



Oregon

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DATE: March 15, 2017

TO: House Committee on Transportation Policy

FROM: Tom McClellan, Administrator
Driver and Motor Vehicle Services Division (DMV)

SUBJECT: House Bill 2290 – DMV Cost Recovery

INTRODUCTION

DMV's core mission includes collecting revenue for Oregon's multimodal transportation system, primarily the State Highway Fund. The division generates revenue through fees and nearly all DMV fees are set in statute. Cost studies have revealed that several DMV products and services yield less in fees than they cost to produce. HB 2290 proposes to raise fees to cover costs, and to reduce the complexity of fees charged.

DISCUSSION

Fees collected by DMV support three core purposes as defined in Oregon law: 1) cover the direct and indirect cost of delivering DMV services; 2) provide funding for transportation infrastructure debt service; and 3) collect revenue for the State Highway Fund including for city and county transportation purposes.

Most DMV fees were originally set to cover the cost of service, with vehicle registration fees set to also produce State Highway Fund revenue. Over the past 15 years, transportation funding packages - two of the Oregon Transportation Investment (OTIA) programs and the Jobs and Transportation Act (JTA) - included DMV fee increases, as well as fuels tax increases. These legislatively approved fee increases were earmarked to pay principle and interest on construction bonds issued for the highway projects completed under those Acts.

Today, the cost to produce many DMV products and services exceeds the fees collected. In 2013, DMV conducted an extensive study of its costs and fees, guided by an advisory group including the Legislative Fiscal Office and other experts from outside of ODOT. The study examined 72 different fees or fee categories and identified fees that would need to be raised – some significantly – to cover their full costs. The study also identified some services provided without charge due to lacking statutory authority to charge a fee, such as Motorcycle Knowledge Tests and Commercial Driver License (CDL) Combination Knowledge Tests.

The majority of insufficient fees are related to driving privileges, such as driver licenses, instruction permits, skills testing, suspensions and reinstatements. Fees for vehicle titling and registration are intended to not only cover their cost but also raise money for the State Highway Fund. However, the result of some fees not keeping up with costs is that funds intended for building and maintaining highways now subsidize DMV operations.

Some current fee amounts create unintended consequences. For example, people can avoid buying new registration tags (\$86) and complying with vehicle emissions testing at the Oregon Department of Environmental Quality by transferring plates with unexpired registration tags onto their newly titled vehicle. The current fee for a plate transfer (\$6) does not recover DMV costs. Worse, it also creates a financial incentive for people to reuse their old plates, find or even steal plates with unexpired registration. Other examples of unintended consequences include undercutting private sector driver skills testing businesses. Fees for driver skills tests conducted at DMV are far less than what third-party testers charge.

The bill also streamlines several fees. The goal is to reduce complexity and make fees for similar transactions consistent for customer convenience, fairness, and employee efficiency. Examples include making all CDL endorsement tests the same fee because they involve a similar process, and charging a \$78 title fee for both heavy and light vehicles rather than two different fees for essentially the same product.

HB 2290 was drafted prior to publishing the most recent DMV Cost of Services Study in December 2016. Fees proposed in HB 2290 are based upon a previous cost analysis in June 2015. The December 2016 results are available for legislative consideration. In addition, HB 2290 also does not propose increases in standard Identification (ID) card fees. A recent analysis revealed that fees for original, renewal, and replacement ID cards should be raised by at least \$7 to sustain the current funding level of public transit (Senior and Disabled Transit Fund).

The department also learned recently that it lacks statutory authority to charge a fee for training and regulating the private businesses that conduct DMV services on its behalf. Qualified businesses provide services such as CDL and Class C driver skills testing. Oversight of such operations is crucial to ensure the integrity of the overall testing program, and the safety of Oregonians who encounter these new drivers on the road. The businesses that conduct the tests pay nothing to participate, and a more robust program is possible with adequate funding.

Finally, fees for DMV records are not included in the bill because these fees are set by administrative rule. And while the cost study revealed some of those fees also are not recovering their cost, the agency is deferring any changes at this time, pending legislative decisions on the concept of cost recovery and concerns about raising too many fees at one time.

SUMMARY

Many DMV fees intended for cost recovery are no longer meeting that goal. Consequently, fees from vehicle titling and registration are supplementing the delivery of driver-related services. The net result is less revenue for the State Highway Fund. HB 2290 would raise many DMV fees and create new fees for several services that are currently done without charge. This supports the basic premise that DMV fees should at least cover the cost of the product or service provided, and allows the excess revenue from vehicle fees to go to the State Highway Fund to build and maintain transportation infrastructure as intended.

Attachments

Attachment 1: HB 2290 - Summary of Fee Changes

Attachment 1

Table 1 Cost Recovery

Product	2015 Study	2016 Study	Current Fee	HB 2290
Class C Driver License, original	\$69.51	\$69.20	\$54	\$70
Class C Limited Term Driver License, original	\$69.51	\$69.20	\$23	\$70
Class C Driver License, renewal	\$57.89	\$64.73	\$34	\$60
Class C Limited Term Driver License, renewal	\$57.89	\$64.73	\$8	\$58
Class C Instr. Permit, original	\$68.47	\$69.34	\$24	\$50
Class C Skills Test	\$122.81	\$87.25	\$9	\$20
Replacement license or permit	\$30.44	\$32.66	\$26.50	\$30
Original Motorcycle Endorsement	\$66.71	\$70.55	\$46	\$60
Orig. Motorcycle Instr. Permit	\$84.69	\$94.56	\$24	\$50
Motorcycle Knowledge Test	\$1.15	\$1.51	\$0.00	\$5
3-wheel Motorcycle Skills Test	n/a	n/a	\$0.00	\$20
Original CDL	\$93.24	\$106.83	\$75.50	\$90
CDL Renewal	\$80.64	\$103.44	\$55.50	\$80
Orig. CDL Instr. Permit	\$90.32	\$101.66	\$24	\$50
CDL Skills Test	\$664.34	\$688.15	\$70	\$200
Farm Endorsement	\$30.44	\$32.66	\$26	\$30
All Hardship/ Probationary Permits	\$245.70	\$312.58	\$50	\$75
All Reinstatements	\$208.95	\$206.92	\$75	\$100
Transitional Ownership Document	\$22.55	\$29.23	\$13	\$20
License Plate Transfer	\$30.61	\$24.23	\$6	\$30
Replacement Plate/Sticker	\$29.37	\$28.48	\$10	\$30
ID Card Limited Term, Original	\$44.26	\$47.14	\$20	\$44
ID Card Limited Term, Renewal	\$34.07	\$43.99	\$18	\$34
Trip permit, heavy trailer	\$12.42	\$12.67	\$10	\$12
Trip permit, registration weight	\$12.42	\$12.67	\$5	\$12
Trip permit, registered vehicle	\$12.42	\$12.67	\$7.50	\$12

Table 2 Fee Streamlining

Product	2015 Study	2016 Study	Current Fee	Proposed Fee
CDL Airbrake Skills Test	\$664.35	\$688.15	\$56	\$200
CDL Combination Knowledge Test	\$1.03	\$1.07	\$0.00	\$10
CDL School Bus Endorsement Skills Test	n/a	n/a	\$0.00	\$200
CDL Passenger Endorsement Skills Test	n/a	n/a	\$0.00	\$200
Add School Bus Endorsement to CDL	n/a	n/a	\$21/\$60	\$200
Light Vehicle Title	\$32.82	\$22.40	\$77	\$78
Heavy Vehicle Title	\$32.82	\$22.40	\$90	\$78
Antique Vehicle Registration	\$12.42	\$6.53	\$54	\$81
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Special Use Trailers	\$12.42	\$6.53	+\$3 per foot	+\$6.75 per foot
Motorhomes 6-14 feet in length	\$12.42	\$6.53	\$54	\$86
Registration Fees for Electric/Hybrid Motor Homes, Trucks and Buses	\$12.42	\$6.53	+50%	Same as other motive powers