



The Florida Legislature

OFFICE OF PROGRAM POLICY ANALYSIS AND GOVERNMENT ACCOUNTABILITY



SUNSET MEMORANDUM

Report No. 07-S18

Department of Highway Safety and Motor Vehicles Division of Motor Vehicles Options for Legislative Consideration

December 7, 2007

Summary

To support the Sunset Review process, the Legislature directed OPPAGA to examine the Department of Highway Safety and Motor Vehicles.¹ This memo reviews the Division of Motor Vehicles' operations, and focuses on its purpose, organization, responsibilities, resources, and performance. This memo evaluates the organizational options of (1) transferring the division's programs to various state agencies, (2) allowing private entities to perform program functions, and (3) abolishing program activities. This memo also analyzes the option of increasing certain fees to make subsidized programs self-sufficient.

¹ Sections [11.901](#)-11.920, *F.S.*

Gary R. VanLandingham, Ph.D., Director

Purpose, Organization, and Responsibilities

The purpose of the Department of Highway Safety and Motor Vehicles is to develop, maintain, and support a safe driving environment through law enforcement, public education and service, reduction of traffic crashes, titling and registering motor vehicles and vessels, and licensing drivers. The Division of Motor Vehicles within the department has primary responsibility for titling and registering vehicles, vessels, mobile homes, and motor carriers. The division is organized into four programs.

- **The Titles and Registrations Program** primarily issues titles for motor vehicles and vessels and registers them for operation on Florida’s highways and waterways. The division also monitors the state’s 67 county tax collectors, who serve as agents to issue titles and registrations on behalf of the state.
- **The Mobile Home Compliance and Enforcement Program** inspects mobile home manufacturing facilities and dealer lots, licenses and tests mobile home installers, and trains county mobile home installation crews and officials.
- **The Motor Carrier Compliance Program** registers commercial trucks, issues International Registration Plan license plates, issues International Fuel Tax Agreement decals, processes commercial carrier fuel tax returns, and conducts carrier tax audits.
- **The Motor Vehicle Compliance and Enforcement Program** inspects automobile dealer records; investigates automobile dealer and consumer complaints; inspects rebuilt vehicles for fraudulent titles; conducts fraud investigations of titles, registrations, and odometers; and conducts verifications of vehicle identification numbers.

Resources

The Legislature appropriated \$61.6 million primarily from trust funds and 451 positions for the Division of Motor Vehicles for Fiscal Year 2007-08.² The division generated \$1.3 billion of revenue in Fiscal Year 2006-07, primarily from title and registration and motor carrier fees. Exhibit 1 shows the budget and revenue for each of the division’s four programs.

The division’s revenue helps fund department functions, the general revenue fund, and several other state agencies, including the Department of Transportation and Department of Education.

Exhibit 1
The Legislature Appropriated Over \$61 Million to the Division of Motor Vehicles for FY 2007-08

Program	Fiscal Year 2007-08		Fiscal Year 2006-07
	Budget ¹	FTE	Revenue
Titles and Registrations ²	\$47,365,237	178	\$1,187,167,938
Motor Carrier Services ²	4,212,576	155	123,604,924
Motor Vehicles Compliance and Enforcement ²	8,137,620	80	2,127,800
Mobile Home Compliance and Enforcement	1,869,554	38	838,934
Subtotal	\$61,584,987	451	\$1,313,739,596
Executive Support	\$1,292,747	16	0
Total	\$62,877,734	467	\$1,313,739,596

¹ All of the programs are funded by trust funds except the titles and registrations program, which has a budget of \$105,326 in general revenue, and \$47,259,911 in trust funds.

² Funding for these programs is grouped together in “Vehicle / Vessel Title and Registration Services”.

Source: Department of Highway Safety and Motor Vehicles.

² A portion of the department’s executive support is allocated to the Division of Motor Vehicles. In Fiscal Year 2007-08, \$1,292,747 and 16 full-time equivalent employees were allocated to the division, resulting in a total of \$62,877,734 and 467 FTEs.

Performance

The Division of Motor Vehicles' performance measures demonstrated mixed results in Fiscal Year 2006-07 (see Exhibit 2). Of its 18 legislatively approved performance measures, the division met 4 standards (highlighted in the exhibit) and did not meet 14 standards. Many of the measures assess outputs and are based on demand and other external factors.

The division met its performance standards for the timeliness and cost of issuing vehicle and vessel titles and the percentage of titles issued without error. It also met the standard for the cost-effectiveness of International Registration Program and International Fuel Tax Agreement audits, recovering an average of \$1.99 for every \$1 in audit costs.

The division was reasonably close to meeting its performance standards in most of the remaining areas, including the number of vehicle and vessel titles and registrations issued. Demand for these services was less than expected.

The department provided explanations for not meeting other performance standards in its Long-Range Program Plan.

- **The Titles and Registrations Program** did not meet the standard for the number of fraudulent motor vehicle titles identified and submitted to law enforcement.
The department stated that it cannot fully control the actual performance results because it is partially dependent upon external entities (such as local law enforcement) to identify suspected fraudulent titles.
- **The Mobile Home Compliance and Enforcement Program** experienced an increase in the number of warranty complaints due to consumers filing claims against three Georgia manufacturers who went out of business.
- **The Motor Carrier Compliance Program** did not audit the required number of motor carriers and fuel tax accounts because of continuing turnover of audit positions.
- **The Motor Vehicles Compliance and Enforcement Program** changed the methodology it uses to process dealer licenses and as a result did not meet the standard of issuing dealer licenses within seven working days.

OPPAGA's 2001 Justification Review and 2002 progress report of the division highlighted the division's programs.^{3,4} For example, we noted that some activities, such as licensing dealers and manufacturers, and conducting rebuilt motor vehicle inspections and vehicle identification number verifications, were not fully supported by their fees and were subsidized by motor vehicle title and registration fees. The Legislature considered but has not adopted our recommendations to adjust the fees for these activities to enable them to become self-supporting.

³ *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*, OPPAGA [Report No. 01-03](#), January 2001.

⁴ *Progress Report: Some Motor Vehicle Services Recommendations Addressed; No Action Taken on Outsourcing Mobile Home Regulation, Subsidies from Title Fees, and Rebuilt Vehicle Disclosure*, OPPAGA [Report No. 02-51](#), October 2002.

Exhibit 2
The Division of Motor Vehicles' Performance Was Mixed for
Fiscal Year 2006-07

Performance Measures	Fiscal Year 2006-07	
	Performance	Standard
Titles and Registrations Program		
Number of motor vehicle and mobile home titles issued	6,437,651	6,700,000
Number of vessel titles issued	231,210	270,879
Number of vessel registrations issued	1,009,150	1,046,445
Number of motor vehicle and mobile home registrations issued	21,117,442	21,446,037
Percentage of vehicle/vessel titles issued without error	96%	92%
Average number of days to issue vehicle title	3	3
Average cost to issue a motor vehicle/vessel title	\$2.10	\$2.12
Number of fraudulent motor vehicle titles identified and submitted to law enforcement	33	50
Mobile Home Compliance and Enforcement Program		
Number of mobile homes inspected	10,691	14,800
Ratio of warranty complaints to new mobile homes titled	1:126	1:154
Motor Carrier Compliance Program		
Ratio of taxes collected as a result of International Registration Program and International Fuel Tax Agreement audits to the cost of audits	\$1.99:1	\$1.73:1
Number of motor carriers audited per auditor, with number of auditors shown	21:14	22:14
Number of International Fuel Use Tax and International Registration Plans accounts audited	294	350
Motor Vehicles Compliance and Enforcement Program		
Number of automobile dealers licensed	12,046	12,800
Percentage of dealer licenses issued within seven working days upon receipt of completed applications	86%	99%
Percentage change in number of fraudulent motor vehicle titles identified and submitted to law enforcement	5.50%	3.00%
Ratio of inspections of rebuilt salvage motor vehicles failing the statutory and procedural and requirements for rebuilt certificates of title to total inspections of rebuilt salvage vehicles	1:7	1:8
Number of rebuilt salvaged motor vehicles inspected for vehicle identification numbers and odometer readings	30,274	36,319

Source: The Florida Department of Highway Safety and Motor Vehicles Long-Range Program Plan for Fiscal Years 2008-2009 through 2012-2013.

Options for Legislative Consideration

Housing the Division of Motor Vehicles and Division of Driver Licenses in the same department has a number of benefits. The primary benefit is the use of shared databases for driver history and vehicle and vessel title and registration data. We assessed options that the Legislature could consider in its Sunset Review should it wish to modify the division. These options address the organizational placement and operations of the division's four programs—Titles and Registrations, Mobile Home Compliance and Enforcement, Motor Carrier Compliance, and Motor Vehicles Compliance and Enforcement.

Titles and Registrations Program

The Titles and Registrations Program has a Fiscal Year 2006-07 budget of \$47.4 million. The program issues titles and registrations to motor vehicle, vessel, and mobile home owners, which generated revenue of \$1.2 billion in Fiscal Year 2006-07.⁵ Citizens may conduct transactions by mail, internet, phone, or by visiting one of the 324 office locations operated by county tax collectors. The 67 county tax collectors process the majority of motor vehicle titles and registrations—96% of the 28.8 million titles and registrations in Fiscal Year 2006-07.

⁵ A vehicle title is a certificate of ownership, and a registration authorizes the vehicles' use on the state's roads and provides vehicle information for law enforcement agencies.

Abolishing the titles and registrations function would not be in the state's best interest. Although abolishing the Titles and Registrations Program would eliminate its \$47.4 million cost to the state, these savings would be more than offset by the resulting loss of revenue—\$1.2 billion in Fiscal Year 2006-07. Abolishing the program would also eliminate citizens' ability to use vehicle and vessel titles as proof of ownership. It would also hinder law enforcement, which uses the title and registration databases for investigations. All other states require the titling and registering of vehicles, reflecting the importance of this function and its revenues.

The Legislature could transfer the Titles and Registrations Program to the Department of Revenue. If the Legislature wished to change the organizational placement of the program, it could transfer the function to the Department of Revenue, which collects the majority of the state's revenues and currently processes some mail-in driver license renewals for the Department of Highway Safety and Motor Vehicles. The Department of Revenue has a working relationship with the county tax collectors, which are its agents in collecting taxes and fees such as sales, corporate income, and documentary stamp taxes. This option would not result in increased customer fees, and the state would continue to receive revenues and would maintain its safeguards against fraud, which could potentially increase if the program were outsourced.

However, transferring the program to the Department of Revenue would not likely result in significant cost savings. The program's functions do not overlap with the Department of Revenue's current activities, and titling services are outside of Revenue's core mission of collecting state revenues. The primary reason to consider such a transfer would be that it would allow the state to continue program functions should the Legislature choose to abolish the Department of Highway Safety and Motor Vehicles.

The Legislature could expand the use of private entities to issue titles and registrations. It is not desirable to fully privatize title and registration services as it is important for the state to maintain operational control of program databases to support law enforcement and citizens' ability to use titles as proof of ownership. However, it is feasible to allow private entities to issue titles and registrations in conjunction with the department and state. The program is already largely outsourced through its partnership with county tax collectors, who handle most title and registration transactions. The *Florida Statutes* also permit tax collectors to contract with private entities to provide services to the general public if they choose, and three counties currently do so.^{6,7} Miami-Dade, Broward, and Volusia counties use private tag agents to help process titles and registrations for their citizens. In these counties, customers may go to either the tax collector's office or a private tag agency to conduct all title and registration services. The number of private tag agencies in these counties varies: Miami-Dade contracts with 25 agencies, Broward contracts with 5 agencies, and Volusia contracts with 2 private tag agencies.

Expanding the use of private entities to provide titling and registration services has potential advantages but could also raise several potential problems. Private tag agents could help the program avoid some direct costs, meet the growing demand for title and registration services, and provide more convenience to customers. However, this option would also likely increase the risk of fraud, could raise customer and state equipment costs, and could result in problems in the allocation of revenues among tax collectors.

⁶ Section [320.08\(8\)](#), *F.S.*

⁷ Tax collectors in seven other counties—Jefferson, Hillsborough, Leon, Taylor, Polk, Collier, and Pinellas—contract with private entities to provide titles and registration services to select entities, such as fleets, rental cars, or other similar large commercial operations that are generally not based in Florida.

Advantages of Expanding the Use of Private Entities

Using private tag agents allows the state and tax collectors to receive revenues while not incurring direct costs. The private tag agencies that currently provide title and registration services collect the state registration and titling fees, the tax collector convenience fee, and a transaction fee from customers. As a result, the program and tax collectors continue to receive revenues without incurring direct costs when private tag agents provide program services.⁸

Private tag agents could help the state and tax collectors meet the growing demand for services. Since Fiscal Year 2001-02, the program has experienced 43% growth in the number of titles and registrations it issues. Private tag agencies help meet this growing demand in the three counties in which they operate. For example, in Fiscal Year 2006-07, over 3.5 million titles and registrations were issued in Miami-Dade: department staff processed less than 1% of those transactions; the tax collector processed 22% of those transactions in its three offices; and the remaining 78% were processed by the county's 25 private tag agencies. In Broward and Volusia counties, private tag agents process 46% and 18% of transactions, respectively.

The impending federal Real ID Act will likely require the program and tax collectors to re-process all 16 million driver license and identification card holders over the coming years.⁹ This will create high workload and customer traffic in offices where driver license and motor vehicle services are co-located. Private entities would help meet this demand.

Private tag agents could provide increased convenience to customers. Allowing private entities to provide vehicle registration and title services could increase customer convenience because citizens could have more locations and more times from which to choose. While most tax collectors offices are open only during normal state business hours, some private tag agencies are open after 5 p.m. and on Saturdays. In addition, some of those private offices are co-located with other businesses that customers might wish to obtain services from, such as insurance agencies.

Disadvantages of Expanding the Use of Private Entities

Expanding use of private tag agents could increase the state's and citizens' exposure to fraud. While there have been relatively few detected instances of fraud involving the private tag agencies currently providing services, this problem could increase as the number of entities with access to sensitive information increases and the department's operational control decreases. In recent years, there have been cases in which program (state), tax collector, and private tag agency employees have defrauded the state by accepting bribes from customers to improperly title vehicles, or by voiding transactions without customers' knowledge and pocketing the money. In addition, employees who process titles and registrations must guard against fraud committed by customers, such as odometer rollback (reducing the number of miles recorded on the vehicle's odometer or title); title washing (removing a title brand as paper documents are transferred between states or when documents are altered or counterfeited); and cloning (replacing the vehicle identification number, or VIN, on the title with the VIN number from

⁸ The state incurs indirect costs for providing computer equipment and maintenance and other consumables such as printer cartridges, license plates, and decals to private tag agents; tax collectors incur monitoring costs.

⁹ The Real ID Act (Public Law 109-13, Title II "Improved Security for Drivers' Licenses and Personal Identification Cards") creates national standards for issuing state driver's licenses and identification cards. If Florida chooses to comply with the act, all persons holding Florida driver's licenses and identification cards will be required to visit a driver licensing office in person and resubmit identity documents to acquire a new license/card by May 2013.

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another legitimate vehicle to conceal a theft). The department, tax collectors, and private tag agencies believe that unscrupulous citizens perceive that it is easier to attempt fraud at private tag agencies.

The program, tax collectors, and existing private tag agencies have established controls to deter and detect fraud, including employee background checks, quality reviews of daily reports, and sample and target audits. If outsourcing is expanded, the program and tax collectors would need to carefully negotiate contracts with the private tag agents, closely monitor their performance, and have contingency plans to provide continuity of services if a private tag agency failed to perform. The costs of this monitoring and oversight should be identified and considered in the outsourcing decision. If fraud is determined to increase under expanded outsourcing, the program could consider limiting services offered by private entities such as authorizing them only to renew registrations, which would limit access to sensitive information and resources (such as authentic title stock), but would also reduce the scope and convenience of the services provided by the contractors.

Customers pay more for services at private tag agencies and lose the convenience of “one-stop shopping”. A disadvantage of expanding outsourcing is that customers must pay the private tag agency transaction fee in addition to the state fee and tax collector fee. Private tag agency fees currently range from \$2 to \$4 for annual registrations and \$9 to \$15 for titles. If the program expanded outsourcing statewide, it could either set a statewide fee for tag agent fees, or allow the market to set these costs.

Also, at this time, private entities are not authorized to provide driver license services. Therefore, customers lose the ability of “one-stop shopping” if they chose to visit a private tag agency instead of one of the tax collector offices in the 33 counties that provide both motor vehicle and driver license services.

A related issue is that the state currently provides computers and required equipment for private tag agencies, and these costs totaled \$1.1 million in Fiscal Year 2006-07. If outsourcing is expanded the state would need to determine whether to continue this practice. Eliminating this policy would reduce state costs; however, if private tag agents were required to obtain this equipment themselves these costs would likely be passed on to consumers.

Using private tag agents can result in problems in the allocation of revenues among tax collectors. If private tag agents were expanded, an arrangement would need to be established governing the allocation of tax collector fees they receive. The Florida Tax Collectors Association reports that some existing tag agents reportedly solicit business from residents or businesses of counties where they have not contracted with the tax collectors. This can create revenue allocation issues as the tax collector who has contracted with the private tag agent receives the tax collector portion of the registration and title fees although the tax collector in the county in which the customer lives has established infrastructure (computer systems and offices) in expectation that they would process these transactions. To address this problem, the Legislature could amend statutes to ensure that private tag agent services are revenue neutral to county tax collectors.

The Florida Tax Collectors Association asserted that its members can handle both current and projected demand for title and registration services, and decisions on whether to contract with private tag agents should be made at the local, rather than statewide level. The association indicated some tax collectors have made or plan to make substantial infrastructure investments in computer systems and office space to handle current and anticipated growth and would be adversely affected if the state diverted a substantial amount of services to private tag agents. Finally, the association asserted that there is no evidence of unmet demand that would warrant the use of private tag agents on a statewide basis.

Exhibit 3 summarizes the organizational options for the Titles and Registrations Program.

Exhibit 3
The Legislature Could Transfer Title And Registration Services to the Department of Revenue or Allow Private Entities to Perform Some Program Functions

Option	Advantages	Disadvantages
Transfer program to the Department of Revenue	<ul style="list-style-type: none"> ▪ The state would continue to receive program revenue. ▪ Customers would not incur additional fees. ▪ The Department of Revenue has a working relationship with the tax collectors, and processes mail-in driver license renewals for the Department of Highway Safety and Motor Vehicles. ▪ The program would align with the Department of Revenue's purpose to collect state revenues. ▪ The state maintains its safeguards against fraud. ▪ The program's activities would be continued should the Legislature wish to abolish the Department of Highway Safety and Motor Vehicles. 	<ul style="list-style-type: none"> ▪ The state would not realize significant cost savings. ▪ Titling services would be outside of the Department of Revenue's core mission of collecting state revenues.
Allow private tag agents to perform title and registration functions	<ul style="list-style-type: none"> ▪ The state and tax collectors would continue to receive revenue. ▪ Private tag agencies could help the program and tax collectors meet the growing demand for services. ▪ Private tag agencies could provide increased convenience to customers, such as extended hours and access to other services. ▪ Selected county tax collectors currently contract with private tag agencies; therefore, a model exists for the program to expand outsourcing these services. 	<ul style="list-style-type: none"> ▪ State and citizen exposure to fraud could potentially increase because the state's control would be reduced; the program and tax collectors would need to establish strong monitoring and oversight systems to deter and detect fraud. ▪ Customers would pay more for services, as private tag agents charge an additional convenience fee for their services. ▪ Unless the program ends the policy of supplying necessary technology for service providers, the state would incur costs to purchase additional computers and other required equipment for private tag agents. In Fiscal Year 2006-07, the program's technology costs totaled \$1.1 million for private entities. ▪ Customers would lose convenience of "one-stop shopping" because private tag agencies are not authorized to provide driver license services. ▪ Private tag agencies could create revenue allocation and infrastructure capacity challenges for county tax collectors.
Abolish program	<ul style="list-style-type: none"> ▪ The state would avoid the cost of the program - \$47.4 million in Fiscal Year 2006-07. 	<ul style="list-style-type: none"> ▪ The state would lose a substantial revenue source - \$1.2 billion in Fiscal Year 2006-07. ▪ Florida would become the only state that does not require titling and registering of vehicles, thereby increasing citizens' vulnerability to fraud and theft. ▪ Abolishing the program would eliminate citizens' ability to use vehicle and vessel titles as proof of ownership. It would also hinder law enforcement, which uses the title and registration databases for investigations.

Mobile Home Compliance and Enforcement Program

The Mobile Home Compliance and Enforcement Program had a Fiscal Year 2006-07 budget of \$1.9 million and revenue of \$838,934 generated primarily through manufacturer and installer fees. Under a contract with the federal Department of Housing and Urban Development, the program monitors mobile home manufacturer's compliance with federal mobile home building code standards and investigates and resolves consumer complaints. Under a state plan approved by the federal government, the program also monitors mobile home dealer lots and approves all alterations made by retailers to provide consumer protection and assurance of manufactured home safety. Program staff evaluates the ability of mobile home manufacturing plants to follow approved quality control procedures and provides ongoing surveillance to ensure that manufacturing processes comply with approved plans. Per *Florida Statutes*, program staff also licenses, tests, and trains mobile home installers.¹⁰

The Legislature could transfer the Mobile Home Compliance and Enforcement Program to the Department of Community Affairs. If the Legislature wished to change the organizational placement of the program, it could transfer the function to the Department of Community Affairs. This option has merit, as the Mobile Home Compliance and Enforcement Program does not fall within the mission of the Department of Highway Safety and Motor Vehicles of developing, maintaining, and supporting a safe driving environment. No other state with similar mobile home regulatory responsibilities places this function within a highway safety or motor vehicle department.

The Department of Community Affairs currently operates a similar program that inspects modular homes.¹¹ Inspectors of both departments sometimes go to the same facility to inspect different homes, as most mobile home manufacturers also construct manufactured homes. However, the two inspection programs operate in a different manner. The Department of Community Affairs contracts with private entities to inspect modular home construction, while the Mobile Home Compliance and Enforcement Program does inspections with state employees, as the federal government prohibits privatizing this activity if the state serves as an inspection agency. Thus, if the program were transferred, the Department of Community Affairs would need to employ state inspectors to conduct activities.

The Legislature could withdraw from the federal contract. Another feasible option would be for the Legislature to withdraw from the federal mobile home inspection contract at no cost to the state. This would transfer responsibility for inspecting mobile homes to the federal government, which would then contract with private entities to provide inspections, as it does in 13 other states. Withdrawing from the federal contract would reduce the size of state government.

The Legislature could raise fees to make the program self-supporting. The department provides a \$1 million subsidy to the Mobile Home Compliance and Enforcement Program. If the Legislature decides to continue the program, several fees could be increased to improve self-sufficiency. For example, the Legislature could consider increasing \$150 installer license fee and \$100 application fee.¹² It could also increase the \$10 installer decal fee.¹³ The department could increase the \$32 fee charged to

¹⁰ Chapter [320](#), *F.S.*

¹¹ A modular home is designed, built, permitted and inspected to Florida Building Code, and must be installed on permanent foundations. A mobile home is built to the U.S. Department of Housing and Urban Development standards and are usually installed on temporary foundations.

¹² Sections 320.8249(1) and (2), *F.S.*

¹³ Section 320.8249(13), *F.S.*

manufacturers for decals.¹⁴ These fees would have to be more than doubled to make the program self-supporting. However, any increased cost to manufacturers and installers would likely be passed on to consumers.

Exhibit 4 summarizes the organizational options discussed above for the Mobile Home Compliance and Enforcement Program.

Exhibit 4
The Legislature Could Transfer or Abolish the Mobile Home Compliance and Enforcement Program

Option	Advantages	Disadvantages
Transfer program to the Department of Community Affairs	<ul style="list-style-type: none"> ▪ The program mission is more consistent with the Department of Community Affairs' mission, which operates a similar modular home inspection program. 	<ul style="list-style-type: none"> ▪ The mobile home inspection program operates differently from the modular home inspection program, which uses private inspectors; federal regulations prohibit the use of private contractors to conduct mobile home inspections if the state serves as the inspection agency.
Abolish program and transfer responsibility to federal government	<ul style="list-style-type: none"> ▪ The federal government would administer the program at no cost to the state. ▪ The department would no longer have to provide a \$1 million subsidy to the program. ▪ The size of state government would be reduced. 	<ul style="list-style-type: none"> ▪ Florida would no longer have control of program activities, which would be administered by federal government. ▪ There would no active enforcement of the one-year warranty program for construction and installation of mobile homes. ▪ The federal program does not inspect the installation of mobile homes which is important to mobile home safety.
Increase fees to make program self-sufficient	<ul style="list-style-type: none"> ▪ The department would no longer have to provide a \$1 million subsidy to the program. 	<ul style="list-style-type: none"> ▪ Mobile home manufacturers and installers would pay more for services, which would likely be passed on to consumers.

Source: OPPAGA analysis.

Motor Carrier Compliance Program

The Motor Carrier Compliance Program had a Fiscal Year 2006-07 budget of \$4.2 million and generated \$123.6 million in revenue through license fees and fuel taxes. The program registers Florida-based commercial trucks and trailers under the International Registration Plan (IRP) and the International Fuel Tax Agreement (IFTA) Program, which are interstate cooperative agreements for the payment of license fees and fuel use taxes between states. The program also processes fuel tax returns and conducts carrier tax audits for these taxes.

Abolishing or privatizing the Motor Carrier Compliance Program is not feasible. Eliminating the program is not feasible as it fulfills Florida's responsibilities under interstate agreements and federal requirements. If the Legislature were to abolish this function, the federal government could withhold 10% of Florida's federal highway funding, which would equate to a loss of about \$164.7 million. Eliminating the program would also jeopardize Florida's ability to collect fuel use and registration taxes on commercial motor carriers, which produced \$79.1 million in IRP fees and \$44.5 million in IFTA fees in Fiscal Year 2006-07. Federal regulations also prohibit the state from allowing private entities to administer the program.

¹⁴ This fee is established by the U.S. Department of Housing and Urban Development and is set by department rule 15C-2003(3).

The Legislature could transfer the Motor Carrier Compliance Program to the Department of Transportation or the Department of Revenue. The Florida Department of Transportation also operates a Motor Carrier Compliance Program, so the Legislature could choose to unify these activities under one agency. Transportation’s sworn law enforcement officers enforce registration requirements of IRP, IFTA, fuel use tax and laws and agency rules that regulate the weight, size, safety, traffic, contraband interdiction, and registration of commercial vehicles operating on the highway system.

Because the motor carrier activities of the two agencies are complementary but not duplicative, transferring the administrative functions from Highway Safety to Transportation would probably not result in any significant cost savings. Also, collecting motor vehicle and fuel taxes are not within the Department of Transportation’s core mission of building and maintaining the state transportation system.

Alternatively, the Legislature could transfer the program’s activities to the Department of Revenue since the Motor Carrier Compliance Program is primarily responsible for collecting fees, which is consistent with the Department of Revenue’s core mission of collecting state taxes. However, transferring the program from Highway Safety to Revenue would not likely result in significant cost savings because the program’s functions do not overlap with the Department of Revenue’s current activities. This transfer could also be an inconvenience to motor carrier operators, who would need to interact with another state agency while still being licensed by the Department of Highway Safety and Motor Vehicles. The primary reason to consider such a transfer would be that it would allow the state to continue program functions should the Legislature choose to abolish the Department of Highway Safety and Motor Vehicles.

Exhibit 5 describes the organizational options discussed above for the Motor Carrier Compliance Program.

Exhibit 5
The Legislature Could Transfer Motor Carrier Compliance Program to the Department of Transportation or Department of Revenue

Option	Advantages	Disadvantages
Transfer program to the Department of Transportation	<ul style="list-style-type: none"> ▪ The Department of Transportation enforces motor carrier laws and registration requirements. ▪ The program’s activities would be continued should the Legislature wish to abolish the Department of Highway Safety and Motor Vehicles. 	<ul style="list-style-type: none"> ▪ The activities of the two agencies are not duplicative, and transferring the administrative functions would probably not result in any significant cost savings. ▪ Collecting taxes is not consistent with the Department of Transportation’s core mission.
Transfer program to the Department of Revenue	<ul style="list-style-type: none"> ▪ The program’s activities of collecting taxes are aligned with the Department of Revenue’s core mission. ▪ The program’s activities would be continued should the Legislature wish to abolish the Department of Highway Safety and Motor Vehicles. 	<ul style="list-style-type: none"> ▪ The activities of the two agencies are not duplicative, and transferring the administrative functions would probably not result in any significant cost savings.

Source: OPPAGA analysis.

Motor Vehicles Compliance and Enforcement Program

The Motor Vehicles Compliance and Enforcement Program had a Fiscal Year 2006-07 budget of \$8.1 million and generated revenue of \$2.1 million through licensing fees charged to manufacturers and dealers and fees charged for rebuilt motor vehicle inspections. The program has two primary responsibilities, which both provide consumer protection. First, the program performs services relating to authenticating vehicle titles and registrations. These title-related services include inspecting rebuilt vehicles for fraudulent titles; conducting title, registration, and odometer fraud investigations; and verifying vehicle identification numbers. Second, the program regulates the business of selling motor vehicles. These services include licensing automobile dealers, manufacturers, importers and distributors; mobile home dealers and manufacturers; motor vehicle auctioneers and brokers; and recreational vehicle manufacturers. The program also investigates complaints filed against automobile dealers, inspects automobile dealer records, and regulates the business relationship between automobile manufacturers and dealers. Exhibit 6 illustrates the volume of activities conducted by the program in Fiscal Year 2006-07.

**Exhibit 6
 The Motor Vehicle Compliance and Enforcement Program
 Conducts a Number of Activities**

Activity	FY 2006-07 Output	Revenues
Title-Related Activities		
Rebuilt Inspections	30,274	\$1,210,960
Vehicle Identification Number Verifications	21,264	N/A
Assembled from Parts Inspections	801	32,040
Title Fraud Investigations	357	N/A
Odometer Inspections	26	N/A
Odometer Fraud Investigations	26	N/A
Business-Related Activities		
Motor Vehicle Dealers Licenses Issued	12,046	\$696,300
Mobile Home Dealers Licenses Issued	1,712	147,900
Manufacturers Licenses Issued	401	40,600
Motor Vehicle Dealer Records Inspections	7,318	N/A
Mobile Home Dealer Records Inspections	512	N/A
Consumer Complaints Received	4,661	N/A
Total Program Revenues		\$2,127,800

Source: Department of Highway Safety and Motor Vehicles.

Title-Related Activities

Transferring the program's title-related activities to another state agency is feasible should the Legislature choose to abolish the Department of Highway Safety and Motor Vehicles. It would not be desirable to transfer the motor vehicle compliance and enforcement program to another agency unless the Titles and Registrations Program were also transferred as the two programs have closely related functions and should remain in the same organizational entity. As noted earlier, the Department of Revenue is a feasible option for transferring these functions, but it is questionable whether such a move would produce benefits for the state unless the Department of Highway Safety and Motor Vehicles were eliminated. If the Legislature wished to modify the organizational placement of only the program's activities that relate to ensuring title authenticity and protecting consumers, it could transfer these functions to the Department of Agriculture and Consumer Services. However, these activities would be outside the department's consumer protection mission, which is to protect, inform, and empower Florida's consumers and businesses, while promoting a positive business environment in the state.

Abolishing the title-related activities or allowing private entities to perform them is not practical. It would not be desirable to eliminate the department's activities related to authenticating motor vehicle titles and registration as these functions are beneficial to consumers and would likely increase citizens' and the state's exposure to fraud. It also would not be practical to outsource these activities. The department does not currently assess fees for most of these services such as verifying vehicle identification numbers or conducting fraud investigations. The Legislature could authorize private vendors to establish user fees for some services such as verifying vehicle identification numbers and inspecting rebuilt vehicles. However, there is little information to suggest that a viable market exists for such services, and increasing the number of entities that have direct access to title information could increase the risk of fraud.

The Legislature could increase title-related fees to make the Motor Vehicles Compliance and Enforcement Program self-sufficient. If the Legislature wishes to continue the activities of the program, it could consider increasing the title-related fees in order to make the program self-sufficient. While it would be difficult to establish fees for fraud investigation activities, it would be feasible to establish or increase fees for two program services: rebuilt vehicle inspections and VIN verifications. The department is unable to determine the cost of conducting these activities. However, the department and past OPPAGA studies indicate that the costs are more than the revenue generated through fees. The department should determine the cost of providing these services and determine the fee amounts that would make the program more self-sufficient.

- **Rebuilt motor vehicle inspections.** The program reported conducting 30,274 inspections of rebuilt vehicles in Fiscal Year 2006-07. The program charges a fee of \$40 for these inspections, which generated revenues of \$1.2 million.¹⁵ Rebuilt motor vehicles are generally vehicles that have been repaired after being damaged to the point where they were considered a total loss after an accident. As a control over potential title fraud, the program inspects the vehicles to ensure that they were not stolen or rebuilt with stolen parts.
- **Vehicle identification number verifications.** The program reported performing 21,264 VIN verifications in Fiscal Year 2006-07, which generated no revenue. There are several different types of required vehicle identification number verifications, but the most common type is required when applying for a title on a vehicle that was previously registered or titled in another state. Costs for these activities are currently covered by other department revenues. A few other states charge fees for VIN verifications.

Exhibit 7 describes the organizational options discussed above for the title-related activities of the Motor Vehicle Compliance and Enforcement Program.

¹⁵ The program also conducted 801 "Assembled from Parts" Inspections in Fiscal Year 2006-07, which generated \$32,040. Assembled from parts means a motor vehicle or mobile home assembled from parts or combined from parts of motor vehicles or mobile homes, new or used.

Exhibit 7
The Legislature Could Transfer the Program’s Title-Related Activities to the Department of Agriculture and Consumer Services

Option	Advantages	Disadvantages
Transfer selected program activities to the Department of Agriculture and Consumer Services, or transfer program along with Registrations and Title Program to Department of Revenue	<ul style="list-style-type: none"> This transfer would allow the state to continue program functions should the Legislature choose to abolish the Department of Highway Safety and Motor Vehicles. 	<ul style="list-style-type: none"> These functions are outside of the departments’ current missions.
Allow private entities to perform some title-related functions of the program	<ul style="list-style-type: none"> The department would no longer administer a program that costs more than the revenue it generates. 	<ul style="list-style-type: none"> Private entities might not wish to conduct these activities because there is no opportunity for profit. Customers would likely have to pay for services that they currently receive for free if the Legislature wishes to establish fees. Private entities would have more access to databases, which might increase vulnerability to fraud if there is no oversight.
Abolish some title-related program activities	<ul style="list-style-type: none"> The department would no longer administer activities that cost more than the revenue it generates. 	<ul style="list-style-type: none"> Consumers would lose assurance that rebuilt vehicles are titled properly. The state and citizens would be more vulnerable to fraud because there would be no assurance that titles are authentic.
Increase some title-related fees to make program more self-sufficient	<ul style="list-style-type: none"> The department would no longer have to subsidize the activities. 	<ul style="list-style-type: none"> Consumers would have to pay more for VIN verifications and rebuilt vehicle inspections.

Source: OPPAGA analysis.

Business-Related Activities

The Legislature could transfer the program’s business-related responsibilities to the Department of Agriculture and Consumer Services or the Department of Business and Professional Regulation. The program’s business-related activities include licensing dealers and manufacturers and performing inspections to ensure that dealers provide required information such as ownership and odometer information, charge the appropriate fees for title and registration, and properly issue temporary tags. In Fiscal Year 2006-07, the program issued 14,159 dealer and manufacturer licenses, which generated revenue of \$884,800. These activities are consistent with the mission of the Department of Agriculture and Consumer Services’ Division of Consumer Services, which is to protect, inform and empower Florida’s consumers and businesses, while promoting a positive business environment in the state. The division regulates certain industries, including motor vehicle repair shops, and administers the state’s clearinghouse for consumer complaints, regardless of whether it regulates that particular industry. However, the Department of Highway Safety and Motor Vehicles works with dealers to title and register vehicles, therefore, this option would create a separation of two interrelated functions.

Alternatively, the department’s business-related activities could be transferred to the Department of Business and Professional Regulation. The mission of the Business and Professional Regulation is to protect the public’s health, safety, and welfare by regulating professions and businesses prescribed in the Florida Statutes. The department regulates a variety of businesses and professions, such as hotels and restaurants, barbers, real estate agents, and veterinarians. The Department of Business and Professional Regulation also currently conducts business record inspections. Both the Department of Business and

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Professional Regulation and Department of Agriculture and Consumer Services have complaint handling processes. However, transferring the program to either agency would expand their current mission, and such a move would not result in significant savings as the program does not overlap with the activities of either agency.

It is not feasible to allow private entities to perform these activities but the Legislature could abolish the business-related activities of the Motor Vehicle Compliance and Enforcement Program. The program's business-related investigatory and regulatory functions of motor vehicle businesses would not be practical to privatize as they involve the state's regulatory police power, and it would not be desirable to empower a private entity to regulate the business relationship between other private entities.

However, it would be feasible for the Legislature to abolish some of the activities performed by the program, notably those that are intended to protect motor vehicle dealers from unfair trading practices by manufacturers. The potential rationale for deregulation is that the state does not actively regulate other forms of franchise business relationships, which are then governed by contract provisions. Florida requires annual licensure of motor vehicle manufacturers and dealers, and provides an administrative protest process through the Florida Division of Administrative Hearings in which dealers can protest actions by manufacturers such as opening additional dealerships within their business area. These activities can be challenged as anti-competitive in that they tend to limit competition in the motor vehicle market; proponents of deregulation assert that eliminating the activities would result in lower consumer prices. Further, the department spends more on this activity than it collects in manufacturer and dealer license fees; therefore, eliminating the program would eliminate the need to subsidize it.

However, the department and dealers assert that these activities are needed to prevent manufacturers from taking unfair advantage of dealers, which could disrupt the market and potentially affect consumers. For example, dealers assert that they make large investments in establishing dealerships and deregulation could lead to the loss of their investments. They also note that all other states except Alaska regulate manufacturer-dealer relationships in some manner.

The program also seeks to ensure that only licensed dealers engage in selling motor vehicles for profit. Any person who sells three or more automobiles must obtain a license from the program. An ongoing challenge in motor vehicle dealer regulation is that some persons seek to circumvent the law and sell vehicles on a street curb, right-of-way, or in parking lots, known as "curbstoning". The 2007 Legislature strengthened s. 316.1951, *Florida Statutes*, referred to as the curbstoning statute. These changes provided that a vehicle offered for sale by a licensed dealer at any location other than their lot is subject to immediate towing without warning if no temporary permit was obtained.¹⁶ Also, a vehicle offered for sale cannot have its vehicle identification number covered or altered. Failure to comply may result in towing without warning. The Legislature could abolish this activity. However, the department asserts that abolishing this activity would adversely affect consumers as curbstoning fraud would no longer be monitored. It would adversely affect licensed dealers because "curbstoners" would have an unfair advantage because they would not have to comply with rules and regulations.

¹⁶ Per s. 320.27(5), *F.S.*, a dealer may obtain a supplemental license from the program authorizing off-premises sales at no charge to the dealer for a period not to exceed 10 consecutive calendar days.

The Legislature could increase dealer and manufacturer licensing fees to make the program self-sufficient. The department is unable to determine the cost of conducting its business-related activities. However, the department and past OPPAGA studies indicate that the cost of program activities is more than the revenue generated through fees. The department should determine the cost of these activities and determine the level of fees necessary to make the program self-sufficient. Since dealers and manufacturers profit from this program, it would be reasonable to increase fees so that these entities support the costs of regulation. The department would no longer have to subsidize these activities; however, dealers and manufacturers would likely pass increased costs to consumers.

Exhibit 8 describes the organizational options discussed above for the business-related activities of the Motor Vehicle Compliance and Enforcement Program.

Exhibit 8
The Legislature Could Transfer or Abolish Business-Related Activities of the Program

Option	Advantages	Disadvantages
Transfer program activities to the Department of Agriculture and Consumer Services	<ul style="list-style-type: none"> ▪ The business-related activities would be more consistent with the mission of that department’s consumer protection program to protect, inform, and empower Florida’s consumers and businesses, while promoting a positive business environment in the state. ▪ The Department of Agriculture and Consumer Services regulates a variety of businesses. 	<ul style="list-style-type: none"> ▪ The state would continue to operate a program for which fees are not sufficient to cover program costs. ▪ This transfer would not result in significant cost savings as these activities do not duplicate other programs.
Transfer program activities to the Department of Business and Professional Regulation	<ul style="list-style-type: none"> ▪ The Department of Business and Professional Regulation regulates a variety of businesses. 	<ul style="list-style-type: none"> ▪ The state would continue to operate a program for which fees are not sufficient to cover program costs. ▪ This transfer would not result in significant cost savings as these activities do not duplicate other programs.
Abolish program activities related to regulating the business relationship between motor vehicle manufacturers and dealers	<ul style="list-style-type: none"> ▪ Customers may benefit from lower prices due to increased competition. The activities of the program limit competition between dealers. ▪ The department would no longer administer a program that costs more than the revenue it generates. ▪ Regulating the business relationship between automobile manufacturers and dealers does not fall within the core mission of the Department of Highway Safety and Motor Vehicles. ▪ Consumers would still be able to file dealer complaints with the Department of Agriculture and Consumer Services. 	<ul style="list-style-type: none"> ▪ All other states except Alaska currently regulate manufacturers in some manner. ▪ This option could have disruptive effects on dealers who could face additional competition. ▪ Eliminating all of the program’s regulations could increase the risk that manufacturers would take unfair advantage of dealers in business actions, which could potentially affect consumers.
Increase fees to make the program self-sufficient	<ul style="list-style-type: none"> ▪ The department would no longer have to subsidize the activities. 	<ul style="list-style-type: none"> ▪ Dealers and manufacturers would likely pass increased costs on to consumers.