

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3276-01
Bill No.: HB 1688
Subject: Boards, Commissions, Committees, Councils; Business and Commerce;
 Economic Development Dept; Motor Vehicles
Type: Original
Date: February 11, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue*	(\$34,999 to UNKNOWN)	(\$43,049 to UNKNOWN)	(\$44,125 to UNKNOWN)
Missouri Motor Vehicle Fund	\$1,469,633	\$418,457	\$565,606
Motor Vehicle Commission Fund	(\$667,133)	\$0	\$0
PR Fees Fund	(\$15,926)	\$15,926	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$821,573 to (UNKNOWN)	\$477,432 to (UNKNOWN)	\$609,731 to (UNKNOWN)

*Expected to exceed \$100,000

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

FISCAL ANALYSIS

ASSUMPTION

According to officials from the **Department of Revenue (DOR)**, this proposal transfers the responsibility for licensing and regulating all types of motor vehicle, boat, and motor vehicle auctions from the Department of Revenue to the Department of Economic Development (DED).

DOR assumes the current employees and personal services and expense and equipment funds will be transferred to the DED. DOR currently has in the FY03 Core Budget \$318,737 for personal services and \$135,396 for expenses and equipment. \$213,000 remains in the Motor Vehicle Commission Fund for the Driver and Vehicle Services Bureau to pay for the dealer license plates; it is also assumed that this amount would be transferred to the Missouri Motor Vehicle Board Fund and the Department of Economic Development would now utilize that fund.

The Motor Vehicle Commission Fund would be abolished and future dealer licensure fees would be deposited into the Missouri Motor Vehicle Fund. DOR estimates no impact to the Highway Fund although this proposal does permit an increase in the dealer plate fees.

This proposal also provides for a temporary title, if the dealer does not have the actual title available to assign. The dealer is required to send the original temporary title to DOR along with the title application. It is unclear to DOR as to what the Department is to do with these documents since an actual title cannot be issued until the legal ownership document is surrendered. DOR was unable to determine the fiscal impact of the temporary certificate of ownership, however, it would appear to be significant costs for programming, tracking, forms, etc.

Officials from the **Department of Economic Development - Division of Professional Registration (DPR)** assume that this legislation transfers the powers, duties and functions of the MO Department of Revenue related to the licensing and regulation of motor vehicle dealers, manufacturers, boat dealers, wholesale motor vehicle auctions, public motor vehicle auctions, and wholesale motor vehicle dealers to the Department of Economic Development, Division of Professional Registration. In addition, this legislation establishes state licensure for motor vehicle salespersons, power sport dealers and creates the Missouri Motor Vehicle Board.

Since the licensing and regulation of motor vehicle dealers, etc. is already established within the Department of Revenue, the Division of Professional Registration assumes that the necessary appropriation amount and funding will be transferred from the Department of Revenue to the Division of Professional Registration. The division assumes that this appropriation amount will include, at a minimum, the necessary personal service, expense and equipment and FTE to cover the following expenses: 1. Staff (FTE) for processing applications, complaints and investigations; 2. Printing and postage; 3. Legal expenses (Attorney General's Office and/or outside counsel); 4. Division and Department overhead; 5. Cash receiving room (renewal and mail processing).

DPR assumes that funding will be offset by the licensing fees.

ASSUMPTION (continued)

DPR assumes there are approximately 18,000 motor vehicle dealerships (new or used, sale or lease) that are currently licensed by the Department of Revenue. They further assume that each establishment has at least 10 salespersons (18,000 x 10 = 180,000). The proposed legislation states that the annual license fee for salespersons can be no less than \$25. In addition, a 3% growth rate has been estimated. This would result in annual revenues from salesperson licenses of \$4,500,000. It is assumed that the Missouri Motor Vehicle Fund would reimburse PR Fees Fund for all expenses paid by the PR Fees Fund.

DPR is requesting an additional 16 FTE to carry out duties created by this proposal. The additional employees include a Principal Assistant (1 FTE at \$65,000 per year) to serve as senior executive officer of the licensing agency (the proposal requires that the Executive Director (Principal Assistant) be an attorney; a Licensure Technician II (1 FTE at \$24,492 per year) to provide technical support directly to the Principal Assistant and to be responsible for processing applications for licensure, as well as responding to any inquiries relating to the licensure law or rules and regulations; 4 Account Clerks II (4 FTE at \$23,184 per year) to provide support for the Division's Central Accounting Section and Central Cash Receiving Room; 9 Investigators II (9 FTE at \$37,488 per year) to assist in the Central Investigative Unit in conducting investigations and inspections; and 1 Budget Analyst II (1 FTE at \$37,488 per year) to assist Division-Administration in the increase in workload for budget, fiscal note and rule preparation.

This proposed legislation creates the Missouri Motor Vehicle Board which shall consist of nine members. It is assumed that the board will meet at least four times per year for two days and all meetings would be held in Jefferson City. This proposal allows for reimbursement of expenses for board members when conducting board business. The proposal does not provide for board member compensation. Associated travel costs (mileage, lodging, & meals) would be \$12,274 per year.

DPR estimates printing and postage costs for FY 2002 at \$6.19 per licensee, or \$1,114,200. DPR has based postage and printing costs for subsequent years on the actual FY 2002 usage for a board of similar size and has estimated costs \$100,000 per year. Office and communication expenses and equipment are based on estimated existing costs within the Division and follow Office of Administration guidelines.

DPR assumes there would be 3600 consumer complaints each year. (This estimate is 2% of the total licensee count.) It is estimated that an average complaint would require 5 hours to complete. It is estimated that 15% of the complaints would require an investigation, resulting in 540 investigations, with an average investigation requiring 30 hours of field work. Travel costs to conduct investigations total \$137,700.

ASSUMPTION (continued)

It is estimated that the **Office of the Attorney General (AGO)** would provide approximately 60 hours of assistance per year with rules, opinions and meetings. Based on an hourly cost of \$60.87, the annual total would be \$3,652. Also, it is estimated that 25% of investigations will be forwarded to the AGO for further action (135 cases). It is assumed there would not be any cases until FY 2005. Based on a cost of \$5,400 per case, the annual cost would be \$729,000.

It is assumed by DPR that existing staff would design, program, and implement a computer licensure program (8 hours x \$21.65 per hour = **\$173.20**). In addition, costs have been calculated for EDP costs including maintenance of the division's licensing and optical imaging system. These costs are based on the current 3 year licensee average percentage cost allocation for the division for a total cost of \$176,145. A 3% growth rate has been estimated. DPR notes that costs have not been calculated for transition of licensee information between the licensing system from DOR to DPR.

Costs have been calculated for the personal services, equipment, and expenses provided to all boards/agencies within the Division of Professional by the Director's Office. These costs are based on FY 2000 actuals using the current 3 year licensee average percentage cost allocation plan for a total cost of \$685,672.

Oversight assumes, based on information from the Department of Revenue, that there are 6,000 motor vehicle dealerships. Based on information from the National Automobile Dealers Association, there are 553 franchised dealerships in Missouri with approximate 4,840 salespersons. Oversight assumes an average of five salespersons per dealership for the remaining firms, resulting in approximately 32,100 salespersons subject to licensure. $(4,840 + [5,447 \times 5])$. At \$25 a year for 32,100 salespersons, the annual fee revenue would be \$802,500.

Based on the assumption of 32,100 salespersons, **Oversight** as adjusted DPR projections of income and expenses. It is assumed that Department of Revenue - Driver and Vehicle Services Bureau will transfer 12.5 FTE to DPR. Oversight assumes DPR will need an additional 2 FTE to handle to workload related to salesperson licensure. Printing and postage costs would be \$198,699 the first year and \$18,000 a year thereafter. Personnel and expenses were calculated only for the two additional FTE to handle the salesperson licensing; it is assumed that revenues from the previous sources would offset the expenses as a result of the transfer. Oversight did not calculate costs for the additional administrative services. If the administrative workload is increased significantly, the Division and the Department of Economic Development may seek additional funding through the appropriations process.

Consumer complaints are estimated at 642, resulting in 96 investigations for total investigation expense of approximately \$8,448. It is estimated that 24 cases would be forwarded to the Attorney General's office for further action, resulting in total case cost of \$129,600

ASSUMPTION (continued)

Officials from the **Secretary of State's Office (SOS)** assumed the rules, regulations and forms issued by the Missouri Motor Vehicle Board could require as many as 180 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$11,070 for FY 2003. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

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. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of Attorney General (AGO)** assumed one Assistant Attorney General I would be needed to handle licensing matters arising from this legislation.

Officials from the **Department of Transportation** were unable to provide an estimate for the effect on revenue (savings or cost) of this legislation.

Officials from the **Department of Corrections (DOC)** indicated the fiscal impact is unknown, but is assumed to be \$0, or a minimal amount that can be absorbed by DOC each year.

Officials from the **Office of Prosecution Services** indicated any costs to prosecutors could be absorbed.

The following agencies reported that this proposed legislation would have no fiscal impact on their agency: **Office of the Governor, Office of Administration - Administrative Hearing Commission, Office of State Courts Administrator, Department of Public Safety - Missouri State Highway Patrol, Office of State Treasurer, Department of Insurance, and the Department of Labor and Industrial Relations.**

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE			
<u>Loss - Department of Revenue</u>			
Temporary Titles*	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)
<u>Costs - Office of Attorney General</u>			
Personal Service (1 FTE)	(\$26,250)	(\$32,288)	(\$33,095)
Fringe Benefits	(\$8,749)	(\$10,761)	(\$11,030)
Total Cost - AGO	(\$34,999)	(\$43,049)	(\$44,125)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$34,999 to UNKNOWN)</u>	<u>(\$43,049 to UNKNOWN)</u>	<u>(\$44,125 to UNKNOWN)</u>
* Expected to exceed \$100,000			
MISSOURI MOTOR VEHICLE FUND			
<u>Transfer In - Department of Economic Development -Professional Registration Motor Vehicle Board Fund Transfer</u>			
Personal Services	\$318,737	\$0	\$0
Expense and Equipment	\$135,396	\$0	\$0
Dealer License Plates	<u>\$213,000</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Transfer In</u>	\$667,133	\$0	\$0
<u>Income - Professional Registration (DPR)</u> Licensure Fees/Renewals	\$802,500	\$826,575	\$852,372
<u>Costs - DPR</u>			
Transfers to PR Fees Fund	\$0	<u>(\$408,118)</u>	<u>(\$286,766)</u>
ESTIMATED NET EFFECT TO MISSOURI MOTOR VEHICLE FUND	<u>\$1,469,633</u>	<u>\$418,457</u>	<u>\$565,606</u>

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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MOTOR VEHICLE COMMISSION FUND

Transfer Out - Department of Revenue
 Motor Vehicle Commission Fund

Transfer

Personal Services	(\$318,737)	\$0	\$0
Expense and Equipment	(\$135,396)	\$0	\$0
Dealer License Plates	<u>(\$213,000)</u>	<u>\$0</u>	<u>\$0</u>
Total Transfer Out	<u>(\$667,133)</u>	<u>\$0</u>	<u>\$0</u>

PR FEES FUND

Income- DPR

Transfer from Missouri Motor Vehicle Fund	\$0	\$480,118	\$286,766
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Costs - DPR

Personal Service (2 FTE)	\$0	(\$76,414)	(\$78,324)
Fringe Benefits	\$0	(\$27,517)	(\$28,204)
Expense and Equipment	(\$12,274)	(\$227,009)	(\$46,896)
Other Costs - AGO	<u>(\$3,652)</u>	<u>(\$133,252)</u>	<u>(\$133,252)</u>
Total Costs - DPR	(\$15,926)	(\$464,192)	(\$286,766)

ESTIMATED NET EFFECT TO PR FEES FUND

<u>(\$15,926)</u>	<u>\$15,926</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

Small businesses would be affected by costs to dealerships that would pay for salesperson licensure.

DESCRIPTION

This proposed legislation transfers many regulatory duties from the Department of Revenue to the Missouri Motor Vehicle Board within the Department of Economic Development - Division of Professional Registration. The Missouri Motor Vehicle Board is created and is responsible for licensing of all manufacturers, motor vehicle dealers, salespersons, boat dealers, wholesale motor vehicle auctions, public motor vehicle auctions and wholesale motor vehicle dealers.

The Missouri Motor Vehicle Board is vested with rulemaking authority and the following powers: establishing qualifications for applications, examining and licensing applicants, establishing fees for licensure and renewal, discipline of licensees, investigating complaints, and establishing committees. The Missouri Motor Vehicle Board Fund is created and provisions for its use are established.

Complaints will be heard by the administrative hearing commission and disciplinary actions, procedures and penalties are specified.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This proposed legislation would result in an increase to state revenue.

SOURCES OF INFORMATION

Department of Revenue
Office of the Governor
Office of Administration
 Administrative Hearing Commission
Office of State Courts Administrator
Department of Corrections
Department of Transportation
Department of Public Safety
 Missouri State Highway Patrol
Secretary of State
 Administrative Rules Division
Office of State Treasurer
Office of Prosecution Services
Department of Insurance
Department of Labor and Industrial Relations
Office of Attorney General
Department of Economic Development
 Division of Professional Registration



Mickey Wilson, CPA
Acting Director
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