

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5597H.011
 Bill No.: HB 2746
 Subject: Department of Revenue; Licenses - Motor Vehicle; Motor Vehicles; Boards,
 Commissions, Committees, and Councils
 Type: Original
 Date: February 28, 2024

Bill Summary: This proposal modifies provisions relating to the Department of Revenue License Plate Advisory Committee.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2029)
General Revenue	(\$399,000)	(\$157,436)	(\$159,984)	(\$159,984)
Total Estimated Net Effect on General Revenue	(\$399,000)	(\$157,436)	(\$159,984)	(\$159,984)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2029)
Highway Fund	\$0 or (Unknown)	\$0 or (Unknown)	Could exceed (\$13,000,000)	Could exceed (\$13,000,000)
Total Estimated Net Effect on Other State Funds	\$0 or (Unknown)	\$0 or (Unknown)	Could exceed (\$13,000,000)	Could exceed (\$13,000,000)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2029)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2025	FY 2026	FY 2027	Fully Implemented (FY 2029)
General Revenue	2 FTE	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE	2 FTE

- 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 2025	FY 2026	FY 2027	Fully Implemented (FY 2029)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Officials from the **Department of Revenue (DOR)** assume the following regarding this proposal:

Administrative Impact

Due to the urgency of this fiscal note, the Department is unable to provide all potential revenue impacts associated with license plate reissuance. The Department will provide any additional impact considerations with future versions of this bill.

This proposal requires a license plate re-issuance to begin January 1, 2027. Due to biennial registrations, a license plate re-issuance will require a three-year implementation.

It is assumed all preparation would need to be performed in FY 2026 in order for an implementation date of January 1, 2027, which is in FY 2027.

To implement the proposed legislation, the Department will, at a minimum, be required to:

- Incorporate the necessary system changes;
- Acquire additional 2 FTE;
- Need equipment for additional 2 FTE;
- Send communication to Missouri citizens;
- Announce the change through Press Release;
- Update procedures, manuals, correspondence letters, and the Department website; and
- Train staff

FY 2025 – Motor Vehicle Bureau

Associate Research/Data Analyst 400 hrs. @ \$25.22 per hr. = \$10,088

Research/Data Analyst 200 hrs. @ \$27.00 per hr. = \$5,400

Administrative Manager 100 hrs. @ \$29.31 per hr. = \$2,931

Total \$18,419

FY 2025 – Strategy and Communications Office

Associate Research/Data Analyst 200 hrs. @ \$22.06 per hr. = \$4,412
Research/Data Analyst 100 hrs. @ \$27.00 per hr. = \$2,700
Total \$7,112

Total: \$25,531

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 2 additional FTE will be required.

FY 2025 - Motor Vehicle Bureau additional FTE cost

Associate Research Data Analyst \$45,006
Equipment costs for laptops and accessories \$664
Additional monitors needed 2 @ \$95 each
Cubicle, chair, calculator \$8,438 each
Phone \$525 each
Headset \$125 each
\$54,948 X2
Total: \$109,896

The requested FTE will be responsible for handling the anticipated communications from Missouri citizens regarding license plate reissuance. The Department anticipates an influx in letters, emails, and phone call inquiries in relation to reissuance and fees.

Since the proposed legislation suggests that there are no exempted registrants, there will be new plates issued for all motor vehicles, as defined in §301.010. With that hypothesis, DOR projects there will be more citizens affected by this bill than in prior similar proposals. Additional FTE will assist with implementation, recordkeeping, and reporting in line with an established project plan.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates for 2 FTE as provided by DOR.

DOR notes approximately 6 million registrations exist annually. An announcement and notification will be sent to all registration holders providing instruction on obtaining new plates. This announcement will replace the current renewal notice.

In FY 2023, plate costs were \$3.90 per flat plate and \$1.86 per embossed plate. However, it is anticipated that these costs will increase for this reissuance.

Assuming all 6 million registrations will be reissued the stock plate at renewal, it is assumed 75% of the 6 million will be ordered in CY 2027, 20% in CY 2028, and 5% in CY 2029.

Personalized License Plates

The Department will mail a notice to all personalized license plate holders (excluding personalized historic registrations) after January 01, 2025, providing instruction on retaining their personalized configurations on the new plate.

Online and Mail in Renewals

This proposal will require funding for mailing of plates due to mail-in and online registration renewals. Once a renewal is performed online or via the mail a new set of the reissued plates will be mailed to the applicant.

Revenue Impact

This legislation provides for a fee to be charged to each applicant to cover the cost of plate reissuance for all new and renewal registrations. Assuming all 6 million registrations will be re-issued, and due to the propensity for an applicant to obtain a one-year registration over two-year expiration, 75% of the 6 million will be issued a new plate in FY 2027, 20% in FY 2028, and 5% in FY 2029. If the actual cost for the plate will be charged based on the number and type of plates (embossed or flat) issued there will be an increase in revenue to be paid to State Highways and Transportation Department funds. Due to the urgency of this fiscal note, the Department is unable to provide all revenue impacts associated with license plate reissuance at this time. As written, the Department concludes the cost of reissuance would not be passed to Missouri citizens. Therefore, State Highways and Transportation Department funds would decrease.

During reissuance of the bicentennial plate, there was an overall approximated cost of \$16 million over a three-year period. The Department anticipates this cost to increase during the next reissuance phase due to rising costs of aluminum and vinyl sheeting required for license plates and the number of license plates on the roadways. For the purposes of this fiscal note, the Department will reflect a cost of up to \$26 million to the Highway Fund.

Fusion Impact

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

To prepare FUSION for license plate reissuance, FAST estimates there will be a need for 500 hours of development and 500 hours of testing.

1,000 hours x \$250/hour = **\$250,000**

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DOR. Oversight assumes DOR will incur costs for reimbursement of expenses for members of the advisory committee, Fusion consultant costs, mailing costs for notices and license plates and costs for the plates themselves. Oversight notes the proposal does not indicate which fund will be appropriated for these costs. For fiscal note purposes, Oversight will reflect a cost of “Up to \$26 million” for the licenses plates as indicated by DOR to the Highway Fund. Oversight will reflect half of the costs in 2027 and half in 2029 (fully implemented) to equal \$26 million as estimated by DOR.

Oversight also assumes the Department of Corrections (DOC) will incur costs related to this proposal; therefore, Oversight will reflect a \$0 (does not incur costs) to an Unknown cost to the Highway Fund for DOC.

Officials from the **Missouri Department of Transportation (MoDOT)** assume this bill does not specify which fund will be appropriated for this purpose; unknown fiscal impact depending on fund identified. Any appropriation from the State Road Fund or the State Highway and Transportation Fund would be an unconstitutional diversion of state revenues from highway users (SRHU) and an unauthorized use of either fund as this is not a highway purpose delineated by Art. IV, Section 30(b)1 of the Missouri Constitution.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2029)
GENERAL REVENUE FUND				
<u>Costs - DOR</u>				
Personnel Service	(\$75,010)	(\$91,812)	(\$93,648)	(\$93,648)
Fringe Benefits	(\$54,106)	(\$65,624)	(\$66,336)	(\$66,336)
Expense & Equipment	(\$19,884)	\$0	\$0	\$0
<u>Total Costs – DOR</u>				
FTE Change	2 FTE	2 FTE	2 FTE	2 FTE
<u>Cost – DOR – Fusion consultant</u>	(\$250,000)	\$0	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	(\$399,000)	(\$157,436)	(\$159,984)	(\$159,984)
Estimated Net FTE Change on the General Revenue Fund	2 FTE	2 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2029)
HIGHWAY FUND				
<u>Cost – DOR – mailing costs for notices and license plates</u>	\$0 or (Unknown)	\$0 or (Unknown)	(Unknown)	(Unknown)
<u>Cost – DOR – issuance of new license plates</u>	\$0	\$0	Up to (\$13,000,000)	Up to (\$13,000,000)
<u>Cost – DOC – potential increase in costs to MVE for reissuance of license plates</u>	\$0 or (Unknown)	\$0 or (Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE HIGHWAY FUND	\$0 or (Unknown)	\$0 or (Unknown)	Could exceed (\$13,000,000)	Could exceed (\$13,000,000)

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027	Fully Implemented (FY 2029)
	\$0	\$0	\$0	\$0

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill provides that an advisory committee for the Department of Revenue must adopt more than one type of design and color scheme for license plates; currently, the advisory committee has discretion to adopt more than one type, but is not required.

Currently, license plates of a specific design and color scheme are exempt from the requirements that all license plates contain the words "SHOW-ME STATE". This bill repeals that exemption.

The seats of the Director of the Department of Transportation and the executive director of the State Historical Society of Missouri are removed from the advisory committee.

The bill specifies that the General Assembly may appropriate State Highways and Transportation Department funds for the requirements of the bill and Section 301.130, RSMo regardless for what Section 226.200 allows the State Highways and Transportation Department Fund to be used for.

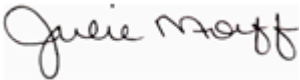
Uniform design and license plate parameters must be developed by January 1, 2025.

The advisory committee will advise the Director of the Department of Revenue to implement its final design of the uniform motor vehicle license plates and any specific parameters for license plates developed by the committee no later than January 1, 2027.

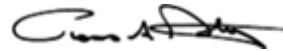
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Missouri Department of Transportation
Department of Revenue
Department of Corrections



Julie Morff
Director
February 28, 2024



Ross Strobe
Assistant Director
February 28, 2024