

TITLE 13: DEPARTMENT OF MOTOR VEHICLES

Division 1, Chapter 1

Article 3.6 – Vehicle Industry and Business Enterprises

NOTICE IS HEREBY GIVEN

The Department of Motor Vehicles (department) proposes to adopt Section 225.41 and amend Sections 225.00, 225.03, 225.09, 225.12, 225.15, 225.18, 225.35, 225.36, 225.39, 225.42, 225.45, 225.48, 225.54, 225.60, 225.63, 225.69, 225.72, and 225.73 in Article 3.6, Chapter 1, Division 1, Title 13 of the California Code of Regulations, related to the Business Partner Automation Program.

PUBLIC HEARING

A public hearing regarding this proposed regulatory action is not scheduled. However, a public hearing will be held if any interested person or his or her duly authorized representative requests a public hearing to be held relevant to the proposed action by submitting a written request to the contact person identified in this notice no later than fifteen (15) days prior to the close of the written comment period.

DEADLINE FOR WRITTEN COMMENTS

Any interested party or his or her duly authorized representative may submit written comments relevant to the proposed regulations to the contact person identified in this notice. All written comments must be received at the department no later than April 28, 2025, the final day of the written comment period, for them to be considered by the department before it adopts the proposed regulation.

AUTHORITY AND REFERENCE

The department proposes to adopt/amend/repeal these regulations under the authority granted by Vehicle Code sections 1651 and 1685, to implement, interpret, or make specific Vehicle Code sections 1652, 1653, and 1685.

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Senate Bill 46 (Chapter 127, Statutes 2001 - Polanco) established the Business Partner Automation (BPA) Program and authorized the department to establish business partner relationships with private sector businesses for completing vehicle registration and titling transactions.

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 efficiently, particularly vehicle purchasers. Under established departmental regulations, first-line service providers enter into a contract with the department and are also required to obtain a business partner permit to operate. The second-line business partner relies on the first-line service provider to submit registration information to the department electronically and operates with 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(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 standards are maintained for registration transactions. The BPA program benefits customers by providing an alternative method by which their registration transactions can be processed and alleviates overcrowding often experienced in field offices. The BPA program eliminates delays and potential travel expenses incurred by customers who need to complete vehicle registration or titling transactions, as a business partner can often be found in a location more convenient to the customer.

The department is proposing to amend the following sections:

§ 225.00. Definitions.

The proposed amendments to Section 225.00 include amending current definitions and adopt new definitions to ensure terms used in the BPA program are being used consistently.

§ 225.03. Application Requirements for all Business Partners.

The proposed amendments to Section 225.03 make clarifying amendments to existing regulations and allow for application documents to be submitted online.

§ 225.09. Financial Security Requirements.

The proposed amendment to Section 225.09 updates the BPA Surety Bond, form REG 866.

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

The proposed amendments to Section 225.12 will require a renewal application to be submitted to the department no more than 90 days before the current permit expires and requires the contract renewal process to begin one year before the current contract expires.

§ 225.15. BPA Permit Authority.

The proposed amendments to Section 225.12 prohibits a person from acting as a second-line business partner without a valid permit and removes the requirement that a second-line business partner have a contract with the department.

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

The proposed amendments to Section 225.18 allow the department to refuse to enter into a BPA contract if the applicant fails to meet specified security provisions at the time of original application or upon renewal and establishes due process procedures when an applicant wants to contest the refusal.

§ 225.35. Renewal.

The proposed amendments to Section 225.35 prohibit a renewal application from being submitted more than 90 days before the current permit expires.

§ 225.36. Change of First-Line Service Provider.

The proposed amendments to Section 225.36 require a notice of change of service provider to be provided to the department no less than 30 days prior to the change of service provider and requires a second-line business partner to provide the BPA administrator with a list of employees who will be using the new service provider.

§ 225.39. Business Partner Responsibilities.

The proposed amendments to Section 225.39 removes the requirement that a second-line business partner have a contract with the department, prohibits a second-line business partner from having more than three months of inventory on hand at any one time, and requires first-line service providers to submit documents from their second-lien business partners.

§ 225.41. Security Stop.

The proposed adoption of Section 225.41 requires a business partner to notify the BPA administrator within 24 hours of a break-in, robbery, trespass, loss of inventory, computer hack or other breach of department records so the department can establish a security stop. The adoption also establishes a

process by which the business partner can ensure security measures are implemented by the department providing the partner with a list of actions that must be met to re-establish access to the department's records. Lastly, Section 225.41 adopts due process procedures when a disagreement arises between the department and the business partner on whether the list of actions has been met.

§ 225.42. Business Partner Changes.

The proposed amendments to Section 225.42 allow reports of changes to be submitted to the department through email.

§ 225.45. Customer Fees.

The proposed amendments to Section 225.45 require a business partner to disclose fees charged to the customer in writing and requires second-line business partners, who are also registration services, to disclose fees and comply with specified Vehicle Code provisions.

§ 225.54. Transaction Procedures and Inventory Requirements.

The proposed amendments to Section 225.54 expand the transaction procedure requirements for second-line business partners.

§ 225.60. Retention of Business Records.

The proposed amendments to Section 225.60 clarify the retention responsibilities of first-line business partners and first-line service providers and establishes retention requirements for second-line business partners.

§ 225.63. Audit Requirements.

The proposed amendment to Section 225.63 allows a business partner to report a change to their independent auditor through email.

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

The proposed amendments to Section 225.69 allow business partners to report contract and/or permit cancellations or terminations to the department through email.

§ 225.72. Site Closure.

The proposed amendment to Section 225.72 allows a second-line business partner to report site location closures to the department by email.

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

amendments to Section 225.73 provide clarification to the department's due process procedures.

BENEFITS OF THE PROPOSED REGULATION

This action will benefit business partners by establishing due process procedures for instances where a business partner permit is at risk of suspension or revocation. This action will also benefit business partners by clearly identifying the requirements of first-line service providers and second-line business partners. Lastly, this action will benefit all business partners by allowing for more transactions to be completed through email which will allow for quicker processing times on behalf of the department. Other amendments include updating a program form, adjusting time periods related to application submissions, and to ensure overall clarity of the regulations.

CONSISTENCY AND COMPATIBILITY WITH STATE REGULATIONS

The department has determined this action is neither inconsistent nor incompatible with existing state regulations. The department has made this determination by reviewing other state regulations and has concluded that these are the only regulations that establish a business partner relationship with the department whereby the business partners are authorized to process registration and titling transactions on behalf of the department.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference:

- Live Scan Service Applicant Submission, form DMV 8016 (Rev. 1/2019)
- Business Partner Automation Surety Bond, form REG 866 (Rev. 12/2011)

These forms are not published in the California Code of Regulations because it would be impractical and cumbersome to do so; however, the documents are readily available to interested parties by contacting the department representative identified below.

ECONOMIC AND FISCAL IMPACT DETERMINATIONS

The department has made the following initial determinations concerning the proposed regulatory action:

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 to any local agency or school district which must be reimbursed in accordance with Government Code sections 17500 through 17630:

- 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.

RESULTS OF THE ECONOMIC IMPACT STATEMENT

The department has made the following determinations when assessing the economic impact associated with this proposed regulation:

The department has made the initial determination that this action will not impact,) the creation or elimination of jobs within the State of California, 2) the creation or elimination of existing businesses within the State of California, 3) the expansion of businesses currently doing business within the State of California, or 4) 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.

PUBLIC DISCUSSIONS OF PROPOSED REGULATIONS

A pre-notice workshop, pursuant to Government Code section 11346.45, is not required because the issues addressed in the proposal are not so complex or large in number that they cannot easily be reviewed during the comment period.

ALTERNATIVES CONSIDERED

The department must determine that no reasonable alternative considered by the department or that has otherwise been identified and brought to the attention of the department would be more effective in carrying out the purpose for which the action is proposed, or would be effective as and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provisions of law.

CONTACT PERSON

Any inquiries or comments concerning the proposed rulemaking action may be addressed to:

Randi Calkins, Regulations Specialist

Department of Motor Vehicles

Legal Affairs Division
PO Box 932382, MS C-244
Sacramento, CA 94232-3820

Any inquiries or comments concerning the proposed rulemaking action requiring more immediate response may use:

Telephone: (916) 657-6469
Facsimile: (916) 657-6243
E-Mail: LADRegulations@dmv.ca.gov

In the event the contact person is unavailable, inquiries should be directed to the following back-up person:

Peggy Gibson, Attorney IV
Department of Motor Vehicles
Telephone: (916) 657-6469

AVAILABILITY OF STATEMENT OF REASONS AND TEXT OF PROPOSED REGULATIONS

The department has prepared an Initial Statement of Reasons for the proposed regulatory action and has available all the information upon which the proposal is based. The contact person identified in this notice shall make available to the public upon request the Express Terms of the proposed regulatory action using underline or italics to indicate additions to, and strikeout to indicate deletions from the California Code of Regulations.

The contact person identified in this notice shall also make available to the public, upon request, the Final Statement of Reasons and the location of public records, including reports, documentation and other materials related to the proposed action. In addition, the above-cited materials (the Notice of Proposed Regulatory Action, the Initial Statement of Reasons, and Express Terms) may be accessed at <https://www.dmv.ca.gov/portal/about-the-california-department-of-motor-vehicles/california-dmv-rulemaking-actions/>.

AVAILABILITY OF MODIFIED TEXT

Following the written comment period, and the hearing if one is held, the department may adopt the proposed regulations substantially as described in this notice. If modifications are made which are sufficiently related to the originally proposed text, the fully modified text, with changes clearly indicated, shall be made available to the public for at least 15 days prior to the date on

which the department adopts the resulting regulations. Requests for copies of any modified regulations should be addressed to the department contact person identified in this notice. The department will accept written comments on the modified regulations for 15 days after the date on which they are first made available to the public.