

**Ohio Senate Transportation Committee
Sub House Bill 62 Transportation Budget
Ohio Deputy Registrars' Association (ODRA)
IP Testimony
Monday, March 11, 2019**

Good morning Chairman McColley, VC Uecker and Ranking Minority Member Antonio, 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 Sub HB 62. I am Aldo Filippelli and the President of the Association and currently the Deputy Registrar and my agency is in North Royalton. I have been providing DR services on behalf of the state of Ohio since 1997. For most of you my testimony will be very familiar, for those of you new to the General Assembly, I am here to share with you the services we provide through our local license agencies and some of the recent challenges to the deputy registrar 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 public-private 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 federally compliant Real IDs, 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. \$600 million is distributed back to nearly 2,300 taxing districts and 88 counties; verifying financial responsibility; and provide the following services free of charge on behalf of the state, including 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 in the 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 2018, deputy registrars collected revenue of approximately \$700 million, and processed approximately 18 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 \$38.00.

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. Ohio implemented the federally

required Real ID on July 1st of last year, which caused a great deal of confusion for our customers and increased our wait times at our agencies. The verification of the identity documents provided and the requirements to scan the documents for a central issuance of the Real ID, requires education of the customer as well as a longer processing time. Our employees handled the stress with professionalism and diligence. We are proud of the work we have done to implement this program even under the financial constraints that our agencies face.

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, according the consumer price index, the cost of a good or service at \$3.50 in 2004 is \$4.76 in 2019. In addition, we have experienced an increase in rent, energy costs, gas prices and benefits over the past 15 years no differently than other small businesses.

Compare to other Costs during the same time frame:

Service	Cost in 2004	Cost in 2019
Labor (Minimum wage)	\$4.25	\$8.55
Titling Fee (Clerk of Courts)	\$5.00	\$15.00

In the state of Pennsylvania, where the DMV is state operated, they are charging their residents \$30.00 for the Real ID documentation process, while Ohioans are receiving the same service at no additional cost.

Recent Statutory Changes

The most recent change that 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. In addition, the bank fees have more than doubled since the time it was implemented.

Competition from the legislative changes to the system over the years, have decreased transactions to on-line and mail-in and increased unfunded mandates, including charitable contribution solicitations.

How does this impact a Deputy Registrar?

How do we make up the loss when we have bid on an agency based on a historical estimated transaction amount? Once we are awarded the agency, there are changes to our business model that are outside of our control, such as reductions to the number of transactions, additional regulations that increase our operational costs, or unfunded mandates placed

on small business owners. Unfortunately, deputy registrar agencies are unable to increase their service fee or provide an alternative service offering to offset the losses, unlike other private enterprise where a business owner can make decisions to increase their costs of goods or services sold, or diversify their services or goods sold, but due to statutory requirements our agencies are unable to respond in that same manner.

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.

In the last Transportation budget the legislature addressed our concerns and required the Registrar through rule to adjust the fee up to \$5.25 by considering inflation and other factors. To our dismay, the previous Registrar did not increase the fee even though the BMVs own rationale identified the fee adjusted for inflation in 2017 should have been \$4.66 at that time. We have had TWO (.25) increases to minimum wage since then.

Today, we respectfully request the support of this Committee for the provision included in Sub HB 62 as passed by the House, which requires the Registrar to increase the deputy registrar fee to \$5.00. This will help address the issues I outlined here today, and ensure that Ohio's deputy registrar system is secure, and we are fairly compensated for the cost of services we provide to Ohioans. This cost of inflation adjustment 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 last state operated location because it is cost-prohibitive for the state to run these locations. The private sector even with a fee reflective of cost of services in 2019 is a more efficient operation and return on the tax payer dollar for these services.

In order for Ohio's deputy registrar system to continue to provide excellent customer service and convenience, we respectfully seek your support of the deputy registrar provision in Sub HB 62.

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