

Treasury & Financial Management

BEFORE THE HOUSE COMMITTEE ON TRANSPORTATION

February 21, 2019

HOUSE BILL 2180

Testimony of Thomas G. Franzen, CTP, CPFO

Johnson County Treasurer & Finance Director

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to provide testimony on behalf of Johnson County and the Kansas County Treasurers Association as a member of the Legislative Committee on House Bill 2180.

Johnson County fully supports HB 2180 for two primary reasons. First, the bill offers much needed fee revenue to support motor vehicle titling and registration services at the local level. Second, the bill simplifies the revenue model at the local level and provides transparency as to what each governmental entity receives.

Revenue Support

As you know, County Treasurers act as agents of the State of Kansas for providing motor vehicle services. The current fee model used to support these services apportions approximately 85% of all fee revenue to the State with 15% remaining with counties. Presently, the fee revenue collected by Kansas County Treasurers is not sufficient to cover the operational costs of providing these State mandated services. This issue is compounded by the fact that motor vehicle fees are set in statute and have remained static for many years, depending on the fee. Kansas County Treasurers must rely on ad-valorem tax support to properly fund motor vehicle operations.

As the most populous county in Kansas, Johnson County faces significant challenges in terms of revenue support for providing motor vehicle services. As part of the shift of work responsibilities from Kansas Department of Revenue (KDOR) to the counties with the implementation of the MOVRS system, Johnson County has had to add additional staff to handle transaction processing and title approving. This shift in work responsibilities was included in the 2014 Legislative Post Audit Report on the DMV Modernization Project. Additionally, in 2015 the Johnson County Board of County Commissioners called for a third-party review of the Motor Vehicle operation. The consultant concluded that this additional workload was a significant factor in driving a budgetary gap for the motor vehicle operation in Johnson County and recommended changes to the current fee schedule. The complete report

can be found at the following link:

http://www.jocogov.org/sites/default/files/documents/TRE/JoCo_MV_Report_final.pdf.

FY2018 expenses for Johnson County Motor Vehicle operations totaled over \$5.4 million, leading to an operating loss of over \$400,000. This deficit was covered by ad valorem tax support. FY2018 was not an anomaly. For the last decade, Johnson County has averaged an annual operating loss of over \$600,000. For the last decade, expenditure growth has averaged 3.2% annually. With the exception of the addition of the facility fee, other fees for motor vehicle services have not increased during this time.

K.S.A 8-145d was amended in 2013 to include an optional facility fee that could be applied to title and registration transactions performed in county offices. Johnson County has fully implemented this facility fee, applying \$5 to each title and registration renewal transaction performed in our offices. This additional revenue has proven insufficient to fully fund motor vehicle operations.

Simplification & Transparency

In addition to revenue support, this bill is also important from the customer perspective. The current fee structure to support these services at the local level is both confusing and frustrating for our customers. There are many fees charged to customers at the point of title and registration, however it is unclear that revenue among many of these fees is split between counties and the State. By creating one flat county service fee and eliminating numerous other individual fees, customers will have the ability to see the amount of their payment that is retained by the county and the amount distributed to the State and other agencies.

Additionally, the facility fee, being an optional fee only charged on in-person transactions, is not included in the initial customer billing for most Treasurers, leading to many frustrated customers who believed they would pay the amount on the bill only to realize another fee is being charged for in-person service. As part of HB 2180, the facility fee would be abolished. It is important to remember the flat county service fee is NOT a tax, and this change would decrease reliance on ad valorem property tax support.

In conclusion, we believe that a flat \$10 county service fee applied to all title, registration and renewal transactions will greatly improve motor vehicle operations for Kansas counties and correspondingly for the public. Over time the fee model has not kept pace with the growing cost of the operations and has had to be supplemented by local tax dollars. Additionally, in our proposed model, county and State fees will be listed separately leading to a greater public understanding of the allocation of motor vehicle fees.

Thank you again for the opportunity to provide testimony and for your consideration of HB 2180. We respectfully request you pass this bill out of committee for further consideration by the House.