

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4014-03
Bill No.: SCS for SB 780
Subject: Consumer Protection; Contract and Contractors; Motor Vehicles; Department of Revenue; Transportation
Type: Original
Date: March 18, 2020

Bill Summary: This proposal modifies provisions relating to transportation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	Could exceed (\$252,283)	Could exceed (\$176,201)	Could exceed (\$177,617)
Total Estimated Net Effect on General Revenue	Could exceed (\$252,283)	Could exceed (\$176,201)	Could exceed (\$177,617)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	3 FTE	3 FTE	3 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 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

Administrative Impact

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

- Update internal procedures;
- Update the department website;
- Update the Missouri Titling Manual and Dealer Operating Manual;
- Create a new form;
- Update title penalty chart
- Train internal staff;
- Implement ITSD changes; and
- Send communications to power sport and motor vehicle dealers.

FY 2021 – Motor Vehicle Bureau

Administrative Analyst I	80 hrs. @ \$14.70 per hr.	= \$1,176.00
Management Analysis Specialist I	120 hrs. @ \$18.42 per hr.	= \$2,210.40
Management Analysis Specialist II	30 hrs. @ \$20.57 per hr.	= \$ 617.10
Revenue Manager	10 hrs. @ \$20.59 per hr.	= \$ 205.90

FY 2021 – Strategy and Communications Office

Management Analysis Specialist I	50 hrs. @ \$18.42 per hr.	= \$ 921.00
Administrative Analyst II	20 hrs. @ \$18.75 per hr.	= \$ 375.00

Total Costs = \$5,505.40

Oversight assumes DOR could absorb these additional responsibilities (listed above) within their current appropriation levels.

FTE Impact

DOR anticipates the need for three (3) additional FTE positions (2 FTE Management Analysis Specialists I at \$38,304 annually and 1 FTE Admin. Office Support Assistant at \$28,668 annually) to review and process these transactions. Anytime a dealer fails to provide a title to a purchaser within 60 days of the purchase date, the Department must take action against the selling dealers bond, and determine the amount in which the bond payout will be. DOR will also

ASSUMPTION (continued)

have to handle appeals when the bond claim decision the Director makes a determination of is appealed. Due to the complex nature of these transactions, the department requires two of these positions be Management Analysis Specialists I and one position be an Administrative Office Support Assistant to implement the proposed legislation.

Total Number of Dealer Sales Per Calendar Year

2017 – 1,200,814
2018 – 1,179,181
2019 – 1,184,036

Average number of dealer sales per year – 1,188,010

The following is based on the assumption that one-half percent (0.5%) of dealer sales per year will result in the need for the director to determine the amount paid from the bond, release of the bond and prepare documents for an administrative hearing commission appeals regarding the director's determination.

1,188,010 average number of dealer sales per calendar year
x 0.5% percentage of sales regarding dealer bond action
5,940 number of dealer sales per calendar year requiring bond action
/ 252 number of work days per year
24 number of dealer sales per work day the Department anticipates will require a bond claim determination.

DOR assumes a cost for these FTE to total approximately \$170,000 per year.

DOR also assumes the following costs to their systems:

1.	TRIPS	\$13,441
2.	Online NOS	\$13,441
3.	TRPA	\$13,441
4.	DMVC	\$13,441
5.	DNOS	\$13,441
6.	DDLRL	\$13,441
7.	Del-Fee	<u>\$20,212</u>
	TOTAL	\$100,858

ASSUMPTION (continued)

In addition, DOR states due to the customer not being provided the title at the time of sale, DOR could experience an unknown loss of interest due to the delay in an unknown amount of sales tax collection.

Officials from the **Department of Transportation** and **Attorney General's Office** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the agencies mentioned above have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE			
<u>Loss</u> - DOR - lost potential earnings on sales tax revenue p. 5	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Costs</u> - DOR p. 3-4			
Personal Service (3 FTE)	(\$87,730)	(\$77,374)	(\$78,148)
Fringe Benefits	<u>(\$63,695)</u>	<u>(\$69,872)</u>	<u>(\$70,225)</u>
<u>Total Costs</u>	(\$151,425)	(\$176,201)	(\$177,617)
<u>Cost</u> - OA-ITSD services p. 4	<u>(\$100,858)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>Could exceed</u> <u>(\$252,283)</u>	<u>Could exceed</u> <u>(\$176,201)</u>	<u>Could exceed</u> <u>(\$177,617)</u>
Estimated Net FTE Change for General Revenue	3 FTE	3 FTE	3 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small dealerships could be impacted as a result of this proposal.

FISCAL DESCRIPTION

This act modifies provisions relating to transportation.

The act modifies the definition of "owner" of a vehicle to include a person who has executed a buyer's order or retail installment sales contract with a licensed motor vehicle dealer when there is an immediate right for the buyer to possess the vehicle. (Section 301.010(44))

Operation of a motor vehicle with temporary license plates or license plates transferred from a trade-in shall be legal for no more than 60 days when a dealer sells the vehicle with an agreement for the delayed transfer of title as provided in the act. (Sections 301.140.1 and 301.140.4)

Vehicle owners obtaining a vehicle as specified in the act shall apply for a certificate of title within 30 days of receiving title from the dealer. (Sections 301.190.1 and 301.190.5)

Under the act, a vehicle transfer shall be "presumed" fraudulent and void unless the vehicle's title is assigned and passed to the buyer at the time of transfer, or unless the parties have agreed to delayed delivery of title as provided in the act. (Section 301.210.4) The act specifies that licensed motor vehicle dealers may deliver a motor vehicle or trailer to a purchaser with a written agreement to pass the certificate of ownership with an assignment to the purchaser within 30 days after delivery. (Section 301.210.5) The agreement shall be in a form prescribed by the Director of the Department of Revenue, shall provide that if the dealer does not pass the assigned certificate of ownership to the purchaser within 30 days, the purchase shall be voidable at the purchaser's option, and the dealer shall re-purchase the vehicle as provided in the act. (Section 301.210.5(1)) If the vehicle has incurred damages covered by the purchaser's insurance policy, the purchaser may, subject to the approval of the insurer, assign his or her insurance benefits to the dealer in lieu of making the repairs, or in lieu of returning the vehicle if the vehicle is determined to be a total loss. (Section 301.210.5(2)) As provided in the act, completion of the requirements of the act shall constitute sufficient evidence of ownership of the vehicle for all purposes other than a subsequent transfer of ownership. However, the purchaser may use the dealer-supplied copy of the agreement under this act to transfer ownership of the vehicle to an

FISCAL DESCRIPTION (continued)

insurance company in situations where the vehicle is declared salvage or a total loss as the result of settlement of an insurance claim. (Section 301.210.5(3)). No motor vehicle dealer shall be authorized to sell vehicles in accordance with this act until the dealer has provided to the Director of the Department of Revenue a bond or irrevocable letter of credit in an amount not less than \$100,000 in lieu of the \$50,000 bond otherwise required to act as a motor vehicle dealer. (Section 301.210.5(4))

This act also repeals the existing framework for dealers accepting trade-in vehicles subject to existing liens, effective December 31, 2020. (Section 301.213)

Motor vehicle dealers' monthly sales reports submitted to the Department of Revenue shall include vehicles sold during the month in accordance with the act. (Section 301.280.1)

Lastly, the act specifies the circumstances under which proceeds from a dealer applicant's bond or irrevocable letter of credit will be paid. In addition to relocating an existing provision regarding bond proceeds, the act specifies that bond proceeds shall be paid to any buyer or interested lienholder as provided in the act if the dealer fails to deliver the assigned certificate of ownership as agreed. The Department of Revenue shall release the bond proceeds upon receiving certain documentation and evidence, as specified in the act, and that the vehicle has been or will be returned by the purchaser as required. Except for ordinary wear and tear or mechanical failures not caused by the purchase, the amount of proceeds paid to the purchaser shall be reduced by an amount equivalent to any damage, abuse, or destruction incurred by the vehicle while in the purchaser's possession. Within 30 days of receiving notice of a claim against bond or irrevocable letter of credit proceeds, the dealer may apply to a court of competent jurisdiction to contest the claim on the bond or letter of credit, including the amount of the claim or any adjustments made for damage, abuse, or destruction incurred. (Section 301.560.1(3))

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

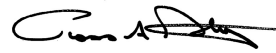
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SOURCES OF INFORMATION

Department of Revenue
Department of Transportation
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March 18, 2020



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