

Department of Planning and Budget 2007 Fiscal Impact Statement

1. Bill Number HB3010

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Janis

3. Committee Transportation

4. Title Motor vehicle, T&M vehicle, trailer, and motorcycle dealers

5. Summary/Purpose: This bill relates to fees imposed by the Department of Motor Vehicles on certain motor vehicle dealers, T&M (motor home and travel trailer) vehicle dealers, trailer dealers, and motorcycle dealers.

6. Fiscal Impact Estimates are: Preliminary, see Item 8 below.

6b. Revenue Impact: There will be a reduction in the revenue received from manual dealer transaction fees. However, the amount of the impact cannot be stated with certainty.

Revisions to § 46.2-1930.1, enacted in 2006, were intended to encourage the use of electronic filing and to decrease use of the customer service centers for motor vehicle dealer transactions. The revisions were also intended to help offset the administrative cost of manual transactions, which are more expensive to the Department of Motor Vehicles (DMV) than electronic transactions or those conducted at DMV Select agent locations.

DMV's revenue from the manual transaction fee from July 1, 2006 through December 31, 2006 of \$63,670 was approximately 20.6 percent more than the \$52,810 received during the same six-month period in fiscal year 2006. These numbers indicate that the proposed legislation to resume the waiver for any dealer having an agreement to perform electronic processing and eliminate the fee's applicability to mail-in transactions might result in a 20 percent loss in revenue.

The revenue reduction also will depend upon how many motor vehicle dealers enter into agreements with a DMV-approved provider to perform electronic filing in order to qualify for exemption from the manual transaction fee. In FY 2006, DMV's revenue from the manual transaction fee was approximately \$97,000.

- If 10 percent of the dealers who currently pay that fee enter into agreements to perform electronic processing in order to become exempt from the manual transaction fee, the estimated revenue reduction would be \$9,700.

- If 25 percent of the dealers who currently pay that fee enter into agreements to perform electronic processing in order to become exempt from the manual transaction fee, the estimated revenue reduction would be \$24,250.
- If 50 percent of the dealers who currently pay that fee enter into agreements to perform electronic processing in order to become exempt from the manual transaction fee, the estimated revenue reduction would be \$48,500.
- If all of the dealers who currently pay that fee enter into agreements to perform electronic processing in order to become exempt from the manual transaction fee, the estimated revenue reduction would be \$97,000.

It is important to note any revenue reduction resulting from more dealers entering into agreements to perform electronic filing will not necessarily be accompanied by a reduction in the number of manual transactions being processed at customer service centers (CSCs). The revenue reduction could occur with more dealers performing all their transactions manually at the CSCs, where the cost to DMV is highest, but not incurring any fee. The average administrative cost to process an original title at a customer service center is \$13.77. The average cost to DMV of an on-line dealer transaction is \$2.99.

7. Budget amendment necessary: No.

- 8. Fiscal implications:** This bill would add a provision to § 46.2-1530.2 of the *Code of Virginia* that exempts from payment of the manual transaction fee any licensed motor vehicle dealer that has merely entered into an agreement with a DMV approved provider to perform electronic filing. This same provision was eliminated by legislation during the 2006 regular session because it created a loophole to avoid the transaction fee. The provision does not require the use of electronic filing, as was intended, but only requires a dealer to enter into an agreement with an approved vendor in order to be exempt from paying the transaction fee.

This bill also would modify the language that presently defines manual transaction to include any transaction not conducted electronically or at a DMV Select location. This language was added by the 2006 legislation to make the \$15 fee applicable to transactions submitted by mail or other forms of delivery for processing at DMV headquarters as well as to transactions conducted at CSCs. This was needed to help offset the administrative cost of manual transactions, which are more expensive to DMV than electronic transactions or those conducted at DMV Select agent locations. DMV's average administrative cost to process a mail-in transaction at headquarters is \$10.48. The average cost of such transactions at a DMV Select agent is \$8.77. The changes in the bill would limit the manual transaction fee to transactions conducted at the CSCs only.

HB 3010 also would amend chapters 19 (pertaining to T & M Dealers), 19.1 (pertaining to Trailer Dealers), and 19.2 (pertaining to Motorcycle Dealers) to include a provision mandating manual transaction fees identical to § 46.2-1530.2 as it would read if amended by the bill. The revenue impact from these amendments cannot be estimated, as there is no data indicating the number of manual transactions conducted by these categories of dealers. However, these dealers also would be exempt by simply entering into an agreement with an approved vendor to perform electronic filing. It is not anticipated that the revenue from these manual transactions would be substantial.

9. Specific agency or political subdivisions affected: Department of Motor Vehicles.

10. Technical amendment necessary: No.

11. Other comments: None.

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cc: Secretary of Transportation