

Fiscal Note & Local Impact Statement

124th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **Sub. S.B. 59** DATE: **June 28, 2001**
STATUS: **As Enacted – Effective October 31, 2001** SPONSOR: **Sen. Amstutz**
LOCAL IMPACT STATEMENT REQUIRED: **Yes**
CONTENTS: **Includes various changes to the titling process for motor vehicles, watercraft, outboard motors, off-highway motorcycles, and all-purpose vehicles**

State Fiscal Highlights

STATE FUND	FY 2002	FY 2003	FUTURE YEARS
Waterways Safety Fund (086)			
Revenues	Potential minimal loss	Potential minimal loss	Potential minimal loss
Expenditures	Potential increase of approximately \$12,000	Potential increase of approximately \$12,000	Potential increase of approximately \$12,000
Bureau of Motor Vehicles Fund (4W4)			
Revenues	Potential loss of approximately \$300,000	Potential loss of approximately \$300,000	Potential loss of approximately \$300,000
Expenditures	Potential decrease of approximately \$56,900	Potential increase of approximately \$52,300	Potential increase of approximately \$52,300
Automated Title Processing Board			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase of more than \$3.6 - \$6.7 million	Potential increase of more than \$2.7 - \$5.0 million	Potential increase of more than \$1.3 - \$3.4 million

Note: The state fiscal year is July 1 through June 30. For example, FY 2002 is July 1, 2001 – June 30, 2002.

- Potential **annual minimal revenue losses** to the Department of Natural Resources (DNR) have been estimated associated with allowing the public to access title information using electronic means because no fee will be charged for this access.
- The Division of Watercraft estimated **ongoing annual maintenance costs** for the on-line titling system to be approximately **\$12,000**.
- The Department of Public Safety estimated decreased costs for the Bureau of Motor Vehicles (BMV) associated with allowing electronic dealers to issue temporary license placards. There may be **decreased costs of up to \$538,700 annually** associated with a reduction in data entry.
- Public Safety estimated total **one-time data processing costs** of implementing SB 59 to be **\$292,500** (\$150,000 for existing internal staff and \$142,500 for consultants).



- SB 59 requires that the Registrar of Motor Vehicles will adopt rules to establish a pilot program to appoint limited authority deputy registrars to conduct: initial motor vehicle registrations, transfer motor vehicle registrations, and vehicle inspection number (VIN) inspections. It is unknown how many LADRs will be appointed, however, the following estimate was provided by the Bureau of Motor Vehicles reflecting **total one-time costs of \$189,300 and annual costs of \$591,000** for the Department.
- Potential **annual losses of \$300,000 in revenue** to the Department of Public Safety have been estimated associated with allowing the public to access motor vehicle title information using electronic means. No fee will be charged for this access. Any loss to the BMV's 4W4 Fund may impact local governments when monthly redistributions of revenue occur.
- Public Safety estimates that the process to allow individuals to access vehicle title information electronically may be outsourced to a third party for **an unknown, additional annual cost**.
- The bill allows the Registrar of Motor Vehicles to use money from the Automated Title Processing Fund to pay expenses related to implementing the provisions of this bill. It is assumed that any one-time and on-going costs for the Department of Public Safety, the Department of Natural Resources, the Clerks of Courts, and Limited Authority Deputy Registrars would be funded by the Automated Title Processing Fund. Based upon BMV estimates **additional costs of \$786,300 in FY02 and \$603,000 in FY03 may occur related to implementing the pilot program**. These costs are **not factored into the ATPS expenditure line in the table above but are within the agency expenditure lines for DNR and Public Safety**.
- The Registrar of Motor Vehicles is required to make monthly payments, from the Automated Title Processing Board Fund to any Clerk who certifies a net loss for an applicable reporting period as determined by the Registrar. Payments shall equal 100 percent of the net loss during the first year, 75 percent during the second year, and 50 percent during the third year. Using a report provided by the Clerks of Courts, it appears that there were approximately 1.6 million annual transactions where a vehicle was purchased in a different county than where the vehicle was actually registered. It was assumed that all of these transactions would result in a shift of \$2.25 per title between Clerks of Courts. In addition, there will be a revenue loss for the Clerks associated with no longer collecting a \$2.00 fee for title data. As a result, it is estimated that the ATPS Fund may provide **\$3.6 million in the first year, \$2.7 million in the second year, and \$1.3 million in the third year** after the effective date to Clerks of Courts as reimbursement for any net losses in revenues. The BMV has also provided an estimate that the fund will provide **\$6.7 million in FY02, \$5.0 million in FY03, and \$3.4 million in FY04**.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2001	FY 2002	FUTURE YEARS
Counties (Clerks of Courts)			
Revenues	Potential loss for some and potential increase for others	Potential loss for some and potential increase for others	Potential loss for some and potential increase for others
Expenditures	- 0 -	- 0 -	- 0 -
Counties, Municipalities, and Townships			
Revenues	Potential loss of approximately \$300,000	Potential loss of approximately \$300,000	Potential loss of approximately \$300,000
Expenditures	- 0 -	- 0 -	- 0 -
County Certificate of Title Administration Funds			
Revenues	Potential gain	Potential gain	Potential gain
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.

- Allowing for cross-county titling **may decrease revenues for some clerks and increase the revenues of other clerks**. Currently, vehicle or watercraft owners may complete title transactions only with the clerk in their county of residence. As a result, the clerks collect and retain service and poundage fees. If this bill is enacted, individuals may use any clerk to process title transactions and those clerks will retain any fees.
- The Registrar of Motor Vehicles is **required to make monthly payments, from the Automated Title Processing Board Fund to reimburse any Clerk who certifies a net loss for an applicable reporting period** as determined by the Registrar. Payments shall equal 100 percent of the net loss during the first year, 75 percent during the second year, and 50 percent during the third year.
- Eliminating the requirement that an application for a title or an assignment of a title for transactions, except for casual sales, be sworn to before a notary public may result in a **minimal reduction in revenues for Clerks of Courts**. Clerks currently charge a \$1.00 fee associated with this function.
- Allowing Clerks to charge a \$5.00 fee for each “non-negotiable evidence of ownership” **may increase revenues collected by counties** associated with: watercrafts, outboard motors, motor vehicles, off-highway vehicles, and all-purpose vehicles. The number of individuals who may request this document is unknown.
- As BMV’s revenue sources increase or decrease, revenues available for redistribution to local governments increase or decrease. SB 59 **appears to reduce BMV Fund 4W4 revenues by approximately \$300,000** therefore; local governments may receive lower monthly revenue redistributions from the state.
- Fees collected by Clerks of Courts for conducting deputy registrar services or conducting transactions or inspections as a limited authority deputy registrar will be paid into county Certificate of Title Administration Funds. Therefore, these county funds may experience an increase in revenues.

Detailed Fiscal Analysis

Senate Bill 59 proposes several changes to the current motor vehicle titling system for motor vehicles, off-highway motorcycles, all-purpose vehicles, watercraft and outboard motors. The following estimate includes various references to sections within the bill, however, it is intended to provide examples of places to find relevant text and it not intended to provide an exhaustive list of cites for each fiscal impact. For a comprehensive list of sections affected by the bill, please see the Legislative Service Commission's bill analysis.

DEPARTMENT OF NATURAL RESOURCES: Watercraft and Outboard Motors:

1. Paperless Titles and Public Access to Information: Individuals may decide to not have a paper title printed when they apply for a certificate of title from a clerk of court. If a paper copy were not issued, the electronic record would become the official record (Sec. 1548.021). In addition, it allows the public to access title information using electronic means; no fee will be assessed (Sec.1548.141).

- **Fiscal Impacts:** The Division of Watercraft estimates **annual maintenance costs of approximately \$12,000**. The Department **estimates a minimal annual revenue loss** associated with no longer receiving a fee for providing this information.

DEPARTMENT OF PUBLIC SAFETY: Motor Vehicles (including Mobile Homes and Recreational Vehicles); Off-Highway Motorcycles, and All-Purpose Vehicles:

1. Temporary License Placards: Require dealers to electronically notify the Registrar of the issuance of temporary license placards (Sec. 4503.182).

- **Fiscal Impacts:** The Department of Public Safety estimates potential **decreased costs for the Department of up to \$538,700 annually** associated with a reduction in data entry.

2. Public Access to Information: Allow the public to access motor vehicle title information using electronic means; e.g., Internet access; no fee will be charged (Sec. 4505.141 and 4519.631).

- **Fiscal Impact:** The Department of Public Safety estimates a **potential annual loss of \$300,000 in revenue**. Any loss to the BMV's 4W4 Fund may impact local governments when monthly redistributions of revenue occur. The Department also estimates that the process may be outsourced to a third party. This would be similar to what the BMV currently does with vehicle registration renewals performed on-line for a per transaction cost of \$1.59 and would be **an additional cost to the Department**. Total annual costs are unknown at this time since the number of individuals who would choose to access this information on-line is not known.

3. Costs Associated with Data Processing Changes:

- **Fiscal Impact:** The Department estimates total **one-time costs** of implementing SB 59 to be **\$292,500** (\$150,000 for existing internal staff and \$142,500 for consultants).

CLERKS OF COURTS:

1. Allow for Cross-County Titling: A certificate of title may be filed electronically by any clerk of courts; fees will be kept by the clerk performing the transaction; and information shall be sent to a clerk in an individual’s county of residence (Sec. 1548.06 and 4505.06 (A))

- **Fiscal Impact:** This provision **may decrease revenues for some clerks and increase the revenues of other clerks.** Currently, vehicle or watercraft owners may complete title transactions only with the clerk in their county of residence. As a result, the clerks collect and retain service and poundage fees. If this bill is enacted, individuals may use any clerk to process title transactions and those clerks will retain any fees.

2. Require Fees to be Deposited into Certificate of Title Administration (CTA) Funds: Fees collected by Clerks of Courts for conducting deputy registrar or limited authority deputy registrar transactions shall to be deposited into county CTA Funds. This fund is to be used to pay for costs associated with processing titles. However, if funds exceed needs, the surplus may be transferred to the county general fund and used for other county purposes.

- **Fiscal Impact:** This provision **may increase revenues for county Certificate of Title Administration Funds.**

3. Allow Clerks to Assess a \$5.00 Fee for Non-Negotiable Evidence of Ownership Documents:

- **Fiscal Impact:** Allowing Clerks to charge a \$5.00 fee for each “non-negotiable evidence of ownership” **may increase revenues collected by counties** associated with: watercrafts, outboard motors, motor vehicles, off-highway vehicles, and all-purpose vehicles. The number of individuals who may request this document is unknown.

4. Eliminate Notary Requirement: Transactions associated with other than casual sales will no longer require an application for title or an assignment of title to be sworn to before a notary public.

- **Fiscal Impact:** Clerks may experience a minimal reduction in revenues associated with a loss of \$1.00 per transaction.

PILOT PROGRAM FOR LIMITED AUTHORITY DEPUTY REGISTRARS (LADRs):

SB 59 requires that the Registrar of Motor Vehicles will adopt rules to establish a pilot program to appoint limited authority deputy registrars to conduct: initial motor vehicle registrations, transfer motor vehicle registrations, and vehicle inspection number (VIN) inspections. A LADR may collect a \$2.25 fee for each transaction or a \$1.50 fee for each physical inspection that is conducted. Until the Registrar adopts rules to establish this pilot, it would appear there are no stated constraints on which groups may be eligible to be appointed by the Registrar.

- **Fiscal Impacts:** It is unknown how many LADRs will be appointed, however, the following estimate was provided by the Bureau of Motor Vehicles reflecting **total one-time costs of \$189,300 and annual costs of \$591,000:**

<u>Cashiers Staff (annual costs)</u>	
3 Accountant Examiner III Staff	\$135,000
<u>Deputy Registrar Field Staff (annual costs)</u>	
10 Deputy Registrar Field Rep Staff	\$450,000
<u>Deputy Registrar Field Staff Equipment (one-time costs)</u>	
10 Vehicles	\$165,200
10 Laptop Computers	\$ 24,100

Assumptions Used For Fiscal Impacts:

1. 10 Clerks of Courts and 100 Dealers will participate in the pilot program for Limited Authority Deputy Registrar (LADR). Should the participation be higher, the costs would also increase.
2. The BMV will pay the banking costs for Clerks of Courts who become LADR's, but Dealers will be responsible for their own equipment, banking, and communication line expenses.
3. Inventory for vehicle registration transactions will not be maintained at the LADR's. (The BMV will mail the completed transactions. Customers will pay for associated postage costs.)

AUTOMATED TITLE PROCESSING FUND:

Using Fund for Expenses: Allow the Registrar of Motor Vehicles to use money from this fund to *pay expenses* related to implementing the provisions of this bill (Sec. 4505.25). Since additional funds are not appropriated for this purpose, the Department of Public Safety will be required to request additional spending authority from the Controlling Board. It is assumed that **any one-time and on-going costs** for the Department of Public Safety, the Department of Natural Resources, the Clerks of Courts, and Limited Authority Deputy Registrars would be funded by the Automated Title Processing Fund.

- **Fiscal Impact:** Total annual fiscal impacts **are unknown** at this time due to uncertainties related to the number of Limited Authority Deputy Registrars who may be appointed. However, assuming all state agency costs are covered, the **minimum total impact may include:**
 1. Reimbursements for DNR's **on-going** data processing costs = **\$12,000**
 2. Reimbursement for Public Safety's **one-time data processing costs** = **\$292,500**
 3. The LADR pilot costs may include **additional staff and operating expenses for Public Safety are estimated at \$189,300 in FY02 and \$591,000 in FY03.**
 4. A portion of Public Safety's costs may be offset by the \$538,700 saved by having dealers electronically process temporary license placards.

Reimbursing Clerks for Net Revenue Losses: In addition, Section 5 of SB 59 will allow the Clerk of Courts to be reimbursed for a portion of net revenues lost during the first three years following the effective date of the bill. The Registrar of Motor Vehicles is required to make monthly payments to any Clerk who certifies a net loss for an applicable reporting period as determined by the Registrar. Payments shall equal 100 percent of the net loss during the first year, 75 percent during the second, and 50 percent during the third.

- **Fiscal Impact:** Using a report provided by the Clerks of Courts to estimate impacts, it appears that there were approximately 1.6 million annual transactions where a vehicle was purchased in a different county than where the vehicle was actually registered. It was assumed that all of these transactions would result in a shift of \$2.25 per title issued between Clerks of Courts. As a result, it has been estimated that the ATPS Fund may provide \$3.6 million in the first year, \$2.7 million in the second year, and \$1.3 million in the third year after the effective

date to Clerks of Courts as reimbursement for any net losses in revenues. There may be additional unknown losses due to fees no longer be assessed for title data sales.

- However, the Department of Public Safety has estimated potential revenue shifts associated with cross-county titling and revenues lost from the sale of title data of \$6.7 million in the first year, \$5.0 million in the second year, and \$3.4 million in the third year resulting in a **range of \$3.6 - \$6.7 million in the first year and \$2.7 - \$5.0 million in the second year, and \$1.8 – \$3.4 million in the third year potentially being reimbursed** by the ATPS Fund.

It should be noted that **any significant depletion of the fund might result in the need to increase fees in the future if the original purpose of the fund is to be completed** – to provide for an ongoing automated title processing system for the State of Ohio.

MOTOR VEHICLE DEALERS:

1. Electronic Motor Vehicle Dealers: Allow the Registrar to designate dealers as “electronic motor vehicle dealers” providing certain criteria are met; require electronic dealers to use computer equipment purchased and maintained by the dealer (Sec. 4503.034, Sec. 4519.511, and Sec. 4503.182 (B)).

- **Fiscal Impacts:** Public Safety assumes that the Bureau of Motor Vehicles would not be responsible for the installation or operation of a dealer’s data communications line. Therefore, **no costs to the state would accrue** associated with this provision.
- It is permissive upon dealers to become electronic dealers and, if they choose to do this, it would be their responsibility to purchase necessary computer equipment. It has been estimated that **costs of approximately \$2,000 would occur for each electronic dealer.**
- In combination with the cross-county titling provision, **dealers would experience reduced costs** associated with no longer having to send “runners” around the state to have their title work processed.

2. Non-Negotiable Evidence of Ownership: Allow electronic motor vehicle dealers to print a non-negotiable evidence of ownership and require that they pay the clerks of courts a \$5.00 fee (Sec. 4505.08 (G) and Sec. 4505.09 (A)).

- **Fiscal Impacts:** The fiscal effect should be **neutral** since the new \$5.00 fee is consistent with current fees.

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