



## Legislative Fiscal Bureau

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May 3, 2011

Joint Committee on Finance

Paper #677

### Electronic Business Transactions (DOT -- Motor Vehicles)

[LFB 2011-13 Budget Summary: Page 451, #7]

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#### CURRENT LAW

The Department has the authority to establish an electronic transaction option for various Division of Motor Vehicles (DMV) functions, including vehicle registration renewal, application for duplicate licenses and identification cards, scheduling a driver's license skills test, application for truck oversize/overweight permits, and registering a change of address. The Department has the option to accept payment by a credit card (or debit card or other electronic means) of any fee imposed under statutory chapters pertaining to motor vehicles and driver licensing, although currently does not accept payment by these means at service centers. The Department has the authority to charge a convenience fee, in addition to any other fee, for each transaction for which payment is made by credit card. The convenience fee must approximate the cost of providing the service. Under the current administrative rule for the establishment of convenience fees, the Department is required to establish convenience fees based on the amount paid for credit card charges under the state's contract for banking services. As an example, the convenience fee associated with the electronic renewal of an automobile registration is \$1.00.

#### GOVERNOR

Transfer \$500,000 SEG annually from the permanent salary line in the appropriation for DMV to the supplies and services line to provide funding for the implementation of various process changes designed to increase electronic processing of certain transactions. Eliminate 13.0 positions in 2012-13 to reflect workload reductions associated with implementing these process changes. Modify statutory provisions, as follows, to facilitate the adoption of electronic business transactions.

*Conducting Business in an Electronic Format.* Authorize the Department to establish procedures for conducting any transaction in an electronic format or using an electronic process,

and specify that any form prescribed by the Department may be prescribed in an automated format to facilitate electronic processes. Permit the Department to promulgate rules requiring a person to pay a fee, in addition to any other fee that may be imposed by the Department, for conducting an in-person, telephone, or paper transaction in lieu of using an electronic filing or submission option when the Department has made such an option available. Specify that the rules may provide for exemptions from the additional fee for designated categories of persons or transactions.

*Accepting Electronic Payment of Fees.* Permit DOT to accept payment by credit card, debit card, or any other electronic payment mechanism of any fee that is required to be paid to the Department, instead of, under current law, any fee contained in the statutory chapters related to motor vehicles and driver licensing.

*Vehicle Titles Delivered to Holder of Security Interest.* Require the Department to deliver the certificate of title for a vehicle for which there is a perfected security interest to the secured party having the primary perfected security interest in the vehicle, instead of, under current law, to the owner of the vehicle. Modify various statutory provisions related to title transactions to reflect that a vehicle owner may not be the holder of a vehicle title. Specify that these provisions first apply to title applications submitted on January 1, 2012, although authorize the Department to issue and deliver certificates of title, for six months after that date, under the laws in effect prior to that date.

*Security Interest Transactions.* Modify a current law provision that requires the Department to deliver memoranda to a secured party evidencing the notation of a new security interest on a vehicle title, to specify that this requirement only applies in cases where the secured party is exempt from a current law requirement that security interest statements be electronically processed.

*Renewal of Registration Plates for Certain Vehicles.* Authorize the Department to renew registration plates issued to motor vehicle dealers, distributors, manufacturers, transporters, or financial institutions without issuing new plates or insert tags, decals, or other evidence of registration. Eliminate a requirement that a registration plate issued to these entities must indicate the date of expiration.

## **DISCUSSION POINTS**

1. The bill provides \$500,000 annually for the cost of establishing electronic transaction applications for various DMV functions. This funding would be provided from base salary funding in the DMV appropriation, so there would be no net change to the total funding in that appropriation. The bill would eliminate 13.0 positions at the end of 2012-13 to reflect workload savings associated with the implementation of the electronic initiatives.

2. The bill would provide general statutory authority for the Department to establish an electronic process for any transaction conducted by the Department, and would authorize the Department to accept payment by credit card, debit card, or other electronic means for any fee collected by the Department (including fees not related to motor vehicles or driver licensing). In

addition to providing this general authority, the bill would also make several statutory changes to facilitate specific electronic transactions. These changes are described briefly in the following points.

3. The bill would require the Department to issue vehicle titles to the holder of the primary perfected security interest (lien holder) for vehicles for which there is a perfected security interest (a lien), instead of to the owner of the vehicle. That is, if a person secures a loan to purchase a vehicle, the title for the vehicle would be delivered to the creditor, rather than to the person who purchases the vehicle, although that person would be identified on the title as the owner. Once the loan is paid, the lien would be removed and the title would be issued to the owner. The Department indicates that this change would allow the Department to issue an electronic title, rather than a paper title, to financial institutions and other lien holders, resulting in lower materials and transaction costs associated with issuing printed titles. The Department indicates that paper titles would continue to be issued to individual vehicle owners in cases where there is no lien.

4. An additional change would eliminate a requirement that, upon the creation of a new security interest on a vehicle title, the Department must deliver a memorandum to the new secured party that provides notice of the creation of the security interest on the vehicle, except in cases where the secured party has been exempted from a current law provision that requires security interest statements to be electronically processed. [A lien holder who is an individual is exempted from the electronic security interest notification process, and the Department is authorized to exempt other entities by rule.] Under current law, this memorandum is retained by the secured party until the lien is satisfied (typically repayment of the loan), at which point it is mailed to the vehicle owner, with an indication that the lien has been satisfied. The owner may then file an application for a new title without the lien. Since, under the change described in the previous point, the vehicle title would be delivered to the secured party rather than the owner, the security interest memorandum would no longer be necessary. Once a lien is satisfied, the secured party would release the title directly to the Department, which would issue a new title to the vehicle owner.

5. The bill would, in addition, eliminate the requirement that the Department issue a license plate sticker indicating the date of expiration for plates issued to vehicle dealers, distributors, manufacturers, transporters, or financial institutions. Under this change, registration for these plates could be renewed electronically, without the need to mail new stickers to these entities. Registration plates are issued to these entities for use on vehicles that they own or possess in the course of their business. The business pays \$75 for two plates and \$5 for each additional plate, which are valid for one year. A separate provision of the bill would eliminate license plate stickers for other vehicles plates. For additional information on that provision, see LFB Issue Paper #675.

6. The bill would authorize the Department to promulgate an administrative rule that establishes a fee for conducting any in-person, telephone, or paper transaction in lieu of using an electronic transaction when the Department has made an electronic option available. As an example, this provision would allow the Department to establish, by rule, an additional fee for vehicle registration renewal conducted by mail, since the Department also offers an electronic renewal option.

7. The Department indicates that the intent of the fee provision is to encourage the use

of electronic transactions, when those options are available. Although this provision would allow the Department to establish fees for transactions conducted by individuals, as described in the previous point, the Department indicates that the intent was to use this authority to encourage businesses that conduct a large number of transactions to utilize electronic processing options. If the Committee determines that the authority to charge such a fee should be limited to those cases, the bill could be modified to specify that the fee could not be charged to any individual [Alternative #2].

8. As noted above, the bill would delete 13.0 positions at the end of 2012-13 to reflect anticipated workload savings associated with implementing various electronic transaction applications. In submitting its budget request for this item, however, the Department indicated that the estimated position savings would be 10.8 positions. The Department of Administration submitted an errata indicating that the intent of this provision was to eliminate 10.8 positions, rather than 13.0 positions [Alternative #1 or #2].

**ALTERNATIVES**

1. Approve the Governor's recommendation to transfer \$500,000 annually from the permanent salary line in the appropriation for the Division of Motor Vehicles to the supplies and services line to provide funding for the development of electronic transaction applications for DMV functions and to modify various statutory provisions to facilitate electronic transactions. Modify the Governor's recommendation to eliminate 10.8 positions in 2012-13, instead of 13.0 positions.

<b>ALT 1</b>	<b>Change to Bill Positions</b>
SEG	2.20

2. Modify the Governor's recommendation with respect to the authority to establish a fee for non-electronic transactions to specify that such a fee could not be charged to any individual. In addition, modify the Governor's recommendation to eliminate 10.8 positions in 2012-13, instead of 13.0 positions.

<b>ALT 2</b>	<b>Change to Bill Positions</b>
SEG	2.20

3. Delete provision.

<b>ALT 3</b>	<b>Change to Bill Positions</b>
SEG	13.00

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