

Initial Statement of Reasons

Title 13, Division 1, Chapter 1

Article 3.6 – Vehicle Industry and Business Enterprises

Background

Vehicle Code section 1685 establishes the BPA Program and authorizes the department to issue permits for three types of private industry partners who may electronically transmit registration and titling information to and from the department to serve the public more efficiently, particularly the vehicle purchasing public. Under established departmental regulations first-line service providers enter into a contract with the department and must also obtain a permit to operate. The second-line business partner, who relies on the first-line service provider to submit registration information to the department electronically, may do so with just a permit issued by the department. The department issues a permit for approved primary business locations and for each approved site location that a partner may establish. Vehicle Code section 1685 subdivision (f) authorizes the department to adopt regulations and procedures for adequate oversight and monitoring of qualified private industry partners. Regulations for this program have been in place since 2002 and are periodically amended due to legislative or policy changes.

The statute and the regulations contain provisions to protect the department's assets and to ensure information security for registration transactions. The entire BPA program alleviates the delay and expense of travel to a field office to complete vehicle registration and titling transactions for the customer and alleviates overcrowding of the field offices for the department.

Problem Addressed by the Regulations:

The department has identified one main areas in which a problem exists. The current BPA regulations do not sufficiently address a due process plan that allows a partner to either appeal or request a hearing related to a suspension or revocation action. This action proposes to amend rules related to appeals and requests for hearing to clarify those processes. Other amendments include updating a program form, adjusting time periods related to application submissions, and to ensure overall clarity of the regulations.

§ 225.00. Definitions.

Subsection (c) contains a non-substantive amendment to change “the” to “a numbered” before “document” and to add “permit number,” between “applicant's name” and “date of issuance”. The department has been

informed by the courts that the BPA permit needs to be numbered so that each assigned permit has the additional identifier, beyond the permit holder's name, unique to the BPA permit holder. This amendment will ensure the definition of a permit is consistent with the permit document.

Subsection (e) is adopted to define a "break-in" as entry into a building or computer system without consent or by force. This definition is necessary as it is used in the adoption of Section 225.41 and the definition will ensure clarity related to a new term.

Subsection (e) is renumbered to subsection (f) and subsection (f)(7) is repealed and moved to the text adopted under subsection (h)(3).

Subsection (f) is renumbered to subsection (g) and is further amended to make a clarifying edit to add the words "Permanent Fleet Registration" before the reference to "PFR." This is a non-substantive edit that clarifies the term "PFR." Permanent Fleet Registration is defined in subsection (m), formerly subsection (l), and the definition is unchanged.

Subsection (g) is renumbered to subsection (h) and is amended to remove reference to "...as set forth in Vehicle Code section 1685(b)(1)(A) through (c)" and to add "as follows:" at the end of the sentence. This amendment is necessary because the department is adopting three subsections that clarify the role of each type of business partner.

Subsection (h)(1) is adopted to make clear that a first-line business partner is an industry partner that receives data directly from the department and uses it to complete registration and titling activities for that partner's own business purposes. Subsection (h)(2) is adopted to make clear that a first-line service provider is an industry partner that receives information from the department and then transmits it to another authorized industry partner. There has been ongoing confusion about the types of business partners. The department determined that removing the reference to statute and replacing with the role of each type of business partner will ensure the public understands the program and the types of business partners in the program.

Subsection (h)(3) is adopted to make clear that a second-line business partner is a partner that receives department information from a first-line service provider. To receive this information, the second-line business partner must retain the services of a first-line service provider with an existing, valid BPA contract. This section is moved from the former subsection (e)(7) and will ensure consistency with subsections (h)(1) and (h)(2) by clearly defining the roles of each type of business partner.

Subsections (h), (i), (j), (k), and (l), are renumbered to subsections (i), (j), (k), (l), and (m), respectively.

Subsection (n) is adopted to define “robbery” as property taken unlawfully by force or threat of force. This definition is necessary as it is used in the adoption of Section 225.41 and the definition will ensure clarity related to a new term.

Subsection (o) is adopted to define “Security Stop” as the business partner's temporary restriction of access to the department's BPA program, including interface. This definition is necessary as it is used in the adoption of Section 225.41 and the definition will ensure clarity related to a new term.

Subsection (p) is adopted to define “Trespass” as entry onto property or into a computer system without permission. This definition is necessary as it is used in the adoption of Section 225.41 and the definition will ensure clarity related to a new term.

Subsection (q) is adopted to define “List of Actions” as a document delivered to the business partner by the BPA program administrator that includes required items to be completed to remove a Security Stop. This definition is necessary as it is used in the adoption of Section 225.41 and the definition will ensure clarity related to a new term.

§ 225.03. Application Requirements for all Business Partners.

The introductory statement of Section 225.03 is repealed as it is unnecessary.

Subsection (b) is amended to require a fee of \$232 for each additional site location. This is not a new requirement however, the department determined adding the word “additional” will make the section clearer. Subsection (b) is further amended to add clarifying text establishing that the application is to participate in the BPA program and is not a contract. Lastly, subsection (b) is amended to allow the application to be submitted online. The department is not requiring the application to be submitted online, the amendment will notify applicants of alternative methods by which an application can be submitted to the department.

Subsection (d) is amended to update the revision date of form DMV 8016 from “2/2008” to “1/2019”.

The form DMV 8016 was last adopted through the APA process in OAL file number 2018-0705-01S with the 10/2017 revision date in Section 25.22, Article 2.1, in Title 13, related to fingerprints for the Employer testing program. Changes to the form are limited to non-substantive amendments that allows an applicant to identify as nonbinary.

§ 225.09. Financial Security Requirements.

Subsection (a) is amended to update the version date of the REG 866 form from 11/2008 to 12/2011. In a prior rulemaking (OAL File No. 2012-0619-01SR) the requirements in subsections (b)(3) and (b)(3)(A) were removed from the rules through the APA process. The REG 866 form was updated to reflect those changes, but the form revision date was not updated in the rulemaking. For consistency between the rules and the form, the department finds it necessary to make this amendment. The revised bond form was reviewed and approved by the Department of Justice and approved by the Office of Administrative Law in OAL file number 2019-1017-01 (Register 2019, No. 47).

§ 225.12. First-Line Business Partner or First-Line Service Provider Business Partner Contract.

Subsection (b) is amended to prevent a renewal applicant from submitting their renewal application more than 90 days before the current contract and permit expires. Existing regulatory language allows permit holders to submit their renewal 120 days before the expiration of the current permit. The department has found that this practice creates processing delays within the department that impacts all renewal applicants. Restricting the renewal parameters will allow the business partners to continue to submit their renewals early but will also alleviate existing processing pressures and allow the department to reestablish normal processing times.

Subsection (b) is amended to require the BPA contract renewal process to begin one year before the current BPA contract expires. This provision is necessary due to the amount of time it takes a contract to be completed. The department has determined through the review of current contracting timeframes, that one year will be sufficient to ensure that the contract process has time to be completed prior to the renewal.

§ 225.15. BPA Permit Authority.

Subsection (a) is amended to adopt a provision that prohibits a person from acting as a second-line business partner that is not a party to a currently valid permit. Subsection (a) currently prohibits both first-line business partners and first-line service providers from processing transactions without a valid contract and permit. However, the rule is silent for second-line business partners. This amendment will ensure consistency with all types of business partners by clearly prohibiting persons from acting as a first-line business partner or service provider unless they have a valid contract and permit, while also prohibiting a person from acting as a second-line business partner without having a valid permit.

Second-line business partners are not required to have a contract with the department, only a valid permit.

Subsection (c) is amended to remove reference to first-line business partners and first-line service providers and to remove reference to a BPA contract. While first-line business partners and first-line service providers are required to have both a valid contract and permit, a second-line business partner is only required to have a permit. In a prior rulemaking, the requirement that a second-line business partner have a contract with the department was removed, however clarifying edits to subsection (c) were inadvertently missed at that time. The revisions to subsection (c) are necessary as they explain the circumstances under which a BPA permit would be issued to a second-line business partner.

§ 225.18. Cause for Refusal to Enter into a Contract and/or Issue a Permit.

The purpose of Section 225.18 is to identify circumstances under which the department would either refuse to enter into a contract or issue a permit to operate as a business partner.

Subsection (d)(12) is adopted to establish that good cause exists for the department to refuse to enter into a contract and/or a permit with a BPA program applicant when the answers provided on the BPA Program Information Security Pre-Implementation checklist, forms EXEC 5555A or 5555B, related to security provisions, show that the security is inadequate for the site to be approved. The transactions that business partners process on behalf of the department contain confidential information. There must be adequate security measures taken by business partners at their sites to ensure the confidentiality of the department's records. This adoption is necessary to allow the department to refuse an applicant if their security protocols are not sufficient to maintain that confidentiality.

Subsection (d)(13) is adopted to establish that good cause exists for the department to refuse to renew the contract and/or a permit with a BPA program partner if the security requirements have not been followed as required. This provision is consistent with the requirements set forth in subsection (d)(12) and is necessary to ensure renewal applicants are aware that the department will refuse renewal if the applicant's security protocols are not sufficient to maintain the confidentiality of the department's records.

Subsections (d)(12) and (d)(13) both reference forms EXEC 5555A and EXEC 5555B. These forms are adopted in Section 225.03(c) with a revision date of 11/2002. The forms referenced in subsections (d)(12) and (d)(13) are unchanged from the versions adopted in Section 225.03(c). Both forms are

available on the department's website by searching for "Business Partner Program."

Subsection (e) is adopted to establish a process by which an applicant who has been denied a contract or permit, or whose owner or employee has been refused, can have their refusal adjudicated. Subsection (e) requires the applicant to send a hearing demand to the BPA program administrator within 60 days after the notice was issued. This adoption also notifies the applicant that the hearing will be held by the director or by a designee of the director and a decision will be issued within 30 days of the hearing. This provision is necessary to clearly establish the informal hearing process by informing the applicant of the person to whom a hearing request should be directed, the time requirements associated with the hearing request, and guidance as to when a decision will be rendered by the department.

§ 225.35. Renewal.

Subsection (b) is amended to prohibit a renewal application from being submitted more than 90 days before the expiration of the current permit. This provision is consistent with the amended requirements of Section 225.12 and will allow business partners to continue submitting renewal applications early but also allow the department to maintain acceptable processing times.

§ 225.36. Change of First-Line Service Provider.

Subsection (b) is amended to change the requirement that a service provider notify the department of changes within 20 days to 30 days. The BPA program has found that 20 days is not always sufficient time to process the change request. Allowing the department an additional 10 days will ensure the service provider still has sufficient time to provide notification but also ensures the department has adequate time to update changes to the service provider account records.

Subsection (e)(4) is adopted to require a second-line business partner to provide the BPA program administrator with a list of employees who will be using their new first-line service provider. The BPA program administrator has found instances where the second-line business partners who have changed their first-line service provider are not providing current information regarding their employees who are processing BPA transactions. Additionally, there are times when the BPA program administrator has requested information regarding a second-line business partner's employee from its approved first-line service provider and has been unable to obtain that information. This provision will ensure that, when a second-line business partner changes service providers, the

BPA administrator is also updated on employees will be using the first-line service provider to process transactions.

§ 225.39. Business Partner Responsibilities.

Subsection (a)(1) is amended to remove reference to a “BPA contract,” as it is a broad term. Subsections (a) and (a)(1) require first-line service providers to provide oversight of their second-line business partner by ensuring they adhere to the terms and conditions of their permit and these regulations. The department is revising subsection (a)(1) to make clear the first-line service provider will ensure the second-line business partner adheres to the terms and conditions of a second-line business partner and the regulations related to a second-line business partner. The department has become aware that first-line service providers are not always providing a sufficient level of oversight and clarification of their responsibilities is necessary. The department expects that clarifying those requirements in Section 225.39 will ensure first-line service providers actively monitor their second-line partners.

Subsection (a)(5) is amended to add “on hand at any one time” after “...inventory” at the end of the sentence. There have been instances where a second-line business partner has more than a three-month supply of inventory on hand even though the existing rules prohibit that practice. This amendment will provide additional clarification for second-line business partners when ordering inventory while also bolstering this rule to potentially support the department in future enforcement efforts.

Subsection (a)(7) is amended to add the words “and adhere to.” This is a clarifying amendment that makes clear it is not sufficient alone for a business partner to be aware of the security awareness measures, they must also put those measures into practice.

Subsection (a)(12) is amended to require a first-line service provider to, among other things, submit all transactions to the department within 20 days of the date the transaction was processed. Subsection (a)(12) is amended to clarify the term “transactions” includes forms and documents received from the second-line business partner. This amendment is necessary as it will clearly establish that first-line service providers are also responsible for the transmittal of documentation to the department.

Subsection (a)(12) is also amended to adopt text providing that, if all forms and documents are not received from the second-line business partner within seven days, the first-line service provider shall not accept nor submit any registration transactions for the second-line business partner until they are received. The

first-line service providers are responsible for ensuring their second-line business partners are adhering to the processing rules which include submitting the related forms. There have been several occurrences where the department has had difficulty obtaining timely copies of forms and other documents from the first-line service providers. This provision is necessary to ensure the second-line business partner provides their service provider with all documents in sufficient time so that the service provider can submit the transactions and other documents to the department within the 20-day requirement.

§ 225.41. Security Stop.

Subsection (a) is adopted to require a business partner who experiences a break-in, robbery, unauthorized physical trespass, loss etc., to notify the program administrator within 24 hours of the breach. If the business partner is a second-line business partner, they must also notify their first-line service provider of the breach within 24 hours as well. A first-line service provider who is notified of a breach by their second-line business partner must notify the department's BPA program administrator within 24 hours after receiving notice. The adopted text also informs partners how notice may be made and informs the partners that the BPA program administrator may place a Security Stop on the business partner's access to the program. Since the department is establishing requirements to which a business partner must adhere to if they experience a physical or electronic breach, it necessary to give this explanation here. For breach mitigation to be implemented/deployed by the department's BPA program administrator quickly, it is necessary to require the business partner(s) to make notification timely. Since second-line business partners must have a first-line service provider to process vehicle registrations with the department for their customers, it is necessary for their first-line service provider to be made aware of any physical or electronic breach event quickly so that mitigation can take place timely as well. Since it is very important that notification is made timely, it is necessary to give the business partners multiple methods by which to make the notifications. Also, including the multiple methods of notification in the regulations will help ensure that business partners comply. It is important for the BPA program administrator to mitigate and/or reduce the damage done by any physical or electronic security breach of department records and one way to accomplish that mitigation is by placing a Security Stop. The Security Stop will prevent transactions from being processed until the department can assess any damage caused by the breach and work with the business partner to take corrective actions.

Subsection (a)(1) is adopted to inform the business partners that, within 2 business days of the effective date of the Security Stop, the BPA program

administrator shall deliver to the business partner a List of Actions to complete to remove a Security Stop. The List of Actions may include, but are not limited to, obtaining a new BPA program password, curing the issue leading to the physical or electronic security breach, or other actions deemed reasonable by the BPA program administrator based on the specific facts of the breach. This provision is necessary as it will expedite the business partner to take the required corrective action so they can resume processing registration transactions.

Subsection (a)(2) is adopted to establish a due process scheme when a business partner wants to contest the validity of a Security Stop. Subsection (a)(2) informs the business partner that they are to request a hearing, within 15 days of the effective date of the List of Actions, through the BPA Administrator with an indication of the reasons they feel the Security Stop is not necessary. As with all hearing requests, the hearing will be before the Director or the Director's designee and a decision will be issued within thirty days after receipt of the appeal by the BPA Administrator. This provision is necessary to give a business partner the opportunity for due process by establishing an appeal and hearing process when they want to contest the validity of a Security Stop. This due process structure is intended to bring the appeal to a quick resolution and either have the business partner processing transactions again, or taking the corrective actions on the List of Actions. Either way, the ultimate goal is to ensure business partners can process transactions while also securing the department's records.

Subsection (a)(3) is adopted to inform the business partner that after they have completed of the List of Actions, they must provide notice to the BPA program administrator. Subsection (a)(3) further notifies the business partner that the notice may be submitted via email or in writing and that the BPA program administrator may initiate a visit of the location of the breach to verify that the List of Actions was completed as noticed. If the BPA program administrator is satisfied the List of Actions was completed the Security Stop shall be removed and written notice of such shall be delivered to the business partner via email or in writing. If the BPA program administrator is not satisfied that the business partner has completed the List of Actions, a notice to that effect will be submitted to the business partner within two business days. The business partner may continue to attempt completion of the List of Actions provided the 60-day period has not lapsed. Failure of the business partner to fully comply with the List of Actions within 60 days after the effective date constitutes grounds for cancelation of the business partner's permit pursuant to Section 225.73(i)(6). This provision is necessary as it informs the business partner of their responsibilities when a list of actions is received by the department and identifies the steps that

will be taken by the department. Additionally, since the BPA program administrator must have all issues resolved related to a breach, it is necessary for the department to establish deadlines for completion of the List of Actions and penalties if deadlines are not met.

Subsection (a)(4) is adopted to identify the appeal rights of a business partner who wants to appeal a determination that the list of actions has not been completed. Upon receiving a request for hearing, the department will conduct a hearing that will be held by the Director or the Director's designee and a decision will be issued within thirty days. This provision is necessary to clearly establish that the business partner can request a hearing to contest the determination that a list of actions was not satisfied.

§ 225.42. Business Partner Changes.

Section 224.42 requires a business partner to notify the BPA program administrator of changes by providing the department with an Application for Changes form or by submitting the change on letterhead.

Subsections (a), (b), (c), and (d) are amended to add another option by which a business partner can send their application for change to the department. The current rule only references mail or private courier. The department is constantly allowing more services to be completed electronically and allowing a business partner to scan and email their form will allow another, more convenient method by which a business partner can interact with the department. Subsections (b),(c), and (d) are amended to remove the word 'facsimile.' The BPA program administrator no longer utilizes a facsimile machine. The amendments are necessary to identify all acceptable methods by which a business partner can submit their documents to the department.

§ 225.45. Customer Fees.

Currently, subsection (a) requires a business partner to complete a Business Partner Automation Disclaimer, form REG 4020, for each DMV transactions when a customer fee is charged. The REG 4020 was a triplicate form that a registered owner completed if they opted to have a business partner complete the registration, issue plates, registration card, and stickers. Part of the form required the customer to certify that they understand the service fee paid to the business partner is for a service rendered by the business partner and includes an indication of the transaction fee. Subsection (a)(1) requires the form REG 4020 to be signed by the customer after the business partner enters the fee amount and subsection (a)(2) instructs the business partner how to distribute the form

which was produced in triplicate consisting of an original white copy, and duplicate copies in pink and yellow.

Subsection (a) currently contains an exceptions provision that establishes where a form REG 4020 is not necessary, such as through a conditional sales contract or lease agreement, when the business partner is acting as a salvage pool, or when the business partner is acting as a licensed registration service. Subsection (a) is amended to require the business partner to disclose the fee charged to the customer in writing and requires a second-line business partner who is also a registration service to disclose fees and comply with the requirements of Vehicle Code section 11406(a) and (c). The department discontinued entering into contracts with the second-line business partners and instead went to an application approval and permit issuance plan. The effect of this policy change resulted in shifting oversight of the second-line business partners to their first-line service providers. The form REG 4020 was relevant prior to the rulemaking change but became irrelevant after, therefore it is necessary to remove the requirement that was overlooked previously. The addition of requiring disclosure of the fee being charged to a customer is in alignment with Vehicle Code section 1685 (c)(1) and (2) and CCR section 225.45(b)(1) and is necessary with the removal of the form to help protect customers from being overcharged. The form REG 4020 will no longer be used so the form completion provisions in subsections (a)(1) and (a)(2) and the exceptions provisions are repealed for lack of necessity.

§ 225.48. Transaction Fee.

Subsection (b) contains a non-substantive amendment to change the department's mailing address from "1st" street to "First" street.

§ 225.54. Transaction Procedures and Inventory Requirements.

Section 225.54 identifies the BPA handbook as a reference for processing procedures. As currently written, Section 225.54 consists of only one paragraph. Because this amendment creates additional subsection, the first paragraph of Section 225.54 is now identified as subsection (a).

Subsection (b) is adopted to require all BPA second-line business partners who are licensed registration services to confirm the identity of the client by visually verifying a state issued driver's license or identification card before conducting any work on a vehicle registration; confirm the client's name on the stated issued driver's license or identification card matches the information contained in the registration documents; and confirm the client is authorized to make the requested registration changes. Business partners process work on behalf of the

department and are required to follow the same processing rules as the department's employees who are processing transactions in a field office. The department has found instances where fraud has occurred due to business partners not adhering to the processing rules. Establishing multiple points of verification is necessary to reduce instances of fraud and ensure potential enforcement efforts are supported by the regulations.

Subsection (c) is adopted to require all BPA second-line business partners to submit the registration application and all required registration forms and documents from their customers to their first-line service provider no later than seven departmental business days after acceptance of the customer fees or registration documents. There have been instances where the department has not received the registration applications from the first-line service provider within the contractually obligated 20 days and, according to the service provider, the lateness is due to the second-line business partners not submitting their documents to the service provider in sufficient time. This provision is necessary to ensure the first-line service provider receives documents in sufficient time for the documents to be transmitted to the department.

Subsection (d) is adopted to require that all BPA second-line business partners use their assigned and approved first-line service provider to conduct registration transactions. Section 225.36 of these regulations set forth the requirements for how a second-line business partner can change their choice of a first-line service provider. The department has learned that some second-line business partners are not fully complying with those requirements. This provision is necessary to ensure that the second-line business partners are not moving to a different first-line service provider before a change has been applied for as provided in Section 225.36 and that change request has been approved by the department.

Subsection (e) is adopted to require that all registration transactions processed by a BPA second-line business partner shall be processed at their approved site location and to require that any laptop used to process or keep registration documents be locked up and secured during non-business hours and not removed from the approved site location without express written permission from the BPA program administrator. When applying for BPA participation, an applicant must meet security requirements. This provision is necessary to ensure registration transactions are being processed appropriately and to ensure that computers that are used to access departmental records are kept at the location where the business partner has proven security standards have been met and the department has approved. This regulation could also assist the department in potential enforcement efforts due to non-compliance.

Subsection (f) is adopted to require that a business partner ensure business records are stored and secured in such a manner that the confidentiality of client information is maintained. Departmental staff is required to protect a customer's personal identifying information and the department expects the same efforts from its business partners. This provision is necessary to ensure a business partner and its employees are working to maintain customer confidentiality even through record storage.

Subsection (g) is adopted to require a second-line business partner to confirm the validity of a smog certificate directly with the Bureau of Automotive Repair. The department determined this requirement is necessary to prevent fraud through the use of fraudulent smog certificates.

§ 225.60. Retention of Business Records.

Subsection (a) contains a clarifying edit to remove the word "These" and replace with a clearer reference to "First-line business partners and first-line service providers" at the beginning of the second sentence. The adoption of subsection (b) is specific to second-line business partners. This revision is necessary to make clear that subsection (a) is specific to first-line business partners and first-line service providers and to distinguish that the requirements in this subsection pertain specifically to the first-line business partners and first-line service providers.

Subsection (b) is adopted to require that all second-line business partners maintain all business records related to BPA program for at least four years. Subsection (b) allows those records to be kept in electronic format at the approved site or with the first-line service provider, provided the documents are readily available at the request of the department. Lastly, subsection (b) allows a second-line business partner to retain the records provided they are retained for four years and are made available upon the department's request. The four-year record retention requirement is consistent throughout the department's business partner programs. However, Vehicle Code section 11407 requires a Registration Service to retain its business records for a period of four years as well. Because most second-line business partners are also licensed as Registration Services, the department has determined it necessary to clarify that the four-year retention requirement is in place regardless of whether the records are retained by the first-line or second-line partner.

Subsection (b)(1) is adopted to require a second-line business partner who ceases operation to immediately notify their first-line service provider within five days and deliver all BPA program records, controlled inventory, accountable inventory, and customer transactions to its first-line service provider. Subsection

(b)(1) also requires the first-line service provider, upon receipt of all materials, to notify and deliver all materials to the BPA administrator. This provision is necessary to ensure the department can remove access to the second-line business partner and prevent the unauthorized access of the department's records and use of the department's documents, inventory, or other materials.

Subsection (b) is renumbered to subsection (c).

Subsection (c) is renumbered to subsection (d) and is further amended to clarify that a business partner is required to keep and retain all business records at the principal place of business. This provision is necessary to clarify that business partners prohibited from retaining records at any location other than the principal place of business, such as a private residence or a storage facility. The security standards that are completed during the application outline security measures at the principal place of business. Storage at an unapproved location likely lack sufficient record security protocols.

Subsection (d) is renumbered to subsection (e).

§ 225.63. Audit Requirements.

Subsection (c) contains a non-substantive amendment to update the department's mail station (MS) for the Audits Office from H121 to E 607. This amendment will ensure documents are mailed to the appropriate location and will not be delayed due to misrouting.

Subsection (d) is amended to add another option by which a business partner can send correspondence to the department related to their independent auditor. Currently, the rule only references mail or private courier. The department is constantly allowing more services to be completed electronically and allowing a business partner to scan and email their correspondence will allow another, more convenient method by which a business partner can interact with the department. Furthermore, subsection (d) is amended to remove the word 'facsimile.' The BPA program administrator no longer utilizes a facsimile machine. The amendments are necessary to identify all acceptable methods by which a business partner can submit their documents to the department.

§ 225.69. Cancellation or Termination of a BPA Contract and Permit.

Subsection (a) and (a)(1) are amended to add another option by which a business partner can submit their cancellation or termination notice to the department. Currently, the rule only references mail or private courier. The department is constantly allowing more services to be completed electronically

and allowing a business partner to scan and email their correspondence will allow another, more convenient method by which a business partner can interact with the department. Furthermore, subsections (a) and (a)(1) are amended to remove the word 'facsimile.' The BPA program administrator no longer utilizes a facsimile machine. The amendments are necessary to identify all acceptable methods by which a business partner can submit their documents to the department.

§ 225.72. Site Closure.

Subsection (c)(4) is amended to add another option by which a second-line business partner can return their BPA permit to the department. Currently, the rule only references trackable mail or private courier. The department will allow the BPA permit to be scanned and returned to the department via email as well. Furthermore, subsection (c)(4) is amended to remove the word 'facsimile.' The BPA program administrator no longer utilizes a facsimile machine. The amendments are necessary to identify all acceptable methods by which a business partner can submit their documents to the department.

§ 225.73. Issuance, Refusal, Suspension, Revocation, Compromise Settlement Agreements, and Automatic Cancellation of a BPA Permit.

Subsection (a) is amended to add Sections 225.27, 225.38, and 225.45 to the existing list of sections for which a license could be revoked. Section 225.27 requires a business partners interface to be through a network approved by the department. Section 225.38 establishes the obligations of a first-line business partner and first-line service provider. Section 225.45 provides disclosure requirements for customer fees. These sections are necessary for inclusion as they contain provisions that could result in a license being suspended or revoked.

Subsection (c) is amended to add reference to Article 10 of Chapter 4.5 (commencing with Section 11400) of Part 1 of Division 3 of Title 2 of the Government Code, as it relates to informal hearings that will be conducted by department's own presiding officer. Furthermore, this subsection is amended to make clear that the hearing may be conducted in person or by electronic means. An applicant for a permit or an existing permit holder who has been suspended or revoked has a right to a hearing. Adding the citation clearly establishes the provisions the department follows to conduct its informal hearings.

Subsection (i) identifies circumstances under which the department may automatically cancel a BPA permit. Subsection (i)(6) is adopted to identify the

failure to complete a List of Actions within sixty days as a reason for which the department can automatically cancel a BPA permit. The List of Actions outlines deficiencies a partner must correct to retain their BPA permit. When the department receives notice the List of Actions has been sufficiently addressed, the department will allow the partner to continue processing work. However, if the partner fails to take the corrective actions within sixty days the department has the right to automatically cancel the permit to maintain the integrity of the BPA program and the security of customer records.

Subsection (k) is adopted establish that the department may, after notice and hearing, suspend or revoke a BPA permit of a first-line service provider who fails to comply with the terms and conditions of a contractual agreement entered into pursuant to Vehicle Code subsection 1685 (a) and (b)(1). Issuance of a BPA permit to a first-line service provider correlates to having a valid contract with the department. Breach of the contract renders the contract invalid, making this adoption necessary as it is another causation for a license to be suspended or revoked.

ECONOMIC AND FISCAL IMPACT DETERMINATIONS

Cost Or Savings To Any State Agency:

- None.

Other Non-Discretionary Cost or Savings to Local Agencies:

- None.

Costs or Savings in Federal Funding to the State:

- None.

Cost Impact on Representative Private Persons or Businesses:

- The department is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action. This proposed action makes changes to the administration portion of business partner operations and includes due process rights for business partners who are at risk of having their permit suspended or revoked. While there are fees associated with participating in the BPA program, this action does not amend any fees. The cost impact to businesses will not be impacted.

Effect on Housing Costs:

- None.

Local Agency/School District Mandates:

- The proposed regulatory action will not impose a mandate on local agencies or school districts, or a mandate that requires reimbursement pursuant to Part 7 (commencing with Section 17500) of Division 4 of the Government Code.

Small Business Impact:

- This proposed action may impact small businesses.

Potential significant statewide adverse economic impact:

- The proposed regulatory action will not have a significant statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states.

DEPARTMENTAL DOCUMENTATION SUPPORTING GOVERNMENT CODE SECTIONS 11346.2(b)(3) THROUGH (b)(5)

Studies, Reports or Documents - Government Code section 11346.2(b)(3):

- None.

Reasonable Alternatives and Department's Response – Government Code section 11346.2(b)(4)(A):

- No alternatives were presented that would be as effective.

Reasonable Alternatives That Would Lessen Any Adverse Impact on Small Business – Government Code section 11346.2(b)(4)(B):

- No alternatives were presented that would lessen any adverse impact on small businesses.

Evidence Supporting Determination of No Significant Adverse Economic Impact on Business – Government Code section 11346.2(b)(5):

- The department is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

ECONOMIC IMPACT ASSESSMENT

(Government Code section 11346.3)

In considering this proposed regulatory action, the department has made the following economic impact assessment:

- Creation or elimination of jobs within the state

This proposed action will neither create nor eliminate jobs within the state. The amended regulation adopts due process procedures and clarifies roles and responsibilities for business partners. None of the provisions adopted in this action will impact jobs.

- Creation of new businesses or the elimination of existing businesses within the state

This proposed action will neither create new businesses nor eliminate existing businesses within the state. The amended regulation adopts due process procedures and clarifies roles and responsibilities for business partners. None of the provisions adopted in this action are likely to impact business partners in a way that would lead to the creation of new businesses or eliminate existing businesses.

- Expansion of businesses currently doing business within the state

This proposed action will not likely expand businesses doing business within the state. The amended regulation adopts due process procedures and clarifies roles and responsibilities for business partners. None of the provisions adopted in this action will expand businesses.

- Benefits to the health and welfare of California residents, worker safety or the state's environment

This proposed regulatory action is designed with the well-being of California residents in mind. By clearly defining the roles and responsibilities of each business partner and establishing transparent due process procedures, the proposed changes aim to create a more supportive and efficient system for everyone involved. Navigating vehicle registration and titling transactions can be a time-consuming and costly process, and this initiative seeks to ease those burdens.

The BPA program's goal is to reduce the delays and expenses associated with visiting field offices, making it more convenient. Moreover, by alleviating overcrowding in these offices, this will create a more efficient experience for all who need assistance. As a result, the proposed action will indirectly impact the health and welfare of California.