

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2237-05
Bill No.: SCS for HCS for HB 1002
Subject: Motor Vehicles; Licenses - Motor Vehicle
Type: Original
Date: May 6, 2015

Bill Summary: This proposal modifies provisions relating motor vehicles.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$63,810)	(\$27,043)	\$9,761
Total Estimated Net Effect on General Revenue	(\$63,810)	(\$27,043)	\$9,761

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Highway Fund	Less than \$1,176,322	Less than \$1,592,469	Less than \$1,346,265
Total Estimated Net Effect on <u>Other</u> State Funds	Less than \$1,176,322	Less than \$1,592,469	Less than \$1,346,265

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 12 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
Total Estimated Net Effect on FTE	0	0	0

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

Section 301.010

Officials from the **Department of Revenue (DOR)** assume the language in this section modifies the definition of a "junk vehicle" by deleting "and shall not be titled or registered" and adding "Has been designated as junk or a substantially equivalent designation by this state or any other state".

Section 301.067

DOR assumes this proposal permits permanent trailer registrations to any trailer as defined in Section 301.010, RSMo, and semitrailers, at a fee of \$52.50, by deleting restrictions to only those trailers or semitrailers which are operated coupled to a towing vehicle by a fifth wheel and kingpin assembly or by a trailer converter dolly.

Administrative Impact:

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$890 in FY2016.
- The Department's web site will need to be updated to include the new plate type. This will require 10 hours for an Administrative Analyst III, at a cost of \$240 in FY2016.

In summary, DOR assumes a cost of \$1,130 (\$890 + \$240) in FY 2016 to provide for the implementation of the changes in this section of the proposal.

DOR states currently, one and three year trailer registrations expire at the end of a calendar year. Due to permanent trailer plates being non-expiring there will be a cost reduction from the elimination of renewal notices that are currently mailed at the end of each year. This proposal would result in savings to the Department for the cost of postage (\$.224 for each renewal notice) and forms (\$.0224 per renewal notice).

ASSUMPTION (continued)

There are currently 308,746 trailer registrations expiring at the end of 2015 (FY2016), 275,972 at the end of 2016 (FY2017), and 160,747 at the end of 2017 (FY2018). Based on current statistics, 54% of trailer registrations have a one year registration and 46% have a three year registration. The Department will not be able to determine how many applicants will switch to a permanent registration at renewal of their current one or three year registration; therefore, for purposes of this fiscal note, it is assumed 10% of all applicants will obtain a permanent registration at renewal time, thus eliminating the need for a renewal notice in subsequent years.

All renewals expiring at the end of 2015 (FY 2016) will need to be mailed and thus no savings. There will be a savings of \$5,659 in FY 2017 and \$9,761 in FY 2018 to General Revenue.

Revenue Impact

The table below reflects the impact for the proposed permanent registration (\$52.50) verses one and three-year registrations (\$7.50 for 1 year and \$22.50 for 3 year) as shown below:

	FY 2016	FY 2017	FY 2018
1 Year Trailer Plate	(\$125,042)	(\$172,539)	(\$148,957)
3 Year Trailer Plate	(\$319,552)	(\$417,926)	(\$339,394)
Permanent Plate	\$1,620,917	\$2,182,934	\$1,834,616
Total Increase to Highway Fund	\$1,176,322	\$1,592,469	\$1,346,265

Since it is unknown how many potential permanent trailer registrations will be issued, for fiscal note purposes only, **Oversight** will use DOR's estimate. Oversight will reflect a revenue increase for the proposed \$52.50 registration fee and a savings of cost associated with renewals to the Highway Fund.

ASSUMPTION (continued)

In response to a similar proposal (SB 278), officials from the **Office of the Secretary of State (SOS)** assumed many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

In response to a similar proposal (SB 278), officials from the **Joint Committee on Administrative Rules** state this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to a similar proposal (SB 278), officials from the **Department of Public Safety - Missouri Highway Patrol** assume the proposal will have no fiscal impact on their organization.

Section 301.130

DOR assumes this section of the proposal allows motorcycle and trailer plates to be mounted vertically as long as the plate is visible. No impact to the Department

Section 301.140

DOR assumes this section of the proposal extends the time period to sixty days for a license office to issue a temporary permit. Sixty or ninety days for the use of temporary transferred license plates and temporary permits issued by dealers to any person purchasing a vehicle that falls under the provisions of the proposed section 301.213.

ASSUMPTION (continued)

Section 301.142

DOR assumes this section of the proposal adds "physical therapists licensed pursuant to chapter 334" to the definition of "other authorized healthcare practitioner" for purposes of issuing a disabled person license plate and/or placard.

DOR is to check online with the advisory commission for physical therapists established in section 334.625, when an applicant brings in a signed statement from the physical therapists for a disabled person license plate and/or placard.

DOR states their Motor Vehicle Bureau would have the following administrative impact:

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$890 in FY 2016.
- The Physicians Statement for Disabled Person Plates/Placard (DOR-1776) will need to be revised. This will require 40 hours of overtime for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- The Application for Missouri Personalized and Special License Plates (DOR-1716) will need to be revised. This will require 40 hours of overtime for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- The Application for Missouri Military Personalized License Plates (DOR-4601) will need to be revised. This will require 40 hours of overtime for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- The Application for Disabled Person Placard (DOR-2769) will need to be revised. This will require 40 hours of overtime for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- The Application for Missouri Historic or Personalized Historic License Plates (DOR-570) will need to be revised. This will require 40 hours of overtime for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- The Department's website will need to be updated. This will require 10 hours for an Administrative Analyst III, at a cost of \$240 in FY 2016.

ASSUMPTION (continued)

In summary, DOR assumes a cost of \$5,580 (\$890 + \$890 + \$890 + \$890 + \$890 + \$890 + \$240) in FY 2016 to provide for the implementation of the changes in this section of the proposal.

Section 301.190

DOR assumes this section requires a person to apply for a certificate of ownership within thirty days if they have acquired the vehicle from a motor vehicle dealer prior to the dealer having a certificate of ownership. The buyer will have thirty days after receiving title from the dealer to apply for a certificate of ownership pursuant to the proposed section 301.213.

Delinquent fee provisions are not to apply to a vehicle purchased under the proposed section 301.213, until thirty days after receiving the title from the dealer.

Section 301.196

DOR assumes this section allows notice of sales submitted electronically to contain the transferor's electronic signature, as defined in Section 432.205, RSMo, or the signatures of the transferee and transferor if not submitted electronically.

This will allow the Department to accept notice of sales even though this may contain minor errors.

Administrative Impact

This language allows the Department to begin accepting notice of sales electronically. The Department is unsure if the capabilities to accept notice of sales electronically will be available in the scope of this fiscal note. The Department has drafted this fiscal response with implementation of FY 2017, but depending on the required programming, the funds may be requested outside the timelines of this proposal.

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$890 in FY 2017.
- The Titling Manual will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2017.
- The Department's website will need to be updated. This will require 10 hours for an Administrative Analyst III, at a cost of \$240 in FY 2017.

ASSUMPTION (continued)

- MVB user acceptance testing for identified application. 140 hours by a Management Analyst Specialist I at a cost of \$3,142 in FY 2017.
- OA-ITSD cost of \$27,540 to update existing software to accommodate the changes.

In summary, DOR assumes a cost of \$32,702 (\$890 + \$890 + \$240 + \$3,142 + \$27,540) in FY 2017 to provide for the implementation of the changes in this section of the proposal.

Section 301.213

DOR also assumes this section modifies provisions from Section 407.581, RSMo. A dealer may sell a vehicle prior to receiving the certificate of ownership if such dealer has filed at least a \$100,000 bond with the Department of Revenue. If the dealer chooses to sell the vehicle prior to receiving the certificate of ownership the dealer must provide the purchaser an application for title in the purchaser's name, and have entered into a written agreement for the delivery of the certificate of ownership within sixty days. The purchaser is required to provide the dealer proof of financial responsibility and proof of comprehensive insurance with collision coverage. The dealer shall maintain a copy of this agreement.

The purchaser may use the dealer-supplied copy of the agreement to transfer his or her ownership of the vehicle to an insurance company in situations where the vehicle has been declared salvage or a total-loss by the insurance company as a result of a settlement of a claim. If the dealer fails or is unable to deliver a certificate of ownership to the purchaser, and the purchaser of the vehicle is damaged, the dealer is liable for actual damages, plus court costs and attorney fees. If a seller misrepresents to a dealer that they are the owner of the vehicle, and certain parties are damaged as a result, the seller shall be liable to the party for both actual and punitive damages, plus court costs and attorney fees.

When a lienholder is damaged as a direct result of a licensed dealer's violation of this act, the dealer shall also be liable for actual damages, plus court costs and attorney fees.

The Department of Revenue may use a dealer's repeated or intentional violation of this act as a cause to refuse to issue or renew any license.

ASSUMPTION (continued)

Administrative Impact

The Department would allow dealerships with a \$100,000 bond to issue temporary permits for 60 or 90 days. Dealerships with a \$25,000 bond will only be able to issue 30-day temporary permits.

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$890 in FY 2016.
- The Titling Manual will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- The Dealer Manual will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- Development of a form required under section 301.213.3(5) by a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- The Department's website will need to be updated. This will require 10 hours for an Administrative Analyst III, at a cost of \$240 in FY 2016.
- MVB user acceptance testing for identified systems. This will require 120 hours by a Management Analyst Specialist I at a cost of \$2,670 in FY 2016.
- Send out a Titling Tips publication to update licensed Missouri dealers and title services of the change. There will be no additional cost for this
- Development staff estimate the hours required to update existing software to accommodate the changes required at 648 hours at a cost of \$48,600.

In summary, DOR assumes a cost of \$55,070 ($\$890 + \$890 + \$890 + \$890 + \$240 + \$2,670 + \$48,600$) in FY 2016 to provide for the implementation of the changes in this proposal.

There are no statistics available to determine exactly how many additional contact and e-mails the Department will receive as a result of this legislation. If the volume is significant enough that it cannot be absorbed by existing staff, additional FTE(s) will be requested through the appropriation process.

ASSUMPTION (continued)

Revenue Impact

DOR assumes this proposal extends the time period to 90-days for the use of transferred license plates or temporary permits issued by dealers for any person purchasing a vehicle that falls under the proposed provisions of 301.213. This change may reduce the amount of title penalties the Department will collect.

Section 301.227

DOR assumes this section of the proposal provides consumer protection for the citizens of this state and others by allowing the Department to accurately carry forward brands designated on out-of-state titles.

Section 301.644

DOR assumes the Department is required to recognize an electronic signature on a limited power of attorney form in cases where an insurance company has paid or is paying a total loss claim. This section repeals Section 407.581, RSMo.

Administrative Impact

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$890 in FY 2016.
- The Titling Manual will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- The Department's website will need to be updated. This will require 10 hours for an Administrative Analyst III, at a cost of \$240 in FY 2016.

In summary, DOR assumes a cost of \$2,020 (\$890 + \$890 + \$240) in FY 2016 to provide for the implementation of the changes in this section of the proposal.

If the volume is so significant that it cannot be absorbed by existing staff, additional FTE(s) will be requested through the appropriations process.

Officials from the **Attorney General's Office** assume any potential cost arising from this proposal can be absorbed with existing resources.

ASSUMPTION (continued)

In response to a similar proposal (SB 456) from this year, officials from the **Office of the State Courts Administrator** and the **Department of Insurance, Financial Institutions and Professional Registration** each assumed the proposal would have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Savings</u> - DOR	\$0	\$5,659	\$9,761
Section 301.067 - Renewal notices not sent out			
<u>Cost</u> - DOR	(<u>\$63,810</u>)	(<u>\$32,702</u>)	<u>\$0</u>
Administrative Cost / IT costs			
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$63,810)</u>	<u>(\$27,043)</u>	<u>\$9,761</u>
HIGHWAY FUND			
<u>Revenue</u> - DOR			
Section 301.067 - Permanent registration fee (\$52.50) vs 1 year (\$7.50) or 3 year (\$22.50) registration fees	\$1,176,322	\$1,592,469	\$1,346,265
<u>Loss</u> - DOR			
Section 301.213 - Reduction in title penalties	(<u>Unknown</u>)	(<u>Unknown</u>)	(<u>Unknown</u>)
ESTIMATED NET EFFECT TO THE HIGHWAY FUND	<u>Less than \$1,176,322</u>	<u>Less than \$1,592,469</u>	<u>Less than \$1,346,265</u>

<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

A small business will be given the option to obtain a permanent trailer registration and license offices may see a reduction in processing fees.

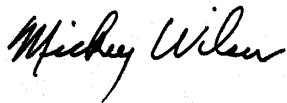
FISCAL DESCRIPTION

This act modifies provisions relating to the ownership of motor vehicles.

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

Office of the State Courts Administrator
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Attorney General's Office



Mickey Wilson, CPA
Director
May 6, 2015

Ross Strobe
Assistant Director
May 6, 2015