



November 1, 2022

The Honorable Glenn Youngkin
Virginia General Assembly
State Capitol
Richmond, Virginia 23219

Dear Governor Youngkin and Virginia General Assembly:

On behalf of the Motor Vehicle Dealer Board (Board), I am pleased to provide to you the Motor Vehicle Dealer Board's Biennial Report as required by Virginia Code §46.2-1503.5.

Since the Board's inception in 1995, our primary focus and leading challenge has been educating the dealer community regarding the laws and regulations governing their industry. The approach of the Board and its staff is to educate dealers to ensure dealers possess the necessary knowledge and tools to further the professionalism of the automobile, motorcycle, trailer, and recreational vehicles dealer industry. In addition, the Board has taken a pro-consumer stance in its administration of the Transaction Recovery Fund; enforcement of Advertising Regulations and by assisting consumers when they have a dealer related issue or concern.

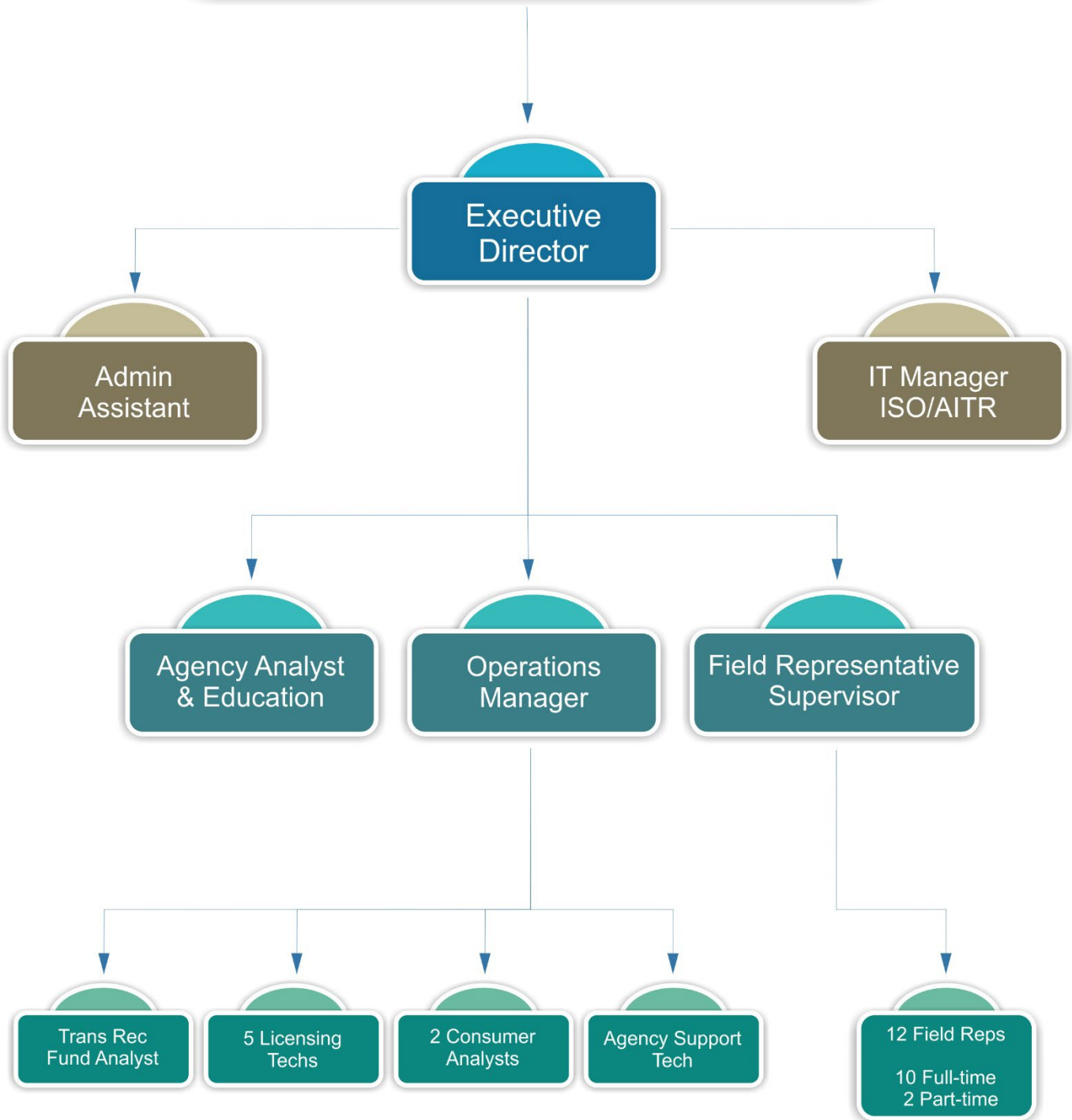
After reading this report, it is my hope you will agree that the Board continues to make a positive impact upon the dealer community, the economy, and within the Commonwealth. Our methods of operation are completely transparent and continuously evolving as we strive to better serve the citizens and communities within our great Commonwealth. We thank you for your support as we continue our efforts to minimize regulations, increase efficiency, and enhance consumer protection.

Sincerely,

William R. Childress
Executive Director

ec: Secretary W. Sheppard Miller, III
Members of the Motor Vehicle Dealer Board

Motor Vehicle Dealer Board



INTRODUCTION

The 1995 General Assembly overwhelmingly adopted legislation to shift the regulation and oversight of the new and used motor vehicle dealer industry from the Department of Motor Vehicles (DMV) to a professional board as described below. In 2015 the General Assembly adopted legislation that moved the oversight and regulation of motorcycle, trailer and recreational dealers from the DMV to the same board.

The Board consists of nineteen members for which the Governor, subject to confirmation by the General Assembly, appoints eighteen. In order to stagger appointments and ensure continuity, initially, eight members were appointed to two-year terms and nine were appointed to four-year terms.

The statute creating the Board stipulates that ten members shall be licensed franchise (“new”) motor vehicle dealers, and seven members shall be independent (“used”) dealers. Further, the statute requires that of the seven independent dealers, one shall be primarily engaged in trailer, recreational vehicle or rental vehicle business, and one shall be a licensed independent motorcycle dealer. The last members include an individual who has no direct or indirect interest, other than as a consumer, and the Commissioner of the DMV, who serves as the Board’s chair.

Members of the Board represent all areas of the Commonwealth. In addition, they represent all levels of ownership. Board members include those that own several dealerships to those with small operations and just a few employees. This cross section ensures that all perspectives of the industry have a voice on the Board.

The primary focus of the Board, as mandated by Virginia statute (Chapter 15 of Title 46.2), is to regulate new and used car, motorcycle, trailer and recreational vehicle dealers. This includes certifying and licensing dealers and salespersons. Additionally, the Board administers the Motor Vehicle Transaction Recovery Fund (MVTRF), handles consumer complaints regarding the dealers mentioned, monitors dealer advertising and conducts administrative hearings.

Organizationally, the Board’s staff is divided into two functional areas: Field Operations and Main Office Operations. The field operations consist of a supervisor, based out of Richmond, and twelve field representatives who work out of their “home-offices” located throughout the Commonwealth. The field representatives are responsible for inspecting dealerships, educating dealers, salespersons and consumers. Enforcement becomes necessary only after continued and blatant disregard for Virginia’s motor vehicle laws by licensed dealers.

The number one priority of the Board Operations staff is to review and ensure that all applications meet statutory requirements, to include local zoning ordinances, before processing any applications (initial or renewal) for licensees (dealers and salespersons). This work constitutes the highest volume and work effort for the Operations staff. As part of the licensing process, the Board also issues and renews dealer license plates and decals as authorized by the DMV.

Lastly, the Board is self-sufficient and funded solely by fees paid by the licensed dealers. These fees cover all of the expenses of the Board. No general fund dollars are appropriated to the Board and no federal funds are used.

COMMITTEES

Five statutorily mandated committees act as an extension of the Board: Advertising, Licensing, Franchise Law, Transaction Recovery Fund and Dealer Practices.

Historically, all committees meet on the second Monday of every other month (January, March, May, July, September and November) in Room 702 at the Department of Motor Vehicles Headquarters building, 2300 West Broad Street, Richmond, Virginia. The Board meeting follows the completion of the last committee meeting on the same day. However, the September and November 2021 committee and Board meetings were held at the Science Museum of Virginia at the request of the DMV Commissioner for the protection of Board members, DMV and Board staff, and dealers. The Science Museum space ensured all were in compliance with social distancing and spacing requirements in place at the time.

The May 10, 2010, Motor Vehicle Dealer Board meeting was the first Commonwealth of Virginia Board or Commission meeting to be broadcast live over the web. All bi-monthly meetings are broadcast live and available to the public to view until the next meeting. All Board meetings are listed with the Virginia Town Hall and on the Board website, <https://mvdb.virginia.gov/board-meeting-library/>

Next, you will find the statutorily required committees and their responsibilities:

ADVERTISING COMMITTEE

David Duncan, *Chairperson*

Committee Functions

- To advise the Board and the Board staff on matters related to motor vehicle dealer advertising. The committee is to receive and identify advertising issues. The committee will discuss, and as needed, direct a study or investigate issues in order to make policy and procedural recommendations to the Board.
- Review staff reports on advertising complaints and violations. Present a summary report to the Board.
- Review, and then make recommendations to the Board on individual advertising actions proposed by the Executive Director that are required to come before the Board.
- Direct the advertising staff on how they monitor and identify advertising violations and consumer complaints concerning advertising.

FRANCHISE REVIEW AND ADVISORY COMMITTEE

Gardner Britt, *Chairperson*

Committee Functions

- Advise the DMV Commissioner, through the Board, of any violations of Article 7 (Franchises) of the Motor Vehicle Dealer Act. (See § 46.2-1573.C.)
- Assist the Commissioner in assembling panels, made up of three Board members, as described in § 46.2-1573.D.8.
- Meet on an “as needed” basis and not every other month as the other committees.

LICENSING COMMITTEE

Maurice Slaughter, *Acting Chairperson*

Committee Functions

- To advise the Board and the Board staff on matters related to the licensing of dealers, dealer-operators and salespersons. The committee is to receive and identify dealer licensing issues. The committee will discuss, and as needed, direct a study or investigate issues in order to make policy and procedural recommendations to the Board.
- Review, and then make recommendations to the Board on individual licensing actions proposed by the Executive Director or others who are required to come before the Board.

TRANSACTION RECOVERY FUND COMMITTEE

Chris Maher, *Chairperson*

Committee Functions

- Monitor the activities and solvency of the TRF and report findings to the Board.
- Review staff reports and hearing officer recommendations concerning actions against the fund. Make recommendations to the Board on claims against the fund.

DEALER PRACTICES COMMITTEE

Ron Kody, *Chairperson*

Committee Functions

- To advise the Board and the Board staff on issues related to the conduct of business. The committee will receive and identify dealer practice issues. The committee will discuss, and as needed, direct a study or investigate issues in order to make policy and procedural recommendations to the Board.

- Review, and then make recommendations to the Board on dealer related issues proposed by the Executive Director or others who are required to come before the Board.

ADMINISTRATIVE HEARINGS

The COVID-19 pandemic, which became a factor in March 2020, continued to have an enormous effect on the Motor Vehicle Dealer Board and the dealer community heading into FY21. Following Governor Northam's COVID policies and the recommendations of the Centers for Disease Control and Prevention (CDC) to slow the spread of the virus, the Board suspended most in-person enforcement practices to protect staff, customers, and the dealer community from potential exposure to the virus.

During this reporting, the Board staff conducted a total of 55 administrative hearings¹, 24 in FY21 and 31 in FY22. An administrative hearing is the result of the dealer or salesperson appealing an administrative action (civil penalty, class requirement, denial of license, etc.) taken against the dealer or salesperson by the Board staff. An overwhelming majority of the civil penalties assessed are generated after a dealership has been inspected by one of the 12 agency field representatives. If the appeal is filed within the prescribed guidelines, the dealer or salesperson is allowed to have an administrative hearing to present their case to refute the administrative action.

An administrative hearing is also called when the Executive Director feels that the actions of the dealership or salesperson are egregious and warrants attention greater than a civil penalty. In such instances, the matter will be referred directly to an administrative hearing.

During these administrative hearings, the Board is represented by either the Field Representative Supervisor, the Operations Manager or the Transaction Recovery Fund Analyst. These individuals are the agency experts in their respective areas; therefore, the best to represent the agency during administrative hearings.

At the conclusion of the administrative hearing, the hearing officer² assigned to the case will make a recommendation(s) to the Board concerning any disciplinary or administrative action that should be taken against the dealer or salesperson.

In all administrative hearings conducted by the Board, any member of the Board's staff may be required to participate in the hearing process as a witness and is expected to contribute their direct knowledge of the facts as they relate to the hearing.

Complying with COVID-19 guidelines, the Board staff implemented the practice of conducting administrative hearings via video conferencing during the first months of FY21. Administrative hearings via video conferencing are now the norm for the agency and provide many cost and time savings benefits to all involved. A dealer or salesperson may be granted an in-person hearing upon request and approval by the Executive Director.

Hearing officers submit their findings/recommendations to the Board's Executive Director who reviews all the recommendations. The Board has granted the Executive Director the authority to make decisions on certain recommendations deriving from Informal Fact-Finding Conferences. During this reporting period, the Executive Director exercised this authority and agreed with the

¹ Administrative hearing – an Informal Fact-Finding Conference or Formal Hearing.

² Hearing Officer – Non-MVDB staff contracted to conduct administrative hearings.

hearing officer's recommendation concerning three administrative hearings - all matters where the evidence supported no actions should be taken against the dealer or salesperson. The remaining 52 administrative hearings were forwarded by the Executive Director to the Board.

In advance of Committee and Board meetings, all Board members are provided with the hearing officer's recommendations and all evidence presented during the administrative hearings, to include all comments/exceptions to the report as submitted by the respondent. Using the hearing officer's recommendation as the starting point, the Committee and Board discusses each case and makes their respective decisions.

All respondents are strongly encouraged to attend the Committee and Board meetings, although in most cases, the respondent fails to attend. Those that attend are provided the opportunity to briefly state their case and respond to questions posed by Committee and Board members.

The Board, regarding administrative hearings, has the authority to accept the hearing officer's recommendations, change the hearing officer's recommendation, disregard the hearing officer's recommendation or remand the case back to the hearing officer. The Board is the only authority able to revoke a dealer or salesperson's license. The Executive Director has conditional suspension authority based on the dealer or salesperson not meeting prescribed deadlines, i.e., failing to make civil penalty payments, failing inspections or the owner/dealer-operator failing to complete a required course, etc.

BUSINESS ACTIVITIES

LICENSING

One of the primary functions of the Board is to license franchise (new) and independent (used) automobile, motorcycle, trailer, recreational vehicle dealers and salespersons in the Commonwealth. Approximately 3,600 dealerships are licensed by the MVDB in Virginia. 328 of those licensed dealerships are Foreign Registrants³, Manufactured Home, Non-Profit and Watercraft dealerships. In FY 2021, MVDB issued or renewed 1,523 licenses, and in FY 2022, that number was 3,613. During this reporting period, approximately 50% of all license renewals were issued for a two-year period.

Many dealerships in Virginia possess multiple endorsements (licenses) which allow them to sell different types of vehicles, i.e., new cars/trucks, used cars/trucks, new trailers, used trailers, new motorcycles, used motorcycles, new recreational vehicles and used recreational vehicles. An independent dealership selling used cars/trucks, new trailers and used motorcycles is required to have a primary license and two endorsements⁴.

By far the largest number of licenses issued each year are to salespersons. In Virginia, salespersons are tied to the hiring dealership. Their license is tied to the dealership's license and expires when the dealership's license expires. A salesperson's license can be transferred⁵ to

³ Foreign Registrant – By Virginia Code, this dealer is licensed in another state and is only allowed to sell vehicles at Virginia auctions.

⁴ Endorsement – a secondary license, not the primary license.

⁵ Approximately 2,900 salesperson licenses are transferred annually.

another dealership and will take on the expiration date of the gaining dealership. During FY21, the MVDB issued approximately 10,755 salespersons licenses compared to 17,445 in FY22. Request for salesperson licenses was down during the first portion of FY21 due to COVID-19 when many dealerships were working reduced hours, working on an appointment basis, or just not hiring.

TRANSACTION RECOVERY FUND

During this reporting period, funds were paid out of the Transaction Recovery Fund⁶. The fund is in place to assist retail purchasers or dealers participating in the Fund who have a judgement from a competent Virginia court finding that fraud was practiced on them by the dealer, or fraudulent representation made to him by a licensed or registered motor vehicle dealer participating in the Motor Vehicle Transaction Recovery Fund or one of a dealer's salespersons acting on behalf of the dealer or within the scope of his employment.

16 of the 55 administrative hearings were consumer claims against the Transaction Recovery Fund. The Board approved 10 of the 16 claims presented.

Transaction Recover Fund Claims

| | |
|----------------------------------|-------------|
| <i>Number of Claims</i> | 16 |
| <i>Number of Claims Approved</i> | 10 |
| <i>Average Payout</i> | 20,728.00 |
| <i>Total Claims Paid</i> | 207, 282.00 |

ENFORCEMENT/CIVIL PENALTIES

As stated earlier, when it comes to enforcing the laws, regulations, and policies, the Board’s philosophy is “education first”. If educational efforts do not produce the desired outcomes, then the Board will resort to its enforcement authority. The Board’s primary enforcement tool is to assess civil penalties. In this reporting period, the MVDB assessed civil penalties totaling \$942,200 and collected just under 50% (\$466,938)⁷ of the assessed amount. No civil penalty money is retained or used by the MVDB. Individuals failing to pay their civil penalties are reported to the Department of Taxation’s Debt Set-Off Program for collection and are no longer licensed in Virginia.

Roughly, 15% of all initial civil penalty assessments are appealed to an administrative hearing and 208 administrative actions⁸ accepted by dealers and salespersons involved civil penalties. In all instances involving administrative actions, the dealer/salesperson is allowed to present their case to the Executive Director and his staff. The assessed penalty may be adjusted depending on

⁶ § 46.2-1527.3 of the Virginia Code.

⁷ Civil penalties collected are deposited into the Commonwealth Transportation Fund.

⁸ Administrative actions – Corrective steps taken against the dealer or salesperson to bring them into compliance.

the evidence/information presented. However, in most instances, the dealer or salesperson opts to pay the assessed civil penalty rather than risk the possibility of greater penalties during an administrative hearing.

DEALER EDUCATION

During the initial periods of FY21 (July – September) the Board staff was heavily involved in proctoring various exams⁹ to the dealer community. The Board’s Educational Coordinator worked closely with the field representatives and proctored¹⁰ the various exams previously offered only in all the DMV Customer Service Centers (DMV CSC). During this period, DMV was re-opening their CSCs on a staggered scheduled, and those that were open offered limited services. At this time, DMV also had instituted an appointment system for customers. Many dealers and salespersons could not wait the two-to-three-month period for an appointment, which lead to the MVDB stepping in and bridging the gap by proctoring paper exams in person. With the support of the Virginia Automobile Dealers Association and the Virginia Independent Automobile Dealers Association (VIADA), the MVDB Executive Director was able to work out an agreement with the DMV Commissioner that allowed the old Sterling CSC facility to be used for salesperson testing weekly on Wednesdays. This arrangement eased the strain of testing in Northern Virginia, the area of highest demand for salesperson testing.

Board staff proctored approximately 2,696 exams throughout the Commonwealth. DMV CSCs fully reopened by October 2021 and the dealer community was able to resume all testing at the DMV CSC facilities.

Exams Proctored by MVDB Staff

| <i>Exam Type</i> | <i>FY21</i> | <i>FY22</i> | <i>Totals</i> |
|------------------------------------|-------------|-------------|---------------|
| <i>Combined Dealer-Operator</i> | 37 | 6 | 43 |
| <i>Franchise Dealer-Operator</i> | 4 | 4 | 8 |
| <i>Independent Dealer-Operator</i> | 65 | 6 | 71 |
| <i>Salesperson</i> | 2,185 | 389 | 2,574 |
| <i>Totals</i> | 2,291 | 405 | 2,696 |

Legislation initiated by the Board and adopted by the 2005 General Assembly requires all applicants for an original independent dealer-operator certificate of qualification to successfully complete a course of study before they can take the certificate of qualification test. Working with the VIADA and the Virginia Community College System (VCCS), a two-day class was instituted. The partnership between the VCCS and the VIADA ended in 2018. Currently the VIADA conducts all of the two-day in person dealer-operator classes. During the reporting period, 42 dealer-operator classes met and over 1,040 attendees successfully completed the two-

⁹ Salesperson and Dealer-Operator (Combined Dealer-Operator, Franchise Dealer-Operator and Independent Dealer-Operator) exams.

¹⁰ Exams were proctored in dealerships, community centers, libraries, etc. Exams ranged up to 2 hours in duration.

day course. The vast majority of those attending the two-day class did so voluntarily while others attended the course as mandated by the Board.

Dealer-Operators typically run the day-to-day affairs of the dealership. In 2011 the Board, in an effort to educate independent dealer-operators and keep them abreast of the ever-changing business, implemented continuing education using the regulatory process. This process required all independent dealer-operators to recertify every three years by taking a six-hour online course, a classroom course or taking an exam at any DMV CSC. Of the 1,935 dealer-operators that recertified during this two-year period, more than 90% of did so through the six-hour online course.

During the 2022 Virginia General Assembly, the VIADA, with Delegate Scott Wyatt sponsoring, was able to introduce legislation that became HB316. The legislation codified the existing recertification regulations (24VAC22-10 through 24VAC22-70) into Virginia Code 46.2-1583 through 46.2-1589. This legislation also required all dealer-operators to be recertified every two years in an instructor led environment (in-person or virtually) was signed into law in April 2022 and became effective July 1, 2022.

One of the Board’s greatest outreach efforts and educational tool is the Dealer Talk newsletter. This newsletter is published six times¹¹ yearly. The focus of the newsletter is to educate dealers regarding business trends, statutory requirements, changes in laws, policies and regulations. Through the newsletter, the dealer community is introduced to recommended best practices and learn of administrative actions taken by Board and Board staff against licensed dealers and salespersons. The newsletter is emailed to approximately 8,950 businesses/individuals and is posted on the agency’s website.

Dealers and others may subscribe to our email list to receive periodic messages and news related to Virginia dealers and the dealer community. In addition, the agency’s Education Coordinator works closely with the trade associations (VADA and VIADA) and the DMV to educate and inform the dealer community via Send Pulse or through training videos. Lastly, the Board’s Executive Director gives presentations at various association meetings throughout the state and served as the Vice-President of the National Association of Motor Vehicles Boards and Commissions (NAMVBC), where he shared many of Virginia’s successes with member states and the manufacturing industry.

DEALER LICENSE PLATES

The Department of Motor Vehicles is responsible for allocating and distributing license plates, including dealer’s license plates. In order to create a “one-stop shopping” experience for dealers, the Board and DMV maintain a Memorandum of Understanding that authorizes the Board to distribute dealer license plates. The following table displays the number of dealer plate transactions handled during the reporting period by Board staff:

| FY 21 | FY 22 |
|--------------|--------------|
| 7,874 | 27,969 |

¹¹ Published in February, April, June, August, October and December.

CONSUMER ASSISTANCE

The MVDB employs two full-time employees whose primary responsibilities include responding to consumer concerns and initiating investigations on the consumer's behalf. It is not the intent of, nor shall Board staff act as legal counsel to the consumer at any time.

Consumers wishing to file a complaint, seeking mediation or assistance with a dealer matter can do so in several ways. By an overwhelming margin, calling the Board staff and talking to one of the consumer representatives is the most common method used by consumers. Other methods include submitting a consumer complaint form (via our website), emailing, sending letters/faxes, and in person visits at our Richmond location.

During this reporting period, the Board staff assisted with approximately 4,960 consumer assistance requests¹². Consumers sought assistance in securing titles, registering their vehicles, and warranty clarification. In many instances, the MVDB staff served as a mediator between the consumer and the dealership. Unfortunately, staff had to present consumers their legal options in many instances because the matter at hand was a civil matter or out of the purview of the MVDB. The most common questions and complaints received from consumers were related to:

- Title/Registration related matters
- Out of business dealerships
- Contract/Pricing questions and disputes
- Vehicle service and repairs
- Vehicle warranties
- State inspections

On the agency's website (www.mvdb.virginia.gov), consumers can register a complaint against a dealer by completing the "Request for Consumer Assistance" form. Once completed and submitted by the consumer, Board staff will review the submission and respond accordingly. In this reporting period, there were 275 formal consumer complaints that resulted in a violation letter or Board action. The MVDB works feverishly to ensure that all "Request for Consumer Assistance" submissions are replied to in a timely fashion.

In the meantime, the Board staff is expending its energies working with individual dealerships and updating the Board's website to educate consumers and the dealer community about Virginia's advertising laws, policies, and providing links for consumers regarding purchasing vehicles. This effort is in line with the Board's philosophy of "education first".

Administrative Actions - Advertising

Keeping the "education first" intent in mind, the Motor Vehicle Dealer Board (MVDB) staff routinely publishes articles in the Board's Dealer Talk newsletter concerning identified trends in advertising violations, and clarification of advertising laws and regulations.

¹² In previous Biennial reports, the total number of consumer complaint calls received was reported.

Board staff randomly reviews internet, social media sites, dealership websites and vehicle sales advertisements to ensure compliance with our laws and regulations. In cases where there appears to be a violation, Board staff will initiate a phone call or letter (email) to the dealer to address the advertising issue in question, review the alleged violation(s) and provide directions for revising the advertisement as needed. Repeat offenders most likely will receive a civil penalty. Most advertising violations involve improper disclosures as required by the Virginia Code. During this reporting period, there were 71 written advertising violations; of these, 12 resulted in civil penalties totaling approximately \$3,000.00.

The Board has been aggressive in monitoring dealer advertising as well as other dealer practices. Although aggressive, the Board staff needs to find innovative methods and processes to monitor the exploding dealer advertisement market, which has grown via the internet and other social media platforms. As we move forward, the Board staff is better positioned to deal with advertising via social media and has started addressing the issue. This is essential to maintaining a level playing field for all licensed dealers.

Field Operations

The Commonwealth is home to over 3,600 franchise and independent dealerships. With new dealerships opening and closing weekly, our field operations staff is the backbone of the agency. The field representatives serve as eyes and ears of the agency across the Commonwealth while working closely with consumers, dealerships, and law enforcement personnel. Divided into six districts, there are twelve Field Representative ready to assist dealers and consumers by providing education, guidance and enforcement as it pertains to dealer licensing laws. Each field representative has an assigned area that they alone are responsible for. Their geographic area typically covers several counties and all independent cities located within their assigned area. All field representatives are resources for one another and have the freedom to assist each when the need or situation warrants.

During FY22, the Board placed emphasis on dealers issuing Print on Demand¹³ tags to customers for vehicles not listed in the dealer's inventory or sold to the consumer by the dealership. This illegal activity became apparent during FY21 and became a focal point of the Board during FY22. The field representatives, in some cases working with DMV Law Enforcement, have been instrumental in uncovering this illegal practice.

In addition to inspecting dealerships, field representatives investigate consumer complaints, participate in association functions/meetings in their assigned areas and work with law enforcement agencies in criminal investigations. Working to educate the dealer community, the Field Representative serves as a liaison between the consumer, dealer, and the MVDB.

During FY21 field representatives performed approximately 782¹⁴ inspections despite being down three field representatives¹⁵; all three vacancies were in heavy dealer populated areas. With the manpower shortages and the Board's suspension of most face-to-face enforcement practices in due to COVID-19 protocols in place, the agency implemented an electronic inspection process. The electronic inspection process allows dealerships to submit files and

¹³ Print on Demand tags – 30-day temporary license plates.

¹⁴ Includes 243 closing inspections and 195 opening inspections.

¹⁵ Two of the three field representatives retired, one resigned.

records electronically to the field representative for inspection. This process will be used primarily with dealerships who have excellent past inspection records, thus allowing the field representatives to spend more face-to-face time with those dealerships demonstrating a need for more attention. During FY22, the field representatives performed over 1,390¹⁶ inspections, which includes approximately 140 electronic inspections.

Selected Agency Initiatives Instituted and Proposed

Initiating Criminal Background Checks (Instituted)

A criminal history background check is conducted on all initial applications submitted to the Board for a dealer or salesperson's license. If the applicant has a criminal history, Board staff, using established criteria and guidelines, determines whether the applicant should be granted a license. Applicants denied a license have the option of appealing the denial.

In FY21 (August 1, 2020) the Board shifted the responsibility of conducting criminal background checks to the dealership. A criminal background check must be performed whenever the salesperson or owner applicant is an initial application. The results of that background check must be submitted to the MVDB along with the application. The MVDB staff will take the appropriate action regarding the criminal background check based on established Board and agency guidelines and practices. Prior to this change, all criminal background checks were initiated by the Board staff using one vendor. This shift in responsibilities has saved the Board staff money and reduced the license issuing time for initial salespersons by approximately 66% in most instances. The Board approved and authorized nine (9) criminal background check providers for dealerships to use. Each of the providers are held to the standards established by the Board.

Updated MVDB Website (Instituted)

The MVDB website was completely redone in FY21 (October 2020). The Executive Director signed off on the Statement of Work agreement with SiteVision in July 2020. The website, which resides on a new platform, was completed in October 2020. The agency's IT Manager administers the website and manages all changes to the information associated with the website.

MVDB Dealer Fees Increase (Instituted)

The Board authorized dealer fee increases which went into effective FY21 (December 1, 2021). The increases are as follows; Dealer Licenses to \$270.00, Salesperson Licenses to \$50.00, License Endorsements to \$50.00 each, and Foreign Dealers Licenses will increase to \$100.00. Based on historical figures, the proposed increases will bring in about \$421,000.00 per year. The revenue derived from the fee increases are to fund the development and procurement of a web-

¹⁶ Includes 216 closing inspections and 228 opening inspections.

based dealer licensing system, offset the increase in rent for the MVDB, and help fund projected salary increases.

Remote Field Inspections (Instituted)

Remote electronic dealership inspections began during this reporting period. Implemented policies and practices regarding COVID prompted the Board staff to find another way to ensure that dealerships were following motor vehicle dealer laws. This concept has proven to be a success and is good for those dealerships who have excellent inspections in the past.

Dealer License System (In Process)

The purpose and implementation of the Dealer Portal is to provide a web based online licensing system to streamline and expedite the issuance of dealer and salesperson licenses in addition to allowing the dealerships to perform other functions such as updating MVDB required information (contact info., hours of operations, processing fees, etc.), receive payments online and provide dealers a more responsive means to submit requests for services that are currently provided by the MVDB.

During the July 2021 Board meeting, the Board authorized the Executive Director to negotiate and sign the contracts for System Automation, the VITA approved software vendor selected to build the MVDB dealer licensing system. On behalf of the Board, the Executive Director signed a contract with Systems Automation in May 2022. The tentative delivery period for the Dealer Licensing system is the last quarter of calendar year 2023.

FISCAL AFFAIRS SUMMARY

In FY96, through the APA process, the Board adjusted licensing fees that dealers paid to the Board. These fees cover all of the Board's expenses. When these fees were adjusted, it was done with a five year planning horizon. The plan was for the Board to collect sufficient yearly revenues to accumulate a fund balance that would meet operational needs throughout that five-year period.

Business processes implemented by the Board staff expanded the original five-year projection. This fee structure provided an adequate revenue base that supported the Board until the fees were adjusted in December of 2007. The Board successfully completed the APA Regulatory process in the fall of 2007 to adjust fees. The new fees were effective December 1, 2007 – nearly twelve years after the initial fees were put in place.

The 2007 fee structure was designed to produce balances in the first few years to support expenditures that would exceed revenues in future years. When the new fee structure was developed, it was projected that the new fee structure would provide an adequate revenue stream through 2013.

Legislation adopted by the General Assembly in 2014 capped the fees that dealers could be charged, but more importantly this legislation gave the Board the authority to adjust fees not exceeding the cap. In July 2015, in concert with legislation that moved the oversight of motorcycles, trailers, and recreational vehicles from the DMV to the Board, the Board exercised its authority and adjusted dealer fees, which were sufficient until the Board decided that the dealer community needed to move towards technology and additional funding was needed by the Board staff for rent, salary increases, and to fill vacant positions. On December 1, 2021, fee increases authorized by the Board during the September 2021 meeting went into effect.

The Board's financial accounting and reporting functions are provided by the DMV. Because of this joint effort, the Board has been able to conduct its statutory responsibilities and its financial management functions in a most cost-effective manner. Increasing information technology expenditures, salaries/benefits, equipment, and vehicles, will require to the Board to continuously review the current fee structure to ensure adequate revenue is in place to support the agency and its mission going forward. The Board's operating revenue, expenditures/transfers and year-end balance for Fiscal Years 2021 and 2022 are shown below:

| <i>Fiscal Year Ending June 30, 2021</i> | | |
|--|---------------------------|---------------------|
| <i>Revenues</i> | <i>Expenses/Transfers</i> | <i>Cash Balance</i> |
| 2,612,652 | 2,501,907 | 1,725,697 |

| <i>Fiscal Year Ending June 30, 2022</i> | | |
|--|---------------------------|---------------------|
| <i>Revenues</i> | <i>Expenses/Transfers</i> | <i>Cash Balance</i> |
| 2,856,791 | 2,565,488 | 2,000,554 |