

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5008-06
Bill No.: Perfected SS for SCS for SB 707
Subject: Bonds - General Obligation and Revenue; Business and Commerce; Licenses - Miscellaneous; Motor Vehicles; Department of Revenue; Taxation and Revenue - Sales and Use
Type: Original
Date: March 8, 2018

Bill Summary: This proposal modifies provisions relating to vehicle sales.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(\$15,957)	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$15,957)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Highway Fund	(\$56,789)	(\$68,146)	(\$68,146)
Motor Vehicle Commission Fund	(\$145,750)	(\$174,900)	(\$174,900)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$202,539)	(\$243,046)	(\$243,046)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Local Government	(\$18,929)	(\$22,715)	(\$22,715)

FISCAL ANALYSIS

ASSUMPTION

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

§301.213

Increases the required bond amount from \$25,000 to \$50,000 for a licensed dealer.

§301.550

To be eligible for license renewal, the applicant must meet the minimum requirement of eight sales per year.

§301.559

Requires the applicant to include the business name, physical address, regular business hours, phone number, and email address to where the applicant may be contacted during regular business hours on the application.

§301.560.1

Requires the applicant maintains a working telephone number and email address during the entire registration year. Increases the required bond amount from \$25,000 to \$50,000 for a licensed dealer.

§301.560.3

Requires the Department to issue one number plate or certificates bearing the distinctive dealer license number or certificate number and two additional plates or certificates at the time of initial issuance of a license within eight working hours after presentment of the application and upon payment of the applicant fee of fifty dollars for the first plate or certificate and ten dollars and fifty cents for each additional plate or certificate issued by the Department.

§301.560.4

Removes motorcycle franchise dealers and used motorcycle dealers from the dealer license plate number provision.

§301.560.5

Provides if the new approved dealer applicant elects not to retain the selling dealer's license number, the Department will issue a new dealer license number and equal number of plates or certificates that was issued to the selling dealer.

ASSUMPTION (continued)

§301.560.6

Provides that a motor vehicle dealer can obtain one license plate at a fee of \$50 and an additional plate at a fee of \$10.50. The dealer can obtain a third plate upon completion of the dealer's fifteenth qualified transaction and a fee of \$10.50.

§301.562

Changes the language removing "shall" to "may" be suspended or revoked following an evidentiary hearing.

§301.566

Restructures and adds requirements for "off-premise events", including criteria that must be met in order to be approved by the Department. This section also removes the requirement to pay a permit fee of \$550 to the Motor Vehicle Commission Fund.

Administrative Impact

To implement the proposed changes, the Department will be required to:

- Update the procedures and the Department website;
- Update the Missouri Titling Manual and Dealer Licensing Manual;
- Complete programming and user acceptance testing to DMVC;
- Amend and update administrative rules; and
- Train staff

FY 2019 - Motor Vehicle Bureau

Management Analysis Spec I	280 hrs. @ \$18.42 per hr.	= \$ 5,158
Admin. Office Support Asst.	45 hrs. @ \$13.78 per hr.	= \$ 620
Revenue Manager Band I	240 hrs. @ \$25.05 per hr.	= \$ 6,012
Total		= \$11,790

FY 2019 - Personnel Services Bureau

Administrative Analyst III	30 hrs. @ \$19.43 per hr.	= \$ 583
Management Analysis Spec I	40 hrs. @ \$18.42 per hr.	= \$ 737
		= \$ 1,320

Total Costs **\$13,110**

ASSUMPTION (continued)

Administrative Impact (continued)

OA-ITSD services will be required at a cost of **\$15,957** (212.76 hours x \$75 per hour) in FY 2019.

Oversight assumes 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 reflect a fiscal impact of \$15,957 for IT services in FY 2019.

Revenue Impact

§301.550

Of the 6,174 current license motor vehicle dealer's, 1,166 sold seven or fewer motor vehicles in the 2016 licensure period. The Department cannot determine if any number of those dealers would meet the requirement of eight sales or more.

If these dealers could not renew, the revenue loss would be as follows:

1,166	Dealer's that sold 7 or fewer motor vehicles
x 150	License fee of \$150
\$174,900	Loss of dealer licensing fee

The total potential revenue loss to the Motor Vehicle Commission Fund is **\$174,900** in FY 2019. Due to this potential loss to the Motor Vehicle Commission Fund, the Department may lose funding for the Dealer Licensing Section within the Motor Vehicle and Drivers Licensing Division. The Dealer Licensing Section currently employs 6 FTE in the classification of 1 Revenue Processing Technician I, 4 Revenue Processing Technician II's, and 1 Revenue Section Supervisor.

1,166	Dealer's that sold 7 or fewer motor vehicles
x 50	Initial dealer plate fee of \$50
\$ 58,300	Loss of dealer plate fees

2,332	Additional dealer plates (2 per dealer)
x 10.50	Additional dealer plate fee of \$10.50
\$24,486	Loss of additional dealer plate fees

ASSUMPTION (continued)

Revenue Impact (continued)

§301.560.6

Of the 6,174 current licensed motor vehicle dealer's, 769 sold between eight and fourteen motor vehicles in the 2016 licensure period. The Department cannot determine if any number of those dealers would meet the requirement of 15 sales or more to obtain a third plate.

769	Dealer's that sold 8-14 motor vehicles
<u>x 10.50</u>	Additional dealer plate fee of \$10.50
\$ 8,075	Loss of additional dealer plate fees

The total potential revenue loss to the Highway Fund, Cities and Counties is \$90,861.

	FY 2019	FY 2020	FY 2021
Amount to Distribute	\$75,718	\$90,861	\$90,861
Highway Fund (75%)	\$56,789	\$68,146	\$68,146
Cities (15%)	\$11,358	\$13,629	\$13,629
Counties (10%)	\$7,571	\$9,086	\$9,086

In response to a previous version, officials from the **Office of Administration - Budget and Planning (B&P)** assumed the following regarding this proposal:

§301.213

This language increases the motor vehicle dealer bond requirement from \$25,000 to \$50,000. These bonds are not deposited into State Treasury, and therefore do not impact TSR or the 18(e) calculation.

§301.550

The reference to the Motor Vehicle, Watercraft and Aviation definitions is updated to include the newest section 301.580. This change is clean-up only.

§§301.553 and 301.557

The reference to the Motor Vehicle, Watercraft and Aviation definitions is updated to include the newest section 301.580. This change is clean-up only.

ASSUMPTION (continued)

§301.559

The reference to the Motor Vehicle, Watercraft and Aviation definitions is updated to include the newest section 301.580. This change is clean-up only.

This proposal requires the motor vehicle dealer applicant to include his/her regular business hours, phone number, and e-mail address where he/she can be reached.

§301.560

These changes would allow motor vehicle dealer franchises to have a cell number as opposed to only a landline phone number to be used during business hours. It also requires an e-mail address to be kept on file with DOR.

The reference to the Motor Vehicle, Watercraft and Aviation definitions is updated to include the newest section 301.580. This change is clean-up only.

This language increases the motor vehicle franchise dealer (new and used), powersport dealer, wholesale motor vehicle dealer, trailer dealer, and boat dealer bond requirements from \$25,000 to \$50,000. These bonds are not deposited into state treasury, and therefore do not impact TSR or the 18(e) calculation.

Updates motorcycle franchise dealers to the newer term powersport dealers.

DOR shall issue one number plate with the dealer license number upon payment by the dealer of a \$50 fee with additional plates upon completion of the dealer's second 10-unit qualified transaction and payment of a fee of \$10.50. This will impact TSR and 18(e).

§301.562

The language change allows for the suspension or revocation of a license instead of mandating the suspension or revocation. This could potentially lower TSR if DOR decides not to suspend or revoke as many licenses as it would mean fewer reinstatement fees collected.

§§301.563 and 301.564

The reference to the Motor Vehicle, Watercraft and Aviation definitions is updated to include the newest section 301.580. This change is clean-up only.

ASSUMPTION (continued)

§301.566

These proposed changes restructure and add requirements for off-premise motor vehicle events. The \$500 permit fee deposited into the Motor Vehicle Commission Fund is replaced with a new participation fee based on reasonable costs not to exceed \$500 per participant. The participation fee is retained by the event host. This will lower TSR and 18(e) as the Motor Vehicle Commission Fund will no longer receive the \$500 event permit fee.

§301.568

The proposed language replaces the words "franchise" and "enfranchised" with "franchised". These changes are clean-up only.

§301.570

The reference to the Motor Vehicle, Watercraft and Aviation definitions is updated to include the newest section 301.580. This change is clean-up only.

B&P defers to DOR for their fiscal impacts.

Officials from the **Department of Corrections, Department of Public Safety - Missouri Highway Patrol, Office of the State Courts Administrator, Office of the State Public Defender** and **State Tax Commission** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Department of Transportation** defer to DOR for fiscal impact.

Officials from the **Joint Committee on Administrative Rules** assume that the proposal is not anticipated to cause a fiscal impact to their agency beyond its current appropriation.

In response to a previous version, officials from the **Office of Prosecution Services** assumed the proposal would have no fiscal impact on their organization.

Officials from the and **City of Kansas City** assume the proposal will have no fiscal impact on their organization.

In response to a previous version, officials from **St. Louis County** assume the proposed \$50,000 bond will increase their Irrevocable Letter of Credit expense by \$500 for each fiscal year.

ASSUMPTION (continued)

In response to a previous version, officials from the **St. Louis County Department of Justice Services, Greene County Sheriff's Office, St. Louis County Police Department, Springfield Police Department** and **Joplin Police Department** each assumed the proposal would have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Cost - DOR - IT services p. 5</u>	<u>(\$15,957)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$15,957)</u>	<u>\$0</u>	<u>\$0</u>
HIGHWAY FUND			
<u>Loss - Dealer plate fees p. 6</u>	<u>(\$56,789)</u>	<u>(\$68,146)</u>	<u>(\$68,146)</u>
ESTIMATED NET EFFECT ON THE HIGHWAY FUND	<u>(\$56,789)</u>	<u>(\$68,146)</u>	<u>(\$68,146)</u>
MOTOR VEHICLE COMMISSION FUND			
<u>Loss - DOR - loss of dealer licensing fees p. 5</u>	<u>(\$145,750)</u>	<u>(\$174,900)</u>	<u>(\$174,900)</u>
ESTIMATED NET EFFECT ON THE MOTOR VEHICLE COMMISSION FUND	<u>(\$145,750)</u>	<u>(\$174,900)</u>	<u>(\$174,900)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss</u> - Cities (15%) - Dealer plate fees p.6	(\$11,358)	(\$13,629)	(\$13,629)
<u>Loss</u> - Counties (10%) - Dealer plate fees p.6	(\$7,571)	(\$9,086)	(\$9,086)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(\$18,929)</u>	<u>(\$22,715)</u>	<u>(\$22,715)</u>

FISCAL IMPACT - Small Business

Small dealerships could be impacted by this proposal due the increased bond amount and the revised requirements regarding dealer license plates.

FISCAL DESCRIPTION

This act modifies provisions relating to vehicle sales.

This act raises, from \$25,000 to \$50,000, the bond required for licensure as a motor vehicle dealer.

This act also requires motor vehicle dealer license applicants to submit their regular business hours, and a phone number and email address where the applicant can be contacted during regular business hours. Applicants shall maintain a working telephone number during the entire registration year which will allow the public, the Department of Revenue, and law enforcement to contact the applicant during regular business hours, and shall maintain an email address that may be used for official correspondence with the department.

Currently, motor vehicle dealers shall receive one dealer license plate upon application for a dealer's license, and may be issued two additional plates. Thereafter, dealers may be issued an additional plate for each 10 additional vehicles sold. This act specifies that motor vehicle dealers shall receive only one plate upon application for a license, and may obtain additional plates beginning at 20 vehicle sales.

This act modifies the classifications of vehicle dealers to which the Department of Revenue shall assign certain distinctive dealer license numbers.

FISCAL DESCRIPTION (continued)

The act specifies that motor vehicle dealer licenses may, rather than shall, be suspended or revoked following a hearing on allegations of certain violations of the dealer licensure law.

This act modifies the law with regard to off-premise vehicle shows and sales. Motor vehicle dealers may participate in up to two motor vehicle sales or shows annually and conduct sales away from the dealer's registered place of business, which for purposes of this section shall be considered "off-premise events" under certain circumstances.

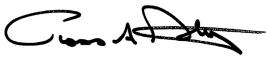
Such events shall be conducted for not more than 5 consecutive days, the event shall not require an unreasonably prohibitive participation fee, a majority of the dealers within a class located within a certain distance of the event participate or are notified at least 45 days in advance and have the opportunity to participate, and the organizer of the event provides a copy of the notice to the Director of the Department of Revenue. No dealer shall participate in an off-premise event more than 10 miles from its licensed location. Recreational vehicle dealers may participate even if a majority of recreational vehicle dealers in the city or town do not.

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 Administration - Budget and Planning
Department of Public Safety - Missouri Highway Patrol
State Tax Commission
Office of the State Courts Administrator
Office of Prosecution Services
Office of the State Public Defender
Joint Committee on Administrative Rules
Department of Corrections
Department of Transportation
St. Louis County
City of Springfield
Boone County Sheriff's Department
St. Louis County Police Department
Springfield Police Department
Joplin Police Department
City of Kansas City
St. Louis County Department of Justice Services
Greene County Sheriff's Office

Ross Strobe



Acting Director
March 8, 2018