MUNICIPALITY OF ANCHORAGE

Finance Treasury (907) 343-4092

Mayor Dan Sullivan

February 2, 2015

RE: Letter of Support for SB 22: "An Act relating to collection costs from a municipality's share of biennial motor vehicle registration; and providing for an effective date."

I am writing as a representative of the Municipality of Anchorage in support of SB 22, a bill sponsored by Senator Giessel. SB 22 proposes to reduce the statutory collection cost fee charged by the Department of Motor Vehicles (DMV) from its current level of 8.0% to 5.5%. The proposed legislation corrects an inequity that has existed for several years in the amount of fee revenue generated by DMV for its administration of the Statewide Motor Vehicle Registration Tax (MVRT) program. This bill positively impacts the net revenues received from the MVRT program for sixteen local governments throughout the State. The bill limits DMV's ability going forward to continue to generate over $500K in excess collection fee revenue from the MVRT program and it appropriately redistributes excess fees to the local governments where the biennial MVRT originates.

SB 22 proposes an update to the percentage fee charged by DMV to local governments for collecting biennial auto registration tax on their behalf. DMV's current 8% statutory collection cost fee for the MVRT program has never changed since the MVRT program was established 22 years ago under AS 28.10.431(e). Clearly, since the early 1990's, a great number of significant and fundamental changes have occurred in technology and business processes that have allowed DMV to administer the MVRT program much more efficiently and cost effectively, yet the 8% collection fee has never been adjusted to match changing conditions. At its inception in 1993, the 8% fee was intended to reasonably cover DMV's direct costs associated with administering the MVRT program, however the 8% fee today is generating a significant and unwarranted amount of excess revenue in the name of the MVRT program. In the past 3 years alone DMV has over-collected more than $500K per year from the Municipality of Anchorage for administering the MVRT program and they have thereby reduced the amount of net revenue paid to fifteen other Alaskan government jurisdictions. To further illustrate, back in 2010 DMV collected approximately $424K in fees from the MOA and since 2012 DMV's annual fees charges to the MOA have been nearly $1M per year (i.e., a 100% increase), despite no on-going, substantive change in the cost of administering the MVRT program on behalf of the MOA. This came about as a result of the MOA electing to nearly double its auto registration fee schedule in 2012 in order to diversify local revenues and simultaneously provide local property tax relief. The MOA's change in its fee schedule was the first mass update since inception of the MVRT program in 1993. DMV's role leading up to 2012 was simply to update the rates in the fee schedule based on the notice of intent filed by the MOA. When the MOA's auto registration revenue base nearly doubled, an unintended consequence was that DMV's collection fees generated from the 8% statutory collection fee also more than doubled, despite no fundamental change in their cost of administering the MVRT program. This has led to over $500K in annual excess collection revenues, which DMV collects in the name of the MVRT program, and it has provided DMV with opportunity to use these excess funds for purposes beyond providing status quo administration of the MVRT program.

I strongly urge support of the Committee for SB22.

Sincerely,

Daniel Moore

Daniel Moore, Municipal Treasurer