

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3248-05  
Bill No.: SCS for SB 926  
Subject: Economic Development Dept; Revenue Dept; Motor Vehicles; Property, Real and Personal; Business and Commerce  
Type: Original  
Date: March 19, 2002

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue*	(Unknown)	(Unknown)	(Unknown)
Highway Funds	\$351,912 to (Unknown)	\$815,082 to (Unknown)	\$1,128,007 to (Unknown)
Motor Vehicle Commission Fund	(\$376,276)	\$0	\$0
Missouri Motor Vehicle Fund	\$823,829	\$499,980	\$521,217
PR Fees Fund	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$799,465 to (Unknown)</b>	<b>\$1,315,062 to (Unknown)</b>	<b>\$1,649,224 to (Unknown)</b>

\*Expected to Exceed \$100,000

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Local Government</b>	<b>\$203,125</b>	<b>\$365,625</b>	<b>\$487,500</b>

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

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Insurance, Department of Public Safety - Missouri State Highway Patrol, Department of Public Safety - Division of Fire Safety; Office of Administration - Administrative Hearing Commission, Office of State Courts Administrator, Office of the Governor, Office of State Treasurer** and the **Department of Transportation** stated that this proposed legislation would have no fiscal impact on their agencies.

Officials from the **Department of Corrections** indicate that the fiscal impact to their agency would be \$0 or minimal and could be absorbed each year.

Officials from the **Office of Prosecution Services** indicated that any costs to prosecutors resulting from this proposed legislation could be absorbed.

Officials from the **Secretary of State's Office (SOS)** assumed the rules, regulations and forms issued by the Missouri Motor Vehicle Board and the Department of Revenue could require as many as 200 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$12,300 for FY 2003. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

**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. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

### CREATION OF MOTOR VEHICLE BOARD

SECTIONS 301.550; 301.553; 301.554; 301.557; 301.559; 301.560; 301.564; 324.1240 Through 324.1298 and the removal of 301.561; 301.566; 301.568; and 310.661

According to officials from the **Department of Revenue (DOR)**, this proposal transfers the responsibility for licensing and regulating all types of motor vehicle, boat, and motor vehicle auctions from the Department of Revenue to the Department of Economic Development (DED).

ASSUMPTION (continued)

**ADMINISTRATIVE IMPACT - Department of Revenue  
Division of Motor Vehicle and Drivers Licensing (DMVDL)**

DOR assumes that 10.5 employees and the associated costs and expense and equipments funds will be transferred to the Department of Economic Development.

It is assumed that since this proposal still requires the Department of Revenue to issue manufacturer licenses and all dealer license plates the Department of Revenue will retain 1 Clerk Typist II and 1 Telephone Information Operator to process plates and inquiries. In addition, funds required for the actual plates from the Missouri Vocational Enterprises will also stay within the Motor Vehicle Commission Fund.

The Department currently has in the FY03 Core Budget \$318,737 for personal services and \$135,396 for expenses and equipment.

**Revenue will retain the following:**

Telephone Information Operator	\$19,753
Clerk Typist II	\$24,346
Equipment & Expenses	\$ 4,000
Postage	\$30,000

The department will also retain \$213,000 for the actual cost of the plates, from Missouri Vocational Enterprises.

Special Note: This proposal provides for certain Business Licensing registration processes to be transferred to the Department of Economic Development. The licensing processes affected by this bill are any and all combinations of the MV dealers: franchised dealers, used dealers, manufacturers, boat dealers, boat manufacturers, motorcycle dealers, wholesale dealers, public and wholesale auctions.

To effectively facilitate this legislation, it will be necessary for Economic Development to pass electronically the information/data currently required for the following Business License processes; New Business License, Renew Business License, Change Business License, Transfer Business License. DOR will also need electronic updates whenever there are changes to the Business License record(s).

The proposal also requires that the Department of Revenue retain the process for issuing the physical inventory (plates, permits, placards, decals, etc) to these dealers. Consequently, the process for registering the Business and issuance of inventory must be split. In addition, the Field Automated System for Titling and Registration (FASTR) would no longer issue the ASSUMPTION (continued)

Business License Certificate for these businesses.



MO Department of Revenue related to the licensing and regulation of motor vehicle dealers, manufacturers, boat dealers, wholesale motor vehicle auctions, public motor vehicle auctions, and wholesale motor vehicle dealers to the Department of Economic Development, Division of Professional Registration. In addition, this legislation establishes state licensure for motor vehicle salespersons, power sport dealers and creates the Missouri Motor Vehicle Board.

Since the licensing and regulation of motor vehicle dealers, etc. is already established within the Department of Revenue, the Division of Professional Registration assumes that the necessary appropriation amount and funding will be transferred from the Department of Revenue to the Division of Professional Registration. The division assumes that this appropriation amount will include, at a minimum, the necessary personal service, expense and equipment and FTE to cover the following expenses: 1. Staff (FTE) for processing applications, complaints and investigations; 2. Printing and postage; 3. Legal expenses (Attorney General's Office and/or outside counsel); 4. Division and Department overhead; 5. Cash receiving room (renewal and mail processing). DPR assumes that funding will be offset by the licensing fees.

DPR assumes there are approximately 18,000 motor vehicle dealerships (new or used, sale or lease) that are currently licensed by the Department of Revenue. They further assume that each establishment has at least 10 salespersons (18,000 x 10 = 180,000). The proposed legislation states that the annual license fee for salespersons can be no less than \$25. In addition, a 3% growth rate has been estimated. This would result in annual revenues from salesperson licenses of \$4,500,000. It is assumed that the Missouri Motor Vehicle Fund would reimburse PR Fees Fund for all expenses paid by the PR Fees Fund.

DPR is requesting an additional 16 FTE to carry out duties created by this proposal. The additional employees include a Principal Assistant (1 FTE at \$65,000 per year) to serve as senior executive officer of the licensing agency (the proposal requires that the Executive Director (Principal Assistant) be an attorney; a Licensure Technician II (1 FTE at \$24,492 per year) to provide technical support directly to the Principal Assistant and to be responsible for processing applications for licensure, as well as responding to any inquiries relating to the licensure law or rules and regulations; 4 Account Clerks II (4 FTE at \$23,184 per year) to provide support for the Division's Central Accounting Section and Central Cash Receiving Room; 9 Investigators II (9 FTE at \$37,488 per year) to assist in the Central Investigative Unit in conducting investigations and inspections; and 1 Budget Analyst II (1 FTE at \$37,488 per year) to assist Division-Administration in the increase in workload for budget, fiscal note and rule preparation.

This proposed legislation creates the Missouri Motor Vehicle Board which shall consist of nine members. It is assumed that the board will meet at least four times per year for two days and all ASSUMPTION (continued)

meetings would be held in Jefferson City. This proposal allows for reimbursement of expenses for board members when conducting board business. The proposal does not provide for board member compensation. Associated travel costs (mileage, lodging, & meals) would be \$12,274 per year.

LMD:LR:OD (12/01)

DPR estimates printing and postage costs for FY 2002 at \$6.19 per licensee, or \$1,114,200. DPR has based postage and printing costs for subsequent years on the actual FY 2002 usage for a board of similar size and has estimated costs \$100,000 per year. Office and communication expenses and equipment are based on estimated existing costs within the Division and follow Office of Administration guidelines.

DPR assumes there would be 3600 consumer complaints each year. (This estimate is 2% of the total licensee count.) It is estimated that an average complaint would require 5 hours to complete. It is estimated that 15% of the complaints would require an investigation, resulting in 540 investigations, with an average investigation requiring 30 hours of field work. Travel costs to conduct investigations total \$137,700.

It is estimated that the **Office of the Attorney General (AGO)** would provide approximately 60 hours of assistance per year with rules, opinions and meetings. Based on an hourly cost of \$60.87, the annual total would be \$3,652. Also, it is estimated that 25% of investigations will be forwarded to the AGO for further action (135 cases). It is assumed there would not be any cases until FY 2005. Based on a cost of \$5,400 per case, the annual cost would be \$729,000.

It is assumed by DPR that existing staff would design, program, and implement a computer licensure program (8 hours x \$21.65 per hour = **\$173.20**). In addition, costs have been calculated for EDP costs including maintenance of the division's licensing and optical imaging system. These costs are based on the current 3 year licensee average percentage cost allocation for the division for a total cost of \$176,145. A 3% growth rate has been estimated. DPR notes that costs have not been calculated for transition of licensee information between the licensing system from DOR to DPR.

Costs have been calculated for the personal services, equipment, and expenses provided to all boards/agencies within the Division of Professional by the Director's Office. These costs are based on FY 2000 actuals using the current 3 year licensee average percentage cost allocation plan for a total cost of \$685,672.

**Oversight** assumes, based on information from the Department of Revenue, that there are 6,000 motor vehicle dealerships. Based on information from the National Automobile Dealers Association, there are 553 franchised dealerships in Missouri with approximate 4,840 salespersons. Oversight assumes an average of five salespersons per dealership for the remaining ASSUMPTION (continued)

firms, resulting in approximately 32,100 salespersons subject to licensure.  $(4,840 + [5,447 \times 5])$ . At \$25 a year for 32,100 salespersons, the annual fee revenue would be \$802,500.

Based on the assumption of 32,100 salespersons, **Oversight** has adjusted DPR projections of income and expenses. It is assumed that Department of Revenue - Driver and Vehicle Services Bureau will transfer 10.5 FTE to DPR. Oversight assumes DPR will need an additional 4 FTE to handle to workload related to salesperson licensure. Printing and postage costs would be

\$198,699 the first year and \$18,000 a year thereafter. Personnel and expenses were calculated only for the four additional FTE to handle the salesperson licensing; it is assumed that revenues from the previous sources would offset the expenses as a result of the transfer. Oversight also assumes DPR would begin duties in 2003, rather than in 2004 and have made adjustments to DPR assumptions accordingly. Oversight did not calculate costs for the additional administrative services. If the administrative workload is increased significantly, the Division and the Department of Economic Development may seek additional funding through the appropriations process.

Consumer complaints are estimated at 642, resulting in 96 investigations for total investigation expense of approximately \$8,448. It is estimated that 24 cases would be forwarded to the Attorney General's office for further action, resulting in total case cost of \$129,600.

Officials from the **Office of Attorney General (AGO)** assumed one Assistant Attorney General I would be needed to handle licensing matters arising from this legislation. **Oversight** assumes that costs relating to the motor vehicle board would be reimbursed by DPR and other costs would be absorbed with existing resources.

#### VEHICLE TITLE ISSUES

SECTIONS 301.610; 301.620; 310.630; 310.640; 301.660; 306.405; 306.410; 306.415;  
306.420; 306.430; 306.440

Officials with the **Department of Revenue- Division of Motor Vehicle and Drivers Licensing (DVMDL)** assume this proposal requires all liens to be mailed to the owners versus the current practice of mailing the lien to lienholders. It is estimated that because of the lien being mailed to the owner of the vehicle versus the lienholders that there will be an increase in duplicate titles that will be required due to the owner misplacing, losing, etc. the lien. The number of duplicate titles issued will increase from 10% for FY03, to 15% for FY04 and finally 20% for FY05. The longer an owner has the title the more likely that the title will be misplaced/lost. The division of motor vehicle and drivers licensing anticipates mailing approximately 1,000,000 titles per year to owners.

#### ASSUMPTION (continued)

##### Revenue Impact

FY03

$83,333 (1,000,000 \times 10\% = 100,000 / 12 \times 10 \text{ mos} = 83,333)$

Duplicate application fee =  $83,333 \times \$8.50 = \$708,331$

LMD:LR:OD (12/01)

25% quick title fee =  $83,333 \times \$5 = \$104,116$

**FY04**

150,000 (1,000,000 x 15%)

Duplicate application fee =  $150,000 \times \$8.50 = \$1,275,000$

25% quick title fee =  $150,000 \times \$5 = \$187,500$

**FY05**

200,000(1,000,000 x 20%).

Duplicate application fee =  $200,000 \times \$8.50 = \$1,700,000$

25% quick title fee =  $200,000 \times \$5 = \$250,000$

The DVMDL assumes they would require two (2) Revenue Licensing Tech II the first year (FY03) to process duplicate requests. This includes receiving, examining, rejecting, key entering, and mailing duplicate requests. This division would also need two (2) additional Revenue Licensing Tech II for FY04 and one (1) additional Revenue Licensing Tech II for FY05 based on the anticipated number of duplicate requests. The division would require associated costs for equipment and expenses for the additional FTE.

DMVDL also assumes they will need two (2) Telephone Information Operators (TIO) beginning FY03 to ensure that all calls anticipated from owners, dealers and lienholders are answered and appropriate responses are given. The DMVDL would also incur cost in the amount \$146,038 for FY03, \$106,632 for FY04 & \$132,045 for FY05 for forms, policies, procedures, and postage required to implement this proposal

This proposal also would require the department to implement a lienholder assignment registry. This would require extensive major programming and systems modifications. This portion of the proposal has a significant unknown fiscal impact. It would require several new TIO's and Clerk II's plus equipment, floor space and expenses. The TIO's and Clerk II's will be required to answer inquires and conduct record searches.

The Information Technology Bureau assumes it would require \$7,142 for programming costs to modify existing systems to implement this proposal. Programming costs will also be required in the amount of \$950 for FY03 to convert and key current child support lien information to DOR's website. The current contract vendor for Field Automated System for Titling and Registration  
ASSUMPTION (continued)

(FASTR) has indicated that this proposal will require 107 hours of programming to FASTR. Contract rate of programming is \$150.00 per hour. ( $107 \times \$150 = \$16,200.00$ ).

FISCAL IMPACT - State Government

FY 2003  
(10 Mo.)

FY 2004

FY 2005

**GENERAL REVENUE**

LMD:LR:OD (12/01)



<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<u>Loss</u> - Department of Revenue Temporary Titles*	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(UNKNOWN)</u></b>	<b><u>( UNKNOWN)</u></b>	<b><u>( UNKNOWN)</u></b>
<b>* Expected to Exceed \$100,000</b>			

**HIGHWAY FUNDS**

<u>Revenue</u> - Department of Revenue Duplicate title application fees	\$609,373	\$1,096,875	\$1,462,500
<u>Cost</u> - Department of Revenue Lienholders registry implementation*	(Unknown)	(Unknown)	(Unknown)
Salaries	(\$70,640)	(\$122,208)	(\$145,559)
Fringe Benefits	(\$25,437)	(\$44,007)	(\$52,416)
Equipment and Expenses	<u>(\$161,384)</u>	<u>(\$115,578)</u>	<u>(\$136,518)</u>
Total <u>Cost</u> - DOR	(\$257,461) to (Unknown)	(\$281,793) to (Unknown)	(\$334,493) to (Unknown)
<b>ESTIMATED NET EFFECT ON HIGHWAY FUNDS</b>	<b><u>\$351,912 to</u></b> <b><u>(Unknown)</u></b>	<b><u>\$815,082 to</u></b> <b><u>(Unknown)</u></b>	<b><u>\$1,128,007 to</u></b> <b><u>(Unknown)</u></b>
<b>*Expected to exceed \$100,000</b>			

**MOTOR VEHICLE COMMISSION  
FUND**

Transfer Out - To Dept of Economic  
Development - Professional Registration

Personal Services	(\$274,638)	\$0	\$0
Expense and Equipment	<u>(\$101,638)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<b><u>Total Transfer Out</u></b>	<b><u>(\$376,276)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>MISSOURI MOTOR VEHICLE FUND</b>			
<u>Income</u> - Professional Registration Licensure Fees/Renewals	\$802,500	\$826,575	\$852,372
<u>Transfer In</u> - Dept of Revenue - Motor Vehicle Commission Fund	\$376,276	\$0	\$0
<u>Cost</u> - Transfer to PR Fees Fund	(\$354,947)	(\$326,595)	(\$331,155)
<b>ESTIMATED NET EFFECT TO MISSOURI MOTOR VEHICLE FUND</b>	<b><u>\$823,829</u></b>	<b><u>\$499,980</u></b>	<b><u>\$521,217</u></b>
<b>PR FEES FUND</b>			
<u>Income</u> - DPR Transfer from Missouri Motor Vehicle Fund	\$354,947	\$326,595	\$331,155
<u>Costs</u> - DPR Personal Service (4 FTE) Fringe Benefits Expense and Equipment Other Costs - AGO Total Costs - DPR	(\$83,681) (\$30,134) (\$238,480) <u>(\$3,652)</u> (\$354,947)	(\$102,928) (\$37,064) (\$53,351) <u>(\$133,252)</u> (\$326,595)	(\$105,501) (\$37,991) (\$54,411) <u>(\$133,252)</u> (\$331,155)
<b>ESTIMATED NET EFFECT TO PR FEES FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<b>LOCAL GOVERNMENT</b>			
<u>Revenue</u> - Cities Duplicate title application fee	\$121,875	\$219,375	\$292,500

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<u>Revenue- Counties</u>			
Duplicate title application fee	<u>\$81,250</u>	<u>\$146,250</u>	<u>\$195,000</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENT</b>	<b><u>\$203,125</u></b>	<b><u>\$365,625</u></b>	<b><u>\$487,500</u></b>

FISCAL IMPACT - Small Business

Small businesses would be affected by costs to dealerships that would pay for salesperson licensure.

DESCRIPTION

This proposed legislation transfers many regulatory duties over motor vehicle dealers, boat dealers, power sport dealers, and recreational vehicle dealers from the Department of Revenue to the Missouri Motor Vehicle Board within the Department of Economic Development Division of Professional Registration. Regulation of manufacturers will remain with the Department of Revenue. The Missouri Motor Vehicle Board is created and is responsible for licensing of all motor vehicle dealers, boat dealers, recreational vehicle dealers, wholesale motor vehicle auctions, public motor vehicle auctions and wholesale motor vehicle dealers.

The Missouri Motor Vehicle Board is vested with rulemaking authority and the following powers: establishing qualifications for applications, examining and licensing applicants, establishing fees for licensure and renewal, discipline of licensees, investigating complaints, and establishing committees. The Missouri Motor Vehicle Board Fund is created and provisions for its use are established.

It shall be unlawful for persons to act as a dealer without a license. Such violations may be reported to the county prosecuting attorney for investigation and prosecution. Licenses will be issued for either 12 or 24 months. The Board will administer an examination for new licensees. Current licensees are grandfathered. Once licensed a dealer or auction may not cease business unless they provide at least 30 days notice to the Board. The Board may promulgate regulations concerning additional training.

DESCRIPTION (continued)

This proposal sets requirements for applications and multi- location permits. Guidelines for the amounts of license and renewal fees are provided. Provisions relating to the issuance of Dealer license plates are revised. Dealers will be limited on the number of dealer plates they may have by the number of cars they have sold and the number of employees they have. It is unlawful to

use or permit the use of a dealer's license plate on any vehicle for which there is no automobile liability insurance coverage.

Complaints will be heard by the administrative hearing commission and disciplinary actions, procedures and penalties are specified.

This proposal creates advertising standards for dealers.

Provisions are created for dealers to sell a motor vehicle "as is" in certain circumstances.

This proposed legislation also eliminates lienholder possession on motor vehicle certificates of title. The owner of the motor vehicle is required to list the lienholder on the application for title and failure to do so is a Class C felony. The process for perfection of and releases of liens for lienholders and subordinate lienholders is specified.

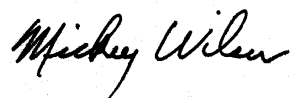
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements. This proposal will increase state revenue.

#### SOURCES OF INFORMATION

Department of Economic Development  
Division of Professional Registration  
Department of Public Safety  
Missouri State Highway Patrol

LMD:LR:OD (12/01)

Fire Safety  
Office of State Courts Administrator  
Office of Administration  
Administrative Hearing Commission  
Department of Insurance  
Office of Secretary of State  
Administrative Rules Division  
Office of Attorney General  
Office of the Governor  
Department of Corrections  
Office of Prosecution Services  
Department of Transportation  
Department of Revenue  
Office of State Treasurer  
Office of Senate Administration



Mickey Wilson, CPA  
Acting Director  
March 19, 2002