

Motor Vehicle Deputy Registrars

March 1994

Program Evaluation Division
Office of the Legislative Auditor
State of Minnesota

Program Evaluation Division

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Members
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The state of Minnesota has developed a network of public and private deputy registrars for the renewal of drivers' licenses and registration of motor vehicles and recreational vehicles. In June 1993, the Legislative Audit Commission directed the Program Evaluation Division to evaluate how well this system is serving the public.

We found that most deputy registrars provide good customer service, although customer waiting time is generally longer at deputies who process a larger number of transactions. On the other hand, larger deputies generally have lower costs and large private deputies are the most profitable. We found that having a network of private deputies provides good public access to registrar services, but numerous provisions of state law protect private deputies from competitive forces, preventing the state from realizing the full potential of privatization.


We recommend several improvements in the operation of the registrar system, including modifying the transaction fee structure to better reflect true costs. To retain state control over the deputy registrar system, we recommend changing the law that allows private deputies to sell their deputy registrar franchise to another private party. We discuss the possibility of more sweeping changes, including the abolition of private deputies or the introduction of electronic technology, but we leave these options to the judgment of the Legislature.

We received the full cooperation of the Department of Public Safety, the Deputy Registrar Association, and the many individual deputies who answered our inquiries. This report was researched and written by Dan Jacobson (project manager) and Jan Sandberg, with help from Donna Gray and David Kemnitz.

Sincerely yours,



James Nobles
Legislative Auditor



Roger Brooks
Deputy Legislative Auditor

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Motor Vehicle Deputy Registrars

EXECUTIVE SUMMARY

Minnesota uses a state-regulated system of 90 public and 78 private deputy registrars to register and title motor vehicles and watercraft, renew drivers' licenses, and register snowmobiles and all-terrain vehicles (ATVs). In an average year, deputy registrars process about 4.5 million motor vehicle transactions, 800,000 driver's license applications, and 260,000 watercraft, snowmobile, and ATV transactions. The Department of Public Safety (DPS) has primary responsibility for regulating the system. It can appoint and, for cause, discontinue a deputy registrar, and it sets criteria governing the establishment of new deputy registrars. In fiscal year 1993, Minnesota's deputy registrars collected about \$610 million in motor vehicle registration fees and excise taxes on behalf of the state. As a result, many of the Department of Public Safety's regulations concerning deputy registrars are designed to protect the financial interest of the state. The Department of Natural Resources regulates the boat and snowmobile programs, but has no authority to appoint or discontinue a deputy registrar.

There is a variety of viewpoints about how a deputy registrar system should be designed. Proponents of a public system contend that private deputy registrars earn large profits and that replacing them with public deputies would provide additional revenue that could finance other programs or reduce taxes. Proponents of a private system contend that private deputies are more efficient and provide better customer service than public deputies.

Some critics argue that there is a lack of competition in the system that discourages improvements in customer service and leads to excessive profits. The 1984 law that authorizes the appointment of corporations as deputy registrars is controversial because it allows deputy registrars to be sold.

Because of these concerns, the Legislative Audit Commission directed the Program Evaluation Division to study the deputy registrar system. In our study, we asked:

- How does Minnesota's deputy registrar system work? How do other states provide motor vehicle and driver's license services?
- How good is customer service? How long do customers wait before being served? How accessible are deputy registrar offices? How does customer service vary by size and type of deputy registrar (public and private)?

- What are the revenues and expenses of deputy registrars? How does the cost per transaction vary among public deputies? How do profits vary by size of private deputy?
- What options are there for improving customer service or reducing costs?

To answer these questions, we surveyed motor vehicle officials from all 50 states and interviewed deputy registrars and other interested parties. We collected financial data from the Department of Public Safety and a sample of 101 deputy registrars. To measure customer waiting times, we made over 200 visits to deputy registrars.

In general, we found that most large deputies did well financially, but most small public deputies lost money and most small private deputies had relatively low incomes. We found that most deputy registrars provide good customer service, and there was no clear advantage for public or private deputies. To improve the system, we concluded that the focus should be on making the system more responsive to the customer. DPS regulations that protect the financial interests of deputy registrars tend to discourage changes that could improve customer service.

MINNESOTA COMPARED WITH OTHER STATES

States use a wide variety of systems to register and title motor vehicles and to renew drivers' licenses. To provide access for the public, states supplement the state central office with state branch offices, county or municipal offices, or private agents. Nine states use state employees exclusively. Another 17 states use a combination of state employees and private agents. Twenty-five states delegate much of the motor vehicle customer service function to counties or municipalities. Twelve of these 25 states, including Minnesota, use a combination of local governments and private agents.

Twenty-nine states use private agents, but the type of service they provide varies widely.

Altogether, we identified 29 states that use private agents in some capacity. The services provided by private agents vary widely among states, ranging from full service (driver's license renewals and motor vehicle titles and registration) to a single function. Private agents in 22 states, including Minnesota, provide at least two functions, usually motor vehicle titles and registration.

We compared Minnesota's administrative fees with fees in states that clearly distinguish the administrative fee from the tax (or user fee). We excluded fees charged by registration services in six states because they provide different services than Minnesota's deputy registrars and because they are agents of the customer rather than agents of the state. Altogether, our comparison group included 32 states for motor vehicle registration renewal, 30 states for motor vehicle titles, and 13 states for drivers' licenses. We found:

● Public Deputies
▲ Private Deputies

Source: Office of the Legislative Auditor.

- **Minnesota's administrative fees for motor vehicle titles, license plate tabs, and driver's license renewal are higher than administrative fees in most other states.**

The median administrative fee was \$2.00 for registration renewal, \$2.50 for titles, and \$3.00 for driver's license renewals. Fees ranged from \$.75 to \$5.25 for tabs, from \$.75 to \$5.50 for titles, and from \$1.00 to \$7.50 for drivers' licenses.¹

DPS duplicates data entry performed by deputy registrars.

We found that many states make greater use of technology to process motor vehicle transactions than in Minnesota. For example, each year, DPS clerical staff manually enter into the state's database about 1.5 million title transactions and about 1 million registration renewals that cannot be electronically scanned. Most of this data entry duplicates work already performed by deputy registrars on their own computers. Many states upload this information electronically from agents to their central database. We believe that Minnesota could save substantial resources by electronically processing this information. In addition, motor vehicle records would be updated more quickly. The Department of Public Safety plans to test this approach for registration renewals in 1994 with the deputy registrar in Faribault. It plans to fully implement this approach in about two years.

CUSTOMER SERVICE

Minnesota's deputy registrars provide reasonably good access to motor vehicle services for Minnesota residents. There is a deputy registrar in every county and almost all residents live within 15 miles of a deputy registrar. Compared to other states, the number of full-time agents in Minnesota is slightly better than average, taking into account population and square miles.

To measure customer waiting times, we made 205 visits to deputy registrars between July and October 1993. We found that:

- **Most people received prompt service at deputy registrars, though waiting time varied considerably among deputies.**

We estimate that about 76 percent of walk-in customers waited less than 5 minutes, 7 percent waited 20 minutes or longer, and 2 percent waited 30 minutes or longer. The longest wait that we observed was 60 minutes.

76 percent of deputies' customers waited less than 5 minutes.

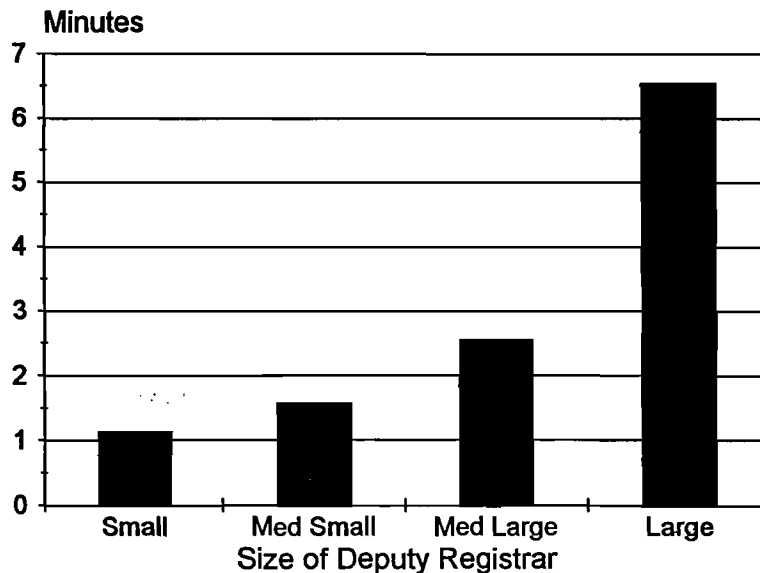
Customers waited an average of only 1.1 minutes at small deputy registrars, but waited an average of 6.4 minutes at large deputies. Hennepin County's data show that the average wait at its four service centers was about 15 minutes during the summer months.

We did not find large differences in customer service between public and private deputy registrars. Public and private deputies had similar customer waiting times

¹ Agents from several states performed one or more of these services at no cost to their customers. We did not include these states in that specific calculation.

Larger deputies tend to have longer waiting times.

Average Customer Waiting Time by Size of Deputy Registrar



Source: Office of the Legislative Auditor.

(4.1 minutes for private deputies and 4.3 minutes for public deputies) and were open about the same number of hours per week (44 hours per week). Private deputies are much more likely to be open on Saturdays (42 percent, compared with 17 percent for public deputies). DPS data indicate that public deputies had slightly lower error rates in 1992 than private deputies.

Overall, we found that most residents receive good customer service from deputy registrars, but the system discourages or even prohibits changes that could improve customer service. State criteria for establishing new deputy registrars protect the territory of existing deputies with little regard for whether the public is being adequately served. The criteria include minimum distances between a proposed office location and existing deputies, minimum estimated transaction counts, and maximum numbers of deputies in a municipality. For example, in metropolitan counties, a new deputy registrar may not be established within 5 miles of an existing deputy registrar. The criteria do not consider customer waiting times, whether a new location would be more convenient for the customer, or other measures of customer satisfaction. Even if a deputy registrar is providing poor service, nobody may establish a new office near that deputy. In addition, some innovative ways of improving customer service are prohibited by rule. For example, some deputies have been interested in setting up satellite offices in regional shopping centers or near emission test stations. However, DPS rules do not permit new offices, including branch offices that issue tabs on-site, to be located within 5 miles of another deputy.² Furthermore, DPS does not permit any office, including branch offices, to locate near an emission control test station, regardless of its

² This restriction does not apply to drop-off sites as long as the transaction is processed at the deputy's main office.

distance from other deputies, because it may attract so much business that it would be unfair to other deputies. To achieve a better balance between customer service and other objectives, we recommend that:

- **The Department of Public Safety should give more weight to improving customer service in its regulation of deputy registrars.**

The Department of Public Safety should consider a variety of options, including several that are being used or tested by other states. For example, DPS could promote more competition in the Twin Cities metropolitan area by reducing the minimum distance requirement for the core metropolitan area from 5 miles to 3 miles (the standard used in some other states) or by removing territorial restrictions on advertising. Other options include making it easier for customers to use the mail, and using kiosk and phone technology. Options that the Legislature should consider include issuing license plate tabs at emission control test stations in the Twin Cities area. This idea is being examined in Oregon and Wisconsin.

DEPUTY REGISTRAR FINANCES

Deputy registrars receive an administrative fee of \$3.50 for motor vehicle transactions (registration renewal and titles), \$3.25 for watercraft titles, and \$.50 for registration of watercraft, snowmobiles, and all-terrain vehicles. In July 1993, the administrative fee for drivers' licenses increased from \$1.00 to \$3.50 per transaction. Some counties collect \$.50 from the deputy for each driver's license transaction, leaving the deputy with \$3.00. Since motor vehicle and driver's license transactions make up about 95 percent of deputy registrar transactions, the average fee received by deputies is about \$3.35.

We collected financial data from a sample of 101 deputy registrars. Although these data are not definitive, we found that:

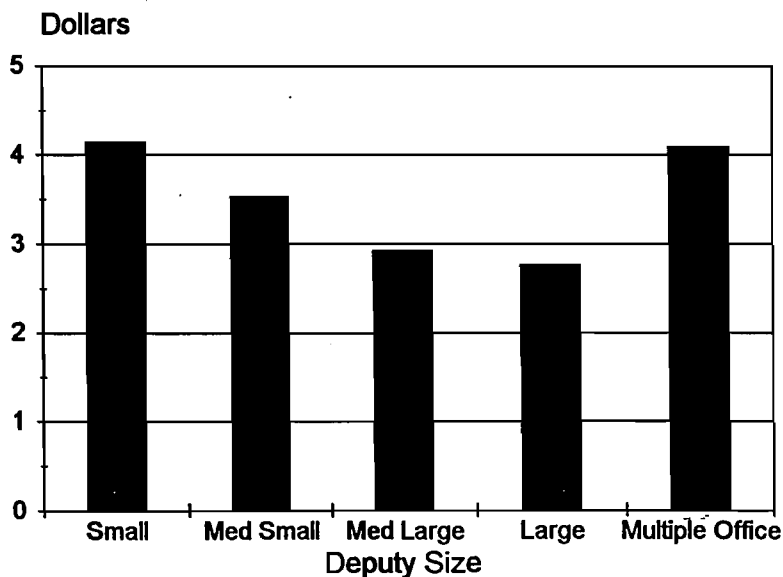
- **The cost per transaction varied widely among public deputies, ranging from \$2.10 to \$6.01 per transaction in 1992.**

Larger deputies tend to have lower costs per transaction.

Larger public deputy registrars tend to have lower costs than smaller deputies. In our analysis, we treated Hennepin, Anoka, and Washington counties separately because each operates three or four deputy registrars. Among single-office public deputies, we estimate that the average cost ranged from \$4.15 per transaction for small public deputies to \$2.76 for large single-office deputies. The multiple-office deputies had a higher cost than other large deputies, primarily because the average cost at Hennepin County's four service centers was about \$4.84 per transaction. Hennepin County's high cost is the most notable exception to the generalization that larger deputies tend to have lower costs per transaction.

Larger deputies tend to have a lower cost per transaction because they process more transactions per full-time employee. Large single-office deputies processed 12,200 transactions per full-time employee, about 77 percent more than the

Cost Per Transaction by Size of Public Deputy, 1992



Source: Office of the Legislative Auditor.

amount for small deputies (6,900). However, large deputies also tend to pay higher salaries and benefits, partially offsetting their economies of scale advantage. Large deputies paid \$25,800 per employee, compared with \$22,200 for small deputies.

Small public deputies had costs ranging from \$3 to \$6 per transaction. The main reason for this variation is differences in staffing. For example, one small deputy registrar (about 8,000 transactions per year) had a cost of \$6 per transaction because two employees worked full time in the deputy registrar's office. There are other deputies of the same size or larger that employ just one full-time worker. In 1994, this deputy plans to use one full-time employee with occasional help from the county auditor. This will significantly reduce the deputy's cost.

We also examined income earned by public deputy registrars. We found that:

- In 1992, many public deputy registrars lost money, particularly small deputies. The recent driver's license fee increase will increase revenues for most public deputies, though many small deputies will continue to lose money.

Most small public deputies lost money in 1992.

Minnesota has 44 public deputy registrars that process fewer than 24,000 transactions per year. In our sample, 76 percent of these deputy registrars (16 out of 21) lost money in 1992. If the current driver's license fee had been in effect, 67 percent still would have lost money.

Most large public deputies made money in 1992.

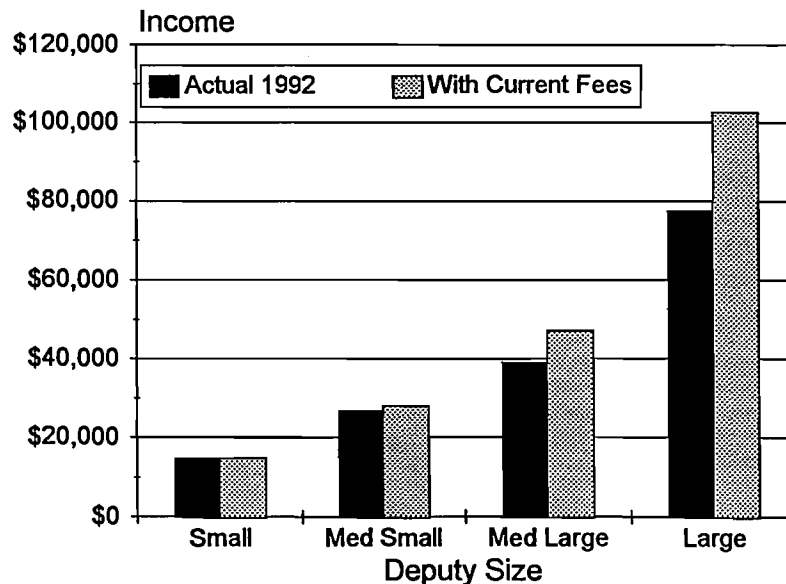
There are 34 single-office public deputies which process more than 24,000 transactions per year. Our sample data indicate that about 33 percent of these deputies lost money in 1992, but only 14 percent would have lost money under the current fee schedule.

For private deputies, we measured the owner's income by adding salary and benefits received by the owner to the deputy registrar business income (revenues minus expenses). Some owners of corporate deputy registrars who own the building they occupy also earn income by renting the space to the deputy registrar. While we included the rent as a deputy expense, we did not include the income (or losses) earned from such investments. Our analysis shows that:

- Average incomes of private deputy registrars varied greatly with size.

We estimate that, in 1992, average incomes ranged from \$15,000 for small deputies to \$77,000 for large deputies. Under the current fee schedule, average incomes would have been about \$102,000 for large deputies, \$47,000 for medium-large deputies, \$28,000 for medium-small deputies, and \$15,000 for small deputies.

Average Income of Private Deputies, 1992, Actual and with Current Fees



Source: Office of the Legislative Auditor.

We also examined the cost per transaction of the Department of Public Safety and of deputy registrars operated by non-profit organizations. We found that:

- At the Department of Public Safety, the cost per transaction in fiscal year 1993 was \$3.26 for walk-in service, \$1.32 for renewals by mail, and \$4.36 for titles by mail.

- At deputy registrars operated by non-profit organizations (two AAA deputies and three deputies under contract with a vocational rehabilitation company, CWDC Industries, Inc.), the average cost in 1992 was \$2.20 per transaction.

The cost for deputies operated by non-profit organizations ranged from \$1.77 to \$2.62.

CORPORATE SALES

Corporate sales indicate that there is strong interest in becoming a deputy registrar, even in small cities. Since 1984, the year private deputies were allowed to incorporate, 60 of the 78 private deputy registrars have incorporated and 20 have been sold. Excluding four sales within the family, deputy registrars that have been sold had annual transactions ranging from 5,000 to 35,000. None of the large deputy registrars has been sold. We obtained sale prices from 13 of the 16 deputy registrars that have been sold outside the family. Sale prices ranged from \$20,000 to \$108,000. Four sales were for \$100,000 or more. On average, the sale price was about 3.6 times the annual number of transactions, or slightly more than the gross annual revenue, under the current fee structure.

Ever since the 1983 Legislature authorized the appointment of corporations as deputy registrars, the resulting sales have been controversial. We found no other state where corporate private agents could sell an exclusive right to do business in a particular area, as can be done in Minnesota.

We think appointing private corporations as deputy registrars is undesirable for several reasons. First, if a corporation is appointed as a deputy registrar, the appointing authority loses effective control over the selection of deputies. Currently, lacking major violations of DPS standards, the appointing authority cannot exercise its appointive powers over corporate deputies indefinitely.

Another problem is that each deputy who initially incorporates receives a windfall profit when the corporation is sold, and subsequent owners have to make a capital investment, raising the fees necessary to make a deputy financially viable.

In order to maintain the public's control over who becomes a deputy registrar, and to maintain low capitalization requirements for deputy registrars, we recommend that:

- The Legislature should consider repealing the authority to appoint corporations as deputy registrars.

Exceptions could be made for non-profit organizations, such as the American Automobile Association.

Deputy registrar sale prices averaged about 3.6 times the annual number of transactions.

Notice:

Financial information from one private deputy registrar arrived too late to be included in this published report. The new information included details of a corporate deputy registrar sale which was made for a higher price (\$189,000) than any others we found in our study. As noted on this page and page 61, the previous maximum sale price was \$108,000.

Fee Structure

We examined the fee structure for deputy registrars by measuring the transaction times for different types of transactions and by reviewing deputy registrar cost studies conducted by a private consultant in three counties. We found that:

- **Minnesota's fee structure does not reflect the workload differences among different types of transactions.**

The administrative fee for motor vehicle renewals (tabs) is the same as the fee for titles and drivers' licenses even though tabs take much less time to process than titles or drivers' licenses. We found that the average transaction time was about 2.3 minutes for license plate tabs, 6.7 minutes for motor vehicle titles, and 5 minutes for drivers' licenses. These results also indicate that the large gap between the former \$1 driver's license fee and the \$3.50 motor vehicle fee was not justified on the basis of cost.

Fee studies conducted in three counties indicate that the large fee differences between boat and snowmobile registrations (\$.50) and motor vehicle and driver's license transactions (\$3.50) are not justified on the basis of cost. In the three counties, the estimated registration cost for boats and snowmobiles ranged from 25 percent lower to 30 percent higher than the average cost of motor vehicle and driver's license transactions. We recommend that:

- **The Legislature should change the fee structure to more accurately reflect the processing time required by different types of transactions.**

This would mean lower fees for motor vehicle registrations and higher fees for motor vehicle title transfers and watercraft, ATV, and snowmobile registrations.

SYSTEM DESIGN: PUBLIC VS. PRIVATE

Neither public nor private deputies have a clear advantage in customer service.

Overall, we found that neither public nor private deputy registrars have a clear advantage in customer service. Private deputies have slightly better hours, and public deputies have slightly lower error rates. Customer waiting times are similar for public and private deputies.

We found that many private deputy registrars, particularly large deputies, make large profits, but this does not necessarily mean that replacing them with public deputies would save the taxpayers money. While we found that many public deputy registrars made money for their city or county, there were many others, particularly small deputies, who lost money. If a county or city cannot provide deputy registrar services at a reasonable cost, private deputies give the public another option for providing those services.

The existence of private deputies, by itself, does not automatically bring the benefits commonly associated with private enterprise. Private deputies do not bring lower prices to consumers because there is no price competition. Private deputies may be more efficient than public deputies, but that does not necessarily help the public under the protective regulations of the state.

Introduction

Minnesota uses a state-regulated system of 90 public and 78 private deputy registrars to register and title motor vehicles and boats, renew drivers' licenses, and register snowmobiles and all-terrain vehicles. The Department of Public Safety (DPS) has primary responsibility for regulating the system. It can appoint and, for cause, discontinue a deputy registrar, and it sets criteria governing the establishment of new deputy registrars.

There is a variety of viewpoints about how a deputy registrar system should be designed. Proponents of a public system contend that private deputy registrars earn large profits and that replacing them with public deputies would provide additional revenue that could finance other programs or reduce taxes. Proponents of a private system contend that private deputies are more efficient and provide better customer service than public deputies, and that they improve access in rural communities. Also, some critics argue that there is a lack of competition in the system that discourages improvements in customer service and leads to excessive profits. Finally, the 1984 law that authorizes the appointment of corporations as deputy registrars is controversial because it allows deputy registrars to be sold.

Because of these concerns, the Legislative Audit Commission directed the Program Evaluation Division to study the deputy registrar system. In our study, we asked:

- **How does Minnesota's deputy registrar system work?**
- **How do other states provide motor vehicle and driver's license services?**
- **How good is customer service? How long do customers wait before being served? How accessible are deputy registrar offices? What are deputies' business hours? How does customer service vary by size and type of deputy registrar (public and private)?**
- **What are the revenues and expenses of deputy registrars? How does the cost per transaction vary among public deputies? How do profits vary by size of private deputy?**
- **What options are there for improving customer service or reducing costs?**

To answer these questions, we surveyed motor vehicle officials from all 50 states and the District of Columbia and interviewed deputy registrars, state agency officials, and other interested parties. We collected financial data from the Department of Public Safety and a sample of 101 deputy registrars. To measure customer waiting times, we made over 200 visits to deputy registrars.

Chapter 1 describes the deputy registrar system in Minnesota and how it compares with systems in other states. Chapter 2 examines how well deputy registrars serve their customers. Chapter 3 analyzes the revenues and expenses of deputy registrars and of the state's mail and walk-in service operations. Chapter 4 discusses the implications of our findings and presents options and recommendations.

Background

CHAPTER 1

Minnesota uses a state-regulated system of public and private deputy registrars to title and register motor vehicles and watercraft, renew drivers' licenses, and register snowmobiles and all-terrain vehicles. This chapter describes the deputy registrar system in Minnesota, discusses the methods we used in this study, and compares Minnesota's system with systems in other states. We address the following questions in this chapter:

- How does Minnesota's deputy registrar system work? How does Minnesota regulate deputy registrars?
- How do other states register and title motor vehicles and renew drivers' licenses? Do they use public or private agents in their systems?
- How do other states regulate private agents? Can private agents in other states sell the right to process motor vehicle and driver's license transactions?
- How do Minnesota's administrative fees compare with those of other states?
- How do other states use technology to register and title motor vehicles?

MINNESOTA'S DEPUTY REGISTRAR SYSTEM

Minnesota has 168 deputy registrars that provide vehicle registration, title, and license services. By law, all deputy registrars register motor vehicles, watercraft, snowmobiles, and all-terrain vehicles, and process title applications for motor vehicles and watercraft. In addition, county court administrators have appointed 81 deputy registrars as agents to process driver's license and permit applications. Many deputy registrars also sell other licenses, such as fish and game, bike, or cross county ski licenses.

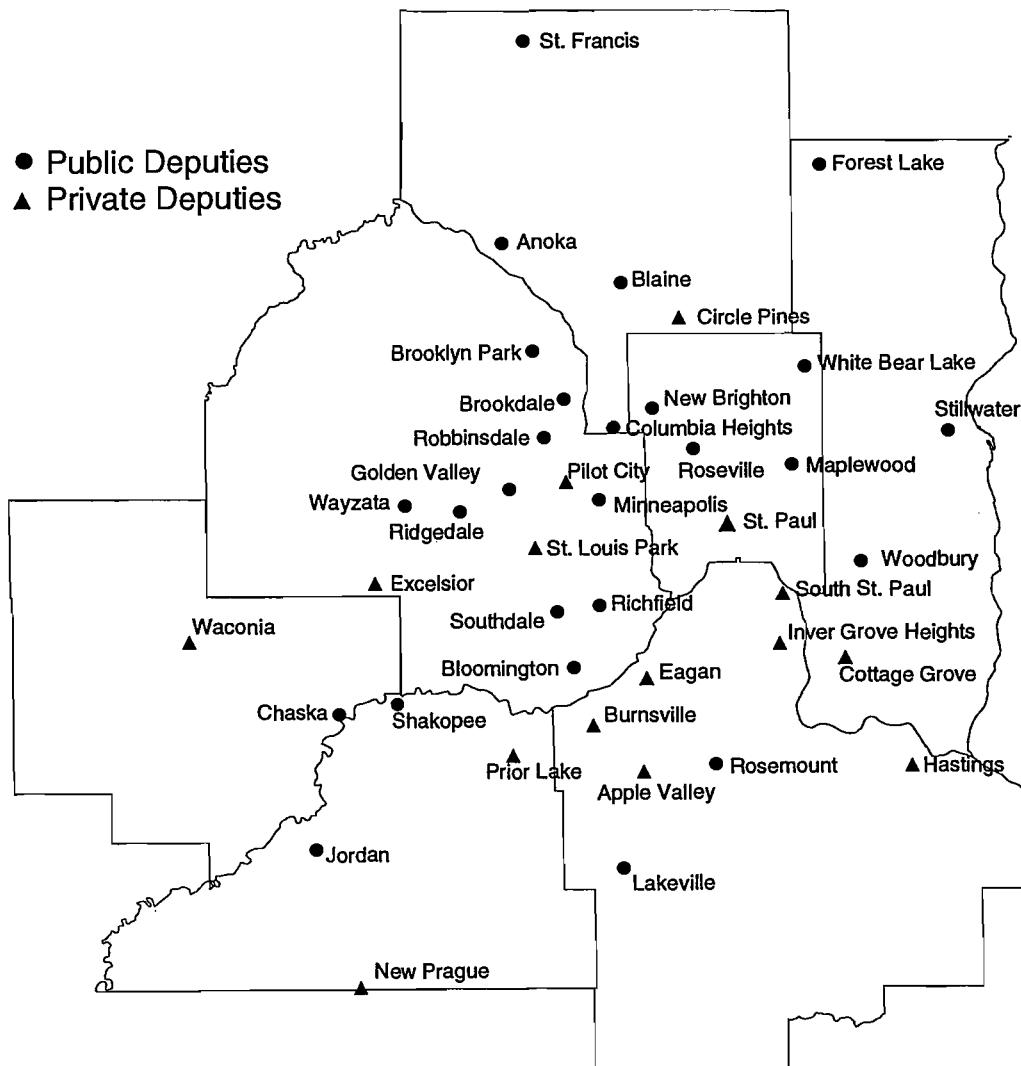
● Public Deputies
▲ Private Deputies

Source: Office of the Legislative Auditor.

The Twin Cities metropolitan area has 41 deputy registrars.

Minnesota's deputy registrars include 90 public and 78 private deputies. The map in Figure 1.1 shows the location of Minnesota's deputy registrars. The Twin Cities seven-county metropolitan area has 41 deputy registrars, including 26 public and 15 private deputies, as shown in Figure 1.2. The public deputies may be city (36 deputies) or county offices (54 deputies). Some public deputies are part of a department that offers other city or county services. For example, some county deputy registrars are part of license centers that provide other services such as marriage licenses, passports, and birth and death certificates.

Figure 1.2: Deputy Registrars in the Twin Cities Metropolitan Area



Source: Office of the Legislative Auditor and Metropolitan Council.

The private deputies may be individuals (18 deputies) or corporations (60 deputies). Some private deputies, especially those handling a small number of transactions, operate other businesses at the same location. Other businesses operated by deputies include hardware stores, gift shops, banks, real estate, insurance, and accounting offices. Two private deputies are non-profit corporations: the Automobile Association of America (AAA) offices in St. Louis Park and Burnsville. In addition, the three deputy registrars in Grand Rapids, Hibbing, and Virginia are private individuals who are under contract with a non-profit vocational rehabilitation industry.

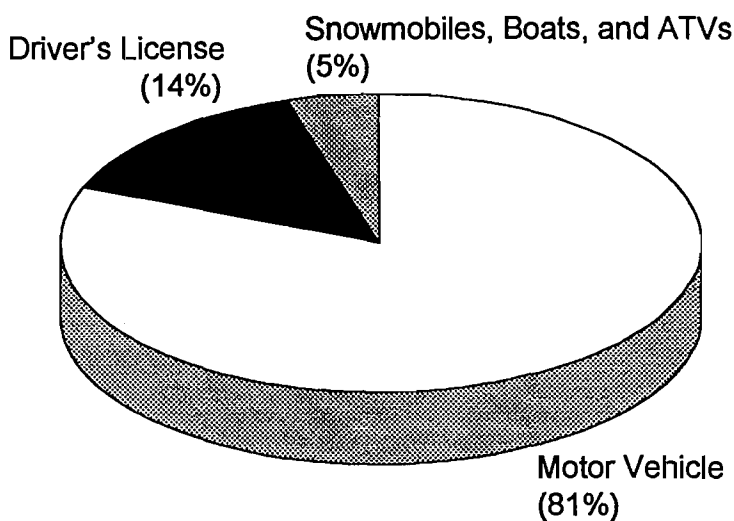
Deputy Registrar Transactions

Motor vehicles account for 81 percent of deputy registrar transactions.

During an average year, deputy registrars process about 5.6 million transactions. Motor vehicle transactions are the most common type since most motor vehicles must be registered annually. As Figure 1.3 shows, motor vehicle registrations and titles account for 81 percent of deputy registrar transactions. Drivers' licenses, which must be renewed every four years, make up 14 percent. Registrations for boats, snowmobiles, and all-terrain vehicles (ATVs), which must be renewed once every three years, account for 6 percent.¹

Most people go to deputy registrar offices for these transactions, as shown in Figure 1.4 and Table 1.1. Deputy registrars account for about 90 percent of motor vehicle transactions, 59 percent of the state's driver's license transactions, and 64

Figure 1.3: Deputy Registrar Transactions, Fiscal Years 1992 and 1993

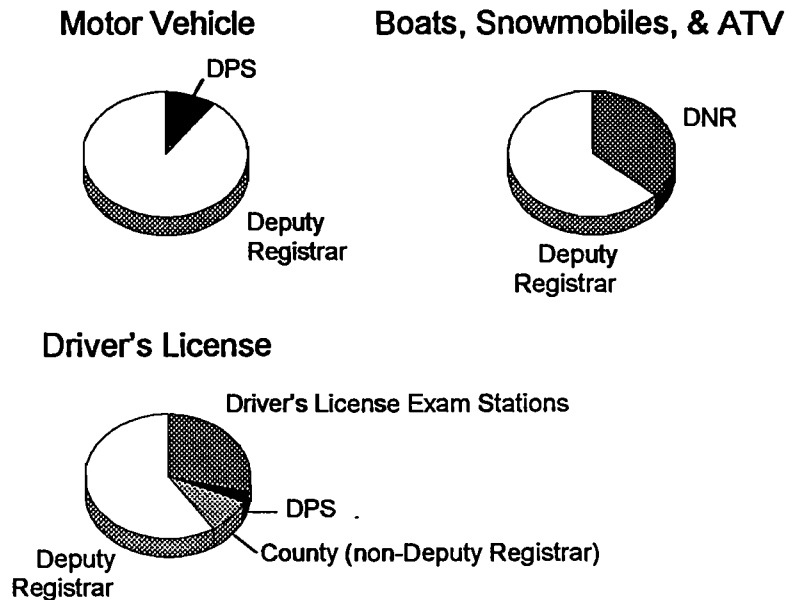


Source: Department of Public Safety and Department of Natural Resources.

¹ Deputy registrars may also process other transactions such as fish and game licenses, cross country ski licenses, and bike registrations. We do not have statewide figures for these categories, but they are minor revenue sources for deputy registrars.

Most people go to deputy registrars for motor vehicle, boat, snowmobile, and driver's license transactions.

Figure 1.4: Transaction Sources, Fiscal Years 1992 and 1993



Source: Department of Public Safety and Department of Natural Resources.

Table 1.1: Vehicle and Driver's License Transactions, Annual Average, Fiscal Years 1992 and 1993

Source	(Figures in Thousands)			
	Motor Vehicle	Snowmobiles, Boats, and ATVs	Driver's License	Total
Deputy Registrars	4,535	260	801	5,596
Department of Public Safety	519	—	41	560
Department of Natural Resources	—	149	—	149
State Driver License Exam Stations	—	—	391	391
County Driver License Stations	—	—	120	120
Total	5,054	409	1,353	6,816

Source: Department of Public Safety and Department of Natural Resources.

DPS serves about 10 percent of motor vehicle customers.

percent of boat, snowmobile, and ATV transactions. The Department of Public Safety (DPS) is the only other agency that can process motor vehicle transactions. It serves 10 percent of motor vehicle customers through the mail or in person at the Transportation Building in St. Paul. Similarly, the Department of Natural Resources (DNR) is the only other agency that processes boat, snowmobile, and ATV registrations (36 percent through the mail or in person at its St. Paul office).

Certain state and county offices process driver's license transactions in addition to deputy registrars. State driver's license exam stations process 29 percent, county

offices that are not deputy registrars process 9 percent, and the Department of Public Safety 3 percent. Deputy registrars process the remaining 59 percent.

State Regulation

DPS has primary responsibility for regulating deputy registrars.

The Department of Public Safety has primary responsibility for regulating deputy registrars because it is responsible for administering the registration of motor vehicles and licensing of drivers, the two principal programs involving deputy registrars. The Commissioner of Public Safety, as the registrar of motor vehicles, may appoint and, for cause, discontinue deputy registrars.

The Department of Natural Resources administers the registration of boats, snowmobiles, and ATVs. However, these programs are small compared to DPS programs and DNR can not appoint nor discontinue a deputy registrar.

The Pollution Control Agency (PCA) regulates the Minnesota Vehicle Inspection Program, which requires residents of the Twin Cities metropolitan area to document that their vehicles meet pollution control standards before they can renew their vehicles' registration. PCA contracts with a private company to operate 11 emission test stations in the Twin Cities area. Figure 1.5 shows the location of the emission test stations and deputy registrars in the Twin Cities area.

Motor Vehicle Registration and Titling

Objectives of the motor vehicle program include raising revenue for the state, and maintaining accurate title records that document the ownership of each vehicle.

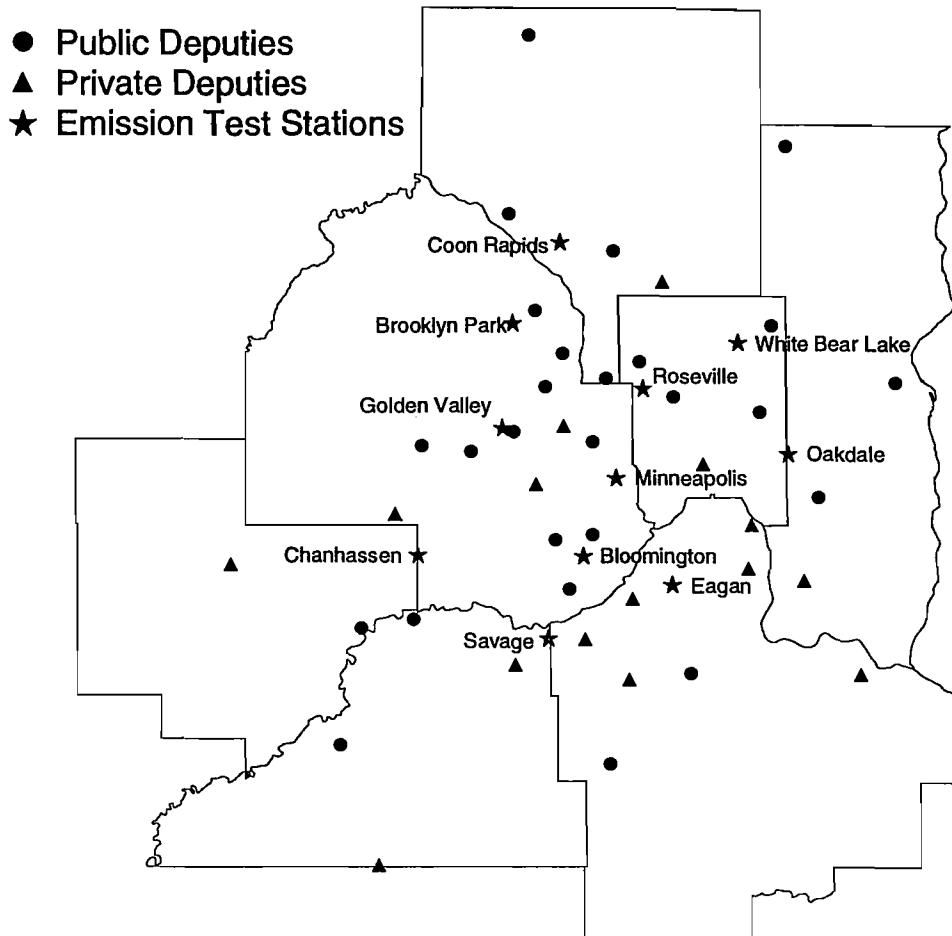
One objective of the motor vehicle program is to raise revenue for the state. In fiscal year 1993, deputy registrars collected about \$610 million in motor vehicle fees and taxes on behalf of the State of Minnesota, including \$325 million in motor vehicle registration fees and \$285 million in excise (sales) taxes. Because of the large amount of state funds involved, the Department of Public Safety closely regulates the handling of state funds, license plates, and tabs. To ensure that state funds are promptly deposited in state accounts, DPS rules require deputies to deposit state funds by the day after the transaction. In addition, each day deputies must mail DPS summary reports and transaction materials. DPS auditors verify that deputies deposit the proper amount.

The department controls the production and distribution of inventory, including license plates, tabs, and forms. DPS field representatives periodically check the inventory of each deputy to ensure that no stock is missing. Deputy registrars are financially responsible for any missing license plates or tabs.

Another objective of the motor vehicle program is to maintain accurate motor vehicle title records that document ownership of and financial interests in each vehicle. The department develops and regularly updates detailed procedures that deputies must follow when processing motor vehicle and driver's license transactions.

When a customer applies for a new title or a title transfer, deputy registrars are responsible for making sure that the documentation is complete before submitting the application to the Department of Public Safety. Before DPS issues a title, staff

Figure 1.5: Location of Emission Test Stations and Deputy Registrars in the Twin Cities Metropolitan Area



Source: Office of the Legislative Auditor and the Metropolitan Council.

review the application to ensure that it is properly documented and includes the correct fee. If there is an error on the application, the department suspends the title until proper documentation is provided. The department monitors errors for each deputy and works with deputies to reduce their errors. During the past few years, the department has placed one or two deputies per year on probation for repeatedly having high error rates.

DPS staff train new deputy registrars and conduct annual training sessions for existing deputy registrars throughout the state. The department's phone room has 25 employees who answer questions from deputy registrars, the public, and law

enforcement officials about motor vehicle and driver's license procedures and records. For example, when a customer applies for a license plate tab but does not have a registration bill, the deputy must obtain the needed information by calling DPS or by using an on-line computer connection to the state's motor vehicle database.² Similarly, when a customer applies for a title transfer, but lacks title documentation, the deputy must obtain the information from DPS.

Appointment Process

The procedure for appointing deputy registrars has changed considerably during the past thirty years. Prior to 1970, the Secretary of State appointed deputy registrars and could discontinue deputies at will. As a result, a newly-elected secretary of state could appoint a new set of deputy registrars. The stability of the system depended on how often there was a new secretary of state, whether a new party was elected, and how political the appointments were. The 1969 Legislature transferred all the duties concerning motor vehicle registration from the Secretary of State to the Department of Public Safety.³ It gave both the Department of Public Safety and county auditors a role in appointing deputy registrars. At that time, some counties took over the deputy registrar function from private deputies. The 1976 Legislature established that deputies can be discontinued only for cause.⁴ During the 1980s, the department developed rules specifying the criteria that must be met before a new deputy registrar could be appointed. Currently, either the Commissioner of Public Safety (the "registrar") or a county auditor, with approval from the registrar and the county board, may appoint a deputy registrar that meets state criteria.

Prior to 1984, appointments of private individuals lasted until a deputy registrar died, resigned, or was removed from office by the appointing authority. But under a 1984 law, individuals can be appointed as deputy registrars and thereby obtain the right to sell or transfer the deputy registrar function.⁵

County auditors may discontinue a deputy registrar for cause, except that only the registrar may discontinue deputy registrars that were appointed by the registrar prior to August 1976.⁶

State Criteria for the Establishment of a Deputy Registrar Office

In order to establish a new deputy registrar office, an applicant must propose a location that meets DPS criteria, summarized in Figure 1.6.⁷ The criteria vary by size and location of municipality. The criteria include minimum distances be-

² As of 1993, 41 deputy registrars had on-line access to view the state's computerized motor vehicle records.

³ *Minn. Laws* (1969), Ch. 1129, Sec. 15-16.

⁴ *Minn. Laws* (1976), Ch. 281, Sec. 1, Subd. 2.

⁵ *Minn. Laws* (1984), Ch. 654, Art. 3, Sec. 61, Subd. 2.

⁶ *Minn. Stat.* §168.33.

⁷ Based on *Minn. Rules* Ch. 7406.0300.

Figure 1.6: Criteria for Establishment of New Deputy Registrar Offices

<u>Location</u>	<u>Minimum Distance from Existing Deputy Registrars</u>	<u>Minimum Estimated Transaction Volume</u>	<u>Maximum Number of Deputies in Municipality</u>
Hennepin and Ramsey Counties	5 miles	35,000	no standard
Other Metropolitan Counties; Non-metropolitan cities with population over 50,000	5 miles	20,000	no standard
Non-metropolitan cities with population between 25,000 and 50,000	no standard	4,000	2
Non-metropolitan municipalities with less than 25,000 population	15 miles or 25 minutes driving time	4,000	1

Note: In addition, no office location may be approved if it will reduce the annual transactions of an existing deputy registrar to less than:

1. 35,000 for existing deputy registrar offices in Hennepin or Ramsey County;
2. 20,000 for existing offices in other metropolitan counties or in non-metropolitan cities with a population over 50,000; or
3. 4,000 for existing offices in non-metropolitan municipalities with a population less than 50,000.

Source: Minnesota Rules. Ch. 7406.0300.

tween deputy registrars, minimum transaction levels the deputy must be projected to meet, and maximum numbers of deputies in a municipality.

For municipalities in metropolitan counties or with a population over 50,000, new deputy registrars cannot be located within 5 miles of an existing deputy registrar. For municipalities with a population less than 25,000, new deputy registrars cannot be within 15 miles or 25 minutes driving time of an existing deputy. Currently, no distance standard exists for municipalities with populations between 25,000 and 50,000, though there cannot be more than two deputies in such municipalities.⁸

A proposed new location must have a projected level of 35,000 transactions per year if it is located in Hennepin or Ramsey County, 20,000 transactions in other metropolitan counties or cities with population over 50,000, and 4,000 transactions in the rest of the state. Projections are based on a percentage of transactions made at all nearby deputy registrars.

DPS rules also prohibit a new deputy registrar if it were projected to bring the number of transactions of an existing deputy below a level ranging from 4,000 to 35,000, depending on location. For example, the rules assume that a new deputy registrar would take away 30 percent of the transactions of an existing deputy in Hennepin or Ramsey county that is less than 9-1/2 miles of the proposed location.

In Hennepin and Ramsey counties, a new deputy may not be located within 9 1/2 miles of a deputy that processes fewer than 50,000 transactions per year.

⁸ The Department of Public Safety is drafting new rules for the deputy registrar system. The department plans to apply the five-mile standard to all municipalities with a population exceeding 25,000 and to delete the 25 minute driving time standard.

Thus, the rules would prohibit a new deputy if it were less than 9-1/2 miles from an existing deputy with less than 50,000 transactions per year.

Driver's License Agents

The Department of Public Safety, some counties, and some deputy registrars provide driver's license services. DPS operates a network of driver's license exam stations across the state that give written and behind-the-wheel tests. While 18 of these stations also renew drivers' licenses, their primary purpose is to regulate driving privileges. Deputy registrars are not responsible for regulating driving privileges except for conducting vision tests when drivers renew their drivers' licenses.

Minnesota law authorizes county court administrators to process driver's license applications and to appoint agents to process these transactions.⁹ As of January 1994, county court administrators have appointed 81 deputy registrars as agents, including 17 private, 12 city, and 52 county deputies. In addition, 31 county offices that are not deputy registrars process driver's license applications. While the Department of Public Safety does not appoint counties nor deputy registrars as driver's license agents, the state indirectly controls the number of agents because it owns almost all of the cameras and vision machines used by deputy registrars and county agents.

Deputy Registrar Administrative Fees

Under current law, deputy registrars receive \$3.50 for each motor vehicle transaction (registration renewal and titles), \$3.50 or \$3.00 for each driver's license transaction, \$3.25 for each boat title, and \$.50 for each registration of boats, snowmobiles, and all-terrain vehicles. Some counties, including Ramsey and Scott counties, require deputy registrars in their county to pay \$.50 of the \$3.50 driver's license fee to the county. Since motor vehicle and driver's license transactions make up about 95 percent of deputy registrar transactions, the average fee received by deputies is now about \$3.35. Prior to July 1, 1993, deputies received only \$.50 or \$1 for driver's license transactions. By law, deputies cannot charge administrative fees for some types of transactions, including refunds, corrections due to errors by deputy registrars or the state, and retakes of driver's license photos. In addition, deputies receive no fee for questions or incomplete transactions.

Deputies are financially responsible for all bad checks used to pay registration fees or excise taxes. A rationale for this policy is that deputies are better at collecting bad checks than the state would be and that making deputies financially liable gives them an incentive to prevent bad checks. A study conducted by the Department of Public Safety found that deputies lost an average of \$292 per year from bad checks, or 0.3 percent of their total fee income.¹⁰ However, this figure does not include time spent collecting bad checks.

Counties have appointed 81 deputy registrars as driver's license agents.

Deputy registrars receive \$3.50 for each motor vehicle and driver's license transaction, \$3.25 for boat titles, and \$.50 for boat and snowmobile registrations.

⁹ Minn. Stat. §171.06, subd. 4.

¹⁰ Department of Public Safety, *Worthless Checks Used for Payment of Motor Vehicle Registration Taxes* (St. Paul, February 1, 1992).

METHODS

Each year, Minnesota residents make about 5.6 million motor vehicle, driver's license and DNR transactions at deputy registrars and spend about \$18.8 million in administrative fees to support the deputy registrar system. Our research focused on two important indicators of how well the system is functioning: customer service and cost. Since deputy registrars collect over \$600 million per year in motor vehicle registration fees and excise taxes, we also considered the security of state funds when discussing policy options for the state.

To analyze customer service, we used several measures, including customer waiting time, geographic access, days and hours that a deputy registrar is open, and how often deputy registrars make errors. We made 205 visits to deputy registrars to measure customer waiting times during the summer and fall of 1993. We also interviewed deputy registrars and DPS field representatives who monitor deputy registrars. To analyze customer access, we mapped the location of deputy registrars in Minnesota and compared the number of registrars in Minnesota with the number of agents in other states, taking into account population and land area. We collected data on hours and error rates from the Department of Public Safety.

To analyze cost, we obtained financial data from a sample of 101 deputy registrars. We also collected financial data for the front counter and mail operations of the Department of Public Safety. We examined the cost per transaction for public and non-profit deputies, and the profitability of private deputies. To analyze the economies of scale, we examined how cost per transaction, profits, and transactions per employee varied by size of deputy.

We interviewed deputy registrars, officials from the Department of Public Safety, the Department of Natural Resources, and the Pollution Control Agency. Finally, to obtain perspective on how other states provide motor vehicle registration and driver's license services, we conducted telephone interviews with officials from the other 49 states and the District of Columbia.

COMPARISON BETWEEN MINNESOTA AND OTHER STATES

To examine how other states provide motor vehicle and driver's license services, we surveyed all states and the District of Columbia.¹¹ We conducted in-depth interviews with several states, including neighboring states and states that use private agents to provide tabs, titles, and driver's license renewals. Overall, we consider the information to be reliable, but it is likely that some data represent "best-guess" estimates of interviewees. In several instances, we were unable to obtain information about fees or specific number of public and private agents, because the state office had limited information. This usually occurred when

¹¹ In all analyses, we treat the District of Columbia as a state.

counties controlled the process (such as Florida or Texas) or when private agents set their own fees (such as Pennsylvania, California, and Maryland).

Registration and Renewal Systems

To provide motor vehicle and driver's license services, Minnesota uses a central state office and a system of county, municipal, and private agents. We asked officials in all states to describe their system for titling and registering motor vehicles and renewing drivers' licenses. We found that:

- States have developed a wide variety of systems to process motor vehicle transactions and driver's license renewals.

With the exception of Hawaii, all states have a central office that regulates motor vehicle registration and titles. In some states, the same state agency regulates drivers' licenses; in other states, a different state agency is responsible.

As shown in Table 1.2, nine states use state employees exclusively to process motor vehicle transactions. Another 17 states use a combination of state employees and private agents.¹² Twenty-five states delegate much of the motor vehicle function to local government, usually counties.¹³ Twelve of these states, including Minnesota, also use private agents in some capacity.

Twenty-nine states use private agents to provide some motor vehicle or driver's license services.

Altogether, we identified 29 states that use private agents to provide motor vehicle or driver's license services. The specific services performed by private agents, however, varies widely among states, and in several cases these services are provided on a limited basis. Private agents in nine states process motor vehicle titles and license plate tabs, and renew drivers' licenses.¹⁴ Agents in 13 states process two of these services, usually titles and tabs.¹⁵ Agents in seven other states have a single function: four do only titles, two do only tabs, and one does only driver's license renewal. For example, North Dakota has a single state office and 13 full-service private agents. Illinois has 102 full-service state offices and over 2,000 private agents that process registration renewals. Figure 1.7 shows states using private agents for none, one, or two or more of these functions.

In many states, including Minnesota, deputy registrars vary widely in size, and small deputies must often be part of another business to survive financially. States

¹² Several states told us that automobile dealers, leasing companies, and car rental agencies performed some motor vehicle functions. Most often, automobile dealers completed part of the title paperwork for new cars or a transfer on a used car. We did not collect information on the number of states in which dealers perform these functions.

¹³ Four of these states use multiple state and local government offices to register and title motor vehicles. Nevada and New York operate state and county offices; New Hampshire uses state and municipality offices. In Maryland, state offices, county treasurers, and private agents provide motor vehicle services.

¹⁴ Connecticut has two types of private agents. Leasing companies process vehicle titles and tabs for their own fleet; AAA processes driver's license renewals.

¹⁵ In eleven of these states, private agents process titles and tabs. In Ohio, private agents process motor vehicle registration renewals and driver licenses. In Connecticut, private agents process titles and driver's license renewals.

Table 1.2: Responsible Governmental Entity, Number of Public and Private Agents, and Type of Transactions Processed by Private Agents for Fifty States and the District of Columbia, 1993

State	State or Branch Offices	Other Public Offices	Number of Agents		Private Agents Process		Driver's License Renewal
			Public	Private ¹	Titles	Tags	
Alabama	No	Counties	77	Car dealers	Car dealers		
Alaska	Yes	Counties	32	2	Yes	Yes	Yes
Arizona	Yes	Branches in 1 county	81	Car dealers	Car dealers do paperwork		
Arkansas	Yes	No	150				
California	Yes	No	172	Car rental, AAA, Registration service #?	Car rental, AAA, Registration service	AAA, Registration service	
Colorado	No	Counties	107				
Connecticut	Yes	No	11	Leasing companies, AAA(5)	Leasing companies		AAA
Delaware	Yes	No	4				
Dist. of Columbia	Yes	No	2				
Florida	No	Counties	67	26	Yes	Yes	
Georgia	No	Counties	159				
Hawaii	No	Counties	13	Registration services	Yes	Yes	
Idaho	No	Counties	50				
Illinois	Yes	No	102	Licensed remitters 1006; Financial institutions 2246	Licensed remitters	Yes	
Indiana	Yes	No	166	4 banks	Yes	Yes	Yes
Iowa	No	Counties	103				
Kansas	No	Counties	115				
Kentucky	No	Counties	140				
Louisiana	Yes	No	83	Title service company, Car dealers	Yes		
Maine	Yes	Some municipalities	444				
Maryland	Yes	Some counties	32	60	Yes	Yes	
Massachusetts	Yes	No	32				
Michigan	Yes	A few police stations	185; Some sheriffs do DL renewal	Fleets, Car rental	Fleets, Car rental	Fleets, Car rental	
MINNESOTA	No	Some counties and cities	91	78	Yes	Yes	Yes, Selected agents
Mississippi	No	Counties	92	Application form at car dealers, financial	Application form at car dealers, financial		
Missouri	Yes	3 in city	14	165	Yes	Yes	Yes

Table 1.2: Responsible Governmental Entity, Number of Public and Private Agents, and Type of Transactions Processed by Private Agents for Fifty States and the District of Columbia, 1993, continued

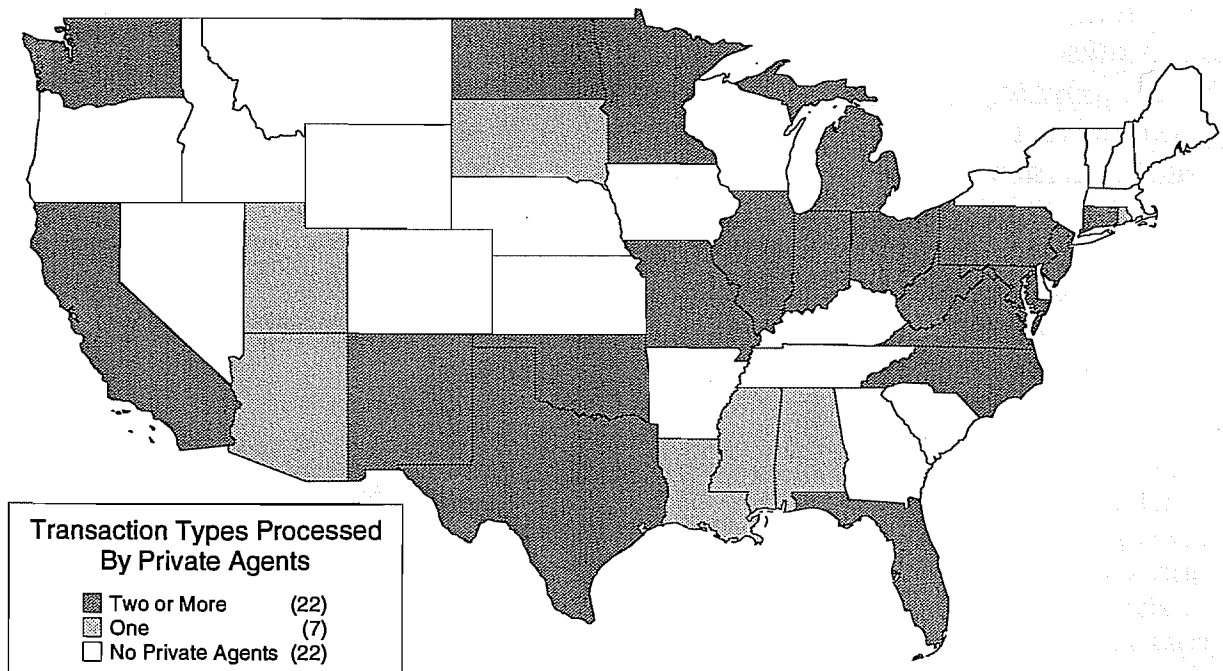
State	Number & Type of Agents		Number of Agents		Private Agents Process		Driver's License Renewal
	State or Branch Offices	Other Public Offices	Public	Private ¹	Titles	Tags	
Montana	Yes	No	57				
Nebraska	No	Counties	98				
Nevada	Yes	Some counties	27				
New Hampshire	Yes	Some municipalities	157				
New Jersey	Yes	1 county	26	22	Yes	Yes	Yes
New Mexico	Yes	Some municipalities	64	5	Yes	Yes	Yes
New York	Yes	Counties	101				
North Carolina ²	Yes	No	2	124	Yes	Yes	
North Dakota	No	No	1	13	Yes	Yes	Yes
Ohio	No	Counties	88	208		Yes	Yes
Oklahoma	No	No	2	294	Yes	Yes	Yes
Oregon	Yes	No	66				
Pennsylvania	No	No	1	187 Messenger Services, 100 AAA, 1950 Tag Agents	Car Dealers, AAA, Messenger Services	Tag Agents Messenger Services	Messenger Services
Rhode Island	Yes	No	9	AAA tabs & plate cancellation		AAA tabs & plate cancellation	
South Carolina	Yes	No	75				
South Dakota	No	Counties	66	6 agents go to private companies for DL renewal			Yes
Tennessee	No	Counties	95				
Texas	No	Counties	254	177 substations 350 deputized by counties	Yes	Yes	
Utah	Yes	Counties	27	10		AAA Drop-off	
Vermont	Yes	No	6				
Virginia	Yes	A few cities or counties	69	35	Yes	Yes	
Washington	No	Counties	39	147+	Yes	Yes	
West Virginia	Yes	No	3	License services	Yes	Yes	
Wisconsin	Yes	No	27				
Wyoming	No	Counties	23				

Source: OLA Phone Survey, AAA Motor Guide.

¹If number of private agents is not known, type of agent is specified.

²Additional sites process driver's license renewals.

Figure 1.7: States Using Private Agents to Process Titles, Automobile Registration, Or Driver's License Renewals



Source: Office of the Legislative Auditor.

Note: Agents in Alaska and Hawaii process three types.

often use private agents to improve access to motor vehicle services. For example, Alaska mostly uses public agents, but uses private agents in remote areas of the state.

Officials from several states said the design of their system is based on tradition or tax policy. Longstanding patronage systems are used in Missouri, New Jersey, North Carolina, and North Dakota. Many states in which counties assess personal property taxes on motor vehicles delegate registration of motor vehicles to the counties.

State Regulation

In Minnesota, the state or county may appoint private individuals or corporations as deputy registrars based on geographic and economic criteria. Once appointed, they cannot be removed without cause. The state Department of Public Safety closely regulates each deputy.

Unlike Minnesota, some states appoint private agents under a formal contract.

States vary considerably in the way they regulate private agents. Many states regulate the number and location of private agents according to geographic or economic factors similar to those used in Minnesota, such as sparsity, population of the county, and projected financial impact on or distance to the nearest agent.

Unlike Minnesota, the agent is often appointed under a formal contract. In Ohio, private agents bid on a two-year contract.¹⁶ Selection of Ohio agents involves comparing their bids against a point system based on economic and demographic factors and applicant qualifications. About 20 percent of agents turn over each year, and they have an ongoing training program using a network of field representatives. Ohio also loans each agent a computer, incorporating an automated system for calculation, forms completion, and reporting.

Almost 300 private agents in Oklahoma work under a continuing contract, but they may be removed for any reason. Agents in the metropolitan areas must be three miles apart, and elsewhere the state limits the number of agents per town. Oklahoma has a \$30,000 cap on net agent fees based on IRS reimbursable expenses and agents are subject to multiple state audits.

Some states identify agents by their occupation or business. In a few states, only car dealers, car rental agencies, leasing companies, and fleets process their own titles and registration. In Illinois, over 2,000 financial institutions process tab renewals. Officials in Wisconsin told us that they are considering authorizing currency exchanges to issue tabs.¹⁷ Some states delegate part or all of the appointment function to counties, which regulate their own sub-agents.

We identified six states (California, Pennsylvania, Maryland, Illinois, Hawaii and West Virginia) who register and bond registration services that act as an agent for the customer. These agents may pick up the paperwork, help complete forms, deliver applications to a central or branch office, complete payment, and return the tab or plate to the customer, charging a fee for each level of service. In Pennsylvania, only the central state office issues tabs and titles, and 187 private agents assist citizens with registration or title applications.

We asked officials from other states whether the right to be an agent could be sold to another private party. We found that:

- **Minnesota is the only state where the right to provide motor vehicle and driver's license services in a protected, restricted environment can be sold to a private agent.**

Officials from other states told us that the right to provide motor vehicle and driver's license services could not be sold. In states where the agents are self-selected and operate in an open environment, the agents may incorporate and sell their business, but there is no exclusive right to provide these services. Officials from most states told us that they wanted a person designated as the agent, even

¹⁶ Three years in 1994.

¹⁷ Currency exchanges perform various functions, such as check cashing, and are most often found in urban areas.

when the true agent was a non-profit corporation such as AAA, a Chamber of Commerce, or a Rotary Club.

Officials from several other states said that they were concerned about staff continuity because the work requires considerable knowledge of the motor vehicle and driver's license renewal systems. Missouri requires new agents to attend, at their own cost, a one-week training program, and work at their site with field representatives for two weeks. New Jersey pays all site costs for political appointees, but they also specify staffing and salary levels and require agents to be on site 35 hours per week. Most importantly, the staff is not automatically replaced when a new agent is appointed.

Administrative Fees

In Minnesota, deputy registrars collect an administrative fee of \$3.50 for each motor vehicle title and tab transaction, and driver's license renewal. Fees for DNR transactions are less; \$3.25 for each boat title and \$.50 for each boat, snowmobile, and ATV registration.

We compared Minnesota's administrative fees with fees in other states for three types of transactions: motor vehicle registration renewals (tabs), motor vehicle titles, and driver's license renewals. We excluded from our analysis fees that were not comparable to Minnesota's fees. First, we excluded states that did not distinguish the administrative fee from the tax or user fee. We also excluded walk-in fees charged by four states because they were not designed to compensate agents for their administrative costs. For example, Alaska and Rhode Island have walk-in fees of \$10, but private agents must give this fee revenue back to the state.¹⁸

We excluded fees charged by registration services that are agents of the customer because they do not provide the same type of service as Minnesota's deputy registrars.¹⁹ Unlike Minnesota, these agents provide pick-up and delivery service, but do not process the transaction or issue tabs. Since they are not agents of the state, they are minimally regulated. Their fees may be higher than most administrative fees, but since their fees are unregulated, we could not obtain reliable data.

Finally, we excluded fees in a few states in which agents (such as AAA or grocery stores) provided tab renewal as a customer service at no additional cost. Altogether, our comparison group included 32 states that had administrative fees for tabs, 30 states for titles, and 13 states for drivers' licenses. For each type of transaction, we used the higher of the fees charged by public or private agents in a state. We found:

- **Minnesota's administrative fees for motor vehicle titles, tabs, and driver's license renewal are higher than fees in most other states.**

¹⁸ Wisconsin and Arkansas have walk-in fees of \$3 and \$2 respectively, but officials said that these fees are designed to encourage service by mail rather than cover the transaction cost.

¹⁹ California, Illinois, Pennsylvania, Maryland, Hawaii, and West Virginia have licensed but minimally regulated registration services.

The median administrative fee was \$2.00 for license plate tabs, \$2.50 for titles, and \$3.00 for driver's license renewals.

The median administrative fee was \$2.00 for tabs, \$2.50 for titles, and \$3.00 for driver's license renewal.²⁰ Fees ranged from \$.75 to \$5.25 for tabs, from \$.75 to \$5.50 for titles, and from \$1.00 to \$7.50 for drivers' licenses. Compared to Minnesota, three states had the same or higher fees for tabs, six states had higher fees for titles, and three states had higher fees for driver's license renewals.

For each category, the median fee for private agents was slightly higher than that for public agents. In many states, private agents charged the same fee as public agents, most often because fees were limited legislatively. Officials in several states with relatively low fees told us that they felt their fees were too low, restricting the ability of private agents to hire and retain adequate staff.

Use of Technology

Minnesota lags behind most other states in its use of technology. One area in which Minnesota is behind other states involves how it enters motor vehicle registration and title records into the state's data base. We found:

- Most other states upload information electronically from agents to the central database, while Minnesota duplicates data entry already performed by the deputy registrars.

Minnesota lags behind most states in use of computer technology.

Minnesota uses bar coding to scan information from unaltered bills for registration renewal. However, each year, DPS clerical staff manually enter into the state's database about 1.5 million title transactions and about 1 million registration renewals that cannot be electronically scanned. Most of this data entry duplicates work already performed by deputy registrars on their own computers. Many states upload this information electronically from agents to their central database. We believe that Minnesota could save substantial resources by electronically processing this information. In addition, motor vehicle records would be updated more quickly. The Department of Public Safety plans to test this approach for registration renewals in 1994 with the deputy registrar in Faribault. It plans to fully implement this approach in about two years.

Less than one-fourth of Minnesota's deputy registrars can retrieve information electronically from the state's motor vehicle data base. In most states, most public and private agents have computers that are connected to the central database. Most of these states either loan or lease computer equipment to agents or require anyone interested in being an agent to buy their own computers.

Agents in these states typically use computers to perform calculations, complete forms, and generate reports. States where private agents perform multiple motor vehicle functions for the public, such as Ohio and Oklahoma, are more likely to use computers extensively. Private agents with limited functions, such as financial institutions in Illinois, are not similarly automated. Many states are planning system upgrades to expand the use of computers. Officials in several states told us

²⁰ The median is the midpoint of the sample; half of the agents have higher fees and half have lower fees.

that they were planning to integrate motor vehicle and driver's license databases or currently have such a system in place.

System automation may increase agent productivity by streamlining access to state databases, calculating fees owed, and processing forms. We were also told that the need for centralized audits of agent paperwork is also reduced by the use of automation. We collected limited data on how other states review agent transactions for errors. Several states use a system similar to Minnesota's. In other states, officials told us that increased automation reduced their need to manually enter and review agent work. Officials in North Carolina told us that under their new system, error verification will be done by taking a random sample of all agents, although at a higher rate (10 percent) for new offices. They feel comfortable doing this, because the new computer system will perform all calculations and generate the forms. Database integration allows states to access information on drivers' licenses and vehicle registrations simultaneously, or link this information to other data.

Kiosk Technology

Some states are experimenting with kiosk technology for processing motor vehicle transactions. Kiosks are stand-alone units, similar to automated teller machines, and often use appealing graphics and touchscreen technology.

We were told that the location of kiosks and the extent and variety of information and services offered are important determinants of success. Virginia's unsuccessful pilot test was in part due to the cost of placing a kiosk in a high traffic shopping mall. The Social Security Administration has kiosks in several branch office lobbies, minimizing security concerns. California's InfoCalifornia project provides 24-hour access to information about government services from 15 kiosks in two counties. The program recently won a 1993 Innovations in State and Local Government Award from Harvard University. We were told that citizens will eventually be able to obtain tabs and renew drivers' licenses. Other states are also studying this technology, including Washington, Wisconsin, Alaska, and South Dakota.

Integrating Emissions Testing and Registration Renewal

Minnesota is one of several states that require automobile emissions tests, either statewide or in designated metropolitan areas, as a prerequisite to registration renewal. Residents of the Twin Cities metropolitan area must make two stops to renew their automobile registration. To allow one-stop registration renewal, some states have looked at providing renewals at the emission test sites. Oregon has run an award-winning pilot program in the city of Medford (population 67,000) for several years. No staff were added at the state-run emission test site and there was a 20 percent increase in emissions test waiting time. However, we were told by Oregon officials that customers are happier because they make only one stop. The paperwork for tabs must still be entered into the motor vehicle database at a local state-run motor vehicle office, since they do not as yet have an integrated system. The workload in that office has not decreased overall, although it is easier to

Some other states are experimenting with kiosk technology and integrating emission testing with registration renewal.

schedule. However, when the two systems are integrated, it is likely that work-load in the motor vehicle office will decrease. Since they have had long waiting times previously, no staff will probably be released. They plan to expand to Portland when the entire system is automated and integrated. Washington, Wisconsin, Connecticut, and New Hampshire are also studying integrating emission testing and registration renewal.

Arizona introduced emission testing on a voluntary basis at several sites that processed registration renewals. When it fully implemented emission testing, it chose not to offer registration renewals at its permanent emission test stations. A state official told us that combining these two functions would increase transaction and waiting times.

New Jersey requires emissions tests statewide. Most of their motor vehicle offices, including private agents, are located near an inspection station. In addition, there are five full service facilities which combine motor vehicle agents (two of which are private), driver's license testing, and a state-run inspection station.

Wisconsin officials told us that their contract for emissions testing services is currently up for renewal. They have written the specifications for the new contract to include an option for the state to require the emissions contractor to issue tabs. Contractors are to provide specific "mini-proposals" for integrating tab renewal with emissions testing as part of their bid for the state contract.

Renewal by Mail and Phone

Minnesota and almost every other state allow residents to renew their vehicle registration by mail. Minnesota charges the same fee for mail service as it does for walk-in service and it processes about 9 percent of license plate tab renewals by mail. Comparable data from 18 other states indicate that:

- Other states process more registration renewals by mail than Minnesota.

**On average,
other states
process about
half of
registration
renewals by
mail.**

States with non-mandatory mail renewal process an average of 53 percent of registration renewals by mail, about six times Minnesota's percentage. A few states, such as Connecticut and New York, require tab renewal by mail.

One reason that other states process more tabs by mail may be that most states do not charge an administrative fee for mail renewal. Some states (Alaska, Arkansas, Maine, Wisconsin, and Rhode Island) encourage mail renewal by charging a "walk-in" fee of up to \$10.00. Another reason may be that, unlike Minnesota, some states include a return envelope with their registration bill. In a few states with county systems, renewals may be done by mail directly to the county.

A few states, such as Wisconsin and Oklahoma, permit tab renewal by phone with payment by credit card and others, such as Massachusetts and Pennsylvania, are studying this option. Michigan and Indiana permit credit card payment for mail renewals. Some state officials said that they have not implemented credit card pay-

ments because they were told that they cannot charge customers for using credit card services. Wisconsin officials told us that this was not an issue for them because they have a legislatively designated service fee and a similar fee may be charged for credit card transactions.

SUMMARY

States use a wide variety of systems to register and title motor vehicles and to renew drivers' licenses. To provide access to the public, states supplement the central state office with state branch offices, county or municipal offices, or private agents. Minnesota's system of public and private agents, regulated by a central state office, is fairly typical of the states using public and private agents. Like private agents in many other states, deputy registrars vary widely in size, and small deputies must often be part of another business to survive financially.

Minnesota's system for initially appointing private agents is similar to that used in several other states. However, Minnesota is unique in allowing the sale of a deputy registrar business sheltered by the state from competition.

Minnesota lags behind most other states in how it uses technology. Less than one-fourth of all deputy registrars have computer access to the state database, and much of the data entry performed by state employees duplicates work already performed by deputy registrars.

Customer Service

CHAPTER 2

This chapter examines how well deputy registrars serve their customers. Good customer service includes prompt, reliable service, convenient locations and hours, and courteous, helpful staff. In this chapter, we ask:

- How accessible are deputy registrars for Minnesota residents? How does Minnesota compare with other states?
- How long do customers wait before being served at deputy registrars?
- How many hours are deputy registrars open? How many are open during the evening or on Saturdays?
- How often do deputy registrars make errors on motor vehicle transactions?
- How do waiting times, hours, and error rates vary among deputy registrars? How do private deputies compare with public deputies? How do large deputies compare with small deputies?

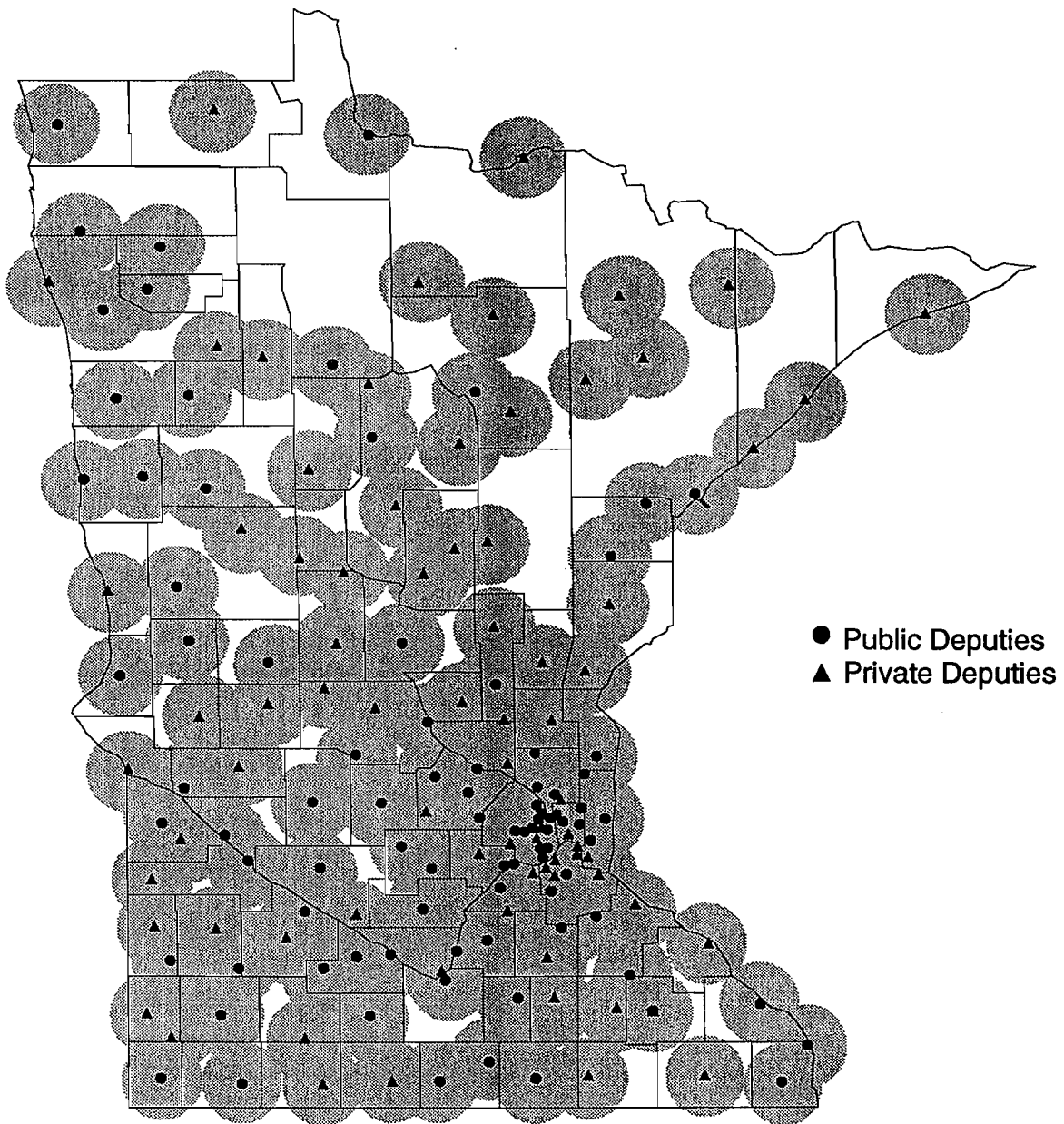
ACCESS

To examine Minnesota residents' access to deputy registrars, we mapped the locations of deputy registrars and driver's license stations. We also compared the number of locations providing motor vehicle services in Minnesota with the number in other states, adjusting for population and geographic size.

Location of Deputy Registrars and Driver's License Stations

Minnesota's 168 deputy registrars are spread throughout the state. There is at least one in every county. Figure 2.1 shows the areas of the state that are within 15 miles of a deputy registrar. Each circle in the figure is centered on a deputy registrar and has a radius of 15 miles, the minimum distance standard for new deputy registrars. In southern Minnesota, almost everyone lives within fifteen miles of a deputy registrar, and nobody lives more than 25 miles away. In northern Minne-

Figure 2.1: Area Served Within 15 Miles of Minnesota Deputy Registrars

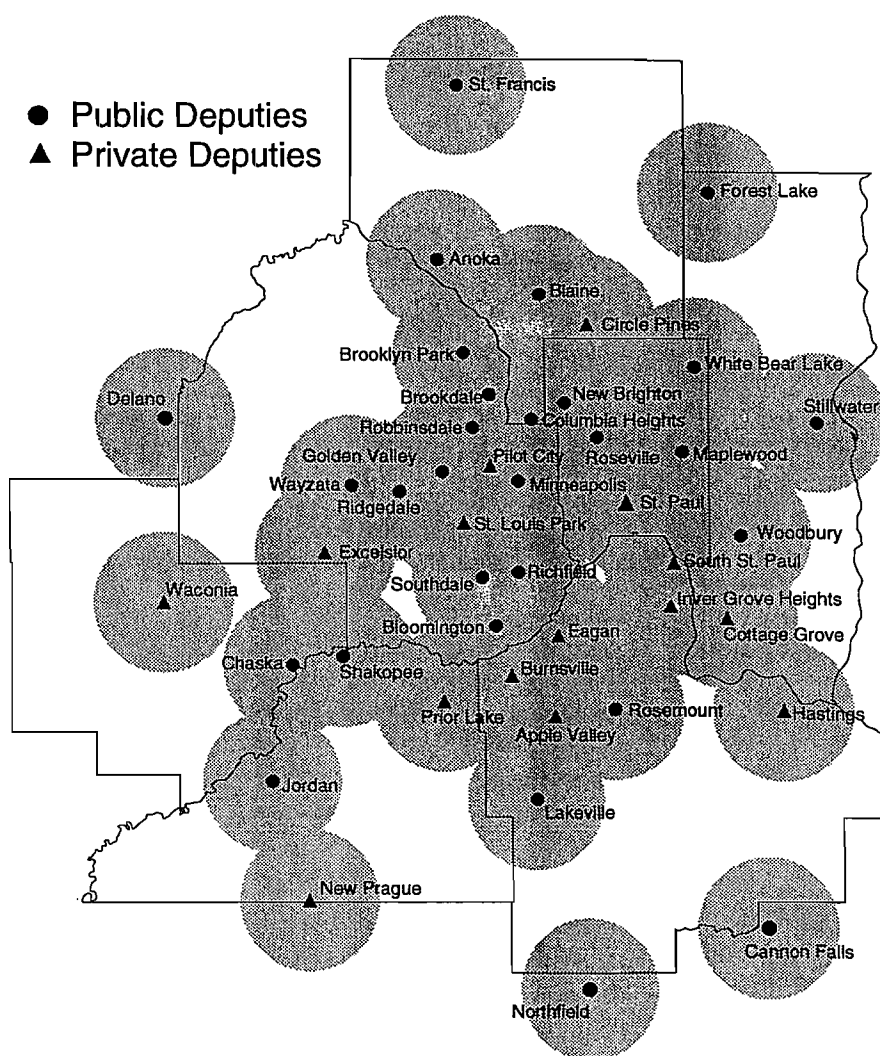


Source: Office of the Legislative Auditor.

sota, there are many sparsely settled areas that are more than 15 miles from the nearest deputy registrar, and a few areas that are more than 40 miles away.

Figure 2.2 displays the location of deputy registrars in the Twin Cities metropolitan area, and shows the area that is within 5 miles of a deputy registrar, the minimum distance standard for new deputy registrar offices in metropolitan counties.

Figure 2.2: Area Within A Five Mile Radius of Deputy Registrars in the Twin Cities Metropolitan Area



Source: Office of the Legislative Auditor.

All deputies process registration renewals for motor vehicles, boats, snowmobiles, and all-terrain vehicles. They also process initial titles and title transfers for motor vehicles and boats. However, only 81 out of the 168 deputy registrars process drivers' licenses. These deputies are shown in Figure 2.3, along with other state and county driver's license stations. Overall, there are 130 stations that renew drivers' licenses, including at least one in every county. We did not include state driver's license stations that give driver tests but do not renew drivers' licenses. These stations are usually served by state staff from a larger station for a few days a month, but do not have a camera to process driver's license renewals.

Comparison with Other States

Access to motor vehicle services in Minnesota is slightly above average.

We used two measures to compare access to motor vehicle services among the 50 states: the number of locations per 100,000 residents and the number of locations per 1,000 square miles. Neither measure, by itself, is a good indicator of access. Sparsely settled states such as Alaska, Wyoming, and North Dakota cannot be expected to have as many locations per 1,000 square miles as other states. Nor can densely settled states be expected to rank high in terms of locations per 100,000 residents. As a result, we compared Minnesota with 20 states that have roughly similar population densities: the ten states that rank immediately above and the ten states that rank immediately below Minnesota on population density. Table 2.1 lists each state, ordered by population density, along with each access measure. We found that:

- Minnesota ranks slightly above average in access to motor vehicle services compared with other states that have similar densities.

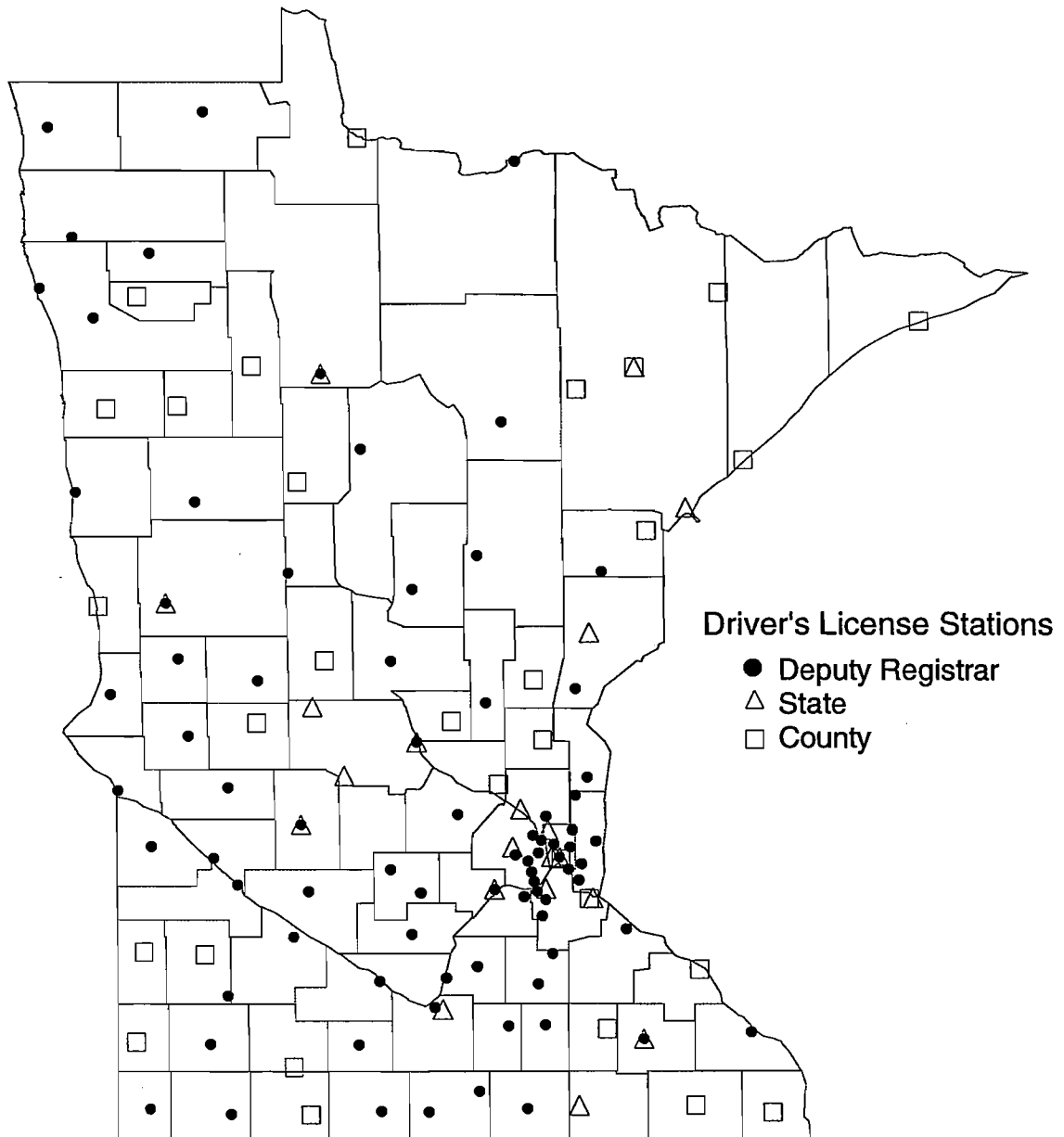
Out of these 21 states, Minnesota ranks 8th in locations per 1,000 square miles and 7th in locations per 100,000 residents. Minnesota has 2.0 agents per 1,000 square miles, compared with the median of 1.76, and has 3.86 agents per 100,000 residents, compared with the median of 3.58. Minnesota also ranks slightly above Iowa, which has nearly the same population density.

Among all 50 states, Minnesota ranks higher than 15 states on both measures and lower than 7 states on both measures. States with higher access rankings are Oklahoma, Texas, Pennsylvania, Illinois, Arkansas, Maine, and New Hampshire. For example, Oklahoma has almost 300 private agents that provide driver licenses and motor vehicle titles and tabs.

We conclude that:

- Minnesota provides reasonably good access to motor vehicle, driver's license, boat, and snowmobile services.

Figure 2.3: Location of Driver's License Renewal Stations



Source: Office of the Legislative Auditor.

Table 2.1: Access to Motor Vehicle Services, Minnesota Compared With Other States, 1993

State	Population Density	Agents per Thousand Square Miles	Agents per 100,000 Population	Number of Agents ¹	
				Public	Private
Alaska	0.9	0.06	6.18	32	2
Wyoming	4.6	0.24	5.07	23	
Montana	5.4	0.39	7.13	57	
North Dakota	9.0	0.20	2.19	1	13
South Dakota	9.0	0.86	9.48	66	
Nevada	10.9	0.24	2.25	27	
Idaho	12.0	0.60	4.97	50	
New Mexico	12.5	0.57	4.55	64	5
Utah	20.3	0.44	2.15	27	10
Nebraska	20.4	1.27	6.21	98	
Oregon	29.3	0.68	2.32	66	
Kansas	30.1	1.40	4.64	115	
Colorado	31.6	1.03	3.25	107	
Arizona	32.2	0.71	2.21	81	Car Dealers
Maine	36.9	13.35	36.16	444	
Arkansas	44.2	2.82	6.38	150	
Oklahoma	45.0	4.23	9.41	2	294
Iowa	49.3	1.83	3.71	103	
MINNESOTA	51.8	2.00	3.86	91	78
Mississippi	54.0	1.93	3.58	92	Application Form at Car Dealers, Financial Institutions
Vermont	58.5	0.62	1.07	6	
Texas	63.7	2.93	4.6	254	177 substations, 350 deputized agents
Washington	71.4	2.73	3.82	39	147, may be additional county subagents
Missouri	73.4	2.57	3.50	14	165
West Virginia	74.0	0.12	0.17	3	Also car dealer, license services
Alabama	78.1	1.49	1.91	77	Car Dealers
Wisconsin ²	87.1	0.48	0.55	27	
Louisiana	88.4	1.76	1.99	83	Car Dealers, 1 Title Service Company
Kentucky	91.2	3.46	3.80	140	
Georgia	110.0	2.70	2.45	159	
South Carolina	112.1	2.41	2.15	75	
Tennessee	115.7	2.25	1.95	95	
New Hampshire	119.5	16.92	14.15	157	
North Carolina	125.9	2.39	1.90	2	124
Virginia	151.8	2.55	1.68	69	35
Indiana	153.2	4.70	3.07	166	4 Banks
Michigan	158.8	3.16	1.99	185	Fleets, Car Rental
Hawaii	171.3	2.01	1.17	13	Registration Services
California	187.5	1.08	0.58	172	Car rental, AAA, Registration Services
Illinois	202.9	41.67	20.54	102	2246 Financial Institutions, also Licensed Remitters
Florida	220.5	1.59	0.72	67	26
Pennsylvania	262.2	43.04	16.41	1	1950 Agents for Registration Renewal, also Messenger Services
Ohio	262.5	7.16	2.73	88	208
Delaware	325.8	1.96	0.60	4	
New York	366.3	2.06	0.56	101	

Table 2.1: Access to Motor Vehicle Services, Minnesota Compared With Other States, 1993, continued

State	Population Density	Agents per Thousand Square Miles	Agents per 100,000 Population	Number of Full-Time Agents ¹	
				Public	Private
Maryland	457.1	8.80	1.92	32	60
Connecticut	655.0	2.19	0.33	11	Leasing Companies
Massachusetts	726.3	3.86	0.53	32	
Rhode Island	827.7	7.42	0.90	6	3 AAA
New Jersey	992.7	6.16	0.62	26	22
District of Columbia	8834.1	29.11	0.33	2	

Source: Office of the Legislative Auditor.

¹Number of public agents includes state offices. In some cases the total number of agents is not known and the agent ratio may be higher. We excluded agents who only renew drivers' licenses.

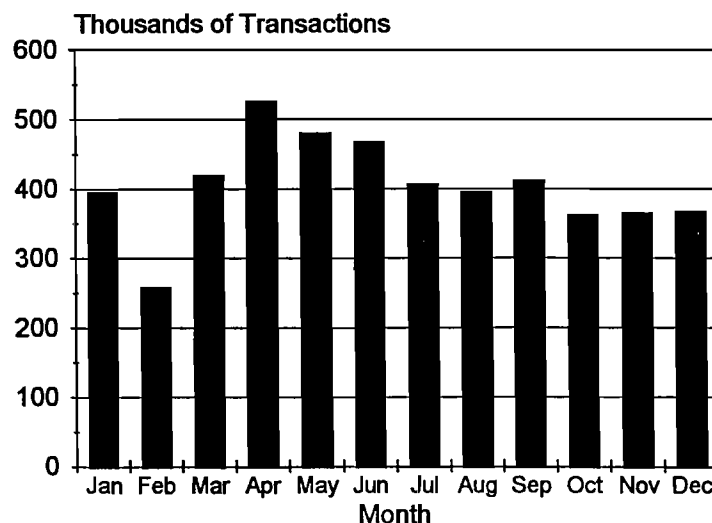
²Wisconsin also has several travel teams which provide part time services to several locations. Other states may provide similar services.

WAITING TIME

To examine customer waiting times, we made 205 visits to deputy registrars during the summer and fall of 1993, and obtained data from Hennepin County, which tracks waiting times for each of its four service centers. We also interviewed deputy registrars and DPS field representatives, who regularly monitor deputy registrars.

To interpret waiting times found in our study, it is important to recognize that waiting times vary from month to month and day to day. According to deputy registrars and field representatives we interviewed, the longest waiting times tend to occur in spring because it is the busiest season of the year. The slowest season is winter, particularly between mid January and late February. Figure 2.4 shows that

Spring is the busiest season.

Figure 2.4: Motor Vehicle Transactions Processed by Deputy Registrars, 1993

Source: Department of Public Safety.

in 1993, the number of motor vehicle transactions ranged from a low of 258,000 in February to a high of 526,000 in April. The Department of Public Safety staggers registration due dates for automobiles, passenger vans, and light trucks from March through December, and sets March 1st as the due date for renewing the registration of trucks, motorcycles, and trailers. However, vehicle registrations do not have to be renewed until the vehicle is used. As a result, many people wait until spring to renew seasonal vehicles, such as boat trailers.

Transaction volume also varies from day to day. Registration renewals are due at the end of the month, though there is a ten day grace period. Many deputy registrars observed that the busiest days tend to be the first ten days of the month and the days at the end of the month.

Our sample reflects waiting times during the busy half of three "average" months.

We made 205 visits to deputy registrars between July 29 and October 11, 1993. As a result, our observation period does not include the busiest season (spring), nor the slowest season (winter, particularly February). We made about 80 percent of our visits during the last two business days of the month or the first ten days of the month. Thus, our sample reflects waiting times during the busy half of three "average" months.

We visited 86 deputy registrars, including all 41 deputy registrars in the Twin Cities metropolitan area and 45 deputies outside the metropolitan area. To save travel time, we made about 90 percent of our trips within 75 miles of St. Paul, an area that includes Rochester, Mankato, and St. Cloud. For deputy registrars in the Twin Cities metropolitan area, we made at least two visits, usually three. We visited all of the large deputy registrars in the state and most of the medium-large deputies. Since deputies in the Twin Cities area are larger than deputies in the rest of the state, waiting times found in our sample may not reflect average waiting times in the state. As a result, we grouped visits by size of deputy (annual average number of transactions), and type (public or private). To estimate state averages, we weighted group averages in proportion to their frequency in the state rather than their frequency in our sample. Thus, unless waiting times for deputies outside the Twin Cities area are significantly different from deputies of the same size that are near the Twin Cities area, our sample should reflect state averages. Interviews with DPS field representatives indicate that small deputies rarely have long waiting times throughout the state, which is consistent with our findings for small deputies in our sample.

Overall, we found that:

- Most people received prompt service from deputy registrars.

During the time period we studied, about half of the walk-in customers waited one minute or less, and 76 percent waited less than 5 minutes. The average waiting time was about 4.2 minutes.

The average waiting time was about 4.2 minutes.

Waiting time varied from 0 to 60 minutes during our visits. Overall, 14 percent of deputy registrar customers waited at least 10 minutes, 7 percent waited at least 20 minutes, and 2 percent waited 30 minutes or longer.

Table 2.2: Customer Waiting Time by Size of Deputy Registrar

<u>Size Category</u>	<u>Annual Number of Transactions</u>	<u>Average Wait In Minutes</u>	<u>Percent of Customers Waiting At Least:</u>			
			<u>5 Minutes</u>	<u>10 Minutes</u>	<u>20 Minutes</u>	<u>30 Minutes</u>
Small	Less than 12,000	1.1	8%	1%	0%	0%
Medium-small	12,000-24,000	1.6	10	5	1	0
Medium-large	24,000-60,000	2.6	15	9	4	1
Large	More than 60,000	6.5	36	22	12	4
Total		4.2	24%	14%	7%	2%

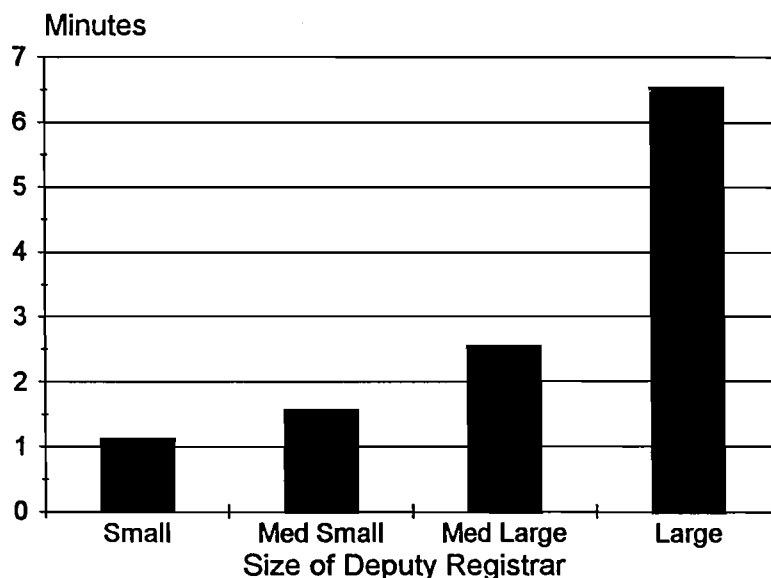
Source: Office of the Legislative Auditor.

Table 2.2 and Figure 2.5 show how waiting times varied by size of deputy. We grouped deputy registrars into four categories, based on the average annual number of transactions during fiscal years 1992 and 1993: large (over 60,000 transactions), medium (24,000-60,000), medium-small (12,000-24,000), and small (less than 12,000). We found that:

- Large deputies have longer waiting times than small deputies.

Average waiting time ranged from 6.5 minutes for large deputies to 1.1 minutes for small deputies.

The average waiting time was 6.5 minutes for large deputies, 2.6 minutes for medium-large deputies, 1.6 minutes for medium-small deputies, and 1.1 minutes for small deputies. Out of 103 visits to deputies with less than 50,000 transactions per year, only once was there any customer who waited longer than 20 minutes, compared with 24 out of 102 visits for deputies with more than 50,000 transactions.

Figure 2.5: Average Customer Waiting Time by Size of Deputy Registrar

Source: Office of the Legislative Auditor.

- **Waiting times at public deputies were not significantly different than at private deputies.**

We estimate that the average wait time was 4.1 minutes for private deputies and 4.3 minutes for public deputies. The difference between public and private deputy registrars was not statistically significant, even when we controlled for size.

Waiting times vary among deputies within each size category. Some deputies often have long waiting times, particularly around the 10th of each month. For example, Hennepin County's four service centers (Brookdale, Southdale, Ridgedale, and Hennepin County Government Center) had an average waiting time of 15 minutes during the summer months, considerably longer than other large deputy registrars. In addition, 12 percent of Hennepin County's customers had to wait over 30 minutes. While we did not visit individual deputy registrars enough times to obtain reliable average waiting times for each deputy, our observations and interviews with deputy registrars indicate that there are large differences among deputies. For example, some people had to wait at least 30 minutes during at least two of our visits to four deputy registrars in the Twin Cities area (St. Paul Sears, AAA Burnsville, AAA St. Louis Park, and Maplewood).

DEPUTY REGISTRAR BUSINESS HOURS

Another indicator of customer service is a deputy registrar's business hours. All deputy registrars report their hours to the Department of Public Safety. We used DPS data for 1993 to measure the total number of hours deputy registrars were open per week, whether they were open on Saturdays, and whether they were open during the evening (after 5:30 p.m.).

Deputy registrars are open an average of 43.8 hours per week.

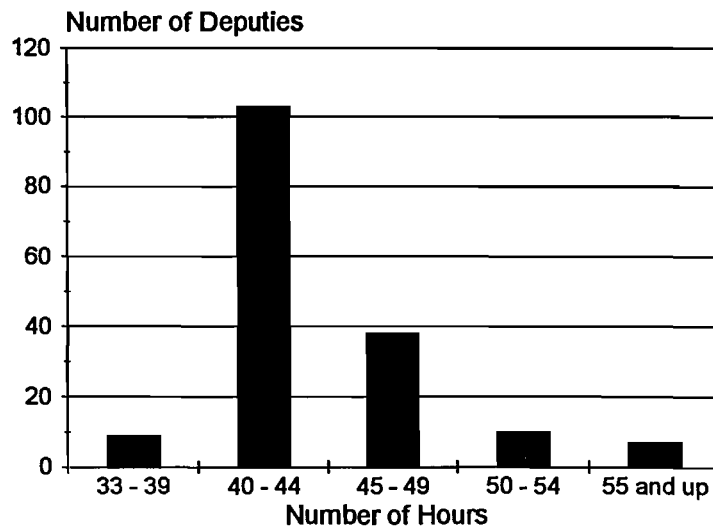
We found that deputy registrars were open an average of 43.8 hours per week. About 29 percent of deputy registrars were open on Saturdays, and 23 percent were open at least one evening per week.

Deputy registrars were open between 33.5 and 62.5 hours per week, as shown in Figure 2.6. Five percent of deputies were open less than 40 hours per week, 62 percent were open between 40 and 44 hours, 23 percent between 45 and 49 hours, and 10 percent 50 hours or more. The deputy registrar at the St. Paul Sears store was open for 62.5 hours per week, the most in the state.

Table 2.3 and Figures 2.7 and 2.8 show how hours vary by size and type of deputy. We found:

- **Compared with small deputies, large deputies are open for more hours and are more likely to be open on Saturdays and evenings.**

Large deputies are open an average of 48.5 hours per week, compared with 41.5 hours for small deputies. For most small deputies, it is not economical to be open for long hours. For example, there are 17 deputy registrars in Minnesota that

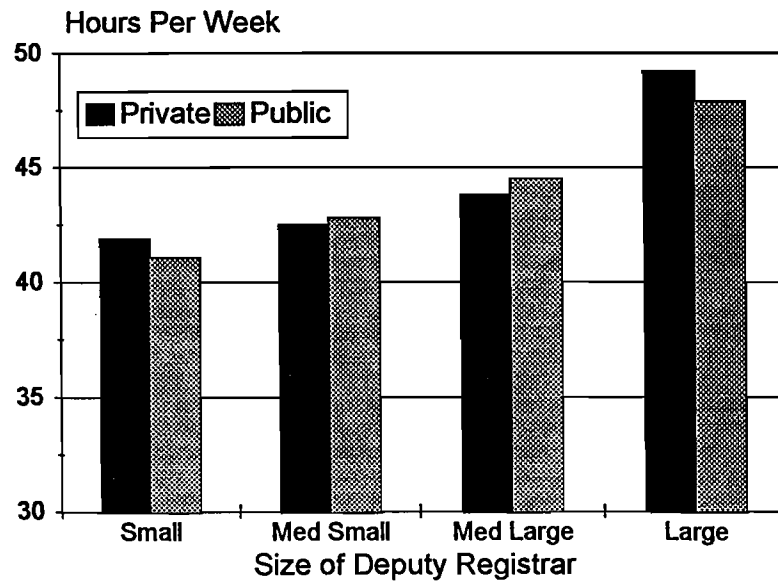
Figure 2.6: Deputy Registrar Business Hours

Source: Department of Public Safety.

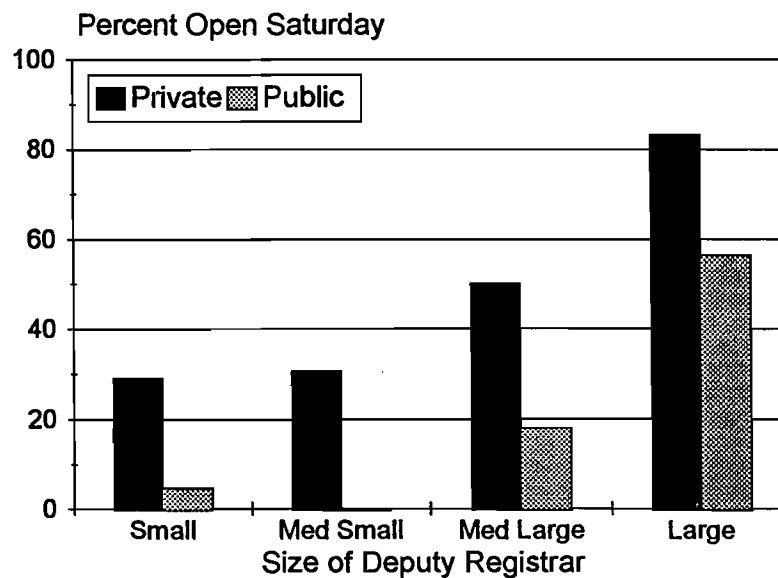
Table 2.3: Business Hours by Size and Type of Deputy Registrar, 1993

	<u>Small</u>	<u>Medium-Small</u>	<u>Medium-Large</u>	<u>Large</u>	<u>Total</u>
Average Hours Open per Week					
Private	41.9	42.5	43.8	49.2	43.6
Public	41.1	42.8	44.5	47.9	43.9
Total	41.5	42.7	44.3	48.5	43.8
Percent Open on Saturday					
Private	29.2%	30.8%	50.0%	83.3%	42.3%
Public	4.8	0.0	17.9	56.3	16.9
Total	17.8	16.0	29.6	67.9	28.7
Percent Open during Evenings					
Private	16.7%	19.2%	18.8%	50.0%	23.1%
Public	9.5	8.3	39.3	37.5	23.6
Total	13.3	14.0	31.8	42.9	23.4
Number of Deputies					
Private	24	26	16	12	78
Public	21	24	28	16	89
Total	45	50	44	28	167

Source: Department of Public Safety and Office of the Legislative Auditor.

Figure 2.7: Business Hours by Size and Type of Deputy Registrar

Source: Office of the Legislative Auditor.

Figure 2.8: Saturday Service by Size and Type of Deputy Registrar

Source: Office of the Legislative Auditor.

process less than 6,000 transactions per year. At 40 hours per week, these deputies would process less than 3 transactions per hour. This makes it difficult to justify staying open 40 hours, much less, longer hours, unless the deputy registrar is part of a business that normally has long hours. For example, one small deputy that is operated by store employees is open 6 days a week because the store is open those days.

Comparisons between public and private deputy registrars show that:

- **Private and public deputies are open for about the same number of hours per week, though private deputies are more likely to be open on Saturdays.**

**On Saturdays,
42 percent of
private
deputies are
open,
compared with
17 percent of
public deputies.**

Private deputies are open an average of 43.6 hours per week, compared with 43.9 hours for public deputies. On Saturdays, 42 percent of private deputies are open, but only 17 percent of public deputies are open. One reason that few public deputy registrars are open on Saturdays is that they are often located in city hall or the county courthouse and can not be open unless the whole building is open. In addition, some public deputies said there is staff resistance to staying open on Saturdays.

ERROR RATES

Another measure of customer service is how often a title is suspended because of an error by the deputy registrar. When customers apply for a new title or a title transfer, the deputy registrar is responsible for ensuring that there is proper documentation and that the application form is properly completed. The Department of Public Safety does not issue a title until it reviews the documents. If the department finds an error, it suspends the title until it obtains proper documentation. The department also reviews registration renewals if the original registration bill was modified or lost.

We collected data on errors made by each deputy registrar during 1992 from the Department of Public Safety. We used the data to compare error rates between large and small deputy registrars and between public and private deputy registrars. We did not measure how many errors were made by DPS nor how many errors were not detected by DPS. But these data should be useful for comparative purposes.

Overall, the Department of Public Safety reviewed about 1.46 million long applications and about 1 million registration renewals in 1992. DPS staff found 24,606 errors made by deputy registrars on these applications, an error rate of 1 percent. Since deputies are much more likely to make errors on long applications than tab renewals, DPS calculates the errors as a percentage of long applications. Table 2.4 lists the frequency of different types of errors. The most common types include errors in tax or fee computation or incomplete exemption documentation (16.2 percent), inadequate lien information (14.8 percent), incomplete title appli-

Table 2.4: Deputy Registrar Errors on Long Applications, Type and Frequency, 1992

<u>Category</u>	<u>Description</u>	<u>Percent of All Errors</u>
Odometer	Omissions and alterations in the odometer statement, including missing readings, alterations, and lower readings than recorded on former title.	13.5%
Lien Information	Failure to follow correct procedures in the release of lien or repossession when lien not perfected.	14.4
Incomplete Tax-Free	Errors in calculation and required information for excise tax, registration tax, base values and other taxes, including any exemption information.	16.3
Incomplete Title Application	Omissions, errors, and alterations on the title application, including name, date of birth and driver license number, and information about base value, insurance policy, motorcycle engine number, trade-in, and signatures and dates.	14.4
Bill of Sale	Missing, inaccurate, or altered bills of sale, including date, signature, joint owners, disclosure, and duplicate title information.	12.6
Incomplete Supporting Documents	Missing or incomplete documents, including court papers, corrected title applications, receipts, photos, proof of death, proof of ownership, and proof of name change.	4.4
Miscellaneous	Includes specific categories for verification, issuance of wrong plate or sticker, failure to issue new plate when required, and salvage renewal. Also includes other miscellaneous situations, usually accompanied by an explanation of the specific problem.	24.3

Note: Percentages may not total 100 due to rounding.

Source: Department of Public Safety.

cation (14.4 percent), and odometer readings that were missing, altered, or lower than previous readings (13.5 percent). Error rate comparisons in Table 2.5 show that:

- Large deputies have lower average error rates (1.5 percent) than small deputies (2.5 percent).
- Public deputies have lower average error rates (1.6 percent) than private deputies (1.8 percent).

Table 2.5: Error Rates by Size and Type of Deputy Registrar, 1992

<u>Size Category</u>	<u>Annual Number of Transactions</u>	<u>Private</u>	<u>Public</u>	<u>Total</u>
Small	<12,000	2.9	2.1	2.5
Medium-small	12-24,000	2.2	1.8	2.0
Medium-large	24-60,000	2.1	1.5	1.7
Large	>60,000	1.4	1.5	1.5
Total		1.8	1.6	1.7

Source: Office of the Legislative Auditor analysis of Department of Public Safety data.

SUMMARY

Overall, we found that most customers receive good service from deputy registrars. Almost all residents live within 15 miles of a deputy registrar and most people wait less than 5 minutes before being served. We did not find large differences between public and private deputies. Private deputies have slightly better hours, and public deputies have slightly lower error rates. There are significant differences between large and small deputies. Large deputies have longer customer waiting times, though they offer better hours and have smaller error rates.

Deputy Registrar Finances

CHAPTER 3

This chapter examines the revenues and expenses of public and private deputy registrars and of the Department of Public Safety's walk-up and mail services. We ask:

- How much does it cost the state to process motor vehicle and driver's license transactions for walk-in customers? How much does it cost to process motor vehicle transactions by mail?
- How much does it cost public deputy registrars to process vehicle and driver's license transactions? How does the cost per transaction vary among public deputies? Are there economies of scale?
- What is the cost per transaction for non-profit deputy registrars?
- How profitable are private deputy registrars? How does income vary by size of deputy?

METHODS

To analyze deputy registrar revenues and expenses, we asked for financial information from the Department of Public Safety and from a sample of 109 deputy registrars. We stratified deputy registrars by size and type (public, private, and non-profit), grouping deputies into four size categories based on the average annual number of transactions (fewer than 12,000, 12,000-24,000, 24,000-60,000, and more than 60,000).¹ Our sample included all five non-profit deputy registrars, all 25 deputy registrars with more than 60,000 transactions per year (16 public and 9 private, for-profit deputies), and 10 to 13 deputies from each of the other six groups (defined by 3 size categories and whether they are public or private). We obtained responses from 104 deputies, a response rate of 95 percent. We excluded three deputies because we could not obtain reliable information. As a result, our analysis is based on a sample of 101 deputy registrars.

Our financial analysis is based on a sample of 101 deputy registrars.

¹ Based on Department of Public Safety data on motor vehicle and driver's license transactions for fiscal years 1992 and 1993, and Department of Natural Resource data on watercraft, snowmobile, and ATV registration transactions for fiscal year 1992.

Deputy registrar revenue can be estimated from transaction counts collected by the Department of Public Safety and the Department of Natural Resources. For most deputy registrars, revenue estimates obtained from these counts were close to the revenue reported by deputy registrars. However, we found discrepancies for two deputies that were due to errors made by the Department of Public Safety. As a result, we used the revenue figures reported by deputy registrars. In a few cases, we used DPS figures because we did not receive revenue figures from the deputy registrars.

The 1993 Legislature increased the administrative fee for drivers' licenses from \$1 to \$3.50, effective July 1, 1993. Since we collected revenue and expense data from 1992, they do not include revenue from the recent fee increase. To estimate the effect of the fee increase on deputy registrars' income, we estimated what their revenue would have been if they had received \$3.50 for each driver's license transaction (or \$3.00 for deputy registrars that give the county \$.50 for each driver's license transaction).

Deputy registrar revenues fluctuate from year to year due to the two year renewal cycle for trailers weighing 3,000 pounds or less. Registration of these trailers must be renewed during odd years (e.g., 1991, 1993, 1995), while tax-exempt vehicles must be renewed during even years. Since there are more trailers than tax-exempt vehicles, revenues in even numbered years are lower than in odd-numbered years.² As a result, our income estimates, which are based on 1992 data, are conservative estimates.

Although our financial data have several unavoidable limitations, we believe that our data provide reasonable estimates of deputy registrars' incomes. In the remainder of this section, we discuss data limitations for public, non-profit, and private deputy registrars.

Public Deputy Registrars

Many cities and counties combine their deputy registrars with other functions, which sometimes makes it difficult to isolate deputy registrars' expenses. Some county deputy registrars are part of a county license center that provides other services such as marriage licenses, birth and death certificates, or passports. For example, Hennepin County's service centers provide a wide variety of additional services, including vital statistics, property tax payments, voter registration, beer licenses, and auctioneer licenses. In cities, deputy registrar staff may help with other city business, such as sewer and water bills or elections. Consequently, we asked cities and counties to estimate the expenses attributable to the deputy registrar. Some cities and counties allocate their expenses as part of their normal budget process. In other cases, city and county staff estimated how much time each employee spent on deputy registrar business. In four counties, including

Our financial data have unavoidable limitations but they provide reasonable estimates of deputy registrars' income.

² The average number of motor vehicle transactions processed by deputy registrars during 1991 and 1993 exceeded the number processed during 1992 by about 300,000. As a result, revenues of deputy registrars during even-numbered years were about 5 percent less than revenues (including driver's license revenues) during odd-numbered years, or between 2 and 3 percent less than an "average" year.

Hennepin County, we used cost allocation studies conducted for the county by David M. Griffith and Associates.³

Expense data are also limited because public deputy registrars often do not allocate indirect expenses, such as building usage, finance services, and personnel services. City and county staff who reported building usage charges included some who actually paid rent, some who reported their estimate of market rent, and some who reported actual operating and building usage expenses allocated to the deputy registrar. All but one of these charges were between \$5 and \$18 per square foot.⁴ For deputy registrars who did not report building charges, we made low and high estimates based on their square footage. Our low estimates were \$12 per square foot in the Twin Cities metropolitan area, \$10 per square foot in large cities outside the Twin Cities metropolitan area, and \$8 in small non-metropolitan cities. Our high estimates ranged from \$15 to \$10 per square foot.

Most cities and counties that reported other indirect expenses estimated that they were between 3 and 12 percent of the deputy's personnel costs. We used 5 percent as our low estimate and 10 percent as our high estimate of indirect expenses.

Non-Profit Deputy Registrars

While Minnesota's non-profit deputy registrars are part of larger organizations, they each have separate deputy registrar staff and there is only a small amount of job sharing between deputy registrar and other activities. Thus, personnel costs, the largest expense category, should be reliable. However, as with public deputy registrars, estimates of indirect expenses are less certain. We used estimates made by each non-profit organization.

Private Deputy Registrars

Some private deputy registrars, particularly small deputies, combine their deputy registrar business with other businesses, including accounting services, insurance, real estate, banking, and retail shops. All of the large and most of the medium-large private deputies are separate businesses. Some of the private deputies with other businesses keep separate expense records for the deputy registrar. Overall, other business activity was not a significant problem for our expense data except for small deputies with other businesses.

For corporate deputies, corporate profits are not a meaningful indicator of the income the owner receives from the deputy registrar business because corporate owners typically pay themselves enough salary to bring the profits close to zero. As a result, we measured income by adding the owner's salary, health and retirement benefits, and net corporate income (revenue minus expenses).

For private deputies, we defined income as the owner's salary and benefits plus net business income.

³ Hennepin County, *Hennepin County, Minnesota Service Center Cost Study, A Cost/Revenue Analysis*, prepared under contract by David M. Griffith and Associates, (Minneapolis, 1991). Other counties that sponsored cost studies were Le Sueur, Nicollet, and Becker counties.

⁴ One county reported a cost of \$30 per square foot, including \$9 per square foot in custodial expenses.

Some private deputies have income sources other than their salary. For example, some private deputy registrars own the building that contains the deputy registrar business and include the rent paid by the deputy registrar corporation to the owner as a business expense. Similarly, some private deputy registrars lease a car to the corporation and include the lease amount as an expense. We did not include any income (or losses) that deputies may make from renting space or leasing cars to the deputy registrar corporation.

To interpret deputy registrar incomes, it is important to consider the number of owners who work for the deputy and whether they work full time. In the typical private deputy registrar, there is one owner who works full time. Some private deputies are owned by two people who both work for the deputy, either full time or part time. In other cases, there is one owner who works part time and relies on staff to operate the business. The average number of full-time owners per deputy is about 1.0 for each size category in our sample.

EXPENSES AND REVENUES OF PUBLIC DEPUTY REGISTRARS

Minnesota has 90 public deputy registrars, including four operated by Hennepin County (downtown Minneapolis, Southdale, Ridgedale, and Brookdale), four operated by Anoka County (Columbia Heights, Anoka, Blaine, and St. Francis), and three operated by Washington County (Stillwater, Woodbury, and Forest Lake). In our financial analysis, we treated the deputies operated by Hennepin, Anoka, and Washington counties as a separate multiple-office category.

Expenses of Public Deputy Registrars

Table 3.1 and Figure 3.1 show how the cost per transaction varies with size among public deputy registrars. We found:

- In 1992, the cost per transaction varied greatly among public deputies, ranging from \$2.10 to \$6.01.
- Larger deputy registrars tended to have lower costs per transaction than smaller deputy registrars, but there is considerable variation within size categories.

Among single-office deputy registrars, large deputies had an average cost of \$2.76 per transaction, compared with \$2.94 for medium-large deputies, \$3.53 for medium-small deputies, and \$4.15 for small deputies.⁵

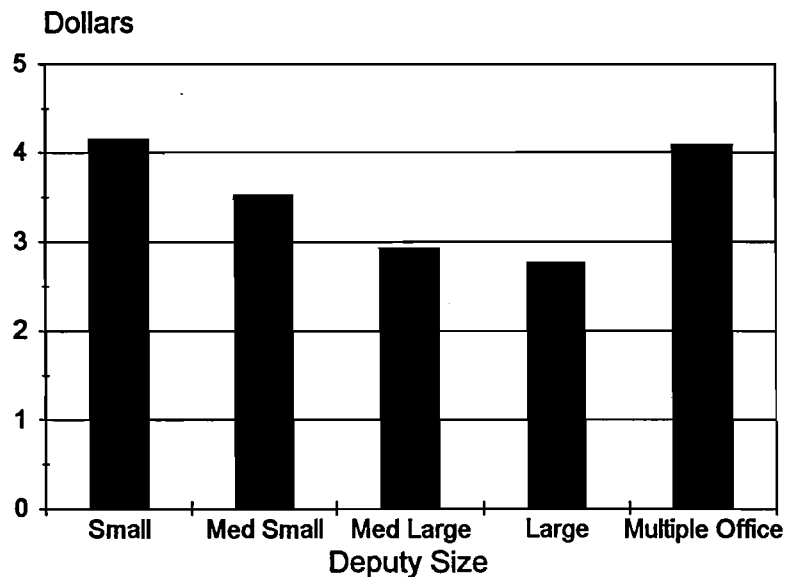
Among deputies that process fewer than 24,000 transactions per year, 38 percent (8 out of 21 that we examined) had an average cost exceeding \$4 per transaction. The only other deputies in our sample with a cost of more than \$4 per transaction

⁵ These differences are statistically significant at the $\alpha = .01$ level.

Table 3.1: Cost Per Transaction for Public Deputy Registrars, 1992

<u>Category</u>	<u>Average Annual Transactions</u>	<u>Number of Deputies</u>	<u>Number in Sample</u>	<u>Cost per Transaction</u>	<u>Transactions per Full Time Employee</u>	<u>Salary and Benefits per Full Time Employee</u>
Multiple-Office Deputies						
Hennepin	115,000 per deputy	4	4	\$4.84	8,500	\$31,000
Anoka	82,000 per deputy	4	4	3.19	11,100	27,300
Washington	45,000 per deputy	3	2	3.42	10,600	25,500
Single-Office Deputies						
Large	more than 60,000	9	9	2.76	12,200	25,800
Medium-Large	24,000-60,000	26	12	2.94	10,800	24,100
Medium-Small	12,000-24,000	24	11	3.53	8,800	22,600
Small	less than 12,000	20	10	4.15	6,900	22,200

Source: Office of the Legislative Auditor.

Figure 3.1: Cost per Transaction by Size of Public Deputy, 1992

Source: Office of the Legislative Auditor.

were Goodhue County and the four deputies operated by Hennepin County, which spent about \$4.84 per transaction at its four service centers. Goodhue County closed its deputy registrar office in Red Wing at the end of October 1992 because it was losing money and many customers complained about the service. Subsequently, the county auditor appointed a private individual as deputy registrar. Hennepin County is the most notable exception to the generalization that larger deputies tend to have lower costs. It operates 4 of the 15 largest deputy registrars

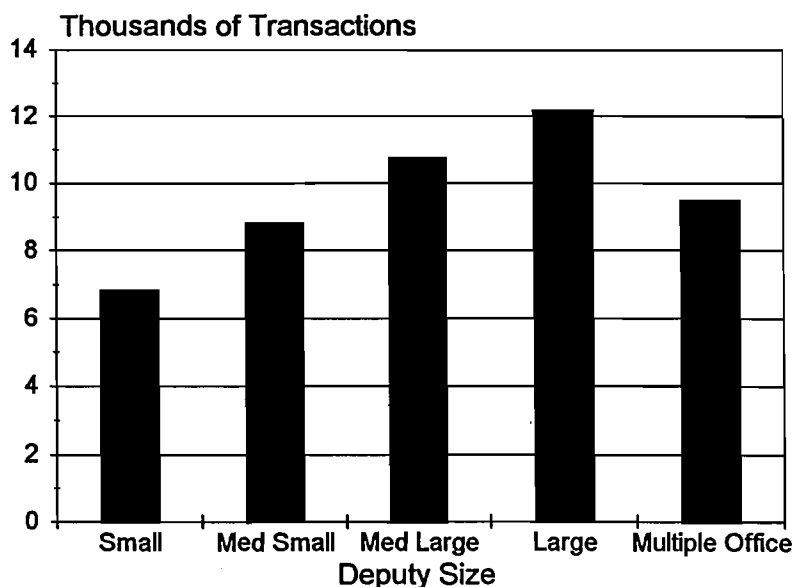
in the state, yet its cost per transaction is about 38 percent higher than the next highest-cost deputy among large public deputies.

Using our higher assumptions for indirect costs and rent, the average cost ranged from \$2.85 per transaction for large single-office deputies to \$4.38 for small deputies. These costs are only about 3 to 6 percent higher than the cost based on our lower assumptions, reflecting the fact that rent and indirect expenses are a relatively small proportion of a deputy registrar's total expenses. Based on the higher assumptions, 52 percent (11 out of 21) of the small or medium-small public deputies had a cost of more than \$4 per transaction.

As Table 3.1 and Figures 3.1 through 3.3 show, larger deputies had lower cost per transaction than smaller deputies because they processed more transactions per full-time employee. Large single-office deputies processed about 12,200 transactions per full-time employee, about 77 percent more than the amount for small deputies (6,900).

On average, larger deputies process more transactions per employee than smaller deputies.

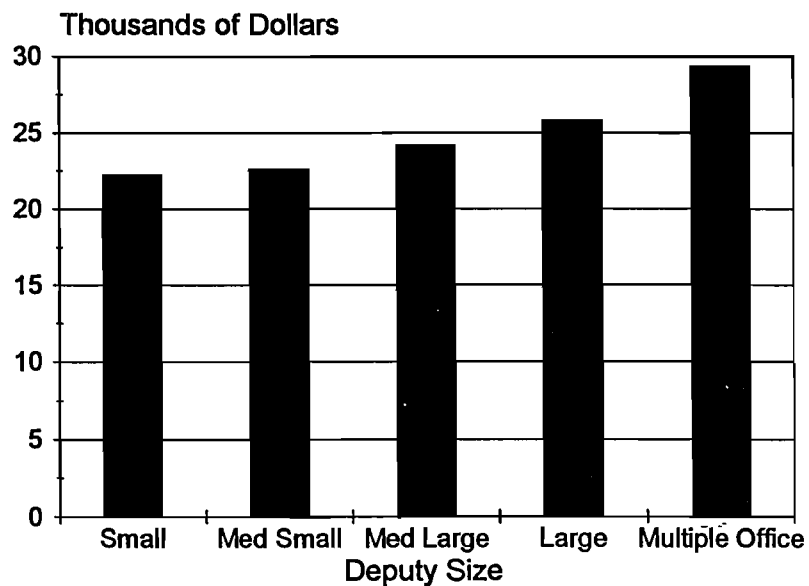
Figure 3.2: Transactions per Full-Time Employee by Size of Public Deputy, 1992



Source: Office of the Legislative Auditor.

However, larger deputies also tended to pay higher salaries and benefits, partially offsetting their economies of scale advantage. Large deputies paid \$25,800 per employee, compared with \$22,200 for small deputies.

Table 3.2 shows the wide range in cost within each size category. Small public deputies had costs ranging from \$3 to \$6 per transaction. The main reason for this variation is differences in staffing. For example, one small deputy registrar (about 8,000 transactions per year) had a cost of \$6 per transaction because two employees worked full time in the deputy registrar's office. There are other deputies of

Figure 3.3: Salary and Benefits Per Full-Time Employee by Size of Public Deputy, 1992

Source: Office of the Legislative Auditor.

There is a wide range in cost per transaction.

Table 3.2: Range in Cost per Transaction for Public Deputy Registrars, 1992

	Cost per Transaction	
	Low	High
Multiple-Office Deputies	\$3.19	\$4.84
Single-Office Deputies		
Large	2.18	3.51
Medium-Large	2.13	4.42
Medium-Small	2.31	4.47
Small	3.06	6.01

Source: Office of the Legislative Auditor.

the same size or larger that employ just one full-time worker. In 1994, this deputy plans to use one full-time employee with occasional help from the county auditor. This will significantly reduce the deputy's cost.

Among large deputy registrars (including single and multiple-office deputies), costs ranged from \$2.18 to \$4.84 per transaction. Hennepin County had the highest cost per transaction among large deputy registrars because it paid higher salaries and benefits than other deputies and because it processed fewer transactions per employee. Hennepin County's average salary and benefits was \$31,000 per full-time employee, about 20 percent higher than other large deputy registrars.

Hennepin County processed about 8,500 transactions per employee, about 30 percent fewer than other large deputies. One reason that it processed fewer transactions per employee is that time-consuming transactions (drivers' licenses, title transactions, and other long applications) made up a larger percentage (53 percent) of its deputy registrar transactions than they did for other large deputies (40 percent). If we adjusted Hennepin County's transactions by assuming that one driver's license transaction takes as long as two registration renewal transactions, Hennepin County's transactions per employee would be about 20 percent lower than other large deputies.

According to Hennepin County officials, another reason that it processes fewer transactions per employee is that it provides a wide variety of services at each service center, including marriage licenses, passports, birth and death certificates, voter registrations, real estate tax payments, recordings, notarizations, and fish and game licenses. Our cost and employee figures include only staff time attributable to deputy registrar services, based on the David Griffith study.⁶ Nevertheless, the greater complexity of Hennepin County's service centers may require employees to have more training and supervision. For example, Hennepin County cross-trains each employee to handle each type of transaction.

Income of Public Deputy Registrars

Table 3.3 summarizes the estimated income earned by deputy registrars under both the 1992 fee structure and the current fee structure. The income earned under the current fee structure is the income that they would have earned in 1992 had the current driver's license fee been in effect. We found:

- In 1992, many public deputy registrars lost money, particularly deputies with fewer than 24,000 transactions per year. The recent driver's license fee increase will increase revenues for most public deputies, though many small deputies will continue to lose money.

In 1992, most of the 44 smallest public deputies lost money, but most of the 34 largest public deputies made money.

Minnesota has 44 public deputy registrars that process fewer than 24,000 transactions per year. In our sample, 76 percent of these small and medium-small deputy registrars (16 out of 21) lost money in 1992. Overall, we estimate that these 44 deputy registrars lost about \$325,000 in 1992.

Under the current fee schedule, 67 percent of these small and medium-small deputy registrars in our sample (14 out of 21) would have lost money. We estimate that if the \$3.50 driver's license fee had been in effect, the total loss for these 44 deputies would have been about \$140,000 instead of \$325,000.

Minnesota had 35 single-office public deputy registrars that processed more than 24,000 transactions per year. Thirty-three percent (7 out of 21) of these medium-large and large deputies in our sample had a loss in 1992. We estimate that these 35 deputies, taken together, made about \$315,000 in 1992.

⁶ Hennepin County's service center department had 95.1 full-time employees in 1992. According to the David Griffith analysis, about 56 percent of staff time was attributable to deputy registrar transactions.

Table 3.3: Income of Public Deputy Registrars, 1992

	Number of Deputies	Number in Sample	Actual 1992			1992 Under Current Fee Schedule			Estimated Total Income for All Deputies in Category
			Deputies Losing Money		Average Income	Deputies Losing Money		Average Income	
			Number	Percent		Number	Percent		
Multi-Office Deputies									
Hennepin	4	4	4	100%	(\$272,000)	4	100%	(\$159,000)	(\$634,000)
Anoka	4	4	*	*	(18,000)	*	*	13,000	51,000
Washington ¹	3	2	2	100	(20,100)	1	50	(600)	(2,000)
Single-Office Deputies									
Large	9	9	2	22	33,000	2	22	53,000	481,000
Medium-Large	26	12	5	42	800	1	8	19,000	496,000
Medium-Small	24	11	9	82	(7,500)	7	64	(800)	(19,000)
Small	20	10	7	70	(7,300)	7	70	(6,000)	(122,000)
Total									\$251,000

¹We did not include data for the deputy registrar in Stillwater because Washington County was not able to isolate the expenses of the deputy registrar from other county functions.

Source: Office of the Legislative Auditor.

Under the current fee schedule, only 14 percent of these deputies (3 out of 21) would have lost money in 1992 instead of 33 percent. We estimate that the current driver's license fees would have raised the net income for the group to nearly \$1 million.

All three counties that operated multiple deputy registrar offices lost money in 1992. Collectively, they lost about \$1.2 million, of which nearly \$1.1 million was from Hennepin County. The current driver's license fee would have reduced the overall loss to about \$600,000.

EXPENSES AND REVENUES OF NON-PROFIT DEPUTY REGISTRARS

Minnesota has five deputy registrars that are non-profit corporations or private individuals under contract with a non-profit corporation, including AAA deputies in St. Louis Park and Burnsville and three deputies operated by a vocational rehabilitation company (CWDC Industries, Inc.) in Grand Rapids, Virginia, and Hibbing. These five deputy registrars processed between 39,000 and 125,000 transactions per year. They averaged 68,000 transactions, considerably more than the typical deputy registrar. We found:

- In 1992, non-profit deputy registrars had an average cost of \$2.20 per transaction.

The cost ranged from \$1.77 to \$2.62 per transaction. Collectively these five deputies earned about \$216,000 in 1992, and would have earned about \$352,000 had the driver's license fee been \$3.50.

INCOME OF PRIVATE DEPUTY REGISTRARS

Table 3.4 and Figure 3.4 present our estimates of the average income earned by private deputy registrars in different size categories. We estimate both the income earned in 1992 and the income that would have been earned in 1992 if the current fee schedule had been in effect. For private deputies, we defined income as salaries and fringe benefits (excluding payroll taxes paid by the employer) earned by the owner plus business income (revenues minus expenses) of the deputy registrar. For example, if a corporate deputy registrar received \$150,000 in revenue, had expenses of \$152,000, including \$40,000 for the owner's salary and \$3,000 for the owner's health benefits, we would use \$41,000 as our income figure (\$40,000 + \$3,000 + \$150,000 - \$152,000). Our income figures do not include any income earned by the owner from renting a building or leasing a car to the deputy registrar. We found that:

- Income earned by private deputy registrars varied greatly with size.

Table 3.4: Average Income for Private Deputy Registrars, 1992

Size Category	Average Annual Transactions	Number of Deputies	Number in Sample	Average Number of Transactions (in Sample)	Average Income		Transactions per Full-Time Employee	Salary and Benefits per Full-Time Employee
					1992	1992 with Fee Increase		
Large	>60,000	9	9	82,800	77,000	102,000	11,800	17,900
Medium-Large	24-60,000	13	12	35,800	39,000	47,000	9,600	13,700
Medium-Small	12-24,000	26	13	15,600	27,000	28,000	8,700	8,800
Small	<12,000	24	10	7,300	15,000	15,000	5,900	N/A

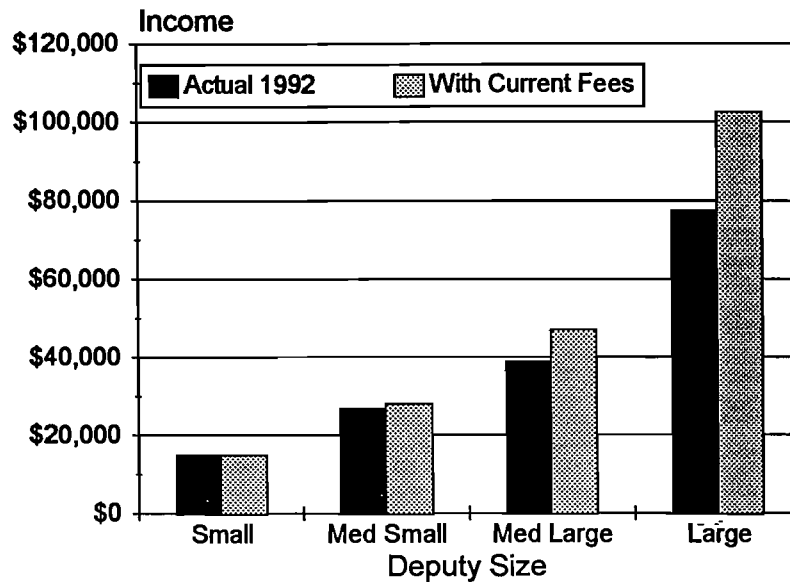
Source: Office of the Legislative Auditor.

In 1992, average incomes ranged from \$15,000 for small private deputies to \$77,000 for large deputies.

We estimate that in 1992, income earned by private deputies averaged \$77,000 for large deputy registrars, \$39,000 for medium-large deputies, \$27,000 for medium-small deputies, and \$15,000 for small deputies. These income estimates can be interpreted as the average amount earned by an owner who worked full time at the deputy registrar. While some deputies have two owners who work at the deputy registrar, others have one owner who only works part-time. The average number of full-time owners working at the deputy registrars in our sample was 1.0 for large and medium-large deputies, 0.9 for medium-small deputies, and 1.0 for small deputies. These figures exclude some small deputies with related businesses because we were not able to obtain reliable expense data.

- The driver's license fee increase substantially increases the income of some private deputy registrars, particularly large deputies who provide driver's license services.

Figure 3.4: Average Income of Private Deputies, 1992, Actual and with Current Fees



Source: Office of the Legislative Auditor.

Under the current fee schedule, average incomes would have ranged from \$15,000 for small private deputies to \$102,000 for large private deputies.

Under the current fee schedule, we estimate that average incomes would have been about \$102,000 for large deputies, \$47,000 for medium-large deputies, \$28,000 for medium-small deputies, and \$15,000 for small deputies. Five of the nine large private deputy registrars provide driver's license services, compared with only one of the 24 small private deputies.

Incomes for private deputies vary considerably within each size category. Under the current fee schedule, incomes for large deputies would have ranged from over \$150,000 to less than \$50,000. Among small deputy registrars where the owner worked full time, the income ranged from about \$8,000 to about \$24,000.

DEPARTMENT OF PUBLIC SAFETY EXPENSES

The Department of Public Safety provides mail and walk-in service for motor vehicle registration and title applications at the Transportation Building in St. Paul. It also processes driver's license applications for walk-in customers. Prior to January 1993, the department provided these services with three separate units. The front counter served all walk-in customers. The second unit processed registration renewals received by mail, and the third unit processed motor vehicle title transactions and other "long applications" received by mail. Occasionally, the front counter would help process registration renewals sent by mail. In January 1993, DPS combined the unit that processed title transactions by mail with the front counter. Three of the six positions from the mail unit were added to the front

counter, resulting in a reduction of three staff positions and an annual savings of \$94,000. The current arrangement is more efficient largely because the front counter employees can work on mail transactions when they are not busy with walk-in customers. In addition, the front counter now has three additional employees to better handle peak demand periods by walk-in customers.

To estimate the cost of operating the front counter, we obtained cost estimates from the department for the time before and after the January 1993 organizational change.

- During fiscal year 1993, the cost per transaction at the front counter of the Department of Public Safety would have been \$3.26 under the current arrangement.

Under the previous arrangement, the combined cost of the front counter and the mail title group would have been \$3.70 per transaction. The cost of processing motor vehicle titles and other long applications by mail was about \$4.36 per transaction.

Mail service is an efficient way to process registration renewals.

- In fiscal year 1993, mail renewals cost \$1.32 per transaction.

The low cost for mail renewals (tabs) reflects the fact that registration renewals are easier to process than other motor vehicle transactions and that mail service is an efficient way to process tabs. We believe that it would also be efficient for deputy registrars to process tabs through the mail. The department plans to include this option in its revised rules. We discuss ways to improve mail service in Chapter 4.

FEE STRUCTURE

We examined the fee structure for deputy registrars by measuring the transaction times for different types of transactions and by reviewing deputy registrar cost studies conducted by David Griffith & Associates in four counties. We found that:

- Minnesota's fee structure does not reflect the workload differences for different types of transactions.

The administrative fee for motor vehicle renewals (tabs) is the same as the fee for titles and drivers' licenses (though some deputies must give \$.50 to the county for each driver's license transaction), even though tabs take much less time to process than titles or drivers' licenses. We found that the average transaction time was about 2.3 minutes for tabs, 6.7 minutes for motor vehicle titles, and 5 minutes for drivers' licenses. These transaction times do not include the time spent preparing reports after the transaction is completed. These results also indicate that the large gap between the former \$1 driver's license fee and the \$3.50 motor vehicle fee was not justified on the basis of cost.

Fee studies conducted in three counties by David Griffith & Associates indicate that the large fee differences between watercraft and snowmobile registrations (\$.50) and motor vehicle and driver's license transactions (\$3.50) are not justified on the basis of cost. In the three counties, the estimated registration cost for watercraft and snowmobiles ranged from 25 percent lower to 30 percent higher than the average cost of motor vehicle and driver's license transactions.

CORPORATE SALES

Twenty corporate deputies have been sold. The highest price was \$108,000.

Since 1984, the year when private deputies were allowed to incorporate, 60 of the 78 private deputy registrars have incorporated and 20 have been sold. Excluding four sales within the family, deputy registrars that have been sold range in size from 5,000 to 35,000 transactions per year. None of the large deputy registrars has been sold. We obtained sale prices from 13 of the 16 deputy registrars that have been sold outside the family. Sale prices ranged from \$20,000 to \$108,000. Four sales were for \$100,000 or more. On average, the sale price was about 3.6 times the annual number of transactions, or slightly more than the gross annual revenue, under the current fee structure. Eleven out of thirteen sales had a sale price between 2.4 and 4.7 times the annual number of transactions.

For 10 out of the 13 sales, the buyer indicated whether any property was included in the sale. For all 10 sales, the only property included was some office fixtures or office equipment. Typically, the value of this property was \$1,000 or less.

The corporate sale prices indicate that there is strong interest in becoming a deputy registrar, even in small cities. Five of the sales were made by deputies with annual gross revenues less than \$40,000. Two had annual gross revenues under \$20,000. Yet, all five sold for \$20,000 or more. However, since most small deputies have not been sold, the sale price data do not necessarily mean that all small deputies could attract offers of this size.

SUMMARY

Overall, we found that large and medium-large deputy registrars tend to do well financially, but most small public deputy registrars lost money and most small private deputies had relatively low incomes. In 1992, the average cost per transaction for public deputy registrars ranged from \$4.15 for small deputies to \$2.76 for large single-office deputies. Under the current fee schedule, average incomes earned by private deputies in 1992 would have ranged from \$15,000 for small deputies to \$103,000 for large deputies. Sales of corporate deputy registrars indicate that there is strong interest in becoming a deputy registrar, even in small cities. Excluding 4 sales within the family, 16 private deputies have been sold, with sale prices ranging from \$20,000 to \$108,000.

Discussion and Recommendations

CHAPTER 4

Chapter 1 illustrates the wide variety of systems used by other states to register and title motor vehicles and to renew drivers' licenses. To provide access to the public, states supplement the central office by using state branch offices, county or municipal offices, or private agents. Some states use only one of these types, while other states, including Minnesota, use various combinations. In this chapter, we examine the implications of our findings on the design of Minnesota's system. We discuss the use of public and private agents, state regulation, fee policy, and corporate sales, and we make recommendations.

PUBLIC VS. PRIVATE

Proponents of an all-public system contend that the private deputy registrars make large profits and that replacing them with public deputy registrars would provide additional revenue that could finance other programs or reduce taxes. Proponents of an all-private system contend that private deputies are more efficient and provide better service than public deputies.

We found that many private deputy registrars, particularly large deputies, do well financially, but this does not necessarily mean that replacing them with public deputies would save the taxpayers money. While we found that many public deputy registrars made money for their city or county, there were many others, particularly small deputies, who lost money. Minnesota has 44 public deputy registrars that process less than 24,000 transactions per year. We found that 67 percent of our sample deputies from this group would have lost money even if the 1993 driver's license fee increase had been in effect. If a county or city cannot provide deputy registrar services at a reasonable cost, private deputies give the public another option for providing those services. In 1992, Goodhue County closed its deputy registrar office in Red Wing and appointed a private agent because it was losing money and because many citizens complained about the service. Our results suggest that under the current system, replacing private deputies with public deputies would tend to cost public resources for small deputy registrars and tend to save public resources for large deputies.

Neither public nor private deputies have a clear advantage in customer service.

Customer service also needs to be considered when comparing public and private deputy registrars. Overall, we found that neither public nor private deputies have a clear advantage in customer service. Private deputies have slightly better hours, but public deputies have slightly lower error rates. Customer waiting times are

similar for public and private deputies. While our study did not address all aspects of customer service, it suggests that other factors, such as size of deputy, are more important than whether the deputy is private or public. For example, we found waiting times tended to be considerably longer at large deputies than at small deputies.

The existence of private deputies, by itself, does not automatically bring the benefits commonly associated with private enterprise. Private deputies do not bring lower prices to consumers because, under the current system, there is no price competition. The state sets all administrative fees and prohibits deputy registrars from charging a lower fee. Private deputies may be more efficient than public deputies, but that does not necessarily help the public under the protective regulations of the state. Under the current system, replacing a public deputy with a private deputy helps Minnesota citizens economically only if the public deputy is losing money.

State regulations also limit competition by strictly controlling the formation of new deputy registrars, separating them geographically, and restricting advertisements. If a deputy provides mediocre service, it still may keep most of its customers because, unlike most of the private sector, nobody can move into its area and compete head-to-head.

We did not find evidence that an all-private or an all-public system would be better than the current system.

In conclusion, we did not find empirical evidence that either an all-public or an all-private system would be better than the current system. To improve the system, we think the focus should be on how to make the system more responsive to the customer, either in the form of lower costs or better service.

There are many options for reducing costs or improving customer service. We discuss these in the following sections on fee policy and state regulation.

FEE POLICY

In Chapter 3, we found that large and medium-large deputies tend to do well financially, although some large public deputies just break even or lose money. Most small public deputies lost money and small private deputies earned relatively low incomes. In Chapter 1, we showed that most states have lower administrative fees than Minnesota. However, an across the board reduction in Minnesota's fees would impose an additional hardship on small deputies, which may jeopardize access in small communities.

Other states use a variety of approaches to deal with this problem. A few states vary the fee according to the number of transactions an agent processes. Ohio uses a bidding system to award two-year contracts. Presumably, agents in large metropolitan areas would make lower bids than in small towns. Some states allow agents to set their own fee within a specified range. Finally, a few states let counties determine fees for agents in their county.

Varying fees according to the number of transactions would recognize the economies of scale that exists in the deputy registrar business, and could reduce costs for many customers in metropolitan areas. However, it may also adversely affect some small deputies if customers take their business to larger deputy registrars. Furthermore, if the fee for mail transactions were lower, small deputies could lose more business. The magnitude of these effects is difficult to estimate since it is not clear to what extent people would switch deputies in response to price differences.

There is a variety of bidding systems that could be used. One option is to periodically award the deputy registrar to the lowest bidder. This approach would likely reduce fees, but it may also lead to high turnover and reduce customer service. According to DPS staff, new deputies tend to make more errors and require more training than existing deputies. Another option is the system used by Ohio, which awards two-year contracts on the basis of a point system that considers fees, qualifications of the applicant, and customer service factors such as location. The advantage of this option is that it allows the state to balance cost and customer service. The disadvantage is that the short contract period leads to fairly high turnover rates and it takes considerable state staff resources to review bids and monitor agents.

Allowing deputies to set their fee within a range would allow deputies to compete on the basis of price as well as service. Currently, Minnesota does not allow deputy registrars to charge fees below \$3.50 for motor vehicle and driver's license transactions. As a result, efficient deputies cannot pass on their lower costs to their customers and cannot expand their business through price competition.

Fee Structure

In Chapter 3, we showed that the current fee structure does not reflect the cost differences for different types of transactions. For example, motor vehicle registration renewals (tabs) take less than half as long to process as titles and drivers' licenses, but they all have the same administrative fee. The fee for watercraft and snowmobile registration is only \$.50, one-seventh as large as the fee for motor vehicle registration, even though the time difference is not nearly that large. These price distortions can lead to two problems. First, it is unfair to deputies who process a high percentage of the more difficult transactions, particularly walk-in title transactions. Second, it makes it more difficult to improve customer service for registration renewals. For example, proposals to renew automobile registrations at or near emission control stations are especially threatening to deputy registrars because it could take away the "easy" transactions, and leave them with the time-consuming transactions. Registration renewal by phone or at kiosks could also take away the easy transactions. To minimize these problems, we recommend that:

- The Legislature should change the fee structure to more accurately reflect the processing time required by different types of transactions.

This would mean lowering the fee for motor vehicle registrations and raising the fee for motor vehicle title transfers and boat and snowmobile registrations. The

Administrative fees do not reflect the cost of processing transactions.

Deputy Registrar Association contends that changing the fee structure is undesirable because it would make the system more complex. We think that it would be impractical to set a different fee for every possible type of transaction, but that using three different fee levels would be reasonable.

STATE REGULATION OF DEPUTY REGISTRARS

The state limits the number of deputies to control the cost of regulation and to make deputies economically viable.

In Chapter 1, we showed that much of the regulatory activity of the Department of Public Safety is designed to safeguard the collection of state funds and to maintain accurate motor vehicle records. DPS criteria for the establishment of new deputy registrar offices limit the number of deputies and protect the customer base for existing deputies. For example, in metropolitan counties, the criteria prohibit establishing a new deputy registrar office within 5 miles of an existing deputy. A rationale for limiting the number of deputies is that adding more deputies adds cost to the system and may make it harder to regulate. The Department of Public Safety estimated that adding a new deputy would cost about \$4,200 per year to cover additional training, supervision, and record keeping by DPS staff. There would also be additional inventory costs of about \$12,500 for license plates, tabs, and forms. Most of this additional inventory cost would be a one-time expense since license plates can be used from year-to-year.

Another rationale for the state's criteria is that they help ensure that existing deputy registrars remain economically viable. Otherwise there could be high turnover and, in the case of public deputies, citizens may have to pay higher taxes to support the deputy registrar. Our data show that there are economies of scale for deputy registrars, though the effect appears to taper off as deputies become larger.

However, state regulation does not adequately consider customer service.

We think that there are legitimate reasons to consider how a new deputy may affect existing deputies or state regulatory agencies. But, it is also important to consider customer service. Currently, the system promotes access to deputy registrars by allowing counties to operate or appoint deputy registrars throughout the state. State regulations impose minimum hour requirements (40 hours per week) and some office-layout requirements on deputy registrars.¹ However, state criteria for establishing new deputies protect the territory of existing deputies with little regard for whether the public is being adequately served. The criteria do not consider customer waiting times, whether a new location would be more convenient for the customer, or other measures of customer satisfaction. Even if a deputy registrar is providing poor service, nobody may establish a new office near that deputy. In addition, some innovative ways of improving customer service are prohibited by rule. For example, some deputies have been interested in setting up satellite offices in regional shopping centers or near emission test stations. However, DPS rules do not permit new offices, including branch offices that issue tabs on site, to be located within 5 miles of another deputy.² Furthermore, DPS does

¹ Deputy registrars must also meet federal requirements concerning access for disabled people.

² This restriction does not apply to drop-off sites as long as the transaction is processed at the deputy's main office.

not permit any office, including branch offices, to locate near an emission test station, regardless of its distance from other deputies, because it may attract so much business that it would be unfair to other deputies.

To achieve a better balance between customer service and other objectives, we recommend that:

- **The Department of Public Safety should give more weight to improving customer service in its regulation of deputy registrars.**

There is a variety of options DPS should consider. First, it could develop minimum standards for waiting time and customer satisfaction that deputies would be expected to meet. If a deputy does not meet those standards, a new deputy could be permitted to become established, or alternatively, the existing deputy could be replaced. A disadvantage of this option is that monitoring customer service would require additional state funds. Furthermore, establishing minimum standards does not encourage deputies to exceed the minimum.

Second, it could increase the number of locations in the Twin Cities area, either by reducing the five-mile limit in the core metropolitan area to 3 miles (the standard used for metropolitan areas in Oklahoma), or by choosing locations based on such factors as customer convenience and quality of service provided by nearby deputies. Increasing the number of locations may improve customer service for several reasons. First, it could give customers better access. Second, it could give customers more choices in their area, promoting more competition. Third, increasing the number of locations could reduce the average number of transactions processed at each location, which may reduce customer waiting times. Our study indicates that smaller deputies tend to have shorter waiting times.

As with the first option, this option would increase state regulatory costs. One way to reduce the cost to the state of adding additional deputy registrars would be to charge new deputies a fee to cover some of these extra costs. Our corporate sale data indicated that people are willing to invest funds to become a deputy registrar.

These options would take away business from existing deputies. But our financial analysis indicates that most of the deputies in the central part of the Twin Cities metropolitan area are well past the size needed to be financially viable. Furthermore, though our data are not sufficient to reliably estimate how much deputies would be affected financially, they do suggest that economies of scale taper off as deputies become larger.

Another way to improve customer service is to make it easier for customers to do business by mail. Some states include return envelopes with their renewal notices. DPS officials said that they do not include return envelopes because it would cost an extra two cents per envelope, or a total of about \$80,000 per year, and it may increase postage charges. Alternatively, it could make it clearer to the customer that service by mail is an option by including inserts which highlight mail service. Currently, the notice for mail service is in small print on the envelope and the

Increasing the number of deputy registrars may improve customer service.

registration bill. Whether these are good ideas depends on how customers would respond. DPS could test including return envelopes or inserts to see how many more people renew by mail. In Chapter 3, we showed that processing renewals by mail is efficient (in fiscal year 1993, the cost was \$1.32 per transaction). One disadvantage of mail renewals is that it takes longer to receive license plate tabs by mail than in person. In some areas, service might be faster if customers mailed their payments to the local deputy registrar. Furthermore, it could help deputies become more efficient, since they could work on the mail renewals when they are not busy with walk-in customers.

As we discussed in Chapter 1, other states are using or testing a variety of approaches to improve customer service, including renewing registrations by telephone and at kiosks and emission test stations. To renew registrations with either telephones or kiosks in Minnesota, the state would have to integrate emission test results into the motor vehicle data base to verify that vehicles passed the emissions test. It would also have to change its procedure for verifying that vehicles are insured. Possibilities range from an ambitious integration of insurance company data with motor vehicle data to a simple requirement that the customer enter the policy number with a keypad.

Renewing registrations at emission test stations could improve customer service but requires careful planning.

Renewing registrations at emission test stations would allow Twin Cities customers who pass the test to obtain their license plate tabs in one trip instead of two. If these two functions were successfully combined, it could greatly improve customer service, as indicated by Oregon's experience. Implementing such a program could have major effects on deputy registrars, particularly if it were successful. There are several issues that need to be addressed before implementing this approach, including who would provide the service, which services would be provided, how waiting lines could be kept short, and what are the physical constraints of current test sites. The experiences of Oregon and Arizona suggest that careful planning is necessary. In Minnesota, this would require the cooperation of the Pollution Control Agency and the Department of Public Safety. Finally, it should be noted that the current contract between the Pollution Control Agency and the private vendor who operates the test stations does not expire until 1998.

CORPORATE SALES

Ever since the 1983 Legislature authorized deputy registrars to incorporate, the resulting sales of deputy registrars have been controversial. One problem with corporate sales is that there is no meaningful review of the qualifications of a new owner or manager of a corporate deputy. While DPS may terminate a deputy for cause, this option is not often used, and only after serious or long-standing problems have developed. There is no limit on how long a corporations may last. Under the current system, once a private deputy is appointed, the appointing authority has no more say over who operates the deputy unless there are serious violations of DPS standards.

Another problem is that each deputy who initially incorporates receives a windfall profit upon the sale, and subsequent owners would have to make a capital investment, raising the fees necessary to make the deputy financially viable.

One argument in favor of continuing the current incorporation law is that sales allow deputies to be rewarded for building up their business by providing good service, the same as occurs in the private sector. Some private deputies have built up their business by finding good locations and providing good service. However, the value of a deputy registrar comes largely from the exclusive right to operate in a protected environment. Unlike most private sector businesses, deputy registrars are protected from competition that could take away some of that business. Under a protected environment, deputy registrars have value even if they provide mediocre service. In addition, our financial analysis indicates that private deputies are rewarded for building up their business by receiving higher incomes.

Some deputy registrars contend that since many sales have already taken place, taking away the right to sell a deputy registrar would be unfair to those who have purchased corporate deputy registrars. As of the end of 1993, 20 out of 78 private deputy registrars have been sold, including 4 that were within the family. Sale prices have ranged up to \$108,000, even though none of the large private deputies have been sold.

Furthermore, some argue that repealing the authority to appoint a corporation as deputy registrar would be a taking of property rights that could not be done without compensation. We asked Senate Counsel to analyze whether a corporate deputy registrar has a property right sufficient to require compensation should the Legislature repeal the Commissioner's authority to appoint a corporation as a deputy registrar. According to Senate Counsel's analysis, shown in Appendix A, a private corporation has no property right in the continuation of an appointment, regardless of how valuable the appointment is to the corporation.

To maintain the public's discretion over who becomes a deputy registrar, and to maintain low capitalization requirements for deputy registrars, we recommend that:

- The Legislature should consider repealing the commissioner's authority to appoint corporations as deputy registrars.

While those who purchased a corporate deputy registrar may have assumed that they would also be able to sell the corporation, we think that it is in the public interest to discontinue sales of deputy registrars.

**According to
Senate
Counsel, a
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ment as deputy
registrar.**

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To: Dan Jacobson, Office of the Legislative Auditor

From: Peter S. Wattson, Senate Counsel. *PSW*
296-3812

Subj: Property Right in Appointment as Deputy Registrar

You have asked whether a private corporation, appointed by the Commissioner of Public Safety to act as a deputy registrar of motor vehicles, has a property right in that appointment sufficient to require the state to pay compensation to the deputy registrar, if the appointment is terminated pursuant to a law repealing the Commissioner's authority to appoint a corporation as a deputy registrar.

In my opinion, the answer is no.

The Commissioner of Public Safety's authority to appoint deputy registrars of motor vehicles is found in Minn. Stat. § 168.33. Subdivision 2 of that section specifically provides that "A corporation governed by chapter 302A may be appointed a deputy registrar," provided that an individual approved by the Commissioner of Public Safety also gives the surety bond required of deputy registrars. The commissioner may discontinue a deputy registrar's appointment, but only for cause.

It is well established that, however valuable a public appointment may be to an individual's income or reputation, the individual has no property right in the continuation of the appointment. 15B DUNNELL MINN. DIGEST 2D, *Public Officers* § 1.01 (3d ed. 1980). As the Minnesota Supreme Court has said, "A public office is a public trust. Such offices are created for the benefit of the public, not for the benefit of the incumbent." *In re Olson*, 211 Minn. 114, 117, 300 N.W. 398, ___ (1941). The power of the Legislature to create an office carries with it the power to abolish the office. *Starkweather v. Blair*, 245 Minn. 371, 71 N.W.2d 869 (1955). No further compensation is due to the incumbent of

Dan Jacobson
January 5, 1994
Page 2

an office that is abolished, even when the incumbent was elected for a fixed term and the office is abolished well before the end of the term. *Tarrant County v. Ashmore*, 635 S.W.2d 417 (Tex. 1982). Likewise, where a public license is granted to a private business, such as a license to sell liquor within a city, the licensee obtains no property right sufficient to entitle him to compensation for its loss. *Country Liquors, Inc. v. City Council of the City of Minneapolis*, 264 N.W.2d 821 (Minn. 1978). The license may have economic value when the business is sold, but its owner has no property right as against the state.

PSW:ph

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STATE OF MINNESOTA
DEPARTMENT OF PUBLIC SAFETY

February 28, 1994

Mr. Roger Brooks
Office of the Legislative Auditor
Centennial Building
St. Paul, MN 55155

Dear Mr. Brooks:

Thank you for the opportunity to review your program evaluation of the deputy registrar system. Considering the time limitations, you have put together a comprehensive report on a complex subject.

There are several items in the report on which we would like to provide comment. We agree with the concept of a fee structure that better reflects the workload differences among different types of transactions. For administrative purposes, we recommend that the number of tiers in a new structure be limited to a maximum of two or three.

The evaluation reports in a number of places that the service provided by the deputy registrars is good. However, there is a recommendation that the Department of Public Safety give more weight to improving customer service in its regulation of deputy registrars. This appears to be a contradiction.

We agree that customer service is important and that the expanded use of technology will have a positive effect on customer service. We are working to improve our use of technology. For example, we are developing a system by which the deputy registrars could download renewal information by computer. It was asked at the exit interview if this would result in a reduction of staff in the title-processing unit. Our assessment of the situation is that it would not. The staff would be reassigned to other duties, especially audit functions.

Mr. Roger Brooks
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Some of the recommendations to improve customer service we see as having limited benefit. There are some technological innovations, e.g. kiosks, which are not yet sophisticated enough to serve our purposes. The monitoring of waiting time is impractical. Increasing the number of deputies may have a detrimental effect on customer service.

The recommendation to issue tabs at emission test group sites has merit. However, we suggest the formation of a study group comprised of the DPS, PCA, Deputy Registrar Association, and others to determine if and how that goal can be accomplished. In addition, the group may want to consider other sites where tabs could be issued.

We do not object to the recommendation that the Legislature consider repealing the authority to appoint corporations as deputy registrars.

Our Department is skeptical of the findings that indicate many public deputy registrars lost money. Although we do not have data to support our contention, through contact with these offices we have observed that many of the clerks serve in capacities other than just as deputy registrars.

Once again, thank you for the opportunity to provide this response. Please contact me at 296-6642 or Katherine Burke Moore at 296-9525 if you have any questions.

Sincerely,



Richard J. Carlquist
Deputy Commissioner

cc: Katherine Burke Moore
Director, DVS

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