

Driver and Vehicle Services Operating Account

February 2025 Forecast

Purpose of Account - The Driver and Vehicle Services Operating Account was established in the special revenue fund by Laws 2023, Chapter 68. The account was created by combining two existing special revenue fund accounts: the Driver Services Operating Account and the Vehicle Services Operating Account. The purpose of the account is to fund the operations for the Driver and Vehicle Services Division of the Department of Public Safety (DPS). Funds are appropriated from the account for driver services, including the cost of producing driver's licenses and identification cards and examining drivers; vehicle services, including the cost of producing license plates and collecting vehicle registration taxes and fees; and administrative costs. Any unspent balances remain in the account. As of the February 2025 forecast, the projected balance of the account at the end of the FY 2024-25 biennium is \$56.3 million before reserves, which is estimated to increase to \$72.1 million before reserves by the end of the FY 2028-29 biennium.

Sources - The primary sources of revenue in the Driver and Vehicle Services Operating Account are fees collected on driver and vehicle service transactions, as specified in Minnesota Statutes chapters 168, 168A, 168D, and 171. Total revenues are projected to be \$203.4 million in the FY 2024-25 biennium, an increase of \$4.1 million (2.1 percent) from the most recent forecast, and \$202.7 million in the FY 2026-27 biennium and \$202.6 million in the FY 2028-29 biennium, increases of \$8.1 million (4.1 percent) and \$8.0 million (4.1 percent), respectively, from prior estimates. Revenue estimates are based on actual transactions and account for variations due to legislative action taken in prior sessions. Revenues are higher than previously estimated primarily due to actual license plate fee revenue in the first half of FY 2025 coming in higher than anticipated, which increases the revenue estimate for FY 2025 and future years.

Uses - Expenditures represent the costs associated with division operations, including salaries and benefits for staff and authorized expenditures for driver and vehicle services as defined in Minnesota Statutes section 299A.705, subdivision 1. Expenditures are based on appropriated amounts to driver services and vehicle services. They also include projected costs associated with license plate production and mailing costs, which are authorized through an open appropriation from this account. Total spending from the account is projected to be \$189.1 million in the FY 2024-25 biennium, an increase of \$3.4 million (1.8 percent) from the November 2024 estimate. Spending is projected to be \$194.7 million in each of the FY 2026-27 and FY 2028-29 biennia, an increase of \$6.9 million (3.6 percent) in each biennium. Forecast spending changes are related to the open appropriation for license plate fulfillment. Increased plate production and spending during the first half of FY 2025 are driving the increased projection for the remainder of the fiscal year, which carries forward to future years.

Reserves and Balances - To protect against the potential impact of significant shifts in revenue or spending, DPS maintains reserves in the account. These reserves provide 60 days of operating funds to ensure an adequate cash balance to maintain regular, ongoing operations, and are also available for appropriation to address capital improvement needs. The account is now estimated to have an unreserved balance of \$32.7 million at the end of the FY 2024-25 biennium, \$43.2 million at the end of the FY 2026-27 biennium, and \$51.1 million at the end of the FY 2028-29 biennium. These estimates are up from the November 2024 estimates of \$32.6 million, \$41.9 million, and \$48.6 million, respectively.

Department of Public Safety - Driver and Vehicle Services Operating Account Statement

February 2025 Forecast Statement

\$ in Thousands

DRIVER AND VEHICLE SERVICES OPERATING ACCOUNT	Actual FY 2024	Estimated FY 2025	Estimated FY 2026	Estimated FY 2027	Estimated FY 2028	Estimated FY 2029
<u>Actual & Estimated Resources</u>						
Balance Forward from Prior Year	40,146	65,757	56,254	60,228	64,193	68,158
Prior Period Adjustments	1,798	-	-	-	-	-
Adjusted Balance Forward	41,944	65,757	56,254	60,228	64,193	68,158
<u>Current Resources</u>						
Driver Services Revenue	48,882	46,531	45,594	45,585	45,585	45,585
Vehicle Services Revenue	50,364	56,481	55,185	55,185	55,185	55,185
Transfers in - DWI Reinstatement Fees	1,082	1,082	1,082	1,082	1,082	1,082
Transfers to Bulk Data Account	(528)	(528)	(528)	(528)	(528)	(528)
Subtotal Current Resources	99,800	103,566	101,333	101,324	101,324	101,324
Total Resources Available	141,744	169,323	157,587	161,552	165,517	169,482
<u>Actual & Estimated Expenditures</u>						
<u>Statutory Appropriation</u>						
Fulfillment Expenditures (Open)	17,206	21,500	21,500	21,500	21,500	21,500
<u>Direct Appropriations</u>						
Driver Services Expenditures	38,383	53,468	47,122	47,122	47,122	47,122
Vehicle Services Expenditures	20,398	36,901	28,737	28,737	28,737	28,737
Office of Traffic Safety – Lights On Program	-	1,200	-	-	-	-
Total Expenditures	75,987	113,069	97,359	97,359	97,359	97,359
Balance Before Reserves	65,757	56,254	60,228	64,193	68,158	72,123
60-day Operating Reserve	12,491	18,587	16,004	16,004	16,004	16,004
Capital Reserve	5,000	5,000	5,000	5,000	5,000	5,000
Budgetary Balance	48,266	32,667	39,224	43,189	47,154	51,119