



COMMONWEALTH of VIRGINIA

Department of Motor Vehicles
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Linda B. Ford
Acting Commissioner

December 6, 2022

The Honorable Terry L. Austin, Delegate
Chair House Committee on Transportation
Pocahontas Building, Room W1304
900 East Main Street
Richmond, Virginia 23219

RE: Report of the Dealer Transactions Working Group (HB 986)

Dear Chair Austin:

During the 2022 General Assembly Session, Delegate Runion introduced House Bill 986, which would have authorized and set compensation for licensed automobile dealers to process transactions on behalf of the Department of Motor Vehicles (DMV). Delegate Runion tabled the bill in the House Transportation Committee but indicated licensed automobile dealers are interested in processing DMV transactions for non-dealer customers.

By letter dated May 9, 2022, you requested DMV to convene a working group including Delegate Runion, the Virginia Automobile Dealers Association, and the Virginia Independent Automobile Dealers Association to explore avenues for motor vehicle dealers to conduct transactions on behalf of DMV.

DMV initially convened a working group including Delegate Runion and representatives of the Virginia Automobile Dealers Association and the Virginia Independent Automobile Dealers Association to develop a better understanding of the proposal and to explore avenues for possible implementation. After the initial meeting, representative of DMV's Online Dealer Program vendors were invited to join the working group to discuss current service delivery methods, compensation for conducting DMV transactions, the most frequently requested in-person transactions, and processes in place to ensure the security and accuracy of those transactions. The working group considered expanding the existing Online Dealer Program as a means to allow licensed automobile dealers to conduct DMV transactions for non-dealer customers.

Working Group Discussion

Online Dealer Program and DMV Select Program

DMV contracts with vendors to provide programming through the Online Dealer Program.¹ The Online Dealer Program enables licensed automobile dealers to electronically conduct certain DMV transactions for their customers. The contracts between DMV and the program vendors govern how the Online Dealer Program can be used and what transactions are offered.

The DMV Select program is a different example of a business model in which DMV transactions are conducted outside of DMV customer service centers. There are currently 59 DMV Select locations processing primarily vehicle transactions. The compensation structure of DMV Select partners is set by the General Assembly as a percentage of the fees collected by the DMV Select partner. DMV Select partners are prohibited from processing automobile dealer title work unless the dealership does not participate in the Online Dealer Program or is an out-of-state dealership. DMV Selects have direct access to DMV systems and are subject to strict inventory, auditing, and training requirements.

The Online Dealer Program is different than a DMV Select partnership because licensed automobile dealers contract with a vendor to perform DMV transactions, such as titling and registration, for their own customers and use the vendors' programming. The dealers do not have direct access to the DMV systems, reducing, but not eliminating, the need for training and security control measures. For a contractually agreed fee, the Online Dealer Program vendors provide their customers (licensed automobile dealers) with training, customer service support, and inventory control assistance. When a licensed automobile dealer provides titling and registration services to its customers, the dealer passes through both the fee the vendor charges to the dealer and the DMV fees to the customer. Unlike DMV Select partners, licensed automobile dealers do not retain a portion of the DMV fees they collect, as they typically perform these transactions as a service for their customers. Licensed automobile dealers collect the motor vehicle sales and use tax when they sell a vehicle, and retaining a percentage of this fee (the Select model) would negatively impact the revenue collected for and distributed to the Commonwealth Transportation Fund.

After consideration of the bill and the existing Online Dealer Program, the working group discussed expanding the existing program to allow licensed automobile dealers to conduct DMV transactions for non-dealer customers. Using the existing program has several key advantages. First, both DMV and the vendors have already developed programming for certain transactions. Expanding authorization for the dealers to conduct those transactions for non-dealer customers will not require additional programming by the vendors or by DMV. Second, DMV and vendors have established processes to ensure the transactions can be conducted securely and accurately.

¹ Virginia Code § 46.2-216.1 authorizes the online dealer program as a means "to provide for simplification and streamlining of services to citizens through electronic means."

The Honorable Terry L. Austin
December 6, 2022

Finally, the vendors already offer customer support and training to the licensed dealers they contract with. Thus, using the existing Online Dealer Program to authorize licensed automobile dealers to conduct transactions for non-dealer customers fulfills the purpose of the bill.

Customer's Most Requested Transactions

Next, the working group considered what DMV transactions licensed automobile dealers could offer customers. The working group considered the most frequently requested transactions, what programming would need to be developed to offer a particular transaction, training requirements for licensed automobile dealer staff, the need to maintain and control inventory necessary for a transaction, and the cost/benefit analysis of offering the transaction as weighed against the value of providing the transaction to the customer.

The working group discussed the top ten financial transactions conducted by DMV Selects and DMV customer service centers during Fiscal Year (FY) 2021. The most frequent transaction provided by DMV Selects and DMV customer service centers is original registrations, followed by registration renewal transactions. Both of these transactions are available in the Online Dealer Program. Licensed automobile dealers participating in the Online Dealer Program already perform these transactions for their own customers. Of these two transactions, registration renewals are simpler to process and do not require performing title work. In FY 2022, 399,427 in-person registration renewal transactions occurred in DMV customer service centers and DMV Selects. DMV and vendor contracts for the Online Dealer Program could be amended to authorize licensed automobile dealers to conduct registration renewal transactions for members of the general public. This contract change would not require either DMV or the Online Dealer Program vendors to create additional programming, making it an ideal transaction for licensed automobile dealers to offer customers while gauging customer and dealer interest in expanding service options.

Currently, contract terms between DMV and Online Dealer Program vendors authorize licensed automobile dealers to pass through to customers the fee charged by the vendors for conducting the registration renewal transaction through the program. Terms can be modified to also allow dealers to charge an additional amount for the service of processing the transaction.

The working group discussed two other additional transactions – “reissue registration” and “reprint registration card.” Reissue registration transactions occur when replacement license plates are requested for lost, stolen, or damaged license plates at a time other than at the time of registration renewal. Currently, the transaction fee is \$10 and would either require a dealer to issue a temporary license plate while the new plate is ordered or to maintain plate inventory for this transaction. Reprint registration card transactions occur when a registration card is lost or damaged. The transaction fee is \$2 and would require both DMV and the Online Dealer Program vendors to incur additional programming expenses. DMV estimates DMV's expense to add new transactions to the Online Dealer Program would require 700-750 hours of programming time and cost between \$55,000 - \$59,000. Each vendor would also incur programming costs to add the transaction.

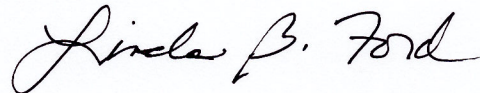
The Honorable Terry L. Austin
December 6, 2022

Due to the low fees for these transactions, the processes required to track inventory, and the cost of programming, DMV proposes reconvening the working group 12 months after participating licensed automobile dealers begin offering the registration renewal transaction to the general public to examine whether there has been significant customer volume and dealer interest in the dealer-offered registration renewal transactions to consider whether to add additional dealer-offered DMV transactions.

Recommendation

DMV recommends implementing changes to its contract with vendors of the Online Dealer Program to authorize participating licensed automobile dealers to perform registration renewal transactions to members of the general public, to pass through the vendor and the DMV fees to the customer, and to charge an additional service fee for performing the transaction. DMV recommends revisiting the issue 12 months after implementation to gauge the customer and dealer interest in this additional service transaction to determine if additional transactions should be authorized. No legislation is required to implement this proposal.

Sincerely,



Linda B. Ford

c: The Honorable W. Sheppard Miller III
Secretary of Transportation

The Honorable Dave A. LaRock
Virginia House of Delegates

The Honorable Chris Runion
Virginia House of Delegates