

Authorized Third-Parties

Arizona Department of Transportation

Program Summary

Program Overview

The Arizona Department of Transportation's (ADOT) Motor Vehicle Division provides services for motor vehicle title and registration, issuance of driver credentials, motor carrier services, and revenue collection. It provides these services through its 44 field offices throughout the state. ADOT also administers and oversees an Authorized Third-Party (ATP) Program, which allows private entities to conduct title and registration transactions, driver licensing transactions, and other MVD transactions. ATPs can be categorized as brick-and-mortar providers or as an electronic provider.

Background

Laws 1993, Chapter 178 established authorized third parties for title and registration transactions. Laws 1998, Chapter 200 further authorized ATPs for motor carrier licensing and tax reporting, dealer licensing and driver licensing. There are now over 160 brick-and-mortar ATP locations in addition to 44 MVD field office locations.

Brick-and-mortar ATPs offer extended weekday hours, weekend hours and additional locations, helping ADOT handle the volume of MVD transactions. These ATPs collect statutory fees the same way an MVD field office does. These include fees for registrations, certificates of title, vehicle license tax, driver license applications, overweight or excess size permits, fuel tax permits, abandoned vehicle payments, and personalized license plates.

For each of these statutory fees, A.R.S. § 28-5101 details an amount that the ATP shall retain as compensation for their services. For example, ATPs retain 2% of each vehicle license tax payment (or \$4, whichever is more), \$1 for each registration, and \$1 for each certificate of title. In addition to these reimbursements, ATPs may charge a convenience fee on top of the statutory fees. ATPs are statutorily required to display in their office the amount charged by the ATP compared to the amount charged by an MVD field office.

In order to maintain MVD standards within private entities, ADOT conducts audits, financial responsibility and criminal background checks, certification and training of ATP processors, data accuracy and data security reviews, quarterly analyses of ATP transactions for accuracy, evaluation of data protection measures, site visits, and on-the-job training.

Established in 1997, ServiceArizona is the electronic ATP provider. Whereas brick-and-mortar ATPs have their compensation described in statute, Laws 2011, Chapter 190 allowed the electronic provider to have its compensation negotiated through an agreement between the vendor and the department. Under the current agreement, the vendor retains the same portion of fees as any other ATP. However, whereas brick-and-mortar ATPs keep all of their retainage as compensation, the electronic provider deposits 45% of its retained fees into a vendor account for its own purposes and deposits 55% into a vendor account to be spent at ADOT's direction. ADOT's portion of fees is currently dedicated to the Motor Vehicle Modernization (MvM) project, a custom software development project. ServiceArizona does not charge convenience fees; each transaction on the website costs the same as it would in an MVD field office. The agreement began in October 2012 with a development period and entered into an operational period in July 2016 with an annual 1-year extension option until the end of FY 2021.

In FY 2020, the ServiceArizona vendor retained \$27,779,400 and brick-and-mortar ATPs retained \$19,694,000, for a total of \$47,473,400 retained by ATPs. Of the amount retained by the ServiceArizona vendor, \$11,576,400 was deposited into a vendor account and \$16,203,000 was deposited into ADOT's account to be used on the MvM project. Over 70% of the \$47.5 million retention is from VLT-related fees, with the remaining amount composed of retainage from registrations, titles, permits and other transactions.

In FY 2020, brick-and-mortar ATPs conducted 4,760,400 transactions and ServiceArizona conducted 7,858,000 transactions, for a total of 12,618,400 ATP transactions. In comparison, MVD field offices conducted 2,449,200 transactions in FY 2020.

Program Funding

The Authorized Third-Party Program has historically been funded from the ADOT operating lump sum appropriation and beginning in FY 2006, the New Third-Party Funding line item. Monies in the operating lump sum funded ATP application processing, certification and training, auditing and other administrative functions. The New Third-Party Funding line item funded the review of ATP transactions for accuracy as well as providing additional support for ATPs. The FY 2019 budget shifted the operating budget amount from the operating lump sum and the New Third-Party Funding line item to a new Authorized Third-Parties line item. *Table 1* below shows the ATP line item funding by fund source from FY 2019 to FY 2021.

ATP Funding Structure			
<u>Budget Unit</u>	<u>FY 2019</u>	<u>FY 2020 (est.)</u>	<u>FY 2021 (est.)</u>
State Highway Fund	\$1,628,400	\$1,633,300	\$1,689,600
Highway User Revenue Fund	198,500	199,500	206,200
Motor Vehicle Liability Insurance Enforcement Fund	99,500	99,600	102,200
Vehicle Inspection and Certificate of Title Enforcement Fund	<u>87,700</u>	<u>87,800</u>	<u>90,400</u>
Authorized Third-Parties	\$2,014,100	\$2,020,200	\$2,088,400