

motor vehicle dealers in the state would require equipment and web browser access to facilitate a 4 day turnaround time for processing temporary license placards. It is possible these costs would be reduced through a bulk purchase of the computers and web browser access service. In addition, annual maintenance costs are unknown at this time.

- Another option that was briefly discussed included the possibility of having the motor vehicle dealers submit temporary placard information to the deputy registrar offices and have them be responsible for keying the information into the BMV’s computer system. However, the costs associated with this option and potential impacts on existing registrar contracts are unknown at this time.

Local Fiscal Highlights

| LOCAL GOVERNMENT | FY 2000 | FY 2001 | FUTURE YEARS |
|---|---------|--|--|
| Counties, Municipalities and Townships | | | |
| Revenues | - 0 - | Possible loss depending upon which alternative is chosen | Possible loss depending upon which alternative is chosen |
| Expenditures | - 0 - | - 0 - | - 0 - |

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- Potentially increasing the costs for the Bureau of Motor Vehicles (BMV) may impact total funds available for local governments. If enactment of House Bill 476 results in additional costs to the Bureau of Motor Vehicles, it is possible political subdivisions may receive fewer funds from the bureau when monthly redistributions of revenues occur. The transportation budget bill (H.B. 163) specifies that revenues from the annual state license tax (ORC 4503.02) and local motor vehicle license taxes (ORC 4504.02) may be used to offset any estimated deficiency in the State Bureau of Motor Vehicles Fund (Fund 4W4).
- In 1998, revenues from the annual state license tax remitted to local governments totaled \$301 million. The revenues from local motor vehicle license taxes remitted to local governments totaled \$135 million.

Detailed Fiscal Analysis

Notable Provisions of the Bill:

1. Within a six-month timeframe after bill enactment, the registrar of the Bureau of Motor Vehicles (BMV) shall determine procedures to allow law enforcement to access information related to applications for temporary license placards and windshield stickers no later than 4 days after the placard or sticker is issued.
2. The registrar is given the authority to “take any measures necessary” to implement the four day requirement. Computers may be considered “to facilitate the electronic transfer of the information.”
3. Changing the current requirement of 7 characters (one alpha followed by six numbers) for a temporary license plate placard to requiring that they bear a combination of 6 characters (either letter or numbers) and must include a tamper-proof feature.

Current Temporary License Placard Issuance Process (Deputy Registrars and Motor Vehicle Dealers):

Deputy registrars electronically submit information related to issuing temporary license placards to the BMV. A \$4.25 fee is charged to the public for temporary placards. From this fee, deputy registrars are authorized to keep a \$2.25 service fee.

Motor vehicle dealers issue temporary license placards to those vehicles they have sold. This is a permissive, rather than mandatory program for the dealers. Currently, approximately 3,900 of 7,200 dealers issue temporary tags. The dealer is required to mail completed applications to the BMV within 48 hours after issuance. The BMV’s Dealer Section collects the forms for data entry. Twice per week the data entry contractor picks up the forms and does the actual data entry. The contractor takes approximately 2 days to create a tape that is loaded into BMV’s computer record system and is forwarded to a third party for processing. The registrar of the Bureau of Motor Vehicles is authorized to collect a \$4.25 fee from dealers for this service. Motor vehicle dealers are authorized to charge customers \$4.25 to recoup these costs but are not authorized to charge an additional service fee.

The Bureau of Motor Vehicles contracts with a third party to input the temporary tag information. The LEADS system is updated between 15-20 days after the temporary tag is issued. Current contract costs are approximately \$281,000 per year for 1,200,300 annual transactions.

Implementation Alternatives:

For the registrar to implement the 4-day turnaround requirement for having temporary tag information available to law enforcement, the BMV reports that the dealers would need to have an on-line entry into a computer system. The permissive nature of the program would remain. Only dealers wishing to issue placards would do so. It is assumed that currently some motor vehicle dealers have computer equipment that could be used for this purpose and some do not. **Based upon the language in the bill, it is not clear who would bear the financial burden of**

providing any necessary computers, software or web browser interface to those dealers without computers or internet web access.

One set of cost estimates assumes the following: there are approximately 3,900 dealers currently participating in the temporary placard program. Of these, approximately 790 (20%) may not have computers capable of allowing for on-line processing. It is possible this legislation will not change the number of dealers participating in the program, however, 20% of the existing group would require additional computer resources.

Another set of assumptions is based upon the following: there are approximately 7,200 motor vehicle dealers in the state. Of this total approximately 2,100 are new automobile vehicle dealers and the remaining 5,100 are used car dealers. A representative of the Ohio Automobile Dealers Association (OADA) estimates that of the new car dealers approximately 95% have computers and approximately 50% of used motor vehicle dealers have computers. Using these assumptions it is estimated that approximately 2,700 motor vehicle dealers would require computers in order to participate in issuing temporary license placards.

The following scenarios detail some implementation alternatives:

Alternative 1; Expenditure Increase for Dealers: One implementation alternative is that the **motor vehicle dealers would fund any new costs associated with issuing temporary placards.** The Bureau of Motor Vehicles and the Department of Public Safety would develop an appropriate temporary placard computer program accessible by dealers through the Internet. For those motor vehicle dealers who would like to continue issuing temporary license plates, they would be required to use their existing computers or purchase computers and purchase Internet access in order to participate in the program. One estimate states computer costs average \$2,000 per unit. Web browser costs are estimated at approximately \$20.00 per month or \$240.00 per year. Total costs may range from **\$240-\$2,240 per dealer** for those dealers who opt to participate in issuing temporary plates. Annual maintenance costs for the computers are not known at this time.

In addition, it is unknown how many dealers would choose to participate in issuing temporary license plates. It is possible fewer dealers than now will decide to continue issuing temporary tags due to the increased costs associated with this process. As a result, deputy registrar offices may have an increase in workload associated with these transactions.

Alternative 2; Expenditure Increase for the BMV: A second implementation alternative is that the **Bureau of Motor Vehicles would be required to purchase the necessary computer equipment, and/or internet access for motor vehicle dealers** who wish to issue temporary placards but are not equipped to do so. It is possible more motor vehicle dealers would be interested in issuing temporary license placards for their customers if it meant that they would receive the necessary tools (computer and/or web browser) in order to do this function. As a result, deputy registrar officers may experience a reduction in workload associated with these transactions.

One estimate states computer costs average \$2,000 per unit. Determining how many dealers will require computers presents a range of potential outcomes. Of the approximately 3,900 dealers currently issuing temporary placards, it is estimated 20% do not have the computer capability to

process on-line. Costs for 790 dealers are estimated at **\$1.6 million**. However, it is uncertain whether all dealers would be eligible for computers and web browsers or simply those that are able to prove they do not have the necessary current capabilities. If all 3,900 dealers require computers, costs are estimated at approximately **\$7.9 million**.

Another estimate assumes that if the 2,700 dealers estimated to not have computers then require computers, total costs are estimated at **over \$5.3 million**. If all 7,200 dealers require computers, costs are estimated to be **over \$14 million**.

It is possible these costs would be reduced through a bulk purchase of the computers and web browser access service. However, the economies of scale are difficult to determine at this time. In addition, annual maintenance costs are unknown at this time.

Web browser costs are estimated at approximately \$20.00 per month or \$240.00 per year. Total costs may range from **\$189,600-\$1,734,200** depending upon whether only 790 dealers without computers would also require a web browser or whether every one of the total 7,200 dealers would require web browser access.

Alternative 3: Using the Deputy Registrar staff to process Temporary Placard Information:

Another option that was briefly discussed included the possibility of having the motor vehicle dealers submit temporary placard information to the deputy registrar offices and have them be responsible for keying the information into the BMV's computer system.

However, the costs associated with this option and potential impacts on existing registrar contracts are unknown at this time.

Additional Security Features:

Additional security features would possibly include a hologram or "write resist" film. Currently, the per unit cost for a temporary tag is \$.08. A hologram could cost an additional \$.25 per tag and additional total costs could equal **\$408,000 annually**. The "write resist" film could result in additional costs of \$.395 per tag totaling to **\$756,000 annually**.

Expenditure Reduction:

Currently, a third party processes temporary license placard information for the Bureau of Motor Vehicles. The contractor costs approximately **\$281,000 per year**. With the necessary elimination of this part of the temporary license tag issuance process, these costs will no longer occur.

Revenues:

There are potential impacts on the workload and revenue streams for the deputy registrars associated with each alternative:

Alternative 1: Under alternative 1 it is possible that fewer dealers than the current 3,900 would choose to participate. Of this group, the OADA representative stated it is likely the new automobile dealers would continue to provide this service for their customers. However, it is

unknown how many used vehicle and leasing vehicle dealers would continue to participate in the program. As a result, the **deputy registrars may have an associated increase in workload and an increase in revenues** from collecting additional \$2.25 service fees.

Alternative 2: Under alternative 2, it is possible that additional dealers would be interested in participating in the temporary plate program if resources were provided by the state. If this were to occur, the **deputy registrars may lose revenues and the Bureau of Motor Vehicles may gain revenues** associated with additional placards being issued by the dealers who pay the \$4.25 fee to the bureau for each placard issued.

Local Government Impacts:

Potentially increasing the costs for the Bureau of Motor Vehicles (BMV) may impact total funds available for local governments. If enactment of House Bill 476 results in additional costs to the Bureau of Motor Vehicles, it is possible political subdivisions may receive fewer funds from the bureau when monthly redistributions of revenues occur. The transportation budget bill (H.B. 163) specifies that revenues from the annual license tax (ORC 4503.02) and local motor vehicle license taxes (ORC 4505.02) may be used to offset any estimated deficiency in the State Bureau of Motor Vehicles Fund (Fund 4W4).

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