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FISCAL IMPACT REPORT

SPONSOR: Papen DATE TYPED: 3/7/03 HB _____

SHORT TITLE: Detectives for Automobile Sale Supervision SB 858

ANALYST: Wilson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	\$493.0			Recurring	General Fund

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	Substantial	See Narrative	Recurring	OSF

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Responses Received From
Taxation & Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 858 appropriates \$493,000 from the general fund to Motor Vehicle Division (MVD) of TRD for the purpose of funding four additional full-time detective positions and four additional full-time auditor positions in order to increase the supervision of automobile sales in New Mexico.

Significant Issues

TRD states current staffing of the Dealer Licensing & Audit Bureau (DLAB) does not allow the one full-time special agent to provide oversight to ensure dealer compliance with Article 4, Sections 66-4-166-4-9. Oversight of the 2000 plus licensed dealers in New Mexico is impossible. Oversight of the unknown unlicensed individuals selling vehicles and vessels is also unknown as

is the number of such individuals. Because of the lack of oversight, licensed dealers conducting business not in accordance with dealer procedures and those unlicensed dealers are costing the reputable dealers money in lost sales and a loss to the state of taxes due on sales. Increasing the number of special agents and auditors will increase the oversight and reduce the number of fraudulent transactions or non-compliance with dealer procedures.

FISCAL IMPLICATIONS

The appropriation of \$493.0 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2004 shall revert to the general fund. The funding will be used to hire eight additional FTEs: four detectives and four auditors with the associated costs.

TRD staff believes the revenues to the state and the public by oversight of currently unregulated transactions will more than compensate for the additional appropriation. TRD provided the following estimates for approximate dollar losses:

\$35,000,000.00 registration and title fees
\$1,050,000.00 in excise tax
\$350,000,000.00 exposure to public through loss of revenue to bonding and insurance companies

Calendar year 2002 losses incurred from licensed dealers that were out of trust and left customer with no titles and registrations

	Case 1	\$2,500,000.00
	Case 2	\$1,200,000.00
	Case 3	\$ 500,000.00
	Case 4	\$ 500,000.00
	Case 5	\$ 300,000.00
	Case 6	<u>\$ 100,000.00</u>
Loss to the Public	Total	\$5,100,000.00

ADMINISTRATIVE IMPLICATIONS

TRD will be required to handle the administrative process to hire the eight new FTEs, but the DLAB will be more efficient in handling its responsibilities and more responsive to the public. Cases will be opened and investigated more rapidly and the consumer will be protected better.

DW/yr