

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5963-01
Bill No.: HB 2235
Subject: Revenue Department; Licenses - Driver's; Federal - State Relations
Type: #Updated
Date: February 23, 2016
#Updated with Department of Revenue response

Bill Summary: This proposal allows the Department of Revenue to issue REAL ID compliant driver's licenses and identification cards.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
#General Revenue	(\$816,896)	(\$1,740,943 to \$2,832,529)	(\$1,740,943 to \$2,832,529)
Total Estimated Net Effect on General Revenue	(\$816,896)	(\$1,740,943 to \$2,832,529)	(\$1,740,943 to \$2,832,529)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Secretary of State** state that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$2,500. The Secretary of State's office 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.

Officials from the **Joint Committee on Administrative Rules** state this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

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

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

#§302.183.3

This proposal amends the language to require the Department to change procedures to comply with the provisions of the Act.

#§302.183.4

This section allows applicants to object to being issued a REAL ID compliant driver or nondriver license. Applicants would be issued a non-compliant document that shall not be valid for official federal purposes. This proposed section indicates that the Department shall inform applicants of the option of being issued a REAL ID compliant document or a document that is not REAL ID compliant.

ASSUMPTION (continued)

#To implement the proposed changes to §§302.183.3 and 302.183.4, RSMo, the Department would be required to:

- #Work with OA-ITSD to develop requirements and design documents for changes to the Missouri Electronic Driver License (MEDL) system to support issuance of a REAL ID compliant document according to the provisions of the Act; this includes implementation of a photo first application process;
- #Work with OA-ITSD to develop requirements and design documents for changes to the MEDL system to allow the option for applicant to be issued a document that is not REAL ID compliant;
- #Modify systems and procedures to re-verify the Social Security Number with the Social Security Administration at the time of driver or nondriver license issuance or renewal;
- #Develop required memorandums of agreement for available verification systems required by the Act as applicable;
- #Work with OA-ITSD to develop new interfaces for available electronic verification systems not currently being utilized, such as verification of passports and vital records;
- #Implement a new state-to-state verification service for persons opting to obtain a REAL ID compliant document to ensure they do not hold any other REAL ID document or have surrendered such document as required (if deemed a necessary component for compliance by the United States Department of Homeland Security (USDHS));
- #Modify driver and nondriver license card design and printing to issue documents with REAL ID compliant markings and designation of non-compliant document as not for federal identification purposes;
- #Complete necessary user acceptance testing of changes to the MEDL application and other supporting applications;
- #Complete user acceptance testing in cooperation with the Department's document production vendor to verify all required document design and printing changes have been completed for compliant and non-compliant document formats;

ASSUMPTION (continued)

- #Document and submit required security plans pursuant to provisions of the Act for internal Driver License Bureau processing areas, license offices, and the document printing facility;
- #Initiate fingerprint based background checks for all DOR, license office, and vendor personnel;
- #Modify all driver license and nondriver license issuance procedures to incorporate changes required to comply with the provisions of the Act for compliant documents and alternate procedures for issuance of the non-compliant documents;
- #Conduct office training sessions as needed to implement system changes and verification document review and collection requirements;
- #Update website and manuals to include information regarding the option and requirements for a REAL ID compliant document and non-compliant document;
- #Modify renewal post cards to include information regarding issuance option and documents required for a REAL ID compliant document or non-compliant driver or nondriver license; and
- #Develop and submit an exception process document to the USDHS for approval, including, but not limited to, issuance of a non-expiring nondriver license for persons 70 years of age and older or photograph exemption for documents issued to religious objectors.

#Administrative Impact:

#FY `17 - Driver License Bureau (DLB)

#Administrative Analyst II - 2,016 hrs. @ \$31.00 (1 1/2) per hr. =	\$ 62,496
#Management Analyst Specialist II - 2,176 hrs. @ \$25.00 per hr. =	\$ 54,400
#Revenue Band Manager II - 1,512 hrs. @ \$32.00 per hr. =	<u>\$ 48,384</u>
	\$165,280

ASSUMPTION (continued)

#FY `17 - Personnel Services Bureau

#Update Web Page Information- Administrative Analyst III	160 hrs.	@ \$24.00 =	\$3,840
#Develop Form - Management Analysis Spec I	160 hrs.	@ \$22.00 =	\$3,520
#Develop Procedures - Management Analysis Spec I	240 hrs.	@ \$22.00 =	<u>\$5,280</u>
			\$12,640

#License Offices Bureau (LOB)

#Regional training expenses will be incurred in FY `17 to train license office staff in the amount of approximately \$4,500. These travel costs include mileage, hotel, and meals for LOB staff to conduct six different training sessions throughout the state as well as related printing costs for training materials.

#OA-ITSD

#OA-ITSD services are required at a cost of \$264,075 (3,521 x \$75 per hour).

#In summary, DOR assumes a cost of \$446,495 for administrative expenses related to this proposal in FY 2017 (\$165,280 + \$12,640 + \$4,500 + \$264,075).

#Document Vendor Cost

#Estimated vendor cost to complete document design and printing changes to implement proposed provisions to print a REAL ID compliant or non-compliant document with applicable markings - FY 2017 - \$28,000.

#Additional Camera and Signature Pad Cost

#Vendor cost to provide additional cameras for all driver license workstations to allow for capturing of the photo at the start of all transactions as required by the REAL ID Act. Currently not all offices have cameras at every workstation which would result in additional wait time and frustration for customers; therefore, the purchase of additional cameras would be required.

#Additional Cameras and Signature Pads =	32
#Cost for each additional configuration =	<u>\$8,413</u>
#Estimated Vendor Cost for Additional Equipment =	\$269,216 - FY 2017

ASSUMPTION (continued)

#Birth Certificate Verification (NAPHSIS)

#The Department of Revenue must implement available system(s) for electronic verification of source documents when available. The currently available system for birth certificate verification is through the National Association for Public Health Statistics and Information Systems (NAPHSIS). The estimated costs included below does not include an allowable jurisdiction certification match fee which is based on the specific state cost for a birth or death certificate. The Department has prepared this fiscal note with the assumption that Missouri Department of Health and Senior Services will waive this additional fee for verifications completed by the Missouri DOR.

#The Department is providing a range based on the amount of Missourians that opt to obtain a REAL ID compliant driver or nondriver license. The range is from 60% to 100% shown below:

#Annual license issuance estimate:	1,700,000
#Reduction due to Passport Verification:	<u>-344,440</u>
#Estimated # of applicants presenting a Birth Certificate	1,355,560
#60% REAL ID opt in rate	<u>60%</u>
#Verifications annually:	813,336
#100% REAL ID opt in rate	<u>100%</u>
#Verifications annually:	1,355,560
#NAPHSIS per transaction/Jurisdiction Verification Match Fee	\$1.90
#Total Annual Subscription Fees (\$100 per month)	1,200
#Total Estimated Annual Cost for Birth Certificate Verification (60%)	\$1,546,538
#Total Estimated Annual Cost for Birth Certificate Verification (100%)	\$2,576,764

#NOTE: The costs for the verifications will be an annual estimated cost each year for six years after implementation. This is assumed because non-compliant licenses will continue to expire for six years after implementation. At any point (currently assuming in FY 2018 due to the enforcement of commercial air flights), the Department may see an influx of applicants needing to obtain a REAL ID compliant license. If this occurs, the cost estimates will greatly exceed the annual estimated cost shown above for that given fiscal year.

ASSUMPTION (continued)

#U.S. Passport Verification Services

#60% REAL ID opt in rate:	206,664 transactions x \$.09 = \$18,600
#100% REAL ID opt in rate:	344,440 transactions x \$.09 = \$31,000

#Social Security On-Line Verification (SSOLV) System

#Estimated annual increased cost to complete re-verifications of social security numbers for renewal applicants (per transaction cost of \$0.050 x 842,735 renewals based on FY 2015 counts):
\$42,137

#State to State Verification System (If required for compliance)

#Implement a new state to state verification system to comply with provisions of the Act to ensure an applicant is only issued one REAL ID compliant document at any time.

#Estimated per state fee FY 2018 equals =	\$27,166
#60% opt in annual per driver fee \$0.0720 x 1,020,000 =	<u>\$73,440</u>
#Estimated Annual Cost for State to State Verification=	\$100,606

#Estimated per state fee FY 2018 equals =	\$ 27,166
#100% opt in annual per driver fee \$0.0720 x 1,700,000 =	<u>\$122,400</u>
#Estimated Annual Cost for State to State Verification =	\$149,566

#The Department cannot guarantee that the price estimate of \$0.072 per transaction will be the price paid if the State begins participating in the state to state verification system. Any increase or decrease in the amount charged to the Department will directly impact this fiscal note.

#Fingerprint Based Criminal Background Checks

#State Fee =	\$20.00
#FBI Fee =	\$14.75
#Collection Vendor Fee =	<u>\$ 8.30</u>
#Total Cost per Employee	\$43.05

#1,700 = Estimated number of initial employees requiring initial background checks. Includes #1,430 LOB employees and 270 DLB employees

ASSUMPTION (continued)

#FY `17 Initial Background Check Costs:

#1,700 x \$43.05 = \$73,185

#FY `18 and Ongoing Background Check Costs:

#768 x \$43.05 = \$33,062 estimated on-going annual cost

#Estimated 700 new employee (49% turnover rate) checks for LOB

#Estimated 68 new employee (25% turnover rate) checks for DLB

#Overall Estimated Impact

#This fiscal note has been prepared with the information available to the DOR at this time. The DOR is currently prohibited from working with the USDHS to fully understand what steps are necessary for Missouri to implement to guarantee compliance with the Act. This fiscal note does not account for software that may be required in order to perform any biometric verifications. If such software is required, the DOR would request additional funding through the appropriations process.

#FY 2017 - PS \$177,920

- #Note: If the DOR experiences a dramatic increase in the number of transactions as a result of the REAL ID issuance, the DOR may need to request additional part-time or full-time staffing through the appropriations process to assist with the increase.

#FY 2017 - EE \$638,976

- #These costs represent the OA-ITSD and Vendor programming and equipment purchases that will be needed before finalizing implementation in what is estimated to be during FY 2018.

#FY 2018 - EE \$1,740,943 - \$2,832,529

- #These costs represent the ongoing cost for what is estimated to continue for approximately six years (allowing for the six years after implementation when non-compliant licenses will expire).

#Total initial estimated impact to the State (over 7 years): \$17,818,073 - \$25,545,975.

ASSUMPTION (continued)

#Depending on when the applicants request a compliant license, the majority of the initial impact could be requested through a specific fiscal year and not spread out over several fiscal years. If federal grants are available to the DOR to assist with implementation costs, the DOR would apply for such grants and work with the appropriations committees to ensure such money could be used for implementation. The State will continue to experience costs after the initial six years when non-compliant licenses expire. Every new applicant will have the option to obtain a REAL ID compliant document and any individual that didn't originally request a REAL ID compliant document could request a compliant document which will result in additional costs for ongoing electronic verifications.

<u>FISCAL IMPACT - State Government</u>	FY 2017	FY 2018	FY 2019
GENERAL REVENUE			
<u>#Cost - DOR</u>			
Personal Services	(\$177,920)	\$0	\$0
Equipment and Expenses	(\$638,976)	\$0	\$0
Verifications required for REAL ID compliant driver's licenses	\$0	(\$1,740,943 to \$2,832,529)	(\$1,740,943 to \$2,832,529)
<u>Total Costs - DOR</u>	(\$816,896)	(\$1,740,943 to \$2,832,529)	(\$1,740,943 to \$2,832,529)
ESTIMATED NET EFFECT TO GENERAL REVENUE	<u>(\$816,896)</u>	<u>(\$1,740,943 to \$2,832,529)</u>	<u>(\$1,740,943 to \$2,832,529)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017	FY 2018	FY 2019
	<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 proposal amends procedures the Department of Revenue must follow when issuing driver's licenses or identification cards. This proposal requires the department to inform applicants of the option of being issued a REAL ID compliant driver's license or identification card or a noncompliant driver's license or identification card. The department must issue a noncompliant driver's license or identification card to applicants who object to being issued a REAL ID compliant version.

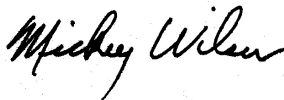
A driver's license or identification card that is not REAL ID compliant will not be valid for official federal purposes.

This proposal contains an emergency clause.

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

SOURCES OF INFORMATION

Joint Committee on Administrative Rules
Department of Public Safety
Missouri Highway Patrol
Office of Secretary of State
Department of Revenue



Mickey Wilson, CPA
Director
February 29, 2016

Ross Strope
Assistant Director
February 29, 2016