GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	SB0207	**Title:**	Salvage vehicle buyers license
Primary Sponsor:	Lewis, Dave	**Status:**	As Introduced

- ☐ Significant Local Gov Impact
- ☑ Needs to be included in HB 2
- ☑ Technical Concerns
- ☐ Included in the Executive Budget
- ☐ Significant Long-Term Impacts
- ☑ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Expenditures:				
General Fund	$334,693	$511,131	$526,587	$542,642
State Special Revenue	$0	$0	$0	$0
Revenue:				
General Fund	$0	$0	$0	$0
State Special Revenue	$250,000	$500,000	$500,000	$500,000
Net Impact-General Fund Balance	($334,693)	($511,131)	($526,587)	($542,642)

Description of fiscal impact:

Implementation of the salvage vehicle purchaser's licensing program would require an increase of 2.75 FTE in FY 2010 and 5.50 FTE in FY 2011. Salvage vehicle purchaser's state special revenue, estimated at $750,000 for the 2011 biennium, would be available to offset tax credits and/or transfer to the general fund for the motor vehicle recycling and disposal program.

SB 207 is one of several bill drafts that seek to modify motor vehicle laws and therefore the motor vehicle licensing system (MERLIN). The fiscal note for each bill will be prepared based on the effect of the individual bill. However, when viewed as a package, the cumulative effect of passage of more than one bill will require additional analysis and may provide opportunities to share or redistribute costs.

FISCAL ANALYSIS

Assumptions:

Department of Justice

1. The salvage vehicle purchasers licensing proposed in SB 207 would be comparable to the current dealer licensing authorized in Title 61, Chapter 4, MCA.
2. Data is not available to project the number of salvage vehicle purchaser's licenses that would be issued under the provisions of section three of SB 207. There are currently 1,200 dealer licenses issued annually; therefore, for fiscal note purposes, it is assumed that 1,000 of the 1,200 will be issued salvage vehicle purchaser's licenses and will be renewed annually.
3. The proposed salvage vehicle purchaser's state special revenue is estimated to increase to $500,000 annually based on 1,000 salvage vehicle purchaser's license issued or renewed annually at a cost of $500 each (not pro-rated) [1,000 licenses x $500 = $500,000]. Because SB 207 is effective January 1, 2010, the revenue is estimated to be $250,000 in FY 2010 [$500,000 x 0.5 year = $250,000] and $500,000 each year after through the 2013 biennium.
4. The revenues deposited in the salvage vehicle purchaser's state special revenue account would be applied to an appropriate income tax credit (sections one and two) with the balance transferred to the general fund for motor vehicle recycling and disposal program.
5. It is assumed that 3.50 FTE licensing certification technicians and 2.00 FTE compliance specialists would be needed to start January 1, 2010 to support the salvage vehicle purchaser's licensing program.
6. Personal services expenditures are estimated as follows; $118,032 in FY 2010, $239,668 in FY 2011, $248,337 in FY 2012 and $257,436 in FY 2013.
7. One-time operating expenses for new employee office packages ($1,200 each) and new computer equipment ($1,400 each) for the new FTE would be $15,600 in FY 2010 [($1,200 + $1,400) x 6 employees = $15,600]. Additionally, there would be one-time network and telecommunications wiring installation of $1,650 in FY 2010.
8. It is assumed $750 will be needed in FY 2010 for rule making expenditures.
9. The increase in annual operating expense in fiscal years 2010 through 2013 results from development and implementation of the salvage vehicle purchaser's licensing program. Operating costs for forms, ID cards, network and telephone communications, office supplies, postage, travel and training and education are based on the current dealer licensing and compliance program for approximately 1,000 dealers. A 2.5% inflation rate is assumed for the next biennium. Thus, operating costs are projected to increase; $132,421 in FY 2010, $271,463 in FY 2011, $278,250 in FY 2012 and $285,206 in FY 2013
10. Programming changes to the Montana Enhanced Registration and Licensing Information Network (MERLIN) will be contracted by Justice Information Technology Services Division to Bearing Point. It is estimated that it will take the contractor 414 hours to complete the changes for a total cost of $66,240 in FY 2010 only.

Department of Revenue

11. Salvage dealers would be allowed a non-refundable credit against either individual income tax or corporate tax for the cost of their licenses. Each year, the general fund would be reimbursed from the new state special revenue fund for the amount of credits. There would be no net effect on income or corporate tax revenue to the general fund, but there may be some movement of revenue between fiscal years depending on when salvage vehicle dealers file their tax returns.
12. If some salvage vehicle dealers forget to claim the credit or have tax liability of less than $500, there would be funds remaining in the new special revenue fund. Surplus funds would be transferred to the general fund once a year (see technical notes) to provide funding for the motor vehicle recycling and disposal program.
13. This bill would require the Department of Revenue to add another line to both the individual income tax return and the corporate tax return. It would also require additional instruction for both forms. Changes

would be made as part of the annual update process. There would be no additional cost unless the changes added a page to the tax return booklets. Changes to the department's data processing systems would require 80 hours of programming and 40 hours of testing. The programming would be done by the software vendor as part of the annual maintenance contract, and testing would be done by department employees. There would be no additional monetary costs, but resources would be diverted from other uses.

Department of Environmental Quality

14. The amount of revenue transferred to the general fund in Section 4(4) of the bill is designated to be used for the motor vehicle recycling and disposal program. The funds are not appropriated in the bill, so would need to be appropriated in HB 2, however the amount of the transfer is dependent on the number of tax credits that are requested, so is unknown.

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Fiscal Impact:				
Department of Justice				
FTE	2.75	5.50	5.50	5.50
Expenditures:				
Personal Services	$118,032	$239,668	$248,337	$257,436
Operating Expenses	$216,661	$271,463	$278,250	$285,206
TOTAL Expenditures	$334,693	$511,131	$526,587	$542,642
Funding of Expenditures:				
General Fund (01)	$334,693	$511,131	$526,587	$542,642
Revenues:				
State Special Revenue (02)	$250,000	$500,000	$500,000	$500,000
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($334,693)	($511,131)	($526,587)	($542,642)
State Special Revenue (02)	$250,000	$500,000	$500,000	$500,000

Technical Notes:

1. Section 4(4) requires the Department of Revenue to notify the Department of Justice of the amount of tax credits claimed for salvage vehicle licenses. The bill does not give a date for the Department of Revenue to make this notification and does not specify whether the report is for a fiscal year, a tax year, or some other period.
2. Section 4(4) requires the Department of Justice, after November 1, to make a transfer to reimburse the general fund for credits and then to transfer "the remaining revenue in the special revenue account" to the general fund. It is not clear whether "the remaining revenue in the special revenue account" refers to the account balance after making the transfer or to revenue from the previous fiscal year less the reimbursement for credits.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Dedication of Revenue 2011 Biennium

17-1-507-509, MCA.

a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)
Revenues remaining in this account after the tax credit distribution would be distributed to the motor vehicle recycling and disposal program (75-10-532, MCA). Thus individuals requesting the disposal of vehicles utilizing the motor vehicle recycling and disposal program may benefit without paying the licensing fee provided in SB 207.

b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?
SB 207 sets these funds apart for distribution to the Department of Revenue for funding for the tax credits applied against these funds.

c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)
Yes

d) Does the need for this state special revenue provision still exist? _x__Yes ___No (Explain)
SB 207 provides for a new tax credit that these funds would be applied against.

e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)

No – any available funds for the vehicle recycling program would be appropriated by the legislature.

f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)
Yes, the offset of tax credits for the payment of the fee and the vehicle recycling program if funds are available.

g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)
The dedicated revenue provides for the accurate accounting for the revenues received and their accurate distribution ensuring that there are adequate funds available to apply to the tax credits. No budget exists to meet the funding requirements of SB 207.