



Oregon

Kate Brown, Governor

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DATE: May 31, 2017

TO: Ways & Means Subcommittee on Transportation and Economic Development

FROM: Tom McClellan
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SUBJECT: House Bill 2290-A – DMV Fee Streamlining and Cost Recovery

INTRODUCTION

DMV's core mission includes collecting revenue for Oregon's multimodal transportation system. The division generates revenue through fees and nearly all DMV fees are set in statute. Cost studies indicate several DMV products and services yield less revenue than they cost to produce. HB 2290-A proposes to raise fees to more closely cover costs, and to achieve more consistency in the rates charged for similar services. The net effect is about \$3 million per year in additional revenue.

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. 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. HB 2290-A makes some headway in addressing that issue.

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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. HB 2290-A would raise the plate transfer fee to \$20. The bill also reduces the complexity of several fees and aligns fee rates for consistency. It proposes the same \$70 fee to take a CDL passenger endorsement, school bus endorsement, and “remove airbrake restriction” skills test as is charged to take all other CDL skills tests. It also creates a CDL combination knowledge test fee (\$10) that is consistent with all other CDL knowledge tests, and a Motorcycle knowledge test fee (\$5) consistent with other knowledge tests. The bill rounds some fees to the nearest whole dollar, such as Class C and Motorcycle Instruction Permits dropping from \$23.50 to \$23. The full list of fee changes is included in Attachment 1.

HB 2290-A directs the department to conduct a cost of services study every two years, and report on the results to a legislative committee by January 31 of each odd-numbered year. The purpose is to determine if fees for driver and motor vehicle products and services cover the costs of providing those products and services. This study is consistent with current department practice. Finally, fees for DMV records are not included in the bill because these fees are set by administrative rule. The cost study revealed some of those fees also are not recovering their cost, and 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-A would raise several DMV fees to more closely align with costs, 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

HB 2290-A Summary of Fee Changes

DMV Transaction Volumes to FTE

HB 2290A – Summary of Fee Changes

Fees changed to be made consistent with fees for similar products

| Transaction | Current Fee | New Fee |
|--|--------------------------------|-----------------------------|
| Passenger Endorsement CDL Skills Test | \$0 | \$70 |
| School Bus Endorsement CDL Skills Test | \$0 | \$70 |
| CDL Airbrake Skills Test | \$56 | \$70 |
| CDL Combination Knowledge Test | \$0 | \$10 |
| Add School Bus Endorsement to CDL | \$21 | \$30 |
| Antique Vehicle Registration | \$54 | \$81 |
| Special Use Trailers | \$54 + \$3 per foot | \$81 + \$6.75 per foot |
| Motorhomes 6-14 feet in length | \$54 | \$86 |
| Electric/Hybrid Motor Homes, Trucks, Buses | Regular Registration Fee + 50% | Same as other motive powers |

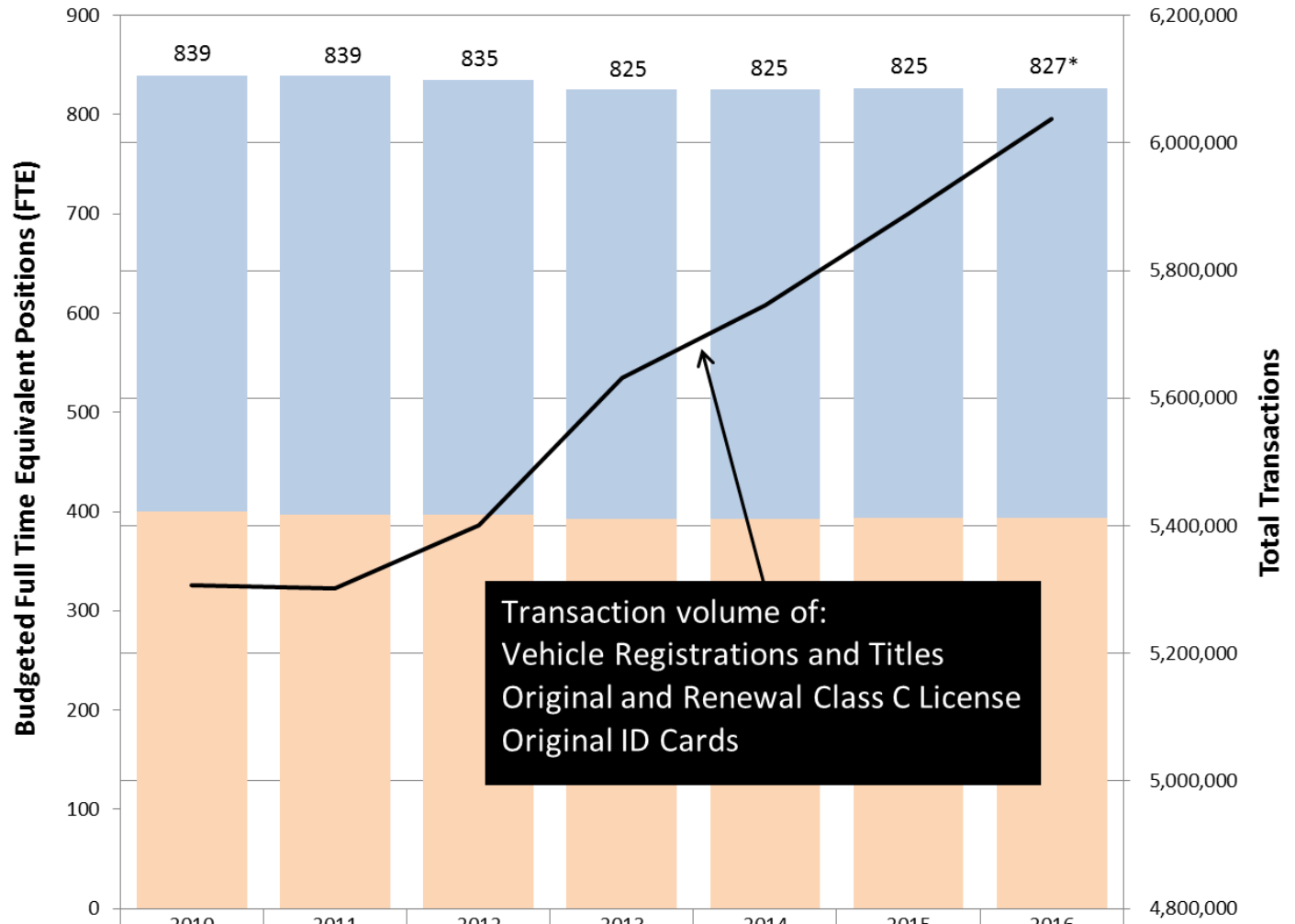
Cost recovery changes

| Transaction | Current Fee | Proposed Fee |
|--------------------------------------|-------------|--------------|
| Class C Skills Test | \$9 | \$20 |
| Replacement Driver License or Permit | \$26.50 | \$30 |
| Motorcycle Knowledge Test | \$0 | \$5 |
| Farm Endorsement | \$26 | \$30 |
| Transitional Ownership Document | \$13 | \$20 |
| License Plate Transfer | \$6 | \$20 |
| Replacement Plate/Sticker | \$5/\$10 | \$30 |
| Trip Permit, Heavy Trailer | \$10 | \$12 |
| Trip Permit, Registration Weight | \$5 | \$12 |
| Trip Permit, Registered Vehicle | \$7.50 | \$12 |

Rounded (down) to nearest whole dollar amount

| Transaction | Current Fee | Proposed Fee |
|--|-------------|--------------|
| Class C Instruction Permit, original | \$23.50 | \$23 |
| Original Motorcycle Instruction Permit | \$23.50 | \$23 |

DMV Transaction Volumes to FTE



| Calendar Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| HQ FTE | 439 | 442 | 438 | 432 | 432 | 433 | 433 |
| Field FTE | 400 | 397 | 397 | 393 | 393 | 394 | 394 |
| Total major transactions | 5,306,883 | 5,301,207 | 5,400,467 | 5,632,571 | 5,745,886 | 5,889,114 | 6,038,124 |

Total FTE ↓ -1.45%
Volume ↑ 12.11%

*Excludes Service Transformation Program Staffing

