

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2561-07
Bill No.: SCS for SB's 1233, 840 & 1043
Subject: Licenses – Motor Vehicle; Transportation
Type: Original
Date: March 10, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	\$4,502,580	\$4,502,580	\$4,502,580
Total Estimated Net Effect on General Revenue Fund	\$4,502,580	\$4,502,580	\$4,502,580

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Highway Fund	\$8,271,611	\$9,470,880	\$9,436,978
RR Grade Crossing Fee	\$14,859	\$14,859	\$14,859
Conservation Tax	\$491,711	\$491,711	\$491,711
State Parks Fund	\$196,685	\$196,685	\$196,685
Parks/Soil Fund	\$196,685	\$196,685	\$196,685
Total Estimated Net Effect on <u>Other</u> State Funds	\$9,171,551	\$10,370,820	\$10,336,918

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$8,517,172	\$8,567,282	\$8,567,282

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Department of Corrections, Department of Elementary and Secondary Education, Department of Insurance, Department of Public Safety – Missouri State Highway Patrol, Department of Transportation, State Public Defender’s Office, Missouri House of Representatives, and Missouri Senate** assume this proposal would have no fiscal impact on their agencies.

Officials with the **Office of State Courts Administrator (OSCA)** indicated this proposal could have fiscal impact on the courts. Changes to the laws relating to obtaining and maintaining a Commercial Driver’s License (CDL) could prolong some cases and increase the number of trials requested. OSCA was unable to quantify a precise fiscal impact at this time. **Oversight** assumes that any increase in the workload of the judiciary will be reflected in future budget requests.

Officials with the **Department of Revenue (DOR)** assume this proposal could have fiscal impact on their agency. Impact is broken down into the following sections:

Sections 21.795, 301.2999, 301.3150, 301.3152, and 301.3154

This proposal requires all existing specialty plate applications (excluding military specialty

ASSUMPTION (continued)

license plates) to pay \$25 (a net increase of \$10 per set). Currently, there are approximately 160,530 specialty plates on the General Registration System (GRS). As approximately 50% of applicants choose biennial registration, the anticipated revenue from this increase is \$802,650 per year.

Sections 301.134, 301.144, 301.3106, 301.3122, 301.3124, 301.3125, 301.3126, 301.3128, 301.3129, 301.3130, 301.3132, 301.3133, 301.3137, 301.3139, 301.3140, 301.3141, 301.3144, and 301.3999

This proposal creates seventeen new license plate types and creates new categories in the existing specialty plates by increasing the weight limit to 18,000 pounds. DOR assumes these changes will require the services of one Clerk Typist II to process these applications. DOR will incur expenses for forms, procedures, postage, and plates/tabs in the amount of:

Procedures, Forms (including plate design) and Envelopes	=	\$ 5,644
Postage	=	\$ 50,545
Plates and Tabs	=	\$ 48,753

DOR will require 180 hours of overtime programming to modify the special plate reservation program, the renewal pull program for fees, and the Uniform Field Office System (UFOS). Programming overtime costs for FY05 will be approximately \$4,221. In addition, the State Data Center will require \$500 storage costs annually for these plate records.

DOR anticipates 7,813 applications for these new plates. The \$25 fee for these applications would result in the following revenue:

<u>FY 05 (10 months) Income</u>	
6,511 plates issued* \$25 plate fee	\$162,771
<u>FY 06 Income</u>	
7,813 plates issued * \$25 plate fee	\$195,525
<u>FY 07 Income</u>	
7,813 plates issued * \$25 plate fee	\$195,325

ASSUMPTION (continued)

According to the Missouri Constitution, this revenue is to be dispersed in the following manner:

State Road Fund	75%
Cities	15%
Counties	10%

To implement this legislation, the DOR could require additional funds. In the past, the programs included in this legislation have been paid for with highway funds. This year, however, highway funds may not be available for this purpose as a result of legislation enacted by the General Assembly in 2000 that limits the use of highway funds.

This limitation is found in Section 226.200.3, RSMo. It places a cap on the highway funding available to state departments other than the Department of Transportation. The total amount of highway funds appropriated to these other state departments (including the DOR) cannot exceed the total amount of their fiscal year 2001 highway appropriations. This cap limits the highway funds that will be available for the implementation of this legislation.

If highway funds are not available, then another source of funding must be identified to pay for the cost of implementing this legislation.

This proposal could increase state revenue through plate fees.

Section 301.132

DOR assumes this proposal will require \$379 for revision to field procedures and envelopes and \$151 for the postage distribute the revised procedures to the field. DOR also assumes programming costs to make modifications to GRS and all associated systems, including the Missouri Transportation Accounting System and to include the word "replica" on the title. Programming costs for these systems are estimated at \$7,924. In addition, the State Data Center has indicated that this proposal will require approximately \$500 annually for computer storage costs associated with these changes.

DOR has estimated a 1% growth rate on registered vehicles. Currently, DOR registers 135 street rod motor vehicles. Additionally, there are approximately 163,696 motor vehicles currently on the GRS with a model year of 1949 through 1978 that would qualify as custom vehicles. Assuming only 5% of these owner for this type of vehicle would apply as a custom vehicle, \$204,625 would be generated annually.

ASSUMPTION (continued)

Sections 301.196, 301.197, 301.198, and 301.280

DOR estimates 1,270,256 notices of transfer received (based on current titles) the first year and 920,480 each year thereafter (this number is reduced due to dealers required to file sales reports electronically in year two of implementation). DOR will require the following FTE and associated costs: 14 Revenue Licensing Technicians I's the first year and 11 each year thereafter; 6 Telephone Information Operator I's to answer inquiries that this notification will generate; 1 Photographic Machine Operator to microfilm sale notifications; 1 Revenue Section Supervisor; and 1 Revenue Licensing Unit Supervisor.

DOR assumes this proposal requires programming modifications to DOR's vehicle lien file and General Registration System (GRS). Such modifications will require 275 hours of programming for 1 Computer Information Technician Supervisor, 5,504 total hours for 2 Computer Information Technologist Specialist III's and 80 hours of programming for 1 Information Support Coordinator, totaling \$174,295 in programming costs. Additionally, 1 Computer Information Technologist III will be required to design, test, and implement the dealer on-line sales report and the interface of notification reporting through the dealer sales report information.

It is estimated by DOR that they will need 1.89 FTE Tax Collection Techs to process 169,788 delinquency notices, 7.38 FTE Tax Collection Techs for phone calls on the delinquency notices (based on a 50% calling rate), and 2.78 FTE Tax Processing Techs to process correspondence generated due to the notices (based on a 20% correspondence rate), and the associated costs.

ASSUMPTION (continued)

Based upon the current 75% collection success rate for delinquent transactions, DOR anticipates that it will collect the following additional revenues on 59,435 transactions:

	Percent of response to delinquent fee letter accounts	Average Tax amount	
Sales Tax (47%)	27,935	\$454	\$12,682,267
Use Tax (53%)	31,501	\$125	\$3,937,577
Local Tax	59,435		\$5,900,536
Title Fee*	59,435	\$8.50	\$505,199
Processing Fee*	59,435	\$6	\$356,611
License Fee*	59,435	\$28.05	\$1,667,155
Railroad Grade Crossing Fee	59,435	\$0.25	\$14,859
<i>Total State Revenue Increase</i>			<i>\$19,148,808</i>

* – 2,528,965 as indicated above would be collected for titling, registration, and processing of motor vehicle transactions, a portion of which is distribution to cities and counties per the Missouri Constitution.

Section 301.219

DOR anticipates that during the first year of implementation of this act, one-half of salvage business licensees would register for one year and one-half would register for two years. Accordingly, for the first year only, there would be an increase in revenue of approximately \$71,500. For subsequent years, there would be no change in revenue.

Sections 302.177, 302.225, 302.272, 302.273, 302.302, 302.309, 302.345, 302.347, 302.700, 302.725, 302.727, 302.735, 302.740, 302.755, 302.756, 302.760, and 507.054

DOR assumes this proposal will require numerous procedure and forms changes and changes to

ASSUMPTION (continued)

systems programming. 5,680 hours of internal overtime programming and testing will required, as will 100 hours of contracted programming.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE			
<u>Income – DOR</u>			
Motor Vehicle Sales Tax	<u>\$4,502,580</u>	<u>\$4,502,580</u>	<u>\$4,502,580</u>
NET ESTIMATED IMPACT ON GENERAL REVENUE	<u>\$4,502,580</u>	<u>\$4,502,580</u>	<u>\$4,502,580</u>
HIGHWAY FUND			
<u>Income–DOR</u>			
License Plate Fee	\$751,625	\$901,951	\$901,951
Sales Tax	\$4,517,589	\$4,517,589	\$4,517,589
Use Tax	\$3,494,891	\$3,494,891	\$3,494,891
Titling, Processing, and Registration Fees	<u>\$1,896,723</u>	<u>\$1,896,723</u>	<u>\$1,896,723</u>
<u>Total Income–DOR</u>	\$10,660,828	\$10,811,154	\$10,811,154
<u>Cost–DOR</u>			
Equipment and Supplies	(\$711,002)	(\$84,164)	(\$86,688)
Forms and Postage	(\$361,479)	\$0	\$0
Plates and Tabs	(\$216,361)	\$0	\$0
Salaries and Fringe Benefits	(\$1,099,375)	(\$1,255,110)	(\$1,286,488)
Storage	<u>(\$1,000)</u>	<u>(\$1,000)</u>	<u>(\$1,000)</u>
<u>Total Cost–DOR</u>	<u>(\$2,389,217)</u>	<u>(\$1,340,274)</u>	<u>(\$1,374,176)</u>
NET ESTIMATED EFFECT ON HIGHWAY FUND	<u>\$8,271,611</u>	<u>\$9,470,880</u>	<u>\$9,436,978</u>

RR GRADE CROSSING FEE**	<u>\$14,859</u>	<u>\$14,859</u>	<u>\$14,859</u>
CONSERVATION TAX**	<u>\$491,711</u>	<u>\$491,711</u>	<u>\$491,711</u>
STATE PARKS FUND**	<u>\$196,685</u>	<u>\$196,685</u>	<u>\$196,685</u>
PARKS/SOIL FUND**	<u>\$196,685</u>	<u>\$196,685</u>	<u>\$196,685</u>

** – Allocations from sales/use tax receipts.

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
<u>Income–Cities</u>			
License Plate Fee	\$150,325	\$180,391	\$180,391
Motor Vehicle Sales & Use Tax	\$4,974,003	\$4,974,003	\$4,974,003
Motor Vehicle Registration Fees	<u>\$379,345</u>	<u>\$379,345</u>	<u>\$379,345</u>
Total Income–Cities	\$5,503,673	\$5,533,739	\$5,533,739
<u>Income–Counties</u>			
License Plate Fee	\$100,217	\$120,261	\$120,261
Motor Vehicle Sales & Use Tax	\$2,660,386	\$2,660,386	\$2,660,386
Motor Vehicle Registration Fees	<u>\$252,896</u>	<u>\$252,896</u>	<u>\$252,896</u>
Total Income–Counties	<u>\$3,013,499</u>	<u>\$3,033,543</u>	<u>\$3,033,543</u>
NET ESTIMATED IMPACT ON LOCAL FUNDS	<u>\$8,517,172</u>	<u>\$8,567,282</u>	<u>\$8,567,282</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This legislation creates a review process for the issuance of specialty license plates with special criteria. It also creates seventeen new license plate types. This legislation also allows a large number of vehicles to qualify as street rods and redefines salvage vehicles. The notification process for the transfer of a motor vehicle title is altered, as are Commercial Driver's License regulations.

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 State Courts Administrator
Department of Elementary and Secondary Education
Department of Transportation
Department of Corrections
Department of Public Safety – Missouri State Highway Patrol
Department of Insurance
State Public Defender's Office
Missouri House of Representatives
Missouri Senate



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