

TEXAS DEPARTMENT OF MOTOR VEHICLES

BOARD MEETING

8:00 a.m.
Monday,
June 27, 2016

Lone Star Room
Building 1
4000 Jackson Avenue
Austin, Texas

BOARD MEMBERS:

Laura Ryan, Chair
Raymond Palacios, Vice-Chair
Robert "Barney" Barnwell, III
Luanne Caraway
Blake Ingram
Guillermo "Memo" Treviño
Johnny Walker

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P R O C E E D I N G S

1
2 MS. RYAN: Good morning. My name is Laura
3 Ryan. I am pleased to open the Board Meeting of the Texas
4 Department of Motor Vehicles. It is 8:00 a.m., and I am
5 now calling the Board Meeting for June 27, 2016 to order.

6 I want to note for the record that the public
7 notice of this meeting, containing all items on the
8 agenda, was filed with the Office of Secretary of State on
9 June 17, 2016.

10 Before we begin today's meeting, please place
11 all cell phones and other communications in the silent
12 mode, and please, as a courtesy to others, do not carry on
13 side conversations or other activities in the meeting
14 room.

15 If you wish to address the board or speak on an
16 agenda item during today's meeting, please complete a
17 speaker's sheet at the registration table. Please
18 identify on the sheet the specific item you are interested
19 in commenting on and indicate if you wish to appear before
20 the board and present your comment or if you only wish to
21 have a written comment read into the record. If your
22 comment does not pertain to a specific agenda item, we
23 will take your comment during the general public session
24 portion of this meeting.

25 In accordance with the department's

1 administrative rule, comments to the board will be limited
2 to three minutes. To assist each speaker, a timer has
3 been provided. The timer light will be green for the
4 first two minutes, yellow for one minute, and then red
5 when your time is over. Individuals cannot accumulate
6 time from other speakers. Comments should pertain to the
7 issue stated on the comment card. When addressing the
8 board, please state your name and affiliation for the
9 record.

10 For those in the audience, I'd also like to
11 update you up front that we will be adjusting the agenda
12 to go into executive session immediately following agenda
13 item 1.C for a very brief executive session, although we
14 do not anticipate it to be longer than 30 minutes.

15 I'd like to announce for those in attendance
16 that are not aware, Member Rush and Member Swindle have
17 resigned their positions on the board and they will not be
18 joining us for meetings moving forward.

19 I'd like to have a roll call of the board
20 members at this time.

21 Board Member Barnwell?

22 MR. BARNWELL: Present.

23 MS. RYAN: Board Member Caraway:

24 MS. CARAWAY: Present.

25 MS. RYAN: Board Member Ingram?

1 MR. INGRAM: Present.

2 MS. RYAN: Board Member Palacios?

3 MR. PALACIOS: Here.

4 MS. RYAN: Board Member Treviño?

5 MR. TREVIÑO: Here.

6 MS. RYAN: Board Member Walker?

7 MR. WALKER: Here.

8 MS. RYAN: And let the record reflect I, Laura
9 Ryan, am also here.

10 We will now move to our agenda and we will move
11 to item 1.B.1. I'd like to welcome ABTPA Chair Carlos
12 Garcia and turn the meeting quickly over to him.

13 Chair Garcia, welcome.

14 MR. GARCIA: Thank you, ma'am.

15 First and foremost, good morning to everybody.
16 Chair Ryan and board members, good morning. My name is
17 Carlos Garcia. I am the chair for the Automobile Burglary
18 and Theft Prevention Authority, and I'm here this morning
19 to present some items that are listed on the agenda.

20 The other thing I want to say is I want to
21 acknowledge the outstanding work, or support, actually,
22 that the Department of Motor Vehicles, Whitney Brewster
23 and Shelly Mellott, and our director, Mr. Bryan Wilson, in
24 supporting the mission and the goals of ABTPA.

25 Chair Ryan, in regards to agenda item B.1.a,

1 the new members, new members were appointed by the
2 Governor's Office back in May of 2016. Mr. Tommy Hansen,
3 deputy sheriff and lieutenant in the criminal
4 investigations division of the Galveston County Sheriff's
5 Office. He's also a member and past president of the
6 International Association of Auto Theft Investigators and
7 the Texas Association of Vehicle Theft Investigations.
8 Lieutenant Hansen replaces one of the board members
9 representing law enforcement.

10 A second board member that was appointed, Armin
11 Mizani. He's a managing attorney for the Mizani Law Firm
12 located in Dallas. He's a city councilman for the City of
13 Keller, and he sits on the city's Crime Control and
14 Prevention Committee and the Municipal Court Committee.
15 He represents the public consumer part of the board.

16 So those are the two newest appointments to the
17 Board of ABTPA and we're fully staffed at this time.

18 Any questions, Chair Ryan, board members?

19 (No response.)

20 MR. GARCIA: Moving on to item B.1.b on the
21 legislative appropriation request, back on May 18 of this
22 year, the ABTPA Board adopted our legislative
23 appropriation request for fiscal year '18 and '19,
24 respectively, in the amounts of \$14,919,822 for each of
25 the two years, for a total for the biennium of

1 \$29,839,644. In addition to that, we're asking an
2 inclusion for the exceptional items in the amount of
3 \$12,655,912 for each of the fiscal years, for a total of
4 \$25,311,824 for the upcoming biennium.

5 Any questions, Chair Ryan, board members?

6 MS. RYAN: Chair Garcia, does the board have
7 specific actions or programs of implementation that they
8 would do with those funds that would help the board
9 understand the agency?

10 MR. GARCIA: In regards to the additional
11 funding that we would be requesting is to, one, increase
12 tactical strength of regional law enforcement programs, to
13 assist communities and motor vehicle owners in the
14 inspection of vehicles, and definitely in tracking the
15 vehicles in case they're stolen. Very briefly, it's just
16 to increase the amount of manpower so we can continue
17 addressing the problem out there in the State of Texas and
18 hopefully continue the reduction in that area.

19 MS. RYAN: Thank you, sir.

20 MR. GARCIA: Yes, ma'am.

21 MR. INGRAM: In terms of auto theft, do you
22 have any numbers at hand on how we're trending in the
23 State of Texas currently?

24 MR. GARCIA: No, I don't, but I know that since
25 the program was initiated back in 1991, we have had a

1 substantial amount of decrease in auto theft, close to
2 about, I would say, 60 percent.

3 MR. INGRAM: Is that something that you could
4 wrangle up for us later on just to provide us with sort of
5 maybe the last five years and how we're progressing?

6 MR. GARCIA: Yes, sir, we could.

7 MR. INGRAM: Thank you.

8 MS. RYAN: If I may, Chair Garcia.

9 MR. GARCIA: Sure.

10 MS. RYAN: Bryan, is there anything that you'd
11 like to add? Bryan Wilson.

12 MR. WILSON: My name is Bryan Wilson, for the
13 record.

14 Thank you, Chief Garcia.

15 The last three years we've seen a substantial
16 increase of about 3 percent per year, and that's why we
17 really feel that the additional manpower is needed in our
18 communities. I will get you those numbers for the last
19 five years.

20 MS. RYAN: Chair Garcia, thank you so much for
21 your time. We appreciate the introduction of the other
22 board members, as well.

23 MR. GARCIA: Thank you for having me here this
24 morning, and thank you for putting me at the very front of
25 the agenda.

1 MS. RYAN: Yes, sir. Thank you. Have a great
2 day.

3 With that, we will move to item 2.B.2 -- I'm
4 sorry -- 1.B.2, just moving along really quickly, a little
5 positive thinking here.

6 I wanted to address and give the rest of the
7 board an update on the Tax Assessor-Collectors Association
8 of Texas conference that the agency attended earlier this
9 month. As in years past, the agency attended the annual
10 TACA conference in Waco, Texas the week of June 13. The
11 agenda allowed the agency the opportunity to present
12 updates on key projects, current activities and future
13 technology enhancements to systems.

14 I was personally in attendance on June 13, and
15 presented, along with Eric Obermier, director of
16 Information Technology Services, and Jeremiah Kuntz, our
17 director of Vehicle Titles and Registrations, during the
18 general session. I was also able to sit in on the TxDMV
19 and VTR assigned committee session. This session resulted
20 in a lot of very good dialogue between the two groups with
21 a lot of excellent questions. This is certainly the type
22 of input that helps both sides understand each other's
23 challenges and often identifies areas where we can reduce
24 redundancies and create efficiencies in ways that all of
25 us can create a better service environment. This part of

1 the meeting was very well spent for me.

2 Though I had the opportunity to meet and speak
3 with members of the TACA Board twice before the
4 conference, this was the first time I was able to address
5 the larger group of the TACA association members. This
6 was not an easy task, with the discord, controversy and
7 mandate for change upon us. Though my intention was to
8 create clarity, it became obvious that my desire to
9 communicate the agency's vision, strategies and direction
10 was unsuccessful.

11 Unfortunately, for some the frustration caused
12 their actions to become unproductive. I will say on
13 behalf of the agency and myself, we appreciate those that
14 have reached out to express their apology on behalf of
15 others and express a desire that we all move forward.
16 This is also the desire of the agency.

17 I truly believe things happen for a reason and
18 that the current level of frustration may have been a
19 tipping point for the relationship between the TxDMV and
20 the TAC stakeholders. I also understand that the agency's
21 drive for efficiency and innovation has created to
22 continue a streamline of change in both process and
23 communication, and that for many, change can be a catalyst
24 for frustration. We will work to remain aware of this
25 dynamic. Sometimes it takes a breakdown of something old

1 to allow for rebuilding of something new, something
2 stronger, and I'm hopeful that the rebuilding of a fresh
3 and recharged relationship between TxDMV and the TACs can
4 begin today as we move forward and address the rules
5 before us.

6 I understand that there will still be
7 disagreements on how we get there, however, I do know that
8 serving Texans and finding better and more efficiency ways
9 to register vehicles is something that we must all do
10 better in order to be successful, and I'm hoping that
11 future TACA conferences and work sessions are the catalyst
12 and formats that allow us to move forward. So I'm hoping
13 that we are able to continue the good work that the TACA
14 conferences have allowed us in the past.

15 And with that, I wanted to see if Luanne had
16 anything else to add on updates with the conference.

17 MS. CARAWAY: Thank you, Chair.

18 First, I want to thank the agency and yourself
19 for being present at our conference and addressing the
20 group. It was a very frustrating time for tax collectors
21 with the job that we try to do in our offices, and as
22 always, we will move forward and we will do the job that
23 is required of us as a whole.

24 I do think it's important that both the board
25 members and directors of TACA, as well as agency

1 representatives come to the table together and work out
2 these differences and try to make it something that's
3 agreeable for all. I know this is a starting point and I
4 know that if things do not turn out as either group would
5 prefer, that there will be time to come back together and
6 to work together at the table, legislatively, or just with
7 the rules in general, that we can come back and revisit
8 these issues at times in the future if there are things
9 that don't turn out the way we expect them to. So I
10 appreciate both groups being willing to work together and
11 I do honestly believe that the TACA group is willing to
12 work with DMV to come back together and to work out any
13 differences.

14 So I appreciate the time to just say a few
15 things, and again, I appreciate the agency being at the
16 conference and talking to the folks that were there and
17 addressing their frustrations. Thank you.

18 MS. RYAN: Thank you. Agreed, and I believe
19 the DMV wants the same.

20 With that, I believe we will move to agenda
21 1.B.3, and we will turn it over to Executive Director
22 Whitney Brewster.

23 MS. BREWSTER: Thank you, Madam Chair. For the
24 record, Whitney Brewster, executive director.

25 I just wanted to share with the board and those

1 listening to the meeting some exciting things that have
2 happened in the agency. We've received several awards
3 since the board last met and just wanted to highlight a
4 job well done by those receiving these awards within our
5 agency.

6 The first is the Best of Texas Award. This
7 program salutes IT professionals and projects in Texas at
8 the state and local government level. They're awarded at
9 the Texas Digital Government Summit event, and that was
10 hosted here in Austin just last week, June 20 and 21. We
11 received two awards, and I wanted to just point those out.

12 One was for the consolidated call center project, and one
13 for an IT staff member for outstanding IT service and
14 support.

15 The consolidated call center project was
16 recognized in the best IT collaboration among
17 organizations category. The implementation of the new
18 call center technology has allowed TxDMV to seamlessly
19 share customer call volume between divisions as needed,
20 across headquarters and the sixteen regional service
21 centers, and this has been absolutely essential for this
22 agency to be able to do that with initiatives like Single
23 Sticker. We saw about a 30 percent increase in call
24 volume and we were able to maintain a 91 percent customer
25 satisfaction rating during that time frame, and without

1 being able to share the workload across the state in our
2 offices, we would have had a much more difficult time
3 keeping up with that program.

4 The Consumer Relations Division, Vehicle Titles
5 and Registration Division, and IT Services Division
6 monitored call volume and assigned resources from each of
7 their call center teams to shorten hold times and get our
8 customers the services they need. I'd like to thank the
9 project team and all of the divisions that worked together
10 to make this possible.

11 Chris Kanute, I know he is here. I think he's
12 hiding behind the pole there. Hi, Chris. He was
13 recognized for outstanding IT service and support. Chris
14 is a key member of the registration and titling system
15 development team. His technical leadership and instant
16 knowledge of the RTS system were key factors in the
17 implementation of refactored RTS, as well as the ongoing
18 maintenance and support of the RTS system. Chris spent
19 long hours, and I'll say really long hours, managing day-
20 to-day activities of the legacy RTS system while also
21 supporting refactored RTS efforts, building a new skill
22 set enabling him to follow the refactored RTS system.

23 The project team and IT continue to look to
24 Chris for his expertise and leadership, and his commitment
25 to excellence is unsurpassed. I want to thank Chris, and

1 this was an award well deserved. Thank you, Chris.

2 (Applause.)

3 MS. BREWSTER: I was honored to accept several
4 awards on behalf of the agency two weeks ago at the
5 American Association of Motor Vehicle Administrators
6 regional meeting, and I just wanted to quickly point those
7 out. The first was Excellence in Government Partnership
8 Award for Two Steps One Sticker. As most folks in this
9 room know, as a result of legislation passed by the
10 legislature, the state stopped issuing inspection stickers
11 and transitioned to a combined registration and inspection
12 sticker. We worked very closely with DPS, Texas
13 Commission on Environmental Quality, tax assessors, the
14 inspection stations, and together by partnering, we were
15 able to implement and administer this new program in
16 Texas.

17 I was happy to accept this, but I know that
18 this is very much a shared award. It is not specific to
19 DMV but it highlights, I think, a successful partnership
20 on a program that had such a heavy lift. So thank you to
21 everyone who helped receive this award.

22 The second was the Public Affairs And Consumer
23 Education Award for outstanding news release. We were
24 able to put out a very well written, succinct media
25 release and we were issued an award for that, so it was

1 very nice to be able to honor our Government and Strategic
2 Communications folks who do an excellent job getting the
3 word out.

4 And the final award was a community service
5 award, and I want to highlight this, Fight Against Hunger.

6 This was awarded to our Fort Worth Regional Service
7 Center. They work very closely with the Tarrant County
8 Area Food Bank and over the years they have continued to
9 work with that program. Together in 2015, the Fort Worth
10 Regional Service Center continued this work and helped
11 feed the needy in their area. Apart from the direct
12 benefit to those in need, this project provided TxDMV
13 employees with the sense of satisfaction and
14 accomplishment that comes from knowing that they took part
15 in making a real difference within their community.

16 So I want to very sincerely thank our Fort
17 Worth Regional Service Center for going above and beyond
18 and working together to help those in the community.

19 With that, Madam Chair, I have nothing else on
20 that agenda item.

21 MS. RYAN: Thank you very much.

22 MS. BREWSTER: Would it be all right if I move
23 on to the strategic plan?

24 MS. RYAN: Absolutely.

25 MS. BREWSTER: All right. Thank you.

1 TxDMV's 2017-2021 strategic plan was submitted
2 to the Governor and the Legislative Budget Board by the
3 deadline of Friday, June 24. Strategic plans are prepared
4 every two years and are used to inform the agency's
5 stakeholders, as well as the public, about its activities
6 and to outline the direction that the agency intends to
7 go. The board received this information in their board
8 packets, but also in front of you is the bound strategic
9 plan for you to take home as well. We have posted this on
10 the agency's website for anyone who wishes to take a look
11 at it.

12 Just a couple of things that I'd like to
13 highlight on this. This included two new sections this
14 legislative cycle: goals and activities, as well as
15 redundancies and impediments. For the goals and
16 activities, the agency used the board's three strategic
17 goals to formulate that, and we identified sixteen
18 strategic activities to pursue in the next one to five
19 years. We also identified eleven challenges it faces in
20 the redundancies and impediments section.

21 I'm really pleased with the overall outcome of
22 the strategic plan. There was a lot that went into
23 putting this together. I want to thank the board for its
24 input, I want to thank the agency leadership as well as
25 staff for contributing to this as well. I want to

1 particularly thank Tom Shindell and Lisa Conley who
2 wrangled all of us and put this information together into
3 a very succinct, well written document. And I would just
4 encourage those who are interested in the agency's
5 strategic plan to go take a look at it on its website.

6 Madam Chair, that's all I have on that item.
7 I'd be happy to answer any questions.

8 MS. RYAN: Any questions from the board?

9 (No response.)

10 MS. BREWSTER: Moving on. Staff has begun the
11 process of putting together changes to statute that would
12 provide for greater efficiencies in the TxDMV's
13 operations. We will be finalizing kind of where the
14 agency staff is at on these items, and this will help us
15 to vet this information with stakeholders moving forward.

16 We will start doing so in July and August. And I think
17 this is a very key area where I think we can work with
18 stakeholders, tax assessor-collectors to build our
19 relationship. I think there are a lot of things that need
20 to be done and I think we have a lot of challenges that
21 are shared, and it would be excellent if we could come
22 together over some of these items to move forward with
23 improving the way that we deliver services across the
24 state. I think there are some ideas that we have that
25 could benefit the consumer, as well as help the tax

1 assessor-collectors with the volumes that you see in your
2 offices.

3 So we will start those meetings in July and
4 August, and the goal is to have information before the
5 board in October. With bill filing starting in November,
6 we would like to get that finalized in the October board
7 meeting, if at all possible because before we know it, the
8 legislature will be back in January. So looking forward
9 to your continued support on this board and look forward
10 to working with our stakeholders on our legislative
11 package.

12 With that, Madam Chair, I have no more
13 comments.

14 MS. RYAN: Do we anticipate a Legislative
15 Committee meeting before the October meeting?

16 MS. BREWSTER: Yes, ma'am, we do anticipate one
17 likely in October, but certainly we'll work with the chair
18 of that committee to determine the appropriate time.

19 MS. RYAN: Okay. Thank you.

20 Any questions before we move on?

21 (No response.)

22 MS. RYAN: Thank you.

23 With that, I do see that we have one public
24 comment card from Mr. Hickman, so I will call Mr. Hickman
25 up.

1 Good morning. Mr. Hickman, I would remind you
2 if you'll please state your name and also that you'll have
3 three minutes. Thank you so much, and we'll set the timer
4 and then when you're ready.

5 MR. HICKMAN: For the record, my name is Howard
6 Anthony Hickman. I'm a retired enforcement attorney for
7 this agency.

8 Since the Texas Department of Motor Vehicles
9 was created in 2009, it has received \$188,684,137 for IT
10 capital expenditures, not to mention the tens of millions
11 of dollars spent on the agency's 100-plus IT related
12 employees. What have the people of Texas received? A
13 system that's suffered 79 public systems crashes in a
14 recent six-month period which is an average of a crash
15 every other day, a system that when I started working for
16 this agency, a certain letter in LACE took 30 seconds to
17 create and mail, when I retired, the same letter took
18 anywhere from 70 seconds to three minutes and ten seconds,
19 and that's without the frequent system crashes or daily
20 computer freezes.

21 A recent crash was blamed on TxDMV using a
22 TxDOT server. In a time period equal to tearing down the
23 Waldorf Astoria Hotel and building the Empire State
24 Building five times or a year less than it took for the
25 U.S. to put a man on the Moon, you have been unable to buy

1 basic IT hardware and create TxDMV's own computer hardware
2 system. I could go on with dozens of other TxDMV computer
3 problems but you have allowed me only a short period of
4 time.

5 Let me leave you by reminding you that next
6 week is Independence Day. On that day I want you to look
7 in the mirror and remember that Benedict Arnold did more
8 for America than you've done for the people of Texas. At
9 least he won the Battle of Saratoga that gave America an
10 alliance with France in the Revolutionary War, and you
11 can't buy something that comes in a box and plug it in for
12 \$200 million. Thank God you were not running the
13 Revolutionary War. We would still be trying to get
14 directions to the Boston Tea Party.

15 With that, I'll leave you with another minute
16 to go. Thank you. I'll see you next time.

17 MS. RYAN: Thank you, Mr. Hickman.

18 Okay. With that, as I stated earlier, we're
19 going to alter the agenda slightly, and at this time we
20 are going into closed session. It is now 8:31 a.m. on
21 June 27, 2016. We will be going into closed session under
22 Texas Code Sections 551.071 and 551.074.

23 For those of you in the audience, I anticipate
24 being in executive session for approximately 30 minutes,
25 and we will reconvene in open session after that.

1 With that, we are recessed from the public
2 meeting and we are going into executive session. Thank
3 you.

4 (Whereupon, at 8:31 a.m., the meeting was
5 recessed, to reconvene this same day, Monday, June 27,
6 2016, following conclusion of the executive session.)

7 MS. RYAN: It's approximately 9:20 a.m. on June
8 27, 2016, and the Board of the Texas Department of Motor
9 Vehicles is now in open session. We want to note that no
10 action was taken in closed session.

11 We will move to item 2.A, the action and
12 briefing items begin with 2.A, Finance and Audit Committee
13 update, and hear from the chair of the Finance and Audit
14 Committee, Raymond Palacios.

15 Raymond, I'll turn it over to you.

16 MR. PALACIOS: Okay. Thank you, Chairwoman
17 Ryan.

18 The Finance and Audit Committee of the TxDMV
19 met on Wednesday, June 1, 2016 here at DMV headquarters.
20 I presided over the meeting which was also attended by
21 Members Caraway an Treviño.

22 The committee considered five agenda items. I
23 will be summarizing the staff's presentations of those
24 items and presenting the committee's recommendations in
25 this report. Two of the items from the committee meeting

1 require action by the full board. I will present those
2 two items, along with the committee's recommendations for
3 board action, and I will present updates on the remaining
4 items we were briefed on in the meeting without repeating
5 the presentations made by staff. All the staff who made
6 those presentations are available today in case you have
7 any questions or would like more detail.

8 The first item requiring board action is a
9 contract on county registration and titling systems, RTS,
10 equipment refresh, which are on page 7 and 8 of your board
11 books. Because the bidding period had not closed before
12 the meeting, TxDMV chief information officer, Mr. Eric
13 Obermier, presented a briefing to the committee on the
14 staff's report for the offer for the services and
15 equipment which was posted on May 4, 2016 and was
16 scheduled to close on June 1, 2016. Mr. Obermier will
17 provide the board with an update today.

18 Mr. Obermier.

19 MR. OBERMIER: Good morning, Chair Ryan and
20 members of the board. For the record, my name is Eric
21 Obermier, CIO for the DMV. I'll be covering agenda item
22 2.A.1 on page 84 of your board book.

23 This item is a contract for county registration
24 and titling system equipment refresh. Staff is requesting
25 the board to delegate authority to the executive director

1 to execute a contract for refresh of the RTS computer
2 equipment in the county offices across the state that
3 support vehicle titling and registration services and also
4 provide on-site support of that equipment across the state
5 for up to four years. This contract is still an active
6 procurement so financial information should not be
7 discussed in this open meeting.

8 This contract has two primary components. The
9 first would be the replacement of the RTS work stations
10 and printers in the all the county offices across the
11 state, and also providing the on-site support for the RTS
12 equipment in those offices. The current on-site support
13 contract expires on August 6, 2016. This will be the
14 first component of the contract that is going to be
15 implemented.

16 The on-site support primarily consists of
17 vendor technicians being dispatched to address problems
18 that cannot be resolved by TxDMV support staff over the
19 telephone. Physical printer maintenance or replacement
20 and also computer part replacements account for the
21 majority of those service calls.

22 The replacement of the RTS computers and
23 printers will be planned and completed in FY 2017. TxDMV
24 uses a five-year replacement cycle for computer equipment.
25 The last equipment for county RTS work stations was

1 completed in 2012. Approximately 2,900 computers and
2 printers will be replaced at over 500 sites across the
3 state. The selected vendor will be responsible for
4 procuring the new equipment, providing temporary storage
5 as needed, shipping equipment to the county offices,
6 removal of the old equipment, installation of the new
7 equipment, validation of the new equipment, inventory
8 tagging, destruction of hard drives from old computers,
9 and more.

10 The request for offer for services and
11 equipment related to this contract was posted on May 4,
12 2016, with a closing date of June 1, 2016. Multiple
13 vendor offers were received and evaluated. A best value
14 vendor was identified through the evaluation process. A
15 best and final offer was requested and received from the
16 best value vendor.

17 Staff is requesting authority be delegated to
18 the executive director to execute a contract, including up
19 to three option renewals for one year each, for on-site
20 support at an amount not to exceed the agency budget for
21 this mater set forth in the General Appropriations Act for
22 the 2016-2017 biennium.

23 This concludes my remarks. I'll be happy to
24 answer any questions that you may have.

25 MR. INGRAM: One question, Eric. The refresh

1 starts January 2017 so that's the starting point for
2 getting the printers and computers taken out and replaced?

3 MR. OBERMIER: We actually have not set the
4 actual start month. It is going to be planned as well as
5 executed within the FY 2017 fiscal year, so starting
6 September 1.

7 MR. INGRAM: Okay. So it could start earlier
8 than that.

9 MR. OBERMIER: It could, right.

10 MR. INGRAM: All right.

11 MR. WALKER: Question. So I heard everything
12 you said but I didn't hear you mention anything about what
13 we're doing with the old equipment. Does the contract
14 also call for the destruction or disposition of the old
15 equipment?

16 MR. OBERMIER: What it calls for is the surplus
17 of the old equipment, however, the hard drives that would
18 contain any information related to RTS transactions within
19 them are going to be taken out of the computers and sent
20 to a shredder, and we will also be requiring the vendor to
21 give us a certificate of destruction.

22 MR. WALKER: So they're going to take the hard
23 drives, we're going to shred those, they're going to get
24 rid of all the old equipment where it's not our
25 responsibility.

1 MR. OBERMIER: We're going to work out the
2 process with them for how to get it through the state
3 surplus process.

4 MR. WALKER: I'm not sure I understand that.

5 MR. OBERMIER: The last time this refresh was
6 done -- and I may need to call on some other individuals
7 that were here back when that was done the last time --
8 the equipment, the old PCs were actually shipped back to
9 Camp Hubbard here to actually go into the state surplus
10 process. Whenever any of the agencies are finished using
11 any of the technology equipment that they have, it has to
12 go into what's called a surplus process where we post
13 everything that we have that's ready to go to another
14 state agency should they want it, or after that it would
15 go off to either destruction or any other kind of auction,
16 but at that point the DMV sends it over to the agency that
17 is actually responsible for that.

18 MR. WALKER: At no cost to us?

19 MR. OBERMIER: If the equipment is going to be
20 shipped back to here, it would be at a cost to us.

21 MR. WALKER: And that's not in the proposed
22 cost numbers that we have, so where would we cover that?

23 MR. OBERMIER: So we also have funding within
24 the budget that covers kind of equipment support in
25 general, so if any of those expenses were going to be

1 incurred, that's where we could look to for that.

2 MR. WALKER: Thanks.

3 MR. INGRAM: Madam Chair, I'd go ahead and move
4 that the board approve the contract on county registration
5 and titling system equipment refresh and delegate
6 authority for the agency's executive director to execute
7 and sign the contract in an amount not to exceed the
8 appropriation contained in the current state biennial
9 budget for this item. In addition, I also move to
10 authorize the agency's executive director to execute any
11 renewals of or amendments to the contract with the
12 approval of the chair.

13 MR. BARNWELL: Second.

14 MS. RYAN: We have a motion from Member Ingram
15 and a second from Member Barnwell. Any discussion?

16 (No response.)

17 MS. RYAN: All in favor raise your right hand,
18 please.

19 (A show of hands.)

20 MS. RYAN: The motion carries unanimously.

21 Thank you.

22 Mr. Palacios.

23 MR. PALACIOS: Madam Chair, the second item
24 requiring board action is creation of a new capital
25 project line item in the TxDMV fiscal year '16 through '17

1 budget for the physical security project and the transfer
2 of existing funds to that line item. TxDMV chief
3 financial officer, Ms. Linda Flores, and her staff
4 discussed the details of this project with the committee
5 that are on page 9 and 10 of your books.

6 The TxDMV previously submitted a legislative
7 appropriation request to the LBB for regional office
8 security to ensure the protection of agency property and
9 personnel. The Texas Legislature appropriated \$813,000 to
10 TxDMV for this project and the department awarded a
11 contract to a courier and security guard services vendor
12 called Sigma for the full appropriation amount.

13 To complete the work before August 31 of 2017,
14 the TxDMV governance team designated the matter as a
15 formal EPMO project. In initiating and planning the
16 project, EPMO determined that the \$813,000 was
17 insufficient to fund the required elements such as site
18 preparation work at the sixteen regional offices, funding
19 a project manager and establish a contingency for
20 unplanned issues. Therefore, the staff recommends an
21 additional \$521,196 be added to the \$813,000 appropriation
22 for a total capital project budget of \$1,334,196.

23 The committee considered the staff
24 recommendation and recommends the board approve the
25 creation of a new capital line item in the fiscal year '16

1 through '17 budget for the physical security project with
2 a total amount of \$1,334,196, and the use of Rider 2 of
3 the state budget to transfer the \$521,196 from the TxDMV
4 operating funds to the physical security project budget to
5 close the gap between the project cost of the \$1,334,196
6 and the \$813,000 appropriated to the TxDMV for this
7 purpose during the 83rd Session of the Texas Legislature.

8 MR. INGRAM: One quick question on the funding,
9 and Linda, this question probably goes to you. We have
10 the money necessary to appropriate to this line item the
11 additional \$522,000?

12 MS. FLORES: For the record, Linda Flores,
13 chief financial officer.

14 Yes, sir. The dollars will be repurposed from
15 operating dollars within the agency to cover the gap.

16 MR. WALKER: So I don't know whether it's
17 appropriate now or after we have the motion, but I have
18 some questions about this with respect to you're asking
19 for additional funds of \$521,000. We currently have an
20 FTE manager on this or are we hiring one?

21 MS. FLORES: We've hired a contract individual
22 to manage the project.

23 MR. WALKER: So it is a contractor.

24 MS. FLORES: Yes, sir.

25 MR. WALKER: Why are we going from \$118,000 and

1 increasing that pay to \$150,000?

2 MS. FLORES: Because it covers the two-year
3 span between now and the end of August 31 of next year, so
4 there's a portion for this year because that individual
5 came on board sometime in February, so we're hoping to
6 keep him on for approximately eighteen months total.

7 MR. WALKER: So if it's a contractor, it
8 doesn't count towards our FTEs. Is that not correct?

9 MS. FLORES: It does because he will be here
10 longer than six months.

11 MR. WALKER: But there's an understanding that
12 there's some kind of contractual wording that says at the
13 end of the project this person is terminated?

14 MS. FLORES: Yes, sir.

15 MR. WALKER: Okay.

16 MS. BREWSTER: Madam Chair, if I might?

17 MS. RYAN: Yes.

18 MS. BREWSTER: Member Walker, in fact, if the
19 work is completed earlier than the project manager's
20 contract with the agency, there is a caveat that he is
21 released upon completion of the work.

22 MR. WALKER: So the only other question I have
23 on this with respect to this, you've got \$50,000 worth of
24 travel in here, and I'm like that's a thousand dollars a
25 week in travel.

1 MS. FLORES: Again, the travel is going to
2 cover the sixteen regional offices, and it's probably more
3 than one person. It's several individuals heading to all
4 of the regional offices across the state, so it's not just
5 one person worth of travel, it could be three to four to
6 five individuals going out to that particular office.
7 There's going to be cabling involved, they have go out
8 there, make at least two or three visits, I would say.

9 MR. WALKER: That's the only questions I have.

10 MR. TREVIÑO: Chair Ryan, I move that the board
11 approve the creation of a new capital project line item in
12 the TxDMV fiscal year '16-17 budget for physical security
13 project and transfer of existing funds into that line
14 item.

15 MR. INGRAM: Second.

16 MS. RYAN: We have a motion from Member Treviño
17 and a second from Member Ingram. Any further discussion,
18 questions?

19 (No response.)

20 MS. RYAN: All in favor please raise your right
21 hand.

22 (A show of hands.)

23 MS. RYAN: The motion carries unanimously.
24 Thank you.

25 MR. PALACIOS: Lastly, members, I would like to

1 submit the Finance and Administrative Committee's report
2 on the non-action briefing items from our meeting.

3 With the fiscal year '18-19 appropriation
4 request preliminary baseline and exceptional items, Ms.
5 Flores and her staff briefed the committee on the LAR
6 process for the upcoming legislative session, including
7 the timeline estimated revenue collections by fund,
8 baseline budget, appropriations request by strategy,
9 capital budget, project summary baseline, preliminary
10 exceptional baseline request by order of priority and
11 riders. That timeline included that the department would
12 submit the baseline reconciliation to the LBB by June 16.

13 The estimated approval of baseline reconciliation by the
14 LBB is mid July. The LAR is submitted and will be
15 presented to the Finance and Audit Committee and the full
16 board in early August, and the estimated submission date
17 for the LAR to the LBB and Governor's Office is August 16.

18 We also received a financial status report from
19 our TxDMV chief financial officer, Ms. Linda Flores. She
20 briefed the committee on the fiscal year 2016 financial
21 summary as of April 30, 2016, which is on pages 13 through
22 20 of your books. The main points in the report were
23 year-to-date revenue collections increased by \$5.5 million
24 over the same period last year, primarily from increases
25 in registration revenue. Year-to-date expenditures

1 totaled \$78.4 million. Major expenditure categories
2 include salaries, professional fees, including the RTS
3 refactoring project, and contract services. As of the end
4 of April 2016, \$57 million of the revised budget of \$196
5 million remained. The majority of this balance is
6 attributable to salaries and professional fees.

7 Staff projects a year-end balance of
8 approximately \$2 million which will be transferred to the
9 automation capital fund to finance additional capital
10 requests in the next fiscal year.

11 Regarding the My Plates contracts, the company
12 has collected \$7.56 million of their \$15 million guarantee
13 in the new contract.

14 And finally, we received an update from our
15 deputy director of the Internal Audit Division, Mr. Arby
16 Gonzalez. He presented the committee with the status of
17 the remaining projects in the fiscal year 2016 internal
18 audit plan, as well as the external audit plan project
19 coordination, the SAO fraud hotline coordination, and the
20 Internal Audit Division personnel. The update also
21 included attachments of the quality assurance improvement
22 program letter, SAO analysis of the QAT projects, the RTS
23 refactoring project excerpt, and the SORM on-site visit
24 with the TxDMV transmittal letter. And if anybody needs a
25 legend of what all these acronyms mean, just let me know.

1 I know I went through quite a few of them.

2 That completes my report.

3 MS. RYAN: Thank you. So you've covered 2.A.4
4 and we'll move to 2.A.5 then before we move on to 2.B.

5 Before we move to 2.B, I'm going to jump ahead
6 slightly and we're going to move ahead to agenda item 4 to
7 coincide with the Internal Audit update and move to agenda
8 item 4 quickly to action items from our executive session,
9 and ask that Vice-Chair Palacios make a motion for us,
10 please.

11 MR. PALACIOS: Yes. Madam Chair, I'd like to
12 make a motion regarding the appointment of the Internal
13 Audit director for the Texas Department of Motor Vehicles.

14 In light of the vacancy that we currently have in the
15 Internal Audit director position, we are pleased to report
16 that we have selected a candidate to fill this position,
17 and at this time I would like to move to approve the
18 appointment of Ms. Sandra Menjivar-Suddeath as the
19 Internal Audit director, contingent on satisfying all
20 TxDMV human resource qualifications.

21 MR. TREVIÑO: Second.

22 MS. RYAN: We have a motion from Vice-Chair
23 Palacios and a second from Member Treviño. Any questions
24 or discussion?

25 (No response.)

1 MS. RYAN: All in favor raise your right hand.

2 (A show of hands.)

3 MS. RYAN: The motion carries unanimously.

4 MR. TREVIÑO: Chair, I would like to recognize
5 Arby Gonzalez's work, stepping into that role temporarily
6 while we lost our Internal Audit director, and just
7 commend him for the job he's done.

8 MS. RYAN: I would concur. Is Arby here?
9 Arby, if you would please stand, if you would come
10 forward. Arby, thank you very much. We still have a
11 couple of weeks so we are going to continue to count on
12 you, and we're going to continue to count on you. You
13 have done a phenomenal job currently and continue, and
14 thank you very much. We want to thank you for all the
15 work that you've done and know that you will continue to
16 do.

17 MR. GONZALEZ: For the record, my name is Arby
18 Gonzalez, deputy director, Internal Audit.

19 Thank you so much. I appreciate the support
20 and I do understand I know you all recognize and value the
21 work that Internal Audit does, and we'll do our best to
22 continue that and keep it going. Thank you so much.

23 MS. RYAN: We very much do. Thank you very
24 much.

25 MR. PALACIOS: Thank you, Arby.

1 (Applause.)

2 MS. RYAN: We will now move to item 2.B, Linda
3 Flores.

4 MS. FLORES: For the record, Linda Flores,
5 chief financial officer for Texas Department of Motor
6 Vehicles.

7 I'm here to request approval for the agency and
8 the executive director to take appropriate action to
9 relocate the Corpus Christi Regional Service Center on
10 Texas Facilities Commission approved commercially leased
11 property. This agency was appropriated \$1.4 million to
12 relocate regional service centers from Texas Department of
13 Transportation facilities. An internal workgroup was
14 established and identified three candidates for the move:
15 San Antonio, Pharr and Corpus Christi, which is before
16 you for consideration.

17 We've worked together with the Texas Facilities
18 Commission to determine and find appropriate space
19 requirements, and we were successful in finding a spot
20 across from the city hall in Corpus Christi. The space
21 will be housed in the Corpus Christi Regional Transit
22 Authority, located on Staples Street in Corpus Christi.
23 It is about 5.7 miles away from the current location and
24 provides needed space to accommodate up to nine staff
25 members. It offers accessible public transportation,

1 provides both sufficient and secure parking, and the lease
2 is offered as a full service lease which means it includes
3 the rent, janitorial services and utilities.

4 The total project is estimated to cost
5 approximately \$787,000. It includes the ten-year lease
6 cost at \$481,856 with \$14,000 ongoing annual costs, as
7 well as an estimated \$165,246 in one-time cost. The one-
8 time cost, as you would expect, includes the physical
9 move, some modular, some IT cabling and a contingency.

10 And I'm open to questions.

11 MR. WALKER: I move that the board delegate the
12 authority to the executive director to make the necessary
13 arrangements to enter into a lease for the Corpus Christi
14 Regional Service Center, move it to 600 N. Staples in
15 Corpus Christi, including the lease through the Texas
16 Facilities Commission for a ten-year period beginning in
17 April of 2017 running through March of 2027.

18 MR. TREVIÑO: Second.

19 MS. RYAN: Thank you. We have a motion from
20 Member Walker and a second from Member Treviño. Any
21 discussion or questions?

22 (No response.)

23 MS. RYAN: All in favor raise your right hand.

24 (A show of hands.)

25 MS. RYAN: The motion carries unanimously.

1 Thank you, Ms. Flores.

2 With that, we will move to item 2.C, Jeremiah
3 Kuntz.

4 MR. KUNTZ: Good morning, members. For the
5 record, Jeremiah Kuntz, director of the Vehicle Titles and
6 Registration Division.

7 Before you for your consideration is a license
8 plate for the Blue Knights International Law Enforcement
9 Motorcycle Club. This license plate is a non-vendor
10 license plate. As I'm sure you're aware, there are three
11 different types of license plates that can come before
12 you: we have statutory plates which are passed through
13 the legislature, we have My Plates plates which are the
14 vendor's plates, and then we have state agency sponsored
15 license plates. This is the third, it is a state agency
16 sponsored license plate. The sponsoring agency is the
17 Texas Commission on Law Enforcement. This particular
18 association is known for presentation of state flags to
19 families of deceased Texas peace officers, and so that's
20 what they intend to use the proceeds from these license
21 plates for. The fee for these license plates would be
22 \$30, \$22 of which would go to the Commission on Law
23 Enforcement.

24 MR. BARNWELL: Is there a motorcycle plate?
25 It's a motorcycle club.

1 MR. KUNTZ: I'm sure we will offer it as a
2 motorcycle option as well.

3 MR. BARNWELL: What would it look like?

4 MR. KUNTZ: Very similar to the one that you
5 use there, just smaller.

6 MR. BARNWELL: I don't think you can get it all
7 on there.

8 MR. KUNTZ: We do have limits on how many
9 characters we can fit on those motorcycle plates.

10 MR. WALKER: Does that still have to meet the
11 same requirements as the other plates for a minimum of 200
12 before it can be actually sold?

13 MR. KUNTZ: No. That is a contractual
14 obligation between us and My Plates.

15 MR. WALKER: So do you have any idea about how
16 many of these plates are going to be sold?

17 MR. KUNTZ: We do not do pre-orders on these
18 types of plates, nor on statutory plates, so neither of
19 those two types of plates have a minimum threshold for
20 orders.

21 MR. WALKER: That's what we tried to do at some
22 point in time was to try to clean up so we didn't have
23 10,000 plates out there, onesies and twosies all over the
24 place that actually don't make any money for the state.

25 MR. KUNTZ: Yes, sir.

1 MR. WALKER: So we could go out here and create
2 this license plate, and does anybody have to put up the
3 money for the design and setup for the plate?

4 MR. KUNTZ: Yes, they do.

5 MR. WALKER: That's still \$4,000, I think it
6 was?

7 MR. KUNTZ: I believe it's \$8,000.

8 MR. WALKER: Eight thousand?

9 MR. KUNTZ: We'll go and check on exactly the
10 amount, but yes, there is a requirement in statute that
11 the organization post a deposit until they meet a minimum
12 threshold of orders, and which they get the money back.

13 MR. BARNWELL: How long do they have to get to
14 that threshold?

15 MR. KUNTZ: I don't believe that there's a time
16 limit.

17 That concludes my presentation.

18 MS. RYAN: Thank you.

19 Any more questions?

20 MR. INGRAM: Okay, I'll kick in. I move that
21 we approve the specialty plate as designed for the Blue
22 Knights International Law Enforcement Motorcycle Club.

23 MR. TREVIÑO: Second.

24 MS. RYAN: Thank you. We have a motion from
25 Member Ingram and a second from Member Treviño. Any

1 further discussion, questions?

2 (No response.)

3 MS. RYAN: All in favor raise your right hand.
4 Please hold them up.

5 (A show of hands: Members Caraway, Ingram,
6 Palacios, Ryan, Treviño.)

7 MS. RYAN: We have all in favor from Members
8 Caraway, Ryan, Palacios -- one more time -- Treviño and
9 Barnwell -- Ingram. I'm sorry.

10 Opposed?

11 MR. BARNWELL: I'm opposed.

12 MR. WALKER: I'm opposed.

13 (A show of hands: Members Barnwell and
14 Walker.)

15 MS. RYAN: Opposed Barnwell and Walker. Motion
16 carries. Thank you.

17 MS. RYAN: We are going to take a quick recess
18 for ten minutes, please. So if everybody would be back
19 and ready to go at 10:00 a.m., it would be much
20 appreciated. Thank you. It is now 9:50, and we are in
21 recess.

22 (Whereupon, at 9:50 a.m., a brief recess was
23 taken.)

24 MS. RYAN: All right. Thank you. It is now
25 10:04. I call the meeting back to order.

1 And we will move to agenda 2.D, adoption of
2 rules under 43 Texas Administrative Code, Chapter 217,
3 Vehicle Titles and Registration. We will hear agenda item
4 2.D.1, adoption rules briefing from Whitney Brewster,
5 executive director, Linda Flores, chief financial officer,
6 and Jeremiah Kuntz, director of Titles and Registration.

7 Before I turn it over to them, we will address
8 a few things regarding comments in a few minutes, however,
9 we'll share a few changes that we're going to make on the
10 comments. I'd like to remind everyone who has signed up
11 to speak that you'll have three minutes. We've combined
12 the time sheets today and before we let you make comments,
13 we'll address the speaker cards.

14 Before I turn it over to the agency staff, I
15 wanted to take a few minutes to share some thoughts with
16 regard to the public comment period that we've had and
17 some thoughts with regard to that, and then I will
18 certainly allow the rest of the members of the board to do
19 the same, and then we will certainly turn it over to the
20 agency staff to present their recommendations.

21 There's been a lot of time leading up to today
22 and a lot of change. The 81st Legislature created the DMV
23 as a stand-alone agency to create greater efficiency and
24 accountability. The 83rd Legislature approved House Bill
25 2202 and provided the board not just the authority to

1 address the rules before us today, it also created the
2 responsibility to address accountability and transparency
3 in funding the department's registration costs and
4 operations. And then the 84th Legislature created the
5 TxDMV Fund to be effective September 1, 2016.

6 The intent of the TxDMV Fund was to increase
7 the accountability and the transparency as it relates to
8 funding the agency. Simply put, this was meant to ensure
9 that the registration fee went into funding highway
10 infrastructure and the DMV would then streamline the
11 current add-on fees that the customers paid, expenses and
12 compensation into one fee, a process and handling fee
13 which was meant to fund the agency and which the agency
14 would be responsible to fund itself out of.

15 To this point, I'd like to quickly clarify a
16 couple of the public comment themes that we've read that
17 seem to be in conflict and that I'm sure is just a
18 misunderstanding. First, the process and handling fee is
19 meant to be transparent and a sum of all the registration
20 services. If you add up all the fixed expenses and then
21 add the required fees that the agency is required to pay
22 for registration services, all the fixed expenses, one of
23 which is tax assessor-collector compensation, everything
24 added up equals the amount of the process and handling
25 fee. There's nothing else included in that fee, which

1 supports the intended transparency of the bill.

2 The higher each of the individual fees, the
3 higher the processing and handling fee will be. Some of
4 the fees are fixed, others can be impacted, either to be
5 higher or to be lower, based on actual expenses. Examples
6 of this would be both the TxDMV compensation portion of
7 the fee and the tax assessor-collector portion of the fee.

8 The agency has spent almost a year looking at
9 its own efficiencies and cutting costs to keep its portion
10 for the fee as low as possible, and we will continue to do
11 this and make this fee as low as possible. We will also
12 ask that the tax assessor-collector offices continue with
13 this process. In order to ensure that the processing and
14 handling fee can be set as low as possible, each of the
15 tax assessor-collector offices will need to exercise the
16 same process.

17 There also seems to be a perception, based on
18 public comments that I've read and in the media, that the
19 processing and handling fee is being created to fill a
20 budget deficit that may have been created as mismanagement
21 or a lack of ability to cut costs, so I wanted to share
22 some of the background there also.

23 When the legislature created the TxDMV Fund,
24 which will be effective September 1, 2016, the agency will
25 then be self-funded, and it was presumed that at this time

1 the board would adopt rules for a processing and handling
2 fee to cover the expense of registration services. In
3 essence, the budget gap was intentional. The only
4 financial deficit the agency has or will have is due to
5 the legislative action and should the board not adopt the
6 proposed rules to implement a processing and handling fee
7 which will cover the cost of registration services it was
8 intended to authorize through creation of the TxDMV Fund.

9 The other misunderstanding that seems to be
10 floating around is that the proposed rules intentionally
11 create higher fees for walk-in customers because of the
12 online discount. The proposed rules attempt to do the
13 opposite and actually standardize the registration fees to
14 one consistent fee, \$55.50, regardless of how you choose
15 to register your vehicle. We do believe that the customer
16 should have the ability to register their vehicle how they
17 want, when they want, mail-in, walk-in or online. The
18 difference is that the online customers receive the
19 benefit of a dollar discount for registration fee which
20 reduces the fee to \$54.50. Because of the efficiencies of
21 scale of the proposed centralized fulfillment, the cost
22 saving is being passed on to the citizens in the form of
23 discount. Currently the registration fees range from
24 \$51.75 to \$54.75, depending on how the customer chooses to
25 register.

1 The last area I'd like to share thoughts on is
2 the general comments of why change things. If not said,
3 it's implied in a lot of the comments and in the media
4 articles. The reason is growth. The population of Texas
5 is rapidly changing and is expected to double by 2040.
6 Our current reliance on brick and mortar will only drive
7 the cost of registering your vehicle up unless innovation,
8 technology and efficiencies are introduced into the
9 process and the administration infrastructure that the DMV
10 and the tax offices are responsible for is changed,
11 creating a positive change for tomorrow.

12 The agency has been through a lot of change
13 since its inception in 2009, however, I can tell you that
14 the vision of a premier agency, the culture of employee
15 engagement, transparency, accountability and customer
16 service has not changed. As well, we as a board continue
17 to focus on our actions and the actions of the agency's
18 leadership on the priorities that are focused on the
19 agency's three strategic goals of performance-driven,
20 customer-centric, and creating optimized services and
21 innovation. It's these strategies, goals and policies
22 that the agency's board has the main responsibility for.

23 In closing, I'd like to thank everyone that
24 participated in the comment period that provided us with
25 information and took the time and effort to engage in

1 constructive dialogue with us over the last couple of
2 months. Even though it may have created misunderstanding,
3 it did allow us a tremendous amount of information and
4 allowed us to understand different perspectives and an
5 opportunity to create additional understanding. It allows
6 the board today to engage in good dialogue and it does
7 allow us to provide the state better governance. So
8 again, thank you for that input.

9 I'd also like to take the time to thank the
10 staff for the effort and the energy that they've put to
11 better understand and make additional recommendations, and
12 I'd like to thank our stakeholders for also the additional
13 input and information that they've provided us.

14 With that, does anyone on the board have any
15 additional comments before we turn it over to staff?

16 (No response.)

17 MS. RYAN: All right. Whitney.

18 MS. BREWSTER: Thank you, Madam Chair, members
19 of the board. For the record, Whitney Brewster, executive
20 director.

21 Before you are four rule packages for
22 consideration for final adoption. Agency staff wanted to
23 provide you with some additional information, having gone
24 through the public comment period, and to be available to
25 answer any questions that you have.

1 So why are we doing this? Going back to the
2 purpose. The purpose of the proposed rules are to create
3 efficiencies, drive down costs, utilize more modernized
4 processes, and most importantly, provide better service to
5 the citizens of Texas. What is included in these rules is
6 a major effort to modernize and streamline service
7 delivery when it comes to registration in the State of
8 Texas. These rules collectively will help Texas move
9 forward with more modern, convenient service delivery
10 options and we believe will provide more value for the
11 citizens of this state.

12 In the last presentation that we gave to the
13 board, we talked about the Texas State Government mission
14 statement, and I think this still holds true in what we
15 are presenting to you today, after having gone through the
16 public comment period, and I think it's certainly worth
17 stating on the record. A portion of it says: To honor
18 the public trust, state officials must seek new and
19 innovative ways to meet state government priorities in a
20 fiscally responsible manner. And that is indeed what the
21 agency is trying to do through these four rule packages
22 before you today.

23 HB 2202 was the basis for two for the four rule
24 packages before you today. Specifically, those pertaining
25 to the processing and handling fee, as well as to

1 deputies. The intent of the bill can be seen here on the
2 slide. Went back and listened to the testimony, read a
3 lot about HB 2202 during the 83rd Legislative Session, and
4 these are the main bullet points from the legislative
5 intent.

6 It consolidates all of the add-on fees, and
7 I'll get into that a little bit in the moment, but we're
8 talking about the mail-in fee, the credit card fees, as
9 well as the automation fee.

10 Second bullet, end State Highway Fund
11 diversion, increases transportation funding. This was the
12 key mechanism to get the agency out of being funded from
13 the State Highway Fund.

14 The intent was also to streamline the process
15 for the customer so that they knew what to expect when
16 walking into a county or a deputy office.

17 And increases transparency of registration
18 service delivery costs

19 So on this slide here, it's very interesting.
20 So under the current scenario, the processing and handling
21 fee right now does not exist, and that's what's before you
22 today, but currently \$1.90 of the registration fee itself
23 is paid to the counties. Under HB 2202 that funding
24 mechanism goes away, and so the question remains where
25 does that funding come from, how do we pay the counties,

1 how do we pay our expenses, and it comes from the
2 processing and handling fee.

3 We've heard a lot during the public comment
4 period from folks that oppose a fee increase but also want
5 to be paid more. That's in direct conflict with one
6 another because the compensation comes out of the
7 processing and handling fee itself, so the more that's
8 increased, the greater the expense to the customer in the
9 form of a processing and handling fee.

10 We have worked very hard to keep the processing
11 and handling fee as low as possible and we've cut costs
12 associated with registration services. We also have some
13 additional ideas that we intend to bring forward to the
14 board for consideration for the next legislative session
15 that will further drive down those costs.

16 Why is this important now? That was another
17 thing that we heard during the public comment period: Why
18 are we doing this now? We're doing this now because the
19 legislature also created the TxDMV Fund. This was the
20 mechanism to get the TxDMV out of the State Highway Fund
21 so that our agency would no longer be funded with highway
22 dollars. The legislature directed non-registration fees
23 like title fees, license fees for dealers, et cetera, but
24 not registration to go into that fund but purposefully did
25 not include funding for registration services due to the

1 processing and handling fee monies coming into the fund to
2 cover those specific costs.

3 So to Chair Ryan's point of some of the public
4 comment that we've received that maybe somehow the agency
5 has mismanaged its budget, I want to be very clear that
6 this was an intentional act done by the legislature to not
7 fund the registration services portion of our business
8 because that is what the processing and handling fee was
9 supposed to cover, the agency's expenses. So our
10 appropriations starting on September 1, 2016 will come out
11 of the TxDMV fund, and without the processing and handling
12 fee, there will not be enough funding in that account to
13 pay for the agency's registration services.

14 So here you'll see all of the things that have
15 to come out of the processing and handling fee. These are
16 the things that have to be paid for out of a processing
17 and handling fee. You'll see the tax assessor-collector
18 compensation included in there, as well as the TxDMV
19 compensation, the automation fee, the mail-in fee, the
20 online credit card fee, the full service deputy as well as
21 the limited service deputy fee. All of these things have
22 to come out of that processing and handling fee.

23 There has been a lot of misinformation
24 surrounding these rules that I'm hopeful we can clear up
25 today, some of which we've already addressed. I won't go

1 into all of these now but by the end of this presentation
2 we hope to address all of these items here.

3 And now I specifically want to turn the time
4 over to David Duncan to discuss some of the legal
5 questions that came up during the public comment period.

6 MR. DUNCAN: The primary question that was
7 raised in numerous comments was that the DMV doesn't have
8 authority to centralize processing of portions of
9 satisfying the internet registrations, and the term that's
10 used in statute in a couple of different places is process
11 through. Under the statute, DMV is given very broad
12 authority over registration and titling generally, and
13 specifically as it relates to registrations, we're
14 required to provide services that are reasonable, adequate
15 and efficient.

16 The intent of the statute, we went back and
17 looked at the bill that actually added the language about
18 processing all registrations through an online system
19 designated by the department, and the intent of that,
20 there were some counties that were not getting on that
21 system, and the intent was to make sure that everyone is
22 on that system and that was built and operated by the DMV.

23 The agency's interpretation of its statutes
24 through rule is given serious consideration by courts when
25 courts review agency actions such as rulemaking like this,

1 and one county in particular commented that there's
2 ambiguity in the term "process" and we agreed that in the
3 statute there is some room for the board to decide what
4 process through means, and that's what's being done
5 through these rules is we're specifying what process
6 through means.

7 By no means are we taking over every aspect of
8 processing online transactions, and we've even got some
9 examples, there are some examples, some types of
10 transactions that are already performed by the DMV either
11 in large part or completely through RTS, and Mr. Kuntz
12 will cover those.

13 MR. KUNTZ: For the record, Jeremiah Kuntz,
14 director of the Vehicle Titles and Registration Division.

15 As you can see on this slide before you, there
16 are many things that are already centralized within the
17 department. There is a common registration and titling
18 system that is managed and operated by the state. IVTRS
19 which is the Internal Vehicle Title and Registration
20 Service, that is what people get on, when they do an
21 online transaction that is the system that is used. That
22 is also centrally managed by the department.

23 I draw that out and make sure to kind of call
24 that out and call your attention to it. We have looked at
25 what other states do. Because we're a member of AAMVA, we

1 talk to the other states. What other states do in a lot
2 of this respect, if you look at most other states, most of
3 them already have a fully centralized DMV system. States
4 like Florida are decentralized, similar to the way that we
5 are, utilizing counties to process their transactions. We
6 fall somewhere in between the two. In Florida the actual
7 counties run their own internet system so they have to
8 build their own online portals, they have to collect all
9 of that through their own systems, and then remit it to
10 the state. They also require that the counties send out
11 renewal notices. So in other states like that, they are
12 fully decentralized, and in other states they are fully
13 centralized; we walk somewhere in between.

14 So what you can see here is we have a
15 centralized computer system, centralized online system.
16 We send out all for the renewal notices for the
17 registrations, so we already have a centralized notice
18 process, the counties are not required to send out their
19 own notices. The counties also do not print their own
20 titles. All of those titles that are issued by a county
21 are centrally processed and printed here at headquarters,
22 utilizing a vendor.

23 We also have other registration services that
24 are currently centralized. When you look at the
25 International Registration Plan for motor carriers, those

1 transactions are currently processed at a regional service
2 center or through the IRP online system. The revenue is
3 then remitted to the county, and the counties hold it and
4 remit it with their standard registration fees after the
5 34-day holding period. The same goes for fleet
6 registrations. Those fleets have standard registration,
7 they are companies like AT&T who are centrally processed
8 through our online system, the revenue goes to the
9 counties and is remitted the same way as the IRP
10 registration revenue. Forestry registrations, NAFTA
11 permits, and token trailers are also centrally processed
12 at our regional offices and/or online, again, with the
13 revenue flowing through the counties and then it being
14 remitted back. So we have at least five examples where
15 registration is already being centrally processed, and we
16 are following the same process for the online system.

17 I want to talk a little bit about what is being
18 proposed with a centralized printing and mailing process.

19 There's been a lot of confusion about what that means.
20 This is only the printing and mailing of registration
21 stickers. So today all of those processes when somebody
22 goes online, the order is sent to the county, the county
23 approves the transaction, reviews it and approves it,
24 prints the sticker, stuffs it and mails it back to the
25 customer, utilizing a county envelope and county postage.

1 What we're talking about here, as you can see
2 in this flow chart, is the customer would go in to IVTRS
3 and process their transaction, the payment would process
4 the same way that it does today utilizing WorldPay which
5 is the vendor for Texas.gov, that's their credit card
6 processor. RTS would hold the transaction and we do not
7 know exactly how many days yet, we're going to be working
8 with the counties on how long this hold would be in place.

9 What we've talked about is zero to five days.

10 The county would be given the ability to verify
11 that the deposit is made into their bank account, they
12 would also be given the authority to look in and see if
13 there's any other issues, like a scofflaw remark that's on
14 the record, and they would have the ability to decline
15 those transactions at that point. So we'd be dealing with
16 exceptions only, they would only be doing declining and
17 not doing approvals.

18 RTS would automatically approve those
19 transactions once the time period has expired. The
20 stickers would be sent to Xerox which would be our vendor.

21 They would print, they would stuff and mail them. The
22 postage, the printing and the envelope would be at the
23 state's expense, no longer at the county's expense, and
24 the customer would receive that sticker.

25 There's been a lot of questions in the comments

1 about why billing for the county. This process does not
2 add or remove any liability that the county currently has
3 with regards to processing those transactions online.
4 They would still have the ability to look at those
5 transactions and decline them if the revenue has not been
6 paid.

7 I'd also like to address the issue of
8 chargebacks which has come up a lot. Right now, all of
9 those transactions that are processing online are done
10 with a credit card. A customer can do a chargeback on
11 those cards, and they do every now and then. We've
12 reviewed those chargebacks, it is not a very high amount.

13 I know that we've looked at Collin County and Travis
14 County in specific, and in Collin County they've had 44
15 chargebacks in the last seven years, averaging less than
16 five chargebacks per year. Travis County reported to us
17 that they've only had five chargebacks.

18 In the case of a chargeback, what would happen
19 is the county would go in and RTS actually offers them the
20 ability to enter that chargeback into the system. It is
21 therefore taken off of what is owed to the state, and so
22 they are not required to remit that to the state. So they
23 are not liable for any fees that a customer charges back,
24 they actually get to deduct those from their deposits to
25 the state, and the state would be the one that does not

1 receive the revenue on those transactions. So there is no
2 liability for the counties as far as the revenue is
3 concerned.

4 MR. WALKER: What is a chargeback?

5 MR. KUNTZ: That's when somebody goes in and
6 disputes the credit card charges. If somebody steals your
7 credit card or uses it for an unauthorized purchase, you
8 can go in and charge back that charge.

9 MR. INGRAM: Jeremiah, I apologize for
10 interrupting the presentation. One thing I don't see is
11 the single sticker requirements in terms of the
12 inspections. How will that be handled through that?

13 MR. KUNTZ: That is automatically verified
14 through the online system, so it will operate the exact
15 same way it does today. If there is no inspection in the
16 system, then it prompts the person with a challenge that
17 says is this vehicle currently out of state. If they
18 answer yes, it's out of state, they're allowed to proceed.
19 If they answer no, it is currently in state, it blocks
20 them and tells them to go and get an inspection.

21 MR. INGRAM: So it's not going to get very far
22 in that process.

23 MR. KUNTZ: It won't even get to the county.
24 It would stop them at the very first block there.

25 MR. WALKER: So do we limit the cost in the

1 system on the same sticker deal where somebody doesn't get
2 their car inspected and they start the registration
3 process, what happens today is they mail the check back,
4 mail everything back and say, hey, you didn't get your car
5 inspected.

6 MR. KUNTZ: That's if it's mailed in. This is
7 the online process only.

8 MR. WALKER: And that's my question. So if
9 it's online, everything is processed online back to the
10 customer that says: Hey, by the way, your car hasn't been
11 inspected so you can't continue the process. Until that
12 we don't send the mail back?

13 MR. KUNTZ: It stops them right dead in their
14 tracks. So if they don't have an inspection in the
15 system, the system will hard stop them and tell them they
16 need to go get an inspection.

17 MR. WALKER: Through the internet?

18 MR. KUNTZ: Yes, the internet system will
19 prompt them and give them that message that they need to
20 get an inspection.

21 MR. WALKER: So there's no cost associated with
22 it.

23 MR. KUNTZ: No.

24 MR. WALKER: Like right now there's a cost
25 incurred mailing a check back with a letter that says go

1 get your car inspected.

2 MR. KUNTZ: For mail-ins.

3 MR. INGRAM: There's going to be a certain
4 percentage of those consumers that are just going to be
5 confused. They didn't get the memo about needing
6 inspections. So when they get stopped at that point, will
7 it then be the DMV policy to redirect those people if they
8 have questions to our own internal staff? How are we
9 going to handle the questions at that point, because there
10 will be questions.

11 MR. KUNTZ: Our staff are already handling
12 those single sticker calls. Yes, we are removing all
13 references to contact the county from the online system
14 and instructing individuals to contact our 1-800 number or
15 visit the regional office.

16 MR. INGRAM: Thank you.

17 MR. PALACIOS: Jeremiah, regarding the scofflaw
18 reports that you mentioned, will counties have the same
19 capabilities, I guess, to look for any outstanding
20 scofflaw issues that they currently have? How is this
21 different from what they're doing now?

22 MR. KUNTZ: There's two different ways that
23 counties handle scofflaw. Some counties provide us the
24 files for us to mark the record in the registration and
25 titling system. If they do that, the online system will

1 hard stop them. If they don't -- I know in El Paso they
2 do not do that, they have their own outside system that
3 they use to track scofflaws -- in that situation the hold
4 period becomes important to them in that they could go in
5 and review those transactions and compare it against their
6 own database the way they do today and they could decline
7 those transactions. IVTRS actually has a comment field so
8 they can type a comment back to the customer that they had
9 an issue with their registration and do it that way.

10 MR. PALACIOS: Okay. So are you saying they'd
11 be required to have two databases?

12 MR. KUNTZ: They are not required to. In some
13 counties they choose to have a separate outside database.
14 They're not required to. They can send those records in
15 and have the RTS system mark them, but some counties
16 choose to have a separate stand-alone system because they
17 use it for property taxes as well as for this. So they
18 use it for dual purpose, and so in those instances, the
19 hold period would give them that ability to go in and
20 decline those transactions.

21 MS. CARAWAY: Jeremiah, on the scofflaw and the
22 zero to five days, is that going to be per county choosing
23 the number of days, or is that going to be a statewide
24 issue?

25 MR. KUNTZ: We are looking at that being a

1 statewide single point, and so that's something we'll be
2 talking to the tax assessor-collectors about how long do
3 they want that hold period to be to give them adequate
4 time to check.

5 MS. CARAWAY: Thank you.

6 MR. TREVIÑO: Jeremiah, are scofflaw declines a
7 large issue? What percentage of overall applications are
8 scofflaw declined?

9 MR. KUNTZ: I don't have percentages on those,
10 and it's hard to tell. As we've said, some of those
11 systems are outside of RTS, so we would only be able to
12 know which ones are in the system, and I don't have that
13 at my fingertips right now.

14 MR. INGRAM: And just to make sure that we're
15 all on the same page, the goal thorough these actual
16 rules, in fact, is -- or through statute, I'm not sure --
17 we're hoping to give the consumer a receipt at the time
18 they do the renewal that will be good for transportation
19 until they receive their actual sticker.

20 MR. KUNTZ: We are looking at pursuing a
21 legislative change.

22 MR. INGRAM: It's a legislative change.

23 MR. KUNTZ: To allow that receipt to serve as
24 registration for a period of time. That way they're not
25 relying on that sticker being printed right away. The way

1 that temp tags work today is that temp tag can be printed
2 online and used immediately. We would be pursuing some
3 legislative changes to allow that receipt to serve as
4 registration until they receive the sticker.

5 MR. INGRAM: Great. Thank you.

6 MS. RYAN: Jeremiah, one question on the
7 scofflaw. In some of the reading I was doing, it stated
8 that some entities -- and I don't know if counties do --
9 some entities actually contract or pay the county tax
10 assessor-collectors -- and Luanne, maybe you addressed
11 this -- to engage in this scofflaw verification. Was that
12 just a comment? Can we confirm that?

13 MR. KUNTZ: There are various ways that
14 counties have set up their scofflaw programs. Some have
15 outside vendors that are doing recovery on those fees and
16 taxes that are owed to the counties or municipalities, so
17 we know that there are some that have an outside vendor
18 that track those in a separate system. That's what we are
19 referring to in El Paso. I'm not sure if El Paso uses a
20 homegrown system or if they have a vendor that provides
21 that information, but there are some counties that have
22 software that they purchase in order to track those
23 scoffs.

24 MS. RYAN: So do the tax offices get paid when
25 they engage to do that?

1 MR. KUNTZ: There is a statutory provision that
2 allows a county to assess a \$20 fee for having to do the
3 chasing on those scoffs, so they can assess the customer a
4 fee, and that's statutory.

5 MS. RYAN: Okay.

6 MR. TREVIÑO: Jeremiah, you're satisfied that
7 the vendor can fulfill all these obligations and deliver a
8 good product?

9 MR. KUNTZ: Yes, sir. We currently utilize
10 that vendor to process approximately 2 million
11 registration renewal notices a month, as well as all of
12 the titles for us. They've been doing a very good job of
13 keeping that up. We actually recently transitioned the
14 stuffing and mailing from an outside vendor back to Xerox.
15 Xerox has always done the printing but now they are also
16 doing the stuffing and mailing, so they've got the whole
17 process from end to end. They're able to hit their marks
18 on everything that they're doing for the renewal notices
19 and exceed our current requirements to get those out the
20 door. So we're actually having to re-look at our schedule
21 because they're exceeding their SLA by about a week's time
22 on getting those notices prepared, so we're trying to look
23 at that to see how we can streamline that for them as
24 well.

25 They've also, in the first month that they've

1 taken over doing our notices, they were able to save us a
2 substantial amount on postage by doing what they call
3 householding which is merging multiple notices that are
4 going to the same address into one envelope in order to
5 save on postage, so they've been doing well at saving us
6 postage as well through this process.

7 MR. INGRAM: So just making sure I understand
8 fully then, from the tax assessor-collector, they're
9 basically handling the funds through Texas.gov. Right?
10 And they're using whatever system that they use for the
11 scofflaw, and that's their basic tasks. Is that correct?

12 MR. KUNTZ: Correct.

13 MS. CARAWAY: Jeremiah, insofar as the online
14 is concerned, when a sticker is mailed out and if we get
15 legislation changed where they can use a receipt as a
16 temporary proof of registration and that customer does not
17 receive the sticker in the mail and they need a
18 replacement sticker, most of those are probably going to
19 turn to the county tax office to get that sticker to go
20 ahead and get it in hand. And in the past I know counties
21 were talked to about the number of no-charge replacements
22 and that being extremely high, and so what is going to be
23 the recommendation on how those are handled and will that
24 be held against the counties as it has in the past?

25 MR. KUNTZ: So I'm going to the next slide real

1 quick to help to answer.

2 MS. CARAWAY: I'm sorry.

3 MR. KUNTZ: No. It will help answer this
4 question.

5 By going to a centralized process, we're going
6 to be able to have greater visibility into what the status
7 of that sticker is, so as part of the programming effort
8 to do this centralization, we are looking at building a
9 tracking system, much like Amazon and other shippers do,
10 to track the shipment of that package or mail through the
11 mail system. So what you're seeing here is a mockup of
12 what a customer would be able to get from an online
13 tracking portal. We are looking to build a web page on
14 our website that would allow the customer to enter the
15 license plate and last four of the VIN. When they do that
16 they'll have a tracking bar that will show them where that
17 sticker is through the system.

18 We are looking at adding an intelligent mail
19 bar code to the envelope. The United States Postal
20 Service has got a specific type of bar code that they're
21 utilizing now that actually will allow us to see when it
22 is scanned in their facilities and for us to get reports
23 back out of that system. We've met with the post office
24 last week, actually, to talk through that. They have the
25 ability to send reports to us for us to query against, to

1 actually watch that piece of mail as it's going through
2 the postal system. So what the customer will be able to
3 do is see exactly where the status of that sticker is in
4 its delivery so that we can better estimate when that
5 sticker would be delivered to them.

6 What we are anticipating is that if there's a
7 problem while at the printer, while at Xerox being
8 printed, that those would be automatically reprinted and
9 sent back out. We should be able to see it getting
10 delivered. If it does not get delivered to the post
11 office, we are looking at reinitiating that printing of a
12 replacement automatically without the customer having to
13 query us so that we can get it into the mainstream without
14 us having to ask.

15 Once it's entered the Postal Service, obviously
16 things do get lost in the mail, statute contemplates for
17 lost or stolen stickers or license plates that the
18 customer pay a \$6 fee plus the 50 cents for the automation
19 which means they would have to pay \$6.50 to get a
20 replacement. That would allow the county to be
21 compensated for doing that transaction. We're not
22 contemplating that there would be free replacements for
23 this, and we are hoping that this system would give enough
24 visibility that you can see exactly where that is in the
25 process to know if it really truly was lost or if it's

1 just still in route.

2 MS. CARAWAY: And how is that \$6.50 divided?

3 MR. KUNTZ: I believe that the statute has it
4 at \$2.50 for the counties.

5 MS. CARAWAY: Okay. And then on the approval
6 or decline, again back to the zero to five days on
7 approval or decline, I know that some counties wait till
8 the monies are deposited into their bank account, some
9 process them immediately, probably depends on the size of
10 the county. So that zero to five days is going to
11 determine that, and still the county will have to take
12 action on approving each of those.

13 MR. KUNTZ: The way that we're setting up the
14 system is the system would hold it and it would be an
15 exception-based system, so the system would hold the
16 transaction for that zero to five days. Once it hits
17 that, it would release and it would go to printing, so
18 unless the county intervenes and stops the transaction, it
19 would go through. That way you're only looking for the
20 exceptions. If you look at your financial report and you
21 see that something did not fund, then it would just be an
22 exception to stop those, but it would not be that you have
23 to go in and approve all of the transactions.

24 MS. CARAWAY: And will the reporting be the
25 same?

1 MR. KUNTZ: We are looking at some additional
2 reporting as well in order to make sure that we've got all
3 the requirements. So again, we'll be going out to some
4 counties to look to see if there's any additional reports
5 that you would need, but that's being built into the
6 requirements as well.

7 MS. CARAWAY: Thank you.

8 MR. KUNTZ: Yes, ma'am.

9 MR. WALKER: So why would there be any more
10 lost replacements going forward than there is currently
11 right now? I mean, it's the same process, basically the
12 mail. Correct?

13 MR. KUNTZ: Yes, sir.

14 MR. WALKER: So how much is there right now,
15 Luanne?

16 MS. CARAWAY: I don't have a number. I mean,
17 we get quite a few that call who haven't received them.

18 MR. KUNTZ: This system will definitely give us
19 greater visibility. By centralizing it, we can use bar
20 code technology to track that where we can't do that
21 today, so we'll be able to see exactly where it failed in
22 the system or where something went wrong which will help
23 us greatly in figuring how many come back in returned mail
24 as well as how many just never get delivered.

25 MS. RYAN: Is there a cleanup process? I'm not

1 using the right terminology, but when it does come back or
2 before it goes out to verify an address or clean up an
3 address should it come back?

4 MR. KUNTZ: So we are looking at deploying some
5 new technology on the front end of IVTRS. If you've been
6 on the websites recently that you do orders, a lot of them
7 are using different pieces of software to validate that it
8 is a good address that the customer enters. The customer
9 enters the address at the time that they purchase the
10 sticker, we don't rely on the address that's in the
11 system. So they actually give us the address at the time
12 that they order it that they want the sticker to be sent
13 to, and so we're looking at having a piece of software
14 that validates that that is a good address that was
15 entered. If the customer made a mistake in typing the
16 address, put in an incorrect zip or something, the system
17 will prompt them to correct that right then on the spot
18 and that should cut down substantially on the ones that
19 are having to get returned for a bad address.

20 MR. INGRAM: Luanne, do you feel like that the
21 returns would go down simply because you don't have the
22 people that are procrastinating and they're waiting till
23 the very last second to get their registration renewed,
24 and so they're in kind of a panic to get those stickers?
25 Now if you actually print something off at the time that

1 they do it, that that desperation goes way down?

2 MS. CARAWAY: I think that definitely could
3 have an impact.

4 MR. BARNWELL: Is the U.S. Postal Service
5 already up and running with this bar code technology?

6 MR. KUNTZ: Yes, sir.

7 MR. BARNWELL: What's the additional cost?

8 MR. KUNTZ: There is none.

9 MR. BARNWELL: So they're absorbing that cost.

10 MR. KUNTZ: It's already included in the price
11 of a stamp.

12 MR. BARNWELL: And where is that technology
13 deployed? Is it only in big cities at central processing
14 facilities, or is it in the countryside?

15 MR. KUNTZ: It's everywhere that the Postal
16 Service uses their technology.

17 MR. BARNWELL: Well, yes, I know that.

18 MR. KUNTZ: The only thing is it only scans it
19 when it hits a facility, they're not doing door-to-door
20 scan, so you're not going to get a scan when they're
21 actually putting it into the mailbox but you can track it
22 all the way until the point that it is put into the
23 delivery bag, if you will.

24 MR. BARNWELL: Okay. And this would count for
25 the post office in Magnolia, Texas?

1 MR. KUNTZ: Yes, sir.

2 MR. BARNWELL: You sure about that? I don't
3 think Magnolia, Texas knows anything about this is why I'm
4 asking. But I mean, that's my post office and I know
5 those fine people over there.

6 MR. KUNTZ: Anywhere that it is run through one
7 of their tracking systems, so when it goes out for
8 delivery, what they've told us is they scan those to go
9 out for final delivery and they should be able to tell us
10 whenever it is scanned at one of their receiving
11 facilities.

12 MR. BARNWELL: Okay. Very interesting.

13 MS. CARAWAY: Is that the bar code that is
14 added to the front of even lopes?

15 MR. KUNTZ: Currently, yes.

16 MS. CARAWAY: Because sometimes those don't get
17 done or they can't read them. We've tried to use that for
18 proof of delivery or whatever.

19 MR. KUNTZ: One of the things when you use an
20 intelligent mail bar code, the way to use it effectively
21 is you need to add a serial number into it, and we have
22 not done that up until this point, so we've been looking
23 at that. What you do is you create a nine-digit code to
24 embed within that bar code and that's what will track it
25 back to that specific transaction. We have not added

1 those up until those point because we've not had a way to
2 utilize that serial number, but that will be programmed in
3 to where we'll add that and serial number each piece of
4 mail.

5 MR. TREVIÑO: Jeremiah, has the vendor been
6 asked to conform to a standard like delivery within five
7 to ten days or anything like that?

8 MR. KUNTZ: There will be SLAs in the contract
9 and it is for next day printing

10 MR. TREVIÑO: And delivery? I know that
11 depends on the mail and everything else and also the hold
12 and everything else, but just a range.

13 MR. KUNTZ: It will go out in first class mail.
14 The printing and stuffing is for next day.

15 MR. BARNWELL: As we know, the problem is not
16 in the central facility with the U.S. Postal Service, the
17 problem is once it's processed out of that central
18 facility. Delivery to the remote facility where the
19 actual postal carrier works, that's where we're going to
20 have and do have the problem. The central facilities are
21 highly automated and they blast millions of pieces of mail
22 through there every day. What's the real point of this is
23 my question, because where we're going to fall down in
24 delivery is not the fact that they actually got it into
25 the central facility and managed to scan it. So what?

1 That's not going to help you.

2 Now, if this helps internally as a check on
3 Xerox or a check on our own processes and handling and the
4 manner it's handled and the efficiency of that, then I can
5 understand it. But I'm not seeing any benefit to checking
6 with the U.S. Postal Service because that's out of control
7 anyway.

8 MR. KUNTZ: Obviously, once it gets into the
9 Postal Service's hands, we rely on the post office to make
10 delivery. What we are looking to do is to provide as much
11 transparency to the customer as we possibly can as to
12 where that sticker is in the mail process and when they
13 can expect to receive it. A lot of the questions that I'm
14 sure Luanne gets is, you know, people are waiting for the
15 sticker and they've waited maybe two days or three days
16 and they're expecting it to come in and they just don't
17 know where it is in the process. This will give them the
18 visibility to see it was printed yesterday, it was put in
19 the mail today, and they can expect to see it within three
20 to four days.

21 MR. BARNWELL: And this receipt we're talking
22 about, that's legislatively activated.

23 MR. KUNTZ: In order for them to use the
24 receipt that is printed from their desktop.

25 MR. BARNWELL: For up to 30 days, I believe?

1 MR. KUNTZ: Yes. That's what we'll be seeking.

2 MR. BARNWELL: At that point in time then, the
3 bar code thing is still transparency.

4 MR. KUNTZ: Absolutely. We want to make sure
5 that customers have that transparency in order to try and
6 cut down on calls. A lot of the comments and concerns
7 that we heard from the tax assessor-collectors is that
8 they would be flooded with phone calls and not know what
9 the status was of that sticker. This will give both them
10 as well as the customer the ability to see where it is in
11 the process, to answer those questions for them to say,
12 Hey, I can see that it was just printed yesterday, it
13 should be in the mail, give it a couple of days to get
14 there.

15 MR. BARNWELL: And that's going to cut down on
16 calls.

17 MR. KUNTZ: We hope that it will cut down on
18 phone calls, but obviously, if customers continue to call,
19 they will continue to call.

20 MR. INGRAM: And Jeremiah, is it contemplated
21 that DPS will be able to also determine the status? I'm
22 just imagining a scenario where an officer pulls over
23 somebody and they pull out this printed receipt, they may
24 not want to rely completely on that printed receipt.

25 MR. KUNTZ: They could obviously, if they have

1 internet access in their computer in their car, they could
2 run it if they needed to to see if that's truly a valid
3 sticker that was ordered.

4 MR. BARNWELL: That's all future. It's all
5 going to be approved by the legislature or not.

6 MR. KUNTZ: Yes, sir.

7 MS. BREWSTER: Just to be clear. I'm sorry.
8 We're not dealing with that issue quite yet, that's a
9 legislative change to allow for the registration receipt
10 to be used as proof of registration. That's definitely an
11 improvement that we're hoping to see down the road but not
12 one that we can utilize right now.

13 MR. INGRAM: I understand. I should have been
14 clear that I'm thinking way ahead that that may be
15 necessary.

16 MS. RYAN: The receipt aspect, but the bar code
17 is current.

18 MS. CARAWAY: And where is the return mail
19 going to go? Is it going to go back to Xerox, will it
20 come to here at headquarters?

21 MR. KUNTZ: Yes. We are talking with Xerox.
22 Obviously it will still come back to headquarters because
23 it's got the return address here. Xerox makes deliveries
24 over to our headquarters building daily, and so what we
25 would do is hand off the return mail to them to scan back

1 into the system as well daily.

2 MR. WALKER: What about proof of insurance?

3 MR. KUNTZ: Proof of insurance is handled
4 through the online system.

5 MR. WALKER: And how do you handle it through
6 the online system?

7 MR. KUNTZ: There's a system called TexasSure,
8 and so right now we validate insurance electronically
9 through TexasSure, and it goes off of the VIN and it can
10 tell whether or not that vehicle has insurance on it.

11 MR. WALKER: So what do you do about my truck?

12 MR. KUNTZ: Are you uninsured?

13 (General laughter.)

14 MR. WALKER: Quite the contrary, over insured.
15 So I'm on a fleet policy that says any and all vehicles
16 operated by. It's not listed as a VIN.

17 MR. KUNTZ: It's not going to be able to
18 validate that. I know that TexasSure has been working to
19 get that validation in place.

20 MR. WALKER: So I can't register any of my
21 fleet of vehicles because our fleet policy doesn't list
22 specific VINs, it just says any and all vehicles operated.
23 Because we have so many vehicles, we don't list the VINs.

24 MR. KUNTZ: The system won't be able to verify
25 it electronically, and we're relying on that electronic

1 verification to process those.

2 MR. WALKER: But I won't be able to register
3 online.

4 MR. KUNTZ: Not at this time. My understanding
5 is TexasSure has been working on trying to get fleet
6 policies added.

7 MS. RYAN: That's a current process, though.
8 Right? That's the way it's been as long as the online
9 process has been in place, so you haven't been able to, I
10 guess, do it online. You haven't been able to do it
11 online that way.

12 MR. WALKER: No. Because they send it back and
13 say send proof of insurance, we have to send it in.

14 MS. RYAN: That's the same way. Okay.

15 MR. KUNTZ: This brings us to staff
16 recommendations.

17 The first staff recommendation relates to
18 license plate replacement cycle. We did receive some
19 comments suggesting that the license plate replacement
20 cycle should remain mandatory for various reasons. I know
21 that there were some that cited the reflectivity as an
22 issue. We did not receive any comments from law
23 enforcement related to the reflectivity of license plates,
24 and so we have recommended not amending the rule as
25 proposed. There are less than half a million license

1 plates that make it to the seven years. As we discussed
2 in the previous board meeting, we get less and less
3 license plates that make it to that seven years every year
4 because of turnover in the fleet that occurs, and so we're
5 recommending leaving that as is.

6 As a note, statute does require a motorist to
7 maintain a legible set of license plates, and so they
8 would be required to come in and replace those license
9 plates and pay the requisite fee for a replacement set of
10 license plates if they ever became illegible.

11 MR. INGRAM: Jeremiah, remind me the cost
12 savings that we had calculated for the plates.

13 MS. FLORES: On an annual basis we're
14 estimating between \$2-1/2- to \$3 million a year.

15 MR. INGRAM: And DPS has not complained about
16 the proposal to drop the plate term. Why are we doing it
17 again? Just kind of fill me in; I must have missed it.

18 MR. KUNTZ: No, we did not receive any comments
19 from law enforcement nor from DPS about this rule. Part
20 of the issue with centralizing this, one of the things
21 that the counties are dealing with today is when a
22 customer's license plates reach the seven-year
23 replacement, the counties when somebody applies online are
24 having to issue that person a set of license plates, if
25 they're doing it online or by mail, they have to mail

1 those license plates back. We know that postage on those
2 plates is quite expensive, it could be as high as \$3.50
3 for a set of license plates to mail those out, and so in
4 order to save the counties as well as the state the money
5 for mailing those back to the customer, that is the
6 driving factor behind that. We've heard no concerns about
7 the reflectivity from law enforcement.

8 MR. INGRAM: Okay. So I'm sorry, I'm very
9 confused then. It says that you're recommending not to
10 amend the rule.

11 MR. KUNTZ: Not amend it from the proposed, so
12 we'll leave it as proposed.

13 MR. INGRAM: Okay. Now I understand. You're
14 saying amendment from the proposed rule. I understand. I
15 was very confused for a second.

16 MR. KUNTZ: I apologize for the confusion
17 there.

18 The net issue has to do with even trades. We
19 received comments from some tax assessor-collectors as
20 well as from some other individuals that this may be a
21 burdensome process and that they did not believe that it
22 was warranted. While we do not necessarily agree with the
23 comments that were received on even trades, we do
24 recognize that this is an issue that we could go back and
25 reevaluate as well as look at some potential statutory

1 changes relating to this, and so we are recommending
2 removing this from the rule package at this time for
3 further evaluation and consideration.

4 MR. WALKER: What was the motivation that we
5 put that in the rule?

6 MR. KUNTZ: Fraud. We have seen fraud.

7 MR. WALKER: Did you get a directive from the
8 legislature on that?

9 MR. KUNTZ: Did we get a directive? No.

10 MR. WALKER: That was just internally?

11 MR. KUNTZ: Yes. We have seen this process
12 used in order for people to avoid paying sales tax. We've
13 seen in numerous transactions where only one side of the
14 transaction is perfected and the other vehicle is never
15 actually transferred on title, and so we know that there
16 are issues going on where people are just using this in
17 order to avoid paying sales tax.

18 MR. WALKER: And so why do we want to delay
19 this? Tell me what the real reason to delay is.

20 MS. BREWSTER: This was a topic that was
21 brought up in the House Transportation Committee hearing
22 on May 25. There were several legislators that were
23 interested in this particular topic and suggested that
24 maybe the agency continue to research this and work with
25 the legislature on a potential legislative solution that

1 would not be as impactful on those that are legally trying
2 to pursue an even trade. This is certainly something that
3 is still on the agency's radar and we'll continue to work
4 on, we're just going to look at a different way of
5 addressing the issue.

6 MS. RYAN: I think I also read, and in a lot of
7 the comments and live discussions too, this also was going
8 to bring people in, two parties in to tax offices, hence
9 also additionally increasing bodies in tax offices and
10 slowing down lines. Correct?

11 MS. BREWSTER: I'd like to point out that half
12 a percent of all registration transactions -- or title
13 transactions -- I'm sorry -- are even trades so it's a
14 very small number.

15 MS. RYAN: So that's not an issue.

16 MS. BREWSTER: Yes, .5 percent statewide, so
17 it's a very small number. The way that the rules were
18 contemplated, it requires both parties to come in to
19 perfect the even trade, however, we do believe that there
20 are other ways that we can resolve this issue that would
21 be less burdensome on, like I said, a customer that's
22 really trying to legally do an even trade.

23 MR. WALKER: So you have a 2010 Chevy pickup
24 truck, I have a 2017 Ford and we go in and say I'm going
25 to trade you mine for yours, no tax consequences, even

1 trade, but then on a sidebar you and I exchange cash, and
2 that's what the state is concerned with is that there's
3 some sidebar stuff going on?

4 MR. KUNTZ: Yes, sir. There's about 46,000
5 even trades a year. While it's a small percentage, it is
6 quite a few number of them.

7 MR. WALKER: So let's just say we went forward
8 with the current process -- and I don't even know what the
9 current process is. How do you do it today, just say I'm
10 trading my pickup for her pickup?

11 MR. KUNTZ: Yes, sir.

12 MR. WALKER: And so does Luanne have to go out
13 in the parking lot and say, Oh, wait a minute, that's not
14 an even trade.

15 MS. CARAWAY: No.

16 MR. WALKER: So she just okays it.

17 MR. KUNTZ: Takes it as its face.

18 MR. WALKER: So now we're trying to say how do
19 we clean this up?

20 MR. INGRAM: Well, you do have presumptive
21 value in there.

22 MR. KUNTZ: Not on even trades.

23 MR. INGRAM: Not on even trades?

24 MR. KUNTZ: That's one of the things that we're
25 looking at potentially doing.

1 MR. INGRAM: That would be a pretty good
2 solution.

3 MR. WALKER: So there's no presumptive, we
4 don't look at Blue Book value or anything?

5 MR. KUNTZ: No.

6 MR. TREVIÑO: But the idea right now is just
7 not to inconvenience the people who are using this
8 legitimately and just to try and figure out a better way
9 to skin this cat. Right?

10 MR. KUNTZ: Yes, sir.

11 MR. WALKER: So the recommendation right now is
12 let's table this until we come up with a better solution.

13 MR. KUNTZ: Yes, sir.

14 MS. RYAN: Thank you.

15 MR. KUNTZ: The next issue relates to Texas IRP
16 transactions. One of the comments that we received
17 specifically asked how IRP transactions would be handled.
18 We noted that we had not specifically addressed those in
19 the rule and so we have added some additional language to
20 the rules specifically address International Registration
21 Plan transactions. This will require that the credit card
22 fees paid for these transactions be paid in addition to
23 the processing and handling fee. These transactions have
24 a very high dollar value potentially with them, and
25 currently we are assessed a 2-1/4 percent plus a quarter

1 transaction fee for processing these, and on many of these
2 transactions the processing and handling fee would not be
3 sufficient to cover that. So these will be handled
4 differently than the rest of the registration transactions
5 and have the motor carriers pay what they're paying today
6 for their credit card processing.

7 The next set of comments that we received were
8 relating to the deputy rules. These are the number of
9 comments that were received. This rule received the
10 highest number of comments of any of the four rules that
11 are before you, as you can see by the numbers that we
12 received. We tried to group these so you can see
13 generally the types of groups that were commenting on the
14 rule.

15 So the first comment that we received that we
16 are addressing, most of the comments to these rules came
17 from the full service deputies and their customers. The
18 commenters felt that such entities should be compensated
19 more than \$5 for registration and more than \$15 for a
20 title, and we heard a lot about driving those businesses
21 out of business. We want to make sure that we are noting
22 we were not intending to drive any of these entities out
23 of business. We did receive financials from eleven of the
24 full service deputies. We did review those financial
25 statements, and we are recommending a change to the rule

1 as it was proposed to increase the registration amount on
2 \$10 on a registration and \$20 on a title. Based on the
3 information we evaluated in their financials, this would
4 maintain profitability for those entities that we received
5 financial statements for.

6 MR. PALACIOS: Jeremiah, I have a question on
7 those financials. Were all of the entities that you
8 looked at, were they all negatively impacted by the first
9 recommendation?

10 MR. KUNTZ: Not all of them were negatively
11 impacted. There were some that were negatively impacted
12 and some that were positively impacted by the first
13 recommendation.

14 MR. PALACIOS: So you received eleven financial
15 statements. Do we have an idea how many full service
16 deputies operate in Texas?

17 MR. KUNTZ: I believe there's close to 30 or so
18 in the state.

19 MR. WALKER: Thirty is all?

20 MR. KUNTZ: I believe so, yes, sir.

21 MR. INGRAM: Well, 30 but they all have
22 multiple offices, some of them have multiple offices.

23 MR. KUNTZ: I believe that's the number of
24 offices.

25 MR. INGRAM: That's the number of offices.

1 MS. BREWSTER: There are currently four
2 counties that utilize full service deputies. There were
3 six. Cameron County is not utilizing full service
4 deputies because those have been shut down due to the
5 criminal investigation in Cameron County. Wilson County
6 was the other. They are not utilizing their full service
7 deputy any longer due to WebDealer. WebDealer has
8 assisted that county and they no longer are utilizing that
9 full service deputy office. So right now there are four
10 that we are aware of that are utilizing full service
11 deputies.

12 MR. WALKER: El Paso, Bexar, Travis and?

13 MS. BREWSTER: Hidalgo.

14 MR. PALACIOS: Did we get a good cross-section
15 of the financial statements from deputies throughout these
16 four counties, or was it limited to a couple of counties?

17 MR. KUNTZ: It was from Travis and Bexar.

18 MR. INGRAM: So I may be jumping ahead. I
19 apologize. Just tell me if it's out of line. I know that
20 we specifically spelled it out in the rule that this only
21 applies to the registration and the titling. They can
22 still charge for other aspects of what they're doing.
23 Correct?

24 MR. KUNTZ: Yes, sir.

25 MR. INGRAM: So my question is as a dealer, if

1 a dealer came to a full service deputy and said I need you
2 to do my transfers, here's my titles, but they're not
3 filled out, in other words, I'm just going to give you the
4 forms, would you please fill it all out and then get it
5 transferred, could they charge extra for doing the work or
6 actually filling out the titles? I'm just thinking ahead.

7 MR. KUNTZ: I'm going to hazard to answer this.
8 I would say no because that is a critical function of
9 processing that transaction. It is central to the
10 application itself.

11 MR. WALKER: But they could charge ancillary
12 charges of courier service to go pick up those or to hand
13 deliver them back to the dealership.

14 MR. KUNTZ: Yes, sir.

15 MR. WALKER: There's all those kind of charges.

16 MR. KUNTZ: Notary services, courier services,
17 charging to make copies.

18 MR. WALKER: Notary charges, you could say each
19 one has to be notarized and I charge \$25 for a notary.

20 MR. INGRAM: I guess you could go back to say
21 the same thing, dealers are supposed to maintain copies so
22 I guess they could charge for the copies.

23 MS. RYAN: Those are things that are not under
24 our authority or purview. Right?

25 MR. KUNTZ: Correct.

1 MR. WALKER: Where lies the policing and the
2 accountability of those charges? Is it with the tax
3 offices or is it going to be DMV going in and doing an
4 audit? Because actually, the deputies are deputized by
5 the TAC, so does the DMV had authority to come in and do
6 audit functions to say what are you charging for the
7 transaction?

8 MR. KUNTZ: I think we're going to answer that
9 in the next slide. So unless there are any other
10 questions, I'll move to that.

11 MS. RYAN: Johnny, are you okay if he covers
12 that and then we'll come back to it?

13 MR. WALKER: He's going to answer right now
14 because it's the next step.

15 MS. RYAN: And if it's not answered, we'll come
16 back to the question.

17 MR. KUNTZ: So the original rules as proposed
18 would have had the DMV as a third party to a three-party
19 agreement to deputize the full service deputies, that
20 being the DMV, the county and the deputy themselves.
21 Staff is recommending that the DMV not be a third party to
22 the contract, that instead we have an addendum that is
23 required of their contracts with a user agreement for the
24 use of the registration and titling system, making that
25 use contingent upon adherence to laws and regulations

1 relating to titling and registering of vehicles. That
2 would be the limit of our authority and the limit of what
3 we would be looking at is are they using the registration
4 and titling system the way it is intended to be used.

5 MR. WALKER: So in a nutshell, what I think I
6 heard you say is there's no real accountability as to
7 internally auditing to see that the process is being
8 maintained.

9 MR. DUNCAN: We would anticipate that the
10 counties would maintain their role as the overseers of
11 that contract, subject to these rules.

12 MR. WALKER: You think the TACs have that kind
13 of funding that they're going to provide an auditor to go
14 out and do an audit of a deputy?

15 MR. DUNCAN: They have told us that they visit
16 these deputies with great regularity, especially to check
17 their inventory and their transaction processing.

18 MS. RYAN: David, would you give the board a
19 little insight into what you would foresee that agreement
20 covering?

21 MR. DUNCAN: It's primarily that the -- we've
22 got it spelled out -- we're going to limit the use of the
23 system, basically we're going to tell people you have to
24 comply with all requirements, we're going to tell people
25 that you have to identify your users.

1 MS. RYAN: Who I'm assuming would be the full
2 service deputies?

3 MR. DUNCAN: The deputies, yes, ma'am.

4 I might as well bring it up. I've got the
5 proposal handy but I don't have the adoption package yet
6 because it won't open. In the draft preamble what we
7 stated is the addendum will include some but not all of
8 the original terms proposed for the three-party agreement:
9 identify the owners, identify the personnel who will be
10 given access to the system; agree to cooperate with
11 investigations by law enforcement; access may be
12 terminated if a deputy is subject to a criminal
13 investigation involving a crime of moral turpitude, but we
14 will provide an appeal process for that; reject any
15 transaction that appears irregular on its face; conduct an
16 inventory of assets and provide that to the county and the
17 DMV; and the department may conduct an audit of the full
18 service deputy's operations that are governed by our
19 rules, so we could go in and check and see if they were
20 charging the appropriate fee.

21 That's an outline of what we would propose.
22 Again, this would just be a single sheet of paper that we
23 would provide to the county and say make this an addendum
24 to your contract.

25 MS. RYAN: I also believe the rules require

1 that the fees are clearly posted.

2 MR. DUNCAN: Yes, ma'am.

3 MS. RYAN: So we're not necessarily auditing,
4 we're asking for that transparency that the agency asks
5 for to be carried forward for the consumer.

6 MR. INGRAM: So the DMV, though, is not going
7 to actually send an auditors to ensure that that
8 transparency is being shown as desired. Correct? Is that
9 going to be the tax assessor-collector responsibility?

10 MR. KUNTZ: Currently we have field service
11 reps that go out and do inventory in the counties as well
12 as the deputies to check on the inventory of license
13 plates, sticker paper, any of the controlled forms that we
14 have, and so they're out there doing those inventories as
15 we speak.

16 MR. INGRAM: So they could be not necessarily
17 trained but instructed to look for these additional items.

18 MR. DUNCAN: Yes, sir.

19 MR. KUNTZ: The other thing that we're looking
20 at in the programming with the processing and handling fee
21 is to add specific line items in RTS for those fees to be
22 captured and printed on the receipt that the customer
23 receives, and those are currently not done today. So the
24 fees that are assessed do not currently print on the
25 registration receipt and we are looking to add those so

1 that those are printed on the receipt for the customer for
2 their transparency.

3 MR. WALKER: So if a person walks up to the tax
4 assessor-collector's office and pays a hypothetical fee of
5 \$5, \$3, whatever amount, to do a transaction today for a
6 title or for a registration, he makes the \$3 or the five
7 bucks. If the same person now goes to the deputy and gets
8 the \$10 or the \$15 or the \$20, whatever it might be, what
9 does the TAC get for the transaction?

10 MR. KUNTZ: We will cover that in the next.

11 MR. WALKER: But it's relevant to right now
12 because the TAC is still going to make money off of the
13 deputy transaction. Correct?

14 MR. KUNTZ: Yes. So the deputy would retain a
15 dollar from the processing and handling fee, they would
16 assess a \$9 charge on a registration above that, and they
17 would keep -- and I say that \$9, it's up to that amount --
18 they would keep that amount to themselves and the county
19 would receive \$1.30 for those transactions.

20 MS. RYAN: Go ahead.

21 MR. WALKER: My concern becomes we hear all
22 these grumblings from the TACs that we need more money,
23 you're not giving us enough in your processing and
24 handling fee, and so now instead of them saying we're
25 going to live with this, what precludes them from saying

1 let's go to the deputy model and go out here and force the
2 citizenry to pay your \$10 out there instead of going for
3 \$5 to the county offices. The county TACs are still going
4 to make more money than actually processing the
5 transaction, and so you've really cost the taxpayer more
6 money by forcing them to go to the deputy.

7 MS. BREWSTER: May I? Member Walker, currently
8 counties get compensated at the full \$1.90 regardless of
9 where the transaction is completed, so right now I would
10 say that there's more of an incentive to adopt a full
11 service deputy model than under this scenario because
12 under this scenario the counties do not get paid as much
13 for the transactions that are done by full service
14 deputies. Like Mr. Kuntz indicated, it's \$1.30, whereas,
15 right now they receive \$1.90 at the county for a customer
16 to go into a full service deputy office.

17 MS. RYAN: And I believe the discussions are
18 excellent, but I might suggest we get through the full
19 staff recommendation so that we have all the information
20 on the table, and then allow continued discussion and
21 dialogue and debate, also get to the comments. We have
22 all the information on the table and then allow the board
23 good deliberation, which it sounds like we're going to
24 have.

25 MR. PALACIOS: Jeremiah, I know we've talked

1 about this but I just want to make clear that this RTS
2 agreement that we have now would give us assurances that
3 there would be no violations in the fees that these full
4 service deputies are charging right now. So that if we
5 adopt what you're recommending that we have the means to
6 not only verify that the fees are being charged in
7 accordance with what we've agreed upon, and that if
8 they're violated we have remedial action that we can take.

9 MR. KUNTZ: Access to the system is what
10 differentiates these entities from a title service company
11 and proper use of that system is what we would be looking
12 at, including adherence to all statutes and rules.

13 MR. PALACIOS: Thank you.

14 MR. KUNTZ: The next comment that we received,
15 we received a comment relating to the bond amounts.
16 Currently there is an entity that commented, it was
17 Enterprise Rental Car, that has a bond that exceeds the \$2
18 million cap that was in the proposed rules. They
19 currently are having a \$4 million bond in one of the
20 counties and they requested that we increase the bond
21 amount. The way that that county sets that bond is \$1,000
22 in value per license plate for the bond, so they would
23 need that additional headroom, if you will, on that bond
24 top end in order to do what they're doing today.

25 We also received one comment that the \$100,000

1 minimum bond for dealer deputies was too high. We've
2 discussed that extensively and we've gone back and looked
3 at that and believe that that is adequate to ensure the
4 protection of the inventory that's maintained by those
5 dealers in case of a loss.

6 The next comment we received on dealer deputies
7 related to the compensation that was listed in the
8 proposed rules at \$15 for a title. There were some
9 comments that that was too high given that the dealers
10 have the ability to assess a documentary fee. We've
11 evaluated that and lowered that amount to \$10. There are
12 some additional requirements that a dealer would have over
13 their normal course of business if they were to be
14 deputized in that they do have to maintain an inventory of
15 license plates and stickers, they would have to post a
16 bond with the county, and so there are some additional
17 costs that that dealer would incur in being deputized, and
18 so we do see value in them having some amount to charge a
19 fee for the title work.

20 MR. WALKER: This recommendation comes actually
21 from TADA, their membership?

22 MR. KUNTZ: To have a dealer deputy?

23 MR. WALKER: No. The reduction in this fee.

24 MR. KUNTZ: No. I believe it came at the
25 request of one of the tax assessor-collectors that it was

1 too high.

2 MR. WALKER: Do we have a comment from TADA?

3 MR. KUNTZ: I would have to go back and look at
4 that one; I'm not remembering a comment from TADA on that.

5 MS. RYAN: I don't recall anything, Johnny.

6 MR. BARNWELL: So based on the tax assessor-
7 collector's opinion that \$15 is too high, staff says,
8 okay, without any evidence that is too high, I mean,
9 without anything else?

10 MS. BREWSTER: Right now they don't have the
11 authority to necessarily charge anything because right now
12 there is not a dealer deputy classification.

13 MR. BARNWELL: I understand that. What I'm
14 talking about is we just decided that \$15 is too high so
15 \$10 becomes reasonable. Why not \$12.50 or \$8?

16 MS. BREWSTER: We measured it against what
17 dealers are able to charge for a documentary fee. Like
18 Mr. Kuntz indicated, because there is still a cost to
19 maintaining inventory through a bond, we thought it was
20 reasonable to lower it to \$10 and still cover it.

21 MR. BARNWELL: [INAUDIBLE - MIC NOT ON].

22 MR. KUNTZ: Fifteen was the original request
23 during the working group that we had talked about.

24 MR. BARNWELL: I don't want to beat it to death
25 but a lot of the fees we're imposing on people and a lot

1 of changes we're doing, I'm just interested in how the
2 vetting process works, that we're not just throwing stuff
3 at a wall to see what sticks. And the \$15 versus \$10
4 thing, I don't know what's a reasonable number. I know
5 that some car dealers charge an \$80 doc fee and some of
6 them charge \$40. There's other fees, new car prep, and
7 dah-dah-dah, there's a lot of fees that aren't statutorily
8 set which makes all of this a little bit of an exercise in
9 kidding ourselves anyway because the charges are the
10 charges.

11 MS. BREWSTER: Member Barnwell, I know that
12 there is some question as to whether or not dealers can
13 even charge this \$10. I know OCCC is looking at that
14 right now. We would like to kind of work with them and
15 see what their interpretation is of this, and we can
16 certainly revisit it in the future, but there is some
17 question out there that can dealers charge even \$10. So
18 we will continue to work through that with OCCC and
19 develop a recommendation to the board once that has been
20 determined.

21 MR. WALKER: This is staff's recommendation to
22 go to the \$10 charge, but you got through saying we need
23 to work with them to see if they can charge even a \$10
24 fee. Well, why wouldn't we just say we need to table this
25 until we come back with a better recommendation if we're

1 saying we don't know?

2 MS. RYAN: The rules say up to, so from an
3 individual dealer perspective -- and Raymond can weigh in
4 too, and Karen is here, she can help too -- but individual
5 dealers have the ability to charge a doc fee which they
6 can charge up to a certain amount. So every dealership
7 has the ability to set that for themselves, so they will
8 do what they want on this. They may charge zero. Still
9 it's up to, so some dealers may not charge anything.
10 Right? So even when they go back and look into certain
11 things, there's been comments, though not written, that
12 have been shared verbally on is \$15 high, should it be at
13 zero. And so when Whitney says they're going to go do
14 some additional due diligence, they may weigh in, they may
15 not.

16 I'm not going to speak for them, but some
17 dealers may not set anything on this on that point.
18 Unlike other deputies, they already have the ability
19 that's already set with a fee. Does that help with that
20 background? That was the background on the doc fee.

21 MR. WALKER: The question I guess I would have,
22 and maybe Karen can answer this or maybe Raymond can --

23 MS. RYAN: Maybe we can get her to come up here
24 on public comment.

25 MR. WALKER: -- under OCCC is there a maximum

1 document fee that you can charge?

2 MR. PALACIOS: Yes. That fee, Board Member
3 Walker, was raised as of June 1 to \$150. I guess the
4 question at hand now is whether or not this \$10, or
5 whatever is recommended, can be charged above and beyond
6 the \$150 or should the cost for these services provided be
7 included in the \$150. That's where we're at right now.

8 Although, I would say I do concur with you
9 regarding staff's recommendation to change based on one
10 TAC's opinion. It would be my impression that we leave it
11 as is and address it. This is more of an OCCC issue than
12 anything at this point.

13 MS. RYAN: So I would say we let the staff
14 continue their presentation and put that on the parking
15 lot for discussion when the board deliberates.

16 MR. WALKER: I've got to remember that one.

17 MS. RYAN: That's what the post-it notes are
18 for.

19 MR. KUNTZ: Just as a note on this, we did not
20 receive financials from any dealers or any financial
21 information in order to evaluate that fee, so we have
22 nothing to go off.

23 MS. RYAN: Thank you.

24 MR. KUNTZ: We did receive quite a bit of
25 comments regarding the inspection deputy that was

1 contemplated being created through the proposed rules. We
2 have heard from legislators as well as tax assessor-
3 collectors and others that they did not see value in
4 having an inspection deputy because it can be covered
5 through a limited service deputy as well. It is
6 duplicative in its nature in that an inspection station
7 could be deputized as a limited service deputy, and so
8 therefore, we are recommending that this be removed from
9 the rule package and not pursued.

10 MS. BREWSTER: Madam Chair, members of the
11 board, I would like to point out that Chairman Joe Pickett
12 in his public comments submitted requested that this be
13 removed, and we certainly believe that we can get to the
14 spirit of what we were attempting to do here and can
15 proceed with removing it.

16 MS. RYAN: Thank you.

17 MR. KUNTZ: That concludes the deputies and
18 brings us to the performance quality recognition program
19 comments.

20 We did not receive as many on this one but we
21 did receive approximately 15 comments, mostly from tax
22 assessor-collectors. The recommendation that was made by
23 the commenters, there was a provision for a tax assessor-
24 collector who has had their designation revoked, the
25 proposed rules would have required that tax assessor-

1 collector to wait until they are reelected before
2 reapplying for that recognition through the process.

3 They made a recommendation in their comments to
4 change that from being until they are reelected until they
5 have served for the next full fiscal year. We agree with
6 that and suggest making that change that they be allowed
7 to reapply if their recognition is ever revoked after they
8 have completed an additional full fiscal year to be
9 evaluated upon.

10 That was the extent of the recommendations on
11 that. We'll now move into the processing and handling
12 fee.

13 MS. FLORES: We've received approximately 144
14 comments related to the processing and handling rule
15 comments. As you can see up at the top, we did receive a
16 letter from the office of Governor Greg Abbott.

17 Some of the activities that have occurred since
18 our April 7 board presentation are identified in front of
19 you. There was a House Transportation hearing held on May
20 25. There was a meeting held with the Conference of Urban
21 Counties. We also internally identified additional
22 funding that would be deposited into the TxDMV Fund of
23 approximately \$6.8 million which leads to a 25 cent
24 reduction in registration transactions. Staff
25 participated at the TACA conference held in Waco in June.

1 We also had various briefings with the lieutenant
2 governor, speaker and other appropriation offices. And
3 finally, we held a briefing with the governor's staff
4 about a week ago, I believe it was.

5 MR. KUNTZ: As you can see, we've talked about
6 the governor's letter and the briefing. In the governor's
7 letter, he requested that we ensure that any savings, as
8 Linda has pointed out we've identified, be passed on to
9 the fee paying customers in the form of a further fee
10 reduction from the current proposal. As you are well
11 aware, the original proposal for the processing and
12 handling fee was \$5 on a registration transaction.

13 Based on the comments that we received and the
14 identification of the additional revenue for the
15 department, we believe that that revenue relates to
16 approximately 25 cents and are recommending that the \$5 be
17 decreased to \$4.75, therefore, passing the savings on to
18 the customer. That is currently where the staff's
19 recommendation lies for the overall processing and
20 handling fee.

21 I'll now go into how that breaks down for both
22 the counties as well as the DMV. I'm sure you're familiar
23 with this as we've presented this before. There are three
24 columns to draw your attention to. The current
25 compensation that the counties receive, what was proposed

1 April 7 and then today's staff recommendation. This shows
2 the county's compensation and we'll cover the DMV's
3 compensation on the next slide.

4 As you can see, for a walk-in transaction the
5 county currently gets \$1.90 and it would go up to \$2.30
6 under the staff recommendation. Online transactions, the
7 county receives \$1.90 plus the customer pays \$1 mail
8 return fee. That would go to 25 cents under the
9 centralized fulfillment for registrations that are done
10 online. Mail, the counties currently receive \$1.90 with a
11 \$1 mail return fee. That would go to \$2.30 with no
12 additional mail return fee.

13 The limited service deputies are currently
14 compensated at \$1, and the tax assessor-collectors receive
15 \$1.90 when that transaction is processed at a limited
16 service deputy. I believe this goes to the question that
17 you asked previously, Member Walker. The counties do
18 receive compensation when a deputy does the transaction,
19 and so as you can see here, they would receive
20 compensation of \$1.30 for those transactions and the
21 deputy would receive \$1. As you can see, that totals up
22 to \$2.30, therefore the counties and the deputies are
23 splitting the \$2.30 side of the equation.

24 Full service deputies, this one gets a little
25 bit more complicated in that a full service deputy,

1 currently the county receives \$1.90 out of the
2 registration, the customer pays an additional \$5. The
3 recommendation on April 7 was to take that county
4 compensation to \$1.30 with the full service deputies
5 retaining that \$5 in compensation. The recommendation, as
6 we discussed earlier, would move the counties to \$1.30 and
7 the full service deputies to \$10.

8 The dealer deputies, obviously this is a new
9 deputy class that has not been done before and so there is
10 no compensation listed for the counties or the deputy.
11 The proposal had the dealer deputies at \$1.30 with them
12 retaining \$1 out of that processing and handling fee.
13 This relates specifically to registration transactions.
14 What we were discussing earlier, the \$15 going to \$10 was
15 on a title. This is their compensation on a registration
16 transaction.

17 As you can see, inspection deputies have been
18 removed.

19 The last change relates to temporary permits.
20 This is a change in compensation for the counties in that
21 they currently get \$1.90 for those transactions. They
22 would under the April 7 have gone to \$5, now that the
23 overall processing and handling fee has been reduced,
24 their compensation would be at \$4.75, thus they're keeping
25 100 percent of that permit that they issue. We note that

1 those permits are issued online in the county offices as
2 well as the regional office. Whoever is issuing that
3 temporary permit would retain the full 100 percent of that
4 processing and handling fee, therefore, if it's done in a
5 deputy's office, like a full service deputy, the deputy
6 would be entitled to retain the full \$4.75, just as the
7 county would be able to retain that as well.

8 MS. RYAN: Do you know how many of those are
9 done? Do we have an idea of the volume?

10 MR. KUNTZ: I did not bring it. We do know how
11 much that volume is, I just don't have it with me right
12 now but we can get it.

13 MS. RYAN: I don't think any of those were
14 calculated in any of the revenue calculations on comments
15 that we received. Correct?

16 MR. KUNTZ: When we did our financials, we did
17 account for those. We did notice that in some of the
18 comments that we received that they were not taken into
19 consideration. I know one county counted it in their
20 current compensation and then had zero after the rule
21 passed, and therefore, did not account for any of that
22 revenue.

23 MS. RYAN: So maybe there was a
24 misunderstanding.

25 MR. WALKER: Under temporary permits, why did

1 we reduce that from the \$5 to \$4.75?

2 MR. KUNTZ: Because the processing and
3 handling fee, the recommendation is that the processing
4 and handling fee go from the \$5 that was originally
5 proposed to the \$4.75. That is the processing and
6 handling fee. That is in addition to the temporary permit
7 fee itself. So this is not changing the temporary permit
8 fee, this is just changing the processing and handling
9 fee.

10 MR. WALKER: And whoever handles the processing
11 fee keeps it.

12 MR. KUNTZ: Correct. Yes, sir.

13 The next slide shows the compensation that the
14 DMV would retain for transactions. As you can see, for
15 walk-in, mail, limited service, full service, dealer
16 deputies, the DMV would be retaining \$1.95. Fifty cents
17 would be set aside on all transactions for the automation
18 fund and that's the set-aside to help fund the automation
19 of all of our registration and titling systems.

20 As you can see, in the online scenario we have
21 a print/mail vendor that would need to be compensated. We
22 have received estimates from them that it would be
23 somewhere less than 50 cents, so we have gone ahead and
24 put in 50 cents for that. It is very close to that 50
25 cents. That includes postage, it includes the printing of

1 the sticker itself, the folding, as well as the envelope
2 for mailing that back.

3 Texas.gov would continue to receive their
4 compensation for processing the credit card and handling
5 the online transaction. That is statutorily mandated that
6 we use them and that is the current negotiated fee for
7 processing through Texas.gov.

8 As you can see on the bottom, the temporary
9 permits, if those are issued in our regional offices or if
10 they are issued online, the DMV would receive \$4.25 with
11 50 cents going to the automation fund.

12 MR. WALKER: So the online processing and
13 handling fee is \$3.75 now?

14 MR. KUNTZ: Yes, sir.

15 MR. WALKER: That's the only fee that's not
16 consistent with the \$4.75?

17 MR. KUNTZ: Correct. And the customers are to
18 receive a \$1 discount from the \$4.75 to the \$3.75.

19 MS. BREWSTER: And we're able to do that due to
20 centralizing the mailing process; we're able to pass along
21 that savings to the customer because of that
22 centralization of mailing and printing.

23 In closing, we want to share with you a quote
24 from the Office of Governor Greg Abbott that we received,
25 and it says, "Our primary interest is in keeping this fee

1 structure as low for customers as possible and rewarding
2 customers who utilize the most cost-efficient vehicle
3 registration method offered, online renewals."

4 And the agency certainly agrees with that. We
5 are a customer service agency, and as such, when we found
6 that additional 25 cents that Ms. Flores indicated that we
7 found, instead of it flowing into the TxDMV Fund, we
8 reduced our portion by that 25 cents and passed it along
9 to the customer. I believe that the actions of the agency
10 fits very well with exactly what we have tried to do
11 through these rules and I believe it is in alignment with
12 Governor Abbott's vision that we create efficiencies,
13 drive down costs, utilize more modernized processes, and
14 most importantly, provide better service to the citizens
15 of Texas.

16 With that, members, we're happy to answer any
17 other questions that you have, but that is the conclusion
18 of our presentation.

19 MS. RYAN: Thank you.

20 I think it may be a question, when you
21 reference found, can you clarify for us the 25 cents?

22 MS. FLORES: Yes, ma'am. For the record,
23 during our internal review of our fees that were going to
24 be deposited into the TxDMV Fund which will be established
25 September 1, there were several fees that we knew about.

1 Specifically we have title fees, various registration
2 fees, but there was one particular account which is
3 deposited currently into general revenue today. The
4 revenue is supposed to support the payment to the third
5 party vendor for specialty plates. We had the expense on
6 the expense side of the pro forma, we did not have it in
7 the revenue side, so once we dropped that in, it helped
8 offset the cost of that particular program. So with that,
9 we are better off \$6.8 million, that equated to about 25
10 cents less than what we would need to run the operations
11 of registration services.

12 MS. RYAN: Okay. Thank you.

13 MS. BREWSTER: May I just add one other thing?

14 MS. RYAN: Absolutely.

15 MS. BREWSTER: It was never the intent of the
16 sponsor of this legislation, going back and reading the
17 legislative intent from HB 2202, that anyone would
18 accumulate a large balance off of this processing and
19 handling fee, that it was to be as revenue-neutral as
20 possible, and so the agency certainly when we identified
21 this additional funding were in complete agreement that
22 that should be passed along and not be accumulated in the
23 TxDMV Fund.

24 MS. RYAN: Okay. Thank you.

25 Any additional questions before we move to the

1 comment portion of our agenda?

2 (No response.)

3 MS. RYAN: Okay. Well, with that, we will keep
4 things moving. Thank you very much.

5 I'd like to remind everyone who has signed up
6 to speak that you'll have three minutes. I'll timekeeper
7 will remind each of the speakers when they have one minute
8 left, and I'm going to let David give a little more detail
9 on that in just a minute. I will call everyone up. We
10 have 14 comments, actually, at this point. If you have
11 not filled out a speaker card and would like to still,
12 they are out in the lobby. We do have one that will be
13 read into the record which will be read by David Duncan.

14 If you'll, please, again, state your name and
15 association, and any comments or questions by the board
16 and dialogue with the board will not be part of your time,
17 so you'll have three minutes for your full time. And I
18 don't need to call anyone up by group. So at that point
19 we will move to comments.

20 MR. DUNCAN: If I may, Madam Chair. To expand
21 on what you were saying, our chief legal assistant, Ms.
22 Nelon, is going to hold up a yellow card when speakers
23 have one minute left. We got some comments from our
24 speakers that the little visual device that's on the
25 podium is not very visible because it's out of your line

1 of sight. We're going to try not to be too obtrusive
2 about that. We've also added a feature on the device that
3 will give a general reminder, it's a tone at the end of
4 the three minutes. If you're going to go beyond the three
5 minutes, you can ask the chair for more time, and as she
6 mentioned, we're going to stop the clock if a board member
7 asks you a question and you're answering the question.
8 Individuals can't accumulate time from other speakers or
9 reserve time.

10 The only other item I'd like to mention is
11 that, members, you were provided with a letter that we
12 received today from the County Judges and Commissioners
13 Association of Texas, and as well -- Stacy, if you'd help
14 me out -- Representative Workman has provided us a letter
15 as well that he wanted given to the board members, and so
16 we've got copies, we've had ten copies of that made.

17 And with that, we have also received a comment
18 to be read into the record from Victor Vandergriff, who is
19 a board member of TxDOT and the former chair of this
20 board. It is dated over the weekend and it's addressed to
21 Chair Ryan. It begins:

22 "It is my understanding that the Board of the
23 Texas Department of Motor Vehicles will take up for
24 discussion and possible decision at its meeting tomorrow
25 morning a topic that I bear a significant measure of

1 responsibility for. The concept of vehicle registration
2 processing and handling was conceived, proposed and passed
3 by the Texas Legislature under my tenure as a member of
4 the board and chair of the Texas Department of Motor
5 Vehicles. It is a concept that I am both familiar with
6 and supportive of. It was the last of a noteworthy list
7 of accomplishments by the TxDMV and its board during my
8 tenure.

9 "It is also the accomplishment for which I have
10 the most profound regret. My regret is not based upon the
11 work that went into making the processing and handling fee
12 concept a reality in 2013, nor is this sense of regret
13 based on wanting to have any role in spelling out the
14 exact details of the decisions you will make tomorrow. I
15 remain confident and proud of the rigorous discussions and
16 debate that takes place at TxDMV Board meetings. My
17 regret is based solely on the timing of my departure from
18 the TxDMV Board. It might have proved helpful to the
19 TxDMV and all of its stakeholders had I remained on the
20 TxDMV Board through the end of the 2013 legislative
21 session. In other words, I left behind some loose ends.

22 "The dedicated account necessary to implement
23 the P&H fee should have been created and protected in the
24 2013 budget. Instead it was not and it fell to the 2015
25 legislature to handle this task. Perhaps more

1 importantly, if the revenue from the P&H fee had been
2 properly documented in 2013, the board might very well
3 have been able to take care of the creation and the
4 initial implementation of the P&H fee before the start of
5 the 2015 session.

6 "Time and circumstances also have a way of
7 altering memory. This is particularly true when it comes
8 to a remembrance about monetary discussions now over three
9 years old. Throughout 2012 and 2013 I discussed both
10 publicly and privately the opportunities that the creation
11 of the P&H fee presented. Most of these were
12 opportunities to benefit Texans. The fee itself will be
13 above the line and transparent to the Texas consumer. The
14 true costs of the counties and the state to process
15 vehicle titles and registrations would be readily
16 available for Texans to pass informed judgment on, whether
17 or not the services collectively provided to them were
18 worth the cost. Our responsibility to do more with less
19 or the same would be greater.

20 "A second greater opportunity was to provide
21 the DMV with its own dedicated and independent funding
22 stream, true and complete separation from the Texas
23 Department of Transportation, the agency from which TxDMV
24 was spun out from, best ensured its future. TxDMV would
25 be able to continue its extraordinary performance up to

1 that time in reducing costs, creating operating
2 efficiencies and implementing the most technological
3 improvements available.

4 "I promised the tax assessor-collectors that
5 the TxDMV would provide a process by which they would have
6 the opportunity to recoup their true transactional costs.
7 per registration. Neither I nor the TxDMV staff at the
8 time had any idea whether or not the fee that each TAC was
9 allowed by law at that time to charge was sufficient to
10 recoup their costs. No promises were ever made by me or
11 anyone else during my tenure at the TxDMV that the TACs
12 would receive a blanket fee increase, be it individually
13 or as a body. All we ever promised was a process by which
14 the TACs could make their case.

15 "I remain steadfast in my faith in the board
16 and the TACs to successfully navigate past the concerns
17 that have bubbled up in the early stages of the
18 development and implementation of the P&H fee. I know the
19 TxDMV and its stakeholders will continue to work on
20 improving a solid process that will deliver to the
21 citizens of Texas exceptional service and benefits in the
22 titling and registration of their vehicles.

23 "Sincerely, Victor Vandergriff."

24 MS. RYAN: Thank you. Were there any others to
25 read into the record?

1 MR. DUNCAN: No, ma'am.

2 MS. RYAN: Okay. Thank you.

3 With that, I would like to call Bill Aleshire,
4 and calling Kevin Kieschnick up next.

5 MR. ALESHIRE: Good morning, Madam Chair,
6 members of the board. I do appreciate the opportunity to
7 visit with you. Three minutes isn't going to be enough to
8 tell you everything I would like to visit with you about
9 on the rule, but I'll try to hit the high points.

10 MS. RYAN: If you'll please state your name and
11 association.

12 MR. ALESHIRE: My name is Bill Aleshire. I'm
13 an attorney for full service deputy companies in Travis
14 County and Bexar County.

15 MS. RYAN: Thank you, sir.

16 MR. ALESHIRE: Voters are very angry these days
17 about government insensitivity. They don't think
18 government is working well, and there's a lot of
19 frustration about this rule. We've had a process over the
20 last couple of years where invalid, theoretical,
21 hypothetical, academic, mathematical models have been
22 tried to be used to determine what the price ought to be
23 for full service deputies to provide service to their
24 customers. Insufficient attention and gravity has been
25 given to the fact that the free market enterprise has set

1 the prices that are out there now.

2 And the financials that we provided to you --
3 it was my eleven clients who provided the financials to
4 you -- help demonstrate that those prices are necessary
5 for each of these businesses to survive. You have the
6 right to set rules but there are limitations on your right
7 to set rules in Chapter 2006 of the Government Code. You
8 cannot use a rule to have an adverse impact on small
9 businesses.

10 Now, staff recommendation is helpful, but what
11 they've done is gone back and now taken those financials
12 and run another invalid, unrealistic, mathematical
13 calculation as to what the prices ought to be without
14 realizing the prices that are set now are what's necessary
15 for those businesses to survive. Will some of the survive
16 under the staff proposal? They might. I only found out
17 about the staff proposal last Thursday afternoon, and I
18 haven't had an opportunity to visit with all of my clients
19 about it. Some may be okay. I know some will not, and
20 they're here today to let you know that. The original
21 calculation was that there would be a 42 percent decrease
22 in revenue to these companies.

23 And I would just say that the response that we
24 got to the comment about Chapter 2006 and asking for your
25 attention to not having an adverse impact said: A private

1 company's business model does not provide the legal
2 justification for adopting a rule one way or another in
3 light of the specific statutory authority granted to the
4 department. That suggests that you can adopt a rule and
5 expect businesses to change their business model even if
6 it has an adverse impact. That's not what Chapter 2006
7 says. I don't want to end up in court over this. I'd be
8 glad to spend today discussing with you anything that we
9 can to be helpful to this process. We've made some
10 progress but we're not there yet, and you're still going
11 to destroy some of these businesses.

12 Customers stood up for them in this rulemaking
13 process and said they don't mind paying these fees.
14 Nobody for the government is coming to help them if you
15 destroy these businesses that they've become customers of
16 voluntarily, paying those fees.

17 I'll be glad to answer any questions that you
18 have for me.

19 MR. PALACIOS: I do have a question, Mr.
20 Aleshire. I want to thank you for testifying as well. I
21 just would like some clarity here. As Mr. Kuntz stated
22 earlier, staff took a look at eleven different sets of
23 financial statements that you provided -- I assume they're
24 all your clients. In some cases there was an increase in
25 their, I guess, revenues based on the recommendations that

1 staff gave going from \$10 to \$20 now.

2 I just want some clarity from you. Am I
3 hearing that it is this board's obligation, DMV's
4 obligation now to subsidize any private entity that we do
5 business with to ensure that no matter what their cost
6 structure is that it's our -- I guess what I'm hearing
7 from you it's our legal obligation to make sure, however
8 inefficient they may be, to cover their cost structure
9 just because according to you it's, I guess, law is what
10 you're telling me. Is that what I'm understanding?

11 MR. ALESHIRE: You can read Chapter 2006 and
12 the words are very clear. It does not allow a state
13 agency to adopt a rule that has an adverse impact the
14 small businesses. And each of these is a small business.

15 I hear this word efficiency thrown around very loosely
16 and very quickly. You know, Mr. Palacios, you're in
17 private business. You can't be very inefficient and keep
18 your customers, keep the prices where you are, and my
19 clients are in the same position. They've been out here
20 competing.

21 What is not going on is to give due weight to
22 the fact that their customers -- and these men and women
23 have been in business for decades doing this and have
24 adjusted their prices where they meet the market. The
25 financial statements do not show that they are making

1 excessively large profits where they are now. You're not
2 increasing their revenue with the staff recommendation,
3 you're still decreasing their revenue.

4 And so I think that the statute doesn't allow a
5 state agency by rule. It's another thing for the
6 legislature but not a state agency by rule to have an
7 adverse impact on these small businesses. And we've made
8 positive suggestions to you about how to deal with the
9 dilemma that you have: either grandfather the prices that
10 are set now, they can't increase them but at least they
11 would be able to keep what they've got. You could do that
12 under Chapter 2006.

13 Show some respect for the local elected
14 officials who deputize these and who take personal
15 responsibility for these, your local tax assessor-
16 collectors and the county commissioners court, and let
17 them have some local involvement in what the fee ought to
18 be. That's how it's been regulated in the past. If the
19 county tax collector thought the fee was too high, they
20 can un-deputize them, and they know that. Those are
21 positive suggestions that were rejected so far in this
22 rulemaking process.

23 But no, sir, I think the statute does not allow
24 a state agency to adopt a rule that has an adverse impact
25 on small businesses where you can mitigate that damage.

1 MS. RYAN: Two questions. You obviously have
2 that rule far more memorized than I do.

3 MR. ALESHIRE: It's a statute.

4 MS. RYAN: Does that statute address rules to
5 small businesses that have built up business around a
6 government function that has built that, where that's what
7 they're doing, and that's what these full service entities
8 are doing. And that's one question.

9 And then two, I believe that we are required
10 per statute to set these fees, and otherwise, this board
11 may or may not be addressing that, we probably would not.

12 So I think that had we not been required to take on and
13 look at these fees, so we are setting these by rule per
14 statute.

15 So those are two things that I think are not
16 being contemplated. So I don't think we are doing this to
17 adversely affect small businesses. I think we're taking
18 that very seriously. I think you heard the board say in
19 April that our desire is not put small business out or
20 adversely affect small businesses in any way, shape or
21 form. A lot of folks on this board are small business
22 owners and everyone on this board recognizes business, and
23 so I do think that we take that seriously and I think the
24 agency has taken that into consideration.

25 So those are two things that I guess are

1 questions in my mind.

2 MR. ALESHIRE: I'll do my best with both of
3 them. First of all, whether you try to put small
4 businesses out of business doesn't matter as much as
5 whether or not that's the effect, and we've been trying to
6 tell your staff and you all that that's the effect.

7 Question number one about Chapter 2006 of the
8 Government Code. It doesn't exempt government rules
9 applying to any kind of small business. It defines what a
10 small business is, and our clients, each of them meets
11 that definition. So it applies to any small business.
12 Our clients are not the only private enterprise businesses
13 that are engaged in what constitutes government work.
14 People prepare IRS tax returns, court reporters are
15 performing a government function as well, we've got
16 taxation, all kinds of people that do that. So that
17 statute applies in this circumstance.

18 Second, your second question was about?

19 MS. RYAN: That statutorily we must address
20 this.

21 MR. ALESHIRE: That you're required to set the
22 fee. You have discretion in how you go about doing that,
23 and I'm not suggesting to you that the legislature hasn't
24 put you in a bad spot. One of the recommendations that
25 you have that apparently won't be followed is from the

1 sponsor suggesting to you that you postpone enacting this
2 rule. That's the other thing we suggested. You're not
3 making the full service deputy rule effective until
4 January of next year in terms of these regulations and so
5 forth. Extend it to the end of the fiscal year next year,
6 till September 1, 2017, and give us a chance to get the
7 legislature -- many legislators have commented in our
8 favor on this -- a chance to do something.

9 You've got to adopt rules and it says you would
10 do it, but you could incorporate the local involvement of
11 the county tax assessor-collector, as I suggested in
12 there, without violating that statute, just like you did
13 in giving the tax collectors some local discretion to
14 customize the appropriate bond level for each business.
15 Instead of having one bond amount where everybody had to
16 get \$5 million worth of bonding, you recognized that
17 that's a good thing to do, customize on a local level.
18 Pricing is the same way.

19 MS. RYAN: You've answered my question. Thank
20 you.

21 Are there any other questions?

22 MR. WALKER: What mechanism is in place in
23 Travis County in order if I want to be a deputy and I want
24 to charge less than Bob Jones does down the street, how do
25 I get to be a deputy? I have to go to a TAC. Right?

1 MR. ALESHIRE: You would have to be deputized
2 by the county tax assessor-collector.

3 MR. WALKER: And is there a process in place
4 where the TACs go out and take a bid on this so that it is
5 free market so that anybody could enter that marketplace?

6 MR. ALESHIRE: Well, I wasn't TAC in 1960 when
7 the first business started and there were two other tax
8 collectors before that, and then me, and then two others
9 before Bruce Elfant, and I'm not aware of any process in
10 any county where that is the way it worked. And it's not
11 a bid. Individuals have come forward and said, I found a
12 location, I think I can make a personal investment in
13 getting a site, and I think I've got a customer base and
14 we can advertise and try to get customers to come to us
15 and start those businesses.

16 There's four businesses in Travis County, one
17 north, one east, one west, one south. They have been
18 there for decades in operation. I'm not aware of anyone
19 else that's come forward that's indicated they were
20 qualified to the tax collector's satisfaction to be
21 deputized that's been turned down. They don't charge the
22 same price because they don't have the same expenses, even
23 in Travis County. That south location on South Lamar is
24 one of the most expensive real estate places in Austin,
25 whereas, the overhead in other places might not be as

1 much. Not coincidentally, that's the highest priced title
2 service in the county.

3 So could they have more deputies? Nobody has
4 asked. They're there because they have competition.

5 By the way, I've got to mention, there is no
6 way, based on just looking at those financial statements
7 and even the total number of registrations and titles,
8 that you can estimate what the actual revenue would be
9 without each of these businesspeople knowing their
10 business as to how much of it is discounted work from car
11 dealers and high volume folks. There's no way the staff
12 knows that. And if you've assumed that you're going to
13 charge \$10 or \$20 for every single transaction, that's not
14 realistic.

15 MS. RYAN: Mr. Aleshire, those are choices the
16 individual businesses make, though. Whether they discount
17 the fees that we set are choices they make as individual
18 businesspeople.

19 MR. ALESHIRE: Actually, it's not. It's the
20 market choice for them. The car dealers and these high
21 volume folks are not going to pay the same as a walk-in
22 customer is going to pay.

23 MS. RYAN: So those are choices they make.

24 MR. ALESHIRE: Then the estimate ought to
25 recognize the reality is my point.

1 Did that answer your question, Mr. Walker?

2 MR. WALKER: Took too long to answer it. The
3 simple answer was no, there's not a vetting process.

4 MR. ALESHIRE: There's not a vetting process.
5 No one has been excluded.

6 MS. RYAN: Thank you.

7 Are there any other questions?

8 (No response.)

9 MS. RYAN: Thank you for your time. Thank you.
10 Kevin Kieschnick. Thank you.

11 MR. KIESCHNICK: Thank you. Kevin Kieschnick,
12 Nueces County tax assessor-collector.

13 The standardized fees actually I see as a huge
14 positive, at least in terms of getting the customers to do
15 what we really want them to do, and that's to utilize the
16 online transaction. As silly as it seems, I've seen
17 people in line saying I don't want to pay the extra \$3 to
18 go online. I'm thinking why would you want to drive down
19 to the courthouse, wait 30 minutes or 40 minutes and stand
20 in line to save three bucks. It makes no sense in my
21 mind, but unfortunately, that's reality.

22 I think the other piece of that also is people
23 need that registration sticker right then and now. As
24 most of us experience on our registration stickers, most
25 of our volume hits at the end of the month and during that

1 theoretical five-day grace period they have and that's
2 when we really get busiest and that's when our lines
3 actually back up to sometimes outside the door. People
4 ask why the line is so long, and I tell them, well, if you
5 came a week earlier you would have waited ten minutes
6 instead of forty-five.

7 One of my concerns, though, is that when we
8 look at our online process, currently in Nueces County we
9 turn around our online registrations the day we receive
10 them. The day we receive them from TxDMV, they're
11 downloaded in our system every night. We process those
12 and get those out in the mail the same day. We don't
13 wait. Our rejections are fairly low, and when we do get
14 a rejection, we send a letter as per state statute out,
15 and with a nice little letter from the sheriff's office,
16 and most of the time we get those fees recovered. I'd say
17 we might four or five that we don't recover in a year, and
18 we may have maybe 20 rejections a month out of 3,000
19 transactions. So we just send those out automatically and
20 don't wait for that five-day period for those credit cards
21 to clear. It's a rewards benefit type of thing.

22 But one of the biggest concerns I've got too,
23 though, we talked about turnaround time, I have a dilemma
24 with charging a customer for something they've already
25 paid for. Let's say if under the current system the

1 sticker is not received and it gets lost in the mail.
2 They've shut down a processing center in Corpus Christi,
3 and so our mail, even though we send it out, it goes down
4 to the Rio Grande Valley or it goes to San Antonio where
5 it gets processed and sent back to Corpus Christi. So
6 that's an increase in extra delays and it's also an extra
7 opportunity for mail to get lost.

8 But I have a very difficult time, whether it's
9 in my hands or whether it's in the hands of Xerox, for
10 example, of charging somebody for something they've
11 already paid for. And there really needs to be something
12 set up in these rules or adjusted legislatively for us to
13 reprint these stickers without charging. I'm elected and
14 I have a responsibility to those constituents, and it's
15 not easy for me to tell them that I've got to charge you
16 for something you've already paid for.

17 And can I have just a couple more minutes?

18 MS. RYAN: if you're almost done.

19 MR. KIESCHNICK: I have a couple more notes.

20 And lastly, the other concern I have with the Xerox issue
21 is the fact that we're dealing with the Department of
22 Information Resources purchase order versus a contract. I
23 don't know what the vetting system is but I hope maybe
24 somebody has asked the question: what is going to
25 stabilize that fee for the long haul since you don't have

1 a contractual obligation there? What's the guarantee that
2 they're not going to raise that fee down the road?

3 I don't know if maybe you guys have seen some
4 information on that that might dictate that that stays
5 stable, but when you're purchasing this thing off of a
6 purchase order, you don't have a contractual obligation,
7 nor was an RFP sent out for proposals on this particular
8 issue. So by foregoing that process, you don't really
9 have a firm contractual date for how long that fee is
10 going to remain in place, and if Xerox turns around and
11 increases that fee, I think it's a question that needs to
12 be asked by the board is how stable is this rate and how
13 long is it going to last. It's just something I think you
14 guys might ought to consider.

15 Thank you.

16 MS. RYAN: Thank you. If you'll stay in case
17 there's any questions.

18 MR. INGRAM: I guess my question would be back
19 to Jeremiah. We've been using Xerox for some time. How
20 long have we been using them, approximately? You don't
21 have to tell me exactly.

22 MR. KUNTZ: I don't have an exact date on it,
23 but I'm looking at our CIO to see if he's got any
24 indication on how long that contract has been in place.
25 It's been in place for a little while at least, I know.

1 MR. OBERMIER: For the record, Eric Obermier,
2 COO for the DMV.

3 I don't have the actual contract execution
4 date, however, we do have print volumes back to the year
5 2012.

6 MR. INGRAM: And it's been fairly consistent
7 during this time period over the last four years?

8 MR. OBERMIER: I would say so, yes. We
9 actually account for about 5 to 6 percent of their total
10 print volume.

11 MS. RYAN: Thank you.

12 Any other questions for Kevin?

13 MR. TREVIÑO: I have one for staff. Are you
14 fairly comfortable with the costs going forward? Have
15 there been any discussions about the possibility of
16 escalating costs with the contract over time?

17 MR. KUNTZ: There is always a possibility that
18 there could be escalating costs on that. We're confident
19 that we're going to be within that 50 cent range.

20 MR. INGRAM: The 50 cents is actually an
21 overestimate now. Correct?

22 MR. KUNTZ: Yes, sir.

23 MS. RYAN: By how much?

24 MR. KUNTZ: Currently we're paying 48 cents for
25 our renewal notices and that's the same price that they've

1 quoted for the sticker printing.

2 MR. DUNCAN: If I may add one more
3 clarification. That contract was actually bid out by the
4 Department of Information Resources for all of the print
5 mail functionality that comes through the DCS program.

6 MR. INGRAM: So it's a really large RFP.

7 MR. DUNCAN: That was competitively bid. And
8 I'd also like to point out to the extent the price does go
9 up, that comes out of DMV's allotment. So we've allotted
10 50 cents to that; if it goes over 50 cents, it hits our
11 budget.

12 MR. INGRAM: And I was confused a little bit.
13 You were talking about the fact that you turn your online
14 around instantaneously, and we have this proposed stopgap
15 setting at zero to five days, and your concern is that it
16 was going to be slower. Did I catch that right?

17 MR. KIESCHNICK: Yes. Are we going to have
18 that zero day option or is it going to be a five-day.
19 Kind of conflicting information in what I was hearing.

20 MR. INGRAM: Is that set by the county how long
21 they want that to be that stop?

22 MR. KUNTZ: I was actually just exchanging with
23 Eric about that. What we were looking at is a uniform
24 zero to five days across all counties. We're evaluating
25 whether or not that could be customized by county. I do

1 not know what that level of effort would entail or what it
2 would look like, but we will evaluate it and see what can
3 be done on that.

4 MR. INGRAM: And then going back to your
5 question about the instantaneous, and I know why you're
6 asking that because everybody waiting until the last
7 possible day to come in and get their renewals. If we got
8 the statute changed and they were able to print off a
9 receipt that would be valid.

10 MR. KIESCHNICK: That would be great. Or the
11 other option would be maybe the department might want to
12 look into investing some kiosk type locations.

13 MR. INGRAM: We're definitely looking into that
14 too.

15 MR. KIESCHNICK: If we could put some kiosks in
16 some high volume areas, it would really drop the number of
17 people waiting in our lines. I can think of about ten
18 locations right now I could put them in, and it would
19 significantly drop the number of people coming into the
20 courthouse.

21 MR. INGRAM: We know who to start the beta test
22 with.

23 MR. KIESCHNICK: I would love to start the beta
24 test. I gladly would volunteer to do so.

25 MR. INGRAM: Thank you very much.

1 MR. KIESCHNICK: And also one last thing. I
2 want to thank you guys for moving the regional
3 headquarters right next to my office. I'm all for that.

4 MR. KUNTZ: That was one of the determining
5 factors.

6 MS. RYAN: Thank you very much.

7 MR. KIESCHNICK: Thank you very much.

8 MR. INGRAM: Thank you.

9 MS. RYAN: Thank you.

10 Next we have Mike Sullivan, please. Welcome.

11 MR. SULLIVAN: Thank you. I'm Mike Sullivan,
12 Harris County tax assessor-collector, and my comments are
13 my own. Good morning, and thank you.

14 My comments are specific to the P&H rule that
15 is proposed. Anticipating that the proposed rules might
16 change today -- and I don't mean that in a bad way -- I
17 proactively signed up to speak but I'll be brief. I refer
18 the board members and the staff to the written comments
19 that my office previously submitted. Nothing has changed
20 since then, so I'll stand by those.

21 And I'd like to close with this. My comments
22 and allegations about mismanagement of the organization
23 have not come from me or my office. I have made public
24 comments about the proposed rule. That's something I hold
25 very dear and will continue to do as I see fit. Thank you

1 for your attention.

2 MS. RYAN: Thank you very much.

3 Are there questions?

4 MR. BARNWELL: That happened so fast, I kind of
5 missed it. Would you go over that again?

6 MR. SULLIVAN: I've got two minutes and 17
7 seconds. I want to be the politician that didn't use all
8 his time.

9 MR. BARNWELL: I've never seen that before.
10 You're a rare bird. Thank you.

11 MR. SULLIVAN: In a lot of respects, yes, sir.
12 Thank you very much.

13 MS. RYAN: Any questions?

14 (No response.)

15 MS. RYAN: Thank you so much.

16 Next is Donald Lee. Mr. Lee, welcome. Good
17 afternoon.

18 MR. LEE: Good afternoon. Thank you very much
19 for having us. My name is Donald Lee. I'm the executive
20 director of the Texas Conference of Urban Counties. We
21 are 38 counties in the state that have about 85 percent of
22 the state's population residing with them. We appreciate
23 the opportunity to visit with you today. We appreciate
24 the time that your staff has spent with us over the last
25 month or so to discuss this, and we regret that we didn't

1 have the opportunity to have a follow-up meeting last
2 week, and so this is our opportunity to come back to you
3 on the revised rules and what you're considering today.

4 We still remain with two significant concerns
5 about the proposed rules in the deputy section. It is
6 still what we are hearing from our tax assessor-collectors
7 who I think are the expert managers in the field regarding
8 the full service deputy program that the current proposed
9 cap is going to have a negative impact on those full
10 service deputies, potentially put the out of business, and
11 therefore, have a negative impact on taxpayers. We do not
12 think whatever potential benefits there are from the
13 current proposed cap are worth that risk, and we think you
14 ought to increase that cap to a level that our tax
15 assessor-collectors, these elected experts on this, tell
16 us is not going to have that risk. I understand that to
17 be \$15 and \$40 for title. We think that is the safe way
18 to go and a direction you should go in this regard and not
19 risk that negative impact on taxpayers.

20 Second, on the processing and handling fee. We
21 understand your desire to find efficiencies and we can see
22 how you are grabbing some efficiencies and economies of
23 scale efficiencies and bringing them to Austin, but you
24 have to recognize in our opinion that you are destroying
25 economies of scale efficiencies out in the counties at the

1 same time, and that the balance needs to be weighed
2 regarding the system as a whole, regarding your entire
3 registration process.

4 And you are undoubtedly going to increase the
5 cost to taxpayers or decrease the services to those who
6 are coming in and having their registration in the tax
7 office, and all those efforts that are going on in the tax
8 office, which even in the best of scenarios, we
9 understand, is still leaving 40 to 50 percent of
10 registrations going on, 40 percent, maybe a little less,
11 one-third of those going on five or six years from now in
12 the tax office while we've moved some to online.

13 We've got to find the right way to balance
14 that, and you have to recognize in our opinion, we ask you
15 to recognize the destruction of economies of scale that is
16 taking place in the counties by centralizing this. We
17 think there has to be a way to get this done without
18 having that negative effect. We believe you can apply
19 modern tracking technologies to a federated fulfillment
20 system. We think Amazon, that's been referenced before, is
21 doing that. You can be a fulfillment processor in your
22 home and have your fulfillment tracked by Amazon. So
23 certainly we can do that from our 254 counties.

24 Thank you very much for listening to us. Our
25 request is that you put this off, meet us back at the

1 worktable, and let's get a proposal together that will not
2 have especially the long term negative impact on quality
3 of service or property taxes.

4 MR. INGRAM: Mr. Lee, you said you're the
5 executive director but I missed of what.

6 MR. LEE: Texas Conference of Urban Counties.

7 MR. INGRAM: Okay. And then just looking at
8 your comments, one of the first things -- I'm trying to go
9 through my head how you're coming up with this and the
10 fact that you feel like the cap is too low on the deputies
11 that we're setting and how that would have a negative
12 impact on consumers. So your belief then is that these
13 vendors that are currently out there could no longer
14 maintain service and that that service would fall back to
15 the tax assessor-collector?

16 MR. LEE: Yes, sir. That is the information we
17 have from our tax assessor-collectors in these counties,
18 and if you want to get into the detail of that, they're
19 the experts on that. What we are hearing in our
20 association from these experts, the tax assessor-
21 collectors in the counties that have these full service
22 deputies, is that still in several of them the proposed
23 \$10-\$20 cap will put some of their partners out of
24 business.

25 MR. INGRAM: So curiously, I'm going through it

1 in my head and I'm trying to just understand it. Right
2 now the rates have currently been increased to -- what's
3 the new rate -- so \$20, so that's an impact on the
4 consumer even at that much money, so \$20 extra to go use
5 these vendors is an impact on the consumers. Would you
6 agree?

7 MR. LEE: So my understanding does not follow
8 your analysis. My understanding is that you are
9 establishing a cap on what the free market can trade in
10 the way of a fee and that currently there are folks who do
11 this business for up to \$30 or \$40, and when you say \$10
12 and \$20, I understand that's \$10 for registration
13 services, \$20 for title services. So there are rates
14 somewhere in this range and they're established by
15 citizens exercising their economic freedom to go in and
16 make a deal with another citizen to go do some work for
17 them, and you're putting a cap on that. So you're not
18 increasing a fee, from my understanding -- maybe someone
19 can correct me -- my understanding is you're not
20 increasing a fee that is being charged, you're putting a
21 cap on what people are agreeing to exchange services and
22 fees for.

23 MR. INGRAM: So I guess maybe it's just that
24 we're talking about different things, perhaps, and I'm not
25 talking about the impact on the full service deputies, I'm

1 talking about just the consumer, the people that live in
2 the different counties. And currently if they use a full
3 service deputy they pay a fee, whatever the fee is, and
4 they're all over the board, so it could be \$40, it could
5 be \$10, they pay a fee. That is a cost imposed to the
6 consumer and it's basically, in effect, sort of a tax.

7 MR. LEE: So the consumer has the ability to go
8 down to the courthouse and pay the \$5 transaction fee and
9 the 40-whatever dollar vehicle registration fee, or he has
10 the option of saying to his neighbor who has established a
11 business, I'll do it for you if you give me an additional
12 \$25. I don't see the decision to do that business with
13 his neighbor and have his neighbor take care of it for him
14 as a tax.

15 MR. INGRAM: I guess that's where we're having
16 a disconnect is that he's performing a government
17 activity, he's performing something that is a government
18 regulation, we're doing the registration of titles and
19 we're doing renewals, that is a government activity, and
20 he's charging extra for it. So I guess you can call it
21 whatever you want to, but it kind of turns out to be sort
22 of a tax. But that's just my opinion. I guess it's just
23 semantics.

24 Let me move on to something else. I'm trying
25 to understand the other comment, destroying the economies

1 of scale in the rural counties. Is that your thought that
2 because the rural counties are dealing with fewer staff
3 that that staff is multitasking. I guess I'm trying to
4 understand economies of scale, how it would affect
5 negatively.

6 MR. LEE: I think you'll find that multitasking
7 is taking place in almost all the counties, if not all the
8 counties, not just the rural counties. The economies of
9 scale are that there are 15,000 -- according to the
10 statistics that I've seen from the department, there are
11 about 15,000 vehicle -- I'm sorry -- all of the vehicle
12 registrations are being fulfilled through the counties
13 right now, and that you're going to take, projected in ten
14 years, 10,000 of those and fulfill them through Xerox.

15 And you're especially going to take the funding
16 for that out of the counties, and that is what I'm talking
17 about and that the counties are not going to be able to
18 simply say, okay, you've reduced the number of things
19 we're doing fulfillment on by 40 percent, we can just cut
20 our budgets by 40 percent. It's not organized that way and
21 has been organized in a more efficient way where there is
22 multitasking going on. So you're taking some folks who
23 would now be doing six things and have them do five
24 things, but they still have to be there to do those five
25 things.

1 So I think you're going to find that the
2 counties are going to have to either increase property
3 taxpayer subsidy in the process or close down sub
4 courthouses, close down service windows, go to longer
5 lines.

6 MS. RYAN: Mr. Lee, may I ask a question.
7 Blake, if I may.

8 MR. INGRAM: Please.

9 MS. RYAN: On the comment on destroying
10 economies, is it fair to say that some of that
11 multitasking might not be registration services?

12 MR. LEE: I think you'll find multitasking
13 within registration services.

14 MS. RYAN: Completely, 100 percent?

15 MR. LEE: Especially when you get to a smaller
16 courthouse, of course not.

17 MS. RYAN: Okay. So as we set a fee, our
18 responsibility and our task is only to reimburse and set a
19 fee for registration services, and that's the challenge
20 that we have. And it's a challenge. Right? Out of
21 fairness, it is a challenge. So when you talk to us about
22 destroying economies of scale, as we focus on trying to
23 set a fee on the challenge just for registration services
24 when we have ranges of a study that go from \$2.30 up to
25 \$20, and you then address that multitasking in some

1 counties covers things that aren't even focusing on what
2 this agency and this board is tasked to do, how are we to
3 then address comments of -- how do we cover those things?

4 MR. LEE: In a very small county you'll agree
5 with me that the registration fee is not covering all
6 those expenses.

7 MS. RYAN: But this board and this agency is
8 responsible to set a fee that covers registration
9 services, and the rest of that between the tax office and
10 the county is to address the budget of that office for all
11 those other services, and how they structure that is up to
12 them. And that's what we have to focus on.

13 MR. LEE: I agree. But currently the
14 registration process is to a certain degree -- we don't
15 have any evidence and I don't believe I've seen any
16 evidence from the department that shows that this is
17 moneymaking enterprise where counties are subsidizing
18 other work in the tax office. And it was our
19 understanding in 2013 that there would be a study that
20 would go in and identify the various costs for delivering
21 these services and that's what would drive the fees. Now,
22 you got a study done by TTI and I understand that there's
23 problems with that study.

24 MS. RYAN: What problems, sir?

25 MR. LEE: Well, I understand that's why it's

1 not being -- that study came back and showed that there
2 was greater expenses than were being compensated under the
3 \$1.90. So maybe I'm wrong on that.

4 MS. RYAN: I'm just curious. I just didn't
5 know what you were referring to.

6 MR. LEE: My understanding is that TTI study
7 has been discounted and I'm saying where is the additional
8 study, where is the additional work that shows what you're
9 suggesting to us that the registration revenues are
10 subsidizing other aspects of our tax departments, because
11 that's not the impression that we have.

12 MS. RYAN: We all have that study so we
13 actually are referencing it. It's sitting here so we're
14 all using it.

15 MR. WALKER: So here's the comment that I have
16 is that it is a tax, this fee is a tax. It's a tax
17 because you have to pay it to register your car or to
18 title your car, and how can it be fair to the taxpayers in
19 Travis County or Bexar County or Hidalgo County or El Paso
20 County to have to go and pay \$40 for a title transaction
21 in one of those counties -- which is what you're
22 proposing -- and I can go to Mike Sullivan's office and
23 get it done for \$10? How can you tell me that that's not
24 an unfair tax? And I think that's the directive that we
25 were given by the legislature is they want standardized

1 statewide the fees across the state so that it's not just
2 the people in certain counties being discriminated against
3 and charged higher fees.

4 And I know that you can go back and tell me and
5 Albert will tell me that yeah, you can come down to my
6 office and we'll still do it for the state fee that you've
7 got out there, but we only have two ladies that do it, or
8 there may be only ten ladies out there, or men, or
9 whatever it might be. Whereas, in Mike Sullivan's office
10 in Harris County he may have 200 people processing those
11 transactions at a fee that is less cumbersome on the
12 public than to go out here and require the people, the
13 citizenry to go out here and pay a higher fee. And I
14 think that's the task that the legislators gave us in the
15 session two sessions ago in the 83rd Legislature.

16 MR. LEE: I's a simple response and so you
17 probably anticipate it and understand it that we simply
18 see this as local variance and local communities making a
19 decision on how they want to do this, and that the citizen
20 always, always, in Hidalgo County or Harris County has the
21 option of going down to the courthouse and paying the same
22 fee. We rely upon that.

23 MR. WALKER: But standing in line for three
24 hours at the courthouse or going to the deputy and getting
25 it done for \$40 and getting it done in five minutes. My

1 time is worth more than 30 bucks, I would agree with you
2 on that. But we were tasked with standardizing the fees
3 statewide, and I think that's the direction that this
4 board is going to take and go.

5 MR. TREVIÑO: Can staff comment on the
6 reliability or accuracy of the TTI study?

7 MR. KUNTZ: When the agency contracted with A&M
8 University and TTI, Texas Transportation Institute, we
9 asked them to go out and evaluate a number of counties.
10 They did not look at all 254, they took a sampling of
11 large, small and medium size counties, so it is not a 100
12 percent view of every county, but it is the basis by which
13 we start the discussion to talk about it. The reference
14 to the fees, as you will see in what is proposed, it is a
15 blended rate fee that is being proposed, so the cost for
16 doing the online and the mail-in are lower in the study
17 than what is being proposed, the walk-in is higher, so it
18 is a blended rate of those in order to come up with a
19 consistent fee structure rather than varying it.

20 We also received additional information through
21 the comments. One of the counties commented on what it
22 cost them to do a mail-in transaction, and it was
23 substantially lower than what TTI had indicated. They
24 indicated they process mail-in transactions for 52 cents a
25 transaction; I believe TTI had it somewhere around \$1.97.

1 So again, there's going to be variance but we've also got
2 evidence that indicates that it can be done much cheaper,
3 so it was the basis by which we used to help evaluate
4 where to set that.

5 MS. BREWSTER: The TTI study also did not
6 include any of the proposals in these rules. For
7 instance, the centralized printing and mailing and the
8 counties no longer bearing the costs of doing that, as
9 well as sending out license plates to the customer. Those
10 costs aren't borne by the counties anymore. So it was a
11 snapshot in time and that was well before these changes
12 that you have before you were contemplated as well.

13 MS. RYAN: It did not have a lot of detail on
14 the full service deputies. Is that correct where it
15 probably has the most lacking information?

16 MR. KUNTZ: Originally when they went out, they
17 had only looked at, I believe, one or two. We instructed
18 them to go back out and they added additional full service
19 deputies to evaluate further, so we got a better sampling
20 the second time they went out on what those full service
21 deputies are charging.

22 MR. PALACIOS: Mr. Lee, I have a couple of
23 questions for you. I'm going to make an assumption, do
24 you actually cover the whole state of Texas, every county?

25 MR. LEE: Thirty-eight counties, sir.

1 MR. PALACIOS: Only 38.

2 MR. LEE: Thirty-eight counties.

3 MR. PALACIOS: I thought it was the Texas
4 Conference of Urban Counties, but you only cover 38.

5 MS. RYAN: The larger ones.

6 MR. PALACIOS: Just the larger ones.

7 MR. LEE: It's urban counties.

8 MR. PALACIOS: Again, as you know, there are
9 254 counties in the state. As of recently, only four of
10 those actually utilize these full service deputies, and I
11 just kind of want to get back to your comments regarding
12 free market. I guess you're committed to the free market
13 and efficiencies and so forth.

14 Looking at the counties that do use these full
15 service deputies, it's a very, very small fraction, as you
16 know, again four that constitute roughly 2 percent of all
17 the transactions that come through DMV, so it means that
18 98 percent of the transactions are done by counties that
19 have found a way, efficiencies and so forth to do it in-
20 house rather than, to Mr. Walker's point, have to use
21 these third parties where consumers are charged an
22 additional tax or fee, whatever you want to call it.

23 I guess my question, when you came up with your
24 \$15 and \$40 recommendation, did you take a look at the
25 other 30 counties to see what they actually charge? Do

1 you know what the others are charging, these full service
2 deputies, and how did you get to that \$40 fee?

3 MR. LEE: That is a number that we've received
4 from our tax assessor-collectors that utilize full service
5 deputies. So in the spirit of wanting to come to a
6 suggestion here, we asked them for input on what would be
7 a good number to suggest, what would be something that we
8 could live with and not be opposed to, and that's what I
9 was provided. You have 30 counties, of course, that don't
10 have full service deputies.

11 MR. PALACIOS: 250 counties don't have full
12 service deputies.

13 MR. LEE: That's right. I'm sorry. Other
14 counties beyond those four don't have full service
15 deputies.

16 And I note that the cost of real estate and the
17 cost of labor in all four of those counties vary greatly,
18 and that's why I think you see some variance, you see a
19 lot of variance there in those rates that each of those
20 counties experience.

21 Those are numbers that were developed by our
22 tax assessor-collectors in those counties and we met with
23 them about this. I told them that the association
24 continues to share their concerns and to express it we
25 want to bring a positive response to you on what we could

1 live with.

2 MR. TREVIÑO: Could counsel or staff comment on
3 the statute or rule that says we cannot make decisions
4 that would affect the viability of small businesses?

5 MR. DUNCAN: What Mr. Aleshire was referring to
6 is a statute in the Government Code, Chapter 2006 that
7 requires an analysis of potential impacts on small
8 businesses before an agency adopts rules. It doesn't say
9 that an agency can't adopt a rule that has an impact on
10 small business. Regardless, the applicability of that
11 statute is limited to situations where the agency's
12 rulemaking is what is making a change.

13 In this case, it's our position, and has been
14 our position since day one, that current statutes have and
15 always have limited what full service deputies can charge
16 on a registration. It has said \$5 as far back as we can
17 find in statute, that full service deputies may charge and
18 retain a fee not to exceed \$5 for performing a
19 registration transaction. The amount they can charge for
20 titles has never been covered. The best we can say on
21 that is that the attorney general's office has opined that
22 where the legislature doesn't set a fee for something, you
23 may not charge a fee. That was an attorney general
24 opinion that was directed to a county.

25 The premise that these businesses are operating

1 in a totally free market, or that they're like court
2 reporters or people who fill out taxes, is misplaced.
3 These businesses exist only because the legislature that
4 passed a law the governor signed that says they can exist.
5 There's a statute that says full service deputies may be
6 deputized by county if. So these business would not exist
7 and have direct access to our RTS system if the
8 legislature didn't direct it.

9 They are not like any other business. Of the
10 business models that were given, none of those, tax
11 preparers don't get direct access to the IRS system to go
12 in and change your tax information. These people can go
13 into our system on a day-to-day basis and change the
14 ownership of a motor vehicle, they can move it from this
15 person to this person, they can change it, just like we
16 do, just like the counties do. It's a very unique
17 business model, granted, but it has been regulated since
18 it was created and the prices have been limited since it
19 was created. To say that we created a rule that limited
20 their prices for the first time is inaccurate.

21 MR. INGRAM: So in fact, let me try and
22 paraphrase what you said and see if I got it right. So
23 Chapter 2006 doesn't apply since the rates that we're
24 setting are higher than the rates that have been in place
25 currently.

1 MR. DUNCAN: That's correct.

2 MS. RYAN: Thank you.

3 Any other questions or comments for Mr. Lee?

4 (No response.)

5 MR. LEE: Thank you for your time.

6 MS. RYAN: Thank you for your time.

7 We are going to take 30 minutes if that's okay
8 with everybody. So we will be back at 1:10 and reconvene.

9 Thank you very much. We are in recess. Thank you.

10 (Whereupon, at 12:40 p.m., a brief lunch recess
11 was taken.)

12 MS. RYAN: All right. It is 1:15 and we are
13 back in session.

14 I'd like to call Albert Uresti. Thank you.

15 MR. URESTI: Good afternoon, Madam Chairman and
16 distinguished board and DMV staff.

17 I just want to first of all say that I
18 appreciate the time that you have invested and I know that
19 you have invested literally hundreds of hours into these
20 changes.

21 I do want to say that I am not in favor of
22 changing any of the fees and ask that we leave everything
23 as it was, including the full service title companies. I
24 also want to say that I am against any TxDMV registration
25 fee increase, and that I believe that the TxDMV should be

1 funded out of the state's general fund as it always has
2 been. The funding being proposed is a hidden tax; it was
3 never voted on by the legislature. Having said that,
4 because I don't believe at this time that there's really
5 much that we can do about stopping a rate increase, we
6 have a couple of plans that we'd like to submit.

7 Four issues that I'd like to cover quickly.
8 First one is the full service deputies. I do want to say
9 that I know it's been alluded to that there's three-hour
10 waits in the county tax offices. I can tell you that's
11 not true, there's not an hour wait. On our worst days in
12 Bexar County we have a 30-minute wait, and I think that's
13 statewide which is usually the end of the month on the
14 payments and what-have-you. So when you come to Bexar
15 County, you don't have more than a 30-minute wait. So I
16 think that's part of the misconception here that it's
17 being called a tax for the full service deputies, in our
18 county, at least, it's not like that.

19 I also do want to say that the claim of the
20 full service title company owners that the \$10 and \$20 is
21 not sufficient -- and I know you've heard some of this
22 before -- they are asking for the prices to be market-
23 driven with a cap of \$15 and \$40.

24 The other thing that we're unique about is we
25 have 21 full service title companies in Bexar County that

1 if they close, we're going to have to open at least three
2 new county locations. A lot has been made about brick and
3 mortar. Well, we have 21 locations right now that doesn't
4 cost the county a cent. Now, it does cost us a lot of
5 time but it doesn't cost us a cent and these are free for
6 us. If we close the full service title companies, we're
7 going to have a \$3- to \$4-1/2 million startup to open
8 three more locations and a \$3- to \$4 million annual
9 operation cost. This means that property taxes are going
10 to be required to subsidize the TxDMV operation.

11 Third party signatures and amendments by DMV.
12 We don't feel that there's a need for third party
13 signatures or amendments. As an elected official whose
14 name is on the paperwork of full service title companies,
15 no one cares more about their performance than I do. My
16 name is on everything that they do. As an elected
17 official, my contracts are written very strongly. I have
18 with me the district attorney's office, I have 150
19 attorneys at my disposal to do these contracts, we're able
20 to close them down within 24 hours. We have a strong
21 oversight. We check every single transaction that they do

22 On the centralization -- and I know that
23 there's a difference of opinion on this -- we don't feel
24 that DMV has the statutory authority to do this. The
25 Texas Association of Counties has also said they, they've

1 rendered their legal opinion. We've checked with our
2 district attorney, I know Travis County has checked with
3 their county attorney, and they're also for the agreement
4 that there is not a statutory authority for you to take
5 that away. We believe customer service will suffer. We
6 have a big concern of loss of local control. Just in
7 Bexar County alone, we're going to lose 221,000
8 transactions per year.

9 I spoke with the Governor's Office on Friday at
10 length. We believe there's a way to keep the online with
11 Bexar County, and in my conversation with the Governor's
12 Office -- and we spoke for about 20 minutes and I spoke
13 with the same people that met with him the other day --
14 they told me -- and I asked them if I could say this --
15 the Governor's Office told me that they don't care who
16 does the online as long as they can get to that price.
17 And I'm going to give you two plans, we have two plans
18 that will allow us to get at that price. The Governor's
19 Office does not care, so the fact that it has to go to
20 Xerox is not a requirement.

21 The other thing that is of concern is that
22 there's a question is this a vendor bill, and that's
23 something that's not very popular in the halls of the
24 Capitol, and in my opinion I believe it is a vendor bill
25 because DMV has told us that the only one who can do this

1 work is Xerox. And they've already been talking to them,
2 and when we asked them if they've gone out for bids, they
3 told us no because they were the only ones who could do
4 it. That sounds like a vendor bill.

5 Householding, somebody mentioned about that,
6 we're already doing that. And there is no \$1 discount,
7 it's a 25-dollar decrease. Discount is because they're
8 bumping up their fees, that's what they're saying, it is
9 not a \$1 discount, it's 25 cents, and they need to make
10 sure that you understand that.

11 Again, the fees are not sufficient, it's over a
12 \$7 million loss for counties statewide, almost a million
13 for Bexar County. If you saw a week ago where they gave
14 us an extra quarter and Thursday they took it away. We
15 submitted two plans to DMV, have received no feedback, and
16 today we're going to present two more. So those are our
17 plans and we believe they can work.

18 MS. RYAN: Thank you.

19 MR. URESTI: Does anybody have any questions?

20 MR. INGRAM: Mr. Uresti, on the online
21 sourcing, and you feel like the customer service would
22 suffer, could you kind of flesh that out a little bit more
23 why do you think that.

24 MR. URESTI: Well, I can only use what's
25 happened so far. For instance, the Two Step One Sticker.

1 For us that has been a disaster. I mean, we have had so
2 many problems with that, we still continue to have
3 problems. We were told it was going to be a big public
4 relations thing to educate the public. We have people
5 still coming in so irate because they had to get a sticker
6 and then find out they had gotten it more than 90 days ago
7 so they came in. And my staff is here, they can tell you
8 that.

9 I see this, you know, nobody has been able to
10 guarantee that there's not going to be any problems with
11 this. They're going to come to our office, they're going
12 got come to Luanne's office, to all the tax assessors'
13 offices, they're going to deal with us. So again, I just
14 don't see that they can provide the same customer service
15 that we're providing.

16 MR. INGRAM: But basically you're generalizing
17 from the Two Steps One Sticker which is a really
18 radically, radically different option than what we're
19 trying to do which is basically just push online renewals.

20 MR. URESTI: I don't think that I'm
21 generalizing. I can tell you what our performance is, I
22 can tell you how much I care about the customer service.

23 MR. INGRAM: Oh, I don't doubt that you do, I'm
24 not saying that.

25 MR. URESTI: And when you ask me if there's

1 going to be a drop in customer service, the answer is
2 definitely yes because there's no way that Xerox can do
3 better than what we're doing right now.

4 MR. INGRAM: And I guess going back to staff on
5 the Xerox question, it was my understanding there are
6 multiple vendors that could -- I guess let's go back to
7 previous RFPs, I know we didn't do them, which agency did
8 them, DIR?

9 MS. BREWSTER: Yes, Member Ingram. This is a
10 competitively bid contract through Department of
11 Information Resources. We are required to use the
12 selected vendor who was the successful bidder. If they
13 cannot provide the service, we can then look outside at
14 other vendors, but Xerox clearly provides this service,
15 printing services already, and therefore, we are required
16 to use them. I want to just emphatically state this is
17 not a vendor proposal.

18 MR. URESTI: I will say, because I checked with
19 my staff because I wanted to make sure I wasn't going to
20 say anything that was wrong, and asked them if they
21 remembered when I specifically asked Jeremiah if they had
22 gone out for bids and Jeremiah told me no, because they
23 were the only ones that could do that. And I have all my
24 staff here that I double checked with them.

25 MS. RYAN: Mr. Uresti, I'm sorry. Did we just

1 answer, though, why?

2 MR. URESTI: I'm just telling you the way the
3 question was answered.

4 MS. RYAN: Understand, understand. So again,
5 as we stated earlier, it seems there's just a lot of
6 misinformation because there's been so much information
7 over so much time. We can clearly understand the
8 misinformation and how it can get out there, so hopefully,
9 the information that was just provided helped. Understand
10 that we have some requirements that we have to follow,
11 too, as an agency, so hopefully that helped.

12 MR. KUNTZ: And Madam Chair, if I can. There
13 is nothing in this rule that is specific to Xerox, that
14 Xerox would be the only vendor that could potentially
15 provide this service. Generally when you hear people
16 refer to a vendor bill or a vendor rule, those rules are
17 drafted in a way that there's only one vendor that can
18 provide that service in that specific manner. There are
19 many other vendors that provide printing and mailing
20 services. If this was to go back out for bid by DIR,
21 other vendors would bid on this and be fully able and
22 capable of fulfilling the obligations of this rule.

23 MS. RYAN: I did have one question. You made a
24 comment, and I understand that you're not in favor of any
25 change and that you would like to see the agency continue

1 to be funded out of general revenue. I just want for
2 clarification, it's my understanding that the rule -- so
3 correct me if I'm wrong -- the rule originally was put in
4 place and adopted to help us break away as a stand-alone
5 agency from TxDOT and that the funding for registration
6 services would take our appropriations out of Fund 6 from
7 the Highway which TxDOT is funded out of. Is that
8 correct? So this portion of it takes us out of Fund 6,
9 not GR. Is that correct?

10 MS. FLORES: It's the county compensation
11 that's removed from Fund 6. So when the bill was passed,
12 yes, we were in the Highway Fund, and there was a lot of
13 discussion during that session about diversions. In the
14 84th Legislative Session, they appropriated the agency out
15 of general revenue, but the county compensation is still
16 being drawn out of the Fund 6.

17 MS. RYAN: But since the TxDMV Fund was
18 reenacted and is in place September 1 of this year, that
19 is in place.

20 MS. FLORES: So we will be funded out of
21 general revenue in 2017 until the processing and handling
22 fee is established.

23 MS. RYAN: Okay. So we have been taken already
24 completely out of Fund 6.

25 MS. FLORES: Yes, ma'am.

1 MS. RYAN: Okay. Got it. Thank you.

2 MR. URESTI: And just one last thing. One of
3 the things that we'd like you to consider is on this
4 centralization is one of the things that's been brought up
5 that we thought was a good suggestion was to allow the
6 counties to opt in or opt out, and so that may be an
7 alternative to help the counties that prefer to do their
8 own online.

9 MS. RYAN: I think that kills the efficiency
10 aspect of the cost, though. I think, I believe.

11 I think there's other questions, though, if you
12 wouldn't mind giving us a another couple of minutes.

13 MR. PALACIOS: Mr. Uresti, I do have a question
14 for you. Your comment regarding your objection to the
15 third party signatures, as you know, staff earlier made a
16 recommendation to modify that requirement. Instead
17 there's a recommendation that these deputies, I guess,
18 sign a separate agreement regarding the use of the RTS
19 system with DMV. Are you opposed to that?

20 MR. URESTI: Well, because I haven't seen it, I
21 can't tell you that I am or I'm not. But what I am
22 opposed to is the fact that we already have it in our
23 contracts that the district attorney's office has written
24 up where we have the ability to pull their ability to use
25 RTS within 24 hours, so we already have that ability, and

1 we just don't see the need for additional oversight or
2 additional signatures from another state agency when we've
3 already got everything under control.

4 MR. INGRAM: So a quick question on just that,
5 it's not really an additional signature, it's just an
6 addendum to the current contract that the current TAC
7 uses. Correct?

8 MR. KUNTZ: The recommendation is that an
9 addendum be required in the county's contract that has
10 access requirements for the use of the RTS system. We
11 would not be signing the contract.

12 MR. URESTI: Whether it's an addendum or a
13 signature, it's still the same thing. I mean, you're
14 controlling the contract that we already have, you're
15 taking away local control. We have contracts right now
16 that you have the ability to go in and audit, you have all
17 that ability right now, there's nothing that prohibits you
18 from doing that.

19 MS. RYAN: Mr. Uresti, without this contract,
20 it's my understanding -- and Mr. Duncan can clarify
21 this -- without this addendum right now, without your
22 permission we can't turn that system off.

23 MR. URESTI: We'd have to defer to Bruce Elfant
24 on that.

25 MR. DUNCAN: We have turned deputies off.

1 MS. RYAN: With reason.

2 MR. DUNCAN: Right. We're hoping to bring some
3 structure to that process, that's the whole point. And to
4 Mr. Uresti's point, yes, it's an addendum. It does not
5 affect your ability to contract or your contract with the
6 deputies as you choose to write it.

7 If we wanted to, and we can absolutely do this,
8 we can make this what's called a block screen on RTS, we
9 can apply it to certain control points in RTS which means
10 specific work stations. We could just put up a thing that
11 says I agree to these terms, and it would be a required
12 you have to click and agree every time you log on. We
13 could do that because we control the system. We didn't
14 want to do that because it takes time and it takes
15 programming. But that's the alternative, we could do away
16 with the addendum and we'll put it as a block screen on
17 RTS, absolutely.

18 MS. RYAN: I have one last question, if I may
19 on that. Change of subject, Mr. Uresti. \$15 and \$40
20 seems to be a consistent recommendation with regard to the
21 deputies. We've heard that twice now. As I understand
22 it, the agency took information from the financial
23 information -- and we do appreciate greatly the financial
24 information that was provided to the agency -- and took
25 the previous recommendations on that information. And I

1 understand financial statements, profit and loss is pretty
2 simple, it's revenue and expenses out and you get a
3 profit. Right?

4 And we took that revenue registration stream
5 against the dollar amount and on proposed rules previous
6 there was a few that were going to lose money, so then
7 they took a dollar amount on what they're proposing and
8 none of them were going to lose money. So if they're not
9 going to lose money, and some of them are actually getting
10 an increase, from what I understand, they were going to
11 make more money. So I guess I'm struggling to understand
12 how on the proposed rules that the agency is proposing to
13 the board how that's not enough, and where did the \$15 and
14 the \$40 come up.

15 And I guess the question I have is maybe there
16 seems to be, again, a misunderstanding of what -- and Mr.
17 Lee maybe alluded to it -- what this fee is for. And so
18 where did you base the \$15 and \$40 from?

19 MR. URESTI: In Bexar County they do \$15 and
20 \$30, and the reason for the \$15 and \$40 is because since
21 we're trying to come up with one fee, we know that Travis
22 County has a \$40 that they charge a lot, again, trying to
23 get to a consistent fee that you are looking, that's why
24 we went with \$15 and \$40. But as far as Bexar County, \$15
25 and \$30, we checked with the owners and that would be

1 sufficient.

2 As to your point about the financials -- and
3 Jeremiah, you can correct me if I'm wrong -- my
4 understanding when they used the overhead and different
5 facets for the study, they didn't use theirs, they used
6 the county's, and so therefore, there is a difference
7 there.

8 MS. RYAN: We used the recent information that
9 was brought to us.

10 MR. URESTI: I haven't seen the financials.

11 MS. RYAN: I understand. I didn't either. The
12 agency gave us a roll-up.

13 I appreciate that. Thank you. Any other
14 questions?

15 MR. WALKER: You said something about it was
16 your understanding that the counties would be able to opt
17 in or opt out. I'm not aware of any opting in or opting
18 out.

19 MR. URESTI: What my understanding is that -- I
20 don't remember who it was that brought it up, I think it
21 was Kevin maybe brought it up -- that there is with the
22 state comptroller and with the elections department
23 there's an opt in and opt out on certain programs. What
24 we're suggesting is if there's a way to do it that we be
25 allowed to opt in or opt out. That is what our suggestion

1 is.

2 MR. WALKER: So you're making a suggestion that
3 you be able to opt in to this plan or say that we don't
4 want to do it the way you want to do it, we're going to do
5 it the old way.

6 MR. URESTI: Correct. As far as the
7 centralization of handling the online transactions, we're
8 like to do it, because we're still going to wind up -- I
9 think the other misconception, we're still going to be
10 winding up doing most of the work, all they're doing is
11 folding and mailing, we've still got to do the processing,
12 so there's still a lot of work for us to be done. So the
13 fact that we're going to be compensated a quarter doesn't
14 affect the amount of work that we're going to be doing.

15 Additionally, there's this misconception that
16 we're going to save 20 employees. We're not going to save
17 20 employees; in Bexar County we're going to save 1-1/2
18 employees. So it's not the huge savings that everybody is
19 talking about.

20 MR. INGRAM: I was confused. You said that if
21 we take over the online portion of it that you would still
22 be doing -- what did you say that you would still be
23 doing?

24 MR. URESTI: We'd still be doing a lot of the
25 processing on it, because on the online, from my

1 understanding, Xerox is going to be folding and mailing
2 the registrations out. We still have to do the
3 processing. I have David, David can explain it better
4 than I can, but we're still going to be doing a large
5 amount of the work. It's not as simple as everybody is
6 thinking it's going to be where Xerox is taking everything
7 over. That's not the way it's going to work.

8 MR. WALKER: I thought we had automated all of
9 this with RTS.

10 MS. RYAN: What work do you think you're doing
11 for online? Maybe this will help.

12 MR. INGRAM: That's what's confusing.

13 MS. RYAN: What do you think you'll be doing?

14 MR. URESTI: Let me refer to David, he can
15 explain it better.

16 MS. RYAN: Okay.

17 MR. DeLEON: For the record, my name is David
18 DeLeon. I'm the director of motor vehicles.

19 MS. RYAN: Welcome.

20 MR. DeLEON: What asked the DMV what the
21 processing was, the definition wasn't given, but what
22 we're actually doing right now is the customer actually
23 goes in, keys in information on the internet, they key in
24 the name, their insurance and credit card number.
25 Basically that information comes to our computer, we

1 review it, we process it, and then from there the
2 transaction is completed. Our understanding is we will
3 still do the processing but Xerox will just, once it's
4 either declined or approved, that information will go to
5 Xerox.

6 MS. RYAN: Define processing in your office.
7 What do you think you'll do as far as processing?

8 MR. DeLEON: Okay. I'm sorry. Processing
9 basically what that is we are going to actually review all
10 the work, make sure all the information is correct,
11 confirm that the customer's name, address, insurance is
12 valid, even though it's verified by the system. And then
13 from there, once that is approved or declined it is --
14 once it's processed, then we'll send it.

15 MS. RYAN: So when you send it, what does that
16 look like in your office? Do you physically mail
17 something or do you push a button?

18 MR. DeLEON: I'm sorry. Once we process it, we
19 hit a button, the sticker is printed and then we get the
20 sticker, and then we actually right now the current
21 process right now, we mail it off, but we have to hold the
22 money.

23 MS. RYAN: I think that's maybe where there's a
24 misunderstanding. You won't print or mail anything.

25 MR. DeLEON: Right. I'm sorry. We understand

1 that. But what I'm trying to say is we still have to
2 review the work.

3 MS. RYAN: And that's on the screen. Right?

4 MR. DeLEON: That's on the screen, yes, ma'am.

5 MS. RYAN: And the system automatically
6 verifies insurance now

7 MR. DeLEON: Yes, ma'am, it does.

8 MS. RYAN: Do you do any additional
9 verification on top of the automatic verification?

10 MR. DeLEON: Yes, we do. The board member was
11 asking about those that can't be verified, like fleets,
12 those can't be verified in the system. So there are some
13 vehicles, like TexasSure can't verify the insurance for
14 some customers because sometimes they have multiple
15 vehicles, so what we have to do, we have to manually
16 verify and call those insurance companies. At least
17 that's what we do in Bexar County.

18 MS. RYAN: Okay. Thank you.

19 It's my understanding the system stopped that.
20 Jeremiah, is that not correct?

21 MR. KUNTZ: Going forward, the system is not
22 going to allow somebody that does not have an insurance
23 that can be verified to be processed online.

24 MS. RYAN: They'd actually come into your
25 office or mail it then. So that would actually save you a

1 little bit of work moving forward.

2 MR. DeLEON: What basically happens is when it
3 is declined, electronic notification is sent to the
4 customer, and then at that time the customer contacts our
5 office either by walk-in or by phone or sometimes they'll
6 try to send an email back to us, but of course, they
7 can't.

8 MS. RYAN: So now actually the benefit would be
9 they'd come in physically or they'd mail in which would
10 give you additional revenue.

11 MR. DeLEON: Yes, but the problem with that is
12 customers are real upset because they have to make a trip.
13 I know one of the board members says that his time is
14 more valuable than going to the office and actually
15 standing in line.

16 MS. RYAN: Johnny is actually pleasant when he
17 comes in.

18 (General laughter.)

19 MR. DeLEON: I'm not saying that. Time is
20 valuable, I know all of your time is valuable, so that's
21 what we're trying to prevent from customers being upset.
22 Like we said earlier, they're elected officials and they
23 have to field the complaints and things like that.

24 MR. URESTI: Are we handling the money?

25 MR. DeLEON: Right. And right now, like I

1 said, once a credit card is processed, that money is sent
2 into the county fund and we have to hold on to it for
3 several days till it gets paid over to the account, and
4 then from there we mail off the registration.

5 MS. RYAN: But that's current. Correct?

6 MR. DeLEON: Yes, ma'am. Current.

7 MS. RYAN: And what I think the agency is
8 trying to explain is that moving forward, should these
9 rules be adopted, you'll no longer mail anything.

10 MR. DeLEON: Yes.

11 MS. RYAN: So there's no additional expense at
12 that point.

13 MR. DeLEON: But I guess what we're trying to
14 say is it's still going to take the same time period to
15 review the information that's being sent to our office,
16 and then from there once it's approved, it's going to
17 still go to them.

18 MR. WALKER: So I have a question for you.

19 MR. DeLEON: Yes, sir.

20 MR. WALKER: You keep saying this review. I'm
21 as lost as I can be, because, Jeremiah, what reviewing
22 does he need to do?

23 MR. KUNTZ: What we've explained and what we've
24 shown in the chart, today they're reviewing 100 percent of
25 the transactions and they're approving them. Tomorrow we

1 will be dealing with exception based denials. So if the
2 funds don't come in, in other words, they get their bank
3 account and the bank account does not balance what it
4 should, they would identify the one transaction or two
5 transactions that did not fund and they would decline
6 those transactions. Nothing else would have to be done on
7 their behalf. It would automatically approve.

8 MR. WALKER: The system will say serial number
9 over here matches serial number over here, insurance
10 matches. Nobody needs to look at that to see if this
11 serial number matches this, the system does all that
12 automatically.

13 MR. KUNTZ: Correct. The system is going to
14 electronically verify. If it cannot, the customer would
15 not receive it.

16 MR. WALKER: The only thing that needs to be
17 done in my world that I live in is you get an exception
18 report.

19 MR. KUNTZ: Correct.

20 MR. WALKER: The exception report says this is
21 a problem here that we may need to correct, one out of
22 500.

23 MR. KUNTZ: And that is the additional
24 reporting that Luanne was asking about. We would be
25 looking at those requirements to create those exception

1 reports for them to identify what needs to be declined or
2 gone over.

3 Now, if they have a scofflaw program which is
4 to collect their county fees that are unpaid, they may go
5 in and review all of those transactions but that's for the
6 benefit of the county to collect on those scoffs.

7 MR. WALKER: And the county should pay for
8 that.

9 MS. BREWSTER: And that's for those counties
10 that use a scofflaw system outside of RTS.

11 MS. RYAN: And David, do you believe that you
12 have a fairly efficient office?

13 MR. DeLEON: Yes, ma'am, I do.

14 Can I ask one quick question, please, ma'am?

15 MS. RYAN: Yes, sir.

16 MR. DeLEON: I know we asked early on or
17 another county asked about the definition of processing,
18 and I'm kind of confused like you, sir. At that time we
19 were not giving a definition. So my understanding now,
20 what I'm hearing then is when that transaction is
21 processed that means we're not going to review it at all,
22 it's going to go directly to Xerox.

23 MS. RYAN: You'll have an opportunity in
24 whatever delay time the agency works out, I believe, to
25 review it and then stop it should you choose, as I

1 understand it.

2 MR. DeLEON: So we're still going to require an
3 individual staff member to sit there in front of the
4 computer. Right?

5 MS. RYAN: And that's one of the reasons I
6 asked if you feel you have an efficient process because
7 the agency actually took some time. And I'm going to let
8 them go through, they actually went to a county office, a
9 fairly large one, to understand what that looked like, to
10 make sure we were looking at it right.

11 Do you want to share what it looked like to
12 make sure we understood?

13 MR. KUNTZ: We did visit Travis County and
14 watched a clerk process the transactions. Their clerk
15 processed approximately 950 transactions a day, on average
16 it was about 1,000 transactions per day. We watched the
17 screen pop up, she sees the screen and basically would
18 hit enter, I believe it was three times to get through the
19 transaction. There was very little actual review. It was
20 hitting the enter key multiple times in order to get that
21 sticker to print. It would just sit there and print on
22 the printer. Once she was done printing all those,
23 approving them, she would go to the stack, take it to the
24 folding machine, have them folded and stuffed in an
25 envelope and mailed out.

1 There are exceptions that would pop up when an
2 address did not match what was on the record, and she
3 would go through that screen but did not actually do
4 anything with it. We've heard in some counties that they
5 will look at those in greater detail. That's part of the
6 reason why we're putting that piece of software on the
7 front end to cut down on those addresses that may be bad
8 that got entered. So we're doing as much as we can to
9 take all of the errors out of the system so that the
10 system can just run automatically without any human
11 intervention.

12 MS. RYAN: So Jeremiah, now, with the exception
13 of reviewing the exception report, like Johnny discussed,
14 and stopping the ones that they can't fix within whatever
15 time frame needs to be done, everything else is going to
16 be handled --

17 MR. KUNTZ: Automatically approved.

18 MS. RYAN: -- automatically approved and
19 handled at Xerox.

20 MR. KUNTZ: Yes.

21 MS. RYAN: Does that help clarify?

22 MR. DeLEON: Yes, it does. Yes, ma'am.

23 MR. BARNWELL: Well, just out of curiosity --
24 and this is not directed at you but at Jeremiah --
25 Jeremiah, how does somebody online register? How do you

1 envision this working? Just kind of go through the steps
2 with me. I go online to TxDMV, I want to register my car,
3 what do I enter in order to get into the system?

4 MR. KUNTZ: You enter your license plate number
5 and the last four digits of the VIN number.

6 MR. BARNWELL: And then it populates the field.

7 MR. KUNTZ: It calculates the fees, populates
8 the vehicle and its class, it gives you some information
9 about that vehicle so that you can validate that you have
10 the right vehicle in front of you. You then go to a
11 screen that will ask you to select the county if your
12 county is different than what is presented to you. So
13 it's going to automatically pull up your county. For
14 example, I'm in Williamson County. It would say is
15 Williamson County still your county? I would say yes.
16 That would then take me to the screen where I would enter
17 my address information.

18 MR. BARNWELL: Now, entering the address
19 information, we all know how squirrely computers are
20 about that because they require you to be so precise. In
21 my case, 1488, FM 1488 Road, R-O-A-D, R-D period, or
22 nothing, and you never know who is going to do what. So I
23 enter it R-D period and it comes up and says you don't
24 exist that way.

25 MR. KUNTZ: So the piece of software that we're

1 looking at, it's called SmartyStreets.

2 MR. BARNWELL: I'm familiar with it, we use it.

3 MR. KUNTZ: And so what would happen is you
4 would enter your address the way that you would normally
5 type it, let's say you type R-D period, SmartyStreets
6 would go out and validate that address and make the
7 appropriate changes, maybe change R-D to Road.

8 MR. BARNWELL: So it gives you the options.

9 MR. KUNTZ: Yes.

10 MR. BARNWELL: And it does that while you're in
11 the system.

12 MR. KUNTZ: Yes, sir.

13 MR. BARNWELL: And okay. And after you do
14 that, after you select R-O-A-D, or whatever it likes, then
15 you're basically through with the transaction other than
16 entering your credit card data?

17 MR. KUNTZ: Yes, sir. And then you'd submit it
18 and that's it.

19 MR. BARNWELL: And at that point, is that where
20 our zero to five days comes in?

21 MR. KUNTZ: Yes, from the time that you submit
22 the transaction, that would then start that clock to
23 automatically release unless somebody intervenes and stops
24 the transaction on the county side.

25 MR. BARNWELL: Okay. And what we're working on

1 that we don't have right now, just to get myself fixed in
2 space where we are, is that at this juncture we would need
3 legislative changes in order to have a receipt good for,
4 say, 30 days while the person waits on the printed
5 registration.

6 MR. KUNTZ: Currently the receipt that is
7 printed says this receipt does not serve as proof of
8 registration. We are looking to change that so that that
9 receipt can serve as proof of registration.

10 MR. BARNWELL: And that's a legislative
11 initiative there.

12 MR. KUNTZ: Yes, sir.

13 MR. BARNWELL: Okay. Thank you. I appreciate
14 you taking time to explain that to me.

15 MR. DeLEON: I do have one quick question for
16 Mr. Kuntz. I know that in Bexar County at times we have
17 individuals -- like you said, sir, you live in Magnolia,
18 Texas or you have a P.O. Box there -- and I know that we
19 have individuals accidentally key in the wrong county but
20 we still receive it. Will there be something in the
21 system to correct that problem where we have to send the
22 customer a decline? Like you said we can decline and say
23 it's the wrong county, we can't register it, and so we
24 send it off.

25 MR. KUNTZ: One of the things that

1 SmartyStreets does is it does present a county, and the
2 system would auto populate the county. That is a change
3 from the way it is currently today. Today the very first
4 screen you start in is you select your county, but we are
5 looking to change that to where the county is keyed off of
6 the address that's entered and then it's presented to the
7 customer for them to verify that that is the correct
8 county for them. They would then change it if it was
9 incorrect based on their knowledge.

10 MR. BARNWELL: Is that zip code driven?

11 MR. KUNTZ: I'm sure that it is but I would
12 have to look at the actual program to see.

13 MR. TREVIÑO: Can staff on the suggestion to
14 opt in or opt out?

15 MR. KUNTZ: An option like that is going to be
16 a pretty heavy lift as far as programming is concerned,
17 and as the chair has alluded to, it would significantly
18 diminish the centralization process. It is something that
19 we could look at but it is not something that I believe
20 would be cost-effective at this time to have some in and
21 some out.

22 I will say that the statute used to allow
23 counties to opt in to the online system. In fact, some of
24 the statutory references that have been made as to the
25 requirement for counties to process online transactions

1 were actually changed in order to ensure that all counties
2 participated in the online system because there were a
3 number of counties that refused to go onto the online
4 system and allow their citizens to use the online system
5 for their county. So that legislative change was made
6 mandating that all counties accept transactions that are
7 processed online

8 MS. RYAN: I also think, Mr. Uresti, your
9 proposal to opt in is based on -- is it not based on a
10 change in other compensation structures. Correct? Based
11 on what you've provided us.

12 MR. URESTI: The plan that we're submitting is
13 for the entire state. The opt in would be if you were not
14 to adopt any of our plans and we would like an opportunity
15 to be able to opt in or opt out. What I have give you is
16 two plans that I feel can work for the entire state and it
17 will show you the decrease in this \$7-1/2 million loss
18 that is occurring.

19 MS. RYAN: Correct. But the proposal to opt in
20 would be based on the structure that we have, and the P&H
21 fee basically states that the P&H fee covers everything.
22 So I think what you're proposing is suggesting that the
23 counties have an opportunity to opt in or opt out, but all
24 you're asking for is that we would pass on the 50 cents,
25 and we'd have to cover all expenses.

1 MR. URESTI: Exactly. We're asking for the 50
2 cents.

3 MS. RYAN: But it costs almost that much to
4 mail.

5 MR. URESTI: Well, it's going to cost Xerox the
6 same amount. But if you look at the other changes on the
7 five transactions, those take into consideration, in one
8 of the plans I think Bexar County loses \$487,000 which
9 we're not too keen on, the other plan we'd lose \$110,000.
10 We don't want to lose any money but what we're trying to
11 do is keep the online transactions.

12 MS. RYAN: For 75 cents.

13 MR. URESTI: Yes, ma'am.

14 MS. RYAN: Okay. Understand. Thank you.

15 Any other questions?

16 (No response.)

17 MS. RYAN: Okay. Thank you so much.

18 MR. DUNCAN: Madam Chair, if I might. It took
19 me a while to dig out this comment, and I apologize, but
20 you had asked a question about where the \$40 and \$15 came
21 from, and I recalled that one of the commenters had
22 submitted specific amounts that are currently charged by
23 full service deputies. That's Bruce Elfant, the Travis
24 County tax assessor-collector had submitted for the four
25 full service deputies that he covered which are Oak Hill

1 Title Service, Auto Title Cesar Chavez, Universal Title
2 Service and Fry.

3 And if you look at what they're charging for a
4 title and a registration, there are three instances where
5 the \$10 and \$20 would not cover what they are currently
6 charging, and those three are Oak Hill charges \$21 for a
7 member of the public to do a title, Auto Title Cesar
8 Chavez charges \$20 to \$30 for a title, a salvage title
9 based on the number of transactions presented, and they
10 also charge \$10.75 for a reg. And then the last example
11 is Fry Title Service which says \$40 for title transfers,
12 includes the reg renewal, so under the staff's proposal,
13 that would be \$30 instead of \$40, so they could charge \$10
14 for the reg and \$20 for the title.

15 So there are some instances where the rule
16 would reduce, but there are very few, and there's one
17 where it's 75 cents, one where it's a dollar, and then all
18 of the others they are charging either what we're
19 proposing or less in every instance.

20 MS. RYAN: Okay. Thank you.

21 MR. WALKER: Can I get clarification, Jeremiah?
22 Earlier in some of your comments you said that there were
23 31 locations of full service deputies, locations, not
24 companies, 31 locations. Correct?

25 MR. KUNTZ: I believe it's approximately 30

1 statewide.

2 MR. WALKER: Locations.

3 MR. KUNTZ: Believe that it's locations.

4 MR. WALKER: Mr. Uresti just cited that he has
5 21 of those locations, there are four in Travis County,
6 according to the prior testimony, so that leaves two other
7 counties, so there's only like five left between two other
8 counties?

9 MR. KUNTZ: I know in Hidalgo County -- and he
10 is here -- he's got two, and then El Paso.

11 MR. WALKER: So the 30 is wrong, obviously.

12 MS. RYAN: No. That still could be. Well,
13 that's a great segue because we're going to call Bruce
14 Elfant next so maybe he can tell us.

15 MR. WALKER: You've got eleven, eleven, 21,
16 we're already at 40-something.

17 MS. RYAN: Well, then there's more that we're
18 unaware of.

19 MR. WALKER: So there's somewhere we've got
20 some misinformation.

21 MS. RYAN: Sounds like it.

22 Well, don't we have to have systems there?

23 MR. KUNTZ: yes.

24 MS. RYAN: We'll have to go recount our
25 contracts.

1 MR. KUNTZ: We can go pull them.

2 MR. WALKER: It may not even be important, it's
3 just that I was putting it on the record.

4 MS. RYAN: All right. We'd like to call Bruce
5 Elfant, please. Good afternoon. How are you?

6 MR. ELFANT: I'm surviving, I'm still here.
7 I'm Bruce Elfant, Travis County tax assessor-collector,
8 and I'm here to speak about the full service deputy fees.

9 Thank you for hosting this hearing. It's
10 actually been very interesting. My preference would be
11 that the conversation about the consolidation, the vast
12 majority of tax assessors haven't had the opportunity to
13 have that conversation. That's one of the big
14 frustrations with the centralization is that that popped
15 in April and very few have really been able to have a
16 forum with a lot of give and take and the specific
17 questions that have been asked and answered here, and I
18 think this was good. I just wish that you would take it
19 on the road and share it more with the other tax
20 assessors.

21 On the full service deputies, I want to start
22 with the third party contracts. I'm pleased that the
23 proposed rules have backed off on the third party
24 contracts. We have not seen language for this addendum,
25 and it may be great, it may not be great, as we know the

1 devil's in the details, and my county attorney would like
2 to see the language before we said that we like or we
3 didn't like it. And for that I would urge you to kind of
4 hold off and let the counties that are impacted take a
5 look at the language because if my county attorney says
6 don't sign that, I can't sign it. And I'd like to know
7 that before we go into this rather than after it's a done
8 deal.

9 On the due process, I'm glad that we're looking
10 at due process. Again, the devil's in the details, we
11 don't know what that due process would look like. China
12 says that they have really great due process. We don't
13 agree with that. So we would like to know what the due
14 process really looks like, what rights do they have, where
15 can they go, how can they express then, and what kind of
16 time frame and from whom would they get a response to
17 their contest of having the RTS being shut down. So
18 that's the due process issue.

19 On the full service deputies, there's been a
20 lot of talk about customers being forced and a tax and all
21 that. The customers aren't forced to do anything. Travis
22 County has our office on Airport, a couple of miles from
23 here, we have four satellite offices, and we have the full
24 service deputies. Two-thirds of the titles are done by
25 the tax office, at our main office or at our substations,

1 and that will continue. That's been the case, that's been
2 pretty steady for years and years, the market share hasn't
3 gone up or down, and they absolutely have a choice.

4 I would argue that we're giving our consumers
5 more choice, not less choice because they have the option
6 to go to another private sector company and have it done
7 that way. You know, when I go buy a car -- and I'm about
8 to, so if any of you have some deals -- when I go buy a
9 car, I look for the price, I look for the economy, the
10 price, but I also mix that with the kind of service that
11 I'm going to get from that dealership, and maybe you're
12 not the cheapest but you're going to give me better
13 service, I'm going to get my car in to repairs quicker,
14 I'm going to get the service checks quicker. That
15 matters. And that matters to our customers and they want
16 to be able to continue that choice.

17 You haven't received any complaints against our
18 title companies. We're offering more customer choice.
19 Really the amount is at issue here. Our title companies
20 say that this is going to put them out of business, the
21 DMV staff says not, I'm caught in the middle. All I know
22 is if we make the wrong decision here it's going to have
23 really bad effects on Travis County and these other
24 counties, and I just want to get this right.

25 The \$40 and \$15, not that everybody is going to

1 go up, I don't expect any of the title companies to
2 increase their prices when you put in the cap, I think
3 they're going to stay where they are, but it gives them
4 breathing room. What you haven't done here is you haven't
5 given them the opportunity to adjust their fees over time
6 when they have increased rent, when they have increased
7 health care costs, when they'd like to give their
8 employees a raise. This is set, and Jeremiah has said in
9 a work session that we had that he doesn't think the board
10 is interested in looking at this for a very long time.

11 So if you set these fees in and even if some of
12 them can barely make profit, what's that going to look
13 like next year or the year after? And that's why we
14 recommended setting the caps high enough to where we have
15 a few years before we have to look at that again. It
16 doesn't mean the title companies are all going to go to
17 \$40, I don't expect that they would. They're competing
18 against each other and they're competing against the tax
19 office, frankly, because we don't charge that.

20 So I think we need to trust the free market
21 system. If these companies do go out of business, it's
22 not going to be because of a private decision that's been
23 discussed, it's not going to be because of supply and
24 demand issues, if they go out of business it's going to be
25 because government regulation put them out of business.

1 I'm done and I'm happy to answer any questions.

2 Actually, I'm beyond done.

3 MS. RYAN: We appreciate your comments.

4 MR. ELFANT: Thank you.

5 MR. PALACIOS: Mr. Elfant, I have a question.
6 How many full service deputies do you have in your county?

7 MR. ELFANT: We have four offices.

8 MR. PALACIOS: And how often do you, I guess,
9 back to an earlier question, put out bids for renewal to
10 bring in new full service deputies?

11 MR. ELFANT: I'm in my first term. During that
12 time we haven't had any requests, and what my staff, who's
13 been there a lot longer than I have been, has told me that
14 they haven't had any requests from anybody in years and
15 years. And we talked about this a little bit at the last
16 board meeting because I would love to expand because we
17 have areas of the county that aren't well served or as
18 well served as they should be, northwest, for example. If
19 some entity came to us, we would get with the county
20 attorney and the auditor and create a process and take a
21 look at that. We would do that with anybody wanting to
22 contract with us for any reason.

23 So we're certainly open to adding more
24 companies. There hasn't been interest; if there is, we'll
25 create a process to evaluate them and make sure that the

1 county is comfortable with who we're contracting with.
2 We're happy to do that. I think under what the staff
3 proposal is that I don't know that any companies would be
4 interested in this business if the staff proposals pass.

5 MR. PALACIOS: Why is that?

6 MR. ELFANT: Because what you're hearing from
7 the title companies is they're either right on the edge or
8 not going to be able to make a profit, and most private
9 businesses like to make a profit.

10 MR. PALACIOS: I understand. I guess I just
11 want to hit on some of your comments regarding free
12 market. You made an analogy to the car business. I guess
13 there's a big difference. Obviously, we are private
14 companies, we're not necessarily appointed by a gentleman
15 as yourself so that independent car dealers you can open
16 up a car dealership wherever and we're not subject to the
17 discretion of a county official.

18 I just, again, want to get back to the model.
19 In your county you've got four and from other discussions
20 that we've heard, the high fee of \$15/\$40 pretty much came
21 from, I guess, your recommendation. And I still struggle
22 a little bit looking at the fees that are being proposed
23 by you. The \$15/\$40 came from, as I understand.

24 MR. ELFANT: Caps, not fees.

25 MR. PALACIOS: Okay. Well, the cap. Other

1 counties charge significantly less. Those few that do --
2 again, I've got to put this all in perspective, we're only
3 talking about four counties -- El Paso County is
4 significantly less than yours, and yes, you can argue real
5 estate is higher in Travis County. I just want to again
6 get back to the question I asked Mr. Aleshire. What is
7 the responsibility of this board, I guess. Do we not have
8 a duty to our consumers to make sure that if a government
9 service is performed that they not be overcharged, I
10 should say? And what you're asking us to do now is to set
11 a fee based on what looks to be the highest cost provider
12 in the state.

13 MR. ELFANT: That is your responsibility, and
14 you have done that. These title companies are required to
15 post signs in their offices saying that you don't have to
16 come here, you can go to the tax office. You've done
17 that. You're required tax offices to make sure that our
18 doors are open, that we can't decide this is a really good
19 deal, we're going to shut down and not do any titles and
20 we'll let all of them do titles.

21 In Travis County we still do two-thirds of all
22 the titles, and so our doors are open, our infrastructure
23 is there and we're able to accommodate customers who come
24 in to have their title work done. This is just an extra
25 choice for customers, they don't have to do it. They

1 don't have to go to Fry. If they want to go somewhere
2 cheaper, they can go to another title company. If they
3 don't like that, they can come to the Travis County tax
4 office. Absolutely.

5 I think that the protections are there for the
6 consumer. I don't want to see consumers gouged either,
7 and that's what the free market is about because if
8 anybody gets out of whack, I'm going to get complaints and
9 they're going to lose business and then we'll know that
10 they've hit a threshold where it's too high.

11 MR. PALACIOS: But again, I argue this isn't
12 free market. Free market allows the consumer to go to one
13 of various locations. Here you've got four deputies that
14 you singlehandedly appoint. That's not free market. You
15 want to talk about regulation, that is regulation.

16 MR. ELFANT: It's as free market as the number
17 of people who want to be auto dealers. This is the number
18 of people in Travis County who have signed up to become
19 title service companies, and it could be ten, it could be
20 twelve, but that's not who's come to us.

21 MS. RYAN: To that point, you heard Mr. Duncan
22 address -- Member Treviño asked kind of to the point of
23 one, legislatively we were asked to set these fees by
24 rule, and then Mr. Duncan gave a legal opinion on what
25 small business is, and he can certainly kind of recap that

1 quickly. Yet your comments seem to ignore that. As an
2 elected official, and you say you're caught in the middle,
3 how do you address that? And Mr. Duncan can certainly
4 recap both the statute that he referenced earlier and the
5 statutory requirement that this board has to address also,
6 yet that doesn't seem to come into play with any of your
7 comments. So help us understand that.

8 MR. ELFANT: Well, the first thing I would tell
9 you is that Mr. Duncan said that there's always been a
10 structure there. I'm a first term tax assessor, but what
11 I would tell you is that I didn't know that there wasn't
12 any authority for these title companies to charge fees.
13 That's the argument.

14 The other thing that I would tell you is that
15 in 50 years, DMV has never come in to enforce anything,
16 and so we didn't know, there's been no enforcement. They
17 never told us until very recent times when we were going
18 through this process that that's been an issue. And like
19 I said, in Travis County we've been doing it for 50 years.

20 MS. RYAN: But you know now, and now we have to
21 all address it together.

22 MR. ELFANT: Yes, I know now. And I'm not an
23 attorney, but I would tell you our attorneys disagree with
24 that position.

25 MS. RYAN: Okay.

1 MR. ELFANT: But having said that, the board
2 has said that we don't want to put these companies out of
3 business. I think we're all in agreement we don't want to
4 put the companies out of business, so the question is
5 where is the sweet spot where we're going to allow these
6 companies to stay in business and allow them to adjust
7 their cost of doing business over time without having to
8 come back here and hope that you will be inclined to look
9 at fees again in the next couple of years. So I think
10 we're all pretty close, we've just got to get the numbers
11 right, and the \$40/\$15 was suggested so they wouldn't have
12 to come back here anytime soon, to give them some
13 breathing room, and so they can go up with the cost of
14 living, and you know, five-ten years.

15 And between you and me, and everybody else
16 listening, I think that the WebDealer and I think that the
17 technology is going to render these title companies less
18 and less relevant over time, but it's not going to be
19 tomorrow, it's going to be five or ten years, and I think
20 that's going to happen. And I don't have any problem with
21 that happening if people decide that they're going to go
22 online, they're going to do it differently, and they're
23 not going to go to the title companies. If people choose
24 to do that over time and the title companies cease to
25 exist that way, I don't have an issue with it. But right

1 now, if they close tomorrow, I've got 100,000 titles I'm
2 looking at, and staff says they're right, my title
3 companies tell me what their situation is, and I don't
4 want us to get this wrong.

5 MS. RYAN: Did you get a copy of the study at
6 all?

7 MR. ELFANT: Yes, I've seen the study.

8 MS. RYAN: That said the cost was roughly
9 \$12.88 with the full service deputies, on average.

10 MR. ELFANT: And the first thing I would say is
11 it's three years old now, that study. And I don't know if
12 any of you pay attention to the cost of doing business in
13 Travis County, but we're not growing as fast as Williamson
14 County but we're close. The property values, rents are
15 outrageous, and the dirt that Fry Title Company is a lot
16 more expensive than the dirt that another title company
17 sits on, and we have to have something that accounts for
18 those differences.

19 MS. RYAN: In Travis County it would almost
20 double at \$20. I that not fair?

21 MR. ELFANT: I'm sorry?

22 MS. RYAN: So in Travis County it would almost
23 double from the study in three years because it was twelve
24 bucks.

25 MR. ELFANT: You know, these people are doing

1 business, customers are voluntarily going to them, they're
2 not being pushed. We don't do any marketing for any of
3 the customer, so it's not like we say go to Fry, go to
4 this one. We don't do any of that, and they, on their own
5 and through their advertising, I guess, they find their
6 way to these businesses. And if they found their way to
7 our office or somewhere else, that's fine too. I just
8 don't want the giant change that Travis County would have
9 to deal with very abruptly and in a very costly way.

10 MS. RYAN: Thank you.

11 MR. BARNWELL: So it's your feeling that upon
12 the adoption of the proposed rules that these people would
13 shut down at the end of that month, basically.

14 MR. ELFANT: Well, we're talking January 1st, I
15 believe, and my conversations with them have indicated
16 that they won't have their doors open January 1st.

17 MR. BARNWELL: What's the average of what they
18 charge now? Or out of the four, what's the minimum
19 registration and the maximum registration and the minimum
20 title and maximum title charge?

21 MR. ELFANT: I don't have all those in my head.
22 I know there's one company that charges about \$40. I
23 think David talked about these just a minute ago. You
24 have a couple that are about \$20 which would be the cap
25 already, so they wouldn't have any room to grow, and I

1 think there's one that charges a little bit under \$20, but
2 you have three of the four that are at \$20 or more right
3 now, and so maybe for the two the \$20 is good for this
4 year, what about next year when their rent goes up, what
5 about the year after when their health insurance goes up,
6 what about when they want to give them a pay raise?

7 MR. BARNWELL: I understand where you're coming
8 from on that, and I'm not an advocate of price controls
9 except in certain monopolistic situations where there is
10 no economic market power on the part of the consumer, but
11 that's another argument. Right now without any
12 regulation, or at least any enforced regulation, these
13 people are charging, plus or minus, but about what our
14 proposed rates are. Is that right?

15 MR. ELFANT: Three or four are right about at
16 the maximum and the fourth one is above.

17 MS. RYAN: By how much?

18 MR. ELFANT: The fourth one? I think the
19 fourth one is, I think David said about \$40.

20 MR. DUNCAN: Forty, but that's a reg and a
21 title, so \$30 by comparison of the new rule.

22 MR. BARNWELL: He had some other costs rolled
23 into his \$40. Is that what you're saying?

24 MR. DUNCAN: Yes, \$40 for a title transfer, and
25 then parenthetically it says it includes registration

1 renewal or transfer.

2 MR. BARNWELL: Well, the point that I'm making
3 is that today without any regulation we have a situation
4 where the fees are about what we're proposing anyway. And
5 this supports what you're saying is that market forces do
6 have an impact. There's a need to do appropriate
7 regulation but there's a tendency on all of our parts to
8 over-regulate. I would refer you to my wife in that
9 regard. She disagrees, but the proof is there, years and
10 years of proof.

11 (General laughter.)

12 MR. BARNWELL: So the thing is that what we
13 have is a situation where what we're all trying to achieve
14 here is some semblance of fairness and appropriate
15 control, and it's a hell of a thing to try to do. So
16 we've been wrestling with this for months, you're
17 wrestling with it today, your deputies are wrestling with
18 it. And I want to tell you we don't take it lightly.
19 However this votes come down today, I would bet you that
20 it's not going to be five years before we revisit it
21 because there's no way to get it exactly right on day one.

22 Now, having said that, that's not much of a sop
23 to help you feel better about it, and it sure doesn't make
24 me feel better about it because I wish we'd never see it
25 again, but that's not going to happen, we're going to be

1 visiting this again.

2 MR. ELFANT: I do appreciate that, because
3 that's not what we've been hearing from staff.

4 MS. RYAN: Well, and I would also think -- and
5 I won't speak for all the board but I think we can speak
6 for ourselves -- I think this board would be happy, and I
7 think maybe we could agree and I wrote down as a parking
8 lot when would we like to see this in the future. I think
9 if there's a need and the market feels there is a need for
10 anything that is decided on today that the board has the
11 ability to re-look at things. And I think that this board
12 would welcome that and that's part of what we do. Do we
13 want to see it back in a month? I think a month is
14 probably too soon, whatever we do. Right?

15 But absolutely if there is a reason and that
16 reason can be justified, I think the board would welcome
17 seeing it back on any rule that we make a decision on, not
18 just this one. If somebody disagrees with me, please
19 speak up.

20 MR. ELFANT: We certainly appreciate that.

21 MR. WALKER: I need a clarification. He keeps
22 speaking in the tone of the fee is a maximum fee, I'm
23 reading that the fee is a fixed fee in our literature.
24 He's saying it's up to, so if you wanted to charge 50
25 cents for a transaction for a registration, you could. Is

1 that correct?

2 MR. DUNCAN: Yes.

3 MR. WALKER: It's a variable up to. Because
4 that's not what our literature is stating. It says the
5 fee would go to, it says to.

6 MS. RYAN: Up to.

7 MR. TREVIÑO: Has there been any discussion
8 with these vendors about other fees that they can tack on
9 to supplement their income with the change?

10 MR. ELFANT: I think you're going to hear some
11 testimony from some owners about that later. They're more
12 of an expert on that than I am.

13 MR. TREVIÑO: And does Counsel have some
14 comments on the applicability of the third party
15 agreement? Is there anything in there that might be
16 problematic, or would there be able to be adjustments if a
17 county attorney had an issue with it?

18 MR. DUNCAN: Since we haven't drafted it fully,
19 we'd like to talk to all of the affected counties,
20 certainly. And I've worked with Mr. Escamilla closely; I
21 know the county attorney here, I've known him for years.
22 So we'd be glad to work with the county attorneys and
23 makes sure there's not something in there that they're
24 just going to reject out of hand and create an issue for
25 us.

1 MS. RYAN: Any other questions, discussion?

2 (No response.)

3 MS. RYAN: Thank you very much for your time.

4 MR. ELFANT: Thank you.

5 MS. RYAN: Mr. Ruben Gonzalez, please.

6 Mr. Gonzalez, good afternoon.

7 MR. GONZALEZ: Good afternoon, Madam Chair and
8 distinguished board members. My name is Ruben Gonzalez
9 and I'm from El Paso County.

10 We've been doing the numbers since we got back
11 from Waco and by using the new calculations, forthcoming
12 this next fiscal year we're going to be short at least a
13 little over \$94,000 in our budget in our calculations for
14 revenue coming in from vehicle registrations.

15 But the purpose of me being here today to visit
16 with you is I'm concerned about the internet registration
17 program, the online internet registration program that
18 affects El Paso County because we feel that we have one of
19 the most effective and efficient scofflaw programs in the
20 state and we've been in this business since 2001. And
21 right now what I understand, other than centralized
22 printing and mailing of the mail-in registrations, there
23 will be an opportunity for the tax collectors to kind of
24 screen and approve some of those transactions.

25 Under the internet program that's online we

1 enforce the scofflaw program where we have a system in
2 place that we don't use the VIN number to determine
3 whether somebody owes money, we use the vehicle owner's
4 driver's license number and date of birth to identify the
5 offender who actually owes a fine to the courts, and we
6 use that information to determine whether we can renew a
7 vehicle registration. And it's been working very
8 effectively in El Paso County for quite some time, and
9 we've collected millions of dollars because of that.

10 And I just want to let the board know, make the
11 board aware that I would sure like to be able to meet
12 staff halfway or somehow or another connect the dots so
13 that we can continue using our program to enforce our
14 scofflaw program in El Paso. And if it can't be done
15 through the staff, I would be prepared to try and seek
16 legislation if possible to do this because we do have an
17 effective program in place. I want to do it the nice way,
18 the easy way, convenient way. It's been effective for us,
19 it's worked. So I just am concerned about that because
20 going through the internet process, the way it's
21 described, unless I'm given an opportunity to be able to
22 confirm that the person owes money, it's going to hurt us,
23 because we're collecting millions of dollars right now
24 from scofflaw offenders that are identified right now
25 through the courts.

1 Come September 1, as I understand it, the
2 attorney general is going to have a program that's going
3 to include us, to do the scofflaw program, for lack of a
4 better expression, deadbeat dads or moms, so we're going
5 to be doing this additional service, like we did the Two
6 Step One Sticker program, verification of insurance, and
7 we're not really getting compensated. And I understand in
8 the statute there's a provision in the state that would
9 allow DMV to get \$5 out of that transaction. We're going
10 to go through the verification process, and the first time
11 that somebody gets hurt because we can't renew their
12 vehicle registration, it's because of this program and
13 we're not getting any compensation for it.

14 So that's my comments. I thank you very much
15 for the opportunity to visit with you, but that's my
16 situation in El Paso.

17 MS. RYAN: Thank you.

18 MR. PALACIOS: I had a question. First off,
19 I'd like to congratulate Mr. Gonzalez on his election
20 victory last month. Mr. Gonzalez is no longer an
21 appointed tax assessor, he's elected. So congratulations.

22 MS. RYAN: Congratulations.

23 MR. GONZALEZ: Thank you very much.

24 MR. PALACIOS: Jeremiah, can you give us some
25 clarification on Mr. Gonzalez's points? I think you

1 touched on this earlier, but will the centralization
2 process now that we're looking at interfere with what Mr.
3 Gonzalez is currently doing with his scofflaw
4 verification?

5 MR. KUNTZ: No. Currently there is not a
6 requirement for a customer to provide a driver's license
7 at the time of registration renewal. Statute does
8 contemplate it and it is permissive but there's been no
9 action to require a driver's license for somebody that is
10 renewing a registration. In order for his system to work
11 the way that he's wanting it to for online, there would
12 have to be a requirement for that person to give their
13 driver's license through the online process. That will
14 not change for him. Today currently all those online
15 transactions do not have a driver's license, they just
16 have a name, and so that's the only way to verify those
17 today. This will not have an impact on that, there would
18 have to be an action to require that driver's license in
19 order to make that happen.

20 MR. GONZALEZ: I offer this as a rebuttal, in a
21 way. We do require driver's license numbers in the
22 majority of cases when a person files an application for
23 title, so why can't that be carry forward through this
24 screen that's going through the internet process now?
25 Again, some of that information is available and it would

1 help our program. Also, on these courtesy notices that
2 are mailed out to invite dual ownership, to indicate on
3 the courtesy notice to show a driver's license or date of
4 birth to make it much easier to enforce. But on our
5 internet screen, working together if you had space to show
6 the owner's driver's license number because in the
7 majority of cases we do record it as part of the
8 identification process, it could work. If we want it to
9 work, it can work.

10 MS. RYAN: Go ahead, Blake.

11 MR. INGRAM: Mr. Gonzalez, I realize that on an
12 application for title that driver's license is recorded,
13 but we're talking about registration renewals, we're
14 talking about a renewal of a registration, and currently
15 under your current system today if somebody files online,
16 you don't have that database that you can get the driver's
17 license now, do you?

18 MR. GONZALEZ: That's the purpose of my concern
19 and bringing this to your attention. It's going to hurt
20 our program to be able to collect those delinquent fees
21 that are due to the county and the City of El Paso.

22 MR. INGRAM: But you currently don't have the
23 ability now, so once it became adopted and it didn't
24 change, it would just be the same. In other words, you
25 wouldn't have any decrease or increase in the ability.

1 MR. GONZALEZ: That's correct. But right now
2 we are enforcing it. When people come to our office, we
3 have a system in place where we do check the person's ID.

4 MR. INGRAM: That's if they come to your
5 office, not online.

6 MR. GONZALEZ: When they come in. And that's
7 one of the loopholes that circumvents this process that
8 hurts us, and that's why I'm bringing it to your
9 attention.

10 MR. INGRAM: It would be better for all
11 parties, I'm sure, if we had it in there, but it's not
12 there for either one of us currently.

13 MR. WALKER: We did have this, Blake, if you'll
14 recall, with the matricula cards for title transfers with
15 the legislature.

16 MR. INGRAM: Yes, but not for registration
17 renewals.

18 MR. TREVIÑO: Jeremiah, if this was
19 legislatively mandated, this could be accommodated.
20 Correct?

21 MR. KUNTZ: It is permissive under statute
22 today, so there's already statutory authority. If the
23 board so chose that it wanted to require a driver's
24 license at the time of registration or registration
25 renewal, there is authority for the board to require it,

1 but this board has not taken action to require it at this
2 time.

3 MR. WALKER: But we went down this road already
4 once and it was a bloodbath because people screamed and
5 yelled. You have to show proof of American citizenship is
6 what you have to prove today, and so there was questions
7 about matricula cards being proof, and it wasn't just a
8 driver's license, valid ID is what the law said.

9 MS. RYAN: This would just be a driver's
10 license number, so if you didn't have a driver's license
11 number, then you would just not put one in.

12 MR. KUNTZ: So currently our rule for titling
13 allows for a governmental issued ID to be used as proof of
14 identification. That can include a Texas driver's
15 license, a driver's license from another state, a
16 passport, and so you're not required to be a U.S. citizen,
17 you can be an international citizen that has a passport
18 that is applying for title in Texas.

19 MS. RYAN: I'm referring to renewal.

20 So this is something, Mr. Gonzalez -- I hear to
21 Blake's point and that was going to be my question -- you
22 are addressing a concern that if the online increases it
23 could hurt your current program and that you're providing
24 us a suggestion that you'd like to see this board be very
25 aware of and take up in the future. Because it sounds

1 like we have the ability to, which we can take under
2 advisement, it doesn't need to be a statutory requirement.

3 MR. GONZALEZ: That's correct. I'm bringing it
4 to your attention because we have done test runs on all
5 these folks that are coming directly to Austin today and
6 we've already lost over \$222,000 potential revenue loss
7 from these scofflaw folks that are out there. So it's
8 hurting us and it would hurt more online, and that's why I
9 bring it to your attention. If you can give it
10 consideration, I'd really appreciate that.

11 MS. RYAN: I'm keeping notes on some things for
12 us to follow up on and I have written it down, so I do
13 appreciate that.

14 Are there any other questions or comments?

15 (No response.)

16 MR. GONZALEZ: Thank you very much.

17 MS. RYAN: Thank you very much for your time.

18 Thank you.

19 I'd like to bring up Julie Burke.

20 MS. BURKE: Good afternoon.

21 MS. RYAN: Good afternoon.

22 MS. BURKE: Madam Chair, distinguished board
23 members, and DMV staff. Thank you for the opportunity
24 this afternoon to provide just a brief few comments to the
25 license plate replacement rulemaking.

1 Again, I'm Julie Burke, and I'm with the 3M
2 Company and at our Brownwood, Texas plant we manufacture
3 the retroreflective sheeting for the license plates and
4 have done so for many years. So we're very familiar with
5 the performance of plates internationally, but
6 specifically to the State of Texas.

7 I appreciate Mr. Kuntz's mention of the
8 retroreflectivity of license plates, because as the state
9 is looking at making some changes to the replacement
10 cycle, I think it's important to look at how the plates
11 degrade. The warranty on a license plate is five years,
12 and at the end of five years the retroreflectivity can
13 degrade up to 50 percent and about 9 percent a year after
14 that, doesn't happen to every plate but in general. So
15 again, we'd like the board to understand the degradation.

16 License plates are used by many stakeholders.
17 Obviously they're used to collect revenue, they're used
18 for branding of the state. When the state changed their
19 plate in 2012, it was because the State of Texas wanted a
20 specific image, so many states do that as well. Parking
21 facilities use license plates. Tolling uses open tolling
22 so no more booths, they rely on the license plates to read
23 and to collect revenue based on that. So again, the
24 performance of the plate to understand the degradation is
25 quite important.

1 The International Association of Chiefs of
2 Police have stated that 70 percent of crimes use vehicles,
3 so again, in solving some of those crimes they use the
4 license plates. License plates are used for Silver and
5 Amber alerts as well, so again, very important.
6 International Association of Chiefs of Police actually
7 support and recommend a regular reissue.

8 My last brief comment will just be to the
9 effect of perhaps an unintended consequence of asking a
10 motorist to determine whether the plate is performing. In
11 the past folks would probably look at the plate during the
12 day, but because of its viewing at night, the
13 retroreflectivity has to be in good standing as well. And
14 of course, many associations, organizations, departments
15 are using IR cameras, infrared cameras, to view the plate,
16 so the performance of the plate in that regard is very
17 important. And I would suspect that most people other
18 than myself don't look at plates at night under retro nor
19 under specific cameras. So to ask the motorist to
20 determine whether their plate is functioning may be a
21 burden.

22 So again, appreciate your time this afternoon,
23 and thank you.

24 MS. RYAN: Thank you very much.

25 Any questions?

1 MR. BARNWELL: Yes, ma'am. What's the average
2 life of a Texas license plate?

3 MS. BURKE: The state right now uses a seven-
4 year reissue.

5 MR. BARNWELL: But what's the average life of a
6 Texas license plate?

7 MS. BURKE: That's all I would know.

8 MR. BARNWELL: Does it go three years or four
9 years?

10 MS. BURKE: I would say a warranty is five, but
11 seven years it's fine.

12 MR. BARNWELL: I understand that's fine, but
13 when I buy a car from Mr. Palacios here and -- did I say
14 that correctly?

15 MR. PALACIOS: I'm still waiting.

16 (General talking and laughter.)

17 MR. BARNWELL: I'm going to buy two cars and
18 I'm hoping to get them to fight each other on the price,
19 that's how I would win. Don't I get a new license plate?

20 MR. KUNTZ: Yes, sir.

21 MR. BARNWELL: That's enough, that's enough.
22 Thank you.

23 So what I'm saying is that the average life of
24 a license plate in the State of Texas is a lot less than
25 seven years. In fact, the number of license plates that

1 makes it to seven years is about half a million, so it's
2 just not a whole lot of license plates. Now, I understand
3 where you're coming from on reflectivity and that sort of
4 thing, but how much business does 3M stand to lose if we
5 do away with this seven-year rule?

6 MS. BURKE: I have not calculated that, and I
7 appreciate that comment.

8 MR. BARNWELL: Well, I didn't mean it snarkily.

9 MS. BURKE: I don't. I think the one comment I
10 just wanted to make was perhaps giving a specific reissue
11 cycle only because that is a way you can assure the
12 performance of the plate.

13 MR. BARNWELL: Okay. Thank you.

14 MS. RYAN: Thank you.

15 MR. WALKER: So I have a lot of your 3M tape.
16 I own a trucking company, and every one of my trailers has
17 got reflective tape down the sides and on the rear. That
18 tapes lasts on our trucks, that 3M tape does, for 10 to 15
19 years, and you can see it from a mile away when they cross
20 an intersection. So why is the reflectivity different on
21 the license plates than it is on the conspicuity taping
22 that you're selling me?

23 MS. BURKE: That's a good question. That
24 particular tape is a prismatic, the conspicuity. The
25 license plate sheeting is a beaded technology that's been

1 around for 70-80 years. Back then we made that to last
2 five years. Now I think Texas has done a great job to
3 say, you know what, we're good with seven because the
4 warranty of a vehicle, those can go bad the day after a
5 warranty is over. So that was a good mix. We have just
6 done testing, and again, the warranty actually stated that
7 50 percent of the reflectivity can be lost after five
8 years.

9 MR. WALKER: So what we need to look at, you're
10 saying then maybe, we need to look at conspicuity tape in
11 lieu of the tape that we currently use because the
12 reflectivity is better, lasts longer?

13 MS. BURKE: That's a great question. Prismatic
14 sheeting actually is moving towards your signs are
15 prismatic, your highway signs. License plate sheeting is
16 not just 3M, there are other manufacturers. The only
17 sheeting right now that is available is beaded, but that
18 technology is changing and we're doing tests to see about
19 the increased warranty on that. It's a great comment.
20 Thank you.

21 MS. RYAN: Any other questions?

22 MS. BURKE: Thank you for your time.

23 MS. RYAN: Thank you very much. Thank you for
24 being here.

25 Robin Garrett, please.

1 MS. GARRETT: I'm Robin Garrett. I think the
2 lady prior to me and I, we were the first two people to
3 sign in this morning.

4 MS. RYAN: Well, good morning. I didn't get
5 times on the comment cards.

6 MS. GARRETT: That's all right. I'm glad we
7 got here.

8 MS. RYAN: We can make note of that for future
9 comment times.

10 MS. GARRETT: I am Robin Garrett. I am the
11 Brazoria County tax assessor, and I'm a past president of
12 the Tax Assessor-Collectors Association, and that is the
13 association that represents the 254 elected county TACs in
14 the state. I've been requested to be here today to
15 represent the association officially by our president,
16 Ronnie Keister, the TAC of Lubbock County, who could not
17 be here today. You've had many individual TACs speak here
18 today, but I've been asked to be the voice for all 254 in
19 my comments.

20 I want to thank you for your service, board
21 members, especially Luanne, who represents us quite
22 admirably on your board, and for the opportunity to make
23 these comments.

24 Our concerns are related to the centralized
25 collection of funds and printing of renewal stickers for

1 online registration. We do online registration, we're not
2 against online registration, we are thankful to have an
3 opportunity to get people out of line and online. That's
4 a great thing. We understand the department feels it's on
5 legal ground in establishing this process, but we
6 disagree.

7 Our main concern, though, is the personal
8 liability placed on each of the 254 of us by the
9 constitution, the statutes upheld by the courts and opined
10 by the attorney general is not being able to be
11 transferred regarding all funds and processes that are
12 statutorily required to be performed by our offices. A
13 centralized vendor receiving funds initially and issuing
14 accountable inventory leaves us all personally vulnerable,
15 and I cannot express that to you any stronger. As I said,
16 constitution, statute, courts and the attorney general
17 have all upheld that liability cannot be transferred.

18 We are not hired, county tax assessor-
19 collectors are elected in the counties where we reside.
20 We have earned the public trust in order for them to elect
21 us to this office, and every four years we have to ask
22 them again to continue to trust us. The first of January
23 all of us, some for the first time, as a matter of fact,
24 20 percent of us, will take the oath for the first time in
25 January. We will swear to protect, defend and uphold the

1 constitution and the laws of this state and the United
2 States. We are people and we are flawed, but we will
3 strive to uphold that oath on a daily basis, and
4 regardless of the rules adopted today, regardless of what
5 changes the legislature may make in the future, we will do
6 what we have always done, and we want to do it as your
7 partner for another 100 years. We will take what is given
8 us and we will do the best job that we can possibly do
9 because that is what we're elected to do.

10 And I thank you.

11 MS. RYAN: Thank you.

12 I do have two comments that I think your
13 comments have created which I think are great because I
14 think that's where the dialogue is wonderful. But if I
15 heard you correctly, I think it may have identified of
16 misunderstandings again, which I think what all the
17 dialogue is great about. Did I hear you say that you
18 believed that there was a central vendor receiving funds?

19 MS. GARRETT: It is my understanding a central
20 vendor will receive the funds and then allocate them out
21 to where they belong. And I was concerned that Jeremiah
22 said there would be no mention of the individual county
23 tax offices in the online system.

24 MS. RYAN: So two great points, and again, I
25 think this is where dialogue and communication is great.

1 There's definitely a misunderstanding, and I think again
2 I'm going to let the agency assist here. The front end of
3 the system does not change. The consumer will see no
4 difference, they still will select their county, just like
5 they see no change in the system, they'll select their
6 county, they'll go in, they'll go through all the same
7 processes as they do now, and the funds -- as the agency
8 has presented, and I actually sat in on that meeting with
9 the TACA board on a conference call -- gets deposited to
10 the county. The county TAC office gets to deposit those
11 funds and verify those funds; hence, that's part of delay
12 to make sure the funds clear.

13 MS. GARRETT: In other words, it does come
14 straight through us in the same manner that it has been
15 directly from the credit card companies.

16 MS. RYAN: Correct.

17 MS. GARRETT: That's a misunderstanding.
18 Absolutely.

19 MR. KUNTZ: This rule provides no change
20 whatsoever in the processing of the credit card payment.
21 The funds would still be deposited into the county
22 treasury and they would still hold them, as they do, for
23 30 or 35 days, depending on their situation.

24 MS. GARRETT: We had great concern about that.

25 MS. RYAN: And again, as I stated in the

1 opening, there has been a lot of misunderstanding, and
2 unfortunately, I believe that's been the cause of a lot of
3 the frustration, but that has been consistent from day
4 one. And I sat in that meeting so I know that we were
5 trying to be real clear. And if that is the concern about
6 liability, we would certainly understand the concern,
7 however, I believe that there's been no attempt by the
8 agency in any way, shape or form to remove that part.

9 The only piece then, as it was explained
10 earlier, then there will be a time frame where the
11 counties have the ability to stop the approval, otherwise,
12 it then goes and the vendor, Xerox, will then only fulfill
13 which means they then print the label, stuff it in an
14 envelope. So the liability of funds remains. That's kind
15 of where the partnership has stayed, it's always been
16 intended to be that way, and there's been never a
17 suggestion or an intent to remove that in any way, shape
18 or form by this agency.

19 MS. GARRETT: I'm glad you cleared that up
20 because it's not been made clear to the general that that
21 process has not changed as far as how the funds go.

22 But I did note earlier that Jeremiah did say if
23 there was a problem with an internet transaction that
24 customers will be routed immediately back to the state,
25 that there would be no mention of county tax assessors or

1 counties, et cetera, to fix a problem that might have been
2 with the online transaction, which that's not where the
3 money is going so the customer will be confused as well.

4 MS. RYAN: So let me try to clarify exactly
5 because I don't to create any more misunderstanding. So
6 let me try to clarify exactly.

7 MS. GARRETT: I'm going to replay it when I get
8 home.

9 (General laughter.)

10 MS. RYAN: Well, then let me be really sure
11 we're clear where exactly in the discussion are you
12 referring to? Are you sure where she's at?

13 MR. KUNTZ: Yes. One of the concerns that we
14 have heard over and over again from the counties is that
15 they are going to take all of these phone calls and that
16 they're not going to know how to answer the questions that
17 are coming in. Currently today on IVTRS in the header of
18 IVTRS it says: Contact your county if there's any issues.

19 And it directs all questions to the county that if
20 there's a problem in processing that sticker through the
21 online system to contact the county in order to get an
22 answer. What we've heard consistently is that the
23 counties don't want to take those phone calls, that if the
24 vendor is doing the sticker printing and mailing, that
25 they should be contacting us.

1 And so what we have done is we've gone in and
2 the requirements for IVTRS to change the system are to
3 remove those references to contact a county if there is an
4 issue and to instead put the 1-800 number for the DMV so
5 that we can triage those calls and answer any questions if
6 there is a problem with a customer getting the sticker.
7 Now, there's nothing that we can do to stop a customer
8 from calling who they're going to call. If they know who
9 their county offices, it's very possible that they will
10 continue to call anyway. And so that's the reason that
11 we're going to have the tracking system is so that the
12 customers, as well as the counties, can access that record
13 and find out where it is in the process.

14 MS. RYAN: Does that answer your question?

15 MS. GARRETT: It answers my question exactly,
16 and people know that they have sent their money to us.

17 MS. RYAN: And does Jeremiah's question answer,
18 does that help, or is this part of it?

19 MS. GARRETT: This is part of it. None of us
20 do not want to deal with our customers. These are our
21 local folks that we see at the grocery store every day.
22 If one of them has a problem, I think it's a
23 misunderstanding that we don't want to deal with them. We
24 said if there's a problem we're going to get a large
25 volume of calls. So it's not like we would have some

1 extra work, but I don't think any of us ever not want to
2 deal with our customers, the people that keep us elected.

3 And I would appreciate contact DMV or your local county
4 tax office. That's what I would appreciate rather than
5 move us completely off of it. Because eventually, they
6 vote for me, they are going to come see if they can't get
7 it fixed.

8 MS. CARAWAY: And I think, Robin, part of that
9 came up from prior to the conference and the fees going
10 out, the 25 cents and that being referred to as not being
11 enough for all the additional phone calls, and I think
12 that's probably where some of this comes from.

13 MS. GARRETT: We don't ever want to not help
14 our constituents.

15 MS. CARAWAY: I personally would want them to
16 call my office.

17 MS. RYAN: So I wrote that down on our parking
18 lot too. I think that's certainly one that the agency can
19 continue to work with. I think the plan -- I know the
20 plan is to continue to work together to find the areas and
21 streamline and tighten up the areas that benefit everybody
22 and continue to stay close and tweak, so I think that's
23 definitely one that I think we can work through,
24 absolutely.

25 MR. KUNTZ: Be more than happy to work with the

1 association. If the association wants to send that to us
2 stating that.

3 MS. GARRETT: It's on record.

4 MR. KUNTZ: Okay. Then we will make the
5 changes to the system.

6 MS. CARAWAY: And I appreciate Robin clearing
7 up that liability issue because I wasn't even
8 understanding where some of my colleagues were coming
9 from. I guess I understood that the money was coming
10 straight to us.

11 MS. GARRETT: I guarantee there's a large part
12 of the community who understood exactly just like I
13 understood it and that's why I brought it up, because if I
14 need to be corrected, I'm glad to be corrected.

15 MS. RYAN: That's why this process is always a
16 good part of the process. So again, I appreciate you
17 being here and your patience with us. Thank you very
18 much, appreciate it.

19 MS. GARRETT: Thank you.

20 MS. RYAN: Any other questions for Robin?

21 MR. TREVIÑO: No. But I would like to thank
22 you for your service to the State of Texas and all the
23 citizens, and your association as well.

24 MS. GARRETT: Thank you.

25 MS. RYAN: Any other questions?

1 (No response.)

2 MS. RYAN: Thank you so much.

3 Tony Lazzeri.

4 (No response.)

5 MS. RYAN: Okay. And we are done with
6 comments.

7 (General talking and laughter.)

8 MS. RYAN: With that, we will move to agenda
9 2.D.2, Subchapter H, Deputies.

10 MR. BARNWELL: Well, I have a motion I want to
11 make, and I'm making this motion with a great deal of
12 concern and a great deal of weight, and I hope that we'll
13 continue to discuss it and vet this matter, because it's
14 obviously of great import to the DMV and to the people who
15 constitute our stakeholders. So anyway, here's my motion:

16 I move that the board approve the adoption of
17 amendments to Section 217.161, New Sections 217.162,
18 through 217.164, and Sections 217.166 through 217.168, and
19 the withdrawal of Section 217.165 to Chapter 217 regarding
20 Deputies, with any changes to the draft documents
21 presented by the staff necessary to reflect the board's
22 deliberations today, or any technical corrections and
23 revisions approved by the general counsel necessary for
24 compliance with state or federal law, or for acceptance by
25 the secretary of state for filing and publication in the

1 *Texas Register* regarding adoption of rules.

2 MS. RYAN: We have a motion by Member Barnwell.

3 MR. INGRAM: I'll second it.

4 MS. RYAN: And a second by Member Ingram.

5 Discussion?

6 MR. WALKER: Yes. So your proposal is to
7 increase the fee from the \$5 and the \$15 to \$10 and to \$20
8 from the posting that we originally did. Is that correct?
9 With everything else staying the same.

10 MR. BARNWELL: The motion is drafted in
11 accordance with staff's recommendations that we've gone
12 over before.

13 MR. WALKER: And staff's recommendation is no
14 different other than the fact that we're changing the fee
15 structure from \$5 to \$10 on registration and \$15 to \$20 on
16 title processing. Correct?

17 MR. KUNTZ: It also would remove inspection
18 deputies from the rule package and it would change the
19 three party agreement to an addendum to the contract.

20 MR. BARNWELL: And we're also withdrawing --

21 MR. INGRAM: Decrease the bond.

22 MR. WALKER: The bond is in there also?

23 MR. KUNTZ: The bond issue is raised for dealer
24 deputies as well as the compensation for dealer deputies.

25 MR. WALKER: That's a no issue there.

1 I mean, I'm going to go on the line a bit that
2 I'm opposed to increasing the fee. I don't have any
3 problems with any of the other things in there, but I
4 think we posted, we did studies that we came up with hard
5 numbers, I think. I'm absolutely not opposed to these
6 businesses and them being profitable, however, I am
7 concerned about taking and allowing certain people that
8 use deputies to be charged more than what the general
9 public is being charged in other counties. It's almost
10 like we had a knee jerk reaction to increasing the fee
11 because, oh, that's not enough.

12 Well, they came in here today again and said,
13 well, it's still not enough and let's go to \$40. And yet
14 we've looked at financial data and the financial data has
15 told us that we looked at people that are making a profit
16 today at today's level, at the \$5 and the \$10 fee, and
17 we've looked at it that says where it was proposed they
18 were making money, certain people at that, and certain
19 people were not making money, and there's certain people
20 that are not going to make money at \$40 a transaction. So
21 there's all kind of limits out here.

22 We've heard today from Albert saying that all
23 his people need is \$20 and Elfant is saying they need \$40,
24 it's a hard deal to hit, and I think that what Mr. Elfant
25 said is absolutely correct -- no disrespect to the

1 deputies -- I think that technology is eventually going to
2 take and do away with a lot of that because I think you're
3 going to see people going online.

4 MS. RYAN: I think what I heard Albert say was
5 his folks are currently at \$30.

6 MR. TREVIÑO: Staff, could you discuss the
7 timeline for implementing these rules?

8 MR. DUNCAN: The fee implementation would go
9 along with the P&H fee, so it would be in January.
10 There's a lot of programming that goes in with IT, we have
11 to program the RTS, and actually, obviously we're going to
12 be looking into some other issues that we heard about
13 today in terms of programming. The agreements, we had
14 always anticipated January for the agreements. What am I
15 missing? The effective date is not going to be next month
16 or September 1, it's going to be a while. And if you have
17 questions about any particular aspect, I could look at
18 that, but it's mostly January 1 is the effective date.

19 MS. BREWSTER: The effective date for the fees,
20 as well as the addendum contractual language is January 1,
21 which I think are the big ones for our stakeholder groups.

22 However, to what Mr. Duncan indicates, there are
23 effective dates earlier to allow the agency to start some
24 of the programming that is necessary to be able to
25 implement.

1 MR. BARNWELL: Mr. Duncan, just to revisit it
2 for a moment, what's the immediacy mandate, if you will,
3 from the legislature regarding setting fees for deputies?

4 Do we have a mandate? Are we required to do so? And I'm
5 not interested in chapter and verse as much as I'm
6 interested in the summary.

7 MR. DUNCAN: In the bill that was adopted 2741
8 in the 23rd and 2202, the combination, the board by rule
9 shall subscribe the classification, types of deputies
10 performing titling and registration services, the duties
11 and obligations of deputies, the type and amount of any
12 bonds that may be required by a tax assessor-collector for
13 a deputy to perform titling and registration duties, and
14 the fees that may be charged or retained by deputies.
15 That's the statute, it's 520.0071 of the Transportation
16 Code. But it says we shall prescribe by rule the fees
17 that may be charged or retained by deputies.

18 MR. BARNWELL: All right. I just wanted to go
19 back over that again because I want to be on firm ground
20 because I have problems with the deputy fees as much as
21 the deputies do and many on the board do, the staff does.

22 We all have our concerns about the implementation of
23 these fees and how they work. I like a free market and I
24 like no regulation, that's sort of hard to come by these
25 days, and there is a basis to have some reasonable

1 regulation of potential fees to prevent gouging.

2 I'm looking at these deputies out there and it
3 appears to me that competition has enabled them to keep
4 fairly stable charges for a while and I want to say that,
5 assuming the board approves this today, that I want to
6 have the opportunity to look at it again at some point
7 within a reasonable time. That's just my own personal
8 view on that. No requirement to do it next week but
9 sometime within the year. I'd love to get some feedback
10 from people and understand where we are on this, because
11 it's not my intention to hurt the people of Texas or to
12 hurt these private businessmen, and what a balancing act
13 we've been handed.

14 MR. TREVIÑO: And talking about a balancing
15 act, these businesses are going concerns. Would there be
16 any real problems with if this passed delaying this some
17 amount of time, an extra six months or so, to allow them
18 some time to make adjustments to their business model?
19 Does staff have any thoughts on that?

20 MR. KUNTZ: The issue that we have really
21 relates to the compensation as it relates to the
22 registration processing and handling fee. The way that
23 the rules are currently drafted, those two things are very
24 much intertwined with one another and it becomes very
25 difficult to try and break those two issues apart.

1 MR. TREVIÑO: So both of those would have to be
2 linked for this to give them any more time. Is that
3 correct?

4 MR. KUNTZ: Yes, sir.

5 MR. TREVIÑO: And this agency is going to run
6 out of money. Is that correct?

7 MR. KUNTZ: We will have our own fund starting
8 September 1 of this year, 2017 fiscal year.

9 MR. TREVIÑO: When we run out of money.

10 MS. FLORES: Without a processing and handling
11 fee, we're estimating to be in the red probably the last
12 month of the fiscal year in August.

13 MR. TREVIÑO: August of 2017?

14 MS. FLORES: Seventeen.

15 MR. TREVIÑO: That's pretty close giving it an
16 additional six months.

17 MR. KUNTZ: I don't want to speak for the CFO,
18 but I will add something to that. The way that our
19 current appropriation is laid out is that we were handed a
20 \$23 million front load into the account from the
21 automation fees. What we're referring to of being \$4
22 million short by the end of fiscal year is exhausting all
23 of that and it would have downstream impacts on the
24 agency's financial stability in future fiscal years. If
25 it is delayed, because those revenues weren't coming in

1 now, we would have detrimental impacts going downstream
2 from that.

3 MS. RYAN: David, question with regard to the
4 free market comment, I'm going to ask this question in a
5 different way. What services, based on what you've see
6 with the full service deputies and charges and the types
7 of business that's run, does this agency not oversee and
8 regulate that if these rules were passed are they still
9 free to do with whatever they choose?

10 MR. DUNCAN: The best way to define it is by
11 exclusion, not inclusion -- actually, the other way
12 around. So the way we think of it is any work that they
13 do, any transaction that they do, anything that they
14 charge for that doesn't require the use of the agency's
15 system, so if it doesn't require the use of RTS, they
16 don't have to enter it in RTS or the forms -- I mean, you
17 fill out the form and then you go enter it in RTS -- if
18 it's a transaction that they would not be able to do but
19 for the fact that they have direct access to RTS. If
20 there's some transactions where it's beneficial for them
21 to do the work and then take it to the county office
22 rather than do it through RTS, then they're not using RTS
23 for that. But essentially, if it is their access to RTS
24 that enables them to do that transaction, then it's
25 regulated through these rules.

1 MS. RYAN: So if I hear you correctly, and
2 there's been a lot of discussions on free market and a lot
3 of discussions on customer service, that these are
4 independent businesses that a portion of their business
5 has been established because of their access to the RTS
6 system.

7 MR. DUNCAN: Correct.

8 MS. RYAN: And we are only setting fees on that
9 portion of the business that has direct impact and
10 relation, association to the RTS system. And the only fee
11 we are setting is the service directed to that RTS system.

12 Any other revenue that free market business chooses to
13 generate that is not touching or has anything to do with
14 that RTS system transaction, they're free to set and
15 charge whatever fee or activity they choose to charge
16 under that rooftop. Is that correct?

17 MR. DUNCAN: Yes.

18 MS. RYAN: Because that's fairly limiting.
19 Correct? It's a fairly limiting process in that it's just
20 that one piece that we're setting, registration renewal
21 and titles. They do stuff for dealers and customers, but
22 we're not regulating anything else. Right?

23 MR. DUNCAN: Right.

24 MR. BARNWELL: Let me say with respect to the
25 free market thing just quickly that in referring to free

1 market I'm talking about a philosophical approach to
2 governing, I'm not talking about anything specifically
3 here today. But I want to always go back to my basic
4 beliefs and my basic approach to governance. I start out
5 with the least amount of required regulation to allow our
6 citizens to enjoy the freedoms and efficiencies and
7 economies of scale that we can provide them. That's where
8 I want to be. And one of the things that we find today is
9 that legislatures -- not necessarily ours but a lot of
10 them -- a lot of governmental agencies and other things,
11 other entities of that sort are much more concerned with
12 creating regulation than they are with doing anything
13 substantive, anything good for the people. So that was
14 just personal about starting out with the minimum amount
15 of regulation, but that's where I want to be.

16 But I also recognize that there's an
17 appropriate level of regulation for things like this, and
18 these deputies who serve at the behest of the TACs are a
19 unique creature and it's not easy to get a handle on the
20 correct approach here. I just appreciate the staff's hard
21 work in trying to wrestle this steer down to the ground
22 because this thing is pretty hard to get. And I just want
23 to say thank you for doing what you could do to try to get
24 it done. I don't think we're there, frankly, I think it's
25 a work in progress, but I appreciate what you've done.

1 Thank you.

2 MR. INGRAM: I'd just like to tack on that we
3 as a board have made the statement that we're not trying
4 to run these businesses completely out of business, and
5 when you look at the rates that are being proposed, it
6 pretty much encompasses every full service deputy out
7 there except for one. So I think we're hitting a nice
8 soft spot and I think it's definitely something we look at
9 in the future, so I don't necessarily want to say put it
10 away for five years or six years, we can look at it next
11 year. I mean, it just depends on how all of it turns out.

12 We're making a lot of changes at one time. They might
13 not all go exactly as planned; if they don't, then we look
14 at it again anyway. So personally I think that it's a
15 good intermediate solution, and I think that's what Barney
16 was trying to say.

17 MR. BARNWELL: Thank you.

18 MS. RYAN: I like your concept of time. Should
19 this go forward, I think a six-month review, I'd ask the
20 agency to commit to a six-month review, if the board is
21 acceptable, so that we don't ask them to have to come to
22 us.

23 MS. BREWSTER: Absolutely.

24 MS. RYAN: I think we should reach and ask for
25 the same information. I mean, as a stakeholder I think

1 that's our responsibility.

2 MR. WALKER: Six months from implementation or
3 six months from implementation?

4 MS. RYAN: No, no. Implementation, because
5 there's nothing to review six months from today. I mean,
6 I don't know what you all feel, but Barney, I think and
7 Memo, I think that's kind of your intent of the time.
8 Right?

9 MR. BARNWELL: Exactly. And I don't want to
10 get into a constant review of this thing, we're not going
11 to do anything but review this.

12 MS. RYAN: Not to us but the agency.

13 MR. BARNWELL: We should take a look at it at
14 some point in the future, if it's six months then fine, if
15 it's a year then fine, but we should definitely set a time
16 to start a little study, and over a 90-day period of time
17 see where we're at.

18 MS. RYAN: Agreed.

19 MR. TREVIÑO: Well, my comments on time revolve
20 largely around giving the affected parties as much as they
21 possibly can to make the changes that they're going to
22 have to make -- because these are very complicated
23 changes, we all agree to that -- without affecting the
24 operational efficiency of this agency. So that was kind
25 of what I was driving at. If we can buy a month, two

1 months, three months, I think that makes a difference in
2 terms of the ability of these guys to be able to operate
3 going forward. So that was really the question I had is
4 that it's a balancing point. Nobody asked for this, the
5 legislature mandated it, we have to find a way to fund
6 this agency, and this is a very difficult process. And
7 again, I'd like to commend the staff for all the work that
8 they've done and all the help we've gotten from all the
9 other affected parties.

10 But as much time as we can possibly give, I
11 think that's an important thing, if it's a month, if it's
12 two months, if it's three months, but again, we have to
13 fund this agency, we have to make decisions going forward
14 that affect a lot of contracts and everything else,
15 completely understand that. But as much time as possible
16 to implement these decisions I think is the best thing --
17 well, is what we owe the citizens of Texas. So that was
18 really what my comments around time revolve around, Chair
19 Ryan. It's a difficult process and as much time as
20 possible to make the drastic changes that are going to be
21 made across the state.

22 MS. RYAN: Understand.

23 MR. INGRAM: Madam Chair, do we want to take a
24 vote?

25 MS. RYAN: Yes. I was just going to ask if

1 there's any additional discussion. I'll take that as a
2 no. All in favor raise your right hand.

3 (A show of hands: Members Barnwell, Caraway,
4 Ingram, Palacios, Ryan, Treviño.)

5 MS. RYAN: Johnny, are you withholding?

6 MR. WALKER: I didn't raise it.

7 MS. RYAN: I'm just checking, wasn't sure.

8 Members Palacios, Ryan, Caraway, Treviño,
9 Barnwell and Ingram in favor.

10 MS. RYAN: All opposed?

11 (A show of hands: Member Walker.)

12 MS. RYAN: Member Walker.

13 Motion carries. Thank you very much.

14 With that, we will move to item 2.D.3, and
15 2.D.3 is new Subchapter I, which is Fees, 217.181 through
16 217.185. And I think what I would ask quickly before we
17 get into discussion and/or a motion just to quickly give
18 us a quick recap. Whitney, if you would. I have staff's
19 recommendations, but give us a brief recap. I understand
20 it is the TAC compensation and also the agency change in
21 compensation, but real quick if you could give us just a
22 rundown of what this rule package proposes.

23 MS. BREWSTER: Thank you, Madam Chair.

24 The changes that you'll see in this rule
25 package are you'll see a decrease in the processing and

1 handling fee from \$5 to \$4.75, you'll see a discount for
2 the online transactions. Because the overall P&H fee has
3 gone from \$5 to \$4.75, you'll also see the discount for
4 online transactions to be reduced from \$1.25 to \$1. You
5 will also see added in the TAC's ability to reject or
6 decline online registration transactions, that is
7 clarified. And you will also see the TxDMV/TAC revenue
8 split and payment of credit card, ACHP's address for IRP
9 registrations and related transactions. You will see the
10 agency's compensation go from \$2.70 to \$2.45 under staff's
11 recommendations. Those are the differences from the April
12 7 proposal.

13 MS. RYAN: Thank you.

14 MR. WALKER: Can I ask a question before we
15 call for a motion?

16 MS. RYAN: Yes, absolutely.

17 MR. WALKER: So this is the \$10 dealer fee in
18 there, correct, at this time?

19 MS. BREWSTER: No, sir. That was under the
20 deputy rule that was just voted on.

21 MR. WALKER: So we voted on the dealer fee in
22 there?

23 MS. BREWSTER: Yes, sir.

24 MR. KUNTZ: The compensation here would be \$1
25 out of the processing and handling fee for a deputy that

1 is processing a transaction. Whether that be a limited,
2 full or dealer deputy, they would get \$1 out of the
3 registration for their processing of that registration
4 transaction.

5 MR. PALACIOS: Chairwoman Ryan, I'd move that
6 the board approve the adoption of amendments to Sections
7 217.23, .24, .29, .32, .52, .53 and 217.72, repeal of
8 217.31 and new Subchapter 1, Sections 217.181 through
9 217.185 to Chapter 217 regarding Fees, with any changes to
10 draft documents presented by staff necessary to reflect
11 the board's deliberations today, or any technical
12 corrections or revisions approved by general counsel
13 necessary for compliance with state or federal law, or for
14 acceptance by the secretary of state for filing and
15 publication in the *Texas Register* regarding adoption of
16 rules.

17 MS. RYAN: Motion by Vice Chair Palacios. Do
18 we have a second?

19 MR. INGRAM: Second.

20 MS. RYAN: Second by Member Ingram.

21 Discussion?

22 (No response.)

23 MR. INGRAM: Okay, let's vote. Not that I'm in
24 a hurry.

25 MS. RYAN: Call for the question. All in favor

1 raise your right hand.

2 (A show of hands: Members Barnwell, Ingram,
3 Palacios, Ryan, Treviño and Walker.)

4 MS. RYAN: All in favor Members Palacios,
5 Ingram, Ryan, Barnwell, Walker and Treviño.

6 Opposed?

7 (A show of hands: Member Caraway..)

8 MS. RYAN: Member Caraway.

9 The motion carries. Thank you.

10 We will move on to item 2.D.4, New Subchapter
11 J, Performance Quality Recognition Program. If you would,
12 please give us a quick overview on that program, it would
13 be appreciated. I think it was minor, it was just one
14 item recommendation change.

15 MR. KUNTZ: The change is for those
16 recognitions where their recognition was revoked, instead
17 of a TAC having to wait until they're reelected for
18 reapplying, they would be able to reapply the next full
19 fiscal year.

20 MS. RYAN: Okay. Great. Thank you.

21 MS. CARAWAY: Chair, I move that the board
22 approve adoption of new Subchapter J, Sections 217.201
23 through 217.207 to Chapter 217 regarding the Performance
24 Quality Recognition Program, with any changes to the draft
25 documents presented by staff necessary to reflect the

1 board's deliberations today, or any technical corrections
2 and revisions approved by the general counsel necessary
3 for compliance with state or federal law, or for
4 acceptance by the secretary of state for filing and
5 publication in the *Texas Register* regarding adoption of
6 rules.

7 MS. RYAN: Thank you. We have a motion by
8 Member Caraway. And a second?

9 MR. BARNWELL: Second. And I have a comment.

10 MS. RYAN: We have a second by Member Barnwell.

11 MR. BARNWELL: I have a question for Jeremiah.
12 Jeremiah, we're changing the rule or the proposed rule so
13 that instead of waiting until the next election where he
14 was elected again to be reinstated, now it's the start of
15 the next fiscal year. Is there any possibility that that
16 could be longer than the election? In other words, could
17 somebody be elected and then have to wait another eight
18 months, nine months before he could reapply?

19 MR. KUNTZ: The way that we are viewing the
20 recognition program is that the evaluation period would be
21 a fiscal year, and so what this is contemplating is that
22 if recognition is revoked -- in other words, they used to
23 be a gold standard and for some reason, due to some action
24 that the county took, the recognition was taken away from
25 them and they were no longer a gold standard, the next

1 full fiscal year that they are serving they would be able
2 to be reevaluated for recognition to be reinstated at that
3 time. So the issue that you brought up, if it was right
4 at their reelection cycle and they were revoked, they
5 would have to wait until they have served for a full
6 fiscal year for the evaluation to take place on that full
7 fiscal year. That way we have one clean full fiscal year,
8 if you will, to do the evaluation upon.

9 MR. BARNWELL: What is the advantage of this
10 recognition?

11 MR. KUNTZ: The recognition is just that, it is
12 recognizing the tax assessor-collectors for outstanding
13 performance. It would be something that they would get an
14 award for, just like you're seeing here.

15 MR. BARNWELL: So it's essentially meaningless.

16 (General talking and laughter.)

17 MR. KUNTZ: I would not go that far, sir.

18 MR. BARNWELL: I mean it has no economic effect
19 on anybody.

20 MR. KUNTZ: There is not an economic effect.
21 What it will allow the agency to do is put out best
22 practices for those counties to try and meet.

23 MR. BARNWELL: I understand. And the reason
24 that I brought up the election part of it was if there was
25 an economic effect or some other effect that could affect

1 somebody's reelection chances. Because I didn't know what
2 the gold standard really was, and now I do.

3 MR. KUNTZ: There is no economic benefit or
4 cash prize.

5 MR. BARNWELL: Sort of a gold-plated standard.

6 MR. KUNTZ: We're withholding gold-plated.

7 MS. BREWSTER: It depends on what motivates
8 you, Member Barnwell.

9 MR. BARNWELL: Well, the crankiness is wearing
10 off on me. I'm sorry. Thank you. I really didn't
11 understand what that was and I appreciate the
12 clarification.

13 MR. KUNTZ: You're welcome.

14 MS. RYAN: Any other discussion?

15 (No response.)

16 MS. RYAN: All in favor raise your right hand.

17 (A show of hands.)

18 MS. RYAN: Motion carries unanimously. Thank
19 you.

20 Okay. We will move to 2.D.5, Subchapter A,
21 Motor Vehicle Titles, B, Motor Vehicle Registration. I'll
22 entertain discussion or a motion.

23 MR. DUNCAN: Madam Chair, if you'd like, you've
24 been asking us for the changes between proposal and
25 adoption, so I'll go ahead and summarize those for this

1 one just to remind.

2 MS. RYAN: Okay.

3 MR. DUNCAN: The one major change, the one that
4 we highlighted in the presentation was the removal of the
5 even trade limitation. There's a very minor one,
6 Insurance Auto Auctions commented on eliminating
7 limitations on sales by insurance companies and e-Titling
8 and out-of-state documents. It's a very technical one but
9 we agreed with them. They cited a different section of
10 statute that we compared and said, you know, you're right,
11 we should probably clarify that. So I wanted to point out
12 that there was another small change that we made based on
13 a statutory discussion between us and a commenter.

14 MR. INGRAM: Madam Chair, I move that the board
15 approve the adoption of amendments to Chapter 217
16 regarding Motor Vehicle Titles and Motor Vehicle
17 Registration, Non-repairable and Salvage Motor Vehicles,
18 and Motor Vehicle Record Information, with any changes to
19 the draft documents presented by staff necessary to
20 reflect the board's deliberations today, or any technical
21 corrections or revisions approved by the general counsel
22 necessary for compliance with state or federal law, or for
23 acceptance by the secretary of state for filing and
24 publication in the *Texas Register* regarding adoption of
25 rules.

1 MS. RYAN: Motion by Member Ingram. Second?

2 MR. BARNWELL: Second.

3 MS. RYAN: And a second by Member Barnwell.

4 MR. WALKER: How do I get to the concealed
5 handgun comments being used today on this one?

6 MS. RYAN: How do you get to it?

7 MR. WALKER: [INAUDIBLE].

8 MS. RYAN: Put your mic on.

9 MR. WALKER: My literature says this is for the
10 use of concealed handgun licenses as an acceptable form of
11 Ids.

12 MR. KUNTZ: That is one of the provisions that
13 was in the proposed rule that is unchanged between
14 proposal and final adoption. During the last legislative
15 session the statute changed that required a concealed
16 handgun license to be used as a form of identification and
17 we are merely conforming this to statute.

18 MR. DUNCAN: To be frank, we're already doing
19 this. We've instructed our regional offices to accept and
20 we're just making the rule comport with our practice.

21 MR. BARNWELL: Is that any state CHL or just
22 Texas?

23 MR. DUNCAN: Just Texas, because the Texas CHL
24 has your driver's license number.

25 MR. BARNWELL: Oh, okay. But we accept other

1 state's driver's licenses.

2 MR. DUNCAN: But that's a form of ID that's
3 universally accepted.

4 MR. BARNWELL: That's why I asked the question.

5 MR. DUNCAN: The CHL, the statute change that
6 Jeremiah is referring to referred to the provisions of
7 state statute that are the Texas CHL.

8 MR. BARNWELL: Oh, okay.

9 MS. RYAN: Further discussion?

10 (No response.)

11 MS. RYAN: We have a motion and a second. All
12 in favor raise your right hand.

13 (A show of hands.)

14 MS. RYAN: Motion carries unanimously.

15 MR. WALKER: Do we still call it a concealed
16 handgun license now? You can just open carry now.

17 MR. DUNCAN: It's called a license to carry a
18 concealed handgun.

19 MR. WALKER: It's called a license to carry
20 now.

21 MR. DUNCAN: Or a license to carry openly.

22 MS. RYAN: With that, I will move to item 5.

23 MR. WALKER: I move that we adjourn.

24 MS. RYAN: We have a motion from Member Walker
25 to adjourn. I will take a second.

1 MS. CARAWAY: Second.

2 MS. RYAN: Second from Member Caraway. All in
3 favor raise your right hand.

4 (A show of hands.)

5 MS. RYAN: Motion carries unanimously. Thank
6 you everybody for being here. We appreciate your
7 patience.

8 (Whereupon, at 3:23 p.m., the meeting was
9 adjourned.)

C E R T I F I C A T E

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3 MEETING OF: TxDMV Board
4 LOCATION: Austin, Texas
5 DATE: June 27, 2016

6 I do hereby certify that the foregoing pages,
7 numbers 1 through 247, inclusive, are the true, accurate,
8 and complete transcript prepared from the verbal recording
9 made by electronic recording by Nancy H. King before the
10 Texas Department of Motor Vehicles.
11
12
13
14
15

16 /s/ Nancy H. King 7/8/2016
17 (Transcriber) (Date)
18

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23