

BEFORE THE HOUSE COMMITTEE ON TRANSPORTATION

Thursday, February 12, 2015

House Bill 2181

Testimony of Thomas Franzen, CTP, CPFO
Johnson County Treasurer & Finance Director

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to testify on behalf of Johnson County and the Kansas County Treasurer's Association as a member of the Legislative Committee in support of HB 2181.

We support this measure to increase the certificate of title fee from \$10 to \$20. In the current business model, County Treasurers collect \$10 for each certificate of title transaction they process. County Treasurers retain \$2 of the \$10 fee for the work they provide, with the remaining \$8 being remitted to the Secretary of Revenue. That \$8 is then distributed as follows: \$3.50 goes to the Kansas Highway Patrol Motor Vehicle Fund, \$3.00 is retained by the Kansas Department of Revenue (KDOR) to cover hardware and other expenses, and \$1.50 goes to the State Highway Fund.

In Johnson County processing a certificate of title takes approximately 15 minutes per transaction. Titling a vehicle requires our staff to obtain required documents including a manufacturer's statement of origin, valid proof of insurance, sales tax receipt or bill of sale, lien release, and VIN inspection for out-of-state titles. Once obtained, all documents must be scanned into the MOVRS computer system and must go through the title approving process. You may recall that prior to the transition to the MOVRS system in 2012, microfilming of documents and the title approving process was previously handled by KDOR. The title approving process is a complete review and audit of each of the title transactions processed. This approval process ensures accuracy, allows for follow up correspondence to obtain missing documents and/or signatures, and reduces overall liability for the State of Kansas.

Johnson County processed over 115,000 certificate of title transactions in 2014. Our growth rate of title transactions has averaged 3.77% per year over the last four years. As part of the shift of work responsibilities from KDOR to the Counties, Johnson County had to add four staff positions to handle title processing and approving. This change in process that began in 2012 was, in effect, an unfunded mandate from KDOR to County governments. As mentioned by the Legislative Post Audit report of the DMV Modernization Project dated October 2014, none of the \$3 retained by KDOR was reallocated to the Counties, even though the workload was transferred to the Counties. This additional workload was a significant factor driving a budgetary gap of over \$1 million in FY2014 for the motor vehicle operation in Johnson County.

For perspective on how Kansas stacks up with other states, I have included with my testimony a table that outlines title fees across the nation. The data sources are the National Conference of State Legislatures (NCSL) and the American Association of Motor Vehicle Administrators (AAMVA). The data reflects that Kansas currently charges one of the lowest title fees in the nation. While costs have continued to rise, this fee has not changed since 2002. More importantly, the \$2 fee retained by County Treasurers has not changed since 1981. That is 33 years of no change in the revenue associated with this service provided by County Treasurers.

The Government Finance Officers Association (GFOA) is the authoritative body on governmental financial matters. The GFOA in its *Best Practice for Establishing Government Charges and Fees* notes "when certain services provided especially benefit a particular group, then governments should consider charges and fees on the direct recipients of those that receive benefits from such services." It is important to remember that the title fee is NOT a tax. Unfortunately, in Johnson County, we are having to subsidize our motor vehicle operation with ad valorem tax support from the general fund. In other words, those that pay property tax and do not require title work each year are subsidizing or paying for the title service of those that do utilize the service each year. This approach is not in line with the GFOA Best Practice.

One of the items to consider when developing user charges and fees, according to the GFOA, is whether rates are periodically reviewed or updated taking into account the impact of inflation and other cost increases. As you can see from the history of this fee, reviews and updates of the fee have definitely not been the case.

The Legislative Post Audit report points out the significant changes and disruptions to the motor vehicle title and registration process since 2012. Further financial stress at the State level is driving more change that will significantly impact County Treasurers. KDOR has discussed the possibility of meeting a portion of its required budget cut through discontinuance of mailing renewal notices to motor vehicle customers. If this process change becomes a reality, work will most likely increase for treasurers needing to absorb the additional customer service required for annual registration renewals or the corresponding costs associated with Treasurers doing their own renewal notices.

As you can see, the current business model continues to change rapidly and County Treasurers are getting squeezed. Under current Kansas Statute, with fee schedules established at a point in time with no escalation factor to account for increasing costs over time, the current business model is unsustainable. In Johnson County, the BOCC is having discussions about the continued increasing costs of the motor vehicle operation. We have begun charging the full \$5 facility fee in Johnson County this year. Even with this fee, we still project a budget gap of over \$500,000 for FY2015. Without reasonable revenue enhancements tied to this operation, the Board may be forced to cut service levels to live within the antiquated statutory revenue model. Cuts in service levels in Johnson County will most likely impact everyone – customers, county staff, car dealers, KDOR staff, and elected officials. County Treasurers are looking for assistance for today and into the future.

Because of these issues, Johnson County is in full support of legislation to increase the certificate of title fee to \$20. I respectfully request your support and ask that this legislation be advanced from this committee for further action. Thank you for your consideration. I am happy to address any questions.

State	AAMVA Comparison of Jurisdictional Driver and Vehicle Fees updated Spring 2012 (www.AAMVA.org)		National Conference of State Legislatures updated August 2014 (www.NCSL.org)	
Maryland	\$	100.00	\$	138.40
Illinois	\$	95.00	\$	95.00
Florida	\$	77.25	\$	77.25
Oregon	\$	77.00	\$	77.00
Massachusetts	\$	75.00	\$	75.00
Hawaii	\$	10.00	\$	75.00
Wisconsin	\$	69.50	\$	69.50
New Jersey	\$	60.00	\$	60.00
New York	\$	50.00	\$	55.00
Rhode Island	\$	51.50	\$	51.50
North Carolina	\$	40.00	\$	40.00
Maine	\$	33.00	\$	33.00
Vermont	\$	31.00	\$	33.00
Nevada	\$	20.00	\$	28.25
Washington	\$	15.50	\$	25.50
Connecticut	\$	25.00	\$	25.00
Delaware	\$	25.00	\$	25.00
Iowa	\$	25.00	\$	25.00
New Hampshire	\$	25.00	\$	25.00
Pennsylvania	\$	22.50	\$	22.50
California	\$	18.00	\$	19.00
Louisiana	\$	18.50	\$	18.50
Georgia	\$	18.00	\$	18.00
Ohio	\$	15.00	\$	16.00
Alabama	\$	15.00	\$	15.00
Alaska	\$	15.00	\$	15.00
Indiana	\$	15.00	\$	15.00
Michigan	\$	15.00	\$	15.00
South Carolina	\$	15.00	\$	15.00
Wyoming	\$	9.00	\$	15.00
Idaho	\$	14.00	\$	14.00
Minnesota	\$	30.00	\$	13.75
Texas	\$	13.00	\$	13.00
Tennessee		n/a	\$	13.00
Montana	\$	10.00	\$	12.00
Missouri	\$	11.00	\$	11.00
Oklahoma	\$	11.00	\$	11.00
Arkansas	\$	10.00	\$	10.00
Kansas	\$	10.00	\$	10.00
Nebraska	\$	10.00	\$	10.00
Virginia	\$	10.00	\$	10.00
West Virginia	\$	10.00	\$	10.00
Kentucky	\$	9.00	\$	10.00
Mississippi	\$	10.00	\$	9.00
Utah	\$	6.00	\$	6.00
New Mexico	\$	5.00	\$	5.00
North Dakota	\$	5.00	\$	5.00
South Dakota	\$	5.00	\$	5.00
Arizona	\$	4.00	\$	4.00
Colorado	\$	7.20		Variable