

**Ohio House Finance Committee
House Bill 26 Transportation Budget
Ohio Deputy Registrars' Association (ODRA)
IP Testimony
Wednesday, February 15, 2017**

Good morning Chairman Smith, Ranking Member Cera, and members of the Committee. Thank you for the opportunity to testify on behalf of the Ohio Deputy Registrars' Association (ODRA) as an interested party on HB 26. I am Aldo Filippelli and the President of the Association and currently the Deputy Registrar of my license agency in North Royalton. I have been providing DR services on behalf of the state of Ohio since 1997. Joining me today are my colleagues, who will providing additional information specific to the services we provide through our license agencies and some of the recent challenges to the System.

Background

As you may be aware, deputy registrars (DRs) are independent small business owners, who contract with the State of Ohio through a response for proposal (RFP) to provide motor vehicle related transaction services. The system is a great example of private-public partnership that is a cost-effective approach to government services, providing excellent customer service. The DR system employs approximately 1,500 technically trained employees, who are entrusted with the most sensitive identification documents, security of the information, issuance of driver's licenses, identification cards, and vehicle registrations. In addition, deputy registrar license agencies provide the following services on behalf of the state: responsible for collecting license taxes, which approx. \$500 million is distributed back to nearly 2,300 taxing districts and 88 counties; verifying financial responsibility; voter registration; next of kin and organ donor options; and raise funds for the Save our Sight and Second Chance Trust fund.

Excellence in Customer Service

We recognize that the majority of our customers view us as the State, so it is important to us that the customer's experience is a positive one. In 2014, I am happy to report that our teamwork and partnership with the state of Ohio has made us the #1 BMV he nation for customer service among all state departments of motor vehicles. This is the first time in Ohio's history, as referenced in the Washington Post May 2014 article, "Ohio achieved the shortest wait time in the nation at 14.5 minutes, and achieving over 97% customer approval rating in (2013)".

In addition, deputy registrars have achieved an over 97% Customer Service Approval Rating, which is tabulated by the Ohio Bureau of Motor Vehicles (BMV) through customer comment cards, over the past four years. Please keep in mind that is the four years, where the DR system has experienced the same tough economy as every other small business owner in the state of Ohio, as well as ongoing public policy changes that negatively impact our business model.

According to statistics provided by the Ohio Bureau of Motor Vehicles (BMV) for 2015, deputy registrars collected revenue of approximately \$700 million, and processed approximately 17 million transactions on behalf of the State. For every dollar invested by the state of Ohio into the deputy registrar system, the return to the state is \$33.00.

Deputy Registrar Fee

Revenues for deputy registrars are derived through statutorily determined fee paid at the point of sales for motor vehicle services. This fee does not go to the state. Since the fee is set in statute, deputy registrars do not have the flexibility as other independent contractors to offset their costs by increasing the price of their goods or services. The deputy registrar fee is currently \$3.50. Our last adjustment of the fee was approved by the Ohio general assembly passed HB 94 effective July 1, 2001. It was phased in over three years as follows:

HB 94:

July 1, 2001 fees were increased from \$2.25 to \$2.75

January 1, 2003 from \$2.75 to \$3.25

January 1, 2004 from \$3.25 to \$3.50

Since 2004, the state has not made a cost of living adjustment to the deputy registrar fee. The fee is still at \$3.50 today, while there has been over 36% compounded inflation over the past 12 years. In addition, we have increased energy costs, gas prices and benefits have increased over the past 12 years.

Compare to other Services during the same time frame:

Service	Cost in 2004	Cost in 2017
Labor (Minimum wage)	\$4.25	\$8.15
Titling Fee (Clerk of Courts)	\$5.00	\$15.00

Recent Statutory Changes

In addition, there has been several policy decisions implemented, which severely reduced the number of transactions that were once performed by a deputy registrar. Once such recent change is the multi-year registrations created in HB 51, which went into effect July 1, 2013. HB 51 allowed most vehicle classes to be registered for no more than five years or multiyear registrations. In addition, the permanent tractor trailer plate eliminated additional transactions and revenues to the System.

The most recent change was the authority for our license agencies to accept credit cards for additional customer convenience, which we support. There were changes at the federal level, which permitted credit card companies to offer a lower government transaction rate and pass on the cost of credit card services as a customer convenience fee. However, these changes have had a fiscal impact on the system. Several of our agencies had ATM's in their agencies to offer convenience for the customers, and were able to collect fees for that service. With the addition of the credit cards, the ATM fees are now lost revenue. In addition, we must carry the cost of providing the credit services for up to five days. This is a financial difficulty without any ability to increase our service transaction.

How does this impact a Deputy Registrar?

Prior to HB 51, a five year registration would have netted a deputy registrar \$17.50 in fees or \$3.50(5). With the adoption of HB 51, the current Deputy Registrar fee will be at \$10.00 causing a net loss of \$7.50, or reducing our deputy registrar fee from \$3.50 to \$2.00, or reverting back to the late 1990 prices. How do we make up the lost when we have bid on an agency based on a historical estimated transaction amount, and there are reductions to the number of transactions and there is no recourse for a deputy registrar to increase their fee or provide an alternative service offering as is the occurrence in private enterprise.

Competition for our business

In 2015, there were nearly 3 million transactions diverted to the state for mail-in and on-line vehicle registration program known as O-plates. We welcome and support the advancement of technology, as long as deputy registrars can participate in that discussion or be taken into consideration when these changes occur. As a result many deputy registrars have experienced over 15% reduction in transactions. We would welcome the opportunity for those electronic registrations to be directed to the appropriate local deputy registrar by zip code and the deputy registrar could provide the fulfillment, with the goal of eliminating the cost of fulfillment to the state. We could do this a fee share with the state.

Most recently it was brought to our attention when a customer came into one of our agencies to fix a problem with a registration they did on-line, not through O-plates, but a third party administrator registration.org charges all of the

state fees PLUS \$16.75 to provide the same services. It is our understanding that there is no state oversight or state authority for them to provide this service, yet as highly regulated private contractors to the state deputy registrars are precluded from being able to service the O-plates program.

In addition, some of our counterparts have already been granted limited authority deputy registrar status. As a result we have experienced competition in our market without the ability to truly compete. While other entities can provide vehicle registration services, we are prohibited from providing titling services.

The Ohio BMV continues to look to kiosks in retail locations as a way to provide additional customer convenience. In HB 26, the Ohio BMV seeks administrative authority to expand these types of programs by establishing additional fees for these services either provided by the state or the deputy registrars. While it has been stated by the Administration that the deputy registrar system is their customer service delivery model, we continue to see programs and rules that diminish the role and opportunities for deputy registrars.

Real ID Compliance

We believe the integrity and credibility of the highest ranked deputy registrar system in the country is even more important today as we continue to work closely with the BMV on regulatory and enforcement issues. Moreover, deputy Registrars handle the most sensitive personal identification information. With such sensitive information being handled, we are concerned that we may lose the ability to retain or hire qualified employees because we cannot compete with wage and benefits that other private sector employers are able to offer.

As we learned just prior to the Holidays, the Ohio BMV let an RFP for central issuance for driver's licenses in an effort to comply with the federal REAL ID requirements for the states. While the Registrar has assured us that Ohioans will be required to still visit their local deputy registrar for their driver license, we believe it is imperative during the current concerns over fraud and abuse of identification documents that the in-person processing of these documents is maintained. We believe that we provide an important role in homeland security.

Fee Increase Rationale

In 2009, the Ohio General Assembly established a BMV study council authorized in HB2, to make recommendations for the long-term viability of the deputy registrars system in the state of Ohio. The BMV study council was chaired by the Ohio Department of Public Safety, included all motor vehicles services stakeholders, members from the Ohio House of Representatives, Ohio Senate, Ohio Clerks of Courts Association, Ohio Auto Dealers Association, and Ohio Trucking Association. I have a copy of the study for your reference. In 2009, the Study Council determined the appropriate fee for services for deputy registrars was \$5.00. Obviously, inflation and costs have continued to climb since 2009. Unfortunately, due to the downturn in the economy and the budget hole in 2001, the deputy registrars have not been able to gain legislative support for a fee increase.

Over the past few years, however, with the support of the legislature we have sought several regulatory relief items that were included in the BMV study council and welcomed the opportunity to collect reinstatement fees and installment plans, which has been a great success and convenience for the citizens of Ohio. However, the Administration has imposed additional regulatory burdens as they try to move to more of a franchising model. (Need a list or Suggestions here)

After discussing our request and receiving feedback from legislators, we respectfully request the addition of \$2.50 and an increase of (.50) commencing January 1, 2020 and (.50) commencing January 1, 2021 to the deputy registrar fee to bring the fee in line with the current cost of doing business in 2017. This will help address the issues I outlined here today, and ensure that Ohio's deputy registrar system is viable. It will allow agencies to maintain office space within their communities, and invest in qualified employees, as well as other benefits to agency operations while saving taxpayers and the state of Ohio tens of millions of dollars annually. The state has stopped providing DR services

having closed their state operated locations because it is cost-prohibitive for the state to run these locations, the private sector even with a \$2.50 fee increase is a more efficient operation and return on the tax payer dollar for those services.

In order for Ohio's deputy registrar system to continue to provide excellent customer service, the business model for deputy registrars must be modernized to reflect the changes in technology and in the market place. While we respect the current budgetary climate, we respectfully seek your support of our request at this time.

Once again thank you for the opportunity to testify today. I am available to answer any questions you may have at this time.