

Department of Planning and Budget 2008 Fiscal Impact Statement

1. **Bill Number:** HB967

House of Origin Introduced ___ Substitute ___ Engrossed
Second House ___ In Committee ___ Substitute ___ Enrolled

2. **Patron:** Shannon

3. **Committee:** Transportation

4. **Title:** Fees imposed by DMV on vehicle dealers.

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

6. **Fiscal impact estimates:** Preliminary. See #8 below.

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 only has entered into an agreement with a Department of Motor Vehicles (DMV) approved provider to perform electronic filing. This same provision was eliminated by legislation during the 2006 regular session because it created a loophole through which dealers could 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 manual processing at DMV headquarters as well as to transactions conducted at customer service centers (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. The changes in the bill would limit the manual transaction fee to transactions conducted at the CSCs only. DMV's average administrative costs to process transactions are:

Transaction method	DMV Cost
Customer service center	\$15.33
Mail-in transaction to DMV headquarters	\$12.48
DMV Select agent	\$8.08
On-line dealer transaction	\$3.62

DMV's revenue from the manual transaction fee in fiscal year 2007 was \$126,645. This was approximately 30 percent more than the revenue of \$97,430 realized in fiscal year 2006. These figures 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 may result in a 30 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. Using the FY 2007 revenue of \$126,645 as a basis:

- If 10% of the dealers who currently pay the manual transaction fee enter into agreements to perform electronic processing in order to become exempt from the manual transaction fee, the estimated revenue reduction would be \$12,665.
- If 25% 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 \$31,661.
- If 50% 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 \$63,322.
- 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 \$126,645.

It is important to note that any revenue reduction which would result 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 the 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.

HB 967 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 this bill.

The revenue impact from these amendments cannot be estimated, as there is no data available 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, and so DMV does not anticipate that the revenue from their 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