)

FY 2026 480,509/12 * 10 @ \$3.00 = \$1,201,273

FY 2027 480,509 @ \$3.00 = \$1,441,527

FY 2028 480,509 @ \$3.00 = \$1,441,527

Central Office (Highway Fund 75%, Cities 15%, Counties 10%)

FY 2026 245,307/12 * 10 @ \$3.00 = \$613,268

FY 2027 245,307 @ \$3.00 = \$735,921

FY 2028 245,307 @ \$3.00 = \$735,921

Oversight notes the follow summary of impact to state funds for Central Office:

	Highway Fund (75%)	Cities (15%)	Counties (10%)
FY 2026	\$459,951	\$91,990	\$61,327
FY 2027	\$551,941	\$110,388	\$73,592
FY 2028	\$551,941	\$110,388	\$73,592

DOR notes:

MORE (online renewal system) (Highway Fund 75%, Cities 15%, Counties 10%)

FY 2026 694,319/12 * 10 @ \$3.00 = \$1,735,798

FY 2027 694,319 @ \$3.00 = \$2,082,957

FY 2028 694,319 @ \$3.00 = \$2,082,957

Oversight notes the follow summary of impact to state funds for the online renewal system:

	Highway Fund (75%)	Cities (15%)	Counties (10%)
FY 2026	\$1,301,849	\$260,370	\$173,580
FY 2027	\$1,562,218	\$312,444	\$208,296
FY 2028	\$1,562,218	\$312,444	\$208,296

License Office Impact (Non-state Funds)

DOR notes the following projections are updated from last year to reflect transactions more accurately.

Contract License office (Independently owned):

FY 2023 8,483,141

FY 2024 8,980,737

Average number of transactions for last two fiscal years = 8,731,939

Contract Offices Processing Fee Increase (Independently owned)

FY 2026 $8,731,939/12 * 10 @ \$3.00 = \$21,829,848$

FY 2027 $8,731,939 @ \$3.00 = \$26,195,817$

FY 2028 $8,731,939 @ \$3.00 = \$26,195,817$

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 Article IV, Section 30(b)1 of the Missouri 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.

Officials from the **Office of the State Treasurer** assume 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 this agency.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
<u>Revenue</u> – DOR – increased fees for notice of lien and duplicate titles p. 5	\$1,201,273	\$1,441,527	\$1,441,527
<u>Cost</u> – DOR – Fusion consultants p. 4	<u>(\$70,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$1,131,273</u>	<u>\$1,441,527</u>	<u>\$1,441,527</u>
HIGHWAY FUND (0644)			
<u>Revenue</u> – DOR – increased fees for Central Office transactions p. 5	\$459,951	\$551,941	\$551,941
<u>Revenue</u> – DOR – increased fees for MORE (online renewal system) transactions p. 6	\$1,301,849	\$1,562,218	\$1,562,218
<u>Loss</u> – DOR – decreased fee for trailer permanent registrations p. 5	<u>(\$84,436)</u>	<u>(\$101,324)</u>	<u>(\$101,324)</u>
ESTIMATED NET EFFECT ON THE HIGHWAY FUND (0644)	<u>\$1,677,364</u>	<u>\$2,012,835</u>	<u>\$2,012,835</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue</u> – Cities (15%) – increased fees for Central Office transactions p. 5	\$91,990	\$110,388	\$110,388
<u>Revenue</u> – Cities (15%) – increased fees for MORE (online renewal system) transactions p. 6	\$260,370	\$312,444	\$312,444
<u>Revenue</u> – Counties (10%) – increased fees for Central Office transactions p. 5	\$61,327	\$73,592	\$73,592
<u>Revenue</u> – Counties (10%) – increased fees for MORE (online renewal system) transactions p. 6	\$173,580	\$208,296	\$208,296
<u>Loss</u> – Cities (15%) – decreased fee for trailer permanent registrations p. 5	(\$16,887)	(\$20,265)	(\$20,265)
<u>Loss</u> – (Counties (10%) – decreased fee for trailer permanent registrations p. 5	(\$11,258)	(\$13,510)	(\$13,510)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$559,122</u>	<u>\$670,945</u>	<u>\$670,945</u>

FISCAL IMPACT – Small Business

The 174 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 service fees charged by Department of Revenue fee offices for certain transactions.

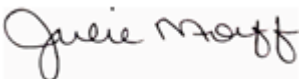
The act also specifies that the Director of the Department of Revenue shall not award fee office contracts to entities affiliated in any manner, as defined in the act, with a current employee of the Department or with a former employee of the Department for the one-year period following the employee's termination of employment, and no person affiliated in any manner with an entity awarded a fee office contract shall be affiliated in any manner with a motor vehicle title service agent as prescribed by law.

Under the act, the Director may extend certain fee office contracts by up to 5 years.

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
Office of the State Treasurer
Missouri Department of Transportation



Julie Morff
Director
February 18, 2025



Jessica Harris
Assistant Director
February 18, 2025