

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2055-01
Bill No.: SB 492
Subject: Bonds - General Obligation and Revenue; Business and Commerce; Licenses - Miscellaneous; Motor Vehicles; Department of Revenue
Type: Original
Date: March 31, 2017

Bill Summary: This proposal modifies provisions relating to motor vehicle dealers.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(\$45,661)	(\$46,571)	(\$46,927)
Total Estimated Net Effect on General Revenue	(\$45,661)	(\$46,571)	(\$46,927)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

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 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

This proposal changes provisions regarding dealer licensing and dealer off-site sales.

§301.213

Proposes to increase, from \$25,000 to \$50,000, the size of the bond motor vehicle dealer license applicants are required to post to receive a license.

§301.559.3(1)

Proposes to add the applicant's regular business hours, phone number, and email address to the information required to be submitted on an application, and includes language to accommodate application of business entities that are formed as a limited liability company (LLC) instead of a partnership or corporation.

§301.560.1(1)

Would allow a Department of Revenue employee to certify that the applicant has a bona fide established place of business.

§301.560.1(1)

Allows applicants to maintain a cell phone number and maintain an email address that can be used for official correspondence with the Department.

§301.562.2(1)

Proposes to modify the circumstances under which the Department of Revenue may cause a complaint to be filed with the Administrative Hearing Commission against an applicant or license holder to include non-fulfillment of terms of license probation. Further proposes that certain involvement with a business entity, the license of which was revoked or suspended for cause and not reissued, or that was placed on a non-fulfilled probationary period, is considered cause for license suspension or revocation through an administrative process. Orders of suspension or renewal may give licensees 5 days to accept terms of probation in lieu of a suspension or revocation. Settlement agreements between the licensees may include issuance of a license for a period less than one year.

ASSUMPTION (continued)

§301.566

Restructures and adds requirements for off-premise events, including criteria that must be met in order to be approved by the Department, such as how long the events may be, how many events each licensed dealer may host, locations at which the events may be held, participation fee requirements, requirements for notice to other dealers, and an application time-line.

Administrative Impact

Motor Vehicle Bureau

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$838 in FY 2018.
- Develop an application to host an off-premise event. This will require 40 hours of overtime for a Management Analyst Specialist I, at a cost of \$838 in FY 2018.
- The Dealer Licensing Manual will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$838 in FY 2018.
- The Department's web site will need to be updated. This will require 10 hours for an Administrative Analyst III, at a cost of \$226 in FY 2018.

The Department assumes it will be able to absorb the costs of procedure updates, application development, dealer manual updates, and Department website updates. If multiple bills pass which require Department updates and application development, the Department could request additional FTEs and related equipment and expenses through the appropriations process.

This proposal provides for an application process for an off-premise event with requirements and restrictions. The Department is anticipating one FTE will be needed in the form of a Revenue Processing Tech II to process off-premise event transactions, perform research, issuance of the off-premise event permit and any related correspondence.

FY 2018

Revenue Processing Tech II (10 months) \$27,180 annually = \$22,650

FY 2019

Revenue Processing Tech II = \$27,452

ASSUMPTION (continued)

Administrative Impact (continued)

FY 2020

Revenue Processing Tech II = \$27,726

The Department will require equipment and expenses associated with this FTE requirement.

This proposal may have additional unknown impact on the Department in the amount of phone and email correspondence. If the volume is significant enough that it cannot be absorbed by existing staff, additional FTE(s) and related equipment and expenses may be requested through the appropriation process.

It is assumed the Department would need to issue and mail approved off-premise event permits to hosts of an off-premise event. As the Department cannot ascertain how this proposal will affect the number of transactions in any given year it is unknown how many off-premise event permits resulting in unknown postage costs for mailing the permits.

OA-ITSD Impact

Note: The Department did not process any off-premise event transactions in FY 2016 because it is not required to do so at this time; therefore, it is assumed that tracking of these off-premise event applications will be facilitated in a manual process. If the number of off-premise event applications received increases in a capacity that electronic tracking will need to be developed, it will be facilitated within Driver License/Motor Vehicle Connect (DMVC) which would utilize OA-ITSD resources that are not reflected in the fiscal note response.

Revenue Impact

The Department did not process any off-premise event fees of \$550 in FY 2016; therefore the Department cannot show a loss in revenue to the Motor Vehicle Commission Fund from the elimination of the \$550 fee in §301.566.2, RSMo.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 the SOS for Administrative Rules is less than \$2,500.

ASSUMPTION (continued)

The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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.

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.

Officials from **St. Louis County** state the St. Louis County Department of Transportation currently has a \$25,000 letter of credit with the state due to buying and selling enough cars that the county qualifies as a dealer. The county paid \$708.33 for the 2016 letter of credit. If the amount of the letter of credit doubled, the county assumes the cost would double as well.

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 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 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE FUND			
<u>Costs - DOR</u>			
Personal Services	(\$22,650)	(\$27,452)	(\$27,726)
Fringe Benefits	(\$15,335)	(\$18,483)	(\$18,565)
Equipment and Expense	<u>(\$7,676)</u>	<u>(\$636)</u>	<u>(\$636)</u>
<u>Total Costs - DOR</u>	<u>(\$45,661)</u>	<u>(\$46,571)</u>	<u>(\$46,927)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$45,661)</u>	<u>(\$46,571)</u>	<u>(\$46,927)</u>
Estimated Net FTE change for General Revenue Fund	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could affect motor vehicle, trailer and boat dealers.

FISCAL DESCRIPTION

This act increases, from \$25,000 to \$50,000, the size of the bond motor vehicle dealer license applicants are required to post to receive a license. It also provides that the Department of Revenue may stagger the licenses' expiration dates in order to equalize the workload. This act also adds the applicant's regular business hours, phone number, and email address to the information required to be submitted on an application, and includes language to accommodate application of business entities that are formed as a limited liability company (LLC) instead of a partnership or corporation.

This act also provides that the Director of Revenue may allow a Department of Revenue employee, rather than a uniformed member or employee of the Highway Patrol, to make the required certification that the applicant has a bona fide established place of business.

This act requires applicants to maintain a phone number that allows the applicant to be contacted during business hours, and an email address that can be used for official correspondence with the Department.

Furthermore, this act removes certain exemptions for providing with a used vehicle dealer's license application proof that the applicant has completed a Department-approved education seminar within the preceding 12 months.

This act modifies the circumstances under which the Department of Revenue may cause a complaint to be filed with the Administrative Hearing Commission against an applicant or license holder to include non-fulfillment of terms of license probation.

This act specifies that certain involvement with a business entity, the license of which was revoked or suspended for cause and not reissued, or that was placed on a non-fulfilled probationary period, is considered cause for license suspension or revocation. Orders of suspension or renewal may give licensees 5 days to accept terms of probation in lieu of a suspension or revocation.

FISCAL DESCRIPTION (continued)

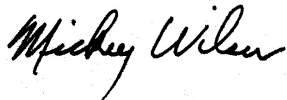
Settlement agreements between the licensee may entail issuance of a license for a period less than one year.

This act also specifies requirements for off-premise events, including criteria that must be met in order to be approved by the Director of the Department of Revenue, such as how long the events may be, how many events each licensed dealer may host, locations at which the events may be held, participation fee requirements, requirements for notice to other dealers, and an application time-line.

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
Department of Corrections
Office of Prosecution Services
Office of the State Public Defender
Office of the State Courts Administrator
Department of Public Safety - Missouri Highway Patrol
Office of the Secretary of State
City of Kansas City
St. Louis County



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March 31, 2017

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March 31, 2017