

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL MEMORANDUM**

HB 797 - SB 1361

March 27, 2019

SUMMARY OF ORIGINAL BILL: Requires the Tennessee Auctioneer Commission to post names of an auctioneer or auctioneer apprentice whose license has been suspended, revoked, or not renewed on its website within 10 days of the action.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (004966): Deletes all language after the enacting clause. Extends public sale auctions and published ending times for auctions to include internet-based bidding platform formats. Exempts going out of business sales of motor vehicles from a requirement that a licensed motor vehicle dealer performs the sale if all vehicles in the sale were owned by the business for at least one year and the auctioneer gives a 14-day written notice to the Motor Vehicle Commission (MVC). Renames the existing title and licensure of an “apprentice auctioneer” to an “affiliate auctioneer”. Defines, and creates licensure procedure for a “bid caller auctioneer”, exempting such auctioneers from application fees, examination, and continuing education requirements. Reduces application prerequisite instruction hours for affiliate, principal, and public automobile auctioneers. Authorizes applicants to acquire instruction hours online. Reduces time served as an affiliate auctioneer before authorization to apply for a principal auctioneer license from two years to six months. Deletes definitions and all licensure requirements for firm, gallery, firm branch, and gallery branch licenses. Authorizes public automobile auctions to hire any licensed auctioneers to solicit bids at such auction.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

On March 12, 2019, a fiscal memorandum was issued for this legislation estimating a fiscal impact as follows:

Decrease State Revenue – Net Impact –

\$51,800/Auctioneer Commission/FY19-20

\$51,800/Auctioneer Commission/FY20-21

\$50,600/Auctioneer Commission/FY21-22 and Subsequent Years

HB 797 - SB 1361 (CORRECTED)

Given updated information regarding applicable fees for licensure, the estimated fiscal impact has been corrected as follows:

(CORRECTED)

Decrease State Revenue – Net Impact –

\$50,600/Auctioneer Commission/FY19-20

\$50,600/Auctioneer Commission/FY20-21

\$47,600/Auctioneer Commission/FY21-22 and Subsequent Years

\$20,500/Education and Recovery Account/FY19-20

\$20,500/Education and Recovery Account/FY20-21

\$20,000/Education and Recovery Account/FY21-22 and Subsequent Years

Corrected assumptions for the bill as amended:

- Including internet-based bidding platforms in the definition of public sale auctions will not cause a significant fiscal impact to the Tennessee Auctioneer Commission (TAC).
- The number of going out of business sales that would be exempt from utilizing a licensed motor vehicle dealer to perform the sale is estimated to be not significant.
- The proposed legislation defines “bid caller auctioneer” as an individual who is hired by a principal or public automobile auctioneer to solicit bids for the purchase of goods at an auction.
- It can reasonably be assumed that creating a bid caller license, requiring 16 hours of prerequisite instruction, and no application fee or continuing education requirements, will result in 10 applicants annually.
- Pursuant to TAC Rules Chapter 0160-01, each application for licensure, both initial and renewal, require a non-refundable application fee of \$50.00.
- Pursuant to Tenn. Code Ann. § 62-19-116, the \$50.00 fee is deposited in the Auctioneer Education and Recovery Account (AERA).
- It is presumed that a bid caller license will be subject to the equivalent initial and renewal licensure fees as an affiliate auctioneer at \$125.00. The proposed legislation exempts bid caller license applicants from the separate \$50.00 fee.
- Licenses are valid for two years from the date of issuance.
- An estimated recurring increase in revenue for initial bid caller licensure fees, beginning FY19-20, to the TAC Account of \$1,250 (10 x \$125.00).
- An estimated recurring increase in revenue for renewal bid caller licensure fees, beginning FY21-22, to the TAC Account of \$1,250 (10 x \$125.00).
- An estimated total revenue increase for initial and renewal bid caller licensure fees, in FY21-22 and subsequent years, to the TAC Account of \$2,500 (\$1,250 FY21-22 initial + \$1,250 FY19-20 renewal).
- It is not estimated that a significant number of existing active auctioneer or affiliate licenses will renew with a bid caller license to cause a significant revenue loss of application fees to the TAC.

- Authorizing applicants for any license under the TAC to complete instruction hours online, instead of only in a classroom, is estimated to increase the number of new applicants annually.
- Based on information provided by DCI, the four-year average of new applicants for principal and affiliate auctioneer licenses are 28 and 23, respectively.
- An estimated increase of five applicants annually for both affiliate and principal licenses.
- Affiliate and principal licenses initial and renewal application fees are \$125 and \$225, respectively.
- Licenses are valid for two years from the date of issuance.
- An estimated recurring increase in revenue for initial affiliate and principal licensure fees, beginning FY19-20, to the TAC Account of \$1,750 [(\$125 x 5) + (\$225 x 5)].
- An estimated recurring increase in revenue for renewal affiliate and principal licensure fees, beginning FY21-22, to the TAC Account of \$1,750 [(\$125 x 5) + (\$225 x 5)].
- An estimated total revenue increase for initial and renewal affiliate and principal licensure fees, in FY21-22 and subsequent years, to the TAC Account of \$3,500 (\$1,750 FY21-22 initial + \$1,750 FY19-20 renewal).
- Affiliate and principal licensure applications are subject to the additional \$50 aforementioned fee.
- An estimated recurring increase in revenue for initial affiliate and principal application fees, beginning FY19-20, to the AERA of \$500 [(\$50 x 5) + (\$50 x 5)].
- An estimated recurring increase in revenue for renewal affiliate and principal application fees, beginning FY21-22, to the AERA of \$500 [(\$50 x 5) + (\$50 x 5)].
- An estimated total revenue increase for initial and renewal affiliate and principal application fees, in FY21-22 and subsequent years, to the AERA of \$1,000 (\$500 FY21-22 initial + \$500 FY19-20 renewal).
- Pursuant to TAC Rules Chapter 0160-01, initial and renewal fees for principal firm, gallery, firm branch, and gallery branch licenses are \$125, \$175, \$75, and \$75 respectively. Licenses are renewed on a two-year basis.
- According to DCI, the number of active licenses is as follows: 737 firm, 73 gallery, 27 firm branch, and 3 gallery branch.
- A decrease in revenue to the TAC estimated to be \$107,150 [(737 x \$125) + (73 x \$175) + (27 x \$75) + (3 x \$75)].
- As licenses are renewed on a two-year basis, the recurring decrease in revenue is \$53,575 (\$107,150 / 2) beginning in FY19-20.
- Principal firm, gallery, firm branch, and gallery branch licensees were all subject to the \$50 initial and renewal application fee.
- A recurring loss of revenue to the AERA of \$21,000 {[(737 + 73 + 27 + 3) x \$50] / 2-year license }.
- The net decrease of revenue to the TAC is estimated to be \$50,575 (\$53,575 - \$1,250 - \$1,750) in FY19-20; \$50,575 (\$53,575 - \$1,250 - \$1,750) in FY20-21; and \$47,575 (\$53,575 - \$2,500 - \$3,500) in FY21-22 and subsequent years.
- The net decrease of revenue to the AERA is estimated to be \$20,500 (\$21,000 - \$500) in FY19-20; \$20,500 (\$21,000 - \$500) in FY20-21; and \$20,000 (\$21,000 - \$1,000) in FY21-22 and subsequent years.

- Pursuant to Tenn. Code Ann. § 62-19-128(b)(9), a public automobile auctioneer must obtain a valid motor vehicle dealer license from the MVC.
- Based on a review of existing public automobile auctioneers on the DCI website, 37 are active in Tennessee.
- Authorizing online instructional hours is not estimated to significantly increase the number of public automobile auctioneer applicants.
- The proposed legislation authorizes a public automobile auction to hire any licensed auctioneer to solicit bids at such auction. A significant number of existing public automobile auctioneers are not anticipated to renew as a principal or bid caller auctioneer.
- No additional changes in revenue to the TAC or MVC.
- Pursuant to Tenn. Code Ann. §4-29-121, all regulatory boards are required to be self-sufficient over any two-year period. The MVC experienced a surplus of \$221,695 in FY16-17, a deficit of \$92,832 in FY17-18, and a cumulative reserve balance of \$2,103,537 on June 30, 2018.
- Pursuant to Tenn. Code Ann. §4-29-121, all regulatory boards are required to be self-sufficient over any two-year period. The TAC experienced a surplus of \$74,211 in FY16-17, a surplus of \$47,371 in FY17-18, and a cumulative reserve balance of \$461,844 on June 30, 2018.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

On March 12, 2019, a fiscal memorandum was issued for this legislation estimating a commerce impact as follows:

Decrease Business Expenditures – Net Impact –
\$51,800/FY19-20
\$51,800/FY20-21
\$50,600/FY21-22 and Subsequent Years

Given updated information regarding applicable fees for licensure, the estimated commerce impact has been corrected as follows:

(CORRECTED)
Decrease Business Expenditures – Net Impact –
\$71,100/FY19-20
\$71,100/FY20-21
\$67,600/FY21-22 and Subsequent Years

Corrected assumptions for the bill as amended:

- The net decrease in business expenditures is estimated to be \$71,075 (\$50,575 + \$20,500) in FY19-20; \$71,075 (\$50,575 + \$20,500) in FY20-21; and \$67,575 (\$47,575 + \$20,000) in FY21-22 and subsequent years.
- The proposed legislation is anticipated to decrease initial and continuing education costs for principal, affiliate, and public automobile auctioneers; however, such decrease in business expenditures cannot be estimated. Any impact to jobs in Tennessee is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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