

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1577-01
Bill No.: HB 597
Subject: Motor Vehicles; Revenue Department; Licenses - Drivers
Type: Original
Date: March 11, 2013

Bill Summary: This proposal allows a person 18 years or older to operate a motorcycle on any state highway without protective headgear if he or she has obtained a helmet-free endorsement from the Department of Revenue.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(\$488,584)	(\$524,674)	(\$524,674)
Total Estimated Net Effect on General Revenue Fund	(\$488,584)	(\$524,674)	(\$524,674)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Highway Fund	\$695,264	\$834,326	\$834,326
Total Estimated Net Effect on <u>Other</u> State Funds	\$695,264	\$834,326	\$834,326

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$231,755	\$278,108	\$278,108

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration, Office of the State Courts Administrator and Department of Public Safety - Missouri Highway Patrol** each assume the proposal will have no fiscal impact on their respective organizations.

Officials at the **Department of Health and Senior Services (DHSS)** estimates that changing the helmet law to allow persons 18 years of age or older to operate or ride as a passenger on any motorcycle or motortricycle without a helmet could increase the number of brain-injured participants in the Adult Brain Injury Program. DHSS is unable to predict the number of participants this legislation would result in; however, the average cost per participant is \$5,600 per year. Participation in the program is subject to available funding, and without additional funding any potential new participants will likely be added to a waiting list. Currently, there are almost 200 Missourians on the Adult Brain Injury Program wait list, with a wait time of over two years before rehabilitation services are started through the program. Additional program participants may result in DHSS requesting additional funding for the program. Therefore, this legislation is expected to result in a zero to unknown fiscal impact.

Officials from the **Department of Social Services - MO HealthNet Division** states this proposal would allow any person 18 years of age or older to operate a motorcycle without wearing protective headgear if the person provides proof of at least \$20,000 dollars in personal injury protection (PIP) insurance. The PIP policy must be in effect for a minimum of two years.

Officials from the Department of Health and Senior Services (DHSS) and the Department of Mental Health (DMH) stated that their response includes costs that are covered under their respective budgets. Therefore, only those medical costs that are in the Department of Social Services (DSS) budget are reported here.

The DHSS estimates there will be 22 additional head-injury cases each year if the helmet law is repealed for people age 18 and over. It is estimated that 2 of these cases will be uninsured and require initial hospital care and on-going medical expenses. It can also be assumed the individuals will also provide \$20,000 from PIP coverage.

The annual cost estimate is based on initial inpatient hospital charges and on-going medical costs. It is assumed the hospital will be reimbursed for the uninsured care by the MO HealthNet program.

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ASSUMPTION (continued)

The average annual cost for on-going medical costs is based on the first three months of FY13 (July 2012 through September 2012). Nursing facility, hospital, physician, dental, pharmacy, Medicare Part D co-pays, home health and rehab/specialty services are in the on-going cost calculation. The average annual on-going cost was inflated by 3.9%. The on-going cost per person for one full year is \$13,500 (\$1,125 x 12 months).

FY14

Assume two un-helmeted individuals will be injured due to a motorcycle accident and be eligible or become eligible for MO HealthNet services. The initial hospitalization will be \$20,055 per person ($\$20,055 \times 2 = \$40,110$). The on-going medical costs will be \$13,500 per person for the year. Total annual cost to MHD is \$67,110. For fiscal note purposes, assume a 10-month cost of \$62,610 less the \$40,000 ($\$20,000 \times 2$) PIP insurance payment or \$22,610 (\$8,617 GR).

FY15

Assuming both FY14 injured people survive, the estimated cost for FY15 for these people will be a full year (12 month) on-going medical costs but will not include the initial hospitalization costs. In addition, there will be the initial hospitalization cost and on-going medical costs for the two new individuals estimated to be injured in FY15. Costs are inflated by 5.09% annually. Total cost is \$98,900 less the \$40,000 PIP insurance payment or \$58,900 (\$22,447 GR).

FY16

Assuming all FY14 and all FY15 injured people survive, the estimated cost for FY16 for these people will be a full year (12 month) on-going medical cost but will not include the initial hospitalization costs. In addition, there will be the initial hospitalization cost and on-going medical costs for the two new people estimated to be injured in FY 16. Costs are inflated by 5.09% annually. Total cost \$133,752 less the \$40,000 PIP insurance payment or \$93,752 (\$35,752 GR).

Officials from the **Department of Mental Health** state this legislation proposes to allow a person 18 years or older to operate a motorcycle on any state highway without protective headgear if he or she has obtained a helmet-free endorsement from the Department of Revenue, by providing acceptable proof of at least \$20,000 in personal injury insurance policy that is in force for a minimum of two years.

ASSUMPTION (continued)

The Division of Developmental Disabilities (DD) eligibility provisions for Medicaid waived services require individuals to be less than 22 years old at the time their developmental disability is diagnosed. Under this legislation, persons age 18 to 21 who experience traumatic brain injury (TBI) as a result of a head injury sustained during a motorcycle accident while not wearing protective headgear could become eligible for waived services through the division. The average cost for the Division of DD to provide Medicaid waived services to an individual in the Comprehensive Waiver program during FY2010 was \$66,087.

Additionally, individuals suffering from severe head injuries possess a greater risk of developing behavioral and/or drug and alcohol disorders, and may qualify for services through the Division of Behavioral Health. Concordantly, the fiscal impact of serving additional individuals who experience severe head injury resulting from not wearing protective headgear is an unknown cost to the Department.

Officials from the **Department of Revenue (DOR)** state the proposed language requires DOR to issue a new helmet free endorsement on the driver's license of an applicant who provides proof of at least twenty thousand dollars in personal injury protection (PIP) insurance that is in effect for a minimum of two years.

This proposal also requires DOR to issue a small circular sticker at the time of issuance of the helmet-free endorsement indicating the expiration date of the PIP policy which is to be placed on the motorcycle license plate. The design of the new sticker and the cost to be paid by the applicant is to be determined by the Department.

The proposed changes to Section 302.020, RSMo, will require the Department to:

- Define a new endorsement type to define the helmet-free status;
- Complete a request for proposal process to obtain bids for the necessary equipment to issue the specialty stickers for use on the motorcycle plate;
- Design and determine the cost for issuance of the sticker;
- Modify the Missouri Electronic Driver License issuance system and supporting applications to issue the helmet-free endorsement and require verification of the PIP insurance;
- Modify the Missouri Electronic Driver License issuance system and supporting applications to allow for a "renewal" transaction when applicant must submit proof of updated PIP insurance and issuance of the new sticker for the motorcycle plate;
- Complete user acceptance testing of the system changes for issuance of the new helmet-free endorsement;

ASSUMPTION (continued)

- Modify the Missouri Motorcycle Manual and Missouri Driver Guide to include information related to the helmet-free endorsement;
- Develop procedures for issuance of the new endorsement and verification of PIP insurance; and
- Develop procedures for re-verification of updated PIP insurance and issuance of the updated expiration year sticker.

Driver License Bureau

Administrative Analyst -	520 hrs @ \$24.00 (1 ½) per hr =	\$12,480
Management Analyst Specialist II -	560 hrs @ \$23.00 per hr =	\$12,880
Revenue Band Manager -	160 hrs @ \$30.00 per hr =	<u>\$ 4,800</u>
	Total=	\$30,160

Personnel Services Bureau

Update Web Page Information - Administrative Analyst III	20 hrs @ \$22.00 =	\$440
Develop Form - Management Analysis Spec I	160 hrs @ \$20.00 =	\$3,200
Develop Procedures - Management Analysis Spec I	80 hrs @ \$20.00 =	<u>\$1,600</u>
	Total =	\$5,240

The IT portion of the fiscal impact is estimated with a level of effort valued at \$15,960 calculated on 590 FTE hours.

In summary, DOR assumes a cost of \$51,360 (\$30,160 + \$5,240 + \$15,960) in FY 2014 to provide for the implementation of the changes in this proposal.

Section 30(b) of the Missouri State Constitution requires all fees collected as incident to the use or right to use state highways to be deposited to the state highway fund.

The total revenue impact of the proposed legislation is unknown. DOR would be required to obtain bids for specialty printers for printing and issuance of the circular stickers to be placed on the motorcycle license plate for persons obtaining a helmet-free endorsement.

Based on a cost estimate received last year from DOR's current vendor for a similar product, the estimated cost to obtain the special printer and consumables to generate the sticker in each office would be approximately \$13.39 per transaction. DOR assumes the additional fee collected for the sticker must be distributed as with other licensing fee monies pursuant to section 30(b) of the Missouri State Constitution.

ASSUMPTION (continued)

As of February 2013 there are 369,778 motorcycle endorsed or licensed drivers in Missouri and 156,735 registered motorcycles. DOR assumes approximately 39,184 (25%) individuals with a registered motorcycle who are active endorsement holders will apply for the helmet-free endorsement.

It is assumed after initial issuance helmet-free endorsed drivers must submit updated proof of PIP insurance and obtain an updated sticker reflecting the new insurance expiration year. It is also assumed this will be completed as a separate transaction and sticker update transaction and the fee defined for sticker issuance in addition to an office processing fee will be charged to applicants. If the applicant does not maintain the insurance, the helmet-free endorsement must be removed and new transaction fees may be applied to update the primary license.

FY 2014

32,653 (10 months) x \$13.39 (estimated sticker cost per transaction) = \$437,224 amount of general revenue loss for amount paid to vendor.

32,653 (10 months) x \$13.39 (estimated sticker cost per transaction) = \$437,224 amount of collection from applicant to be distributed per section 30(b) of the Missouri State Constitution.

Distribution of fees for new PIP insurance sticker:

\$437,224 x 75% = \$327,918 estimated amount to be distributed to Highway Fund

\$437,224 x 15% = \$65,584 estimated amount to be distributed to Cities

\$437,224 x 10% = \$43,722 estimated amount to be distributed to Counties

32,653 (10 months) x \$15.00 (average operator license fee to add helmet free endorsement) = \$489,795 (to be distributed).

Distribution of new license fees to add endorsement:

\$489,795 x 75% = \$367,346 estimated amount to be distributed to Highway Fund

\$489,795 x 15% = \$73,469 estimated amount to be distributed to Cities

\$489,795 x 10% = \$48,980 estimated amount to be distributed to Counties

ASSUMPTION (continued)

FY 15 & 16

39,184 x \$13.39 (estimated sticker cost per transaction) = \$524,674 amount of general revenue loss for amount paid to vendor.

39,184 x \$13.39 (estimated sticker cost per transaction) = \$524,674 amount of collection from applicant to be distributed per section 30(b) of the Missouri State Constitution.

Distribution of fees for new PIP insurance sticker:

\$524,674 x 75% = \$393,506 estimated amount to be distributed to Highway Fund

\$524,674 x 15% = \$78,701 estimated amount to be distributed to Cities

\$524,674 x 10% = \$52,467 estimated amount to be distributed to Counties

39,184 x \$15.00 (average operator license fee to add helmet free endorsement) = \$587,760 (to be distributed).

Distribution of new license fees to add endorsement:

\$587,760 x 75% = \$440,820 estimated amount to be distributed to Highway Fund

\$587,760 x 15% = \$88,164 estimated amount to be distributed to Cities

\$587,760 x 10% = \$58,776 estimated amount to be distributed to Counties

Oversight assumes some people 18 and over could choose not to wear protective headgear as a result of this proposal. Accordingly, there may be an increase in injuries or the severity of injuries to motorcyclists not wearing protective headgear which may **indirectly** result in increased costs to the state. Oversight assumes no **direct** fiscal impact to state and local governments from the protective headgear exemption.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE			
<u>Cost - DOR</u> Administrative and Equipment Expense	<u>(\$488,584)</u>	<u>(\$524,674)</u>	<u>(\$524,674)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$488,584)</u>	<u>(\$524,674)</u>	<u>(\$524,674)</u>
HIGHWAY FUND			
<u>Revenue - DOR</u> Increased License Fees	\$367,346	\$440,820	\$440,820
<u>Revenue - DOR</u> Fees from PIP sticker	<u>\$327,918</u>	<u>\$393,506</u>	<u>\$393,506</u>
ESTIMATED NET EFFECT TO THE HIGHWAY FUND	<u>\$695,264</u>	<u>\$834,326</u>	<u>\$834,326</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue - Cities</u> Fees from PIP insurance sticker	\$65,584	\$78,701	\$78,701
<u>Revenue - Cities</u> Increased fees	\$73,469	\$88,164	\$88,164
<u>Revenue - Counties</u> Fees from PIP Insurance sticker	\$43,722	\$52,467	\$52,467
<u>Revenue - Counties</u> Increased fees	<u>\$48,980</u>	<u>\$58,776</u>	<u>\$58,776</u>
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$231,755</u>	<u>\$278,108</u>	<u>\$278,108</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Currently, every person operating or riding as a passenger on any motorcycle or motortricycle upon any state highway must wear protective headgear when the vehicle is in motion. This proposal specifies that this provision will not apply to a person 18 years of age or older operating a motorcycle or motortricycle when the person has obtained a helmet-free endorsement from the Department of Revenue. The department must issue this endorsement when the applicant provides proof of personal injury protection insurance in an amount of at least \$20,000 that has been in effect for at least two years. At the time the helmet endorsement is issued, the department must issue the applicant a small circular sticker indicating the expiration year of the insurance policy which is to be placed on the licensee's motorcycle license plate. The cost of the new driver's license issued with the helmet-free endorsement and the license plate sticker must be paid by the motorcycle licensee.

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 Public Safety
Office of the State Courts Administrator
Department of Social Services
Department of Mental Health
Department of Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration

Not Responding:

Department of Transportation



Ross Strope

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