

HF4160 - 1A - "Art 3, Sec 15-18, 22, 52-58,101 (d)(e)"

Chief Author: **Paul Torkelson**
 Committee: **Transportation Finance**
 Date Completed: **04/25/2018**
 Lead Agency: **Transportation Dept**
 Other Agencies:
 Public Safety Dept

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
Public Safety Dept						
General Fund	-	-	(80)	(300)	(300)	
Restrict Misc. Special Revenue	-	-	3,731	(377)	(644)	
Transportation Dept						
Restrict Misc. Special Revenue	-	-	219	69	69	
State Total						
General Fund	-	-	(80)	(300)	(300)	
Restrict Misc. Special Revenue	-	-	3,950	(308)	(575)	
Total	-	-	3,870	(608)	(875)	
Biennial Total			3,870		(1,483)	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
Public Safety Dept					
General Fund	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	1	4	4
Transportation Dept					
Restrict Misc. Special Revenue	-	-	.55	.55	.55
Total	-	-	1.55	4.55	4.55

Lead Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Laura Logsdon Date: 04/25/2018
 Phone: 651 201-8020 Email: laura.logsdon@state.mn.us

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2017	FY2018	FY2019	FY2020	FY2021
Public Safety Dept						
General Fund	-	-	(80)	(300)	(300)	
Restrict Misc. Special Revenue	-	-	3,731	(377)	(644)	
Transportation Dept						
Restrict Misc. Special Revenue	-	-	219	69	69	
Total	-	-	3,870	(608)	(875)	
	Biennial Total		3,870		(1,483)	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Public Safety Dept						
General Fund	-	-	-	-	-	
Restrict Misc. Special Revenue	-	-	3,791	364	364	
Transportation Dept						
Restrict Misc. Special Revenue	-	-	219	69	69	
Total	-	-	4,010	433	433	
	Biennial Total		4,010		866	
2 - Revenues, Transfers In*						
Public Safety Dept						
General Fund	-	-	80	300	300	
Restrict Misc. Special Revenue	-	-	60	741	1,008	
Transportation Dept						
Restrict Misc. Special Revenue	-	-	-	-	-	
Total	-	-	140	1,041	1,308	
	Biennial Total		140		2,349	

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State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
Restrict Misc. Special Revenue	-	-	219	69	69	
Total	-	-	219	69	69	
Biennial Total			219			138

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
Restrict Misc. Special Revenue	-	-	.55	.55	.55
Total	-	-	.55	.55	.55

Executive Budget Officer's Comment

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EBO Signature: Laura Logsdon Date: 4/25/2018 1:32:05 PM
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State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2017	FY2018	FY2019	FY2020	FY2021
Restrict Misc. Special Revenue	-	-	-	219	69	69
Total	-	-	-	219	69	69
Biennial Total				219		138
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Restrict Misc. Special Revenue	-	-	-	219	69	69
Total	-	-	-	219	69	69
Biennial Total				219		138
2 - Revenues, Transfers In*						
Restrict Misc. Special Revenue	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total				-		-

Bill Description

House File 4160-1A would make a variety of changes related to transportation funding and policies. The sections MnDOT were requested to complete the fiscal note for are summarized below:

Article 3 Transportation Policy and Finance

Sec. 15-18: Would make several changes governing motor vehicle registration and titling services. These changes are related to the 10 days provision for submitting vehicle registration and title transfers; the process for collecting the filing fee for fleet registration; expediting vehicle and driver services; authorizing registrars to receive and process vehicle registration and titling work.

Sec. 22: Would expand the requirements for when a salvage title must be obtained for a motor vehicle.

Sec. 52-58 and 101 (d) & (e): Would establish the Freight Rail Economic Development Program (FRED). By January 1, 2019, MnDOT and the Department of Employment and Economic Development would jointly develop this program that provides grants to railroads and rail carriers for rail projects. The bill removes MnDOT’s power to allocate and expend funds under MRSI. On June 30, 2018, MnDOT would be required to transfer the entire balance for the Minnesota Rail Service Improvement Program (MRSI) to an account established for FRED (encumbrances from MRSI would remain in effect following the transfer). The account would also consist of funds MnDOT receives from loans and grants under the MRSI program, funds from railroad right-of-way property and bond proceeds.

The bill also establishes requirements for developing and administering the program and eligibility and project selection. The bill would limit a grant to 85% of the total project cost and grants would be awarded in a manner that is balanced throughout the state. The program could not establish specifications or engineering standards that are more restrictive than federal standards and state funded capital improvement requirements do not apply to rail facilities and buildings.

The section is effective June 30, 2018.

Assumptions

Sections 15 through 18 and 22 would have no fiscal impact to MnDOT.

Section 52-58 and 101 (d) & (e): We assume that existing staff working in MnDOT’s Office of Freight and Commercial

Vehicle Operations (OFCVO) to administer the MRSI program would now shift to administering the FRED program. However, MnDOT assumes that an additional half FTE (1,040 hours) would be required to establish and administer the program based on increased program requirements and timeline required for implementation. This additional work would be performed by a State Program Admin Coordinator, at a wage rate of \$40/hour, plus an additional 50% for overhead costs including fringe benefits. Additional staff time would also be required to oversee these new administrative requirements. MnDOT assumes this would require an additional .05 FTE (approximately 100 hours) and would be performed by a Transportation Planning Director at a wage rate of \$43/hour, plus an additional 50% for overhead costs including fringe benefits. Consultants would also be utilized to assist in setting up the program. Based on costs for similar levels of effort in the past and estimated levels of effort for this program, consultants would cost an estimated \$150,000. Staff costs would occur each year. The consultant costs would only occur in FY 2019 to help establish the program. All costs would be paid from the newly created FRED account in the Special Revenue Fund.

Based on the current balance of April 2018, MnDOT assumes that approximately \$4.5 million would be transferred from the MRSI account to the FRED account, assuming all remaining estimated receipts are collected. This also assumes no significant additional spending occurs between now and the end of the fiscal year.

Expenditure and/or Revenue Formula

The costs to start and administer the program are shown below:

Hour and Wage Assumptions			Costs			
	Hours	Wage Rate +Overhead	FY 2018	FY 2019	FY 2020	FY 2021
State Program Admin Coordinator	1,040	\$60		\$62,400	\$62,400	\$62,400
Transportation Planning Director	100	\$65		\$6,500	\$6,500	\$6,500
Consultants				\$150,000		
Total				\$218,900	\$68,900	\$68,900

Long-Term Fiscal Considerations

Costs to administer the program would continue in future years.

Local Fiscal Impact

Political subdivisions may appropriate money for freight or rail service improvements and participate in this program.

References/Sources

MnDOT Office of Freight and Commercial Vehicle Operations (OFCVO)

Agency Contact:

Agency Fiscal Note Coordinator Signature: Lynn Poirier

Date: 4/23/2018 10:22:00 AM

Phone: 651 366-4869

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Fiscal Note

2017-2018 Legislative Session

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 Agency: **Public Safety Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact	X	

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Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	(80)	(300)	(300)
Restrict Misc. Special Revenue	-	-	3,731	(377)	(644)
Total	-	-	3,651	(677)	(944)
Biennial Total			3,651		(1,621)

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	1	4	4
Total	-	-	1	4	4

Executive Budget Officer's Comment

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EBO Signature: Laura Logsdon Date: 4/25/2018 1:32:13 PM
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Dollars in Thousands		FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	-	(80)	(300)	(300)
Restrict Misc. Special Revenue	-	-	-	3,731	(377)	(644)
Total	-	-	-	3,651	(677)	(944)
Biennial Total				3,651		(1,621)
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	-	3,791	364	364
Total	-	-	-	3,791	364	364
Biennial Total				3,791		728
2 - Revenues, Transfers In*						
General Fund	-	-	-	80	300	300
Restrict Misc. Special Revenue	-	-	-	60	741	1,008
Total	-	-	-	140	1,041	1,308
Biennial Total				140		2,349

Bill Description

This legislation broadens the duties of the deputy registrars; allows the deputies to collect a filing fee for fleet transactions; requires the Department of Public Safety (DPS) to accept an expedited request from a deputy registrar regardless of limitations of the Minnesota Licensing and Registration System (MNLARS); allows deputy registrars to receive and process applications and submissions under chapters 168 and 168.A by mail.

Assumptions

Section 15

Assumes an effective date of July 1, 2019.

No fiscal impact to DPS Driver and Vehicle Services (DVS).

Section 16

Assumes an effective date of July 1, 2019.

Assumes DVS currently registers all fleet vehicles and collects an administrative fee of \$6.00 per transaction which is credited to the vehicle services operating account in the special revenue fund.

Assumes effective July 1, 2019, a deputy registrar location may accept fleet vehicle registrations and retain a \$6.00 filing fee for each vehicle.

Assumes DVS would continue to print and mail annual vehicle renewal listings to fleet registrants who would have the option of registering the fleet at a deputy registrar location. Deputy registrars would update each vehicle record in MNLARS and issue registration cards to registrant.

Assumes deputy registrar locations would stock fleet plates and calculate correct taxes due on new additions to the fleet based on registrants renewal date.

Assumes DVS historically registers approximately 11,300 fleet vehicles per year.

Assumes deputy registrars would register 25% of the fleet vehicles or approximately 2,825 vehicles.

Section 17

Assumes an effective date of November 1, 2019

Assumes DVS must accept expedited title service requests and the functionality must be programmed into MNLARS to submit such applications.

Assumes the current process for driver license expedited service requests will continue unaffected.

Assumes the fee for an expedited transaction is \$20.00 with the fee split equally between the deputy or driver's license agent and DVS.

Assumes approximately 66,666 expedited vehicle title transactions would be processed in fiscal year 2020 (November June) and 100,000 transactions each subsequent fiscal year with 80% being processed by deputy registrars.

Assumes DVS will recognize revenue from the resumption of expedited applications.

Section 18

Assumes effective July 1, 2019, deputy registrars may receive motor vehicle applications and submissions by mail and retain filing fees for processing such transactions.

Assumes deputy registrar mail transactions will be processed identical to counter transactions; plates and tabs issued from location inventory and recorded in MNLARS.

Section 22

Assumes an effective date of August 1, 2018.

Assumes the current requirement that DPS issue salvage certificates of title for damaged vehicles only classified as late model or high value would be expanded to include all model years of all values.

Assumes high-value is defined as a vehicle with an actual cash value in excess of \$9,000 before being damaged or a vehicle with a manufacturer's rating of 26,000 pounds.

Assumes late-model is defined as a vehicle model year that is six years old or newer.

Assumes a certificate of inspection is required prior to the issuance of a certificate of title.

Assumes DVS currently conducts approximately 15,000 salvage vehicle inspections per year and this number is estimated to increase by 12,500 in fiscal year 2019 and by 15,000 in subsequent fiscal years due to the additional required inspections.

Assumes DVS employees that conduct vehicle inspections also conduct dealer inspections and driving road tests and current wait times for appointments in the metro area are six to eight weeks.

Assumes that to meet increased demand DVS must add one new inspection site in the west metro, one new inspection site in greater Minnesota and four additional DVS Exam and Inspection Specialist Senior (EISS) positions to perform inspections.

Assumes an effective date of August 1, 2018 would not allow DVS sufficient time to hire and train additional staff and secure needed inspection sites creating increased customer wait times at existing locations.

Assumes procurement of a suitable facility to perform inspections may take up to 18 months. The annual cost to lease a metro inspection site is estimated to be \$50,000 and \$25,000 in greater Minnesota.

Assumes that based on the current physical capacity of inspection sites, one of the four new EISS positions could be temporarily added to an existing inspection site in fiscal year 2019 but would result in only 4,000 of the additional 12,500 required inspections to be completed.

Assumes DVS title staff will be required to review, approve and issue all additional salvage titles.

Assumes of the \$35 vehicle inspection fee, \$20 is deposited to the general fund and \$15 is deposited to the vehicle services operating account in the special revenue fund.

IT assumptions for sections 15-18 and 22.

Assumes 28,573 programming hours (5,715 planning hours, 7,144 design hours, 11,429 build hours, 4,285 deployment/testing hours) by contracted programmers to add functionality to MNLARS; \$1,230 for hardware and \$4,900 on-going operating costs per year.

This is a large release for both driver (FAST) and a medium release for vehicle systems. Vendors, interfaces, new user flow, system stabilization on MNLARS is required as a pre-requisite. Two teams are required, one for FAST/driver and one for MNLARS/vehicle. The teams will each include Architects, Business Analysts, Quality Assurance Testers, Performance Testers, Data, Programmers and Release Management. These new features are to take the current processing which has not been fully launched on either system and add an "expedite" functionality for driver's license as well as updates to duplicate title and change vehicle requiring two teams. Also, there are some other changes requested of vehicle deputy registrar reimbursements.

Assumes no additional funds for MNLARS development beyond already appropriated resources.

Assumes multiple releases over a 12 month development, test, deploy timeframe.

Assumes MNLARS system stabilization and performance tuning work must be completed as a prerequisite to adding functionality as required in this bill.

Assumes implementation of system changes in this bill would be prioritized ahead of stakeholder priorities identified through MNLARS governance processes.

Estimated development hours are based on level of effort required for substantially similar development work already completed on the driver and vehicle systems. Then, utilizing industry standard estimating percentages, additional hours were derived for Planning (20% of total development hours), Design (25% of total development hours) and Deployment/Testing (15% of total development hours). Planning includes: Project Management, Risk Management, Business Case Definition, Business Requirements, Business Analysis, Process Analysis. Design includes: User Interface Design, Database Design/Administration, Functional Specifications, Technical/Systems/Operations Analysis. Deployment/Testing includes: Software Testing, Automated Build/Deployment Management, Test Automation, User Acceptance Testing, Performance Testing, Regression Testing, Training/Documentation and Operations Implementation and Support.

Expenditure and/or Revenue Formula

FY 2019 Expenditures

DVS Technology Account:

28,573 programming hours x \$130/hour = \$3,714,490

\$1,230 hardware + \$4,900 operations costs = \$6,130

Vehicle Services Operating Account:

1 EISS staff x \$70,797 salary/fringe = \$70,797

FY 2019 total expenditures = \$3,791,417

FY 2020 & FY 2021 Expenditures

DVS Technology Account:

\$1,230 hardware + \$4,900 operations costs = \$6,130

Vehicle Services Operating Account:

4 EISS staff x \$70,797 salary/fringe = \$283,188

1 Metro inspection site = \$50,000

1 Out-state inspection site = \$25,000

FY 2020 total expenditures = \$364,318

FY 2019 Revenue

General Fund:

\$20.00 salvage inspection fee x 4,000 inspections = \$80,000

Vehicle Services Special Revenue Fund:

\$15.00 salvage inspection fee x 4,000 inspections = \$60,000

FY 2019 total revenue \$140,000

FY 2020 Revenue

General Fund:

\$20.00 salvage inspection fee x 15,000 inspections = \$300,000

Vehicle Services Special Revenue Fund:

2,825 deputy registrar fleet transactions x \$6 administrative fee = (\$16,950)

66,666 expedited titles x 80% deputy transactions x \$10 DVS fee share = \$533,328

\$15.00 salvage inspection fee x 15,000 inspections = \$225,000

FY 2020 total revenue \$1,041,378

FY 2021 Revenue

General Fund:

\$20.00 salvage inspection fee x 15,000 inspections = \$300,000

Vehicle Services Special Revenue Fund:

2,825 deputy registrar fleet transactions x \$6 administrative fee = (\$16,950)

100,000 expedited titles x 80% deputy transactions x \$10 DVS fee share = \$800,000

\$15.00 salvage inspection fee x 15,000 inspections = \$225,000

FY 2021 total revenue \$1,308,050

Long-Term Fiscal Considerations

The DVS budget is fee-based and must cover the cost of business through fees collected. Any increase in expenses may require increasing fees.

Local Fiscal Impact

Local government deputy registrars will receive additional fee revenue and incur transaction processing expenses.

References/Sources

Agency Contact: Dawn Olson (651-201-7580)

Agency Fiscal Note Coordinator Signature: Larry Freund

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