

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5823H.01I
 Bill No.: HB 2804
 Subject: Licenses - Motor Vehicle; Motor Vehicles; Department of Revenue
 Type: Original
 Date: March 12, 2024

Bill Summary: This proposal directs the Department of Revenue to issue only one license plate to most motor vehicles.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue	\$826,975	\$1,175,532	\$1,175,532
Total Estimated Net Effect on General Revenue	\$826,975	\$1,175,532	\$1,175,532

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Highway Fund	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
Working Capital Revolving Fund	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Transfer In and Out net to zero.

Numbers within parentheses: () indicate costs or losses.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

Administrative Impact

In order to implement the proposed changes, the Department will be required to:

- Update procedures, correspondence letters, forms, and the Department website;
- Send communications to license offices and the Missouri citizens;
- Need additional FTE. However, after implementation, the department may pursue additional FTE through the appropriation process;
- Equipment for new FTE; and
- Train staff

Beginning August 28, 2024, this proposal requires the Department of Revenue to issue one license plate and tab when an individual registers a motor vehicle. Certain vehicle owners will maintain the right to obtain two plates at an additional fee, as prescribed in §301.130.3

Missouri Vocational Enterprise (MVE) estimates the cost per plate and tab to increase upon passage of this legislation; however, Missouri Vocational Enterprise is unable to estimate the cost increase at this time as many factors would need to be considered and are currently unknown due to the price of aluminum and sheeting at the time of implementation.

Due to limited office space, a license office may incur complications with storage of surrendered license plates when vehicle owners renew. Based on FY 2023's total number of renewals and new plates issued, DOR can estimate that 2,180,374 plates would be surrendered during the next renewal period. With an increase in plates needing destroyed, the department will expend resources due to the plate surrender influx. If the increase in surrendered plates is more significant than anticipated, FTE/funding will be requested through the appropriations process.

FY 2025 - Motor Vehicle Bureau (SASI)

Associate Research Data Analyst 750 hrs @ \$21.64 = \$16,230

Research Analyst 188 hrs @ \$27 = \$5,076

Administrative Manager 94 hrs @ \$29.31 = \$2,755

FY 2025 – Strategy and Communications Bureau

Forms and charts Associate Research Data Analyst 20hrs @ \$21.64 = \$432

Website and procedures Research Data Assistant 20hrs @ \$27.04 = \$540

Total = **\$25,033**

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 OA-ITSD services will be required at a cost of **\$152,635** in FY 2025 (1,453.67 hours x \$105 per hour).

Oversight does not have any information to the contrary in regards to DOR's assumptions; therefore, Oversight will reflect DOR's OA-ITSD costs on the fiscal note.

License Plate and Tab Cost:

DOR states passenger and light weight trucks are currently issued two license plates per registration. Motorcycle, motor tricycle, trailers, and heavy weight trucks are currently issued one license plate per registration. The current cost per embossed plates is \$1.86 and the cost per flat plate is \$3.90. Current cost for a set of tabs is \$0.16 and the cost of a single tab is \$0.105.

The Department issues on average 1,039,289 plates per fiscal year at a cost of \$1,933,078.

This legislation will result in a reduction of 519,645 embossed plates issued.

The cost reduction is as follows:

Now - \$1.86 per plate x 1,039,289 embossed plates = \$1,933,078

New - \$1.86 per plate x 519,645 embossed plates = \$966,540

DOR projected total cost reduction: **\$966,538**

Personalized and Specialty Plates (Flat Plates)

The department issues on average 13,084 flat plates per fiscal year at a cost of \$51,028

This legislation will result in a reduction of 6,542 flat plates issued.

The cost reduction is as follows:

Now - \$3.90 per plate x 13,084 flat plates = \$51,028

New - \$3.90 per plate x 6,542 flat plates = \$25,514

DOR projected total cost reduction: **\$25,514**

Total = \$992,052 (\$966,538 + \$25,514)

Tabs

The department orders on average 3,336,008 sets of tabs (6,672,016 individual tabs) per fiscal year at a cost of \$533,761

This legislation will result in a reduction of 3,336,008 tabs issued.

The cost reduction is as follows:

Now - \$0.16 per set x 3,336,008 sets of tabs = \$533,761

New - \$0.105 per tab x 3,336,008 total tabs = \$350,281

DOR projected total cost reduction: **\$183,480**

The Department currently has an inventory of plates and tabs for the years 2023, 2024, and 2025 in stock at license offices across the state and in storage. Under this proposal, the Department will need to destroy inventory. If the implementation is delayed to the year a plate redesign occurs, the Department could avoid waste of inventory, as a cost already occurred.

The fiscal impact estimated above is based on changes in the current Department's Motor Vehicle and Driver Licensing system environment. 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 (SB 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.

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

Officials from the **Department of Corrections (DOC)** assume the following regarding this proposal:

Manufacturing costs for one plate will be greater on a per-plate basis than for two plates. The volume of raw materials will decrease, which will likely increase the cost of aluminum, plate sheeting, and tab material. In addition, the manufacturing process will not be changed, the amount of equipment will remain the same, staffing will not decrease, and deliveries will still be necessary to all fee offices. MVE is reimbursed by the DOR for manufacturing costs and operates using the Working Capital Revolving Fund, not General Revenue Funds.

Oversight is unable to determine if DOC’s costs will decrease or increase; therefore, Oversight will range the fiscal impact from a positive “Unknown” savings (cost to manufacture license plates decreases) to a negative “Unknown” cost (cost to manufacture license plates increases) on the fiscal note.

DOR notes the transfer of funds to DOC for reimbursement of manufacturing license plates mostly comes from the Highway Fund to the Working Capital Revolving Fund. Once Highway Fund collections are expended for the fiscal year, General Revenue funds are used to reimburse DOC. For simplicity purposes, Oversight will reflect the transfer from the Highway Fund to the Working Capital Revolving Fund on the fiscal note.

Officials from the **Missouri Department of Transportation** and **Missouri Highway Patrol** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
<u>Savings</u> – DOR – decrease in costs due to issuing only 1 plate vs. 2 p. 4-5	\$826,710	\$992,052	\$992,052
<u>Savings</u> - DOR - decrease in costs due to issuing only single tabs instead of a set p. 5	\$152,900	\$183,480	\$183,480
<u>Cost</u> – DOR – OA-ITSD services p. 4	(\$152,635)	\$0	\$0
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$826,975</u>	<u>\$1,175,532</u>	<u>\$1,175,532</u>

<u>FISCAL IMPACT – State Government</u> (continued)	FY 2025 (10 Mo.)	FY 2026	FY 2027
HIGHWAY FUND			
<u>Transfer Out</u> - DOR to DOC (MVE) - reimbursement of manufacturing costs for license plates p. 6	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
ESTIMATED NET EFFECT ON THE HIGHWAY FUND	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
WORKING CAPITAL REVOLVING FUND			
<u>Transfer In</u> - from DOR to DOC (MVE) - reimbursement of manufacturing costs for license plates p. 6	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
WORKING CAPITAL REVOLVING FUND	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

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

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill directs the Department of Revenue to issue only one license plate to most motor vehicles. Any motor vehicle that requires only one license plate on August 28, 2024, must surrender the front license plate to the Department.

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

L.R. No. 5823H.011

Bill No. HB 2804

Page 8 of 8

March 12, 2024

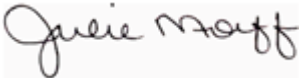
SOURCES OF INFORMATION

Department of Revenue

Department of Corrections

Missouri Department of Transportation

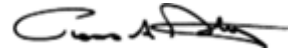
Missouri Highway Patrol



Julie Morff

Director

March 12, 2024



Ross Strobe

Assistant Director

March 12, 2024