



THE RATIONALE FOR DVS REVENUE SHARING WITH DEPUTY REGISTRARS

For over 70 years, Minnesota has effectively used a network of locally operated deputy registrar offices to fulfill the public's motor vehicle registration and driver license needs. This model is of minimal cost for DVS in utilizing these "deputized" agents who work on their behalf at 169 locations state-wide. We are not operated or staffed by the State.

These license centers are either county operated (66), city operated (33), or privately run (70). This mixture of both public and private offices is appropriate to ensure full coverage of services state-wide. Regardless of their designation, they are all essential and serve the same purpose; providing valuable in-person service, acting as the first line against fraud, while performing front end auditing and data entry services as they collect and remit well over \$1 billion annually to the State. MDRA supports this combination of office types, and we oppose any efforts to make the network either strictly all public or all private.

All these license centers have historically been supported with only the "filing fee" set in statute and paid by the customer for any completed transaction. This revenue source must cover ALL our expenses, including (but not limited to) our skilled labor force, computers, copiers (plus paper and ink), rent, utilities, postage, and security. This model has largely served its intended purpose over time until a few years ago.

In 2005, DVS began offering an alternative mail-in tab renewal service in direct competition with our offices. The filing fee still applied, but now DVS captured it. This was later expanded by them with an online option impacting our offices sustainability even more. As a result, 50% of all tab renewals now go to our regulator which has devastated every office's sustainability to remain open. In the last five years alone there has been a net loss of 5 deputy registrar offices directly because of this, and that trend will likely continue.

Public offices in recent years have had to resort to subsidies from local government to offset their losses, which come from property taxes which should be used for other purposes. Private offices don't have this luxury and are forced to take money from their personal retirement and savings accounts. This cannot continue. A full collapse of the deputy network will result unless steps are taken to address this growing crisis.

In the aftermath of the disastrous MNLARS fiasco in 2017 that severely crippled our offices, the legislature commissioned an independent expert review (King report) to identify and recommend to the legislature fixes concerning deputy registrars and DVS. This

independent review recognized the importance of continuing the presence of deputy registrar offices throughout the state and acknowledged the unique pressures that have been placed on us. To date, the only outstanding recommendation unfulfilled from that 2022 report concerns DVS revenue sharing with deputy registrars.

The King report recommendation specifically on DVS revenue sharing calls for an allocation of between 25-50% of the filing fees for mail-in and online vehicle transactions for deputy registrars. Furthermore, this recommendation is envisioned to supplement the current filing fee revenue for offices and not serve to replace them.

MDRA strongly supports the goal of DVS revenue sharing with all deputy offices. This not only offsets the vast losses we've incurred and will only continue to incur unabated otherwise, but it will also address the fact that DVS shifted the bulk of their data entry workload over to deputies with the creation of MNLARS which continues with MNDRIVE. This additional work continues at additional costs for deputies, for which we've never been compensated for.

In closing, we are not opposed to the convenience that customers may realize with online options. However, not everything can be accomplished online and for the foreseeable future deputy registrar offices will remain necessary to address customer needs. For that basic reason, we must ensure that the current combined system of both public and private offices continues in a sustainable and responsive manner. Therefore, DVS revenue sharing must be pursued equitably with all deputies before we lose any more offices.
