

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3123S.01I
 Bill No.: SB 738
 Subject: Boats and Watercraft; Contracts and Contractors; Fees; Motor Vehicles;
 Department of Revenue; State Employees; Taxation and Revenue - Sales and Use;
 Transportation; State Treasurer
 Type: Original
 Date: January 24, 2024

Bill Summary: This proposal modifies or enacts provisions relating to Department of Revenue fee offices.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue	\$1,220,303	\$1,646,415	\$1,646,415
Total Estimated Net Effect on General Revenue	\$1,220,303	\$1,646,415	\$1,646,415

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Highway Fund	\$1,926,137	\$2,311,364	\$2,311,364
License Office Distribution Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$1,926,137	\$2,311,364	\$2,311,364

*Revenue and distributions net to zero. Officials from the Department of Revenue (DOR) estimate the annual distribution per open contract offices from License Office Distribution Fund would be \$57,168.

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	\$642,046	\$770,455	\$770,455

FISCAL ANALYSIS

ASSUMPTION

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

Administrative Impact

To implement these provisions for permit, driver license and nondriver license processing fees, the Department would be required to:

- Complete project request and monitoring documentation as required by OA ITSD for systems projects.
- Complete business requirements and design documents to modify the Missouri Electronic Driver License (MEDL) issuance system;
- Update the Missouri Transportation Accounting System (MTAS) and related tables used by the Missouri Electronic Driver License system (MEDL);
- Complete programming and user acceptance testing of the Missouri Electronic Driver License (MEDL) system to ensure system update with the required fee increase;
- Update policies, procedures, and the Uniform License Issuance Manual (ULIM);
- Update forms, manuals, and the Department website;
- Create new procedures, training manuals, notices, and forms;
- Update procedures, forms, and correspondence;
- Update associated fee charts, and the Department website;
- Update the Dealer Operating Manual;
- Update the Missouri Titling Manual;
- Send communications to contracted license offices and other contracted stakeholders;
- Complete programming and user acceptance testing;
- Update the Missouri Transportation Accounting System (MTAS) tables; and
- Train internal and contract license office staff.

FY 2025 Driver License Bureau

Research/Data Assistant 160 hrs. x \$19.38 = \$3,101

Research/Data Analyst 200 hrs. x \$28.89 = \$5,778

Administrative Manager 40 hrs. x \$31.36 = \$1,254

FY 2025 – Motor Vehicle Bureau

Research/Data Analyst 288 Hrs @ \$24.84/hr = \$7,154

Associate Research/Data Analyst 673 Hrs @ \$19.90/hr. = \$13,393

Lead Administrative Support Asst. 20 Hrs @ \$17.05 = \$341

Administrative Manager 89 Hrs @ \$26.96 = \$2,399

FY 2025 – Strategy and Communications Office

Associate Research/Data Analyst 1,000 hrs. @ \$19.90/hr. = \$19,900

Associate Research/Data Analyst 40 hrs. x \$23.15 = \$926

FY 2025 – General Counsel’s Office

Future legal challenges to the way the license office distribution fund collects and distributes funds could result in legal expenses for the state. If such litigation is significant, additional funding will be requested through the appropriations process.

FY 2025 License Offices Bureau

Staff Development Trainer 120 hrs. x \$21.79 = \$2,615

Administrative Manager 120 hrs. x \$29.31 = \$3,518

Total Cost = **\$60,379**

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 **\$76,710** in FY 2025 (730.57 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.

DOR also notes the following Fusion Impact:

Motor Vehicle Bureau - Implementation Consultant \$250/hour x 100 hrs. = **\$25,000**

License Office Bureau - Implementation Consultant 200 hrs. @ \$250 per hr. = **\$50,000**

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

DOR notes the fiscal impact estimated above is based on changes in the current MO Electronic Driver License System and supporting application. 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 (Senate Bill 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.

Revenue Impact

DOR notes the proposed processing fee increases in §136.055, RSMo, will also be applied to transactions occurring in Department-operated “Branch” licensing offices (DOR central site.)

Central Office (retained by the state)

Estimated Annual Increase for Permits, Driver License, or Non-driver License Issued (**Highway Fund 75%, Cities 15% & Counties 10%**):

1,539	Estimated annual 0-3 year transaction processing fees in DOR Branch Office
x \$3.00	Amount of fee increase from proposed change from \$6.00 to \$9.00
\$ 4,617	Estimated annual increase in DOR branch office processing fees

5,726	Estimated annual 3-6 3 year transaction processing fees in DOR Branch Office
x \$6.00	Amount of fee increase proposed from \$12.00 to \$18.00
\$34,356	Estimated annual increase in DOR branch office processing fees

180	Estimated annual 0-3 year transaction processing fees for medical certificates
x \$3.00	Amount of fee increase from proposed change from \$6.00 to \$9.00
\$540	Estimated annual increase in revenue from DOR central office processing fees to be distributed to Hwy Fund, Cities and Counties.

$\$34,356 + \$4,617 + \$540 = \mathbf{\$39,513}$

Estimated Annual Increase for State office title, registration issuance/renewal, online registration renewal, phone in registration renewal, and registration transfers issued (**Highway Fund 75%, Cities 15% & Counties 10%**):

1,014,102	Estimated annual Motor Vehicle (MV) in DOR Branch Office
x \$3.00	Amount of fee increase from proposed change from \$6.00 to \$9.00
\$3,042,306	Estimated annual increase in DOR branch office processing fees

Total annual increase to the Highway Fund, Cities and Counties from increase in DOR branch office processing fee collections = **\$3,081,819 (\$39,513 + \$3,042,306)**

Estimated Annual Increase for Notice of Lien and Duplicate Titles (**General Revenue**):

548,805	Estimated annual 3-6 3 year transaction processing fees in DOR Branch Office
x \$3.00	Amount of fee increase proposed from \$6.00 to \$9.00
\$1,646,415	Estimated annual increase in DOR branch office processing fees

License Office Fee Increases

Estimates are based on Missouri Transportation Accounting System Driver License Transaction reporting totals for FY 2023.

Permits, Driver License, or Non-driver License Issued:

469,472	Total 0-3 year transactions
<u>x \$2.00</u>	Proposed agent transaction processing fee collection increase for 0- 3 year term transactions changing fee from \$6.00 to \$9.00, less \$1.00 to be remitted to License Office Distribution Fund
\$938,944	Total Estimated increase to agent processing fees for 3 year transactions annually
948,791	Total 3-6 year transactions
<u>x \$5.00</u>	Proposed agent transaction processing fee collection increase for 3- 6 year term transactions changing fee from \$12.00 to \$18.00, less \$1.00 to be remitted to License Office Distribution Fund
\$4,743,955	Total estimated agent fee collection increase for 3-6yr transactions
77,310	Total medical certification update transactions
<u>x \$2.00</u>	Proposed agent transaction processing fee collection increase for medical certification update transactions changing from \$6.00 to \$9.00 less \$1.00 to be remitted to License Office Distribution Fund
\$154,620	Total estimated agent fee collection increase for medical certificate transactions
\$5,837,519	Total estimated statewide annual contract office revenue increase from portion of proposed processing fee not distributed to new License Office Distribution Fund from Driver License Transactions (\$938,944 + \$4,743,519)

Estimated annual License Office Distribution Fund remittance derived from \$1 of each office processing fee collected for driver license transactions:

469,472	Total 0-3 year transactions
<u>x \$1.00</u>	Proposed \$1.00 portion of proposed agent fee increase to be remitted to License Office Distribution Fund
\$469,472	Total estimated statewide agent fee \$1 remittance to new fund
948,791	Total 3-6 year transactions
<u>x \$1.00</u>	Proposed \$1.00 of total proposed agent fee increase to be remitted to the License Office Distribution Fund
\$948,791	Total estimated statewide agent fee \$1 remittance to new fund

77,310	Total medical certification update transactions
<u>x \$1.00</u>	Proposed \$1.00 portion of agent fee increase to be remitted to License Office Distribution Fund.
\$77,310	Total estimated statewide agent fee \$1 remittance to new fund
\$1,495,573	Total estimated statewide annual amount remitted to and to be distributed from the proposed License Office Distribution Fund from Driver License Transactions

Motor Vehicle (MV) Transactions:

Note: The following projections are updated from last year to reflect transactions more accurately.

Contract License office (Independently owned)
FY 2022 8,420,260
FY 2023 8,483,142
Average number of transactions for last two fiscal years = 8,451,701

The proposed legislation allows the offices to collect an additional three dollars processing fee, one dollar of that fee goes to the License Office Distribution Fund.

8,451,701	Total MV transactions
<u>x \$2.00</u>	Proposed agent transaction processing fee collection increase for MV transactions changing fee from \$6.00 to \$9.00, less \$1.00 to be remitted to License Office Distribution Fund

\$16,903,402 Total estimated statewide annual contract office revenue increase from portion of proposed processing fee **not** distributed to new License Office Distribution Fund from MV transactions

8,451,701	Total Motor Vehicle (MV) Transactions
<u>x \$1.00</u>	Proposed \$1.00 portion of proposed agent fee increase to be remitted to License Office Distribution Fund

\$8,451,701 Total estimated statewide annual amount remitted to and to be distributed from the proposed License Office Distribution Fund Motor Vehicle Transactions

License Office Distribution Fund projections (\$1 per transaction) \$8,451,701 + \$1,495,573 =
\$9,947,274

Total estimated statewide annual amount remitted to and to be distributed from the proposed License Office Distribution Fund:

\$9,947,274	Estimated revenue into the License Office Distribution Fund
/ 174	Number of possible contract license offices
\$57,168	Estimated annual distribution per open contract offices from License Office Distribution Fund

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

Officials from the **Missouri Department of Transportation (MoDOT)** assume the revenues collected from these fees are state revenue derived from highway users (SRHU) subject to the distribution requirements set out in Article IV, Section 30(b)1 of the Missouri Constitution, meaning only 3% of these fees should go to DOR and the remaining revenue should be deposited into the State Road Fund (SRF).

Currently, these funds are not being deposited to the SRF, but rather 100% of the proceeds of these fees are distributed to the privately or not-for-profit owned and operated DOR license offices.

MoDOT does not have the numbers to determine the current negative fiscal impact to MHTC/MoDOT from this diversion and any increased negative fiscal impact due to the increase in fees.

Therefore, MoDOT defers to DOR for these numbers.

This diversion also impacts cities and counties.

Officials from the **Office of the State Treasurer** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE FUND			
<u>Revenue</u> – DOR – increased fees for notice of lien and duplicate titles p. 5	\$1,372,013	\$1,646,415	\$1,646,415
<u>Cost</u> – DOR – OA-ITSD services p. 4	(\$76,710)	\$0	\$0
<u>Cost</u> – DOR – Fusion consultants p. 4	(\$75,000)	\$0	\$0
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$1,220,303</u>	<u>\$1,646,415</u>	<u>\$1,646,415</u>
HIGHWAY FUND			
<u>Revenue</u> – DOR – increased fees for driver license transactions p. 5	\$24,696	\$29,635	\$29,635
<u>Revenue</u> – DOR – increased fees for motor vehicle transactions p. 5	<u>\$1,901,441</u>	<u>\$2,281,729</u>	<u>\$2,281,729</u>
ESTIMATED NET EFFECT ON THE HIGHWAY FUND	<u>\$1,926,137</u>	<u>\$2,311,364</u>	<u>\$2,311,364</u>
LICENSE OFFICE DISTRIBUTION FUND			
<u>Revenue</u> – increased fees for driver license transactions p. 7	\$1,246,311	\$1,495,573	\$1,495,573
<u>Revenue</u> – increased fees for motor vehicle transactions p. 7	\$7,043,084	\$8,451,701	\$8,451,701
<u>Transfer Out</u> – to license contract offices p. 8	(\$8,289,395)	(\$9,947,274)	(\$9,947,274)
ESTIMATED NET EFFECT ON THE LICENSE OFFICE DISTRIBUTION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue – Cities (15%) – increased fees for driver license transactions p. 5</u>	\$4,939	\$5,927	\$5,927
<u>Revenue – Cities (15%) – increased fees for motor vehicle transactions p. 5</u>	\$380,288	\$456,346	\$456,346
<u>Revenue – Counties (10%) – increased fees for driver license transactions p. 5</u>	\$3,293	\$3,951	\$3,951
<u>Revenue – Counties (10%) – increased fees for motor vehicle transactions p. 5</u>	<u>\$253,526</u>	<u>\$304,231</u>	<u>\$304,231</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$642,046</u>	<u>\$770,455</u>	<u>\$770,455</u>

FISCAL IMPACT – Small Business

Small license contract offices will be positively impacted while other small businesses that are required to license and title vehicles will pay more as a result of this proposal.

FISCAL DESCRIPTION

This bill establishes the "License Office Distribution Fund", which consists of certain moneys collected by motor vehicle registration fee offices, and which will be distributed equally among the fee offices in four quarterly disbursements.

The bill increases the following fees authorized to be charged by motor vehicle registration offices:

- 1) A motor vehicle or trailer registration issued, renewed or transferred, increases to \$9 from \$6; and a license sold or biennially renewed, increases to \$18 from \$12;
- 2) An application or transfer of title, increases to \$9 from \$6;

3) An instruction permit, non-driver license, chauffeur's, operator's, or driver's license issued for a period of three years or less, increases to \$9 from \$6; and a license or instruction permit issued or renewed for a period exceeding three years, increases to \$18 from \$12; and

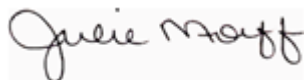
4) A notice of lien processed, increases to \$9 from \$6.

One dollar from each of these fee increases will be remitted to the License Office Distribution Fund.

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 the State Treasurer
Missouri Department of Transportation



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January 24, 2024



Ross Strobe
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January 24, 2024