

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2194H.02C
 Bill No.: HCS for HB 1023
 Subject: Revenue, Department of; Fees; Motor Vehicles
 Type: Original
 Date: March 30, 2021

Bill Summary: This proposal modifies provisions relating to administrative fees charged by dealers licensed by the Department of Revenue.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	(\$67,306)	(\$6,731)	(\$6,731)
Total Estimated Net Effect on General Revenue	(\$67,306)	(\$6,731)	(\$6,731)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Motor Vehicle Administration Technology Fund*	Could exceed \$5,416,667 to \$27,083,333	Could exceed \$6,500,000 to \$32,500,000	Could exceed \$6,500,000 to \$32,500,000
Total Estimated Net Effect on <u>Other</u> State Funds	Could exceed \$5,416,667 to \$27,083,333	Could exceed \$6,500,000 to \$32,500,000	Could exceed \$6,500,000 to \$32,500,000

*Funds are dedicated for the purpose of development and maintenance of a modernized, integrated system for the titling of vehicles and related other purposes. Once the integrated system is implemented (estimated to cost \$105 million), the amount remitted to DOR decreases to 1% of the administrative fee charged by dealers to be used for maintenance of the system – expires January 1, 2037.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

OA-ITSD services will be required to update DOR systems to be able to collect the fee from dealers at a cost of **\$67,306** in FY 2022 (708 hours x \$95 per hour) and \$6,731 in subsequent years.

Oversight does not have any information to the contrary in regards to DOR's assumptions; therefore, Oversight will reflect DOR's OA-ITSD costs on the fiscal note.

Revenue Impact

DOR notes motor vehicle dealers, boat dealers, and power sport dealers are not required by law to report to the Department whether they charge an administrative fee in connection with the sale or lease of a new or used motor vehicle, vessel, or vessel trailer. Therefore, the Department is unaware of the number of motor vehicle dealers assessing an administrative fee in connection with the sale of a new or used motor vehicle.

For calendar year 2020, approximately 1,300,000 vehicles were sold by dealers. If each dealer assessed an administrative fee of \$100 and the Motor Vehicle Administration Technology Fund received ten percent, this would equate to \$13,000,000 annually. Once the integrated system is implemented, and the fund received one percent, this would equate to \$1,300,000. If each dealer assessed the max allowed administrative fee of \$500, the fund would receive \$65,000,000 annually. Once the integrated system is implemented, and the fund received one percent, this would equate to \$6,500,000 annually. It is unknown what administrative fee each dealer will charge to their customers.

Oversight is unable to determine how many dealers in Missouri charge an administrative fee and the amount of these fees; therefore, Oversight will utilize the estimates provided by DOR. However, Oversight will assume 50% of dealers will charge an administrative fee; therefore, Oversight will range the fiscal impact from 50% of dealers charging \$100 to 50% of dealers charging the maximum fee of \$500 on the fiscal note.

Oversight is unable to determine when the integrated system indicated in Section 301.558.3, RSMo, will be implemented; however, DOR has indicated that this integrated system could cost up to \$105 million. Therefore, Oversight will reflect the revenue into the newly established Motor Vehicle Administrative Technology Fund at the 10% level of the administrative fee assessed by dealers in all fiscal years on the fiscal note.

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

Oversight notes that the above mentioned agencies 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.

Rule Promulgation

Officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what their office can sustain with their core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Cost – DOR – OA- ITSD services</u>	<u>(\$67,306)</u>	<u>(\$6,731)</u>	<u>(\$6,731)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$67,306)</u>	<u>(\$6,731)</u>	<u>(\$6,731)</u>
<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
MOTOR VEHICLE ADMINISTRATION TECHNOLOGY FUND			
<u>Revenue – DOR – 10% of administrative fee charged by dealers – ranged from \$100 to \$500 per administrative fee</u>	Could exceed \$5,416,667 to <u>\$27,083,333</u>	Could exceed \$6,500,000 to <u>\$32,500,000</u>	Could exceed \$6,500,000 to <u>\$32,500,000</u>
ESTIMATED NET EFFECT ON THE MOTOR VEHICLE ADMINISTRATION TECHNOLOGY FUND	Could exceed \$5,416,667 to <u>\$27,083,333</u>	Could exceed \$6,500,000 to <u>\$32,500,000</u>	Could exceed \$6,500,000 to <u>\$32,500,000</u>

<u>FISCAL IMPACT –</u> <u>Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Motor vehicle dealers will be able to charge more in administrative fees as a result of this proposal.

FISCAL DESCRIPTION

Currently, a motor vehicle, boat, or powersport dealer can charge an administrative fee of up to \$200 for the storage of documents or other administrative or clerical services in connection with the sale or lease of any vehicle, vessel, or trailer without being deemed to be engaging in the unauthorized practice of law.

This bill increases the maximum limit to \$500, and provides that the limit will increase each year by an amount equal to the percentage change in the annual average Consumer Price Index for All Urban Consumers. The Department of Revenue must determine the maximum fee and furnish this amount to the Secretary of State to publish in the Missouri Register as soon as possible after January 14th of each year. The same fee must be charged to all customers unless limited by the dealer's franchise agreement.

This bill also provides that ten percent (10%) of any fee charged by motor vehicle dealers be remitted to the Motor Vehicle Administration Technology Fund (Fund) which is created.

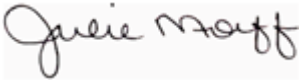
Monies in the Fund will be used by the Department of Revenue for the purpose of development and maintenance of an integrated system for the titling of vehicles, issuance and renewal of vehicle registrations, issuance and renewal of driver's licenses and identification cards, and perfection and release of liens and encumbrances on vehicles.

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

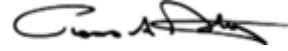
SOURCES OF INFORMATION

Department of Revenue
 Missouri Department of Transportation
 Attorney General's Office
 Office of the Secretary of State
 Office of the State Treasurer

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