

Fiscal Note & Local Impact Statement

123rd General Assembly of Ohio

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BILL: **Sub. S.B. 242** DATE: **May 24, 2000**
STATUS: **As Enacted – Effective September 14, 2000** SPONSOR: **Sen. Oelslager**
LOCAL IMPACT STATEMENT REQUIRED: **Yes**
CONTENTS: **Permits the renewal of motor vehicle registrations by electronic means**

State Fiscal Highlights

STATE FUND	FY 2001	FY 2002	FUTURE YEARS
Fund 4W4 – Operating Expense – BMV			
Revenues	Potential gain of \$1.1-\$2.3 million	Potential gain of \$1.3 - \$2.3 million	Potential gain; unknown at this time
Expenditures	Potential increase of \$1.1 - \$2.5 million	Potential increase of \$1.3 - \$2.5 million	Potential increase; unknown at this time
Fund 086 – Division of Watercraft – DNR			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase of \$116,000 - \$241,000	Potential increase of \$11,000	Potential increase of \$11,000

Note: The state fiscal year is July 1 through June 30. For example, FY 2001 is July 1, 2000 - June 30, 2001.

- **BMV Revenue Gains:** The Department of Public Safety's (DPS) current request for proposal (RFP) related to renewing vehicle registrations using the Internet and telephones assumed approximately 2 million renewal transactions would be processed over two years. As a result, the current \$2.25 service fee charged by deputy registrars would be charged by the DPS instead. Using this assumption, total revenue gains to the state and equivalent losses to deputy registrars could total to \$4,585,100 over two years and, if an even distribution of transactions occurs between the years, it could equal **\$2,292,600 in FY01** and **\$2,292,600 in FY02** and represents a shift of approximately 12.5% of the current renewals from deputy registrar offices to the Internet and telephones.
- However, if Ohio's experiences are similar to Wisconsin's, potential revenue increases of **\$1,061,300 in FY01** and **\$1,280,900 in FY02** may occur.
- **BMV Increased Expenditures:** The final costs to implement Internet and telephone registration renewals are unavailable at this time because the RFP process has not been completed. However, the DPS is pursuing a fee per transaction contract and is estimating the current \$2.25 fee they would collect rather than the deputy registrars would offset any new costs. If so, potential increased costs of **\$1,061,300 - \$2,292,600 in FY01** and **\$1,280,900 - \$2,292,600 in FY02** would occur.
- However, if Ohio's experiences are similar to Wisconsin's and the per transaction vendor fee is \$2.50, potential costs of **\$2,547,300** would occur in FY01 and FY02 and would exceed estimated revenues.



- DNR Increased Expenditures: The Department of Natural Resources estimates total annual one-time and ongoing costs and savings ranging from **\$116,000 - \$241,000 in FY 2001** associated with: programming, equipment and increased forms costs. **Annual ongoing costs (net of savings)** are estimated at **\$11,000** for FY2002 and beyond.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2000	FY 2001	FUTURE YEARS
Counties, Municipalities and Townships			
Revenues	Possible loss if BMV costs impact revenues re-distributed to local governments	Possible loss if BMV costs impact revenues re-distributed to local governments	Possible loss if BMV costs impact revenues re-distributed to local governments
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 state funds available for local governments. If enactment of Senate Bill 242 results in additional costs to the BMV, political subdivisions may receive fewer funds from the bureau when monthly redistributions of revenues occur. The transportation budget bill (Am. Sub. 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).

Detailed Fiscal Analysis

Senate Bill 242 would allow the Bureau of Motor Vehicles to accept vehicle registration renewals using electronic means and would allow the Department of Natural Resources to accept watercraft registration using electronic means.

Electronic signatures (“a signature in electronic form attached to or logically associated with an electronic record”) would be accepted in place of requiring individuals to provide a manual signature. As a result, the BMV and DNR would be authorized to proceed with allowing for telephone and Internet registration renewals.

BMV: Other State Information:

Wisconsin is one of the states currently allowing individuals to renew their registrations using computers and using the telephone. In Wisconsin, when individuals receive their renewal notices in the mail, only certain types of registrations may be renewed using the Internet or telephone, and the renewal notice indicates which renewals may be processed electronically. Visa, MasterCard, and Discover credit cards are accepted for these types of transactions and an additional \$2.50 fee is assessed to cover the per transaction fee assessed by the vendor chosen to implement the state’s contract. Wisconsin’s Internet option has been in effect for two years. In CY 98, approximately 5.8% of total registration renewals were processed using electronic means (less than ½ of one percent of all registration renewals were processed through the Internet and 5.3% were processed using telephones). In CY 99, approximately 7.0% of total registration renewals were processed electronically (1.1% of all registration renewals were processed through the Internet and 5.8% were processed using telephones).

The DPS researched the issue and provided the following information about other states that have implemented similar programs. Information about first year versus subsequent year experiences were not included, therefore, LBO assumes this reflects the most recent year’s activity.

Table A: Other State Experiences with Internet and Telephone Registration Renewals:

State	Year Program Implemented	Percent of Registrations Processed	Was Program Actively Marketed?
Alaska	January 1998	10%	Yes
Arizona	December 1997	6%	Yes
Arkansas	January 1999	3%	Unknown
Indiana	March 1998	Less than 1%	No
Maryland	November 1998	Less than 1%	No
Louisiana	July 1999	Less than 1%	Yes
Massachusetts	July 1996	Less than 1%	No
Michigan	June 1998	1%	No
New Mexico	January 1998	1%	No
Virginia	July 1999	4%	Yes
Wisconsin	January 1998	7%	No
Average:		3.3%	

LBO looked at the BMV's registration renewal transaction history from fiscal year 1995 - 1999 and used the average of approximately 8,132,500 renewal transactions to calculate a portion of the following estimates.

BMV Related Potential Cost Impacts for the State:

(1). At this time, the Department of Public Safety has issued an RFP to explore the costs associated with Internet registration renewals and using the telephone for renewals. Since this process is still in progress, no costs are available at this time. However, the DPS is pursuing a fee per transaction contract and is estimating the current \$2.25 fee they would collect from the public, rather than the deputy registrars, would offset any new costs. If so, potential increased costs of **\$1,061,300 - \$2,292,600 in FY01 and \$1,280,900 - \$2,292,600 in FY02** would occur that would be offset by the new revenues collected by the state.

If the actual negotiated fee is more than \$2.25, new costs will exceed estimated revenues and BMV's 4W4 fund would have to fund any additional costs. If the negotiated fee is less than the estimated \$2.25, new revenues will accrue to the state.

If the contractor fee were similar to Wisconsin's negotiated fee of \$2.50 per transaction additional, unfunded new costs ranging from \$117,900 in FY01 to \$254,700 in FY02 would occur.

(2). Additional information will need to be included on the renewal notice related to informing individuals about the electronic renewal option. It is not anticipated that this requirement will result in a larger notice having to be printed or mailed at an additional cost. However, if the Bureau is not able to include the additional information without increasing the document size, additional costs may result.

BMV Potential Revenue Impacts:

S.B. 242 is likely to reduce revenues to the deputy registrar offices and increase revenues to the state. Currently, a \$2.25 fee is collected for each registration renewal processed. If transactions are shifted from the deputy registrar offices to the state's offices, revenues will shift as well.

The Department of Public Safety's request-for-proposal related to Internet and telephone renewals assumed approximately 2,037,800 transactions would be processed, over the course of two years, using the Internet. LBO estimates that this equals approximately 12.5% of current transaction volumes. As a result, total revenue gains to the state and losses to the deputy registrars would total to \$4,585,100 and be spread over two fiscal years. Assuming these impacts were spread evenly between the two years, the revenue gain to the state would be **\$2,292,600 in FY01 and FY02**.

If Ohio's experiences are similar to Wisconsin's experiences, approximately 5.8% of renewals would be done using electronic means in FY 01 and approximately 7.0% in FY 02. As a result, losses to the deputy registrars and increases to the state would equal **\$1,061,300 in FY01** and revenue losses to the deputy registrars and gains to the state would equal **\$1,280,900 in FY02**.

Local Government Impacts:

Potentially increasing the costs for the Bureau of Motor Vehicles (BMV) may impact total state funds available for local governments. If enactment of Senate Bill 242 results in additional costs to the BMV, it is possible political subdivisions may receive fewer funds from the bureau when monthly redistributions of revenues occur. The transportation budget bill (Am. Sub. 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).

Financial Transaction Device Payments:

Currently, individuals are required to pay a surcharge when they use a credit card to pay motor vehicle registration taxes or fees, license fees or other similar taxes, fees, penalties or charges imposed related to registration renewals.

Under the changes proposed in SB 242, no specific credit card or other financial transaction device (debit card, charge card, or prepaid or stored value card) surcharge will be assessed to the customer. However, part of the RFP that is currently in process requires the vendor to include this additional cost in any cost proposals submitted to the department as part of the per transaction service fee bid.

DNR Potential Fiscal Impacts:

The Department of Natural Resources estimates total annual one-time and ongoing costs ranging from \$116,000 - \$245,000 in FY 2001 associated with: programming and increased forms costs. One-time costs of \$75,000 - \$200,000 will accrue from required computer system programming. One-time costs of \$30,000 will accrue associated with purchasing necessary processing equipment.

Annual costs of \$15,000 will occur associated with additional costs for forms. Annual savings of \$4,000 will occur associated with streamlining a payroll process.

DAS Potential Fiscal Impacts:

The Department of Administrative Services will provide programmer staff for “front-end” programming. At this time, DAS estimates that they will be able to provide the programming at no cost to DNR and within their existing budget. However, if they must “charge-back” programmer costs to DNR it is estimated it may cost \$4,000 - \$10,000 in one-time costs.

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