

**State of California
Department of Motor Vehicles**

Report to the Legislature of the State of California

**Consolidated
Private Industry Partner
Report**

July 2019 through June 2020 Fiscal Year

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In Accordance with California Vehicle Code Section 1685(g)

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INTRODUCTION AND SUMMARY

California Vehicle Code (CVC) Section 1685(g) requires the Department of Motor Vehicles (DMV) to submit an annual report to the Legislature identifying the partnerships created from this statute. Pursuant to CVC Section 1685(g) (1-7), the DMV is required to provide the following information:

1. A listing of all qualified private industry partners, including names and business addresses.
2. Volume of transactions by type, completed by the Business Partners.
3. Total amount of funds by transaction type, collected by the Business Partners.
4. Total amount of funds received by DMV.
5. Description of any fraudulent activities identified by DMV.
6. Evaluation of the benefits of the program.
7. Recommendations for any administrative or statutory changes that may be needed to improve the program.

This annual report is for the 2019/2020 Fiscal Year (FY) and is due to the Legislature by October 1, 2020.

BACKGROUND

CVC Section 1685 authorizes the DMV to join with qualified private industry partners to provide services that include processing and payment programs for vehicle registration and titling transactions. There are three types of private industry partnerships authorized under this section:

1. A First-Line Business Partner is a partner who receives information from the Department and uses it to process vehicle registration and titling transactions for that partner's own business purposes.
2. A First-Line Service Provider is a partner who provides software to Second-Line Business Partners, who receive information from the Department for processing vehicle registration and titling transactions.
3. A Second-Line Business Partner is a partner who utilizes software and receives information from the Department through a First-Line Service Provider that allows them to process vehicle registration and titling transactions.

Transaction volumes in the Business Partner Automation (BPA) program decreased slightly by 0.5 percent in FY 2019/2020¹, to a little more than 7.37 million transactions, with a total revenue impact exceeding \$2.49 billion.

¹ Decrease was a result of COVID-19

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Revenue from the program, in the form of processing fees paid to the Motor Vehicle Account by participants, increased by \$756,977, to more than \$32 million annually.

The decrease in transaction volumes is attributed to the temporary closure of non-essential businesses due to COVID-19.

QUALIFIED PRIVATE INDUSTRY PARTNERS

There is one First-Line Business Partner, AVIS Rent A Car, and five First-Line Service Providers: Dealertrack Registration and Titling Solutions, Motor Vehicle Software Corporation (MVSC), American Driving Records (ADR), Car Registration, and Computerized Vehicle Registration (CVR). A sixth partner, Automated Vehicle Registration Services, was acquired by CVR in 2015 and continues to appear in some records pending technical changes underway at the company.

The First-Line Service Providers provide connectivity for 5845 Second-Line Business Partner locations throughout California and the Continental United States. A listing of all qualified private industry partners and their addresses is enclosed with this report.

VOLUME OF TRANSACTIONS BY TYPE

The First-Line and Second-Line Business Partners have the ability to process the following vehicle registration and titling transactions:

1. Registration of new vehicles
2. Posting fees for new vehicles to avoid penalties
3. Non-resident vehicles
4. Miscellaneous original vehicles
5. Transfer of registered owner
6. Transfer of legal owners
7. Renewing the registration of vehicles
8. Duplicate titles
9. Vehicle License Fee (VLF) Refunds (restricted to Salvage Pools only)
10. Junk or non-revivable junked vehicles
11. Salvage or non-repairable vehicles
12. Vessels
13. Posting of fees non-original vehicles

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The table below lists the volume of transactions by type that were processed by the Business Partners in FY 2019/2020:

TRANSACTION TYPE	VOLUME
Registration of new vehicles	1,913,604
Posting of fees on new vehicles	233,410
Non-resident vehicles	247,337
Miscellaneous original vehicles	72,343
Transfer of registered owner	2,262,461
Transfer of legal owner	66,007
Registration renewals	2,103,963
Duplicate titles	13,035
VLF refunds	28,618
Junks/non-revivable junked vehicles	61,614
Salvage/non-repairable vehicles	358,650
Vessels	1,494
Posting of fees non-original vehicles	9,157
Total transactions processed	7,371,693

AMOUNT OF FUNDS COLLECTED

The First-Line and Second-Line Business Partners collect registration fees on behalf of the Department for the following transactions:

1. Registration of new vehicles
2. Posting of fees on new vehicles
3. Non-resident vehicles
4. Miscellaneous original vehicles
5. Transfer of registered owner vehicles
6. Transfer of legal owner
7. Renewing the registration of vehicles
8. Duplicate titles
9. VLF refunds
10. Junk or non-revivable junked vehicles
11. Salvage or non-repairable vehicles
12. Vessels
13. Posting of fees non-original vehicles

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The table lists the amount of revenue by type collected by the Business Partners in FY 2019/2020:

REVENUE TYPE	AMOUNT COLLECTED
Registration of new vehicles	\$946,291,385
Posting of fees on new vehicles	\$116,909,814
Non-resident vehicles	\$130,265,512
Miscellaneous original vehicles	\$79,627,586
Transfer of registered owner	\$560,093,744
Transfer of legal owners	\$3,631,408
Registration renewals	\$647,638,509
Duplicate titles	\$1,002,445
VLF refunds	\$0
Junks/non-revivable junked vehicles	\$1,493,068.97
Salvage/non-repairable vehicles	\$9,780,034
Vessels	\$801,271
Posting of fees non-original vehicles	\$1,096,641
Total revenue collected	\$2,498,631,417.97

AMOUNT OF FUNDS RECEIVED BY THE DEPARTMENT

The Department, via an Electronic Fund Transfer (EFT), takes the fees from the collection of the registration transactions from the appropriate First-Line Service Provider or First-Line Business Partner account. During FY 2019/2020, the Department collected a total revenue of \$2,498,631,417.97.

The Department, per CVC Section 1685, charges the First-Line Service Providers and First-Line Business Partner a \$4 fee for each registration transaction processed through completion. The First-Line Service Providers

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and First-Line Business Partner are not billed for the posting of fees on new vehicles or for processing a refund for the VLF.

In addition to the transaction fee the Department charges the private industry partners, per Senate Bill (SB) 848 (Chapter 46, Statutes of 2018), a \$1 fee per completed transaction for the implementation of the private industry partners' proportionate share of department wide system improvements.

The First-line Business Partner and First-Line Service Providers paid the Department \$32,717,550 in transaction fees for FY 2019/2020. All fees collected by the department are deposited in the Motor Vehicle Account.

FRAUDULENT ACTIVITIES IDENTIFIED

The BPA Program received reports of possible fraudulent activity requiring further evaluation. These reports were forwarded to the Investigations Division for review. The investigators review the referral, contact the Second Line Business Partner owner and employees, identify fraudulent activity that has occurred, identify who conducted fraudulent activity, and communicate with the BPA Program Administrator regarding suspending business partners from the Program. Furthermore, investigators provide recommendations of business partners that should be terminated from the program. Business partners that are terminated cannot process in the BPA Program for the duration of one year and can reapply after the one year time frame.

In addition, the BPA Program identified fraudulent activity due to the Second Line Business Partners failing to provide vehicle registration documents to the Department within the regulatory time frame. In collaboration with the First-Line Service Providers, the BPA Program has developed reports documenting which business partners have failed to provide the vehicle registration documents and the number of missing documents. In doing so, business partners may be suspended from the BPA Program due to this non-compliance. To resume processing in the program, the business partner is required to submit all of the outstanding vehicle registration documents.

BENEFITS OF THE PROGRAM

Transactions processed by the business partners provide DMV the following benefits:

- Vehicle license plates are issued to new car buyers more quickly and the DMV registration database is updated nightly with new owner information.

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- Offers an alternative method of service for DMV transactions. Many industry partners offer other services such as car insurance, and smog certification for one stop shopping. They also provide flexible hours and accept credit cards.
- Reduces the workload in the DMV field offices.
- Costs to the state associated with dishonored payments are eliminated because all fees are paid via EFT from the First-Line Service Providers and First-Line Business Partner, who absorb the risk associated with invalid customer payments.
- Interest begins accruing earlier since the EFT funds are received more quickly than other forms of payment.

ADMINISTRATIVE OR STATUTORY CHANGES

SB 848 (Chapter 46, Statutes of 2018) amended CVC Section 1685 to requiring the Department to impose an additional \$1 transaction fee from private industry partners for implementation of their proportionate share of department wide system improvements. SB 848 further specified that private industry partners may not pass on this fee to their customers. Assembly Bill 3163 (Chapter 400, Statutes of 2018) amended CVC Section 1685 allowing private industry partners to collect the \$1 transaction fee from their customers.

As of June 30, 2020, approximately \$12,031,878 has been collected from this transaction fee. This fee will be discontinued when the DMV Director determines that sufficient funds have been received to pay for the system improvements, or on December 31, 2023, whichever occurs first.