

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5890-02
Bill No.: SCS for HB 2122
Subject: Bonds - General Obligation and Revenue; Business and Commerce; Fees;
 Licenses - Misc.; Motor Vehicles; Licenses - Motor Vehicle; Motor Vehicles;
 Department of Revenue
Type: Original
Date: April 16, 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	(\$473,345)	(\$570,414)	(\$570,414)
Motor Vehicle Commission Fund	\$488,043	\$585,652	\$585,652
Total Estimated Net Effect on <u>Other</u> State Funds	\$14,698	\$15,238	\$15,238

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	(\$158,448)	(\$190,138)	(\$190,138)

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. All fees collected for dealer licensing including the fees collected for the issuance of dealer plates or certificates of number shall be deposited into the Motor Vehicle Commission Fund now instead of the Highway Fund (§304.560.1(4)).

§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.

§301.560.4

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 Title 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.	= <u>\$6,012</u>
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.	= <u>\$ 737</u>
		= \$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.

In summary, DOR assumes a cost of **\$29,067** (\$13,110 + \$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

For the purpose of this fiscal note, the Department calculated the impact based on dealers that currently do not meet the 8 sale requirement this legislation proposes. If dealers that currently sell less than 8 vehicles increase their sales enough to meet this minimum requirement in this legislation in order to remain a licensed dealer, the loss in dealer license and dealer plate revenue could be substantially less. Additionally, the provision in this legislation that restrict dealer plate allowance could result in an increase in sales tax collection, which could partially offset the reduction in revenue that gets distributed to the Highways, Cities, and Counties.

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
<u>\$174,900</u>	Loss of dealer licensing fee

The total potential revenue loss to the Motor Vehicle Commission Fund due to potential loss in dealer license fees is \$145,750 in FY 2019 (10 months) and \$174,900 in FY 2020 and FY 2021.

ASSUMPTION (continued)

Revenue Impact (continued)

Currently, dealer plate fees are distributed to the Highway Fund, Cities, and Counties. The proposed legislation will create a potential revenue loss as follows:

1,166	Dealer's that sold 7 or fewer motor vehicles
<u>x \$50</u>	Initial dealer plate fee of \$50
\$ 58,300	Loss of dealer plate fees
2,332	Additional dealer plates (2 per dealer)
<u>x \$10.50</u>	Additional dealer plate fee of \$10.50
\$24,486	Loss of additional dealer plate fees

A dealer can obtain a third plate after the fifteenth sale. The Department cannot determine if any number of those dealers would meet the requirement of 8-14 sales.

In 2017, the Department collected \$843,338 in dealer plate fees for the initial dealer plate issued and additional dealer plate fees for dealers that sold 8 or more vehicles.

This will result in a redistribution of revenue of \$760,552 (\$843,338 - \$58,300 - \$24,486) from the Highway Fund, Cities and Counties to the Motor Vehicle Commission Fund per Section 301.560.1(4). This redistribution provision will result in the below revenue impact.

	FY 2019 (10 months)	FY 2020	FY 2021
Motor Vehicle Commission Fund	\$ 633,793	\$ 760,552	\$ 760,552
Highway Fund (75%)	\$ (475,345)	\$ (570,414)	\$ (570,414)
Cities (15%)	\$ (95,069)	\$ (114,083)	\$ (114,083)
Counties (10%)	\$ (63,379)	\$ (76,055)	\$ (76,055)
Net	\$ 0	\$ 0	\$ 0

ASSUMPTION (continued)

Revenue Impact (continued)

Motor Vehicle Commission Fund

The total potential revenue increase to the Motor Vehicle Commission Fund is \$488,043 in FY 2019 (10 months) and \$585,652 in FY 2020 and FY 2021.

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 Total State Revenue (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" or "Dealer" is updated to require dealers to sell a minimum of 8 or more vehicles a year instead of six. This increased 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.

ASSUMPTION (continued)

§301.560.3

Inserts language that requires payment by the applicant of a fee of \$50 for the first plate of certificate and \$10.50 for each additional plate or certificate before the department issues them. The new fees will increase TSR and the 18(e) calculation. Additional language was inserted that specified how the plates should be made as prescribed in 301.130; this has no impact to TSR or the 18(e) calculation.

§301.560.6

Inserts language that requires payment by the motor vehicle dealer applicant of a fee of \$50 for the first plate and \$10.50 for an additional plate before the department issues them. The department may issue a third plate upon completion of the dealer's 15th qualified transaction and payment of \$10.50. The new fees will increase TSR and the 18(e) calculation.

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.

Language 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.

ASSUMPTION (continued)

§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.

In response to a previous version, officials from the **Greene County Sheriff's Department** assumed this proposal would have an unknown impact on their organization.

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

In response to a previous version, officials from the **St. Louis County, Boone County, Boone County Sheriff's Department** and **St. Louis County Police** 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</u> p. 5	<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>Redistribution - Dealer plate fees</u> (\$301.560.1(4)) p. 6	<u>(\$473,345)</u>	<u>(\$570,414)</u>	<u>(\$570,414)</u>
ESTIMATED NET EFFECT ON THE HIGHWAY FUND	<u>(\$473,345)</u>	<u>(\$570,414)</u>	<u>(\$570,414)</u>
MOTOR VEHICLE COMMISSION FUND			
<u>Redistribution- DOR - Dealer plate fees</u> (\$301.560.1(4)) p. 6	\$633,673	\$760,552	\$760,552
<u>Loss - DOR - Dealer license fees of dealers not meeting the 8 plate threshold</u> p. 5	<u>(\$145,750)</u>	<u>(\$174,900)</u>	<u>(\$174,900)</u>
ESTIMATED NET EFFECT ON THE MOTOR VEHICLE COMMISSION FUND	<u>\$488,043</u>	<u>\$585,652</u>	<u>\$585,652</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
LOCAL POLITICAL SUBDIVISIONS			
<u>Redistribution</u> - Cities - Dealer plate fees (§301.560.1(4)) p. 6	(\$95,069)	(\$114,083)	(\$114,083)
<u>Redistribution</u> - Counties - Dealer plate fees (§301.560.1(4)) p. 6	(\$63,379)	(\$76,055)	(\$76,055)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(\$158,448)</u>	<u>(\$190,138)</u>	<u>(\$190,138)</u>

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 8;
- (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
Joplin Police Department

Ross Strobe



Acting Director
April 16, 2018