



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #616

### Mailed Registration Notice Fee (Transportation -- Motor Vehicles)

[LFB 2021-23 Budget Summary: Page 590, #2]

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#### CURRENT LAW

The Department of Transportation (DOT) typically registers between 4.5 million and 4.9 million vehicles annually. The Department is required to mail a notice of the date upon which a vehicle's registration will expire, at least 30 days prior to that expiration. In addition, the Department is authorized to test and evaluate the effectiveness of alternative methods of processing and distributing vehicle registration renewals. The Department's Division of Motor Vehicles (DMV) has an annual base budget for postage costs of \$6,696,000.

#### DISCUSSION POINTS

1. The Department prints and mails nearly 5,000,000 registration renewal notices annually. The average cost of mailing a registration renewal notice is \$0.33. DMV's postage budget, which also covers other postage costs, is currently \$6,696,000 but has grown from \$4,288,000 in 2018-19. The postage budget is set internally, rather than through the legislative budget process, and is a component of DMV's general operations appropriation which has grown from \$73,013,900 in 2018-19 to \$74,150,800 in 2020-21. However, the overall general operations appropriation is set by statute, and any increase to these funds needed for postage reduces the funding available for other DMV operation costs. As a percentage of the total amount in DMV's general operations appropriation, the percentage budgeted for postage costs has increased from 5.9% in 2018-19 to 9.0% in 2020-21.

2. The 2019-21 biennial budget act provided \$476,000 SEG annually to DMV's general operations appropriation for postage, in part due to higher volume and rising postage costs. At that time, DMV projected \$11.7 million in postage costs in the 2019-21 biennium (\$5.85 million per year on average), despite only having budgeted \$8.6 million in the biennium. Again, when the Department has postage costs in excess of its budget, it funds postage costs by reducing expenditures in other

program areas, such as for improvements to its information technology systems.

3. Recognizing the ongoing increase in postage costs, the Governor recommends an increase of \$1,600,000 in 2022-23 and the establishment of a special transaction fee of \$0.33 for each vehicle registration renewal notice that is provided by mail. The recommendation would make the fee effective July 1, 2022. Fee revenue would be deposited to the transportation fund. The Governor's recommendation did not include an estimate of the revenues generated from the proposed fee. The Department indicates the fee would provide revenues to equally offset the recommended funding increase associated with mailing registration notices. Thus, the Department estimates the fee would generate about \$1,600,000 annually which would equate to charging a \$0.33 fee for the estimated 4,800,000 mailed vehicle registration notices to be returned. [Alternative 1]

4. In recent years, the Department has increased its online services to provide convenience for customers and to reduce in-person visits to DMV customer service centers, which could decrease wait times at those centers. This trend was accelerated due to the coronavirus pandemic, which necessitated fewer in-person visits and increased utilization of electronic alternatives. For example, in 2020, of the 4,884,844 registration renewals, 2,358,374 (48.3%) renewed their registrations via electronic means which was a significant increase to the percentage in 2019, which was about 31.3%, due to increased utilization of online technology in response to the coronavirus pandemic.

5. The Department currently allows for individual customers to opt-in to an electronic notification system rather than receiving a mailed registration renewal notice. However, statutes specify "at least 30 days prior to the expiration of a vehicle's registration, the Department shall mail to the last-known address of the registrant a notice of the date upon which the registration must be renewed and an application form for renewal of registration", which appears to require a mailed notice in all cases. Currently, approximately 202,000 customers have enrolled in the electronic notification system, which is about 4% of eligible customers. As noted, almost half of registration renewals in 2020 were conducted electronically. Therefore, it appears that the continued utilization of electronic technology may be a viable option for a substantial portion of DMV customers.

6. The Committee could provide DOT additional authority that would allow the Department to alert individuals of the required notice to renew via electronic means rather than through mailed notices. Doing so would limit the volume of notices the Department would have to mail. Individuals that receive an electronic notice could choose to renew online and avoid the \$0.33 mailing fee. This could provide an incentive for some individuals to utilize the electronic service. However, there may be equity of access concerns with allowing some individuals to opt for an electronic notice and therefore avoiding the \$0.33 fee, in that not all individuals have equal access to online services. [Alternative 2]

7. If the Committee were to allow the Department to use electronic notification for registration renewals, the Committee could still establish the recommended \$0.33 mailed registration fee notice, in order to allow DOT to cover the cost of mailing notices to those who do not choose the electronic renewal notice. Assuming half of the 2.4 million people who renewed their registration electronically in 2020 would choose to receive their registration renewal notices electronically opposed to via mail, the Department would be able to reduce their postage expenditures associated with the registration renewals by approximately 25%. Using these assumptions, the Committee could

still choose to establish the \$0.33 mailed registration notice fee, but provide only \$1,200,000 (a 25% reduction from \$1,600,000) in increased funding in 2022-23. Under this alternative, the increased expenditure authority would again be offset by estimated revenues of \$1,200,000, assuming 25% of customers opt for an electronic notice rather than a mailed notice. [Alternative 3]

8. In recent years, postage costs for DMV have increased. From 2011-12 through 2017-18, DMV postage costs grew by an average of 6.0% annually, outpacing the growth in mail volume which grew 3.2% annually. Given this trend, the Committee could establish the \$0.33 fee but also permit the Department to adjust the mailed registration fee once each biennium to reflect increased postage costs. This would allow the Department to adjust the fee to generate enough revenue to offset the postage costs associated with mailing registration renewals. [Alternative 4]

9. The Committee could alternatively decide to take no action. The Department would continue to pay for the postage costs associated with mailing registration renewal notices with existing resources. Because postage costs associated with these notices have been increasing in recent years, DMV would have to continue to reduce funding for other programs or services in order to be able to fund these costs. [Alternative 5]

**ALTERNATIVES**

1. Provide \$1,600,000 SEG in 2022-23, and modify statutes to establish a special transaction fee of \$0.33 for each vehicle registration renewal notice that is provided by mail, effective July 1, 2022. This would provide a \$1,600,000 SEG increase to the Division of Motor Vehicle's general operations appropriation. Estimate gross revenues of \$1,600,000 SEG in 2022-23.

ALT 1	Change to Base	
	Revenue	Funding
SEG	\$1,600,000	\$1,600,000

2. Provide the Department the additional authority to provide the required vehicle registration renewal notices via electronic means rather than through mailed notices.

3. In addition to Alternative 2, establish a special transaction fee of \$0.33 for each vehicle registration renewal notice effective July 1, 2022, and provide \$1,200,000 SEG in 2022-23. This would provide a \$1,200,000 SEG increase to the Division of Motor Vehicle's general operations appropriation. Estimate gross revenues of \$1,200,000 SEG in 2022-23.

ALT 3	Change to Base	
	Revenue	Funding
SEG	\$1,200,000	\$1,200,000

4. In addition to Alternatives 1 or 3, provide the Department the authority to adjust the mailed registration renewal notice fee once each biennium to reflect changes in postage costs.
5. Take no action.

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