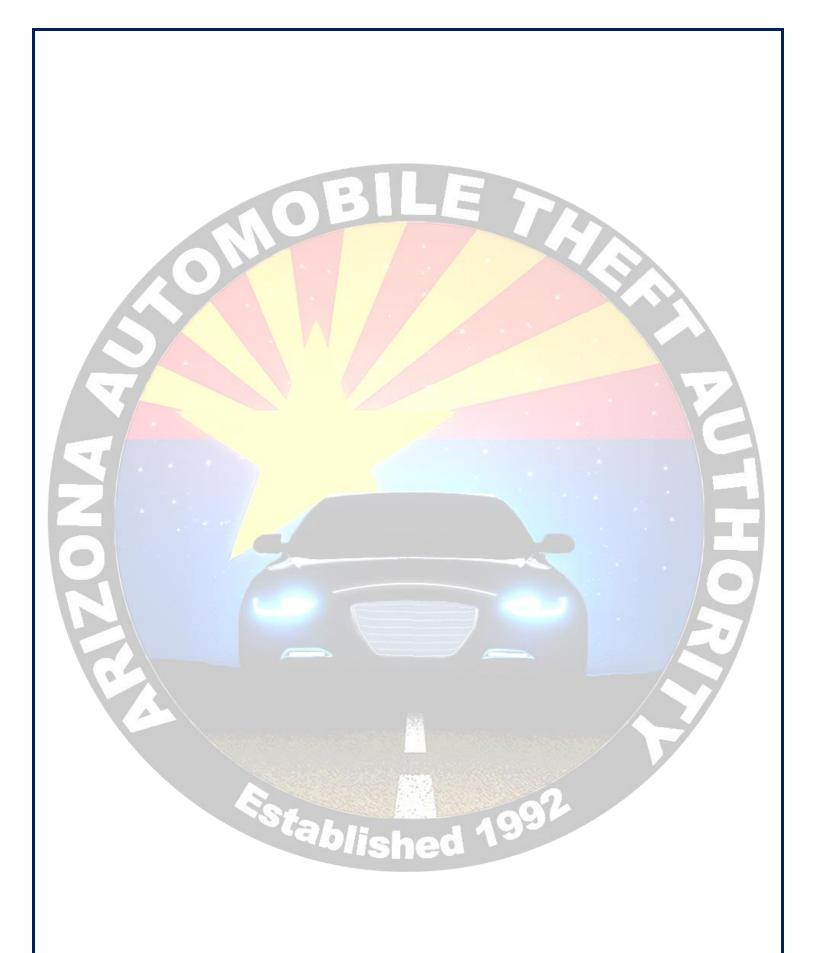


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Cabinet Executive Officer's Letter

Governor Hobbs, Senate President Petersen and House Speaker Toma:

Pursuant to A.R.S. § 41-3451(C)(8), the Arizona Automobile Theft Authority (AATA) Division of the Department of Insurance and Financial Institutions (DIFI) is pleased to present its annual report of the AATA's activities for Fiscal Year 2023 (FY23).

The data included in this report covers the AATA's activities for FY23 and also includes statistics from calendar year 2022, as vehicle theft numbers are reported by sources nationally using a calendar year reporting period. Statistics presented in this way allow for the use of National Insurance Crime Bureau (NICB) data to not only see national trends in vehicle theft but also to compare Arizona with other states. NICB data revealed the following:

Calendar Year	2022	2021	Percentage of
			Increase
Vehicles Stolen in United States	1,001,967	932,329	7.5%
Vehicles Stolen in Arizona	21,694	20,637	5.1%
Rate per 100,000 Population*	294.8	283.6	3.9%

^{*}Adjusts for population growth

NICB ranks all states based on the rate of theft and Arizona's number places it 15th among the other states, Puerto Rico and the District of Columbia.

As noted in last year's report, the AATA, in conjunction with the Department of Public Safety, launched the Auto Crime Tracking (ACT) database. The AATA now has a full fiscal year of data populated into the database. The anticipated return on investment for the database has been exceeded through the investigative and analytical successes experienced by investigators, analysts and other stakeholders. The ACT database has been a game-changer as near real-time data is available on every vehicle theft and recovery reported in Arizona on a statewide basis. Data that previously took months to receive is now available within minutes. The successes experienced with the ACT database, working in conjunction with proven AATA grant programs such as the Vehicle Theft Task Force, Vertical Prosecution and Public Awareness, leverages a multi-pronged approach to combating vehicle crime in Arizona.

With support from the Governor's Office and the Legislature, the AATA received an increased appropriation in FY24 for the Vertical Prosecution program which is used to support staff from six counties (La Paz, Maricopa, Mohave, Pima, Pinal and Santa Cruz) and the annual support of the ACT database. DIFI sincerely appreciates the support the Governor's Office and the Legislature have shown to the AATA through these increases in appropriation and will continue to find new and innovative strategies to combat vehicle theft for the benefit of all Arizonans.

Respectfully,

Barbara D. Richardson



Barbara D. Richardson

Members of the Authority

Chief Michael Soelberg - Chairman Kent Volkmer - Vice-Chairman **Director Jeffrey Glover** Director Eric Jorgensen Sheriff Paul Penzone Sheriff Joseph Dedman, Jr. Rachel Mitchell Robert E.M. Smith Chief Frank Alanis **Brian Wright Bradley Conley** Joe Brosius

The Arizona Automobile Theft Authority's (AATA) FY23 Annual Report covers the activities of the authority on a fiscal year basis; however, vehicle crime statistics are most often reported by calendar year. Capturing statistics by calendar year allows the AATA to compare Arizona to all other states for the same period of time, thereby allowing a consistent look at trends in Arizona and nationally.

Vehicle Theft Increases for Second Straight Year

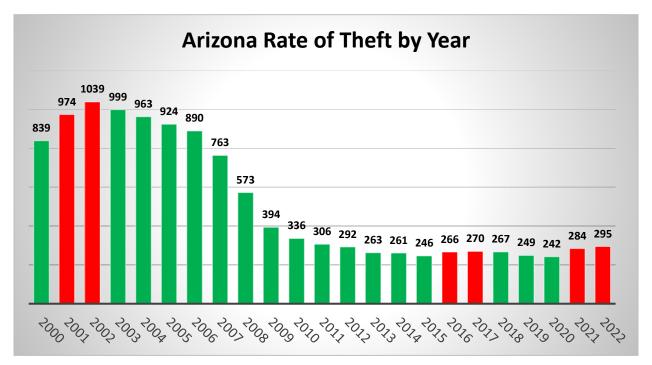
Using statistics compiled by the National Insurance Crime Bureau (NICB) there were 1,001,967 vehicles reported stolen across the U.S. in 2022, a 7.5% increase over 2021, when 932,329 vehicles were stolen.

For Arizona, NICB reported 21,694 vehicle thefts in 2022, a 5.1% increase from 2021, when 20,637 vehicle thefts were reported. Arizona's theft rate (thefts per 100,000 residents) also increased in 2022 to 294.8, from 2021's rate of 283.6. NICB ranks all states based on the rate of theft and Arizona's number places it 15th among the other states, Puerto Rico and the District of Columbia.

The AATA believes that the rate of theft is the best indicator of the vehicle theft problem because it offers advantages for assessing vehicle crime. First, as a state's population increases or decreases, it may be logical to assume the total number of auto thefts would follow the same pattern; thus, if a state's population increases, a corresponding increase in auto theft is not unexpected. In this circumstance a state's total vehicle theft may increase but the rate of auto theft may remain steady or perhaps decrease based on population gains. Second, relying on the rate of theft allows Arizona to compare itself with other states. There are many factors that may make a state more susceptible to auto theft than another, such as: proximity to an international border or shipping ports, dense population centers, reliance on personal transportation, and the

state's effectiveness in dealing with crime. Using the rate of theft allows states to level the field through equalization of auto thefts with population and answers the question of how likely a resident is to have their car stolen in a particular jurisdiction or state.

Arizona Benefits from a Full Year of Stolen Vehicle Data



FY23 represented a milestone in the AATA's quest for timely stolen vehicle data by having near real-time access to data within the Auto Crime Tracking (ACT) database for a full year. The ACT database began populating elements of stolen vehicle data, including recoveries, in May of 2022. Enhancements to the database included geolocation for thefts and recoveries that allowed both elements to be mapped and show connections between theft and recovery location. The significance of ACT data cannot be overstated as this functionality allows the AATA to see changes and trends much quicker than ever before. With this capability analysts from the AATA and the Department of Public Safety (DPS) have been utilizing the data operationally to support law enforcement, the insurance industry, and citizens through outreach and education.

One example of the value of ACT involved tracking the rise in thefts of Kia and Hyundai models that swept the nation in 2021 and began impacting Arizona in the summer of 2022. Prior to the presence of ACT data, the AATA would have waited months, maybe even a year, to see the statewide impact of this theft phenomenon. By having immediate access to this theft data, the AATA was able to create reports that were shared with law enforcement and a detailed analysis report that was provided to the Arizona Attorney General's Office. The presence of real-time data allowed the AATA to create outreach campaigns and newsletter articles describing the origin of the problem, provide theft numbers to demonstrate the extent of the problem, and then offer tips to keep these vehicles more secure while the vulnerability was being addressed by the vehicle manufacturers.

Another example of the benefit of ACT data involved a document referred to as the "Hot sheet" because it contains a history of vehicles stolen in Arizona over the last five years. The Hot sheet, produced weekly by DPS, is used as a resource document by investigators. Once a stolen vehicle is recovered it is supposed to be removed from the Hot sheet. Prior to ACT, the Hot sheet listed approximately 60,000 stolen vehicles. When ACT data became available it allowed for a cross reference and more detailed check of the vehicles appearing on the Hot sheet. After ACT data was used to verify the vehicles, the number of vehicles listed on the Hot sheet decreased from 60,000 to approximately 30,000. This reduction removed vehicles that were incorrectly placed on the Hot sheet and those that should have been removed, but weren't. Removing these vehicles was a public and officer safety win as there was no longer confusion as to the accuracy of the information. Interestingly, the Hot sheet is effectively being replaced by the much faster and more robust ACT database.

The AATA considers the deployment of the ACT database to be in its infancy in Arizona; however, as enhancements to the system are

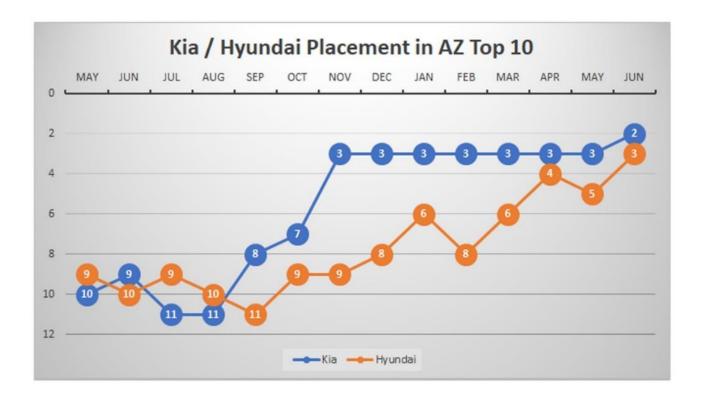
incorporated and personnel become increasingly familiar with its capability, the "wins," both large and small, will continue.

ACT Enables Monitoring of Kia/Hyundai Theft Increase

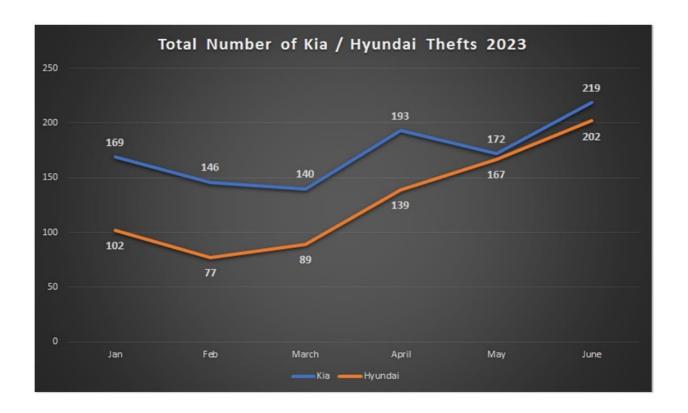
Arizona may have been late to the game, but was not able to avoid being part of a nationwide surge in thefts of Kias and Hyundais in FY23. These two popular brands became internet sensations as a result of a TikTok video posted by a group calling themselves the Kia Boyz which highlighted a vulnerability that made most models of these cars easy to steal. The video introduced the "Kia Challenge," demonstrated how to steal the vehicles, and then showed the thieves driving recklessly on city streets all over the country. Part of the appeal to the thefts was likely the use of a USB cable to rotate the exposed ignition cylinder. It's noteworthy that no data or electricity flowed through the USB cable – it just happened to be the perfect size to fit in the plug to rotate the ignition cylinder. At the heart of this issue was the fact that a large number of vehicle models from these two manufacturers were produced without an engine immobilizer – which prevents the engine from starting without a paired key – therefore no paired key or fob is required to start the engine. The discovered vulnerability affected most Kias produced between 2010 and 2021 and most Hyundais produced between 2015 and 2021. Fortunately, all 2022 and newer Kia and Hyundai models are now manufactured with engine immobilizers but the problem remains for an estimated 8.3 million vehicles.

The AATA was able to track the rise in thefts of these vehicles since the deployment of the ACT database in May of 2022. Prior to this date the AATA did not have timely, reliable statewide data to monitor Kias' and Hyundais' rapid ascension on Arizona's Top 10 most stolen vehicles list. In May of 2022, Kias and Hyundais had already moved onto the list, occupying spots near the bottom at #9 and #10, respectively. The summer of 2022 showed these vehicles hovering in the same places until

August, when Kia began a steep climb, reaching #2 by June of 2023. Hyundais followed suit with their own climb in September, eventually landing at #3 by June of 2023.



The rise to high places on Arizona's Top 10 most stolen vehicle list was evidenced by compiling monthly theft numbers that showed a combined average of 104 thefts per month from May through September 2022. After September 2022, the rapid increase accelerated as the combined Kia and Hyundai thefts averaged 239 thefts from October 2022 through June of 2023. ACT allowed the AATA to monitor these vehicle models as they climbed, and then ascended, onto Arizona's Top 10 most stolen vehicle list. Near real-time data allowed the AATA to report these findings to law enforcement, media and vehicle owners in an effort to raise awareness and offer theft prevention strategies.



Budget Action in FY23 Expands AATA Effort for FY24

The AATA, through support of Governor Hobbs' administration and the Arizona Legislature, made significant strides in advancing key initiatives for FY24. The governor's office and lawmakers came together to increase the funding appropriation for the Vertical Prosecution grant program, providing participating agencies funding to more fully cover their costs for prosecutors and administrative support personnel assigned to the program. This legislative action demonstrates recognition of the value that the Vertical Prosecution program brings to the AATA mission. The AATA believes robust prosecution, from dedicated vertical prosecutors, is an effective strategy and necessary element of strong law enforcement action.

Additionally, full funding was given to the annual support of the ACT database, guaranteeing this valuable tool will be available for years to come. This appropriation increase brings to fruition a three-year project to implement the ACT database in Arizona and also provides funding to

expand access to the database to other law enforcement agencies across the state.

Nearly \$5.5 Million in AATA Grant Funds Awarded in FY23

The AATA's FY23 Vehicle Theft Reduction Grant Programs provide funding to combat and reduce the number of vehicle crimes in Arizona communities. In FY23, 87% of AATA's \$6,159,700 appropriated budget provided annual grant funding to Arizona law enforcement agencies; the Vehicle Theft Task Force (VTTF) continues to be the largest annual grantee, followed by Local Grants (Vertical Prosecution, Law Enforcement, Public Awareness and Professional Training).

In FY23, grant funding expenditures totaled \$5,376,435 for the following programs:

Vehicle Theft Task Force \$4,452,700

Vertical Prosecution Program \$856,120

Law Enforcement Grants \$67,616

The AATA Continues Funding the Arizona Vehicle Theft Task Force Grant Partnership



The AATA's long-standing relationship with the DPS-hosted VTTF continued a funding partnership that is in its 26th year. The VTTF is unique since it is the largest contingent of vehicle theft investigators working as a cohesive force in Arizona. In a time when law enforcement agencies struggle to attract and retain police officers, resource shortages often

result in the dismantling of specialty units. Even large agencies are forced to make difficult decisions regarding where they must prioritize their personnel. These decisions have meant vehicle crime investigation units have often been reduced or eliminated completely. For this reason, along with others, keeping the VTTF capable and formidable as the

state's only task force focused on vehicle crime is vital. The level of specialized knowledge that resides within the task force, and the willingness to go anywhere in the state to assist agencies with investigations or training, makes the VTTF a critical component in the fight against vehicle crime.

"The VTTF is the only statewide, multi-agency vehicle theft task force operating in Arizona. This would not be possible without AATA grant funding."

Captain Erik Axlund, VTTF Commander

The VTTF was once again AATA's largest grant award recipient with a grant totaling \$4,452,700, plus an additional \$335,000 in transfers to supplement costs associated with vehicle purchases, vehicle build-up, training and technology projects. The VTTF continues to be an excellent return on investment, producing the following statistics in FY23:

	EHICLE THEFT TASK 2023 STATISTICS	Force
STOLEN VEHICLES RECOVERED FELONY ARRESTS CHOP SHOP INVESTIGATIONS BUSINESS INSPECTIONS VIN SWITCHES AGENCY ASSISTS VALUE OF RECOVERED VEHICLES PROOPER TROOPER TRANSPORCE VEHICLE THEFT TROOPER TASK FORCE	1,905 399 11 47 67 3,385 \$36,122,090	VEHICLE THEFT TASK FORCE DETECTIVE

The AATA Supports Vertical Prosecution as a Vital Strategy to Reduce Vehicle Crime in Arizona



The AATA's Vertical Prosecution grant program, established in 2001, is a vital component of a comprehensive vehicle theft reduction strategy that differs from standard prosecution. Vertical prosecution utilizes specially trained, dedicated prosecutors that work closely with investigators

through all phases of the criminal justice process, from initiation through the court proceedings.

The Vertical Prosecution program is AATA's second largest annual grant program; FY24 funding amounts totaled \$1,362,093. This year's grant award represented a 46% increase from last year's funding levels resulting from a budget increase approved this year by the Arizona Legislature and Governor. The increase in appropriation will fund ten prosecutors and three legal support staff from six counties (La Paz, Maricopa, Mohave, Pima, Pinal and Santa Cruz).

The Vertical Prosecution program supports the enforcement efforts of the Arizona Vehicle Theft Task Force and local law enforcement agencies.

"Thanks to AATA grant funding, the Maricopa County Attorney's Office has several vertical prosecutors and staff who are dedicated to the successful prosecution of all Vehicle Theft Task Force cases."

Rachel Mitchell, Maricopa County Attorney

The AATA's funding of the Vertical Prosecution program for the past 22 years has benefited Arizonans by focusing prosecution efforts on new and recidivist vehicle thieves and achieving better prosecution outcomes, including higher conviction rates and longer prison sentences.

In FY23, the Vertical Prosecution program produced the following results:



Here are two examples of great work by investigators and vertical prosecutors that put dangerous criminals behind bars.

This defendant pled guilty to Theft of Means of Transportation and was sentenced to 6.5 years in prison. At the time of his arrest he was found driving a stolen '99 Chevy Suburban with a screwdriver in the ignition and a license plate from another vehicle.



Pinal County Attorney's Office Vertical Prosecution Program Conviction, March 2023

This defendant pled guilty to two counts of Theft of Means of Transportation and was sentenced to 6.5 years in prison and 3 years of supervised probation upon release.



Pinal County Attorney's Office Vertical Prosecution Program Conviction, April 2023

Local Grants Awarded by the AATA Fund Statewide Vehicle Theft Reduction Programs

The AATA Local Grants program offers public agencies a unique opportunity to fund innovative strategies, training opportunities, or conduct outreach and education. The AATA encourages agencies to apply for these limited funds for start-up projects or to enhance existing vehicle theft enforcement and prevention efforts.

"The La Paz County Sheriff's Office has been able to intercept numerous criminals using our FLOCK Cameras and this program would not be able to exist in our county without the financial support and partnership with the Arizona Auto Theft Authority. Partnerships such as these are crucial in protecting our communities."

Sheriff William Ponce, La Paz County

In FY23, the AATA awarded grants to the following five Arizona law enforcement agencies:

Agency	Grant Award	Funding Category
Glendale PD	\$15,826	Law enforcement equipment
La Paz County SO	\$ 4,970	Law enforcement equipment
Oro Valley PD	\$12,000	License plate readers
St. Johns PD	\$15,820	License plate readers
Surprise PD	\$19,000	License plate readers

AATA Annual Review Process Ensures Grant Contract Compliance

The AATA's annual Contract Compliance Review (CCR) program continues to provide oversight and ensure grantees remain in compliance with the terms and conditions of the award and all reporting requirements.

In FY23, all six Vertical Prosecution grantees had 100% participation and all were determined to be fully or significantly compliant with the terms of the contract. Any areas of concern allow for agency staff to provide support to the grantee for future follow-up and subsequent reviews. Additionally, five AATA Local Grants were reviewed to confirm compliance and final program reporting.

AATA Outreach Activities

The AATA's community engagement and outreach efforts focused on delivering the AATA's auto theft prevention message through a variety of strategies, including social media and in-person attendance at conferences and meetings.

In the early part of 2023, the AATA began to see local and state events resume and invitations to participate began to increase. Due to staffing restrictions and the allocation of duties within DIFI, the AATA has been selective with in-person attendance, favoring those events where virtual attendance was a possibility or staff presence could substituted by providing outreach promotional materials.



Phoenix Police Department's VIN Etching

AATA staff continued to attend certain Frioeinx Police Dep. meetings in-person, including the International Association of Auto Theft Investigators meetings and local law enforcement and crime prevention trainings/webinars. The AATA continues to support our law enforcement partners by supplementing their efforts with our message at public safety and community events.

Additionally, the AATA staff participated in a VIN etching event with the Phoenix Police Department in April and followed it with two virtual speaking events for the Crime Free Multi-Housing program.

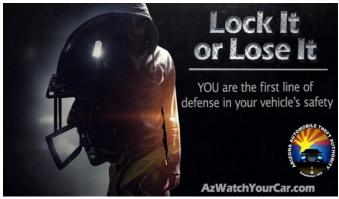
The AATA is active on Facebook, Instagram, X (formerly Twitter) and LinkedIn. In FY23, the AATA ran numerous social media campaigns to deliver helpful advice in a variety of ways across these platforms on

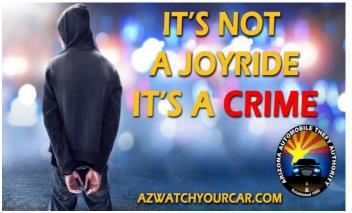
vehicle theft prevention.



In FY23, the AATA ran social media campaigns highlighting the Vertical Prosecution program, targeting Super Bowl LVII and Waste Management

Golf Tournament visitors, in addition to our keystone messages for #ParkSmartAZ, #9PMRoutine and Lock it or Lose it. Overall, the AATA closed





out the year seeing a 20% increase in social media followers over FY22 and a 57.7% increase since July of 2020.

Watch Your Car Program Increases Enrollees in FY23



The cornerstone program for the AATA since it was first introduced in 1998, the Watch Your Car program has found new life after having been incorporated into <u>AZMVDNow.gov</u>, the Arizona Department of Transportation's online service portal. FY23 closed out with 19,006 enrollees, up 1,511 from last year's number of 17,495. Interest

in the program has risen over the last year, but represents only a fraction of the 7,764,367 vehicles registered in Arizona.

"Love the added protection for our cars. It's like having a second set of eyes on them."

Lori, Watch Your Car Member - Tucson, AZ

The AATA remains committed to spreading the word about the availability of this free program to owners of vehicles registered in Arizona.

Revenue

The AATA generates its income through a statutorily mandated semiannual charge of \$.50 per vehicle insured under a motor vehicle liability insurance policy covering vehicles with a gross vehicle weight of 26,000 pounds or less. For FY23, revenue from insurance assessments reached \$7,262,364, up \$228,126 from FY22 revenue, equivalent to a 3.24% increase. Any non-appropriated funds are placed in investments managed by the State Treasurer, with the AATA earning \$293,019 in investment returns during the fiscal year.

Expenditures

Total expenses in FY23 amounted to \$5,994,733, marking a \$146,223 increase compared to FY22 total expenditures of \$5,848,510. Pursuant to A.R.S. § 41-3451(H), administrative costs must not surpass 10% of the

funds in any given year. Accordingly, the AATA exercises stringent control over its administrative expenditures. For the fiscal year ending June 30, 2023, the AATA remained compliant with this legal requirement, as administrative costs accounted for only 3.60% of the fund's resources and 4.36% of the fiscal year's total spending.

Revenue Forecast

In forecasting its revenues, the AATA conducted a thorough examination of revenue collection patterns from the preceding five years. Within a single fiscal year there are two distinct collection periods. The AATA's revenue has mirrored the state's population growth and continues to increase. For FY24 the AATA anticipates a revenue increase of 1.00% over FY23. This projected revenue for FY24 is \$7,334,988, which is \$72,624 more than the revenue received in FY23. After each assessment period the AATA performs a comprehensive review for each submission, with the primary objective of verifying any reductions exceeding \$500 and determining their underlying cause.

FY23 AATA Financial Overview

AATA Beginning Fund Balance	\$8,828,632
Revenue Collected	
Assessment Revenue	\$7,262,364
Fines, Forfeitures & Penalties	\$55.99
Investment Income	\$293,019
Total	\$7,555,439
Expenditure:	
Vehicle Theft Task Force	\$4,452,600
Vertical Prosecution	\$856,120
Administrative Costs	\$261,227
Public Awareness Program	\$22,170
Law Enforcement Program	\$67,616
Total	\$5,659,733

Other Financing Sources

DPS Interagency Services Agreement

\$335,000

\$335,000 was transferred to DPS for VTTF expenditures in any of the following categories: purchase of vehicles, related police vehicle equipment, installation of police vehicle equipment, and costs associated with technology projects to accomplish the VTTF mission.

Ending Fund Balance

\$10,389,445







An Equal Employment Opportunity Agency

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State of Arizona
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