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Progress Report



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Some Motor Vehicle Services Recommendations Addressed; No Action Taken on Outsourcing Mobile Home Regulation, Subsidies from Title Fees, and Rebuilt Vehicle Disclosure

at a glance

The Department of Highway Safety and Motor Vehicles and the 2002 Legislature implemented some recommendations made in our January 2001 review of the Licenses, Titles, and Regulations Program. However, the department did not identify the cost of mobile home manufacturing regulation, estimate its monitoring costs if this activity were privatized, and solicit bids from private entities for providing mobile home manufacturing regulation.

In addition, the Legislature considered but did not adopt our recommendations to amend Chs. 319 and 320, *Florida Statutes*, to revise fees. Vehicle title and registration fees subsidize activities which are not financially self-supporting including dealer and manufacturer licensing and regulatory activities, rebuilt motor vehicle inspections, and Vehicle Identification Number verifications. If these activities were made self-supporting from fees on their users, the Legislature could reduce title and registration fees by an off-setting amount.

We suggest as in our 2001 report that the Legislature consider amending s. 319.14, *Florida Statutes*, to require disclosure to consumers that rebuilt vehicles are not inspected for safety.

Purpose

State law requires OPPAGA to report actions taken by the Department of Highway Safety and Motor Vehicles and Legislature in response to our 2001 justification review.^{1, 2}

Background

The Department of Highway Safety and Motor Vehicles' Licenses, Titles, and Regulations Program is intended to increase consumer protection and public safety through licensing systems that title and register motor vehicles, vessels, and motor homes; regulate vehicle and mobile home dealers and manufacturers; and efficiently collect revenue. The department uses program staff and county tax collectors as agents to process title and registration applications and enforce relevant state and federal laws and agency rules.

The program divides motor vehicle-related activities into the service categories below.

- Vehicle and Vessel Title and Registration Services include motor vehicle and vessel registration and titling services, including customer and technical assistance to county tax collector offices.

¹ Section 11.51(6), *F.S.*

² *Justification Review of the Motor Vehicle-Related Activities Performed by the Licenses, Titles, and Regulations Program within the Department of Highway Safety and Motor Vehicles*, [Report No. 01-03](#), January 2001.

Progress Report

- Motor Vehicle Laws Compliance and Enforcement includes activities designed to protect the public from vehicle title fraud, automobile theft, and illegal motor vehicle business practices. It also includes activities related to licensing automobile dealers, manufacturers, importers, distributors, and mobile home, manufactured home, and recreational vehicle manufacturers.
- Mobile Home Compliance and Enforcement includes activities intended to protect the public from unsafe mobile homes.
- Motor Carrier Compliance includes activities related to registering and taxing commercial motor carriers based in Florida under the International Registration Plan and the International Fuel Tax Administration.
- Executive Direction and Support Services includes general business functions, planning, and resource management.

For Fiscal Year 2002-03, the program was appropriated a total of \$66,799,410 and 481 positions.³ The funds and positions allocated for each service category are shown in Exhibit 1.

Exhibit 1 Most of the Program's Fiscal Year 2002-03 Appropriations Are Allocated to Vehicle and Vessel Title and Registration Services

Service Category	Appropriation	Full-Time Equivalent Positions
Vehicle and Vessel Title and Registration Services	\$53,743,216	197
Motor Vehicle Laws Compliance and Enforcement	6,223,182	144
Mobile Home Compliance and Enforcement	1,640,487	38
Motor Carrier Compliance	3,989,826	84
Executive Direction and Support Services	1,202,699	18
Total	\$66,799,410	481

Source: General Appropriations Act for Fiscal Year 2002-03, Ch. 2002-394, *Laws of Florida*.

³ The total appropriation of \$66,799,410 includes \$65,596,711 and 463 positions for the program plus an additional \$1,202,699 and 18 positions that the department allocated for Executive Direction and Support for motor vehicle-related activities. The total legislative appropriation for Executive Direction and Support was \$2,700,752 and 42 positions, of which \$1,498,053 and 24 positions were allocated to driver license-related activities.

Prior Findings

Program performance and budget structure

Our 2001 report concluded that the program had met legislatively established performance standards for issuing titles in Fiscal Year 1999-2000. Therefore, we made no recommendations regarding modification of performance standards.

However, we concluded that the program's budget structure did not accurately portray the resources used for licensing and regulating motor vehicle dealers and manufacturers. The program's budget structure failed to portray the full cost of \$3,301,074 expended by the department in licensing and regulating motor vehicle dealers and manufacturers. For example, the budget for the Licensing Automobile Dealers service category for the Fiscal Year 2000-01 included only \$352,657 for the costs of one employee position responsible for regulating the relationship between dealers and manufacturers, and seven other positions responsible for processing license paperwork. However, 66 other full-time equivalent (FTE) positions also performed license and regulatory activities but were budgeted in the program's Compliance and Enforcement service category. We recommended that the Legislature revise the budget service categories for the program to move all resources for licensing and regulating dealers and manufacturers into one service category, which would provide better accountability by more accurately showing the resources devoted to these activities.

Outsourcing mobile home regulation

Our 2001 report concluded that outsourcing mobile home manufacturing regulation would reduce the number of state employees, but it was not clear at that time whether it would lower state costs. Some other states contracted with private entities to perform mobile home manufacturing regulatory activities. To determine whether it would be cost-effective to outsource this activity, the state needed to establish a competitive process in which contractors and the Department of Highway Safety and Motor Vehicles could bid on providing these services. We recommended that the department determine its costs for mobile home manufacturing regulation, estimate the cost of monitoring contractors if this activity were outsourced, and solicit bids for providing mobile home manufacturing regulation.

Self-sufficiency of compliance and enforcement activities

Our 2001 report determined that some program compliance and enforcement activities, such as licensing dealers and manufacturers, and conducting rebuilt motor vehicle inspections and Vehicle Identification Number (VIN) verifications, are not self-supported by their fees and are subsidized by motor vehicle title and registration fees.⁴ Although most of these activities benefit taxpayers as a whole, they also regulate individual constituencies who profit from the industry being regulated. If these activities generated enough revenue to cover their costs, motor vehicle title and registration fees could be reduced.

We recommended that the Legislature consider increasing the fees for these activities to better cover the program's compliance and enforcement costs. If recommended fee increases totaling \$2.5 million were implemented, title and registration fees could be reduced by an equal amount.

Controls over rebuilt motor vehicle title fraud

Florida has several controls over rebuilt vehicle title fraud at the state and local levels. Some of these controls are established in statute, and others are provided through the procedures followed by state and county tax collectors in processing titles. However, our prior review concluded that these controls could be improved to enhance consumer protection.

We recommended that the department continue plans to implement Florida's participation in the National Motor Vehicle Title Information System, which is an interstate database that will allow verification of out-of-state title transfer transactions. The system is intended to assist state motor vehicle departments in sharing information that will help reduce rebuilt title fraud.

We also recommended that the Legislature revise s. 319.14, *Florida Statutes*, to require disclosure to consumers that rebuilt vehicles have not been inspected for safety. Rebuilt motor vehicle inspections conducted by program staff focus on guarding against the sale of stolen vehicles or parts and do not address vehicle safety.

Quality assurance title reviews

The program staff reviews samples of county tax collectors' title paperwork after the titles have already been issued. The purpose of these reviews is to determine whether tax collectors' staffs have properly processed the titles.

Our 2001 report concluded that program staff was over-sampling tax collectors' title paperwork. Program staff reviewed the paperwork for 36% of the 5,398,931 titles issued. However, they found problems in tax collectors' title paperwork in less than 1% of the cases reviewed, and only a small portion of these problems were sufficiently serious to indicate the possibility of title fraud. Although we agreed that there was a need to review title paperwork for quality control and fraud detection, the relatively small number of problems found indicated that the program was devoting too many resources to this effort.

We recommended that the department reduce sample sizes for review of county tax collectors title work, and use the information program staff compile on errors and title fraud potential to select sample sizes for each tax collector and reduce the number of staff devoted to conducting quality assurance title reviews. If the overall sample of titles to be reviewed is reduced to 10%, staffing devoted to this activity could be reduced from 10 positions to 5, resulting in an annual cost savings of \$145,000 to the Highway Safety Operating Trust Fund.

Status of Recommendations ---

The Department of Highway Safety and Motor Vehicles and the 2002 Legislature implemented some recommendations. The 2002 Legislature revised the program's budget categories to correct its budget structure. Further, the department modified its methodology for sampling tax collectors' title paperwork and will continue with its plans to participate in the National Motor Vehicle Title Information System.

However, the department did not implement our recommendations related to privatizing regulation of mobile home manufacturers. Further, the Legislature has not adopted our recommendations for lowering vehicle title and registration fees and raising the fees for certain activities that are not financially self-supporting and have been subsidized by title and registration fees.

⁴The purpose of a VIN verification is to determine whether the vehicle is the same as the one described on the proof of ownership.

The Legislature revised the program's budget categories

The 2002 Legislature revised the department's budget service categories for Fiscal Year 2002-03 to move all resources for licensing and regulating dealers and manufacturers into one service category.

The department is continuing its efforts to participate in the National Motor Vehicle Title Information System

Consistent with our recommendation, the department has continued its efforts to participate in the National Motor Vehicle Title Information System. For example, the department has provided the system administrators with a database containing information on Florida-titled vehicles. Program managers said they expect the National Motor Vehicle Title Information System to be operational by June 2003.

The department modified its methodology for reviewing title applications processed by county tax collectors

In January 2001, the department changed the methodology used by its Quality Review Unit to review title applications processed by county tax collectors. Program managers said the method was changed to target more of the department's efforts on reviewing title applications that involve complex transactions, such as those in which a towing company applied for a certificate of destruction for a damaged vehicle, and specific errors. Program staff's review of a statistically representative sample of title applications processed by county tax collectors allowed the department to identify which types of applications contained more errors. The department's review determined that the error rate for applications involving complex transactions averaged 6% for the year.

Subsequent to adopting this change in methodology, the department reassigned six positions from the Quality Review Unit to other program units. Since this was an internal reassignment of staff within the program, no cost savings were realized.

The department has not assessed the feasibility of outsourcing mobile home manufacturing regulation

The department has not implemented our recommendations that it determine its costs (including administrative overhead) for performing mobile home manufacturer regulatory activities, estimate its monitoring costs if these activities were privatized, and solicit bid proposals from private entities for performing mobile home manufacturer regulator activities. We continue to believe that these steps should be taken to determine if privatizing this function would be in the state's interest.

Fees were not adjusted to cover the costs of program compliance and enforcement activities that are not financially self-supporting

The Legislature considered but has not adopted our recommendations to raise fees for certain motor vehicle compliance and enforcement activities that are not financially self-supporting and are subsidized by title and registration fees. These activities include licensing dealers and manufacturers, conducting rebuilt motor vehicle inspections, and verifying vehicle identification numbers.

We recommend that the Legislature reconsider amending Chs. 319 and 320, *Florida Statutes*, to increase the fees charged for licensing dealers and manufacturers, and conducting rebuilt motor vehicle inspections. If these fees are increased, motor vehicle title and registration fees could be decreased by an amount that offsets these adjustments.

Safety disclosure for rebuilt vehicles still needed

As we recommended in our 2001 report, we again suggest that the Legislature amend s. 319.14, *Florida Statutes*, to require disclosure to consumers that rebuilt vehicles have not been inspected for safety. We continue to believe that this step would improve consumer protection.

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