

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2306-01
BILL NO.: HB 1773
SUBJECT: Motor Vehicles; Elimination of DOR Fee Offices
TYPE: Original
DATE: February 11, 2000

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|---|-----------------------|-----------------------|-----------------------|
| FUND AFFECTED | FY 2001 | FY 2002 | FY 2003 |
| Highway Fund | (\$12,040,618) | (\$13,090,537) | (\$13,421,809) |
| | | | |
| Total Estimated Net Effect on <u>All</u> State Funds | (\$12,040,618) | (\$13,090,537) | (\$13,421,809) |

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2001 | FY 2002 | FY 2003 |
| None | \$0 | \$0 | \$0 |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2001 | FY 2002 | FY 2003 |
| Local Government | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses
This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Secretary of State's Office, Missouri Ethics Commission, Cole County Clerk and Kansas City Election Board** assume this proposal would have no fiscal impact to their agencies.

Officials from the **Department of Revenue (DOR)** assume this proposal would result in substantial administrative and fiscal impacts to the department. There are 168 DOR fee offices located throughout the State that process up to 68% of all motor vehicle registrations and driver's license renewals. Elimination of these offices will result in the DOR having to take this business into the 11 DOR branch offices and the central office.

ADMINISTRATIVE IMPACT

DIVISION OF MOTOR VEHICLE AND DRIVERS LICENSING

Driver License Transactions

The Field Services Bureau currently has 185 Branch Office employees (this does not include Branch Managers or Assistant Branch Managers). Of the 185 employees, 64 process drivers license transactions. For FY99, the Branch offices processed 782,759 driver license transactions utilizing 64 FTE, or 12,231 per employee ($782,759 / 64 = 12,231$). The Fee Offices processed 1,634,984 driver license transactions. Since this proposal eliminates all fee offices, the Branch Offices will have to increase staff resources proportionately in order to process the increased volume of transactions previously processed in the Fee Offices. In order to determine the FTE required to proportionately staff the Branch Offices, DOR assumed 1 FTE could process 12,231 driver license transactions per year.

| | |
|-----------------|--|
| 1,634,984 | Fee Office Driver License Transactions |
| <u>/ 12,231</u> | Documents Processed per FTE per year |
| 134 | Additional FTE Required |

The Department currently has 71 FTE assigned to the Fee Offices to process driver license transactions. Thus, **63** additional FTE are required for driver license transactions.

Motor Vehicle Transactions

The Field Services Bureau currently has 185 Branch Office employees (this does not include Branch Managers or Assistant Branch Managers). Of the 185 employees, 121 process motor vehicle registration transactions.

ASSUMPTION (continued)

For FY99, the Branch offices processed 1,846,989 motor vehicle transactions utilizing 121 FTE, or 15,264 per employee ($1,846,989 / 121 \text{ FTE} = 15,264$ transactions). The Fee Offices processed 6,844,036 motor vehicle transactions. Since this proposal eliminates all fee offices, the Department of Revenue estimates 54% of the eliminated fee office transactions will visit the current Branch Offices. The remaining 46% is estimated to complete motor vehicle transactions through the Department's Central Mail-in Office (this increase in transactions for the Central Office is addressed in the Motor Vehicle Bureau's portion of this fiscal note).

In order to determine the FTE required to proportionately staff the Branch Offices, we assume that 1 FTE can process 15,264 motor vehicle transactions per year.

| | |
|-----------|--|
| 6,844,036 | Fee Office Motor Vehicle Transactions |
| x 54% | Estimated Transactions Processed in Branch Offices |
| 3,695,779 | |
| / 15,264 | Documents Processed per FTE per year |
| 242 | Additional FTE Required |

There are 13 Field Representatives currently assigned to the Fee Offices that are utilized to assist with motor vehicle transactions. Thus, an additional 229 FTE are required for motor vehicle transactions. In order to ensure proper personnel and administrative management, the Field Services Bureau will require an additional 11 supervisors in the Branch offices. Therefore, a total of 240 additional FTE and associated costs would be required by the Field Services Bureau.

The Field Services Bureau would incur expenses in the amount of \$72,030 for training the additional 303 FTE. This training would include the trainer's expenses and room rental.

In order to provide adequate customer service, the current Branch Offices would either have to be expanded or moved to larger facilities. This would have an *unknown significant impact*.

Drivers License Bureau

The Drivers License Bureau will incur expenses associated with expanding the over-the-counter networks in all 11 Branch Offices in order to accommodate the additional transactions. The current contract vendor, Polaroid, Inc., charges \$150 per hour for reconfiguring and moving existing equipment from the Fee Offices to the Branch Offices. Polaroid estimated it would take approximately 604 hours to reconfigure and move the existing equipment, for a total cost of \$90,600. ($604 \times \$150 = \$90,600$)

ASSUMPTION (continued)

Motor Vehicle Bureau

DOR assumes 46% of the current motor vehicle transactions processed in the Fee Offices will be processed in the Motor Vehicle Bureau central office. DOR used the 46% estimate because there are only eleven Branch Offices located throughout the state. Therefore people will have to travel longer distances in order to handle their vehicle transactions.

| | |
|-----------|---------------------------------------|
| 6,844,036 | Fee Office Motor Vehicle Transactions |
| x 46% | Estimated Central Office Transactions |
| 3,148,257 | |

The Motor Vehicle Bureau will require **126** FTE to process this volume of transactions in the central office. More transactions will be able to be processed in the central office with fewer FTE because of the automated central office systems. In addition, training expenses for the additional 126 FTE in the central office are estimated at \$50,000.

The Motor Vehicle Bureau will require 4,872,384 informational fliers to be mailed in order to advise customers of the fee office elimination, costing approximately \$13,155 in postage each fiscal year. Every renewal notice will be accompanied by this flier in FY01, 02 and 03. In addition, 12,600 dealers and lienholders must be notified of the DOR office eliminations. These mailings will cost approximately \$252 in FY01.

Additionally, the Motor Vehicle Bureau expects 135,563 increased central office rejects as a result of increase mail-in renewals. The rejects must be mailed back to the applicant for correction, resulting in additional postage costs of approximately \$4,000 each year.

Field Services Bureau:

The 303 FTE required for Branch Offices will be responsible for processing new and renewal driver license applications, taking photographs, assembling license documents, completing new and renewal motor vehicle registration applications, and the associated accounting functions. Eleven of these FTE will be responsible for supervision of personnel and administrative functions.

Motor Vehicle Bureau:

The 126 FTE required for the Motor Vehicle Bureau Central Office will be responsible for processing mail-in motor vehicle registration applications. This includes editing the transactions, keying the application data, preparing correspondence, correcting errors, microfilming documents, completing the appropriate accounting functions, assisting walk-in customers and supervising personnel and administrative functions.

FISCAL IMPACT - State Government FY 2001 FY 2002 FY 2003
 (10 Mo.)

HIGHWAY FUND

Costs - Department of Revenue

| | | | |
|----------------------------|---------------|---------------|---------------|
| Personal Service (429 FTE) | (\$7,364,540) | (\$9,058,383) | (\$9,284,843) |
| Fringe Benefits | (2,264,596) | (2,785,453) | (2,855,089) |
| Expense and Equipment | (2,195,293) | (1,172,542) | (1,207,718) |
| Programming to OTC System | (90,600) | 0 | 0 |
| Postage | (125,589) | (74,159) | (74,159) |

**ESTIMATED NET EFFECT ON
 HIGHWAY FUND**

(\$12,040,618) (\$13,090,537)(\$13,421,809)

FISCAL IMPACT - Local Government FY 2001 FY 2002 FY 2003
 (10 Mo.)

\$0 \$0 \$0

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal eliminates fee agents under 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.

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SOURCES OF INFORMATION

Department of Revenue
Secretary of State
Missouri Ethics Commission
Cole County Clerk
Kansas City Election Board

NOT RESPONDING: Boone County Clerk, St. Louis County Board of Election Commissioners, St. Louis City Election Board.



Jeanne Jarrett, CPA
Director
February 11, 2000