

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5890-01  
Bill No.: HB 2122  
Subject: Motor Vehicles; Licenses - Motor Vehicle; Business and Commerce  
Type: Original  
Date: February 1, 2018

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

**FISCAL SUMMARY**

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

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
Highway Fund	(\$132,450)	(\$158,940)	(\$158,940)
Motor Vehicle Commission Fund	(\$331,125)	(\$397,350)	(\$397,350)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(\$463,575)</b>	<b>(\$556,290)</b>	<b>(\$556,290)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 10 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<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 FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>(\$44,150)</b>	<b>(\$52,980)</b>	<b>(\$52,980)</b>

## 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

Changes the definition of a "motor vehicle dealer" by increasing the minimum number of calendar year sales for issuance or renewal of a motor vehicle dealer license from six to twenty-four.

#### §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

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. This section would also remove motorcycle franchise dealers and used motorcycle dealers from the dealer license plate number provision.

#### §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, Department website;
- Update the Dealer Licensing Manual;

ASSUMPTION (continued)

Administrative Impact (continued)

- 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	240 hrs. @ \$18.42 per hr.	= \$ 4,421
Admin. Office Support Asst.	30 hrs. @ \$13.78 per hr.	= \$ 413
Revenue Manager Band I	160 hrs. @ \$25.05 per hr.	= \$ 4,008
Total		= \$8,842

FY 2019 - Personnel Services Bureau

Administrative Analyst III	20 hrs. @ \$19.43 per hr.	= \$ 389
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**Total Costs** **\$9,231**

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

In summary, DOR assumes a cost of **\$25,188** (\$9,231 + \$15,957) 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 licensed motor vehicle dealers, 2,649 sold 23 or fewer motor vehicles in the 2016 licensure period. The Department cannot determine if any number of those dealers would meet the requirement of 24 sales or more.

If these dealers could not or do not renew, the revenue loss is as follows:

2,649	Dealer's that sold 23 or fewer motor vehicles
x \$150	License fee of \$150
<u>\$397,350</u>	Loss of dealer licensing fee

ASSUMPTION (continued)

Revenue Impact (continued)

The total potential revenue loss to the Motor Vehicle Commission Fund is \$397,350 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 Technicians II, and 1 Revenue Section Supervisor.

2,649	Dealer's that sold 23 or fewer motor vehicles
x \$50	Initial dealer plate fee of \$50
<u>\$132,450</u>	Loss of dealer plate fees

5,298	Additional dealer plates (2 plates per dealer)
x \$15	Additional dealer plate fee of \$15
<u>\$ 79,470</u>	Loss of additional dealer plate fees

The total potential revenue loss to the Highway Fund, Cities and Counties is \$211,920.

	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Amount to Distribute</b>	<b>\$176,600</b>	<b>\$211,920</b>	<b>\$211,920</b>
Highway Fund (75%)	\$132,450	\$158,940	\$158,940
Cities (15%)	\$26,490	\$31,788	\$31,788
Counties (10%)	\$17,660	\$21,192	\$21,192

Officials from the **Office of Administration - Budget and Planning (B&P)** assume 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.

ASSUMPTION (continued)

§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.

The definition of Motor Vehicle Dealer is updated to require dealers to sell a minimum of 24 vehicles a year instead of six. This lowered threshold could result in less dealer licenses being issued, thus impacting TSR.

§§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.

§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.

§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.

ASSUMPTION (continued)

§§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.

§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 Prosecution Services, 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 **Joint Committee on Administrative Rules** state that the proposal is not anticipated to cause a fiscal impact to their agency beyond its current appropriation.

Officials from the **Greene County Sheriff's Department** assume this proposal will have an unknown impact on their organization.

Officials from the **St. Louis County, St. Louis County Department of Justice Services, Boone County, Boone County Sheriff's Department, St. Louis County Police and the City of Kansas City** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>GENERAL REVENUE FUND</b>			
<u>Cost - DOR - IT services</u>	<u>(\$15,957)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(\$15,957)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>HIGHWAY FUND</b>			
<u>Loss - Dealer plate fees</u>	<u>(\$132,450)</u>	<u>(\$158,940)</u>	<u>(\$158,940)</u>
<b>ESTIMATED NET EFFECT ON THE HIGHWAY FUND</b>	<b><u>(\$132,450)</u></b>	<b><u>(\$158,940)</u></b>	<b><u>(\$158,940)</u></b>
<b>MOTOR VEHICLE COMMISSION FUND</b>			
<u>Loss - Dealer licenses fees</u>	<u>(\$331,125)</u>	<u>(\$397,350)</u>	<u>(\$397,350)</u>
<b>ESTIMATED NET EFFECT ON THE MOTOR VEHICLE COMMISSION FUND</b>	<b><u>(\$331,125)</u></b>	<b><u>(\$397,350)</u></b>	<b><u>(\$397,350)</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2019 (10 Mo.)	 FY 2020	 FY 2021
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Loss - Cities (15%) - Dealer plate fees</u>	<u>(\$26,490)</u>	<u>(\$31,788)</u>	<u>(\$31,788)</u>
<u>Loss - Counties (10%) - Dealer plate fees</u>	<u>(\$17,660)</u>	<u>(\$21,192)</u>	<u>(\$21,192)</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>(\$44,150)</u></b>	<b><u>(\$52,980)</u></b>	<b><u>(\$52,980)</u></b>



FISCAL IMPACT - Small Business

Small dealerships could be impacted by this proposal due the increased bond amount and the requirement of a minimum of 24 sales per calendar year.

FISCAL DESCRIPTION

This bill changes certain vehicle sales laws. In its main provisions, the bill:

- (1) Raises the bond requirement for motor vehicle dealers from \$25,000 to \$50,000 and the sales requirement from six vehicles to 24;
- (2) Requires motor vehicle dealers to submit regular business hours, a phone number, and electronic mail address and maintain a working phone and electronic mail address for use by the Department of Revenue and the general public;
- (3) Modifies dealer license plate classifications;
- (4) Allows discretion to suspend a dealer license instead of making such action mandatory for certain violations; and
- (5) Enacts new regulations under Section 301.566, RSMo, for holding "off premise events" involving the sale of specified vehicles by license holders at areas away from their normal place of business. The criteria for holding these off premise events is specified in the bill.

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  
St. Louis County  
St. Louis County Department of Justice Services  
Boone County  
Boone County Sheriff's Department  
St. Louis County Police Department  
City of Kansas City  
Greene County Sheriff's Department

Ross Strobe



Acting Director  
February 1, 2018