

## **Department of Planning and Budget**

### **2015 Fiscal Impact Statement**

**1. Bill Number:** HB2189

**House of Origin**    ☐ Introduced    ☐ Substitute    ☐ Engrossed  
**Second House**    ☐ In Committee    ☐ Substitute    ☒ Enrolled

**2. Patron:**        McQuinn

**3. Committee:** Passed Both Houses

**4. Title:**            Motor Vehicle Dealer Board; authority over recreational, trailer, and motorcycle dealers; penalties.

**5. Summary:** This bill transfers the oversight of recreational, trailer, and motorcycle dealers from the Department of Motor Vehicles to the Motor Vehicle Dealer Board. The bill also provides for representation by recreational, trailer, and motorcycle dealers on the Board and updates the term "T&M" (travel trailers and motor homes) to "recreational." The bill increases the penalty for dealers' noncompliance with requirements for issuance of temporary license plates from a Class 3 misdemeanor to a Class 1 misdemeanor (the current penalty for the dealers licensed by the Department of Motor Vehicles) and creates a Class 1 misdemeanor for failure to comply with safety inspections or disclosures required before the sale of certain types of trailers.

**6. Budget Amendment Necessary:** No. The introduced bill includes two additional positions for the Motor Vehicle Dealer Board and necessary additional appropriation.

**7. Fiscal Impact Estimates:** Final. See #8.

**8. Fiscal Implications:** Prior to the creation of the current Motor Vehicle Dealer Board (MVDB) by the 1995 General Assembly, all motor vehicle dealers were under the purview of the Department of Motor Vehicles (DMV). New and used car and truck dealers were placed under the purview of the MVDB because they represented the large majority of dealers at the time. In large measure, the legislation was an attempt to minimize the responsibilities of and create more efficiency in the administration of government by creating a process of self-regulation. In this sense, cars and trucks were the "pilot" program for this mission.

As of July 1, 2014 there were 1,131 dealers under the purview of DMV that would be transferred to MVDB under this proposal. Of this number, 798 (71 percent) of these dealers also have a dealer license issued by the MVDB. These dealers are referred to as "dual licensed dealers". Per a Memorandum of Agreement between DMV and MVDB, the Dealer Board provides most of the licensing services for these dual licensed dealers. Given this fact, only 333 DMV licensed dealers would be impacted by this proposal.

After nearly twenty years of successful self-regulation, the Dealer Board has proven to be a workable model for dealers. As of July 1, 2014, there were 3,425 dealers licensed by the

Motor Vehicle Dealer Board. The MVDB is best suited to oversee the motor vehicle dealer industry.

The MVDB also administers a fund called the Transaction Recovery Fund, which compensates consumers who are defrauded by motor vehicle dealers. Consumers who purchase vehicles under the purview of DMV do not have this protection. This proposal would provide protection to consumers who purchase vehicles from motorcycle, trailer, and T&M dealers established after July 1, 2015.

This legislation will result in an expenditure increase for the MVDB in the amount of \$140,000 to cover the costs of two additional personnel and related expenses.

DMV will incur a revenue reduction from fees for licensing recreational vehicle, trailer, and motorcycle dealers that are currently received by DMV and that will transfer to MVDB should this legislation pass. MVDB will incur a revenue increase from receiving the new fees to license recreational vehicle, trailer, and motorcycle dealers. DMV revenue would decrease by \$93,352 and MVDB revenue would increase by \$140,275. MVDB will receive an increase in revenue (\$46,923 annually) over what DMV receives when recreational vehicle, trailer, and motorcycle dealers begin paying the same fees as current motor vehicle dealers.

Although insufficient data exists to determine a fiscal impact due to this proposal, the proposed legislation could result in an increase in the jail population since Class 1 misdemeanor outcomes result in sentences of up to 12 months in jail (and a fine up to \$2,500). Any increase in jail population will increase costs to the state. The Commonwealth presently pays the localities \$4.00 a day for each misdemeanant or otherwise local responsible prisoner held in a jail. It also funds a significant portion of the jails' operating costs, e.g. correctional officers. The state's share of these costs on a per prisoner, per day basis varies from locality to locality. However, according to the Compensation Board's FY2013 Jail Cost Report (November 1, 2014), the estimated total state support for local and regional jails averaged \$30.54 per state inmate, per day in FY 2013.

**9. Specific Agency or Political Subdivisions Affected:** Department of Motor Vehicles, Motor Vehicle Dealer Board, local jails.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** None.

**Date:** 2/23/15

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c: Secretary of Transportation