STATE OF RHODE ISLAND

DIVISION OF MOTOR VEHICLES
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June 12, 2024

The Honorable Marvin L. Abney
Chair, House Committee on Finance
State House
Providence, RI 02903

RE: 2024 H-7492 Substitute A - AN ACT RELATING TO MOTOR AND OTHER VEHICLES – REGISTRATION OF VEHICLES

Dear Chair Abney:

The Division of Motor Vehicles ("DMV") writes to express opposition to House Bill 7492 - Substitute A, An Act Relating to Motor and Other Vehicles-Registration of Vehicles.

The proposed bill authorizes the DMV to issue a one (1) year renewal registration for vehicles leased for a period of thirty-six (36) months for the last year of the lease and to modify the fee for said renewal. The bill would also require that the DMV issue a credit equal to the unused portion of the paid registration fee to the registrant of a leased vehicle who voluntarily cancels the registration within the period of registration. The credit would be applied to future registration fees incurred by the registrant.

The DMV opposes the proposed bill for multiple reasons, with the first being that implementation of the proposed change would require major structural changes in the DMV's computer system, "RIMS", because registration expiration dates are not editable or optional. Significant RIMS programming would be required to build expiration date rules for leased vehicles across all 47 plate types. This would be a major change that would require a substantial diversion of resources currently dedicated to developing enhanced online transaction capabilities, as well as federally required database programs for commercial licenses. This is true of the Substitute A version of the bill as it was for the original version.

Second, the proposed change would require modification to the current title and registration process of leased vehicles. The DMV does not require a lease agreement to be submitted by motor vehicle dealers or motorists at the time of initial registration. Therefore, the DMV does not track the lease term of any leased vehicles. This would cause difficulties in implementing the proposed bill as the DMV would not know for how long to renew the leased vehicle and it could not easily ascertain the lease term from the current lessee at the time of renewal, as the large majority of registrations are renewed online or through the mail. Requiring customers to bring in copies of their lease agreements would also lead to increased foot traffic and wait times at the DMV. And, even if the DMV were to require the submission of lease agreements at the time of initial registration, further RIMS programming would be necessary to add fields to the registration transaction to track the lease term and then perform calculations to ensure the proper renewal period and registration fee were assessed at the time of renewal.

Third, additional significant changes to RIMS would be required, as the concept of a credit does not presently exist within the system. Programming would be required to create a way to track when a customer is owed a credit and in what circumstances it should be applied. There are numerous transactions within RIMS which are considered registration transactions, including new title/registration, re-registration, registration renewal, and registration transfers. Provisions for credits would also need to be created in the checkout and cash-drawer reconciliation processes utilized by the customer service representatives. Further complicating matters, as noted above, many customers conduct registration transactions online, by mail, or lockbox dropoff - all situations in which providing credits would be exceptionally difficult, time consuming and costly.

Even if DMV were able to program and implement these changes, the desired goal of the proposed bill may not be realized. The proposed bill provides for the credit to be issued to "the registrant" and that the credit is to be applied to "future registration fees incurred by the registrant." In the case of leased vehicles, the registrant is the leasing company. Therefore, under the language of the proposed bill, the leasing company would receive the credit, and that credit would be applied to future registration fees incurred by the leasing company.

Furthermore, the issuance of refunds as provided for in the proposed bill would result in significant revenue loss to the state. The fact that the Substitute A version of the bill alters the mechanism from refunds to credits would have little impact on this revenue loss, as the amount of fees being collected would still be reduced by the same amount. Registration fees are determined by the gross vehicle weight rating (GVWR) of the vehicle. In fiscal year 2023, 27,638 registrations were cancelled with greater than one year remaining on the registration period. Even if a very conservative GVWR is applied to that number of registrations, with the fee calculated at sixty dollars ($60.00) per year, the resulting loss of revenue would be approximately $1,658,280.00. Because the fees for many vehicles are more than $60.00, the actual amount of lost revenue could be much higher.

Perhaps even more significantly, the funds from registration fees are deposited into the state's highway maintenance account. The state receives federal matching funds for the money in that account at a rate of twenty percent (20%). Therefore, by way of example, a reduction in registration fees of $1.5 million would result in a loss of $6.0 million in federal funds, for a total revenue loss of $7.5 million.

Finally, the Substitute A version of the bill, like the original, would take effect upon passage. The changes required by the bill, even if achievable, would take no less than one year to implement. Furthermore, the development and programming costs for the registration term changes and implementation of a credit could be potentially up to $250,000.00. That cost is in addition to the lost revenue.

The significant implementation burdens imposed on the DMV and the negative fiscal impact were specifically mentioned in the Governor's veto message of a nearly identical bill last legislative session.

Thank you for your consideration.

Sincerely,

Walter R. Craddock

Walter R. Craddock, Esq.,
Administrator

Cc: The Honorable Members of the House Committee on Finance
The Honorable Gregory J. Costantino
Nicole McCarty, Esq., Chief Legal Counsel to the Speaker of the House of Representatives
Sharon Reynolds Ferland, Fiscal Advisor to the House of Representatives
Thomas A. Verdi, Director, Department of Revenue