

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5890-01  
Bill No.: Perfected HB 2122  
Subject: Motor Vehicles; Licenses - Motor Vehicle; Business and Commerce  
Type: Original  
Date: March 8, 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	(\$9,358)	(\$11,230)	(\$11,230)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$9,358)</b>	<b>(\$11,230)</b>	<b>(\$11,230)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 11 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>(\$3,120)</b>	<b>(\$3,743)</b>	<b>(\$3,743)</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 reducing the minimum number of calendar year sales for issuance or renewal of a motor vehicle dealer license back to six.

#### §301.552

Creates provisions for motor vehicle dealers regarding eligibility for dealer plates based upon the following schedule:

- One dealer plate issued at the time of initial application for licensure as a motor vehicle dealer. Allows this plate to be retained if the minimum of six sales per year are met;
- A second dealer plate shall be issued upon the report of twelve sales per year during the requisite reporting period;
- A third dealer plate shall be issued upon the report of twenty sales per year during the requisite reporting period;
- Thereafter, one additional dealer plate shall be issued for each ten additional sales reported during the requisite reporting period.

#### §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 to maintain 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.

ASSUMPTION (continued)

§301.560.3

Requires the Department to issue two number 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.

§301.560.6

Removes the provisions for new motor vehicle manufactures, motor vehicle dealers, powersport dealers, recreational motor vehicle dealers, and trailer dealers eligibility for dealer plates from this subsection.

Creates provisions for used motor vehicle dealers regarding eligibility for dealer plates based upon the following schedule:

- One dealer plate issued at the time of initial application for licensure as a motor vehicle dealer. Allows this plate to be retained if the minimum of six sales per year are met;
- A second dealer plate shall be issued upon the report of twelve sales per year during the requisite reporting period;
- A third dealer plate shall be issued upon the report of twenty sales per year during the requisite reporting period;
- Thereafter, one additional dealer plate shall be issued for each ten additional sales reported during the requisite reporting period.

§301.562

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

§307.350

Proposes that a vehicle purchased from a motor vehicle dealer and a safety inspection was performed within sixty days of the purchase date, the new owner shall be able to utilize the safety inspection within thirty days after the sale of the vehicle.

Administrative Impact

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

- Update the procedures, and the Department website;
- Update the Missouri Title Manual and 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	200 hrs. @ \$18.42 per hr.	= \$3,684
Admin. Office Support Asst.	30 hrs. @ \$13.78 per hr.	= \$ 413
Revenue Manager Band I	160 hrs. @ \$25.05 per hr.	= \$4,008
Total		= \$8,105

FY 2019 - Personnel Services Bureau

Management Analysis Spec I	40 hrs. @ \$18.42 per hr.	= \$ 737
Administrative Analyst III	20 hrs. @ \$19.43 per hr.	= \$ 389
		= \$1,126

**Total Costs** **\$9,231**

FY 2019 - Mailing Cost to Dealers

The Department would need to notify 6,174 dealers regarding the change to the usage of a safety inspection at the cost of the Motor Vehicle Commission Fund.

6,174	Licensed Dealers
x \$.025	Cost per letter
\$ 154	Cost for letters
6,174	Licensed Dealers
x \$.04	Cost per envelopes
\$ 247	Cost for envelopes
6,174	Licensed Dealers
x \$.49	Postage per letter
\$3,025	Cost for postage

**\$3,426** **Total Cost for Letters and Mailings in FY 2019**

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.

In summary, DOR assumes a cost of **\$28,614** (\$9,231 + \$3,426 + \$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

§§301.552 and 301.560.3

Motor vehicle dealers will be limited to one plate at a fee of \$50. A second plate shall be issued at a fee of \$10.50 after the dealer completes twelve sales. A third plate shall be issued at a fee of \$10.50 after the dealer completes twenty sales. Any subsequent plates are issued in ten sale increments.

Currently, motor vehicle dealers are issued the first plate at \$50 (there will be no change on the initial dealer plate), and a second and third plate at \$10.50, if requested, regardless of sales.

Under this proposal, if a dealer cannot meet the additional twelve-sale requirement for a second plate and the twenty-sales requirement for a third plate, there may be a loss of additional dealer plate fees collected.

For licensure year 2017, 5,178 motor vehicle dealers obtained a second and third plate, with 774 of those selling less than 12 vehicles and 652 selling less than 20 vehicles.

774	Additional dealer plates (2nd plate)
x 10.50	Additional dealer plate fee of \$10.50
\$ 8,127	Loss of additional dealer plate fees

652	Additional dealer plates (3rd plate)
x 10.50	Additional dealer plate fee of \$10.50
\$ 6,846	Loss of additional dealer plate fees

The total potential revenue loss to the Highway Fund, Cities and Counties is \$14,973.

ASSUMPTION (continued)

Revenue Impact (continued)

	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Amount to Distribute</b>	<b>\$12,478</b>	<b>\$14,973</b>	<b>\$14,973</b>
Highway Fund (75%)	\$9,358	\$11,230	\$11,230
Cities (15%)	\$1,872	\$2,246	\$2,246
Counties (10%)	\$1,248	\$1,497	\$1,497

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.

The definition of Motor Vehicle Dealer is updated to require dealers to sell a minimum of six vehicles a year instead of 24.

§§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.

ASSUMPTION (continued)

§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.

§§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.



ASSUMPTION (continued)

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 **Springfield Police Department, 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> p. 6	<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> p. 7	<u>(\$9,358)</u>	<u>(\$11,230)</u>	<u>(\$11,230)</u>
<b>ESTIMATED NET EFFECT ON THE HIGHWAY FUND</b>	<b><u>(\$9,358)</u></b>	<b><u>(\$11,230)</u></b>	<b><u>(\$11,230)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Loss</u> - Cities - Dealer plate fees p. 7	(\$1,872)	(\$2,246)	(\$2,246)
<u>Loss</u> - Counties - Dealer plate fees p. 7	(\$1,248)	(\$1,497)	(\$1,497)
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>(\$3,120)</u></b>	<b><u>(\$3,743)</u></b>	<b><u>(\$3,743)</u></b>

FISCAL IMPACT - Small Business

Small dealerships could be impacted by this proposal due the increased bond amount.

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  
Springfield Police Department

Ross Strope



Acting Director  
March 8, 2018