

DISCLAIMER

Electronic versions of the exhibits in these minutes may not be complete.

This information is supplied as an informational service only and should not be relied upon as an official record.

Original exhibits are on file at the Legislative Counsel Bureau Research Library in Carson City.

Contact the Library at (775) 684-6827 or library@lcb.state.nv.us.

BUDGET OVERVIEW
Senate Finance and Assembly Ways and Means
January 28, 2009 at 8:30 AM

**Good morning, for the record, my name is Edgar J. Roberts,
Director of the Department of Motor Vehicles.**

First I would like to introduce the DMV Management Team:
Currently we have a Vacant, Deputy Director Position.

Dennis Colling, Chief of Administrative Services Division

Martha Barnes, Administrator of the Central Services Division

Troy Dillard, Administrator of the Compliance Enforcement Division

Tom Fronapfel, Administrator of the Field Services Division

Chuck Conner, Administrator of the Motor Vehicle Information Technology Div.

Mark Froese, Administrator of the Research & Development Division

Rhonda Bavaro, Administrator of the Motor Carrier Division

Tom Jacobs, our Public Information Officer

Tom Conner, our Chief Administrative Law Judge who could not be here today

Phil Brittenham, the Chief Personnel Officer who could not be here today

Our presentation today will address

- some of the Department's accomplishments these past 2 years,
- our revenue projections and the status of our 22% cap,
- highlights of the Governor's budget for the next biennium,
- and our progress with the Federal REAL ID Act.

We have prepared a binder for the committee on Highlights

Before I begin the budget overview, I'd like to share with you a dramatic shift in our motor vehicle environment. In the early 2000s DMV took on the challenge of using the **Internet** to bring government to our customers. And while this focus of alternative technologies is still strong, **today** you will hear about our additional expansions in alternative technologies through Central Issuance, Facial Recognition, and our Electronic Dealer Report of Sale program.

As has always been a fact, for the Department, security and fraud continue to be a major concern. So while we continue to be committed to ensuring we license only safe, knowledgeable drivers, we are also entrusted to thoroughly verify the identity of those **who** apply for a driver license or ID card and we are an advocate of the one license, one record, one identity concept.

In regards to our Field Office Wait Times

In our metropolitan offices, which is always an area of interest and constant monitoring, the average wait time in fiscal year 2009, to date, is 42 minutes, in 2008 it was 39 minutes, and for fiscal year 2007 it was 46 minutes. We are on average, within the goal of the maximum 60 minute wait time for our metropolitan offices.

With all of the innovative solutions we've implemented over the past 8 years, **growth** and increased transactions for the DMV will again return and our goal is to continue to expand alternative technologies. As you will be hearing this morning, there are a few solutions still to be implemented or expanded.

Remember, the last new office opened in Las Vegas, actually statewide, was in Henderson in 1998. Considering the growth activity in southern Nevada, during this 10 year period, we've done a pretty good job staying ahead of the growth.

In regards to Alternative Technologies

When we talk about customer wait times, we also need to mention alternative technologies which contribute to how we effectively handle our customers. Our kiosks have proven to be an award winning solution for those customers renewing their registration, seeking driver record printouts or reinstating their insurance suspension due to a lapse of coverage.

We currently have 26 Kiosks located in 20 different locations around the state. Not only do we have Kiosks in most DMV offices, we have

also entered into public/private partnerships, and are actively pursuing new locations for additional partnerships.

In fiscal year 2008, 277,000 transactions were completed on the Kiosks. This is a 15% increase over 2007, when 243,000 transactions were completed.

Our DMV Kiosks have won 5 national awards, and in November of 2008, we reached our one millionth Kiosk transaction. With our Kiosks processing so many simple transactions, our technicians are available to better serve customers with their more complicated transactions.

In July of 2008, we rolled out e-check on the Kiosks as an additional payment option as well as drive record print outs. Currently, over 75,000 customers request drive records in our field offices each year. By offering this transaction on the Kiosk we have diverted all these customers to the Kiosk and avoided the counter Technicians from processing these simple requests.

In our Emission Station Registration Renewal Program we have 31 stations participating in this program with over 50 emission analyzers

having the capacity of renewing vehicle registrations. For the fiscal year 2008, 50,000 vehicle registrations were performed at authorized emission stations.

In 2008, the Department entered into a partnership agreement with 9 Northern Nevada Jiffy Lube sites that will also do emission testing along with offering registration renewals. This new partnership is an opportunity for further growth that will assist our customers with alternative sites to renew their vehicle registrations.

Our Web Renewals continue to grow. We continue to be aggressive with our Public Education Campaign to direct customers to the web. Those efforts have paid off. In fiscal year 2008, 571,000 registrations and driver license renewals were processed on the **Internet** compared to 520,000 in fiscal year 2007. Please remember that at **dmvnm.com** you're just a click away from being first in line.

When considering our **entire alternative** technologies available, in fiscal year 2008, over 907,000 transactions were processed through alternative technologies other than visiting a DMV office.

In a perfect world, the only customers that should be in our offices are new residents, and customers with complex or problem transactions.

While we have been very successful over the past 8 years in working towards that goal, we're not done and we need your continued support as we pursue additional alternative technologies.

Now I would like to inform you about Central Issuance

In mid January 2009, the Department finished transitioning our 21 field offices to a new Central Issuance program. The Department moved from an over-the-counter process to a central issuance environment in order to fight against the ever growing cases of fraudulent licenses and ID cards. Currently 15 other states for this same reason have moved to a central issuance facility.

It was a wake up call for us in 2005, when a complete system for making driver's licenses and ID cards was stolen from our Donovan office in Las Vegas, and then having also arrested a University of Nevada fraternity member who had a license factory that was turning out pretty good fakes.

We knew we needed a more secure card and we knew we couldn't turn all of our 21 offices statewide into "Fort Knox" where cards were being produced. Central Issuance solved both of these problems.

With Central Issuance, a tool to address identity, there are two essential components to our new system: a highly secure card produced in a central and secure facility and facial recognition software that allows the department to search for duplicate records.

Our new card, which has 15 security features instead of the 5, in the old card,.... **has** now made our Nevada card one of the most secure Driver's License and ID cards in the nation. The most noticeable changes to our citizens will be not leaving with their physical license as they have in the past.

Rather than leaving with a new Driver's License, customers will leave with an **interim** document which grants them the driving privilege for 30 days and their old license is invalidated and returned to them. The customer's previous license or ID is given back to them with a hole punched in the expiration date. This allows the person to keep a form of photo ID while they wait to receive theirs in the mail within 10 business days.

In regards to Facial Recognition

With the implementation of Central Issuance we added A State of the Art Facial Recognition technology to combat against ID fraud. The Facial Recognition software will compare the person's photo against all Nevada DMV images to determine if fraud has occurred under another name.

In addition, our DMV technicians now have the ability to retrieve the last photo of the customer on file, if available, and then an **automated** verification of the person sitting in front of them is conducted.

Our new Facial Recognition system will aid us in our responsibility to reduce identity theft and fraud, prevent multiple drivers' licenses from being issued to one individual and promote increased driver's license and ID security measures for our citizens.

Let me tell you about another exciting program

On December 24th of 2008, we rolled out a pilot program called the Electronic Dealer Report of Sale program allowing online registration to customers who have purchased a vehicle from an authorized Nevada dealer in this pilot program. These authorized dealers will

issue a control number beginning with the letters EDRS which allows a customer to register their new vehicle on-line.

On average, the auto-population of data in this new program decreases the time it takes to register a vehicle to approximately two and half minutes online and reduces the opportunity for typo-graphical errors. This new program allows the purchaser of a new vehicle to skip the lines at DMV by registering online.

With this new program, you can transfer your current license plates or receive new standard license plates through the mail. At the completion of this transaction, your vehicle will be registered and you will be able to print a temporary document. The Certificate of Registration and decal will be mailed within 2 business days and if you are receiving new license plates, they will be mailed separately within 10 business days. It's quick it's easy and best of all, no lines. We can't wait to expand this program to more dealers.

In regards to DMV Payment Options

In order for alternative technologies to be successful, we need to provide multiple payment options for our customers. Not only were credit card merchant fees requiring a significant appropriation from

the Highway Fund but it was limiting too many customers who do not have credit cards.

The average cost to the Department for a credit card transaction is approximately 2% of the dollar value of the transaction or an average of \$4. The cost of a debit card or an E-check transaction is a flat fee per transaction that is less than \$1.00.

The Department was appropriated \$10 million in the current biennium to pay for Merchant Service Fees. By allowing and encouraging the public to use a debit card or e-check instead of a credit card, the cost to the State is greatly reduced. The option of using e-check or a debit card is already available on the **Internet**.

In late 2008, the Department implemented Debit Card usage at our Field Offices front counters and on our Kiosks. With this new functionality, we are anticipating additional savings will be realized after several months of monitoring and usage.

Now I would like to give you an update on our Motor Carrier Conversion Project

Another significant accomplishment is our progress made on the Motor Carrier conversion project. By way of a brief history, the decision was made to move the Motor Carrier system in-house and eliminate our reliance on a contract vendor. If we are to be responsible for our programs, we need to have control over our environment.

During Phase-One, in the 04/05 biennium, our in-house IT staff developed a new Web based Nevada Fuel Supplier Tax Program. This reduced the annual contract to the vendor by \$262,000 for every year thereafter.

The Legislature previously approved funding for 3 programmers in our IT Division to assist with the design and programming of a Web Based motor carrier registration program, with payment capabilities, for our 100% Nevada based motor carrier vehicles and vehicles licensed pursuant to the International Registration Plan (IRP). We are currently in Phase Two which is expected to be completed this ^{June of} ~~A~~ 2009. This phase will result in additional savings of \$317,000 in each subsequent fiscal year.

Phase Three of the conversion project will add the International Fuel Tax Agreement (IFTA), with special fuel user tax reporting and payment capabilities. Once all phases are completed, the net savings to the State will be about \$500,000 each year after factoring in the ongoing costs for the programmers maintaining the system.

In regards to our Human Resource Management

The Department's Human Resource Unit continues to emphasize the importance of two critical elements; first, in meeting its obligations to the public by providing the training to our staff, on delivering excellent customer service, and secondly, ensuring stability in leadership through the preparation of tomorrow's leaders.

Our Employee Development Unit maintains a continual in-service education program to over 900 customer service technicians. It is essential that these technicians be kept informed of program changes and improvements to our DMV applications to ensure the accurate and timely assistance to our customers.

This Unit also provides training to all department employees in areas required by various statutes, codes and policies. These classes include driver safety and supervisory skill development and sexual harassment

training. Many classes are specific to the DMV and include fraudulent document training, emissions training, and motor cycle and CDL certification of drive examiners to name just a few.

Our Human Resources Unit also provides career planning to employees who demonstrate an interest in leadership responsibility with the Department. In the beginning of 2008, the Department introduced its “Excellence Within Reach Program” which represents the path to DMV’s staff in their future with the Department as a “best practice” employer.

The Department’s participation in the Certified Public Manager program has also given us a solid base of 27 program graduates, many of whom have already realized upward movement. Please remember, the pending retirement of so many leaders in state service makes our efforts through these programs all the more important.

In regards to our Fraud Unit

The Department’s Fraud Unit within the Compliance Enforcement Division was created to ensure the Department’s processes are not used fraudulently. Much of their focus is on persons who use false or forged driver’s licenses, forged or counterfeited immigration cards,

birth certificates or social security cards to obtain a Nevada driver's license or ID card.

Even more critical are the investigations resulting in the apprehension of persons who have involved themselves in the theft of another's identity or the counterfeit manufacturer and sale of false IDs, driver licenses and vehicle ownership documents.

The Fraud Unit has investigated thousands of identity theft cases with many related to, or used in conjunction with, other criminal activities. This unit has received increased media attention recently with our Facial Recognition component of Central Issuance resulting in the increased identification of identity thieves using the Department's processes to defraud the citizens of this state and our country.

And now the GOVERNOR'S BUDGET

Before I begin discussing some of the highlights of the Governor's Budget for the DMV, let me first update the Committee on where we are with our Highway Fund revenue projections and the 22% cap.

Due to our reduced revenues, with the economic downturn, in fiscal years 2008 and 2009, in order to stay under the 22% cap, we have not

filled vacant positions, (127) to date, and we have forgone the purchase of replacement computers and other approved equipment to reduce cost. We have also reduced overall spending in the operations of all DMV divisions. In addition, for the upcoming biennium, we have eliminated 15 positions within the Department.

We are currently projecting to distribute over \$223 million in fiscal year 2010 and \$222 million in fiscal year 2011 to the Highway Fund. Those monies do not include the \$184 million plus distributed to the Highway Fund from our gas tax collections. As you are aware, the Department is restricted to receiving up to 22% of what we collect and distribute to the Highway Fund.

Based on the Governor's recommended budget for Highway Fund Authorization for DMV, our need is \$53.2 million in fiscal year 2010 and \$53.9 million in fiscal year 2011; which corresponds to 22.41% and 22.88% respectively of the currently projected 22% availability.

Due to declining revenues, we will be revisiting Revenue Projections for fiscal years 2010 & 11 the last week in March with LCB and the Budget Office to update our revenue projections and then update our calculations of the 22% existing cap we operate under.

Today's economic downturn presents an opportunity to address the current funding crises that faces the DMV. Instead of producing quick fixes, tough times, should be a catalyst for changes that improve long-term funding changes to withstand unpredictable budget cycles.

Because of DMV's funding issue, the Department of Administration will be submitting a BDR to address a proposed solution to DMV's funding cap for the Legislature's consideration. Currently under our 22% cap, the Legislature can allocate Highway Funds for the Department's operations only up to the cap.

This cap originated in 1957 with no documented rational behind the establishment. Over the years, as the needs and demands on the Department have grown, the Department through the Legislative process has used a patchwork of fees, penalties and commissions to fund the remaining portions of the various operating budgets.

This patchwork includes commissions from the collection of sales taxes and government service taxes, fees for the issuance of titles, fees through the provisions of records to the public, and penalties for late registration to mention the larger sources of funds.

Revenue sources other than the Highway Fund Authorization **now** represent approximately 50% of the total revenues funding DMV budgets. The risk of using alternative revenue sources for DMV budgets is that if these funding sources do not materialize at the projected levels, adequate budgetary resources for expenditures will not be available.

The BDR requested by the Department of Administration for DMV has three components:

1. The excise tax on gasoline which has been excluded from the computation of the cap will be now be included.
2. All of the fees and penalties and miscellaneous revenue collected by the Department will flow directly into the Highway Fund. The commissions paid to the Department for the collection of various taxes on behalf of other governmental agencies will continue to flow into the Department's budgets. and
3. The 22% cap requirement contained in NRS 408.235 will be lowered from 22% to 20%.

The end result of this BDR will be that the Department will have a 20% cap that restricts the amount the Legislature can provide through

the Highway Fund appropriations for the Department's operations. This cap will be based upon the revenues the Department collects for the State Highway Fund with the inclusion of the excise tax on gasoline.

The **haphazard** use of various fees to avoid the current 22% cap will be done away with. The Department's funding stream will be understandable, and will continue to be subject to the Fiscol Authority of the Legislative Branch, and will continue to send all revenue collected to the Motor Vehicle Fund for its appropriate distribution.

The cost of inaction for the DMV is simply too high to ignore. These times call for strategies that address today's changing financial pressures while positioning the DMV for long term funding stability that will withstand inevitable economic fluctuations. The alternative is further cuts and the continuation of patchwork funding to our budgets with the potential of office closures. This will impact our current level of service to our customers. I look forward to your support in this proposed new funding change for the DMV.

And now back to the GOVERNOR'S BUDGET

The Governor's Budget for DMV, for the 2010 & 11 biennium, is a roadmap with numbers that will allow us to achieve our goals. The Executive Budget represents not only a continuation of many successful programs, a few of which I have previously mentioned, but also requests funding for 3 new positions for the next biennium to support our continued efforts to serve our customers.

The Pollution Control unit within the Compliance Enforcement Division has requested one position to supervise the Emission Program staff located in Las Vegas. Eight of the twenty-three Las Vegas investigative staff, currently supervised in the Compliance Enforcement Division, is funded by the Pollution Control Account.

The two supervisors in the Las Vegas region can no longer handle the oversight of the Pollution Control account staff. In the last 2 Sessions, 6 new investigators have been added to the Las Vegas region.

The positions previously added are funded by the Highway Fund to support Highway Fund operations and were added to the existing two supervisor's span of control in the Las Vegas region. These supervisors are no longer able to fulfill their duties due to the workload that exist from this staffing ratio.

These workload demands are continuing to increase due to our new technology of Facial Recognition which has been highlighted in the press through increased arrest.

The Pollution Control account is a fee funded account and has the necessary fiscol resources to fund a supervisor to oversee the activities of the staff currently assigned. This Division will be seeking your approval of this Supervisory position for our Las Vegas Pollution Control program when you review the Compliance Enforcement Division's budget later this February.

Our hearings office in the Las Vegas region has requested 2 positions, the addition of one DUI Adjudicator, and one Legal Secretary for clerical support. This will enable the Department's Hearings Division to schedule DUI hearings in a timelier manner. A DUI Adjudicator conducts hearings when a person's driving privilege has been revoked due to being arrested for driving under the influence of alcohol and or a controlled substance.

Pursuant to NRS 483.463, a party has a right to request a hearing at any time during the suspension/revocation period. Once a hearing is

requested, the petitioner has a right to obtain a temporary driver's license that allows him or her to drive anywhere, at any time, until a written decision is rendered. The longer it takes for a hearing to be held, the longer a person accused of driving under the influence is allowed to drive on Nevada's roads.

In addition, NRS 484.387.1 requires that the hearing must be conducted within 15 days after the receipt of the requests, or as soon as practical. The Department schedules the DUI hearing as soon as the request is received.

In the Las Vegas area, it takes on average three to five months for a hearing to be conducted. This means that a person, who has already demonstrated a propensity to drink and drive, is driving on a valid temporary license, on average, for four months not to mention the huge liability this puts the State of Nevada in.

Additionally, DUI hearing request have increased by 47% from fiscal year 2004 (1,715) to fiscal year 2008 (3,246). For these reasons, we are requesting your approval of these positions for our Las Vegas Hearings Office when you review the Hearings Office budget later this February.

In regards to Supplemental Requests

The Governor's Budget includes funding for four supplemental requests for fiscal year 2009, from the Highway Fund, in the amount of \$3,205,000. There are several factors for this amount.

First we are experiencing revenue shortfalls in several of our budgets. These shortfalls include governmental service tax commissions, penalties, sales tax commissions, title processing fees, and record research fees, all due to the economic downturn. Remember these are those patchworks that were made, to fund, DMV budgets to stay under the 22% cap. Secondly, we have experienced an increase in witness fee mileage re-imburements due to AB-323 passed last session.

In closing, a quick update on the Real ID Act & the Department's status since the last session

Since the last time the Department came before this body in early 2007, regarding Real ID, the final rules were published, funding has been made available by way of Federal Grants and Highway Transportation Funds, and Phase I of the project is well underway to meet the implementation deliverables.

The final rules were released in January 2008. Simply stated, they create a set of standards for the issuance of a state's driver's license and ID cards to be used for federal official purposes. These purposes include: boarding Federally-regulated commercial aircrafts, entering federal buildings and nuclear power plants.

The rules allow for a phased in implementation. Phase I, Material Compliance is a set of 18 requirements that must be implemented no later than January 1, 2010. Phase II, Full Compliance, is an additional set of 20 requirements to be implemented no later than May 10, 2011.

There are minimal impacts to our Nevada citizens. Existing requirements to prove Identity, Date of Birth, and Social Security number for a driver's license or ID card will not change. However, for a Real ID driver's license or ID card, only required identity documents will be accepted.

Applicants will be required to provide evidence in regards to their principal resident address and lawful status. Customers will still have their picture taken at the beginning of the driver's license or ID card process and all applicant documentation will be electronically scanned.

Customers will have the option of obtaining a Real ID or a Non- Real ID driver's license or ID card.

The Department's impacts include the electronic verification of identity, date of birth, social security, & lawful status documentation. There will be technical changes to our DMV systems including an enhanced call center with dedicated temporary staff to promptly respond to customer questions. A Real ID public education campaign will be launched to ensure customers are prepared with the appropriate identity documents to facilitate a smooth enrollment process.

The concerns previously voiced no longer apply with the revised rules. Concerns such as extended office hours, additional field staff, a compressed re-enrollment period no longer apply.

The Department has submitted a separate Real ID Budget within the Department's 22% cap requesting the costs associated with the implementation of the Federal Real ID Act that have not been covered by Federal Grants to date.

The total implementation costs for the Real ID project is approximately \$5.1 million. The Department received 2 separate Federal Grants totaling just under \$2.9 million and an additional \$701,000 was allocated through an IFC request. The remaining funds required for a complete implementation is approximately \$1.5 million.

An additional Federal Grant has been announced. The Department is applying for \$1.5M to cover the remaining implementation. If the Department is again successful in obtaining these additional Federal funds, this budget will be adjusted accordingly. However, grant awards are not expected to be announced until after the close of this Legislative Session.

Let me briefly run through the status of our Real ID implementation plan. All Joint Application Development sessions have been completed which provide for a comprehensive list of business requirements to meet Material Compliance.

Technical requirements have been started based on business requirements created.

Field office and customer flow impact analysis has been completed and proposed modifications for field office changes have been approved.

The procurement process (to include RFPs, Bids, and existing vendor contract changes) has begun for all items required to meet Real ID compliance.

The required background checks of our staff gathering all required data is ready to be commenced.

The Department has submitted SB52 – which has been pre-filed to addresses the necessary statutory changes to provide the Department with the legal authority to carry out the provisions of the Real ID Act. NAC changes to further define the requirements will follow upon completion of the legislative session.

Finally, a concern of the Department in staying ahead on our implementation of the Real ID project is that on January 6, 2009, H.R. 140, was introduced in the House of Representatives, which is legislation that would withhold certain Highway Funds if a State does

not comply with the new requirements in issuing a driver's license or identification card.

The bill simply states that, "notwithstanding any other provision of law, if a State does not comply with the requirements of section 202 of title II of Division B of Public Law 109-13 (the Real ID Act), the Secretary of Transportation shall withhold a percentage of the amount to be apportioned for Federal-aid highways."

The legislation further delineates the withholding of funds for noncompliance for calendar years 2010 and on as follows: Calendar year 2010 – 2 percent; Calendar year 2011 – 4 percent; Calendar year 2012 – 6 percent; and Calendar year 2013 and each calendar year thereafter - 8 percent.

Those are some of our highlights for the upcoming biennium. I would like to extend an offer to any Committee member to meet with you if you'd like to discuss our funding proposal, the Real ID budget or any other enhancement request in the Governor's budget. I'd be glad to answer any questions the Committee may have.