



Legislative Fiscal Bureau

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March 8, 2004

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 443: Purchase of Motor Vehicles at a Motor Vehicle Auction

Senate Bill 443 was introduced on February 9, 2004, and referred to the Committee on Transportation and Information Infrastructure. On February 24, 2004, that Committee recommended adoption of Senate Amendment 1 and Senate Amendment 2 to SB 443 on 5 to 0 votes and recommended the bill for passage, as amended, on a 5 to 0 vote. On March 2, 2004, the bill was referred to the Joint Committee on Finance.

SUMMARY OF BILL

Senate Bill 443 would prohibit a person from purchasing or submitting a bid for the purchase of a motor vehicle from a motor vehicle auction unless the following conditions are satisfied: (a) the person holds a valid motor vehicle dealer, motor vehicle wholesaler, or motor vehicle buyer license (the buyer license would be created by the bill, as summarized below); (b) the person, if licensed as a motor vehicle buyer, bids on a vehicle for only one motor vehicle dealer at a time, and uses that dealer's funds when purchasing the vehicle; and (c) the person displays his or her valid motor vehicle dealer, motor vehicle wholesaler, or motor vehicle buyer license to the motor vehicle auction and includes his or her license number on each sheet of any bid submitted to a motor vehicle auction for the purchase of a motor vehicle or other document evidencing the purchase of a motor vehicle from a motor vehicle auction.

The bill would prohibit a motor vehicle auction from accepting a bid for the purchase of a motor vehicle or completing the sale transaction unless the person who submits the bid or offers to purchase a vehicle from the auction satisfies the conditions that would be created by the bill for submitting a bid at an auction and the auction verifies that the purchaser's license number is identical to the number submitted on each page of the bid or other document evidencing the

purchase of a motor vehicle. Also, the auction would be required, for each vehicle sold by the auction, to enter any information that DOT requires to indicate that ownership of the vehicle was transferred by a motor vehicle auction on the certificate of title, or on the form or in the automated format, that is used to reassign the title.

SB 443 would create a new license, issued by DOT, for motor vehicle buyers and would define the term "motor vehicle buyer" as an individual who is employed by or who has contracted with one or more motor vehicle dealers to bid on or purchase a motor vehicle being held and offered for sale by a motor vehicle dealer or motor vehicle auction. The bill would specify that no person would be permitted to engage in business as a motor vehicle buyer or a motor vehicle wholesaler in Wisconsin without a motor vehicle buyer or motor vehicle wholesaler license and would require every motor vehicle dealer to be responsible for licensing of motor vehicle buyers that he or she employs. DOT would be required to specify the period and expiration dates of motor vehicle buyer licenses, which is similar to requirements for other motor vehicle dealership-related licenses.

The fee for a motor vehicle buyer license would be established at \$6. The bill would specify that any person who acts as a vehicle buyer for more than one dealership would have to hold a separate vehicle buyer license for each employing dealership. If a buyer's buying relationship with a dealer is terminated, the buyer must surrender the vehicle buyer license to the dealership, which would then be required to mail the license to DOT. The bill would require the person to reapply for a vehicle buyer license, and pay an additional \$6 license fee, if the person reestablishes his or her vehicle buyer relationship with the dealer. (These provisions are similar to current law requirements for other vehicle dealership-related licenses, except that there is no charge to reestablish these other licenses after a period in which the person was not associated with an employer.)

SUMMARY OF SENATE AMENDMENT 1

Senate Amendment 1 to SB 443 would provide \$44,000 SEG in 2004-05 for the principal appropriation of the Division of Motor Vehicles for administering the provisions of the bill related to the issuance of motor vehicle buyer licenses. The amendment would also require DOT to remove this amount from the 2004-05 appropriation base, for the purposes of submitting its 2005-07 biennial budget request, so that the increase provided would be one-time funding.

SUMMARY OF SENATE AMENDMENT 2

Senate Amendment 2 to SB 443 would specify that the provisions of the bill take effect on the first day of the seventh month beginning after publication.

FISCAL EFFECT

In its fiscal estimate for SB 443, DOT estimates that there would be an immediate demand for 10,000 vehicle buyer's licenses as the result of the provisions of this bill. Since this workload is one-time in nature, the Department indicates that limited-term employees would be used to do the work, at an estimated salary and fringe benefit cost of \$39,600. Minor data processing changes, changes to forms, and costs associated with notifying vehicle dealerships of the changes would increase the total one-time cost to \$44,000. The Department indicates that the ongoing, annual costs associated with producing forms and renewing buyer licenses could be absorbed.

The initial demand for buyer's licenses would generate an estimated \$60,000 in transportation fund revenue from the collection of license fees.

Senate Amendment 1 to SB 443 would provide \$44,000 SEG on a one-time basis in 2004-05 for the costs of administering the initial demand for vehicle buyer's licenses. Therefore, the estimated net effect on the biennium-ending transportation fund balance of SB 443, as amended, would be an increase of \$16,000.

Prepared by: Jon Dyck