

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0384-01
Bill No.: HB 36
Subject: Motor Vehicles; Licenses - Motor Vehicle
Type: Original
Date: February 9, 2015

Bill Summary: This proposal allows owners of vehicles to only have a rear license plate if the mounting of the front license plate poses an undue hardship to the owner or destruction to the vehicle.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$345,413)	(\$348,389)	(\$350,433)
Total Estimated Net Effect on General Revenue	(\$345,413)	(\$348,389)	(\$350,433)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	5 FTE	5 FTE	5 FTE
Total Estimated Net Effect on FTE	5 FTE	5 FTE	5 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Corrections (DOC)** state the **Missouri Vocational Enterprises (MVE)**, a self-sustaining entity, operates to provide jobs and training opportunities for offenders incarcerated in the DOC. The MVE License Plate Factory (or Tag Plant) has provided license plates for Missourians via the Department of Revenue (DOR) for many years. Less than half of the classes of plates that are currently issued contain a two-plate set. Manufacturing costs for one plate will be greater on a per-plate basis than for two plates. Although MVE will recognize a reduction in raw material requirements, the manufacturing process will not be changed and the amount of equipment will remain the same. Staffing will not decrease and deliveries will still be necessary to the 184 DOR fee offices. MVE is reimbursed by DOR for manufacturing costs and operates using the Working Capital Revolving Fund (WCRF), not the General Revenue Fund. The potential fiscal impact is Unknown for WCRF.

Any plate requested as a deviation from the Standard Embossed License Plate (Bluebird sheeting) would be a Specialty Plate that would have to be printed individually as a Special Flat Plate. The current price for a single Specialty Flat Plate is \$3.50.

Single Standard Embossed License Plate for Standard Motor Vehicles sell for \$1.63 each. If request for the single plates as proposed by this legislation were to apply to one percent of total sales for Standard Motor Vehicles, MVE would expect a loss of \$27,710 to \$32,600 based upon their annual sales.

FY 2016	10 months	\$23,092 - \$27,167
FY 2017	2% inflation	\$28,264,- \$33,252
FY 2018	2% inflation	\$28,829 - \$33,917

Oversight assumes two license plates will continue to be issued to all vehicles at initial issuance of registration and motor vehicles already having two plates will retain the two plates until a petition for one plate is provided and a request to surrender notification is received by the owner. Oversight also assumes at the time for renewal for a vehicle that has been approved to use only one plate only one tab will be issued the same as those vehicle that are currently only issued one plate, i.e. annual trucks. Therefore, no loss will be shown for a change in the number of plates and tabs issued.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** state the following procedures will need to be implemented for the changes in this proposal:

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$840 in FY `16.
- A petition to use one plate will require development. This will require 40 hours for a Management Analyst Specialist I requiring 40 hours at a cost of \$840 in FY `16.
- The Department's web site will need to be updated to include information regarding the issuance of one plate. This change will require ten hours for an Administrative Analyst III, at a cost of \$230 in FY `16.
- The IT Department will need to update information on the Titling and Registration Intranet Processing System (TRIPS), General Registration System (GRS), DMVI (Inventory System) and send out Motor Vehicle Renewal Notices. This change will require 288 hours at a cost of \$21,600 in FY `16.

The Department will require additional FTE resources in order to process the petitions, issue letters requesting the surrender of the front license plate (if the vehicle currently has two plates) before approval, issue approval/denial letters, and respond to telephone inquiries.

Timings indicate that this process will take approximately three minutes per transaction, which results in one FTE processing 150 records per day. This will require 7 additional FTE.

The Department will require equipment, floor space and expenses associated with this requirement.

The Department may experience a 40% telephone inquiry rate. A Revenue Processing Tech is expected to process 90 telephone inquiries per day resulting an additional 4 FTE required.

The Department will require equipment, floor space and expenses associated with these FTE requirements.

This legislation allows an owner to petition to the director of revenue for approval to only display one license plate on the rear of a motor vehicle if the owner believes that fastening a license plate on the front of his or her vehicle shall cause destruction to the vehicle or an undue hardship on the owner.

ASSUMPTION (continued)

Currently there are no limitations or requirements for a motor vehicle to qualify for the director's approval to use one plate or no definition for what qualifies as "undue hardship on the owner". Therefore it is assumed, for the purpose of this fiscal note, that most vehicles will have attachment brackets for a front license plate and therefore 5% of all petitions will be approved leaving 95% denied.

It is unknown how many owners will petition to use one plate either at initial application for registration or at renewal time. The Department assumes that 5% of total owners will petition the Department to use one plate.

In FY `14 there were 5,008,363 motor vehicle registrations issued (passenger, truck, bus). Assuming 5% will petition and assuming the Department will approve 5% of all petitions will result in 12,521 motor vehicles being approved to use one plate.

The Department assumes that upon petition the department will send notification to the owner requesting the surrender of the front license plate before approval is given.

Note: Surrender of the front license plate may alleviate any potential fraud issues with the front plate being attached to and used on another vehicle.

Two license plates will continue to be issued to all vehicles at initial issuance of registration and motor vehicles already having two plates will retain the two plates until a petition for one plate is provided and a request to surrender notification is received by the owner. Therefore, no savings are being shown for a change in the number of plates issued.

At the time for renewal for a vehicle that has been approved to use only one plate only one tab will be issued the same as those vehicle that are currently only issued one plate, i.e. annual trucks. Therefore, no savings are being shown for a change in the number of tabs issued.

The Department would incur additional mailing costs (envelopes (\$0.04), letters (\$0.025), and postage (\$0.49)) for 3 separate notifications: denial letters, requests for surrender of the front license plate, and approval letters to applicants.

- Assuming 5% (250,418) will petition for the use of one plate and the department will deny 95% of those petitions will result in 237,897 denial letters sent at a cost of \$110,028 in FY `16 (10 Months), \$132,033 in FY `17 and `18.

ASSUMPTION (continued)

- Assuming 5% (12,521) of petitions will be mailed the request to surrender their front license plate at a cost of \$5,791 in FY '16 (10 Months), \$6,949 in FY '17 and FY '18.
- Assuming 5% (12,521) of petitions will surrender the front license plate, will be mailed approval letters that need to be kept in the vehicle at a cost of \$5,791 in FY '16 (10 Months), \$6,949 in FY '17 and FY '18.

The Department assumes this legislation will not generate a large number of denial's; however, the Department may need to request an additional attorney through the appropriations process if the denial's create a number of additional cases in the Administrative Hearing Commission.

Since the number of petitions to the Director of Revenue is unknown, **Oversight** will assume DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb some of the costs related to this proposal, therefore Oversight will show a cost for an additional 5 FTE. Oversight will also include DOR's ITSD estimate in the Expense and Equipment cost for FY 2016 only.

Officials from the **Department of Public Safety - Missouri Highway Patrol** assume the proposal will have no fiscal impact on their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Cost - DOR</u>			
Personal Service	(\$111,860)	(\$133,259)	(\$134,592)
Fringe Benefits	(\$57,054)	(\$67,969)	(\$68,649)
Expense and Equipment	<u>(\$176,499)</u>	<u>(\$147,161)</u>	<u>(\$147,192)</u>
<u>Total Cost - DOR</u>	<u>(\$345,413)</u>	<u>(\$348,389)</u>	<u>(\$350,433)</u>
FTE Change - DOR	5 FTE	5 FTE	5 FTE
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$345,413)</u>	<u>(\$348,389)</u>	<u>(\$350,433)</u>
Estimated Net FTE Change for the General Revenue Fund	5 FTE	5 FTE	5 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<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.

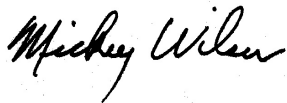
FISCAL DESCRIPTION

This plate allows an individual to petition the Director of Revenue for approval to only fasten a rear license plate for certain vehicles when the mounting of a front license plate poses an undue hardship to the owner or would cause destruction to the vehicle.

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
Department of Corrections



Mickey Wilson, CPA
Director
February 9, 2015

Ross Strobe
Assistant Director
February 9, 2015