
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 1190 (Haney) - Department of Motor Vehicles: private industry partner fees

Version: June 23, 2025

Urgency: No

Hearing Date: August 18, 2025

Policy Vote: TRANS. 13 - 0

Mandate: No

Consultant: Mark McKenzie

Bill Summary: AB 1190 would require the Department of Motor Vehicles (DMV) to cap the fees that a second-line business partner may charge a customer for a vehicle registration renewal processed through the business partner's website, as specified. The bill would also require the prominent placement of specified disclosures on all second-line business partners' websites.

Fiscal Impact:

- DMV estimates one-time costs of approximately \$125,000 to modify its website and publications, issue informational memos, and develop and adopt regulations to limit the fees that a second-line business partner may charge a customer for online vehicle registration renewals. (Motor Vehicle Account)
- Unknown fee revenue losses, to the extent the bill results in a shift of vehicle registration renewal transactions from second-line business partners that conduct those transactions on a website to an existing DMV direct service channel (through its website, a field office, or a self-service kiosk). The number of additional transactions that may be shifted to a direct DMV channel as a result of the bill is subject to a high level of uncertainty, and would depend upon customer behavior and the impact of the bill on business practices of second-line partners. For every 1% of the current volume of vehicle registration renewal transactions currently conducted through business partners that are shifted to the DMV, there would be a loss of approximately \$131,000 in transaction fees. See staff comments. (Motor Vehicle Account)
- Staff notes that the bill, as currently drafted, would chapter out a provision of the transportation budget trailer bill that re-enacts the authority for DMV to charge a \$1 fee for each transaction processed by a private industry partner until December 31, 2028. Absent correction, this would result in a revenue loss of approximately \$20 million over three years. See Recommended Amendments below. (Motor Vehicle Account)

Background: Existing law authorizes DMV to establish contracts for electronic programs that allow qualified private industry partners to join the department in providing services that include processing and payment programs for vehicle registration and titling transactions, and services related to reporting vehicle sales and producing temporary license plates. Existing law specifies the following categories of private industry partners:

- A “first-line business partner” is an industry partner that receives data directly from DMV and uses it to complete registration and titling activities for that partner’s own business purposes.
- A “first-line service provider” is an industry partner who provides software to second-line business partners who receive information from DMV for processing vehicle registration and titling transactions.
- A “second-line business partner” is a partner who utilizes software and receives information from DMV through a first-line service provider that allows them to process vehicle registration and titling transactions.

Existing law requires DMV to provide an annual report to the Legislature on the private industry program that includes specified information, including a listing of all qualified business partners, volume of each type of transaction processed by business partners, the total amount of funds collected through the program, a description of any fraudulent activities identified by DMV, an evaluation of the program’s benefits, and recommendations for any changes that would improve the program. The most recent report notes that transactions processed by business partners provide DMV with specified benefits, including the following:

- Provides DMV’s registration database with nightly updates.
- Allows vehicle license plates to be issued to car buyers more quickly.
- Offers an alternative method of service for DMV transactions, as many industry partners offer other services, such as car insurance and smog certification for one-stop shopping and flexible hours.
- Reduces the workload in DMV field offices.
- Eliminates costs to the state associated with dishonored payments as all fees are paid via electronic fund transfers from first-line providers and business partners, who absorb risk associated with invalid customer payments.
- Allows DMV to accrue interest earlier since electronic fund transfers are received quicker than other forms of payment.

Existing law authorizes DMV to establish, through regulations, the maximum amount that a qualified private industry partner may charge its customers in providing services, and requires those fees to be adjusted annually for inflation. Currently DMV has only exercised this authority to limit the fees that a first-line service provider may charge vehicle dealers and dismantlers, and caps the amount of these fees that may be passed along to customers at the actual cost of that fee, which is currently \$29, but will increase to \$30 on January 1, 2026. The DMV has not exercised the authority to impose a fee cap on other business partners.

Existing law also requires DMV to charge a transaction fee for the information and services provided through private industry partners, and authorizes those industry partners to pass the transaction fee on to the customer. This “BPA transaction fee,” which is currently \$6 and adjusted periodically for inflation, is imposed on business partners for every transaction that is processed through to completion. Existing law also temporarily authorized DMV to charge a \$1 fee on private industry partners for each processed transaction through December 31, 2023 for the implementation of the proportionate share of DMV’s IT system improvements. Staff notes that SB 128 (Budget and Fiscal Review Committee, Chap. 16/2025), this year’s transportation budget trailer bill, re-enacted this \$1 fee through December 31, 2028, as specified.

Proposed Law: AB 1190 would require DMV to limit the amount that a second-line business partner may charge an individual customer for a vehicle registration renewal that is processed on the second-line business partner's website to no more than the maximum amount that a first-line service provider may charge its customers.

The bill would also require DMV to require all qualified second-line business partners to prominently display on their websites, in a clear and conspicuous manner, a working link to the DMV's website with the following statement: "Consumers may click here to obtain services from the Department of Motor Vehicles at no additional cost."

Staff Comments: The most recent DMV report to the Legislature (the Consolidated Private Industry Partner Report) indicates that 2,185,741 vehicle registration renewals were processed through completion by business partners in the 2023-24 fiscal year, which generated over \$13 million in BPA transaction fee revenues (at \$6 per transaction) that were deposited into the Motor Vehicle Account. Staff notes that this includes both in-person transactions through a business partner as well as transactions conducted through a website, and data on the subset of online transactions conducted by second-line business partners that are included in the total volume is not available.

Opponents of the bill assert that limiting the fees they can charge customers for online vehicle registration renewal transactions to \$30 would devastate their business model and may result in the loss of many business partners. If a second-line business partner currently charges \$50 for vehicle registration renewal, the bill would result in a loss of \$20 per transaction for that business partner, unless it increased fees on other transaction types to offset those losses. The bill would also require all qualified second-line business partners to prominently display on their websites a working link to the DMV website with a specified statement indicating that customers can use the link to obtain services directly from DMV at no additional cost. These combined impacts could lead to more customers going directly to DMV for vehicle registration renewal transactions, rather than using the services of a second-line business partner. The overall volume of transactions that may be shifted from business partners to the DMV is unknown and subject to a high level of uncertainty, but for every 1% of the overall vehicle registration renewal transactions that are currently conducted through a business partner are shifted to the DMV in a fiscal year, there would be a loss of approximately \$131,000 in BPA transaction fee revenue that would otherwise be deposited into the Motor Vehicle Account.

Recommended Amendments: This bill amends Vehicle Code Section 1685 to limit the fees that a second-line business partner may charge a customer for a vehicle registration renewal that is processed on its website. Staff notes that SB 128 (Budget and Fiscal Review Committee), Chap. 16/2025, the transportation budget trailer bill, also amended this statute to authorize DMV to charge a \$1 fee for each transaction processed by a private industry partner until December 31, 2028. This bill should be amended to avoid chaptering out the recently-enacted provisions of the budget trailer bill that provide DMV with additional fee authority.

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