



Economic Impact Analysis Virginia Department of Planning and Budget

24 VAC 22-20 – Motor Vehicle Dealer Fees
Motor Vehicle Dealer Board
December 31, 2006

Summary of the Proposed Regulation

The Motor Vehicle Dealer Board (board) proposes to amend the current Motor Vehicle Dealer Fees Regulations (24 VAC 22-20) and adjust some of the fees paid by motor vehicle dealers and salespersons. The board also proposes to add language regarding the certification test fees to the regulations and revise several definitions for consistency with the Code of Virginia.

Results of Analysis

There is insufficient data to accurately compare the magnitude of the benefits versus the costs. Detailed analysis of the benefits and costs can be found in the next section.

Estimated Economic Impact

The Motor Vehicle Dealer Board is a Special Fund agency which receives no General Fund monies and operates on fees paid by motor vehicle dealers and salespersons. The current fee structure was established in 1996. At that time, the financial plan was for the board to build a surplus in revenue in its Special Fund in the first three years and those surplus revenues would cover revenue deficiencies in the last three years of the six-year financial plan. A combination of lower than projected expenditures and higher than expected revenues has allowed the Board to stretch its six year plan to about ten years. However, without an adjustment to the fee structure, it is projected that the agency will be close to running out of funds around January of 2008.

The board proposes to increase some of the fees that motor vehicle dealers and salespersons are assessed by the board. Table 1 lists the proposed fee increases, the maximum fees set by statute, and the estimated increase in cost from the proposed changes. Application

fees for taking dealer-operator and salesperson certification test will increase from \$25 to \$50.¹ The annual salesperson license fees will be raised from \$20 to \$25. The annual dealer license plate fees, which are currently \$20 each for the first two plates and \$15 for each additional plate, will be \$30 for the first two plates and \$26 for each additional plate.² All of the proposed fees are still under the maximum fees set by the Code of Virginia. The proposed regulation also incorporates language regarding the certification test fees, which is currently stated in the instructions for the certification test. Definitions of “motor vehicle dealer” and “motor vehicle salesperson” are revised for consistency with Code Section §46.2-1500.

The proposed fee increases will cause increases in costs for motor vehicle dealers, salespersons, and applicants for dealer-operator and salespersons certification tests in Virginia. Column 3 of Table 1 shows the estimated number of certification tests taken every year, the estimated number of salesperson licenses issued and dealer license plates that are provided by the board. Column 4 calculates the estimated increased costs under the proposed fees compared to the current fee structure. For example, the board estimates that there will be 7,619 dealer-operator and salesperson certification tests taken every year, with about 10% of the tests taken by dealer-operator applicants and the other 90% from salesperson applicants. Each applicant will have to pay \$25 more for taking the certification test. The estimated increase in costs will be approximately \$190,475 for all of the applicants. The \$5 increase in annual salesperson license fees will increase costs by \$132,145 for all the licensees. The proposed changes in the annual dealer license plate fees will increase costs by \$324,742 for all of the dealers in Virginia. The total increase in costs from the proposed regulations will be approximately \$716,962 annually statewide. According to the board, most of the dealers pay the salespersons licensing fees and all dealer plate fees. Therefore, the proposed regulations will cause a total increase in costs of \$526,487 for the 3,850 dealers in Virginia, with an average increase of \$137 per year.³ Given that the current fee structure has not been changed since 1996, and the proposed fees are still

¹ According to the Board, currently the certification test fee is stated in the instructions for the certification test. The proposed regulations will incorporate the certification test fees.

² According to §46.2-1546, for the first two dealer’s license plates issued to a dealer, twenty-four dollars shall be deposited into the Transportation Trust Fund and the remainder shall be deposited into the Motor Vehicle Dealer Fund. For each additional dealer’s license plate issued to a dealer, ten dollars and forty cents is deposited into the Transportation Trust Fund and the remainder is deposited into the Motor Vehicle Dealer Fund. Therefore, the fee for the first two dealer’s plates can not be less than twenty-four dollars and the fee for additional dealer’s license plates can not be less than ten dollars and forty cents each.

³ Calculation: $\$526,487 / 3,850 = \137

under the maximum fees set by law over eleven years ago, the impact of the proposed regulations on the dealers, salesperson, and applicants for dealer-operator and salespersons certification tests will likely be modest. And, part of the increase in costs may be passed on to the consumers in the form of higher prices.

The proposed fee increases will generate an increase in revenue of about \$716,962 to the Motor Vehicle Dealer Fund. This additional revenue will be used to maintain the functioning of the board to administer sections of the Commonwealth's Motor Vehicle Dealer Laws and Regulations as charged, which will benefit both the automotive consumer and dealer body. The incorporation of new language about the certification test fees and the revision of definitions will improve clarity of the regulations and reduce potential confusions. Since the benefits from the proposed regulations will not be measured in dollar amount, it is not known whether the total costs will exceed total benefits.

Table 1: Proposed Fee Increases and the Estimated Increase in Costs

| | Current Fees | Proposed Fees | Maximum Fees by Statute | Estimated Number of Certification Tests Taken per Year / Salesperson Licenses / Dealer License Plates ^b | | Estimated Increase in Costs |
|--|--|--|-------------------------|--|--------------------|-----------------------------|
| Dealer-operator Certificate of Qualification | \$25 to take the certification test ^a | \$50 application fee | \$50 | 7,619 | | \$190,475 |
| Salesperson Certification of Qualification | \$25 to take the certification test ^a | \$50 application fee | \$50 | | | |
| Annual Salesperson License Fee | \$20 | \$25 | \$50 | Single year licenses | 19,729 | \$98,645 |
| | | | | Multi-year (2-year) licenses | 3,350 | \$33,500 |
| | | | | Total | 23,079 | \$132,145 |
| Annual Dealer License Plate Fee | First two plates: \$20 each; \$15 for each additional | First two plates: \$30 each; \$26 for each additional | \$30 each | First two plates | 6,960 ^c | \$69,600 |
| | | | | Additional plates | 29,522 | \$324,742 |
| | | | | Total | 36,482 | \$394,342 |

Note:

^a According to the board, currently the certification test fee is stated in the instructions for the certification test, not in the regulations.

^b The estimated number of certification tests taken every year, salesperson licenses, and dealer license plates are provided by the board.

^c The board provides that there are 3,480 dealers with tags, therefore the number of first two plates is 6,960.

Businesses and Entities Affected

Motor vehicle dealers, salesperson and applicants for dealer-operator and salesperson certificate tests will be affected. Most dealers will pay the salespersons licensing fees and all dealer plate fees. Part of the increase in costs may be passed on to the consumers in the form of higher prices. Currently there are approximately 3,850 motor vehicle dealers in Virginia. The board estimates that there will be 7,619 dealer-operator and salesperson certification tests taken every year, with about 762 tests for dealer-operator certification and 6,857 for salesperson certification. The number of applicants affected every year will be lower because each applicant may take more than one test if he or she fails the first test.

Localities Particularly Affected

The proposed regulation affects localities throughout the Commonwealth.

Projected Impact on Employment

The proposed regulations will increase the compliance costs of motor vehicle dealers and may modestly reduce the number of dealer-operators and salespersons employed by a dealer.

Effects on the Use and Value of Private Property

Motor vehicle dealers will experience an increase in costs due to the proposed fee increases, which may have a negative impact on the value of their assets. Given that the current fee structure has not been changed since 1996, and the proposed fees are still under the maximum fees set by law over eleven years ago, the impact of the proposed regulations will likely be modest. Part of the increase in costs may be passed on to the consumers in the form of higher prices.

Small Businesses: Costs and Other Effects

Nearly all of the 3,850 motor vehicle dealers are small businesses. On average the increase in costs to the motor vehicle dealers would be \$137 per year. Given that the current fee structure has not been changed since 1996, and that the proposed fees are still under the maximum fees set by law over eleven years ago, the impact on small businesses will likely be modest.

Small Businesses: Alternative Method that Minimizes Adverse Impact

The current fee increases are proposed so that the Motor Vehicle Dealer Fund will not be running out in the near future. There is no alternative method that can generate a smaller adverse impact.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.