

BILL # HB 2055

TITLE: MVD; third party reimbursement

SPONSOR: Cooley

STATUS: House Engrossed

REQUESTED BY: House

PREPARED BY: Bob Hull

FISCAL YEAR

EXPENDITURES

	2001	2002	2003
State Highway Fund	\$-0-	\$1,781,400	\$1,781,400

FISCAL ANALYSIS

Description

The House Engrossed bill would expand the number of services for which the Arizona Department of Transportation (ADOT) is required to reimburse authorized third parties, for those transactions where customers choose to use third parties to provide the services instead of dealing directly with ADOT.

Estimated Impact

The House Engrossed bill would have an annual cost of \$1,781,400 to the State Highway Fund beginning in FY 2002 for ADOT's increased reimbursement of authorized third parties. There would be an additional annual cost of \$1,727,800 to local governments beginning in FY 2002 due to decreased Highway User Revenue Fund (HURF) distributions for increased reimbursement of authorized third parties. These estimates are speculative, however, as we lack hard data for some key components of the fiscal impact.

Assumptions

For several years ADOT has been allowed to authorize third parties to perform certain title and registration, motor carrier licensing and tax reporting, dealer licensing and driver license functions. In August 1998 ADOT began reimbursing third parties for certain of these functions. The House Engrossed bill would require ADOT to pay third parties for an expanded list of services, for those transactions where customers choose to use third parties to provide the services instead of dealing directly with ADOT. The following table shows the current reimbursed services, and the expanded list of reimbursed services under the House Engrossed bill.

<u>Service Performed</u>	Third Party Fees	
	<u>Current</u>	<u>HB 2055 House Engrossed</u>
Registration	\$1	\$1 (no change)
Title	\$1	\$1 (no change)
Vehicle License Tax (VLT)	2% of VLT	2% of VLT or \$4, whichever is greater ^{1/}
Driver license, ID license or permit	---	\$4
Overweight or excess size registration or permit	---	2% of fee or \$1, whichever is greater
Motor vehicle record	---	\$1
Tax report filing	---	\$5

^{1/} Has the effect of increasing payments when VLT is less than \$200.

(Continued)

Assumptions (Continued)

Vehicle License Tax (VLT) - Increased annual payments to third parties for VLT collection are estimated at \$472,100. ADOT reports that third party registrations totaled 944,200 for FY 2000. Currently, third parties are paid 2% of the VLT collected for vehicle registrations. The House Engrossed bill would pay third parties either 2% of VLT or \$4 per registration, whichever is greater. This would have the effect of increasing payments to third parties when the VLT is less than \$200. ADOT could not provide us with a breakdown by VLT level for third party VLT collections, other than an overall average VLT of \$206 collected by third parties. In the absence of any hard data from ADOT in this area and given an overall average third party VLT of \$206, we have arbitrarily assumed that half of the 944,200 vehicles registered by third parties would have an average VLT of \$150. This would increase ADOT's payments to third parties for these transactions, which would fall below the \$200 threshold for the \$4 minimum payment. Under current law, ADOT would pay the third parties, \$3,899,300 for collecting \$194,966,500 of VLT. Under the House Engrossed bill the 472,100 vehicles with an average VLT of \$150 would produce annual payments to third parties of \$1,888,400 instead of \$1,416,300, for an increased annual cost of \$472,100 to the State Highway Fund.

Driver License - ADOT reports 10,640 third party driver license transactions in FY 2000, including 79% Internet transactions such as issuing duplicate driver licenses, and 21% by driving schools. The Internet third party provider currently performs driver license transactions as a service to the public for which they receive no fee. The driving schools also currently receive no fee for performing driver license transactions, but they might have considered this when establishing their customer rates. ADOT reports that third party driver license transactions accounted for only 1% of total third party transactions in FY 2000. The House Engrossed bill would create a new reimbursement to third parties of \$4 for each driver license or identification license. It is assumed that the number of annual third party driver license transactions would no more than double to 21,280 in response to the new \$4 fee, since both the current number of third parties handling driver license transactions and their volume of driver license transactions are very small. It is assumed that ADOT would make total annual payments of \$85,200 from HURF monies, including costs of \$36,500 to the State Highway Fund and \$48,700 to local governments.

Excess Size Permit - ADOT reports that approximately 90,000 over-dimensional permits are issued annually by the department, at fees ranging from \$15 to \$600 per permit. The House Engrossed bill would create a new reimbursement to third parties of 2% of each over-dimensional permit fee or \$1, whichever is greater. Third parties would receive \$1 for over-dimensional permit fees up to \$50, and 2% of permit fees above \$50. ADOT could not provide us with a breakdown by fee level of the over-dimensional permits that they issued, other than that over-dimensional permit fees averaged \$32.56 in FY 2000. This \$32.56 average fee would fall below the \$50 threshold for the \$1 minimum payment. In the absence of any hard data from ADOT in this area, we have arbitrarily assumed that third parties would receive at least the minimum \$1 fee for each over-dimensional permit they would issue. It is assumed that third parties, such as trucking associations, will handle 25% of over-dimensional permits beginning in FY 2002, since third parties currently handle about 31% of title and registration transactions. It is assumed that ADOT would make total annual payments of \$22,500 from HURF monies, including costs of \$12,900 to the State Highway Fund and \$9,600 to local governments.

Motor Vehicle Record - ADOT estimates a total of 2,919,900 motor vehicle records are issued annually by third parties, including 2,896,700 issued to electronic access customers (mostly insurance companies) and 23,200 issued to third party walk-in customers. The House Engrossed bill would create a new reimbursement to third parties of \$1 for each motor vehicle record for a total cost of \$2,919,900 (\$1,250,400 to the State Highway Fund and \$1,669,500 to local governments).

Tax Report Filing - ADOT reports that 7,560 tax reports are filed annually with the department. Currently ADOT does not charge customers for filing their tax reports. The House Engrossed bill would create a new reimbursement to third parties of \$5 for each tax report filing. Third parties do not currently handle tax report filings. It is assumed that third parties, such as trucking associations, would handle 25% of tax reports filed beginning in FY 2002, since third parties currently handle about 31% of title and registration transactions. It is assumed that ADOT would pay third parties \$9,500 annually from State Highway Fund monies.

The following table shows third party payments for FY 2000, and the estimated annual cost to the State Highway Fund beginning in FY 2002, assuming a general effective date for the bill.

Assumptions (Continued)

<u>Third Party Services</u>	<u>FY 2000 Cost</u>	<u>HB 2055 Annual Cost Increase</u>
Registration	\$ 944,200	---
Title	685,000	---
Vehicle License Tax	3,899,300	\$ 472,100
Driver license, ID license or permit		36,500
Overweight or excess size registration or permit		12,900
Motor vehicle record		1,250,400
Tax report filing		9,500
Total	\$5,528,500	\$1,781,400

Local Government Impact

Annual revenue to local governments would decrease a total of \$1,727,800 from HURF distributions beginning in FY 2002, including decreases of \$921,700 to cities, \$574,200 to counties, and \$231,900 for controlled access highways in Maricopa and Pima counties.

Amendments

The House Transportation Committee amendment would add a \$4 payment to third parties for nonoperating identification licenses.