HF2605 - 0 - DVS Full Service Provider Account Established

Chief Author: **Bjorn Olson**
Commitee: **Transportation Finance and Policy**
Date Completed: **3/3/2025 5:46:51 PM**
Agency: Public Safety Dept

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology	X	

Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)		Biennium		Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Restrict Misc Special Revenue	-	4,164	5,552	5,552	5,552
Total	**-**	**4,164**	**5,552**	**5,552**	**5,552**
Biennial Total			**9,716**		**11,104**

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Restrict Misc Special Revenue	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Laura Cecko **Date:** 3/3/2025 5:46:51 PM
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State Cost (Savings) Calculation Details
This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.
*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2			Biennium		Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Restrict Misc Special Revenue		-	4,164	5,552	5,552	5,552
	Total	**-**	**4,164**	**5,552**	**5,552**	**5,552**
	Biennial Total			**9,716**		**11,104**
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Restrict Misc Special Revenue						
Expenditures		-	6,533	8,668	8,668	8,668
Absorbed Costs		-	(40)	(11)	(11)	(11)
	Total	**-**	**6,493**	**8,657**	**8,657**	**8,657**
	Biennial Total			**15,150**		**17,314**
2 - Revenues, Transfers In*						
Restrict Misc Special Revenue		-	2,329	3,105	3,105	3,105
	Total	**-**	**2,329**	**3,105**	**3,105**	**3,105**
	Biennial Total			**5,434**		**6,210**

Bill Description

This bill proposes creation of a full-service provider (FSP) account under section 299A.705 and creating new fund splits for vehicle transactions that were received via mail or email and paying part of the filing fee received by DVS for those transactions to FSPs. It also proposes adding a $5 surcharge to all mailed transactions received by DVS which would also be split with FSPs. For driver service transactions, the bill proposes distributing half of the fees collected for mail-in and online services to the FSP account.

Assumptions

The renewal notice mailed out by DVS will need to be redesigned to include the new surcharge line item and display the 3 different totals depending on where the renewal transaction takes place.

Redesign of the prebill and programming of the surcharge will need to be completed no later than Sept. 1, 2025, for it to be ready and included in the prebills sent out for Oct. renewals.

Only FSPs will be eligible to participate in fee splits.

All FSPs must have a valid supplier ID setup with MMB. Any FSP who has not completed their supplier ID setup with MMB will not be included in that quarter’s payment and will not be eligible for back payment.

If an office becomes a FSP anytime during the fiscal year, they would be eligible for reimbursement based only on the transactions done since they became an FSP. Transactions done before such time would be excluded.

Any FSP that closes prior to the end of a quarter will not be eligible for payment and their transactions will not be included in any calculations for that quarter.

The funds distributed quarterly to FSPs will be considered taxable income, the FSP would receive a W-9 at the end of the year for these payouts and would be taxed accordingly by state and federal governments.

Only fee-based transactions will be considered when determining an FSP’s portion on a quarterly payment.

Transactions will be calculated each quarter as “FSP individual office fee-based transactions” divided by “Total FSP fee-based transactions”. Allow 40 hours (cost of $1,874.48) by Management Analyst 2 (MA2) to create calculations and reporting needed to submit the quarterly payments that will be made from the FSP account. Allow an additional 80 hours (cost of $3,748.96) annually for quarterly report preparation and payment submission by the MA2. DVS will use existing resources and no additional funding is required.

All payments will be public data.

If a no-fee transaction is received by DVS via mail or online, no funds will be deposited into the FSP account. If the transaction is a mailed in transaction, no funds will be deposited into the DVSOA or FSP account for the mailed transaction surcharge.

In FY 2024, there was a total of 645,550 mailed-in and 1,124,092 online transactions completed by DVS where a filing fee was collected. Of the 645,550 mailed in transactions, 620,988 were vehicle renewals where a filing fee was paid. Overall, 1,666,851 were transactions where an $8 filing fee was collected and 102,791 were transactions where a $12 filing fee was collected.

FY 2026 - $8 filing fee for mailed and online vehicle renewal transactions (1,666,851 annual transactions / 12 months x 9 months = 1,250,138)

Account	**Portion of Fee Amount**	**# of Transactions**	**Total Annual Revenue**
FSP Account	$4	1,250,138	$5,000,553
DVSOA	$3.25	1,250,138	($4,062,948.50)
DVS Tech Account	$0.75	1,250,138	($937,603.50)

FY 2027 - $8 filing fee for mailed and online vehicle renewal transactions

Account	**Portion of Fee Amount**	**# of Transactions**	**Total Annual Revenue**
FSP Account	$4	1,666,851	$6,667,404
DVSOA	$3.25	1,666,851	($5,417,265.75)
DVS Tech Account	$0.75	1,666,851	($1,250,138.25)

FY 2026 - $12 filing fee for mailed and online vehicle renewal transactions (Note: The current split to the general fund of $3.50 per transaction is unchanged) (102,791 transactions annually / 12 months x 9 months = 77,093 transactions)

Account	**Portion of Fee Amount**	**# of Transactions**	**Total Annual Revenue**
FSP Account	$4.25	77,093	$327,645.25

DVSOA	$3.50	77,093	($269,825.50)
DVS Tech Account	$0.75	77,093	($57,819.75)

FY 2027 and beyond - $12 filing fee for mailed and online vehicle renewal transactions (Note: The current split to the general fund of $3.50 per transaction is unchanged)

Account	Portion of Fee Amount	# of Transactions	Total Annual Revenue
FSP Account	$4.25	102,791	$436,861.75
DVSOA	$3.50	102,791	($359,768.50)
DVS Tech Account	$0.75	102,791	($77,093.25)

FY 2026 $5 mailed transaction surcharge (620,988 annual transactions / 12 months x 9 months = 465,741 transactions)

Account	Portion of Fee Amount	# of Transactions	Total Annual Revenue
FSP Account	$2.50	465,741	$1,164,352.50
DVSOA	$2.50	465,741	$1,164,352.50

FY 2027 and beyond - $5 mailed transaction surcharge

Account	Portion of Fee Amount	# of Transactions	Total Annual Revenue
FSP Account	$2.50	620,988	$1,552,470
DVSOA	$2.50	620,988	$1,552,470

DVS estimates minimal programming would be required and the cost would be covered with existing resources.

Revenue Loss in FY27 and beyond to DVSOA/Revenue Gain to FSP Account = $6,529

Section two refers to Driver Service mail-in and online transactions.

In FY24, DVS collected $13,058 in filing fees from mail-in applications. DVS expects similar revenue in FY25. Dispersing half of those funds to DLAs will result in an annual loss of $6,529.

Implementation date is October 1, 2025.

Revenue Loss in FY26 to DVSOA/Revenue Gain to FSP Account = $4,897 ($6,529 / 12 months x 9 months remaining in

FY26 = $4,897)

Expenditure and/or Revenue Formula

FY2026 Expenditures

Driver and Vehicle Services Technology Account

$30,576 for MNDRIVE development (140 hours x $218.40 per hour = $30,576) (absorbed)

DVSOA

$9,372.40 - Management Analyst 2 (FY26 absorbed with existing staff)

Payments from the Full-Service Provider Account in Special Revenue fund

FSP Account	$4	1,250,138	$5,000,553
FSP Account	$4.25	77,093	$327,645.25
FSP Account	$2.50	465,741	$1,164,352.50
Total			$6,492,550.75

Total FY26 Expenditures from all Special Revenue Accounts = $6,532,499.15

FY2027 and beyond Expenditures

DVSOA

$11,246.88 - Management Analyst 2 (FY27 and beyond - absorbed with existing staff)

Payments from the Full-Service Provider Account in Special Revenue fund

FSP Account	$4	1,666,851	$6,667,404
FSP Account	$4.25	102,791	$436,861.75
FSP Account	$2.50	620,988	$1,552,470
Total			$8,656,735.75

Total FY2027 Expenditures from all Special Revenue Accounts = $8,667,982.63

FY2026 Revenue

Account	Portion of Fee Amount	# of Transactions	Total Annual Revenue
FSP Account	$4	1,250,138	$5,000,553
DVSOA	$3.25	1,250,138	($4,062,948.50)
DVS Tech Account	$0.75	1,250,138	($937,603.50)

Account	Portion of Fee Amount	# of Transactions	Total Annual Revenue
FSP Account	$4.25	77,093	$327,645.25
DVSOA	$3.50	77,093	($269,825.50)
DVS Tech Account	$0.75	77,093	($57,819.75)

Account	Portion of Fee Amount	# of Transactions	Total Annual Revenue
FSP Account	$2.50	465,741	$1,164,352.50
DVSOA	$2.50	465,741	$1,164,352.50

Total Driver and Vehicle Services Operating Account Revenue

Revenue loss = ($4,332,774)

Revenue gain = $1,164,352.50

Total Impact (loss) = ($3,168,421.50)

Driver and Vehicle Services Technology Account

Revenue loss = ($995,423.25)

Full-Service Provider Account in Special Revenue fund

Revenue gain = $6,492,550.75

Total FY26 Revenue from all Special Revenue Accounts = $2,328,706

FY 2027 and beyond Revenue

Account	Portion of Fee Amount	# of Transactions	Total Annual Revenue
FSP Account	$4	1,666,851	$6,667,404
DVSOA	$3.25	1,666,851	($5,417,265.75)
DVS Tech Account	$0.75	1,666,851	($1,250,138.25)

Account	Portion of Fee Amount	# of Transactions	Total Annual Revenue
FSP Account	$4.25	102,791	$436,861.75
DVSOA	$3.50	102,791	($359,768.50)
DVS Tech Account	$0.75	102,791	($77,093.25)

Account	Portion of Fee Amount	# of Transactions	Total Annual Revenue
FSP Account	$2.50	620,988	$1,552,470
DVSOA	$2.50	620,988	$1,552,470

Total Driver and Vehicle Services Operating Account Revenue

Revenue loss = ($5,777,034.25)

Revenue gain = $1,552,470

Total Impact (loss) = ($4,224,564.25)

Driver and Vehicle Services Technology Account

Revenue loss = ($1,327,231.50)

Full-Service Provider Account in Special Revenue fund

Revenue gain = $8,656,735.75

Total FY27 and beyond Revenue from all Special Revenue Accounts = $3,104,940

Long-Term Fiscal Considerations

Local Fiscal Impact

Full Service Providers will be impacted by positive revenue gain, based proportionately to the number of transactions in the previous quarter.

References/Sources

Driver and Vehicle Services

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