

# HOUSE BILL REPORT

## HB 1789

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### As Reported by House Committee On: Transportation

**Title:** An act relating to making adjustments to the service and filing fees for vehicle subagents and county auditors.

**Brief Description:** Making adjustments to the service and filing fees for vehicle subagents and county auditors.

**Sponsors:** Representatives Fey, Barkis, Irwin, Dent, Young, Mead, Chambers, Stanford, Ryu, Caldier, Springer, Walsh, Kloba, Kirby, Wylie, Griffey, Stokesbary, Vick, Appleton, Lovick, Ortiz-Self, Schmick, Steele, Dye, Doglio, Goodman and Santos.

#### **Brief History:**

##### **Committee Activity:**

Transportation: 2/13/19, 2/25/19 [DP].

#### **Brief Summary of Bill**

- Increases the service fee for changes in a vehicle title certificate and related transactions from \$12 to \$24.
- Increases the service fee for a registration renewal and certain other transactions from \$5 to \$10.
- Increases the filing fee for application of a certificate of title from \$4 to \$5.50.
- Increases the filing fee for application of vehicle registration from \$3 to \$4.50.
- Requires county auditors to remit 50 cents of each filing fee collected to the Department of Licensing (DOL), and requires the DOL to distribute an equal share of the remitted funds to each county.

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### HOUSE COMMITTEE ON TRANSPORTATION

**Majority Report:** Do pass. Signed by 20 members: Representatives Fey, Chair; Slatter, 2nd Vice Chair; Valdez, 2nd Vice Chair; Wylie, 1st Vice Chair; Barkis, Ranking Minority Member; Walsh, Assistant Ranking Minority Member; Young, Assistant Ranking Minority

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Member; Boehnke, Chambers, Chapman, Dent, Doglio, Eslick, Goehner, Lovick, McCaslin, Ortiz-Self, Pellicciotti, Riccelli and Van Werven.

**Minority Report:** Without recommendation. Signed by 5 members: Representatives Dufault, Entenman, Gregerson, Mead and Shewmake.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Orcutt, Paul, Ramos and Shea.

**Staff:** Patricia Hasan (786-7292).

**Background:**

The Department of Licensing (DOL), county auditor or other agent, or subagent appointed by the DOL Director collects a service fee of:

- \$12 for changes in a vehicle title certificate or for verification of a record and preparation of an affidavit of lost title; and
- \$5 for a registration renewal, issuing a transit permit, accepting a vessel registration, accepting a report of sale, and accepting a transitional ownership record.

The service fees collected by the DOL or a county auditor or other agent must be deposited into the Capital Vessel Replacement Account. The service fees collected by subagents are self-retained.

A person pays a filing fee of:

- \$3 for a vehicle registration or any other right to operate a vehicle on Washington highways, including transactions involving a report of sale, transitional ownership record, farm vehicle reduced gross weight license, or vessel registration; and
- \$4 for a certificate of title for a vehicle or vessel.

The filing fee distribution is dependent on the entity that collects the fee and is as follows:

- If the filing fee is collected by a county auditor or other agent or subagent appointed by the DOL Director, the fee must be distributed to the county treasurer and credited to the county current expense fund.
- If the filing fee is collected by the Washington State Patrol, the fee must be deposited into the State Patrol Highway Account.
- If the filing fee is collected by the Washington State Department of Transportation, the fee must be deposited into the Motor Vehicle Fund.
- If the filing fee is collected by the DOL, the fee must be deposited into the Highway Safety Fund; however, \$2 of the fee must be deposited into the Multimodal Transportation Account if the fee is collected in conjunction with collecting a registration fee for a commercial trailer or private use single-axle trailer, or in conjunction with collecting a vehicle license fee by weight.

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**Summary of Bill:**

The service fee for changes in a vehicle title certificate, changes in ownership for nontitled vehicles, and related transactions is increased to \$24. The service fee for a vehicle or vessel registration renewal, issuing a transit permit, accepting a report of sale, or accepting a transitional ownership record is increased to \$10. The filing fee for a vehicle or vessel certificate of title is increased to \$5.50. The filing fee for a vehicle or vessel registration, report of sale, transitional ownership record, or farm vehicle reduced gross weight license is increased to \$4.50. If the filing fee is paid to a county auditor or other agent or subagent appointed by the DOL Director, 50 cents of the filing fee must be remitted to the DOL, and the DOL must distribute an equal share of the remitted funds to each county at least quarterly.

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**Appropriation:** None.

**Fiscal Note:** Preliminary fiscal note available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) Subagent offices are private businesses that are recommended to the state by the county auditor and appointed by the DOL Director to fulfill the licensing duties for the state. By using subagents to conduct this business, the state and counties are benefiting from reduced costs to provide licensing to Washington residents. In vehicle licensing, whether as a county auditor or a subagent, there are more than 30 types of vehicle transactions that must be provided. It is a very complex business. There is no revenue lost when a customer chooses a subagent instead of a county auditor; there is a filing fee that is deposited to the county treasurer no matter where the transaction took place.

This is one of the few places the state regulates how much a private business can charge for its services, and this is appropriate in order to maintain fairness to customers. But the state must also be fair to the subagent private businesses that are trying to make a living and that are providing the front-line services to many people on behalf of the state. It is only through the Legislature that these private business get an increase in the service fees that they are allowed to retain for providing their services, and these service fees have not increased in nine years. Subagents typically provide licensing services six days a week and with extended hours, which is not something the state or even the county governments can do. Close to 80 percent of the vehicle registration and titling transactions are conducted at subagent offices, and the businesses are held to a 95 percent accuracy rate.

Subagents have had to absorb a lot of the increase in costs like rent, salaries, and business and occupation taxes, and they have a robust training program with significant costs. Minimum wage was \$8.60 per hour the last time the service fee was increased, it is currently \$12 per hour, and it will be increased to \$13.50 per hour in January 2020; this is almost a 60 percent increase in minimum wage. Subagents in the Seattle and King County areas will be faced with higher minimum wages of \$16 per hour by 2020. Costs in healthcare have increased substantially as well; in some offices it has increased by 75 to 80 percent, and most

offices are too small and do not bring in enough revenue to be able to offer healthcare to their employees. The labor intensity of the transactions has also increased; subagents are now responsible for providing training in detecting fraud, especially with the Regional Transit Authority taxes. Subagents receive no subsidies from the state to help cover expenses. With an increase in the service fee, subagent offices can be more competitive with wages and benefit packages for employees.

County auditors, and thus county governments, have not had an increase in 20 years in the filing fees that are retained by the county. The filing fee that they charge is not large, but they are in need of an increase. The state is subsidizing some of these counties because they are unable to generate enough revenue to cover the expenses of conducting the licensing work on behalf of the state. The filing fee would cover the cost of conducting business. County auditors also have the responsibility of supervising and administering all of the subagents within a county. They provide training, ensure compliance, ensure service standards, provide cash management, and act as the warehouse and distribution center for all of the subagents in the county.

This bill will solve the problem of the state subsidizing 11 counties just to keep the county auditor and subagent offices open in those counties. The solution would come in the form of the filing fee increase, from which 50 cents would be put into a pool and redistributed equally to all of the 39 counties. This would save the state between \$600,000 and \$700,000 per year.

(Opposed) None.

**Persons Testifying:** Representative Fey, prime sponsor; Shane Cox, Washington Association of Vehicle Subagents; Kevin David, Package Express Auto Licensing; Corry Cavin, Lacey Auto Licensing; and Julie Anderson, Washington State Association of County Auditors.

**Persons Signed In To Testify But Not Testifying:** None.