

Department of Planning and Budget 2011 Fiscal Impact Statement

1. Bill Number: SB1372

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: Marsden

3. Committee: Transportation

4. Title: Motor Vehicle Transaction Recovery Fund.

5. Summary: This bill increases from \$20,000 to \$50,000 (i) the maximum claim of one judgment creditor against the Motor Vehicle Transaction Recovery Fund based on an unpaid final judgment arising out of loss or damage for certain claims and (ii) the maximum recovery on bonds.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Preliminary. See Item #8.

8. Fiscal Implications: The Virginia Motor Vehicle Transaction Recovery Fund (TRF) was established to reimburse persons who have suffered loss or damage in connection with the purchase or lease of a motor vehicle due to illegal actions of licensed or registered motor vehicle dealers or salespersons. Assessment fees to support the fund are paid annually by licensed and registered motor vehicle dealers and salespersons. Any person who has been awarded a final judgment against a licensed or registered motor vehicle dealer or salesperson in a State or Federal court in Virginia may file a claim with the Motor Vehicle Dealer Board (MVDB) requesting payment from the fund for any portion of the judgment which has not been satisfied.

The cap of total payments that may be paid on behalf of a dealer is \$100,000. With the current \$20,000 maximum per claim, five or more consumers could be paid within the cap. Under the bill, the total could be exhausted by just two consumers. Historically, very few consumers have had actual losses of more than \$20,000. Attorney's fees, which can be paid from the fund, are sometimes excessive and raise the claim amount above the \$20,000.

Historically, the General Assembly has increased the maximum claim amounts in \$5,000 increments. In 2001 the limits were increased from \$15,000 per claim, \$75,000 total to the current \$20,000/\$100,000.

2009

Total TRF Income: \$145,000

Total amount claims paid from the TRF: \$113,300

Number of Claims: 14

Number of claims over \$20,000: 3

If the maximum had been \$50,000 per claim in FY 2009, the total paid from the Fund would have increased by \$41,000 for a total of \$154,300, greater than the income in FY 2009.

2010

Total TRF Income: \$138,000

Total amount claims paid from the TRF: \$117,400

Number of Claims: 10

Number of claims over \$20,000: 3

If the maximum was \$50,000 per claim in FY 2010; the total paid from the Fund would have increased by \$47,000 for a total of \$164,400 which is greater than the income in FY 2010

Averaging recent data, it would appear that the bill's impact on the TRF would be an additional \$44,000 per year for a total amount paid from the TRF of \$159,350 annually, with a projected income of \$141,500. Income to the TRF is trending down with fewer dealerships opening. In FY 2010 the General Assembly transferred \$700,000 from the TRF, leaving a balance of \$250,601. The Code requires a minimum balance of \$250,000. The current balance is \$280,625. To meet potential cost increases to the TRF due to this legislation, dealerships and salesmen might need to contribute more to the fund annually.

9. Specific Agency or Political Subdivisions Affected: Motor Vehicle Dealer Board.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 1/20/11

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cc: Secretary of Transportation