

**Board Meeting Agenda
Book
Volume 1**



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

August 17, 2017

Full Board Meeting, 8:00 a. m.

**AGENDA
BOARD MEETING
TEXAS DEPARTMENT OF MOTOR VEHICLES
4000 JACKSON AVE., BUILDING 1, LONE STAR ROOM
AUSTIN, TEXAS 78731
THURSDAY, AUGUST 17, 2017
8:00 A.M.**

All agenda items are subject to possible discussion, questions, consideration, and action by the Board of the Texas Department of Motor Vehicles (Board). Agenda item numbers are assigned for ease of reference only and do not necessarily reflect the order of their consideration by the Board. Presentations may be made by the identified staff or Board member or other staff as needed. The Board reserves the right to discuss any items in executive session where authorized by the Open Meetings Act.

PAGE**1. Roll Call and Establishment of Quorum****2. Chair's Reports** - Chairman Raymond Palacios
100 Year Plate**3. Executive Director's Reports** - Whitney Brewster
Awards, Recognition of Years of Service, and Announcements**BRIEFINGS AND ACTION ITEMS****4. Approval of Minutes from the July 6, 2017 Special Board Meeting** – David Duncan**CONTESTED CASES****5. Franchised Dealer's Complaint against Distributor under Occupations Code, §§2301.467, 2301.468, and 2301.478** - Daniel Avitia and Michelle Lingo
MVD Docket No. 14-0006.LIC; SOAH Docket No. 608-14-1208.LIC
*New World Car Nissan, Inc., d/b/a World Car Hyundai, World Car Nissan; and New World Car Imports San Antonio, Inc., d/b/a World Car Hyundai, Complainants v. Hyundai Motor America, Respondent***6. Franchised Dealer's Protest of Manufacturer's Notice of Termination** - Daniel Avitia and Michelle Lingo
MVD Docket No. 15-0015.LIC; SOAH Docket No. 608-15-4315.LIC
*Cecil Atkission Orange, LLC, d/b/a Cecil Atkission Chrysler Jeep Dodge, Complainant v. FCA US, LLC, Respondent***7. Specialty Plate Design** – Tim Thompson
Purdue University (Vendor Plate Redesign)

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RULES - PROPOSAL

Title 43, Texas Administrative Code

8. Chapter 217, Vehicle Titles and Registration

- [Amendments, §§217.3, 217.4, 217.82, and 217.84](#) - Clint Thompson
- [Amendments, §217.45 and §217.182](#) - Tim Thompson
- [Amendments, §217.123 and §217.124](#) - Tim Thompson

9. Chapter 219, Oversize and Overweight Vehicles and Loads - Jimmy Archer

New, §219.34, North Texas Intermodal Permit

New, §219.35, Fluid Milk Transport Permit

New, §219.36, Intermodal Shipping Container Port Permit

10. Finance & Audit Committee Update - Committee Chair Caraway

A. Consideration of Committee Recommendation Regarding the:

1. [FY 2018 Interagency Agreement between TxDOT and TxDMV](#) - Whitney Brewster
2. [FY 2018 Recommended Operating Budget](#) - Linda M. Flores and Renita Bankhead
3. [FY 2018 Internal Audit Plan](#) - Sandra Menjivar-Suddeath

B. Briefing Items

1. [FY 2017 Quarterly Financial Report](#) - Linda M. Flores and Renita Bankhead
2. [TxDMV Fund Update](#) - Linda M. Flores and Renita Bankhead
3. [Facilities Update](#) - Linda M. Flores and Ann Pierce
4. [Internal Audit Division Status Report](#) - Sandra Menjivar-Suddeath

11. Staff Review of County and Deputy Compensation - Linda M. Flores
(BRIEFING ONLY)

12. Legislative and Public Affairs - Caroline Love (BRIEFING ONLY)

A. 85th Legislative Implementation

B. Updates from the 85th Legislature - First Called Session

13. Projects and Operations - Judy Sandberg (BRIEFING ONLY)
Enterprise Projects Update

EXECUTIVE SESSION

14. The Board may enter into closed session under one or more of the following provisions of the Texas Open Meetings Act, Government Code, Chapter 551:

- **Section 551.071** - Consultation with and advice from legal counsel regarding:
 - pending or contemplated litigation, or a settlement offer;
 - a matter in which the duty of the attorney to the government body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Government Code, Chapter 551; or
 - any item on this agenda.
- **Section 551.074** - Personnel matters.
 - Discussion relating to the appointment, employment, evaluation, reassignment, duties, discipline, and dismissal of personnel.
- **Section 551.076** - Security devices or security audits:
 - the deployment, or specific occasions for implementation, of security personnel or devices; or
 - a security audit.

15. Action Items from Executive Session

16. Public Comment

17. Adjournment

The Board will allow an open comment period to receive public comment on any agenda item or other matter that is under the jurisdiction of the Board. No action will be taken on matters that are not part of the agenda for the meeting. For subjects that are not otherwise part of the agenda for the meeting, Board members may respond in accordance with Government Code, Section 551.042 and consider the feasibility of placing the matter on the agenda for a future meeting.

Agenda items may be presented by the named presenters or other TxDMV staff.

Pursuant to Sections 30.06 and 30.07, Penal Code (trespass by license holder with a concealed or openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun or a handgun that is carried openly.

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Any individual with a disability who plans to attend this meeting and requires auxiliary aids or services should notify the department as far in advance as possible, but no less than two days in advance, so that appropriate arrangements can be made. Contact Stacy Steenken by telephone at (512) 302-2380.

I certify that I have reviewed this document and that it conforms to all applicable Texas Register filing requirements.

CERTIFYING OFFICIAL: David D. Duncan, General Counsel, (512) 465-5665.



Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

DATE: August 17, 2017

Action Requested: Briefing

To: Texas Department of Motor Vehicles Board (TxDMV)
From: Raymond Palacios
Agenda Item: 2
Subject: Chair's Reports - 100 Year Plate

PURPOSE AND EXECUTIVE SUMMARY

This report will highlight the history of 100 years of license plates in Texas as well as the availability of a specialty 100 Year Plate available to Texas motorists starting September 1, 2017. The report will include an announcement of a reception honoring license plates at 2:00 PM on Thursday, August 17 in the Lone Star Room.

FINANCIAL IMPACT

None.

BACKGROUND AND DISCUSSION

This report helps to promote the work of the department throughout the years as well as the availability of the specialty license plate. A press release will be issued the afternoon of Thursday, August 17 celebrating 100 years of license plates in Texas as well as detailing the availability of the specialty 100 Year Plate to the public.





DATE: August 17, 2017

Action Requested: Briefing

To: Texas Department of Motor Vehicles Board (TxDMV)
From: Whitney Brewster, Executive Director
Agenda Item: 3
Subject: Executive Director's Reports – Recognition of Years of Service

RECOMMENDATION

Board Chair and Members offer congratulations to employees receiving recognition for an award, reaching a state service milestone, or retirement.

PURPOSE AND EXECUTIVE SUMMARY

- Lance D. Thomas Achievement Award - Robert Foster, Investigator in Vehicle Titles and Registration's Title Services, was awarded the Lance D. Thomas Achievement Award at the National Odometer and Title Fraud Enforcement Association's Conference in North Carolina on June 7th. This is the association's most prestigious award and recognizes members for noteworthy achievements in odometer and vehicle fraud cases.
- Outstanding Information Technology Service and Support Award – Dave Childers, Manager in the Information Technology Services Division, received the Outstanding Information Technology Service and Support Award at the Texas Digital Government Summit on June 8, 2017. Dave received this award based on his leadership with the Registration and Title System Refactoring Project and for his work on the Single Sticker and Centralized Sticker Printing projects.
- Application Migration and Server Infrastructure Transformation (AMSIT) Project – Recognition of TxDMV staff who ensured a successful migration of the AMSIT login security for eTAG and webDEALER applications over the weekend of July 21, 2017. These staff provided excellent customer support and assistance during the migration. Employees in the Enterprise Project Management Office (EPMO), Information Technology Services Division (ITSD), Consumer Relations Division (CRD), and Motor Vehicle Division (MVD) were instrumental in this successful login security migration which is a big step toward bringing TxDMV closer to completing the AMSIT project and technology separation from the Texas Department of Transportation.
- State Service and Retirements - Beginning November 3, 2016, the Executive Director will announce the name of individuals who retired from the agency and will recognize employees who have reached a state service milestone of 20 years and every five-year increment thereafter. Recognition at the August 17, 2017 Board meeting for retirements and state service awards include:

Michal Barrada in the Information Technology Services Division reached 20 years of state service.
Sylvia Cantu in the Vehicle Titles and Registration Division reached 20 years of state service.

Finally, the following individuals recently retired from the agency:



Texas Department of Motor Vehicles

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Stephanie Early – Enforcement Division

Reney Clayton – Vehicle Titles and Registration Division

Phil Pettit – Enforcement Division will receive recognition for his retirement and 36 years of state service

**Minutes of July 6, 2017 Special Board
Meeting Texas Department of Motor Vehicles**

Chairman Palacios opened the meeting at 8:14 a.m.

[The meeting was held by videoconference call, as authorized under Section 551.127 of the Government Code. Board Member Walker participated by a live remote broadcast from Houston and Board Members Caraway, Graham, Painter, and Palacios were present in person in Austin at the Department's headquarters office, located at 4000 Jackson Ave., Bldg. 1, Lone Star Conference Room. The Austin location was open and available to the public.]

Agenda Item 1, Roll Call and Establishment of Quorum

Present:

Palacios

Caraway

Graham

Painter

Walker

Absent:

Barnwell

Hardy

Ingram

Trevino

A quorum was present.

There were no comment sheets from the public.

Agenda Item 2, Consideration and Action: 100 Year Plate

Mr. Jeremiah Kuntz, Director of Vehicles Titles and Registration division provided a brief history of Texas license plates. Currently there are 420 specialty plates. He provided a description of the 100 year plate design. Member Walker asked if the plate would be fulfilled by MyPlates? Mr. Kuntz explained that the plate is not a MyPlates specialty plate but that it is sponsored by TxDMV. Member Walker asked how the plates would be promoted and how the public know since it would not be listed on the MyPlates website? Mr. Kuntz explained that TxDMV would issue a press release and that the public would be able to view it on the agency website. The agency has a webpage that is dedicated to specialty plates. The 100 year plate would be a limited offering from September 1, 2017 to August 31, 2018. Member Painter made a motion to approve the plate. Member Caraway seconded. All members voted yes unanimously to approve the plate.

Agenda Item 3, Adjournment

Motion by Graham, seconded by Painter, all approved unanimously. The meeting was adjourned at 8:24 a.m.



Date: August 17, 2017 Action Requested

ISSUE ORDER ON REHEARING

To: Texas Department of Motor Vehicles (TxDMV) Board
From: Daniel Avitia, Director, Motor Vehicle Division
Agenda Item: 5
Subject: Order on Rehearing regarding Dealerships' complaint against Distributor under Texas Occupations Code §§2301.467, 2301.468, and 2301.478.

New World Car Nissan, Inc. d/b/a World Car Hyundai, World Car Nissan; and New World Car Imports San Antonio, Inc., d/b/a World Car Hyundai, Complainants v. Hyundai Motor America, Respondent; MVD Docket No. 14-0006 LIC; SOAH Docket No. 608-14-1208.LIC

PURPOSE AND EXECUTIVE SUMMARY ON REHEARING

The State Office of Administrative Hearings (SOAH) issued the attached Proposal for Decision (PFD) for consideration by the Texas Department of Motor Vehicles Board. On November 3, 2016, the Board considered this matter and issued the attached Board Order.

Having considered Respondent's Motion for Rehearing (MFR) and Complainant's Response to the MFR, the Board granted the MFR and issued the attached Order on February 4, 2017. The Board's consideration of the contested case matter is now the subject of this rehearing.

FINANCIAL IMPACT

None to TxDMV

BACKGROUND AND DISCUSSION

On November 20, 2013, New World Car Nissan, Inc. d/b/a World Car Hyundai and New World Car Imports San Antonio, Inc. d/b/a World Car Hyundai (together, World Car) filed a complaint against Hyundai Motor America (Hyundai). World Car complained that Hyundai discriminates against World Car, uses disparate treatment against World Car, does not supply cars requested by World Car, and requires unreasonable sales standards of World Car. World Car complained that Hyundai violated Texas Occupations Code §§2301.467, §2301.468, and §2301.478.

The Motor Vehicle Division (MVD) referred the contested case matter to SOAH on December 6, 2013. The ALJ conducted the hearing on the merits on September 21 through 25, 2015; closed the administrative record on January 11, 2016; and issued the proposal for decision (PFD) on March 10, 2016.

The ALJ found that World Car failed to meet its burden of proof to show that any of Hyundai's programs violate the Occupations Code. The ALJ recommended that World Car's complaints be denied. The parties filed exceptions to the PFD and replies to the exceptions. On May 31, 2016, the ALJ issued an exceptions letter, providing that—after having reviewed the exceptions and reply pleadings—the ALJ was making no changes to the March 10, 2016, PFD. SOAH returned this contested case matter to the TxDMV, giving the Board has jurisdiction to consider the contested case and to enter a final Order.

The Board considered the matter and on November 3, 2016, ordered the ALJ's decision be overturned and the ALJ erred in interpretation of Occupations Code §2301.468.

On December 6, 2016, Hyundai filed a MFR. Hyundai asserted that the Board should vacate its November 3, 2016, final Order and enter a new final Order following the recommendations of the ALJ or—in the alternative – should identify the findings of fact (FOFs) and conclusions of law (COLs) upon which the Order is based and explain the reason for rejecting the ALJ’s FOFs and COLs, including how the ALJ misinterpreted Occupations Code §2301.468.

Hyundai argued that:

- The Board improperly acted as the ALJ;
- The Board’s decision amounts to improper *ad hoc* rulemaking;
- The Board erred by failing to identify the FOFs and COLs that are the basis of its Order, as required by the Administrative Procedure Act and Occupations Code §2301.711.
- The Board failed to explain its rejection of the ALJ’s FOFs and COLs as required by the Administrative Procedure Act under Government Code §2001.058(e);
- The Board failed to explain how the ALJ erred in interpreting Occupations Code §2301.468, as the Board is required to do by the Administrative Procedure Code;
- There is no basis for overturning the ALJ, based on misinterpretation of Occupations Code §2301.468.
- World Car pled a claim under the inapplicable 2001 version of Occupations Code §2301.468, but not the applicable 2003 version.
- World Car has no viable claim under Occupations Code §2301.468 (2003), even if World Car had pled claims under the correct version of the statute.
- The Board’s final Order is not supported by substantial evidence.

On December 19, 2016, World Car filed a Reply to Hyundai’s MFR. World car asserted that the Board should not reverse itself, but should uphold the Board’s November 3, 2106, decision or should adopt the order proposed by World Car in May 2016. World Car argued that:

- Hyundai’s arguments present no reason for the Board to reverse itself or reconsider its decision;
- The Board did not improperly act as the ALJ;
- The Board’s decision is supported by substantial evidence because there was a reasonable basis for the Board’s decision in the record.
- The Board has authority to decide how the Occupations Code should be applied to the facts;
- The Board may reject the ALJ’s recommendations if the ALJ misinterpreted or misapplied the law.
- The Board did not act improperly , usurp the role of the ALJ, exceeds its authority , or engage in *ad hoc* rulemaking;
- The Board Order is sufficient and complies with the Administrative Procedure Act, Government Code §2301.058(e) because it contains the reason and basis for the Board’s rejection of the ALJ’s recommendation.

By Order dated February 4, 2017, the Board granted rehearing of the contested case, based on Hyundai’s MFR and World Car’s Reply to Hyundai’s MFR.

The issue presented on rehearing is whether World Car established that Hyundai’s actions or programs violate the Texas Occupations Code.

- If World Car established – by a preponderance of the evidence—that Hyundai’s actions violated the Occupations Code, then the Board may modify its November 2016 Order to clarify its decision for compliance with the requirements of the Administrative Procedure Act, specifically Government Code §2301.058(e).
- If World Car did not establish—by a preponderance of the evidence-- that Hyundai’s actions violated the Occupations Code, then the Board may adopt the ALJ’s findings of fact and conclusions of law.

As the Complainant, World Car has the burden of proof to establish—by a preponderance of the evidence¹—that Hyundai violated:

- Occ. Code §2301.467(a)(1), by requiring adherence to unreasonable sales or service standards;
- Occ. Code §2301.468(1), by directly or indirectly discriminating against a franchised dealer or otherwise treating franchised dealers differently as a result of a formula or other computation or process intended to gauge the performance of a dealership;
- Occ. Code §2301.468(2), by discriminating unreasonably between or among franchisees in the sale of a motor vehicle owned by the manufacturer or distributor; or
- Occ. Code §2301.478(b), by failing its duty of good faith and fair dealing owed to its franchisee.

Board Authority: The Board has authority over these parties and the decision in this contested case matter in accordance with Texas Occupations Code Chapter 2301, specifically §2301.151. The Administrative Procedure Act, Government Code §2001.058(e), allows an agency to vacate or modify an order proposed by the ALJ only if the ALJ:

- (1) misapplied or misinterpreted applicable law, agency rules, or prior agency decisions;
- (2) relied on a prior agency decision that is incorrect or should be changed; or
- (3) made a technical error in a finding of fact.

The agency must state in writing the **specific reason** and **legal basis** for a change made to a finding or fact or conclusion of law.

Board's Options on Rehearing:

The Board has granted rehearing; therefore, the Board may consider the contested case matter again and:

1. Clarify its November 3, 2016, Order by providing the **specific reason** and **legal basis** for a change made to each finding of fact or a conclusion of law;
2. Reverse its November 3, 2016, decision and adopt the ALJ's FOFs and COLs;
3. Render a new decision, adopting the ALJ's FOFs and COLs in part and providing the **specific reason** and **legal basis** for a change made to each finding of fact or a conclusion of law; or
4. Some combination of these options.

SOAH ALJ's Recommendation: The SOAH ALJ found that World Car (dealership) failed to meet its burden of proof to show that Hyundai violated the Occupations Code. The ALJ recommended the Board deny World Car's complaint.

Documents: The following documents are attached to this Executive Summary for consideration by the Board:

- | | |
|--|------------|
| 1. SOAH ALJ's Proposal for Decision | 03/10/2016 |
| 2. World Car's Exceptions to Proposal for Decision | 04/08/2016 |
| 3. Hyundai's Reply to World Car's Exceptions to Proposal for Decision | 05/09/2016 |
| 4. World Car's Reply in Support of Exceptions to Proposal for Decision | 05/18/2016 |
| 5. SOAH ALJ's Exceptions Letter | 05/31/2016 |
| 6. Board's Order (from November 3, 2016, open meeting deliberations) | 11/03/2016 |
| 7. Hyundai's MFR (& Exhibits) | 12/6/2016 |
| 8. World Car's Reply to Hyundai's MFR (& Exhibits) | 12/19/2016 |
| 9. Board's Decision and Order Granting Rehearing & Transmittal Letter | 02/04/2017 |

¹ Black's Law Dictionary defines "preponderance of the evidence" to mean the greater weight of the evidence; superior evidentiary weight that, though not sufficient to free the mind wholly from all reasonable doubt, is still sufficient to include a fair and impartial mind to one side of the issue rather than the other. This is the burden of proof in a civil trial, in which the jury is instructed to find for the party that, on the whole, has the stronger evidence, however slight the edge may be. Also termed preponderance of proof or balance of probability.

**REFER TO SEPARATE DOCUMENT
TXDMV BOARD BRIEFING NOTEBOOK
VOLUME 2**

**ALL RESPONSIVE MATERIAL FOR
AGENDA ITEM # 5**

**Franchised Dealer's Complaint against Distributor under Occupations Code,
§§2301.467, 2301.468, and 2301.478**

[MVD Docket No. 14-0006.LIC](#); [SOAH Docket No. 608-14-1208.LIC](#)

*New World Car Nissan, Inc., d/b/a World Car Hyundai, World Car Nissan;
and New World Car Imports San Antonio, Inc., d/b/a World Car Hyundai,
Complainants v. Hyundai Motor America, Respondent*



DATE: August 17, 2017

ACTION REQUESTED: ISSUE ORDER AFTER REMAND

To: Texas Department of Motor Vehicles (TxDMV) Board
From: Daniel Avitia, Director, Motor Vehicle Division
Agenda Item: 6
Subject: Dealerships' Protest against Manufacturer's Proposed Termination:
Cecil Atkission Orange, LLC d/b/a Cecil Atkission Chrysler Jeep Dodge, Complainant v. FCA US, LLC, Respondent;
MVD Docket No. 15-0015 LIC; SOAH Docket No. 608-15-4315.LIC

PURPOSE AND EXECUTIVE SUMMARY

The State Office of Administrative Hearings (SOAH) issued the attached Proposal for Decision (PFD) and Supplemental PFD Following Remand for consideration by the Board of the Texas Department of Motor Vehicles.

FINANCIAL IMPACT

None

BACKGROUND AND DISCUSSION

On December 19, 2014, FCA US, LLC (FCA) provided notice to Cecil Atkission, Orange, LLC d/b/a Cecil Atkission Chrysler Jeep Dodge (Atkission) of its decision to terminate the franchise.

The Motor Vehicle Division (MVD) referred the contested case matter to SOAH on June 15, 2015. The administrative law judges (ALJs) conducted the hearing on the merits February 8 through 12, 2016; closed the administrative record April 18, 2016; and issued the PFD on June 17, 2016.

The ALJs found that FCA established good cause for the termination of the franchise and recommended that the Board approve the franchise termination. Atkission filed Exceptions to the PFD. The Texas Automobile Dealers Association (TADA) filed an *amicus curiae* brief. FCA filed a Reply in response to Atkission's Exceptions.

On August 10, 2016, the ALJs issued an exceptions letter, providing that the ALJs were making no changes to the PFD and determining that TADA filed its *amicus curiae* brief timely. SOAH returned this contested case matter to the TxDMV. The Board had jurisdiction to consider the contested case during its January 5, 2017, open meeting, when the Board remanded the matter to SOAH to further clarify (A) the legal status of the dealer's financial contributions to the business and (B) how the money does--or does not--support the manufacturer's proposed termination under the manufacturer's December 19, 2014 termination letter.

On March 27, 2017, the ALJs issued a Supplement to the Proposal for Decision following Remand (Supplemental PFD). The Supplemental PFD reviewed the earlier findings and further explained the ALJs findings as to the legal status of the dealer's financial contributions to the business. Atkission filed Exceptions on April 7, 2017, and FCA filed Replies to the Exceptions on April 21, 2017. On April 21, 2017, the ALJs struck new testimony and did not admit new testimony into the evidentiary record. On May 16, 2017, the ALJs issued their Exceptions Letter to the PFD and the Supplemental PFD. On May 17, 2017, the ALJs confirmed that jurisdiction over this contested case matter was returned to the Board of the TxDMV.

The issue presented in this case is whether FCA established—by a preponderance of the evidence¹—that there is good cause for termination of its franchise with Atkission, in accordance with Texas Occupations Code §2301.455.

¹ Tex. Occ. Code §2301.453(g) requires the Board to determine whether the party seeking the termination has established by a preponderance of the evidence that there is good cause for the proposed termination. Black's Law Dictionary defines "preponderance of the evidence" to mean the greater weight of the evidence; superior evidentiary weight that, though not sufficient to free the mind wholly from all reasonable doubt, is still sufficient to include a fair and impartial mind to one side of the issue rather than the other. This is the burden of proof in a civil trial, in which the jury is instructed to find for the party that, on the whole, has the stronger evidence, however slight the edge may be.

In determining whether FCA demonstrated good cause for termination, the Board shall consider all existing circumstances, including the following statutory factors. For the Board's convenience and consideration, the ALJs findings are summarized in the table, followed by more detailed summaries of each of the required factors. Text in blue font is relevant to information from the Supplemental PFD.

ISSUE	LOCATION OF THIS DISCUSSION POINT	ALJs FOUND IN FAVOR OF:
FACTOR 1: Dealer's sales in relation to the sales in the market	(PFD pp. 14 – 22) (Supp. PFD p.3)	FCA
FACTOR 2: Dealer's investment and obligations	(PFD pp 23 – 29) (Supp. PFD p.3&7)	FCA
FACTOR 3: Injury or benefit to the public	(PFD pp 29 – 32) (Supp. PFD p. 3)	FCA
FACTOR 4: Adequacy of the dealer's service facilities, equipment, parts, and personnel in relation to those of other dealers of new motor vehicles of the same line-make	(PFD pp 32 –33) (Supp. PFD p. 4)	FCA
FACTOR 5: Whether warranties are being honored by the dealer	(PFD pp 33 –36) (Supp. PFD p. 4)	Neutral
FACTOR 6: Parties' compliance with the franchise, except to the extent that the franchise conflicts with Occupations Code Chapter 2301. The ALJs found Atkission violated its franchise agreement in 8 of 9 ways:	(PFD pp 37-64) (Supp. PFD p. 4-6)	FCA
6.1. Atkission breached its sales performance obligations	(PFD pp. 37-44) (Supp. PFD p. 4)	FCA
6.2. Atkission's warranty obligations	(PFD pp. 44-45) (Supp. PFD p. 4)	Neutral
6.3. Atkission breached its management obligations	(PFD pp. 45-47) (Supp. PFD p. 4)	FCA
6.4. Atkission breached its personnel obligations	(PFD pp. 47-50) (Supp. PFD p. 5)	FCA
6.5. Atkission breached its facility obligations	(PFD pp. 50-52) (Supp. PFD p. 5)	FCA
6.6. Atkission breached its place of business obligations	(PFD pp. 52-54) (Supp. PFD p. 5)	FCA
6.7. Atkission breached its advertising obligations	(PFD pp. 54-55) (Supp. PFD p. 5)	FCA
6.8. Atkission breached its signage obligations	(PFD pp. 56-59) (Supp. PFD p. 5)	FCA
6.9 Atkission breached its working capital and net worth obligations	(PFD pp. 59-63) (Supp. PFD p. 5)	FCA
FACTOR 7: Enforceability of the franchise from a public policy standpoint, including issues of the reasonableness of the franchise's terms, oppression, adhesion, and the parties' relative bargaining power	(PFD pp 64)	FCA
Whether the desire for market penetration is the sole basis for termination	(PFD pp 64-65) (Supp. PFD p.11)	FCA (Not the sole basis)

1. **FACTOR 1: Dealer's Sales in Relation to the Sales in the Market** (PFD pp 14 – 22)

The ALJs decided this factor in favor of FCA. After consideration of the evidence and arguments presented by the parties at the hearing, the ALJs found that FCA established that Atkission has poor sales in relation to the market, a factor that supports termination.

2. **FACTOR 2: Dealer's Investment and Obligations** (PFD pp 23 – 29)

The ALJs decided this factor in favor of FCA. After consideration of the evidence and arguments presented by the parties at the hearing, the ALJs found that Atkission's investment is minimal, to the point of being inadequate to properly operate the business. The ALJs also found that Atkission's dealership obligations are equally minimal.

3. **FACTOR 3: Injury or Benefit to the Public** (PFD pp 29 – 32)

The ALJs decided this factor weighs heavily in favor of FCA. After consideration of the evidence and arguments presented by the parties at the hearing, the ALJs found that the termination of FCA's franchise with Atkission will have a positive impact on the public, because the majority of Chrysler customers are already driving 20-40 miles to avoid Atkission and because there are few employees who are not already shared with Atkission Toyota. These persons would likely become employees at the Toyota dealership. The ALJs also found that if a new Chrysler dealership is established, additional jobs will be created.

4. **FACTOR 4: Adequacy of the Dealer's Service Facilities, Equipment, Parts, and Personnel in Relation to those of Other Dealers of New Motor Vehicles of the Same Line-Make** (PFD pp 32 –33)

With regard to the adequacy of Atkission's **service facilities**, the ALJs decided the factor in favor of FCA. After consideration of the evidence and arguments presented by the parties at the hearing, the ALJs pointed to Atkission's testimony, admitting its facility is in poor condition, is not conducive to a successful business, is an eye-sore, and is not comparable to surrounding dealer's facilities. Atkission has no plans to improve this facility. Atkission has not maintained a viable general manager, sales staff, or other dealership personnel. The ALJs found the evidence to support termination of FCA's franchise with the dealership.

With regard to the adequacy of Atkission's **equipment or parts** in relation to those of other Chrysler dealers, the ALJs observed that neither party offered evidence. The ALJs found the factor to have a neutral impact on the god cause determination. The ALJs found that the adequacy of Atkission service facilities, equipment, parts, and personnel is a factor that weighs slightly in favor of termination.

5. **FACTOR 5: Whether Warranties are Being Honored by the Dealer** (PFD pp 33 –36)

The ALJs decided that this factor neither supports nor weighs against termination. After consideration of the evidence and arguments presented by the parties at the hearing, the ALJs noted that FCA never asserted that it desired to terminate the dealership due to warranty issues.

6. **FACTOR 6: Parties' Compliance with the Franchise, Except to the Extent that the Franchise Conflicts with Occupations Code Chapter 2301** (PFD pp 37-64)

After consideration of the evidence and arguments presented by the parties at the hearing, the ALJs decided that this factor supports FCA's termination of its franchise with Atkission.

6.1. The ALJs found that Atkission's **breach of sales performance obligations** favors FCA's termination of Atkission's franchise. The ALJs found Atkission to have a remarkably poor Minimum Sales Responsibility (MSR) achievement rate, the dealership ranks as the very worst performing FCA dealership in Texas, and the evidence does not demonstrate the poor sales performance was caused by *force majeure* (i.e., reconstruction on Interstate-10).

6.2. The ALJs considered whether Atkission had **breached warranty obligations** and found that the evidence neither supports nor weighs against FCA's termination of Atkission.

6.3. The ALJs found that Atkission's **breach of management obligations** favors FCA's termination of its franchise with Atkission. The ALJs found that Mr. Atkission failed to comply with his contractual obligation to manage the dealership and failed to comply with the 50% dealership presence requirement.

- 6.4. The ALJs found that Atkission's ***breach of personnel obligations*** favors FCA's termination of its franchise with Atkission. The ALJs found that Atkission contractually committed itself to employ a sufficient number of employees at its current location and that *force majeure* is not applicable in this contested case. The ALJs discussed that Atkission had five general managers since early 2012, resulting in a new sales manager and staff changes with each new general manager. The ALJs also considered the number of Atkission's employees who are also employees of Atkission Toyota, including the office manager, the finance and insurance employee, two office workers, an accounting department, and a comptroller.
- 6.5. The ALJs found that Atkission ***breached its facility obligations*** in the Dealer Agreements, thereby favoring FCA's termination of its franchise with Atkission. Mr. Atkission admitted that the facilities are in very poor repair, very outdated, not up to his standards, are very old, not laid out very well, are not very good, and do not compare favorably with other Chrysler dealerships or other dealerships in Orange, Texas.
- FCA's witnesses testified that the facilities are woefully inadequate, outdated, improperly branded, improperly maintained, do not meet FCA's current design standards or signage requirements, and almost appear to be abandoned. The ALJs again found that *force majeure* is not applicable in this case.
- The ALJs findings are based on Atkission's contractual commitments to operate in facilities that are relatively equivalent in their attractiveness, level of maintenance, and overall appearance to those of its competitors and contractually bound itself to the *current* location.
- 6.6. The ALJs found that Atkission's ***breach of business obligations*** favors FCA's termination of its franchise with Atkission. The ALJs found that FCA proved repeated violations of the place-of-business obligation in the Dealer Agreements, noting that the Chrysler brand is harmed when a Chrysler customer is made to travel to the facilities of another brand (i.e., to Atkission Toyota) to complete the transaction on Atkission's Chrysler products.
- 6.7. The ALJs found that Atkission's ***breach of advertising obligations*** favors FCA's termination of its franchise with Atkission. The ALJs found the evidence established that Atkission has not complied with its contractual obligation to promote FCA products and services vigorously and aggressively. The ALJs noted that Atkission does not devote vigorous effort to advertising, has not filled its advertising manager position, does not spend a fixed amount on advertising, and had not rented any of the available billboards near the dealership.
- 6.8. The ALJs found that Atkission's ***breach of signage obligations*** strongly supports FCA's termination of its franchise with Atkission. The dealership's inaction--since 2008--to repair the main pole-sign revealed a remarkable passivity and apathy by Atkission about its own dealership affairs. Atkission never repaired the main pole-sign that was damaged by Hurricane Ike in September 2008. Instead, Atkission placed a plastic bag over the sign with the dealership's name and brands printed on the bag.
- The ALJs noted that the dealer agreement requires Atkission to display and maintain signs, fascia, and other signage in compliance with FCA's policies and guidelines. On April 9, 2013, Mr. Atkission obligated Atkission to purchase FCA's current Millennium Signage; however, the dealership did not comply with the requirement and the dealership never installed the Millennium Signage. Mr. Atkission testified that he never intended to install the signage at the current dealership location.
- 6.9. The ALJs found that Atkission ***breached its working capital and net worth obligations*** in the Dealer Agreements and this factor favors FCA's termination of its franchise with Atkission. The ALJs found Atkission's financial statements to show the dealership's net worth has been a steadily growing negative number, Atkission has lost money every year since 2010, Atkission has not maintained working capital and net worth, and that Atkission's proposal is unreasonable. To show sufficient constructive working capital and constructive net worth throughout the dealership's existence, Atkission proposed to merely reclassify "Cecil Money" on the dealership's financial statements from "notes payable" and "contracts" to become "subordinated notes."

ALJs Supplemental PFD

The ALJs Supplemental PFD reviewed record evidence and further clarified the legal status of the dealer's financial contributions to the business, in accordance with the Board's January 5, 2017, Order on Remand. In the Supplemental PFD, the ALJs found that:

- The evidence overwhelmingly establishes good cause to terminate Atkission's franchise.
- There exists a legal distinction between the individual (Mr. Atkission) and the dealer (Atkission Chrysler) that the Board is charged with enforcing. (Supp. PFD p. 7)
- By statute, the dealer is the "person who holds a GDN issued by the Board and "person" expressly includes a partnership, corporation, or other legal entity. (Supp. PFD p. 7)

- Mr. Atkission's checks are unsecured payments, treated as subordinated debt on the dealer's books. (Supp. PFD p. 6)
- The payments lack any of the paperwork that one would normally expect to see with a loan. (Supp. PFD p. 6)
- The payments are not the dealer's obligation. (Supp. PFD p. 7)
- The dealer records the money as loaned funds and then pays Mr. Atkission interest on the principle, but not on the principle itself. (Supp. PFD p. 6)
- The dealer's office manager and bookkeeper indicated that none of the principle has ever been repaid. (Supp. PFD p. 6)
- The dealer is under no obligation to repay the principle itself. (Supp. PFD p. 6)
- Mr. Atkission testified that he is not to be repaid the principle. (Supp. PFD p. 6)
- The dealer's accountant testified the payments are not debt, it's not money to be repaid to Mr. Atkission, it's never been repaid to Mr. Atkission, and it will likely never be repaid to Mr. Atkission. (Supp. PFD p. 6-7)
- The dealer's attorney asserted that Mr. Atkission does not want the money to be repaid. (Supp. PFD p. 7)
- From a legal and statutory perspective, the payments cannot be considered an investment. (Supp. PFD p. 7)
- The money is not the dealer's obligation, because the money need not be repaid. (Supp. PFD p. 7)
- The money is a capital contribution with no terms of repayment. (Supp. PFD p. 7)
- If the payments were deemed to be a \$6.25 million investment in the dealership by the dealer, it would not change the fact that such a level of investment was too little to successfully run the business, as evidenced by the remainder of the PFD, which discusses the many ways in which the dealer has chronically underperformed.
- Atkission's financial statements show that since 2010, the dealership has not met working capital and net worth obligations, meaning the Atkission dealership has lost money every year since 2010. (Supp. PFD p. 8)
- The changes in accounting practices advocated by the dealership's accountant to "constructive net worth" and "constructive working capital" are not actual "net worth" and "working capital" amounts, are not terms imposed by the franchise agreements, and would be inconsistent with t to FCA and to the U.S. IRS. (Supp. PFD p. 8-11)
- The ALJs recommended the Board deny Atkission's protest and allow FCA to terminate the franchise. (Supp. PFD p. 8-11)

7. **FACTOR 7: Enforceability of the Franchise from a Public Policy Standpoint, Including Issues of the Reasonableness of the Franchise's Terms, Oppression, Adhesion, and the Parties' Relative Bargaining Power** (PFD pp 64)

The ALJs decided this factor in favor of FCA. Neither party asserted a public policy standpoint. After consideration of the evidence and arguments presented by the parties at the hearing, the ALJs discerned no public policy issues related to the enforceability of the franchise. Because the franchise is enforceable from a public policy standpoint and because Atkission is not in compliance with multiple requirements of the franchise, the ALJs decided this factor supports FCA's termination of its franchise with Atkission.

8. **Whether the Desire for Market Penetration is the Sole Basis for Termination** (pp 64-65)

After consideration of the evidence and arguments presented by the parties at the hearing, the ALJs found that a desire for market penetration is not FCA's sole basis for proposing termination of the franchise between FCA and Atkission. As other reasons for proposing termination, the ALJs pointed to Atkission's breaches of the franchise agreement, failure to take care of the interests of consumers in Orange, the high number of sales by surrounding Chrysler dealerships into the Atkission sales locality, the dealership's lack of effort to improve operations and to cure deficiencies, and Atkission's damage to the Chrysler brand.

Board Authority

Tex. Occ. Code Chapter 2301 provides the Board authority over these parties and the decision in this contested case matter.

- A. **Tex. Occ. Code §2301.453** establishes requirements for a manufacturer's termination of its franchise with a franchised dealership.
 - **Tex. Occ. Code §2301.453(c)&(d)** provide requirements for a manufacturer's **notice** of termination of its franchise with a franchised dealership.
 - **Tex. Occ. Code §2301.453(e)** provides requirements for a dealership's **protest** of a manufacturer's notice of termination.
 - **Tex. Occ. Code §2301.453(g)** establishes that the burden of proof is on the manufacturer to establish by a preponderance of the evidence that there is good cause for the termination of the franchise with Atkission.
- B. **Tex. Occ. Code §2301.455** provides factors the Board must consider when determining whether FCA established good cause for the proposed franchise termination.
- C. **Tex. Occ. Code §2301.711** requires an order of the Board:
 1. to include a separate finding of fact for each of the specific issues in Tex. Occ. Code §2301.455; and
 2. to set forth additional findings of fact and conclusions of law on which the order is based.
- D. **Tex. Gov't Code §2001.058(e)** allows the Board to change a finding of fact or conclusion of law made by the ALJs only if the Board determines:
 1. that the ALJs did not properly apply or interpret applicable law, agency rules, or prior administrative decisions;
 2. that a prior administrative decision on which the ALJ relied is incorrect or should be changed; or
 3. that a technical error in a finding of fact should be changed.

The Board shall state, in writing, the specific reason and legal basis for a change made under this subsection.

SOAH ALJs' Recommendations

The SOAH ALJs found that FCA met its burden of proof (preponderance of the evidence) and found that the evidence overwhelmingly proved good cause for FCA's termination of Atkission's franchise agreement. The ALJs recommended the Board deny Atkission's protest and allow FCA to terminate the franchise.

Documents

The following documents are attached to this Executive Summary for consideration by the Board:

- | | |
|---|------------|
| 1. SOAH ALJs' Proposal for Decision | 06/17/2016 |
| 2. Atkission's Exceptions to the Proposal for Decision | 07/20/2016 |
| 3. Texas Automobile Dealers Association's (TADA) Amicus Curiae Brief | 07/20/2016 |
| 4. FCA's Reply to Atkission's Exceptions to the Proposal for Decision | 08/04/2016 |
| 5. FCA's Reply to Amicus Curiae Brief of TADA | 08/04/2016 |
| 6. SOAH ALJs' Exceptions Letter | 08/10/2016 |
| 7. Board Order on Remand & Transmittal | 01/05/2017 |
| 8. ALJs Supplement to the PFD Following Remand | 03/27/2017 |
| 9. Atkission's Exceptions [and New Testimony] | 04/07/2017 |
| 10. FCA Replies to Exceptions to Supplemental PFD | 04/21/2017 |
| 11. FCA's Motion to Strike New Testimony | 04/21/2017 |
| 12. ALJs Order No. 12 Striking New Evidence | 05/01/2017 |
| 13. ALJs Exceptions Letter to PFD and Supplemental PFD | 05/16/2017 |

**REFER TO SEPARATE DOCUMENT
TXDMV BOARD BRIEFING NOTEBOOK
VOLUME 2**

**ALL RESPONSIVE MATERIAL FOR
AGENDA ITEM # 6**

Franchised Dealer's Protest of Manufacturer's Notice of Termination

[MVD Docket No. 15-0015.LIC](#); [SOAH Docket No. 608-15-4315.LIC](#)

*Cecil Atkission Orange, LLC, d/b/a Cecil Atkission Chrysler Jeep Dodge,
Complainant v. FCA US, LLC, Respondent*



Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

DATE: August 17, 2017

Action Requested: Approval

To: Texas Department of Motor Vehicles Board
From: Jeremiah Kuntz, Vehicle Titles and Registration Division
Agenda Item: 7
Subject: **Specialty Plate Design**

RECOMMENDATION

The Vehicle Titles and Registration Division seeks board approval or denial of the proposed vendor plate redesign submitted for your consideration.

PURPOSE AND EXECUTIVE SUMMARY

Statutory authority for the board to approve a redesigned vendor specialty license plate and invite the public's comment on proposed vendor plate designs is in Texas Transportation Code, Section(s) 504.801 (a), 504.851 (g), and (g-1) (1)). The board's approval criteria is clarified in Administrative Code(s), Section 217.45, *Specialty License Plates, Symbols, Tabs, and Other Devices*, and Section 217.52, *Marketing of Specialty License Plates through a Private Vendor*.

With redesigns, My Plates' procedure is to work with its plate sponsor to achieve a mutually agreeable design that also meets the department's specifications.

The TxDMV's procedure is the same for new designs and redesigns. The TxDMV invites comments on all proposed plates ahead of the board's review. The department's intent is to determine if any unforeseen public concerns about a plate's design exist. The department publishes a 10-day "like/dislike/comment-by-email" survey, called an eView, on its website. Although the survey counts the public's "likes" and "dislikes," it is unscientific and not used as an indicator of a plate's popularity. The vendor's OU plate received thousands of eView "dislikes" in 2010 (presumably because of college football rivalry) and has since sold over 1,000 plates.

The TxDMV invited public comment on this redesign in July 2017. There were no negative comments.

Purdue University:
92 people liked this design and 80 did not.







Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Date: August 17, 2017
Action Requested: Approval

To: Texas Department of Motor Vehicles (TxDMV) Board
From: Jeremiah Kuntz, Director, Vehicle Titles and Registration Division
Agenda Item: 8. 1.
Subject: Proposal of Rules under Title 43, Texas Administrative Code, Chapter 217, Vehicle Titles and Registration
Amendments, §§217.3, 217.4, 217.82, and 217.84

RECOMMENDATION

Approval to publish the proposed amendments in the *Texas Register* for public comment.

PURPOSE AND EXECUTIVE SUMMARY

The purpose of the amendments is to implement portions of Senate Bill 2076, 85th Legislature, Regular Session, 2017 and to update punctuation throughout.

FINANCIAL IMPACT

There will be no fiscal implications related to the proposed amendments.

BACKGROUND AND DISCUSSION

The proposed amendments update the maximum width and length for a travel trailer, clarify titling requirements for a trailer or semitrailer with a gross weight of 4,000 pounds or less, clarify where an applicant may apply for title, and update requirements for an application for a nonrepairable or salvage vehicle title. The hyphen is removed from “non-repairable” throughout the rules for consistency with statute.

If the proposed amendments are approved by the board, staff anticipates publication of the proposed amendments in the *Texas Register* on or about September 8, 2017. Comments on the proposed amendments will be accepted until 5:00 p.m. on October 9, 2017.

BOARD OF THE TEXAS DEPARTMENT OF MOTOR VEHICLES

RESOLUTION APPROVING PUBLICATION OF PROPOSED AMENDMENTS TO
43 TAC SECTIONS 217.3, 217.4, 217.82, AND 217.84 RELATING TO
VEHICLE TITLES AND REGISTRATION

The Board of the Texas Department of Motor Vehicles (board) finds it necessary to amend Chapter 217, Vehicle Titles and Registration, Subchapter A, Motor Vehicle Titles, §217.3, Motor Vehicle Titles, and §217.4, Initial Application for Title; and Subchapter D, Non-repairable and Salvage Motor Vehicles, §217.82, Definitions, and §217.84, Application for Non-repairable or Salvage Vehicle Title.

The preamble and the proposed amendments are attached to this resolution as Exhibits A-B, and are incorporated by reference as though set forth verbatim in this resolution, except that they are subject to technical corrections and revisions, approved by the General Counsel, necessary for compliance with state or federal law or for acceptance by the Secretary of State for filing and publication in the *Texas Register*.

IT IS THEREFORE ORDERED by the board that the attached rules are authorized for publication in the *Texas Register* for the purpose of receiving public comment.

The department is directed to take the necessary steps to implement the actions authorized in this order pursuant to the requirements of the Administrative Procedure Act, Government Code, Chapter 2001.

Raymond Palacios, Jr., Chairman
Board of the Texas Department of Motor Vehicles

Recommended by:

Jeremiah Kuntz, Director
Vehicle Titles and Registration Division

Order Number: _____

Date Passed: August 17, 2017

Texas Department of Motor Vehicles
Chapter 217, Vehicle Titles and Registration

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1 Proposed Preamble

2 The Texas Department of Motor Vehicles (department) proposes
3 amendments to Chapter 217, Vehicle Titles and Registration,
4 Subchapter A, Motor Vehicle Titles, §217.3, Motor Vehicle
5 Titles, and §217.4, Initial Application for Title; and
6 Subchapter D, Non-repairable and Salvage Motor Vehicles,
7 §217.82, Definitions, and §217.84, Application for Non-
8 repairable or Salvage Vehicle Title.

9

10 EXPLANATION OF PROPOSED AMENDMENTS

11 Amendments are proposed to §217.3 to update the maximum width
12 and length for a travel trailer as authorized by Senate Bill
13 (SB) 2076, 85th Legislature, Regular Session, 2017, which is
14 effective September 1, 2017. An amendment is also proposed to
15 clarify that if a trailer or semitrailer having a gross weight
16 of 4,000 pounds or less has been titled previously, it must be
17 titled by any subsequent owner.

18

19 Amendments are proposed to §217.4 to implement a portion of SB
20 2076 regarding a place of application when motor vehicle
21 ownership is transferred and the county tax assessor-collector's
22 office of the county in which the owner resides is closed or may
23 be closed for a protracted period of time as defined by the

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1 department.

2

3 Proposed amendments to §217.82(13) amend the definition for
4 nonrepairable motor vehicle to refer to the statutory
5 definition.

6

7 Amendments to §217.84(b)(2) implement a portion of SB 2076
8 regarding the description of a motor vehicle included in an
9 application for a nonrepairable or salvage vehicle title.

10 Amendments to §217.84(b) also delete the paragraph (7) language
11 because the information is no longer necessary in an application
12 for a nonrepairable or salvage vehicle title and renumber the
13 remaining paragraphs accordingly.

14

15 Other amendments update the references to "Nonrepairable" motor
16 vehicles to be consistent with statute by deleting the
17 unnecessary hyphen.

18

19 FISCAL NOTE

20 Linda M. Flores, Chief Financial Officer, has determined that
21 for each of the first five years the amendments as proposed are
22 in effect, there will be no fiscal implications for state or
23 local governments as a result of enforcing or administering the

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1 proposed amendments.

2

3 Jeremiah Kuntz, Director of the Vehicle Titles and Registration

4 Division, has determined that there will be no impact on local

5 economies or overall employment as a result of enforcing or

6 administering the proposed amendments.

7

8 PUBLIC BENEFIT AND COST

9 Mr. Kuntz has also determined that for each year of the first

10 five years the amendments are in effect, the public benefit

11 anticipated as a result of enforcing or administering the

12 amendments will be clarity and consistency in the rules related

13 to titling of trailers, semitrailers, and house trailers; place

14 of application for a title; and application for nonrepairable or

15 salvage vehicle title. There are no anticipated economic costs

16 for persons required to comply with the amendments as proposed.

17 There will be no adverse economic effect on small businesses or

18 micro-businesses.

19

20 TAKINGS IMPACT ASSESSMENT

21 The department has determined that this proposal affects no

22 private real property interests and that this proposal does not

23 restrict or limit an owner's right to property that would

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otherwise exist in the absence of government action, and so does not constitute a taking or require a takings impact assessment under Government Code, §2007.043.

SUBMITTAL OF COMMENTS

Written comments on the proposed amendments may be submitted to David D. Duncan, General Counsel, Texas Department of Motor Vehicles, 4000 Jackson Avenue, Austin, Texas 78731 or by email to rules@txdmv.gov. The deadline for receipt of comments is 5:00 p.m. on October 9, 2017.

STATUTORY AUTHORITY

The amendments are proposed under Transportation Code, §1002.001, which provides the board of the Texas Department of Motor Vehicles with the authority to adopt rules that are necessary and appropriate to implement the powers and the duties of the department under the Transportation Code; and more specifically, Transportation Code, §501.0041, which provides the department may adopt rules to administer Transportation Code, Chapter 501, Certificate of Title Act.

CROSS REFERENCE TO STATUTE

Transportation Code, Chapter 501.

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1 SUBCHAPTER A. MOTOR VEHICLE TITLES

2 §217.3. Motor Vehicle Titles.

3 Unless otherwise exempted by law or this chapter, the owner of
4 any motor vehicle that is required to be registered in
5 accordance with Transportation Code, Chapter 502, shall apply
6 for a Texas title in accordance with Transportation Code,
7 Chapter 501.

8 (1) Motorcycles, motor-driven cycles, autocycles, and
9 mopeds.

10 (A) The title requirements of a motorcycle,
11 motor-driven cycle, autocycle, and moped are the same
12 requirements prescribed for any motor vehicle.

13 (B) A vehicle that meets the criteria for a moped
14 and has been certified as a moped by the Department of Public
15 Safety will be registered and titled as a moped. If the vehicle
16 does not appear on the list of certified mopeds published by
17 that agency, the vehicle will be treated as a motorcycle for
18 title and registration purposes.

19 (2) Farm vehicles.

20 (A) The term "motor vehicle" does not apply to
21 implements of husbandry, which may not be titled.

22 (B) Farm tractors owned by agencies exempt from
23 registration fees in accordance with Transportation Code,

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1 §502.453, are required to be titled and registered with "Exempt"
2 license plates issued in accordance with Transportation Code,
3 §502.451.

4 (C) Farm tractors used as road tractors to mow
5 rights of way or used to move commodities over the highway for
6 hire are required to be registered and titled.

7 (D) Farm semitrailers with a gross weight of more
8 than 4,000 pounds that are registered in accordance with
9 Transportation Code, §502.146, may be issued a Texas title.

10 (3) Neighborhood electric vehicles. The title
11 requirements of a neighborhood electric vehicle (NEV) are the
12 same requirements prescribed for any motor vehicle.

13 (4) Trailers, semitrailers, and house trailers. Owners
14 of trailers and semitrailers shall apply for and receive a Texas
15 title for any stand alone (full) trailer, including homemade or
16 shopmade full trailers, or any semitrailer having a gross weight
17 in excess of 4,000 pounds. Owners of trailers and semitrailers
18 having a gross weight of 4,000 pounds or less may apply for and
19 receive a Texas title. If a trailer or semitrailer having a
20 gross weight of 4,000 pounds or less has been titled previously,
21 any subsequent owner shall apply for a Texas title for the
22 trailer or semitrailer. House trailer-type vehicles must meet
23 the criteria outlined in subparagraph (C) of this paragraph to

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1 be titled.

2 (A) The rated carrying capacity will not be less
3 than one-third of its empty weight.

4 (B) Mobile office trailers, mobile oil field
5 laboratories, and mobile oil field bunkhouses are not designed
6 as dwellings, but are classified as commercial semitrailers and
7 must be registered and titled as commercial semitrailers if
8 operated on the public streets and highways.

9 (C) House trailer-type vehicles and camper
10 trailers must meet the following criteria in order to be titled.

11 (i) A house trailer-type vehicle designed
12 for living quarters and that is eight [~~body~~] feet six inches or
13 more in width and 45 [~~40~~] feet or more in length (not including
14 the hitch), is classified as a manufactured home or mobile home
15 and is not eligible for a Texas title under Transportation Code,
16 Chapter 501.

17 (ii) A house trailer-type vehicle that is
18 less than eight feet six inches in width or less than 45 [~~40~~]
19 feet in length is classified as a travel trailer and shall be
20 registered and titled.

21 (iii) A camper trailer shall be titled as a
22 house trailer and shall be registered with travel trailer
23 license plates.

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1 (iv) A recreational park model type trailer
2 that is primarily designed as temporary living quarters for
3 recreational, camping or seasonal use, is built on a single
4 chassis, and is 400 square feet or less when measured at the
5 largest horizontal projection when in the set up mode shall be
6 titled as a house trailer and may be issued travel trailer
7 license plates.

8 (5) Assembled vehicles.

9 (A) An assembled vehicle is a vehicle assembled
10 from the three basic component parts (motor, frame, and body),
11 except that a motorcycle must have a frame and motor, and a
12 trailer or travel trailer will have no motor, and that is:

13 (i) assembled from new or used materials and
14 parts by someone not regulated as a motor vehicle manufacturer;

15 (ii) altered or modified to the extent that
16 it no longer reflects the original manufacturer's configuration;
17 or

18 (iii) assembled from a kit even if a
19 Manufacturer's Certificate of Origin or Manufacturer's Statement
20 of Origin is provided.

21 (B) A newly assembled vehicle, for which a title
22 has never been issued in this jurisdiction or any other, may be
23 titled if:

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1 (i) it is assembled and completed with a
2 body, motor, and frame, except that a motorcycle must have a
3 frame and motor, and a trailer or travel trailer will have no
4 motor;

5 (ii) it is not created from different
6 vehicle classes, (as established by the Federal Highway
7 Administration, except as provided by subparagraph (C) of this
8 paragraph), that were never engineered or manufactured to be
9 combined with one another;

10 (iii) it has all safety components required
11 by federal law during the year of assembly, unless the vehicle
12 qualifies and is registered as a custom vehicle or street rod in
13 accordance with Transportation Code, §504.501;

14 (iv) it is not a vehicle described by
15 paragraph (6) of this section;

16 (v) for a vehicle assembled with a body,
17 motor, and frame, the applicant provides proof, on a form
18 prescribed by the department, of a safety inspection performed
19 by an Automotive Service Excellence (ASE) technician with valid
20 certification as a Certified Master Automobile and Light Truck
21 Technician, certifying that the vehicle:

22 (I) is structurally stable;

23 (II) meets the necessary conditions to

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1 be operated safely on the roadway; and

2 (III) is equipped and operational with
3 all equipment required by statute or rule as a condition of sale
4 during the year the vehicle was assembled unless it is being
5 inspected pursuant to Subchapter G of this chapter;

6 (vi) for a vehicle assembled with a body,
7 motor, and frame, the applicant submits a copy of the Certified
8 Master Automobile and Light Truck Technician's ASE
9 certification;

10 (vii) the applicant submits a Rebuilt
11 Vehicle Statement; and

12 (viii) the applicant submits the following
13 to establish the vehicle's vehicle identification number:

14 (I) an Application for Assigned or
15 Reassigned Number, and Notice of Assigned Number or Installation
16 of Reassigned Vehicle Identification Number, on forms prescribed
17 by the department; or

18 (II) acceptable proof, as established
19 by the department, of a vehicle identification number assigned
20 by the manufacturer of the component part by which the vehicle
21 will be identified.

22 (C) Component parts from the following vehicle
23 classes may be interchanged with one another or used in the

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1 creation of an assembled vehicle:

2 (i) 2-axle, 4-tire passenger cars;

3 (ii) 2-axle, 4 tire pickups, panels and
4 vans;

5 (iii) 6-tire dually pickups, of which the
6 rear tires are dual tires.

7 (D) The ASE inspection for a newly assembled
8 vehicle required under subparagraph (B) of this paragraph is in
9 addition to the inspection required by Transportation Code,
10 Chapter 548, except a vehicle that qualifies and is registered
11 as a custom vehicle or street rod in accordance with
12 Transportation Code, §504.501, is exempt from the inspection
13 required under Transportation Code, Chapter 548, for the
14 duration the vehicle is registered as such.

15 (E) An assembled vehicle which has previously
16 been titled and/or registered in this or any other jurisdiction
17 is subject to subparagraph (B)(i) - (iv) of this paragraph, but
18 is not subject to subparagraph (B)(v) - (viii); however, it is
19 subject to the inspection required by Transportation Code,
20 Chapter 548, except a vehicle that qualifies and is registered
21 as a custom vehicle or street rod in accordance with
22 Transportation Code, §504.501.

23 (F) An assembled vehicle will be titled using the

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1 year it was assembled as the model year and "ASSEMBLED" or
2 "ASVE" as the make of the vehicle unless the body of the vehicle
3 is established to the department's satisfaction to be an
4 original body from a particular year and make. An assembled
5 vehicle utilizing an original body may be titled by the year and
6 the make of the original body but must reflect a "RECONSTRUCTED"
7 remark. An assembled vehicle not utilizing an original body may
8 obtain a title with a "REPLICA" remark featuring the year and
9 make of the replica if the vehicle resembles a prior model year
10 vehicle. This subparagraph applies regardless of how the
11 vehicle's model year or make was previously identified in this
12 or any other jurisdiction.

13 (6) Not Eligible for Title. The following are not
14 eligible for a Texas title regardless of the vehicle's previous
15 title and/or registration in this or any other jurisdiction:

16 (A) vehicles that are missing or are stripped of
17 their motor, frame, or body, to the extent that it materially
18 alters the manufacturer's original design or makes the vehicle
19 unsafe for on-road operation as determined by the department;

20 (B) vehicles designed or determined by the
21 department to be a dune buggy;

22 (C) vehicles designed or determined by the
23 department to be for on-track racing, unless such vehicles meet

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1 Federal Motor Vehicle Safety Standards (FMVSS) for on-road use
2 and are reported to the National Highway Traffic Safety
3 Administration;

4 (D) vehicles designed or determined by the
5 department to be for off-road use only, unless specifically
6 defined as a "motor vehicle" in Transportation Code, Chapter
7 501; or

8 (E) vehicles assembled, built, constructed,
9 rebuilt, or reconstructed in any manner with:

10 (i) a body or frame from a vehicle which is
11 a "nonrepairable motor vehicle" as that term is defined in
12 Transportation Code, §501.091(9); or

13 (ii) a motor or engine from a vehicle which
14 is flood damaged, water damaged, or any other term which may
15 reasonably establish the vehicle from which the motor or engine
16 was obtained is a loss due to a water related event.

17

18 §217.4. Initial Application for Title.

19 (a) Time for application. A person must apply for the title
20 not later than the 30th day after the date of assignment,
21 except:

22 (1) in a seller-financed sale, the title must be
23 applied for not later than the 45th day after the date the motor

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1 vehicle is delivered to the purchaser;

2 (2) a member of the armed forces or a member of a
3 reserve component of the United States, a member of the Texas
4 National Guard or of the National Guard of another state serving
5 on active duty, must apply not later than the 60th day after the
6 date of assignment of ownership; or

7 (3) as otherwise provided by Transportation Code,
8 Chapter 501.

9 (b) Place of application. Except as otherwise provided by
10 Transportation Code, Chapters 501 and 502, and by §217.84(a) of
11 this title (relating to Application for Nonrepairable or Salvage
12 Vehicle Title), when [When] motor vehicle ownership is
13 transferred, a title application must be filed with:

14 (1) the county tax assessor-collector in the county in
15 which the applicant resides or in the county in which the motor
16 vehicle was purchased or encumbered, as selected by the
17 applicant; or [~~except:~~]

18 (2) the county tax assessor-collector of a county who
19 is willing to accept the application if the county tax assessor-
20 collector's office of the county in which the owner resides is
21 closed for more than one week or if the department is notified
22 that the county tax assessor-collector's office may be closed
23 for more than one week.

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1 ~~[(1) as provided by Transportation Code, Chapters 501~~
2 ~~and 502 and by §217.84(a) of this title (relating to Application~~
3 ~~for Non-repairable or Salvage Vehicle Title);]~~

4 ~~[(2) if a county has been declared a disaster area,~~
5 ~~the resident may apply at the closest unaffected county if the~~
6 ~~affected county tax assessor collector estimates the county~~
7 ~~offices will be inoperable for a protracted period; or]~~

8 ~~[(3) if the county tax assessor collector office in~~
9 ~~the county in which the owner resides is closed for more than~~
10 ~~one week, the resident may apply to the county tax assessor-~~
11 ~~collector in a county that borders the closed county if the~~
12 ~~adjacent county agrees to accept the application.]~~

13 (c) Information to be included on application. An applicant
14 for an initial title must file an application on a form
15 prescribed by the department. The form will at a minimum require
16 the:

17 (1) motor vehicle description including, but not
18 limited to, the motor vehicle:

- 19 (A) year;
- 20 (B) make;
- 21 (C) identification number;
- 22 (D) body style; and
- 23 (E) empty weight;

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1 (2) license plate number, if the motor vehicle is
2 subject to registration under Transportation Code, Chapter 502;

3 (3) odometer reading and brand, or the word "exempt"
4 if the motor vehicle is exempt from federal and state odometer
5 disclosure requirements;

6 (4) previous owner's legal name and complete mailing
7 address, if available;

8 (5) legal name as stated on the identification
9 presented and complete address of the applicant;

10 (6) name and mailing address of any lienholder and the
11 date of lien, if applicable;

12 (7) signature of the seller of the motor vehicle or
13 the seller's authorized agent and the date the title application
14 was signed; and

15 (8) signature of the applicant or the applicant's
16 authorized agent and the date the title application was signed.

17 (d) Accompanying documentation. The title application must
18 be supported by, at a minimum, the following documents:

19 (1) evidence of vehicle ownership, as described in
20 §217.5 of this title (relating to Evidence of Motor Vehicle
21 Ownership);

22 (2) an odometer disclosure statement properly executed
23 by the seller of the motor vehicle and acknowledged by the

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1 purchaser, if applicable;

2 (3) proof of financial responsibility in the
3 applicant's name, as required by Transportation Code, §502.046,
4 unless otherwise exempted by law;

5 (4) an identification certificate if required by
6 Transportation Code, Chapter 548, and Transportation Code,
7 §501.030, and if the vehicle is being titled and registered, or
8 registered only;

9 (5) a release of any liens, provided that if any liens
10 are not released, they will be carried forward on the new title
11 application with the following limitations:

12 (A) A lien recorded on out-of-state evidence as
13 described in §217.5 cannot be carried forward to a Texas title
14 when there is a transfer of ownership, unless a release of lien
15 or authorization from the lienholder is attached; and

16 (B) A lien recorded on out-of-state evidence as
17 described in §217.5 is not required to be released when there is
18 no transfer of ownership from an out-of-state title and the same
19 lienholder is being recorded on the Texas application as is
20 recorded on the out-of-state title; and

21 (6) any documents required by §217.9 of this title
22 (relating to Bonded Titles).

23

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1 SUBCHAPTER D. NONREPAIRABLE [~~NON-REPAIRABLE~~] AND
2 SALVAGE MOTOR VEHICLES

3 §217.82. Definitions.

4 The following words and terms, when used in this subchapter,
5 shall have the following meanings, unless the context clearly
6 indicates otherwise.

7 (1) Casual sale--The sale by a salvage vehicle dealer,
8 insurance company, or salvage pool operator of not more than
9 five nonrepairable [~~non-repairable~~] or salvage motor vehicles to
10 the same person during a calendar year. The term does not
11 include a sale to a salvage vehicle dealer or the sale of an
12 export-only motor vehicle to a person who is not a resident of
13 the United States.

14 (2) Certificate of title--A written instrument that
15 may be issued solely by and under the authority of the
16 department and that reflects the transferor, transferee, vehicle
17 description, license plate and lien information, and rights of
18 survivorship agreement as specified in Subchapter A of this
19 chapter or as required by the department.

20 (3) Application for Title--A form prescribed by the
21 director of the department's Vehicle Titles and Registration
22 Division that reflects the information required by the
23 department to create a motor vehicle title record.

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1 (4) Damage--Sudden damage to a motor vehicle caused by
2 the motor vehicle being wrecked, burned, flooded, or stripped of
3 major component parts. The term does not include gradual damage
4 from any cause, sudden damage caused by hail, or any damage
5 caused only to the exterior paint of the motor vehicle.

6 (5) Date of sale--The date of the transfer of
7 possession of a specific vehicle from a seller to a purchaser.

8 (6) Department--The Texas Department of Motor
9 Vehicles.

10 (7) Export-only sale--The sale of a nonrepairable
11 [~~non-repairable~~] or salvage motor vehicle, by a salvage vehicle
12 dealer, including a salvage pool operator acting as agent for an
13 insurance company, or a governmental entity, to a person who
14 resides outside the United States.

15 (8) Flood damage--A title remark that is initially
16 indicated on a nonrepairable [~~non-repairable~~] or salvage vehicle
17 title to denote that the damage to the vehicle was caused
18 exclusively by flood and that is carried forward on subsequent
19 title issuance.

20 (9) Insurance company--A person authorized to write
21 automobile insurance in this state or an out-of-state insurance
22 company that pays a loss claim for a motor vehicle in this
23 state.

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1 (10) Manufacturer's certificate of origin--A form
2 prescribed by the department showing the original transfer of a
3 new motor vehicle from the manufacturer to the original
4 purchaser, whether importer, distributor, dealer, or owner, and
5 when presented with an application for title, showing, on
6 appropriate forms prescribed by the department, each subsequent
7 transfer between distributor and dealer, dealer and dealer, and
8 dealer and owner.

9 (11) Metal recycler--A person who:

10 (A) is predominately engaged in the business of
11 obtaining ferrous or nonferrous metal that has served its
12 original economic purpose to convert the metal, or sell the
13 metal for conversion, into raw material products consisting of
14 prepared grades and having an existing or potential economic
15 value;

16 (B) has a facility to convert ferrous or
17 nonferrous metal into raw material products consisting of
18 prepared grades and having an existing or potential economic
19 value, by a method other than the exclusive use of hand tools,
20 including the processing, sorting, cutting, classifying,
21 cleaning, baling, wrapping, shredding, shearing, or changing the
22 physical form or chemical content of the metal; and

23 (C) sells or purchases the ferrous or nonferrous

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1 metal solely for use as raw material in the production of new
2 products.

3 (12) Motor vehicle--A vehicle described by
4 Transportation Code, §501.002(17).

5 (13) Nonrepairable [~~Non-repairable~~] motor vehicle--A
6 motor vehicle as defined by Transportation Code, §501.091(9).[~~7~~
7 ~~regardless of the year model, that is wrecked, damaged, or~~
8 ~~burned to the extent that the only residual value of the motor~~
9 ~~vehicle is as a source of parts or scrap metal, or that comes~~
10 ~~into this state under a title or other ownership document that~~
11 ~~indicates that the motor vehicle is non-repairable, junked, or~~
12 ~~for parts or dismantling only.]~~

13 (14) Nonrepairable [~~Non-repairable~~] vehicle title--A
14 document that evidences ownership of a nonrepairable [~~non-~~
15 ~~repairable~~] motor vehicle.

16 (15) Out-of-state buyer--A person licensed in an
17 automotive business by another state or jurisdiction if the
18 department has listed the holders of such a license as permitted
19 purchasers of salvage motor vehicles or nonrepairable [~~non-~~
20 ~~repairable~~] motor vehicles based on substantially similar
21 licensing requirements and on whether salvage vehicle dealers
22 licensed in Texas are permitted to purchase salvage motor
23 vehicles or nonrepairable [~~non-repairable~~] motor vehicles in the

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1 other state or jurisdiction.

2 (16) Out-of-state ownership document--A negotiable
3 document issued by another jurisdiction that the department
4 considers sufficient to prove ownership of a nonrepairable [~~non-~~
5 ~~repairable~~] or salvage motor vehicle and to support issuance of a
6 comparable Texas certificate of title for the motor vehicle. The
7 term does not include a title issued by the department,
8 including a:

9 (A) regular certificate of title;

10 (B) nonrepairable [~~non-repairable~~] vehicle title;

11 (C) salvage vehicle title;

12 (D) salvage certificate;

13 (E) Certificate of Authority to Demolish a Motor
14 Vehicle; or

15 (F) any other ownership document issued by the
16 department.

17 (17) Person--An individual, partnership, corporation,
18 trust, association, or other private legal entity.

19 (18) Rebuilt salvage certificate of title--A regular
20 certificate of title evidencing ownership of a nonrepairable
21 [~~non-repairable~~] motor vehicle that was issued a nonrepairable
22 [~~non-repairable~~] vehicle title prior to September 1, 2003, or
23 salvage motor vehicle that has been rebuilt.

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1 (19) Salvage motor vehicle--A motor vehicle,
2 regardless of the year model:

3 (A) that is:

4 (i) damaged or is missing a major component
5 part to the extent that the cost of repairs exceeds the actual
6 cash value of the motor vehicle immediately before the damage;
7 or

8 (ii) damaged and comes into this state under
9 an out-of-state ownership document that states on its face
10 "accident damage," "flood damage," "inoperable," "rebuildable,"
11 "salvageable," or similar notation, and is not an out-of-state
12 ownership document with a "rebuilt," "prior salvage," or similar
13 notation, or a nonrepairable [~~non-repairable~~] motor vehicle; and

14 (B) does not include:

15 (i) a motor vehicle for which an insurance
16 company has paid a claim for repairing hail damage, or theft,
17 unless the motor vehicle was damaged during the theft and before
18 recovery to the extent that the cost of repair exceeds the
19 actual cash value of the motor vehicle immediately before the
20 damage;

21 (ii) the cost of materials or labor for
22 repainting the motor vehicle; or

23 (iii) sales tax on the total cost of

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1 repairs.

2 (20) Salvage vehicle dealer--A person engaged in this
3 state in the business of acquiring, selling, dismantling,
4 repairing, rebuilding, reconstructing, or otherwise dealing in
5 nonrepairable [~~non-repairable~~] motor vehicles or salvage motor
6 vehicles or used parts, including a person who is in the
7 business of a salvage vehicle dealer, regardless of whether the
8 person holds a license issued by the department to engage in the
9 business. The term does not include a person who casually
10 repairs, rebuilds, or reconstructs fewer than three salvage
11 motor vehicles in the same calendar year.

12 (21) Salvage vehicle title--A document issued by the
13 department that evidences ownership of a salvage motor vehicle.

14

15 §217.84. Application for Nonrepairable [~~Non-repairable~~] or
16 Salvage Vehicle Title.

17 (a) Place of application. The owner of a nonrepairable
18 [~~non-repairable~~] or salvage motor vehicle who is required to
19 obtain or voluntarily chooses to obtain a nonrepairable [~~non-~~
20 ~~repairable~~] or salvage vehicle title, as provided by §217.83 of
21 this title (relating to Requirement for Non-repairable or
22 Salvage Vehicle Title), shall apply for a nonrepairable [~~non-~~
23 ~~repairable~~] or salvage vehicle title by submitting an

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1 application, the required accompanying documentation, and the
2 statutory fee to the department.

3 (b) Information on application. An applicant for a
4 nonrepairable [~~non-repairable~~] or salvage vehicle title shall
5 submit an application on a form prescribed by the department. A
6 completed form, in addition to any other information required by
7 the department, must include:

8 (1) the name and current address of the owner;

9 (2) a description of the motor vehicle, including the
10 model year, make, body style, and vehicle identification number;
11 [~~motor vehicle's model year, make, model, identification number,~~
12 ~~body style, manufacturer's rated carrying capacity in tons for~~
13 ~~commercial vehicles, and empty weight;~~]

14 (3) a statement describing whether the motor vehicle
15 is a nonrepairable [~~non-repairable~~] or salvage motor vehicle;
16 and

17 (A) was the subject of a total loss claim paid by
18 an insurance company under Transportation Code, §501.1001 or
19 §501.1002;

20 (B) is a self-insured motor vehicle under
21 Transportation Code, §501.091;

22 (C) is an export-only motor vehicle under
23 Transportation Code, §501.099;

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1 (D) was sold, transferred, or released to the
2 owner or former owner of the motor vehicle; or

3 (E) was sold, transferred, or released to a buyer
4 at casual sale by a salvage vehicle dealer, insurance company,
5 or salvage pool operator;

6 (4) whether the damage was caused exclusively by
7 flood;

8 (5) a description of the damage to the motor vehicle;

9 (6) the odometer reading and brand, or the word
10 "exempt" if the motor vehicle is exempt from federal and state
11 odometer disclosure requirements, if the motor vehicle is a
12 salvage motor vehicle;

13 [~~(7) the name, address, and city and state of~~
14 ~~residence of the previous owner;~~]

15 (7)~~[(8)]~~ the name and mailing address of any
16 lienholder and the date of lien, as provided by subsection (e)
17 of this section; and

18 (8)~~[(9)]~~ the signature of the applicant or the
19 applicant's authorized agent and the date the certificate of
20 title application was signed.

21 (c) Accompanying documentation. A nonrepairable [~~non-~~
22 ~~repairable~~] or salvage vehicle title application must be
23 supported, at a minimum, by:

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1 (1) evidence of ownership, as described by subsection
2 (d)(1) or (3) of this section, if the applicant is an insurance
3 company that is unable to locate one or more of the owners;

4 (2) an odometer disclosure statement properly executed
5 by the seller of the motor vehicle and acknowledged by the
6 purchaser, if the motor vehicle is less than 10 model years old
7 and the motor vehicle is a salvage motor vehicle; and

8 (3) a release of any liens.

9 (d) Evidence of nonrepairable [~~non-repairable~~] or salvage
10 motor vehicle ownership.

11 (1) Evidence of nonrepairable [~~non-repairable~~] or
12 salvage motor vehicle ownership properly assigned to the
13 applicant must accompany the application for a nonrepairable
14 [~~non-repairable~~] or salvage vehicle title, except as provided by
15 paragraph (2) of this subsection. Evidence must include
16 documentation sufficient to show ownership to the nonrepairable
17 [~~non-repairable~~] or salvage motor vehicle, such as:

18 (A) a Texas Certificate of Title;

19 (B) a certified copy of a Texas Certificate of
20 Title;

21 (C) a manufacturer's certificate of origin;

22 (D) a Texas Salvage Certificate;

23 (E) a nonrepairable [~~non-repairable~~] vehicle

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1 title;

2 (F) a salvage vehicle title;

3 (G) a comparable ownership document issued by

4 another jurisdiction, except that if the applicant is an

5 insurance company, evidence must be provided indicating that the

6 insurance company is:

7 (i) licensed to do business in Texas; or

8 (ii) not licensed to do business in Texas,

9 but has paid a loss claim for the motor vehicle in this state;

10 or

11 (H) a photocopy of the inventory receipt or a

12 title and registration verification evidencing surrender to the

13 department of the negotiable evidence of ownership for a motor

14 vehicle as provided by §217.86 of this title (relating to

15 Dismantling, Scrapping, or Destruction of Motor Vehicles), and

16 if the evidence of ownership surrendered was from another

17 jurisdiction, a photocopy of the front and back of the

18 surrendered evidence of ownership.

19 (2) An insurance company that acquires ownership or

20 possession of a nonrepairable [~~non-repairable~~] or salvage motor

21 vehicle through payment of a claim may apply for a nonrepairable

22 [~~non-repairable~~] or salvage vehicle title to be issued in the

23 insurance company's name without obtaining an ownership document

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1 or if it received an ownership document without the proper
2 assignment of the owner if the company is unable to obtain a
3 title from the owner, in accordance with paragraph (1) of this
4 subsection, and the application is not made earlier than the
5 30th day after the date of payment of the claim. The application
6 must also include:

7 (A) a statement that the insurance company has
8 provided at least two written notices to the owner and any
9 lienholder attempting to obtain the title or proper assignment
10 of title for the motor vehicle;

11 (B) a copy of a document:

12 (i) indicating that payment has been made,
13 including an electronic check, canceled check, or screen print
14 from the insurance company's database that identifies the type
15 of payment method; and

16 (ii) reflecting the vehicle identification
17 number, vehicle owner names, name of the person to whom payment
18 was made if different from vehicle owners, payment amount, and
19 date payment was issued; and

20 (C) any unassigned or improperly assigned title
21 in the insurance company's possession.

22 (3) An insurance company that acquires, through
23 payment of a claim, ownership or possession of a salvage motor

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1 vehicle or nonrepairable [~~non-repairable~~] motor vehicle covered
2 by an out-of-state ownership document may obtain a salvage
3 vehicle title or nonrepairable [~~non-repairable~~] vehicle title in
4 accordance with paragraph (1) or (2) of this subsection if:

5 (A) the motor vehicle was damaged, stolen, or
6 recovered in this state; or

7 (B) the motor vehicle owner from whom the company
8 acquired ownership resides in this state.

9 (4) A salvage pool operator may apply for title in the
10 name of the salvage pool operator by providing to the
11 department:

12 (A) documentation from the insurance company
13 that:

14 (i) the salvage pool operator, on request of
15 an insurance company, was asked to take possession of the motor
16 vehicle subject to an insurance claim and the insurance company
17 subsequently denied coverage or did not take ownership of the
18 vehicle; and

19 (ii) the name and address of the owner of
20 the motor vehicle and the lienholder, if any; and

21 (B) proof that the salvage pool operator, before
22 the 31st day after receiving the information from the insurance
23 company, sent a notice to the owner and any lienholder informing

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1 them that:

2 (i) the motor vehicle must be removed from
3 the location specified in the notice not later than the 30th day
4 after the date the notice is mailed; and

5 (ii) if the motor vehicle is not removed
6 within the time specified in the notice, the salvage pool
7 operator will sell the motor vehicle and retain from the
8 proceeds any costs actually incurred by the operator in
9 obtaining, handling, and disposing of the motor vehicle, except
10 for charges:

11 (I) that have been or are subject to
12 being reimbursed by a third party; and

13 (II) for storage or impoundment of the
14 motor vehicle.

15 (5) Proof of notice under this subsection consists of:

16 (A) the validated receipts for registered or
17 certified mail and return receipt or an electronic certified
18 mail receipt, including signature receipt; and

19 (B) any unopened certified letters returned by
20 the post office as unclaimed, undeliverable, or with no
21 forwarding address.

22 (e) Recordation of lien on nonrepairable [~~non-repairable~~]
23 and salvage vehicle titles. If the motor vehicle is a salvage

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1 motor vehicle, a new lien or a currently recorded lien may be
2 recorded on the salvage vehicle title. If the motor vehicle is a
3 nonrepairable [~~non-repairable~~] motor vehicle, only a currently
4 recorded lien may be recorded on the nonrepairable [~~non-~~
5 ~~repairable~~] vehicle title.

6 (f) Issuance. Upon receipt of a completed nonrepairable
7 [~~non-repairable~~] or salvage vehicle title application,
8 accompanied by the statutory application fee and the required
9 documentation, the department will, before the sixth business
10 day after the date of receipt, issue a nonrepairable [~~non-~~
11 ~~repairable~~] or salvage vehicle title, as appropriate.

12 (1) If the condition of salvage is caused exclusively
13 by flood, a "Flood Damage" notation will be reflected on the
14 face of the document and will be carried forward upon subsequent
15 title issuance.

16 (2) If a lien is recorded on a nonrepairable [~~non-~~
17 ~~repairable~~] or salvage vehicle title, the vehicle title will be
18 mailed to the lienholder. For proof of ownership purposes, the
19 owner will be mailed a receipt or printout of the newly
20 established motor vehicle record, indicating a lien has been
21 recorded.

22 (3) A nonrepairable [~~non-repairable~~] vehicle title
23 will state on its face that the motor vehicle may:

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- 1 (A) not be repaired, rebuilt, or reconstructed;
- 2 (B) not be issued a regular certificate of title
- 3 or registered in this state;
- 4 (C) not be operated on a public highway; and
- 5 (D) may only be used as a source for used parts
- 6 or scrap metal.



Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Date: August 17, 2017
Action Requested: APPROVAL

To: Texas Department of Motor Vehicles (TxDMV) Board
From: Jeremiah Kuntz, Director, Vehicle Titles and Registration Division
Agenda Item: 8. 2.
Subject: Proposal of Rule under Title 43, Texas Administrative Code,
Chapter 217, Vehicle Titles and Registration Amendments, §217.45 and §217.182

RECOMMENDATION

Approval to publish the proposed amendments in the *Texas Register* for public comment.

PURPOSE AND EXECUTIVE SUMMARY

The purpose of these amendments is to implement House Bill 561, 85th Legislature, Regular Session, 2017, which added Transportation Code, §551.452, License Plates for Package Delivery Vehicles, to require the department to issue a license plate for a vehicle operated by a motor carrier for the purpose of picking up and delivering mail, parcels, and packages.

FINANCIAL IMPACT

There will be minimal fiscal implications related to the proposed amendments. The fee for a package delivery license plate will be \$25 plus a \$4.75 processing and handling fee. The department determined that the fee for a package delivery plate should be \$25, based on the expected demand and cost of producing the plate. There will be minimal adverse economic effects on small businesses or micro-businesses to the extent they purchase any package delivery license plates.

BACKGROUND AND DISCUSSION

The proposed amendments add:

- **§217.45(c)(3)(B)** - "package delivery vehicle" to the list of vehicles that are issued one plate.
- **§217.45(k)** - new subsection, package delivery, to establish the procedure and requirements to issue a "Package Delivery" license plate. The proposed amendments include a department fee of \$25 for each plate issued.
- **§217.182(6)** - new paragraph (6) to include issuance of a "package delivery vehicle" plate to the list of transactions defined as a registration transaction for purposes of the processing and handling fee.

If the proposed amendments are approved by the board, staff anticipates publication of the proposed amendments in the *Texas Register* on or about September 8, 2017. Comments on the proposed amendments will be accepted until 5:00 p.m. on October 9, 2017.

BOARD OF THE TEXAS DEPARTMENT OF MOTOR VEHICLES
RESOLUTION APPROVING PUBLICATION OF PROPOSED AMENDMENTS TO
43 TAC SECTIONS 217.45 AND 217.182 RELATING TO
VEHICLE TITLES AND REGISTRATION

The Board of the Texas Department of Motor Vehicles (board) finds it necessary to amend Chapter 217, Vehicle Titles and Registration, Subchapter B, Motor Vehicle Registration, §217.45, Specialty License Plates, Symbols, Tabs, and Other Devices; and Subchapter I, Fees, §217.182, Registration Transaction.

The preamble and the proposed amendments are attached to this resolution as Exhibits A-B and are incorporated by reference as though set forth verbatim in this resolution, except that they are subject to technical corrections and revisions, approved by the General Counsel, necessary for compliance with state or federal law or for acceptance by the Secretary of State for filing and publication in the *Texas Register*.

IT IS THEREFORE ORDERED by the board that the attached rules are authorized for publication in the *Texas Register* for the purpose of receiving public comment.

The department is directed to take the necessary steps to implement the actions authorized in this order pursuant to the requirements of the Administrative Procedure Act, Government Code, Chapter 2001.

Raymond Palacios, Jr., Chairman
Board of the Texas Department of Motor Vehicles

Recommended by:

Jeremiah Kuntz, Director
Vehicle Titles and Registration Division

Order Number: _____

Date Passed: August 17, 2017

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1 Proposed Preamble

2 The Texas Department of Motor Vehicles (department) proposes
3 amendments to Chapter 217, Vehicle Titles and Registration,
4 Subchapter B, Motor Vehicle Registration, §217.45, Specialty
5 License Plates, Symbols, Tabs, and Other Devices; and Subchapter
6 I, Fees, §217.182, Registration Transaction.

7

8 EXPLANATION OF PROPOSED AMENDMENTS

9 Amendments are proposed to §217.45 and §217.182 to implement
10 House Bill 561, 85th Legislature, Regular Session, 2017, which
11 added Transportation Code, §551.452, License Plates for Package
12 Delivery Vehicles, authorizing the department to issue a license
13 plate for a vehicle operated by a motor carrier for the purpose
14 of picking up and delivering mail, parcels, and packages.

15

16 The proposed amendments add "Package Delivery" to
17 §217.45(c)(3)(B) to the list of vehicles that are issued one
18 plate.

19

20 The proposed amendments add §217.45(k), package delivery
21 vehicle, to establish the procedure and requirements to issue a
22 "Package Delivery" license plate. The proposed amendments
23 include a department fee of \$25 for each plate issued.

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1

2 The proposed amendments add §217.182(6) to include issuance of a
3 package delivery plate to the list of transactions defined as a
4 registration transaction for purposes of the processing and
5 handling fee.

6

7 FISCAL NOTE

8 Linda M. Flores, Chief Financial Officer, has determined that
9 for each of the first five years the amendments as proposed are
10 in effect, there will be minimal fiscal implications for state
11 or local governments as a result of enforcing or administering
12 the proposed amendments. The department has determined that the
13 fee for a package delivery plate should be \$25, based on the
14 expected demand and the cost of producing the plate.

15

16 Jeremiah Kuntz, Director of the Vehicle Titles and Registration
17 Division, has determined that there will be minimal impact on
18 local economies or overall employment as a result of enforcing
19 or administering the proposed amendments.

20

21 PUBLIC BENEFIT AND COST

22 Mr. Kuntz has also determined that for each year of the first
23 five years the amendments are in effect, the public benefit

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1 anticipated as a result of enforcing or administering the
2 amendments will be a procedure to issue package delivery license
3 plates. There will be minimal economic costs for persons
4 required to comply with the proposed amendments. The fee for a
5 package delivery license plate will be \$25. In addition, there
6 will be a processing and handling fee of \$4.75. There will be
7 minimal adverse economic effects on small businesses or micro-
8 businesses to the extent they purchase any package delivery
9 license plates.

10
11 TAKINGS IMPACT ASSESSMENT

12 The department has determined that this proposal affects no
13 private real property interests and that this proposal does not
14 restrict or limit an owner's right to property that would
15 otherwise exist in the absence of government action, and so does
16 not constitute a taking or require a takings impact assessment
17 under Government Code, §2007.043.

18
19 SUBMITTAL OF COMMENTS

20 Written comments on the proposed amendments may be submitted to
21 David D. Duncan, General Counsel, Texas Department of Motor
22 Vehicles, 4000 Jackson Avenue, Austin, Texas 78731 or by email
23 to rules@txdmv.gov. The deadline for receipt of comments is

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1 5:00 p.m. on October 9, 2017.

2

3 STATUTORY AUTHORITY

4 The amendments are proposed under Transportation Code,

5 §1002.001, which provides the board of the Texas Department of

6 Motor Vehicles with the authority to adopt rules that are

7 necessary and appropriate to implement the powers and the duties

8 of the department under the Transportation Code; and more

9 specifically, Transportation Code, §504.0011, which authorizes

10 the board to adopt rules to implement and administer

11 Transportation Code, Chapter 504; and Transportation Code,

12 §551.452(b), which requires the department by rule to establish

13 a procedure to issue license plates to be used only for

14 operation in accordance with Transportation Code, Chapter 551,

15 Subchapter G, Package Delivery Vehicles. The amendment to

16 §217.182 is authorized by Transportation Code, §502.1911, which

17 directs the department to collect a fee to cover the expenses of

18 collecting registration fees for issuance of a license plate.

19

20 CROSS REFERENCE TO STATUTE

21 Transportation Code, Chapters 502, 551, and 663, and §643.001.

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1 SUBCHAPTER B. MOTOR VEHICLE REGISTRATION

2 §217.45. Specialty License Plates, Symbols, Tabs, and Other
3 Devices.

4 (a) Purpose and Scope. Transportation Code, Chapters 504
5 and 551 charge the department with providing specialty license
6 plates, symbols, tabs, and other devices. For the department to
7 perform these duties efficiently and effectively, this section
8 prescribes the policies and procedures for the application,
9 issuance, and renewal of specialty license plates, symbols,
10 tabs, and other devices, through the county tax assessor-
11 collectors, and establishes application fees, expiration dates,
12 and registration periods for certain specialty license plates.
13 This section does not apply to military license plates except as
14 provided by §217.43 of this title (relating to Military
15 Specialty License Plates).

16 (b) Initial application for specialty license plates,
17 symbols, tabs, or other devices.

18 (1) Application Process.

19 (A) Procedure. An owner of a vehicle registered as
20 specified in this subchapter who wishes to apply for a specialty
21 license plate, symbol, tab, or other device must do so on a form
22 prescribed by the director.

23 (B) Form requirements. The application form shall at a

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1 minimum require the name and complete address of the applicant.

2 (2) Fees and Documentation.

3 (A) The application must be accompanied by the
4 prescribed registration fee, unless exempted by statute.

5 (B) The application must be accompanied by the
6 statutorily prescribed specialty license plate fee. If a
7 registration period is greater than 12 months, the expiration
8 date of a specialty license plate, symbol, tab, or other device
9 will be aligned with the registration period and the specialty
10 plate fee will be adjusted to yield the appropriate fee. If the
11 statutory annual fee for a specialty license plate is \$5 or
12 less, it will not be prorated.

13 (C) Specialty license plate fees will not be refunded
14 after an application is submitted and the department has
15 approved issuance of the license plate.

16 (D) The application must be accompanied by prescribed
17 local fees or other fees that are collected in conjunction with
18 registering a vehicle, with the exception of vehicles bearing
19 license plates that are exempt by statute from these fees.

20 (E) The application must include evidence of
21 eligibility for any specialty license plates. The evidence of
22 eligibility may include, but is not limited to:

23 (i) an official document issued by a governmental

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1 entity; or

2 (ii) a letter issued by a governmental entity on that
3 agency's letterhead.

4 (F) Initial applications for license plates for display
5 on Exhibition Vehicles must include a photograph of the
6 completed vehicle.

7 (3) Place of application. Applications for specialty
8 license plates may be made directly to the county tax assessor-
9 collector, except that applications for the following license
10 plates must be made directly to the department:

11 (A) County Judge;

12 (B) Federal Administrative Law Judge;

13 (C) State Judge;

14 (D) State Official;

15 (E) U.S. Congress--House;

16 (F) U.S. Congress--Senate; and

17 (G) U.S. Judge.

18 (4) Gift plates.

19 (A) A person may purchase general distribution
20 specialty license plates as a gift for another person if the
21 purchaser submits an application for the specialty license
22 plates that provides:

23 (i) the name and address of the person who will

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1 receive the plates; and

2 (ii) the vehicle identification number of the vehicle
3 on which the plates will be displayed.

4 (B) To be valid for use on a motor vehicle, the
5 recipient of the plates must file an application with the county
6 tax assessor-collector and pay the statutorily required
7 registration fees in the amount as provided by Transportation
8 Code, Chapter 502 and this subchapter.

9 (c) Initial issuance of specialty license plates, symbols,
10 tabs, or other devices.

11 (1) Issuance. On receipt of a completed initial
12 application for registration, accompanied by the prescribed
13 documentation and fees, the department will issue specialty
14 license plates, symbols, tabs, or other devices to be displayed
15 on the vehicle for which the license plates, symbols, tabs, or
16 other devices were issued for the current registration period.
17 If the vehicle for which the specialty license plates, symbols,
18 tabs, or other devices are issued is currently registered, the
19 owner must surrender the license plates currently displayed on
20 the vehicle, along with the corresponding license receipt,
21 before the specialty license plates may be issued.

22 (2) Classic Motor Vehicles, Classic Travel Trailers,
23 Custom Vehicles, Street Rods, and Exhibition Vehicles.

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1 (A) License plates. Texas license plates that were
2 issued the same year as the model year of a Classic Motor
3 Vehicle, Travel Trailer, Street Rod, or Exhibition Vehicle may
4 be displayed on that vehicle under Transportation Code, §504.501
5 and §504.502, unless:

6 (i) the license plate's original use was restricted
7 by statute to another vehicle type;

8 (ii) the license plate is a qualifying plate type
9 that originally required the owner to meet one or more
10 eligibility requirements; or

11 (iii) the alpha numeric pattern is already in use on
12 another vehicle.

13 (B) Validation stickers and tabs. The department will
14 issue validation stickers and tabs for display on license plates
15 that are displayed as provided by subparagraph (A) of this
16 paragraph.

17 (3) Number of plates issued.

18 (A) Two plates. Unless otherwise listed in subparagraph
19 (B) of this paragraph, two specialty license plates, each
20 bearing the same license plate number, will be issued per
21 vehicle.

22 (B) One plate. One license plate will be issued per
23 vehicle for all motorcycles and for the following specialty

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1 license plates:

2 (i) Antique Vehicle (includes Antique Auto, Antique

3 Truck, Antique Motorcycle, and Antique Bus);

4 (ii) Classic Travel Trailer;

5 (iii) Rental Trailer;

6 (iv) Travel Trailer;

7 (v) Cotton Vehicle;

8 (vi) Disaster Relief;

9 (vii) Forestry Vehicle;

10 (viii) Golf Cart;

11 (ix) Log Loader; ~~and~~

12 (x) Military Vehicle; and[-]

13 (xi) Package Delivery Vehicle.

14 (C) Registration number. The identification number

15 assigned by the military may be approved as the registration

16 number instead of displaying Military Vehicle license plates on

17 a former military vehicle.

18 (4) Assignment of plates.

19 (A) Title holder. Unless otherwise exempted by law or

20 this section, the vehicle on which specialty license plates,

21 symbols, tabs, or other devices is to be displayed shall be

22 titled in the name of the person to whom the specialty license

23 plates, symbols, tabs, or other devices is assigned, or a title

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1 application shall be filed in that person's name at the time the
2 specialty license plates, symbols, tabs, or other devices are
3 issued.

4 (B) Non-owner vehicle. If the vehicle is titled in a
5 name other than that of the applicant, the applicant must
6 provide evidence of having the legal right of possession and
7 control of the vehicle.

8 (C) Leased vehicle. In the case of a leased vehicle,
9 the applicant must provide a copy of the lease agreement
10 verifying that the applicant currently leases the vehicle.

11 (5) Classification of neighborhood electric vehicles. The
12 registration classification of a neighborhood electric vehicle,
13 as defined by §217.3(3) of this title (relating to Motor Vehicle
14 Titles) will be determined by whether it is designed as a 4-
15 wheeled truck or a 4-wheeled passenger vehicle.

16 (6) Number of vehicles. An owner may obtain specialty
17 license plates, symbols, tabs, or other devices for an unlimited
18 number of vehicles, unless the statute limits the number of
19 vehicles for which the specialty license plate may be issued.

20 (7) Personalized plate numbers.

21 (A) Issuance. The department will issue a personalized
22 license plate number subject to the exceptions set forth in this
23 paragraph.

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1 (B) Character limit. A personalized license plate
2 number may contain no more than six alpha or numeric characters
3 or a combination of characters. Depending upon the specialty
4 license plate design and vehicle class, the number of characters
5 may vary. Spaces, hyphens, periods, hearts, stars, the
6 International Symbol of Access, or silhouettes of the state of
7 Texas may be used in conjunction with the license plate number.

8 (C) Personalized plates not approved. A personalized
9 license plate number will not be approved by the executive
10 director if the alpha-numeric pattern:

11 (i) conflicts with the department's current or
12 proposed regular license plate numbering system;

13 (ii) would violate §217.27 of this title (relating to
14 Vehicle Registration Insignia), as determined by the executive
15 director; or

16 (iii) is currently issued to another owner.

17 (D) Classifications of vehicles eligible for
18 personalized plates. Unless otherwise listed in subparagraph (E)
19 of this paragraph, personalized plates are available for all
20 classifications of vehicles.

21 (E) Categories of plates for which personalized plates
22 are not available. Personalized license plate numbers are not
23 available for display on the following specialty license plates:

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- 1 (i) Amateur Radio (other than the official call
- 2 letters of the vehicle owner);
- 3 (ii) Antique Motorcycle;
- 4 (iii) Antique Vehicle (includes Antique Auto, Antique
- 5 Truck, and Antique Bus);
- 6 (iv) Apportioned;
- 7 (v) Cotton Vehicle;
- 8 (vi) Disaster Relief;
- 9 (vii) Farm Trailer (except Go Texan II);
- 10 (viii) Farm Truck (except Go Texan II);
- 11 (ix) Farm Truck Tractor (except Go Texan II);
- 12 (x) Fertilizer;
- 13 (xi) Forestry Vehicle;
- 14 (xii) Log Loader;
- 15 (xiii) Machinery;
- 16 (xiv) Permit;
- 17 (xv) Rental Trailer;
- 18 (xvi) Soil Conservation; and
- 19 (xvii) Texas Guard.

20 (F) Fee. Unless specified by statute, a personalized

21 license plate fee of \$40 will be charged in addition to any

22 prescribed specialty license plate fee.

23 (G) Priority. Once a personalized license plate number

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1 has been assigned to an applicant, the owner shall have priority
2 to that number for succeeding years if a timely renewal
3 application is submitted to the county tax assessor-collector
4 each year in accordance with subsection (d) of this section.

5 (d) Specialty license plate renewal.

6 (1) Renewal deadline. If a personalized license plate is
7 not renewed within 60 days after its expiration date, a
8 subsequent renewal application will be treated as an application
9 for new personalized license plates.

10 (2) Length of validation. With the following exceptions,
11 all specialty license plates, symbols, tabs, or other devices
12 shall be valid for 12 months from the month of issuance or for a
13 prorated period of at least 12 months coinciding with the
14 expiration of registration.

15 (A) Five-year period. Antique Vehicle (includes Antique
16 Auto, Antique Truck, and Antique Bus) and Antique Motorcycle
17 license plates, Antique tabs, and registration numbers are
18 issued for a five-year period.

19 (B) Seven-year period. Foreign Organization license
20 plates and registration numbers are issued for a seven-year
21 period.

22 (C) March expiration dates. The registration for Cotton
23 Vehicle and Disaster Relief license plates expires each March

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1 31.

2 (D) June expiration dates. The registration for the

3 Honorary Consul license plate expires each June 30.

4 (E) September expiration dates. The registration for

5 the Log Loader license plate expires each September 30.

6 (F) December expiration dates. The registration for the

7 following license plates expires each December 31:

8 (i) County Judge;

9 (ii) Federal Administrative Law Judge;

10 (iii) State Judge;

11 (iv) State Official;

12 (v) U.S. Congress--House;

13 (vi) U.S. Congress--Senate; and

14 (vii) U.S. Judge.

15 (G) Except as otherwise provided in this paragraph, if

16 a vehicle's registration period is other than 12 months, the

17 expiration date of the specialty license plate, symbol, tab, or

18 other device will be set to align it with the expiration of

19 registration.

20 (3) Renewal.

21 (A) Renewal notice. Approximately 60 days before the

22 expiration date of a specialty license plate, symbol, tab, or

23 other device, the department will send each owner a renewal

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1 notice that includes the amount of the specialty plate fee and
2 the registration fee.

3 (B) Return of notice. The owner must return the fee and
4 any prescribed documentation to the tax assessor-collector of
5 the county in which the owner resides, except that the owner of
6 a vehicle with one of the following license plates must return
7 the documentation and specialty license plate fee, if
8 applicable, directly to the department and submit the
9 registration fee to the county tax assessor-collector:

- 10 (i) County Judge;
11 (ii) Federal Administrative Law Judge;
12 (iii) State Judge;
13 (iv) State Official;
14 (v) U.S. Congress--House;
15 (vi) U.S. Congress--Senate; and
16 (vii) U.S. Judge.

17 (C) Expired plate numbers. The department will retain a
18 specialty license plate number for 60 days after the expiration
19 date of the plates if the plates are not renewed on or before
20 their expiration date. After 60 days the number may be reissued
21 to a new applicant. All specialty license plate renewals
22 received after the expiration of the 60 days will be treated as
23 new applications.

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1 (D) Issuance of validation insignia. On receipt of a
2 completed license plate renewal application and prescribed
3 documentation, the department will issue registration validation
4 insignia as specified in §217.27 unless this section or other
5 law requires the issuance of new license plates to the owner.

6 (E) Lost or destroyed renewal notices. If a renewal
7 notice is lost, destroyed, or not received by the vehicle owner,
8 the specialty license plates, symbol, tab, or other device may
9 be renewed if the owner provides acceptable personal
10 identification along with the appropriate fees and
11 documentation. Failure to receive the notice does not relieve
12 the owner of the responsibility to renew the vehicle's
13 registration.

14 (e) Transfer of specialty license plates.

15 (1) Transfer between vehicles.

16 (A) Transferable between vehicles. The owner of a
17 vehicle with specialty license plates, symbols, tabs, or other
18 devices may transfer the specialty plates between vehicles by
19 filing an application through the county tax assessor-collector
20 if the vehicle to which the plates are transferred:

21 (i) is titled or leased in the owner's name; and

22 (ii) meets the vehicle classification requirements
23 for that particular specialty license plate, symbol, tab, or

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1 other device.

2 (B) Non-transferable between vehicles. The following
3 specialty license plates, symbols, tabs, or other devices are
4 non-transferable between vehicles:

5 (i) Antique Vehicle license plates (includes Antique
6 Auto, Antique Truck, and Antique Bus), Antique Motorcycle
7 license plates, and Antique tabs;

8 (ii) Classic Auto, Classic Truck, Classic Motorcycle,
9 Classic Travel Trailer, Street Rod, and Custom Vehicle license
10 plates;

11 (iii) Forestry Vehicle license plates; and

12 (iv) Log Loader license plates.

13 (C) New specialty license plates. If the department
14 creates a new specialty license plate under Transportation Code,
15 §504.801, the department will specify at the time of creation
16 whether the license plate may be transferred between vehicles.

17 (2) Transfer between owners.

18 (A) Non-transferable between owners. Specialty license
19 plates, symbols, tabs, or other devices issued under
20 Transportation Code, Chapter 504, Subchapters C, E, and F are
21 not transferable from one person to another except as
22 specifically permitted by statute.

23 (B) New specialty license plates. If the department

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1 creates a new specialty license plate under Transportation Code,
2 §504.801, the department will specify at the time of creation
3 whether the license plate may be transferred between owners.

4 (3) Simultaneous transfer between owners and vehicles.

5 Specialty license plates, symbols, tabs, or other devices are
6 transferable between owners and vehicles simultaneously only if
7 the owners and vehicles meet all the requirements in both
8 paragraphs (1) and (2) of this subsection.

9 (f) Replacement.

10 (1) Application. When specialty license plates, symbols,
11 tabs, or other devices are lost, stolen, or mutilated, the owner
12 shall apply directly to the county tax assessor-collector for
13 the issuance of replacements, except that Log Loader license
14 plates must be reapplied for and accompanied by the prescribed
15 fees and documentation.

16 (2) Temporary registration insignia. If the specialty
17 license plate, symbol, tab, or other device is lost, destroyed,
18 or mutilated to such an extent that it is unusable, and if
19 issuance of a replacement license plate would require that it be
20 remanufactured, the owner must pay the statutory replacement
21 fee, and the department will issue a temporary tag for interim
22 use. The owner's new specialty license plate number will be
23 shown on the temporary tag unless it is a personalized license

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1 plate, in which case the same personalized license plate number
2 will be shown.

3 (3) Stolen specialty license plates.

4 (A) The department or county tax assessor-collector
5 will not approve the issuance of replacement license plates with
6 the same personalized license plate number if the department's
7 records indicate either the vehicle displaying the personalized
8 license plates or the license plates are reported as stolen to
9 law enforcement. The owner will be directed to contact the
10 department for another personalized plate choice.

11 (B) The owner may select a different personalized
12 number to be issued at no charge with the same expiration as the
13 stolen specialty plate. On recovery of the stolen vehicle or
14 license plates, the department will issue, at the owner's or
15 applicant's request, replacement license plates, bearing the
16 same personalized number as those that were stolen.

17 (g) License plates created after January 1, 1999. In
18 accordance with Transportation Code, §504.702, the department
19 will begin to issue specialty license plates authorized by a law
20 enacted after January 1, 1999, only if the sponsoring entity for
21 that license plate submits the following items before the fifth
22 anniversary of the effective date of the law.

23 (1) The sponsoring entity must submit a written

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1 application. The application must be on a form approved by the
2 director and include, at a minimum:

3 (A) the name of the license plate;

4 (B) the name and address of the sponsoring entity;

5 (C) the name and telephone number of a person

6 authorized to act for the sponsoring entity; and

7 (D) the deposit.

8 (2) A sponsoring entity is not an agent of the department
9 and does not act for the department in any matter, and the
10 department does not assume any responsibility for fees or
11 applications collected by a sponsoring entity.

12 (h) Assignment procedures for state, federal, and county
13 officials.

14 (1) State Officials. State Official license plates
15 contain the distinguishing prefix "SO." Members of the state
16 legislature may be issued up to three sets of State Official
17 specialty license plates with the distinguishing prefix "SO," or
18 up to three sets of State Official specialty license plates that
19 depict the state capitol, and do not display the distinguishing
20 prefix "SO." An application by a member of the state
21 legislature, for a State Official specialty license plate, must
22 specify the same specialty license plate design for each
23 applicable vehicle. State Official license plates are assigned

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1 in the following order:

2 (A) Governor;

3 (B) Lieutenant Governor;

4 (C) Speaker of the House;

5 (D) Attorney General;

6 (E) Comptroller;

7 (F) Land Commissioner;

8 (G) Agriculture Commissioner;

9 (H) Secretary of State;

10 (I) Railroad Commission Presiding Officer followed by

11 the remaining members based on their seniority;

12 (J) Supreme Court Chief Justice followed by the

13 remaining justices based on their seniority;

14 (K) Criminal Court of Appeals Presiding Judge followed

15 by the remaining judges based on their seniority;

16 (L) Members of the State Legislature, with Senators

17 assigned in order of district number followed by Representatives

18 assigned in order of district number, except that in the event

19 of redistricting, license plates will be reassigned; and

20 (M) Board of Education Presiding Officer followed by

21 the remaining members assigned in district number order, except

22 that in the event of redistricting, license plates will be

23 reassigned.

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1 (2) Members of the U.S. Congress.

2 (A) U.S. Senate license plates contain the prefix

3 "Senate" and are assigned by seniority; and

4 (B) U.S. House license plates contain the prefix

5 "House" and are assigned in order of district number, except

6 that in the event of redistricting, license plates will be

7 reassigned.

8 (3) Federal Judge.

9 (A) Federal Judge license plates contain the prefix

10 "USA" and are assigned on a seniority basis within each court in

11 the following order:

12 (i) Judges of the Fifth Circuit Court of Appeals;

13 (ii) Judges of the United States District Courts;

14 (iii) United States Bankruptcy Judges; and

15 (iv) United States Magistrates.

16 (B) Federal Administrative Law Judge plates contain the

17 prefix "US" and are assigned in the order in which applications

18 are received.

19 (C) A federal judge who retired on or before August 31,

20 2003, and who held license plates expiring in March 2004 may

21 continue to receive federal judge plates. A federal judge who

22 retired after August 31, 2003, is not eligible for U.S. Judge

23 license plates.

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1 (4) State Judge.

2 (A) State Judge license plates contain the prefix "TX"

3 and are assigned sequentially in the following order:

4 (i) Appellate District Courts;

5 (ii) Presiding Judges of Administrative Regions;

6 (iii) Judicial District Courts;

7 (iv) Criminal District Courts; and

8 (v) Family District Courts and County Statutory

9 Courts.

10 (B) A particular alpha-numeric combination will always

11 be assigned to a judge of the same court to which it was

12 originally assigned.

13 (C) A state judge who retired on or before August 31,

14 2003, and who held license plates expiring in March 2004 may

15 continue to receive state judge plates. A state judge who

16 retired after August 31, 2003, is not eligible for State Judge

17 license plates.

18 (5) County Judge license plates contain the prefix "CJ"

19 and are assigned by county number.

20 (6) In the event of redistricting or other plate

21 reallocation, the department may allow a state official to

22 retain that official's plate number if the official has had the

23 number for five or more consecutive years.

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1 (i) Development of new specialty license plates.

2 (1) Procedure. The following procedure governs the
3 process of authorizing new specialty license plates under
4 Transportation Code, §504.801, whether the new license plate
5 originated as a result of an application or as a department
6 initiative.

7 (2) Applications for the creation of new specialty
8 license plates. An applicant for the creation of a new specialty
9 license plate, other than a vendor specialty plate under §217.52
10 of this title (relating to Marketing of Specialty License Plates
11 through a Private Vendor), must submit a written application on
12 a form approved by the executive director. The application must
13 include:

14 (A) the applicant's name, address, telephone number,
15 and other identifying information as directed on the form;

16 (B) certification on Internal Revenue Service
17 letterhead stating that the applicant is a not-for-profit
18 entity;

19 (C) a draft design of the specialty license plate;

20 (D) projected sales of the plate, including an
21 explanation of how the projected figure was established;

22 (E) a marketing plan for the plate, including a
23 description of the target market;

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1 (F) a licensing agreement from the appropriate third
2 party for any intellectual property design or design element;

3 (G) a letter from the executive director of the
4 sponsoring state agency stating that the agency agrees to
5 receive and distribute revenue from the sale of the specialty
6 license plate and that the use of the funds will not violate a
7 statute or constitutional provision; and

8 (H) other information necessary for the board to reach
9 a decision regarding approval of the requested specialty plate.

10 (3) Review process. The board:

11 (A) will not consider incomplete applications;

12 (B) may request additional information from an
13 applicant if necessary for a decision; and

14 (C) will consider specialty license plate applications
15 that are restricted by law to certain individuals or groups of
16 individuals (qualifying plates) using the same procedures as
17 applications submitted for plates that are available to everyone
18 (non-qualifying plates).

19 (4) Request for additional information. If the board
20 determines that additional information is needed, the applicant
21 must return the requested information not later than the
22 requested due date. If the additional information is not
23 received by that date, the board will return the application as

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1 incomplete unless the board:

2 (A) determines that the additional requested
3 information is not critical for consideration and approval of
4 the application; and

5 (B) approves the application, pending receipt of the
6 additional information by a specified due date.

7 (5) Board decision. The board's decision will be based
8 on:

9 (A) compliance with Transportation Code, §504.801;

10 (B) the proposed license plate design, including:

11 (i) whether the design appears to meet the legibility
12 and reflectivity standards established by the department;

13 (ii) whether the design meets the standards
14 established by the department for uniqueness;

15 (iii) other information provided during the
16 application process;

17 (iv) the criteria designated in §217.27 as applied to
18 the design; and

19 (v) whether a design is similar enough to an existing
20 plate design that it may compete with the existing plate sales;
21 and

22 (C) the applicant's ability to comply with
23 Transportation Code, §504.702 relating to the required deposit

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1 or application that must be provided before the manufacture of a
2 new specialty license plate.

3 (6) Public comment on proposed design. All proposed plate
4 designs will be considered by the board as an agenda item at a
5 regularly or specially called open meeting. Notice of
6 consideration of proposed plate designs will be posted in
7 accordance with Office of the Secretary of State meeting notice
8 requirements. Notice of each license plate design will be posted
9 on the department's Internet website to receive public comment
10 at least 25 days in advance of the meeting at which it will be
11 considered. The department will notify all other specialty plate
12 organizations and the sponsoring agencies who administer
13 specialty license plates issued in accordance with
14 Transportation Code, Chapter 504, Subchapter G, of the posting.
15 A comment on the proposed design can be submitted in writing
16 through the mechanism provided on the department's Internet
17 website for submission of comments. Written comments are welcome
18 and must be received by the department at least 10 days in
19 advance of the meeting. Public comment will be received at the
20 board's meeting.

21 (7) Final approval.

22 (A) Approval. The board will approve or disapprove the
23 specialty license plate application based on all of the

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1 information provided pursuant to this subchapter at an open
2 meeting.

3 (B) Application not approved. If the application is not
4 approved under subparagraph (A) of this paragraph, the applicant
5 may submit a new application and supporting documentation for
6 the design to be considered again by the board if:

7 (i) the applicant has additional, required
8 documentation; or

9 (ii) the design has been altered to an acceptable
10 degree.

11 (8) Issuance of specialty plates.

12 (A) If the specialty license plate is approved, the
13 applicant must comply with Transportation Code, §504.702 before
14 any further processing of the license plate.

15 (B) Approval of the plate does not guarantee that the
16 submitted draft plate design will be used. The board has final
17 approval authority of all specialty license plate designs and
18 may adjust or reconfigure the submitted draft design to comply
19 with the format or license plate specifications.

20 (C) If the board, in consultation with the applicant,
21 adjusts or reconfigures the design, the adjusted or reconfigured
22 design will not be posted on the department's website for
23 additional comments.

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1 (9) Redesign of specialty license plate.

2 (A) Upon receipt of a written request from the
3 applicant, the department will allow redesign of a specialty
4 license plate.

5 (B) A request for a redesign must meet all application
6 requirements and proceed through the approval process of a new
7 specialty plate as required by this subsection.

8 (C) An approved license plate redesign does not require
9 the deposit required by Transportation Code, §504.702, but the
10 applicant must pay a redesign cost to cover administrative
11 expenses.

12 (j) Golf carts.

13 (1) A county tax assessor-collector may issue golf cart
14 license plates as long as the requirements under Transportation
15 Code, §551.403 or §551.404 are met.

16 (2) A county tax assessor-collector may only issue golf
17 cart license plates to residents or property owners of the
18 issuing county.

19 (3) A golf cart license plate may not be used as a
20 registration insignia, and a golf cart may not be registered for
21 operation on a public highway.

22 (4) The license plate fee for a golf cart license plate
23 is \$10.

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1 (k) Package delivery vehicle.

2 (1) A county tax assessor-collector may issue package
3 delivery license plates as long as the requirements under
4 Transportation Code, §§551.453, 551.454, and 551.455 are met.

5 (2) The license plate fee for a package delivery license
6 plate is \$25.

7

8 §217.182. Registration Transaction.

9 As used in this subchapter, a registration transaction is a
10 registration or registration renewal under Transportation Code,
11 Chapter 502, or a transaction to issue the following:

12 (1) a registration, registration renewal, or permit
13 issued under Transportation Code, Chapter 502, Subchapter C
14 (Special Registrations);

15 (2) a license plate issued under Transportation Code,
16 §502.146;

17 (3) a temporary additional weight permit under
18 Transportation Code, §502.434;

19 (4) a license plate or license plate sticker under
20 Transportation Code, §§504.501, 504.502, 504.506, or 504.507;
21 [~~or~~]

22 (5) a golf cart plate under Transportation Code,
23 §551.402; or[-]

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- 1 (6) a package delivery vehicle plate under Transportation
- 2 Code, §551.452.



Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Date: August 17, 2017
Action Requested: APPROVAL

To: Texas Department of Motor Vehicles (TxDMV) Board
From: Jeremiah Kuntz, Director, Vehicle Titles and Registration Division
Agenda Item: 8. 3.
Subject: Proposal of Rules under Title 43, Texas Administrative Code,
Chapter 217, Vehicle Titles and Registration Amendments, §217.123 and §217.124

RECOMMENDATION

Approval to publish the proposed amendments in the *Texas Register* for public comment.

PURPOSE AND EXECUTIVE SUMMARY

The purpose of the amendments is to clarify procedures for and access to motor vehicle records and associated cost of records.

FINANCIAL IMPACT

There will be positive fiscal implications for state or local governments as a result of enforcing or administering the proposed amendments. Texas state and local governmental entities that regularly access motor vehicle record information will have access to certain records at no cost resulting in savings for those entities.

BACKGROUND AND DISCUSSION

The proposed amendments include:

- **§217.123** - expanding the scope of public entities that are exempt from certain fees to include all Texas governmental entities; and
- **§217.124** - providing law enforcement access to certain records at no cost. In addition, deposit, minimum balance and fee information has been modified to better reflect department costs.

If the proposed amendments are approved by the board, staff anticipates publication of the proposed amendments in the *Texas Register* on or about September 8, 2017. Comments on the proposed amendments will be accepted until 5:00 p.m. on October 9, 2017.

BOARD OF THE TEXAS DEPARTMENT OF MOTOR VEHICLES

RESOLUTION APPROVING PUBLICATION OF PROPOSED AMENDMENTS TO
43 TAC SECTIONS 217.123 AND 217.124 RELATING TO
MOTOR VEHICLE RECORD INFORMATION

The Board of the Texas Department of Motor Vehicles (board) finds it necessary to amend Chapter 217, Vehicle Titles and Registration, Subchapter F, Motor Vehicle Record Information, §217.123, Access to Motor Vehicle Records; and §217.124, Cost of Motor Vehicle Records.

The preamble and the proposed amendments are attached to this resolution as Exhibits A-B, and are incorporated by reference as though set forth verbatim in this resolution, except that they are subject to technical corrections and revisions, approved by the General Counsel, necessary for compliance with state or federal law or for acceptance by the Secretary of State for filing and publication in the *Texas Register*.

IT IS THEREFORE ORDERED by the board that the attached rules are authorized for publication in the *Texas Register* for the purpose of receiving public comment.

The department is directed to take the necessary steps to implement the actions authorized in this order pursuant to the requirements of the Administrative Procedure Act, Government Code, Chapter 2001.

Raymond Palacios, Jr., Chairman
Board of the Texas Department of Motor Vehicles

Recommended by:

Jeremiah Kuntz, Director
Vehicle Titles and Registration Division

Order Number: _____

Date Passed: August 17, 2017

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1 Proposed Preamble

2 The Texas Department of Motor Vehicles (department) proposes
3 amendments to Chapter 217, Vehicle Titles and Registration,
4 Subchapter F, Motor Vehicle Record Information, §217.123, Access
5 to Motor Vehicle Records, and §217.124, Cost of Motor Vehicle
6 Records.

7

8 EXPLANATION OF PROPOSED AMENDMENTS

9 Amendments are proposed to §217.123 and §217.124 to clarify
10 procedures for and access to motor vehicle records and
11 associated cost of records.

12

13 The changes to §217.123 expand the scope of public entities that
14 are exempt from certain fees to include all Texas governmental
15 entities. Also, amendments throughout §217.123 change "agency"
16 to "Texas governmental entity" and renumber paragraphs as
17 necessary.

18

19 The amendments to §127.124 provide for law enforcement access to
20 certain records at no cost. In addition, deposit, minimum
21 balance and fee information has been modified to better reflect
22 department costs.

23

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1 FISCAL NOTE

2 Linda M. Flores, Chief Financial Officer, has determined that
3 for each of the first five years the amendments as proposed are
4 in effect, there will be positive fiscal implications for state
5 or local governments as a result of enforcing or administering
6 the proposed amendments. Texas state and local governmental
7 entities that regularly access motor vehicle record information
8 will have access to certain records at no cost resulting in
9 savings for those entities.

10

11 Jeremiah Kuntz, Director of the Vehicle Titles and Registration
12 Division, has determined that there will be no impact on local
13 economies or overall employment as a result of enforcing or
14 administering the proposed amendments.

15

16 PUBLIC BENEFIT AND COST

17 Mr. Kuntz has also determined that for each year of the first
18 five years the amendments are in effect, the public benefit
19 anticipated as a result of enforcing or administering the
20 amendments will be to clarify who has access to motor vehicle
21 records and the associated costs for copies of the records.
22 There are no anticipated economic costs for persons required to
23 comply with the proposed amendments. There will be no adverse

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1 economic effect on small businesses or micro-businesses.

2

3 TAKINGS IMPACT ASSESSMENT

4 The department has determined that this proposal affects no

5 private real property interests and that this proposal does not

6 restrict or limit an owner's right to property that would

7 otherwise exist in the absence of government action, and so does

8 not constitute a taking or require a takings impact assessment

9 under Government Code, §2007.043.

10

11 SUBMITTAL OF COMMENTS

12 Written comments on the proposed amendments may be submitted to

13 David D. Duncan, General Counsel, Texas Department of Motor

14 Vehicles, 4000 Jackson Avenue, Austin, Texas 78731 or by email

15 to *rules@txdmv.gov*. The deadline for receipt of comments is

16 5:00 p.m. on October 9, 2017.

17

18 STATUTORY AUTHORITY

19 The amendments are proposed under Transportation Code,

20 §1002.001, which provides the board of the Texas Department of

21 Motor Vehicles (board) with the authority to adopt rules that

22 are necessary and appropriate to implement the powers and the

23 duties of the department under the Transportation Code; and more

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1 specifically, Transportation Code, §730.014, which provides that
2 the department may adopt rules to implement and administer
3 Chapter 730, Motor Vehicle Records Disclosure Act.

4

5 CROSS REFERENCE TO STATUTE

6 Government Code, §552.130; Transportation Code, Chapter 730; and
7 18 U.S.C. §2721 et seq.

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1 SUBCHAPTER F. MOTOR VEHICLE RECORD INFORMATION

2 §217.123. Access to Motor Vehicle Records.

3 (a) Request for records. A person seeking motor vehicle
4 record information shall submit a written request on the form
5 required by the department. Information will be released in
6 accordance with Title 18 U.S.C. §2721 et seq., Transportation
7 Code, Chapter 730, and Government Code, §552.130. A completed
8 and properly executed form must include, at a minimum:

9 (1) the name and address of the requestor;

10 (2) the Texas license number, title or document
11 number, or vehicle identification number of the motor vehicle
12 about which information is requested;

13 (3) a photocopy of the requestor's identification;

14 (4) a statement that the requested information may
15 only be released if the requestor is the subject of the record,
16 if the requestor has written authorization for release from the
17 subject of the record, or if the intended use is for a permitted
18 use as indicated on the form;

19 (5) a certification that the statements made on the
20 form are true and correct; and

21 (6) the signature of the requestor.

22 (b) Identification required. A person may not apply for
23 receipt of personal information unless the person presents

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1 current photo identification containing a unique identification
2 number. The identification document must be a:

3 (1) driver's license or state identification
4 certificate issued by a state or territory of the United States;

5 (2) United States or foreign passport;

6 (3) United States military identification card;

7 (4) United States Department of Homeland Security,
8 United States Citizenship and Immigration Services, or United
9 States Department of State identification document; ~~[-or]~~

10 (5) concealed handgun license or license to carry a
11 handgun issued by the Texas Department of Public Safety under
12 Government Code, Chapter 411, Subchapter H; or ~~[-]~~

13 (6) copy of current law enforcement credentials if the
14 requestor is a law enforcement officer.

15 (c) Electronic access. The department may make motor
16 vehicle record information available under the terms of a
17 written service agreement.

18 (1) Agreement with business or individuals. The
19 written service agreement with a business or individual must
20 contain:

21 (A) the specified purpose of the agreement;

22 (B) an adjustable account, if applicable, in
23 which an initial deposit and minimum balance is maintained in

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1 accordance with §217.124 of this title (relating to Cost of
2 Motor Vehicle Records);~~[the amount of:]~~

3 ~~[(i) \$200 for an on line access account; or]~~
4 ~~[(ii) \$1,000 for a prepaid account for batch~~
5 ~~purchase of motor vehicle record information;]~~

6 (C) termination and default provisions;

7 ~~[(D) service hours for access to motor vehicle~~
8 ~~records for on line access;]~~

9 (D)~~[(E)]~~ the contractor's signature;

10 (E)~~[(F)]~~ a statement that the use of motor
11 vehicle record information obtained by virtue of a service
12 agreement is conditional upon its being used:

13 (i) in accordance with 18 U.S.C. §2721 et
14 seq. and Transportation Code, Chapter 730; and

15 (ii) only for the purposes defined in the
16 agreement; and

17 (F)~~[(G)]~~ the statements required by subsection
18 (a) of this section.

19 (2) Agreements with Texas governmental
20 entities~~[agencies]~~.

21 (A) The written service agreement with a Texas
22 governmental entity~~[an agency]~~ must contain:

23 (i) the specified purpose of the agreement;

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1 [~~(ii) method of payment;~~]

2 [~~(iii) notification regarding the charges;~~]

3 (ii)[~~(iv)~~]a statement that the use of motor
4 vehicle record information obtained by virtue of a service
5 agreement is conditional upon its being used in accordance with
6 18 U.S.C. §2721 et seq. and Transportation Code, Chapter 730,
7 and only for the purposes defined in the agreement;

8 (iii)[~~(v)~~] the statements required by
9 subsection (a) of this section;

10 (iv)[~~(vi)~~] the signature of an authorized
11 official; and

12 (v)[~~(vii)~~] an attached statement citing the
13 entity's[~~agency's~~] authority to obtain social security number
14 information, if applicable.

15 (B) Texas governmental entities, as defined in
16 Government Code, §2252.001 and including the Texas Law
17 Enforcement Telecommunication System, are [~~access is~~] exempt
18 from the payment of fees, except as provide by §217.124(e) of
19 this title.

20 (d) Ineligibility to receive personal information. The
21 department may prohibit a person, business, or Texas
22 governmental entity[~~agency~~] from receiving personal information
23 if the department finds a violation of a term or condition of

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1 the agreement entered into in accordance with subsection (c) of
2 this section.

3 (e) Initial deposits and minimum balances. Notwithstanding
4 §217.124 of this title, the department may modify initial
5 deposit and minimum balance requirements on a case by case basis
6 depending on customer usage.

7

8 §217.124. Cost of Motor Vehicle Records.

9 (a) Standard costs. The department will charge fees in
10 accordance with Government Code, Chapter 552 and the cost rules
11 promulgated by the Office of the Attorney General in 1 Texas
12 Administrative Code, Chapter 70 (relating to Cost of Copies of
13 Public Information).

14 (b) Law enforcement. An employee of a state, federal or
15 local law enforcement entity is exempt from the payment of fees
16 for motor vehicle records in subsection (c)(1), (2), (3), and
17 (4) of this section if the records are necessary to carry out
18 lawful functions of the law enforcement agency.

19 (c) Motor vehicle record costs. For new contracts and
20 renewals the costs are: [~~The cost for motor vehicle information~~
21 ~~will be:~~]

22 (1) Title history - \$5.75;

23 (2) Certified title history - \$6.75;

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1 (3) Title and registration verification (record
2 search) - \$2.30;

3 (4) Certified title and registration verification
4 (record search) - \$3.30; and

5 (5) Duplicate registration receipt for current
6 registration period - \$2.

7 (d) Electronic motor vehicle records and files.

8 (1) Master file of motor vehicle registration and
9 title database - \$5,000 plus \$0.38 per 1,000 records;

10 (2) Weekly updates to motor vehicle registration and
11 title database - deposit of \$3,000 and \$200 per week;

12 (3) e-Tag file - deposit of \$1,875 and \$125 per week;

13 (4) Dealer supplemental file - deposit of \$1,875 and
14 \$125 per week;

15 (5) Special plates file - deposit of \$1,875 and \$125
16 per week;

17 (6) Batch inquiry to motor vehicle registration and
18 title database - deposit of \$1,500, minimum balance of \$1,000
19 and \$23 per month plus \$0.12 per record;

20 (7) Online motor vehicle inquiry (MVInet) access -
21 deposit of \$400, minimum balance of \$200 and \$23 per computer
22 run plus \$0.12 per record; and

23 (8) Scofflaw remarks (inquiry, addition or deletion) -

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1 deposit of \$750, minimum balance of \$500 and \$23 per run plus
2 \$0.12 per record.

3 (e) Exemption applicability. The exemption granted in
4 §217.123(c)(2)(B) of this title (relating to Access to Motor
5 Vehicle Records) does not apply to subsection (d)(1), (6), or
6 (8) of this section.

7 ~~[(1) Title and registration verification (record~~
8 ~~search) — \$2.30;]~~

9 ~~[(2) Title history — \$5.75;]~~

10 ~~[(3) Online access to motor vehicle records database —~~
11 ~~\$23 per month plus \$.12 per record entry;]~~

12 ~~[(4) Motor vehicle registration and title database —~~
13 ~~\$5,000 plus \$.38 per 1,000 records copied to media;]~~

14 ~~[(5) Weekly updates to motor vehicle registration and~~
15 ~~title database, with media provided by the department — \$135;~~
16 ~~and]~~

17 ~~[(6) Batch inquiry to motor vehicle records database —~~
18 ~~\$23 per computer run plus \$.12 per record searched.]~~



Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Date: August 17, 2017
Action Requested: Approval

To: Texas Department of Motor Vehicles (TxDMV) Board
From: Jimmy Archer, Director, Motor Carrier Division
Agenda Item: 9
Subject: Proposal of Rules under Title 43, Texas Administrative Code, Chapter 219, Oversize and Overweight Vehicles and Loads
New, §§219.34, 219.35, and 219.36

RECOMMENDATION

Approval to publish the proposed new sections in the *Texas Register* for public comment.

PURPOSE AND EXECUTIVE SUMMARY

The purpose of the new sections is to implement House Bill 2319, Senate Bill 1383, and Senate Bill 1524, which authorize three new permits for overweight vehicle combinations. The permits authorize certain vehicle combinations to exceed gross weight and axle weight limits, as long as the vehicle combination and the operator are in compliance with all of the applicable requirements and restrictions.

FINANCIAL IMPACT

There will be no fiscal implications for state or local governments as a result of enforcing or administering the proposed new sections. Although the sale of the new permits is anticipated to generate revenue for the state and certain local jurisdictions in the state, the estimated increase in revenue cannot be determined at this time due to a lack of data on the number of applications that will be submitted and approved for the permits authorized by the new sections. Also, the fee for the permits under §219.35 and §219.36 is set by statute, rather than by rule.

BACKGROUND AND DISCUSSION

The proposed new sections establish the requirements, restrictions, and procedures for the following permits:

- **§219.34, North Texas Intermodal Permit** - implements House Bill 2319, which added Transportation Code, §623.0172, Permit for Intermodal Shipping Container, to require the department to issue an annual permit for the international transportation of a sealed intermodal shipping container by a truck-tractor and semitrailer combination in portions of Bowie County, Texas.
- **§219.35, Fluid Milk Transport Permit** - implements Senate Bill 1383, which added Transportation Code, §623.401, Permit for Vehicles Transporting Fluid Milk, to authorize the department to issue an annual permit for the movement of fluid milk by certain truck-tractor and semitrailer combinations.
- **§219.36, Intermodal Shipping Container Port Permit** - implements Senate Bill 1524, which added Transportation Code, §623.402, Issuance of Permit, to authorize the department to issue an annual permit for the movement of certain vehicle combinations transporting sealed intermodal shipping containers moving in international transportation.

If the proposed new sections are approved by the board, staff anticipates publication of the proposed new sections in the *Texas Register* on or about September 8, 2017. Comments on the proposed new sections will be accepted until 5:00 p.m. on October 9, 2017.

BOARD OF THE TEXAS DEPARTMENT OF MOTOR VEHICLES

RESOLUTION APPROVING PUBLICATION OF PROPOSED NEW
43 TAC SECTIONS 219.34, 219.35, AND 219.36
RELATING TO PERMITS FOR OVER AXLE
AND OVER GROSS WEIGHT TOLERANCES

The Board of the Texas Department of Motor Vehicles (board) finds it necessary to add new Chapter 219, Oversize and Overweight Vehicles and Loads, Subchapter C, Permits for Over Axle and Over Gross Weight Tolerances, §219.34, North Texas Intermodal Permit; §219.35, Fluid Milk Transport Permit; and §219.36, Intermodal Shipping Container Port Permit.

The preamble and the proposed new sections are attached to this resolution as Exhibits A-B, and are incorporated by reference as though set forth verbatim in this resolution, except that they are subject to technical corrections and revisions, approved by the General Counsel, necessary for compliance with state or federal law or for acceptance by the Secretary of State for filing and publication in the *Texas Register*.

IT IS THEREFORE ORDERED by the board that the attached proposed rules are authorized for publication in the *Texas Register* for the purpose of receiving public comment.

The department is directed to take the necessary steps to implement the actions authorized in this order pursuant to the requirements of the Administrative Procedure Act, Government Code, Chapter 2001.

Raymond Palacios, Jr., Chairman
Board of the Texas Department of Motor Vehicles

Recommended by:

Jimmy Archer, Director
Motor Carrier Division

Order Number: _____

Date Passed: August 17, 2017

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Chapter 219, Oversize and Overweight Vehicles and Loads

1 Proposed Preamble

2 The Texas Department of Motor Vehicles (department) proposes new
3 Chapter 219, Oversize and Overweight Vehicles and Loads,
4 Subchapter C, Permits for Over Axle and Over Gross Weight
5 Tolerances, §219.34, North Texas Intermodal Permit; §219.35,
6 Fluid Milk Transport Permit; and §219.36, Intermodal Shipping
7 Container Port Permit.

8

9 EXPLANATION OF PROPOSED NEW SECTIONS

10 The 85th Legislature, Regular Session, 2017, authorized three
11 new permits for overweight vehicle combinations. The permits
12 authorize certain vehicle combinations to exceed gross weight
13 and axle weight limits, as long as the vehicle combination and
14 the operator are in compliance with all of the applicable
15 requirements and restrictions. Proposed new §§219.34, 219.35,
16 and 219.36 establish the requirements, restrictions, and
17 procedures regarding these permits.

18

19 Proposed new §219.34 implements House Bill 2319, which added
20 Transportation Code, §623.0172, Permit for Intermodal Shipping
21 Container, to require the department to issue an annual permit
22 for the international transportation of a sealed intermodal
23 shipping container by a truck-tractor and semitrailer

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1 combination in portions of Bowie County, Texas.

2

3 Proposed new §219.35 implements Senate Bill 1383, which added
4 Transportation Code, §623.401, Permit for Vehicles Transporting
5 Fluid Milk, to authorize the department to issue an annual
6 permit for the movement of fluid milk by certain truck-tractor
7 and semitrailer combinations.

8

9 Proposed new §219.36 implements Senate Bill 1524, which added
10 Transportation Code, §623.402, Issuance of Permit, to authorize
11 the department to issue an annual permit for the movement of
12 certain vehicle combinations transporting sealed intermodal
13 shipping containers moving in international transportation.

14

15 FISCAL NOTE

16 Linda M. Flores, Chief Financial Officer, has determined that
17 for each of the first five years the proposed new sections are
18 in effect, there will be no fiscal implications for state or
19 local governments as a result of enforcing or administering the
20 proposed new sections. Although the sale of the new permits is
21 anticipated to generate revenue for the state and certain local
22 jurisdictions in the state, the estimated increase in revenue
23 cannot be determined at this time due to a lack of data on the

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number of applications that will be submitted and approved for the permits authorized by the new sections. Also, the fee for the permits under §219.35 and §219.36 is set by statute, rather than by rule.

Jimmy Archer, Director of the Motor Carrier Division, has determined that there will be no impact on local economies or overall employment as a result of enforcing or administering the proposed new sections.

PUBLIC BENEFIT AND COST

Mr. Archer has also determined that for each year of the first five years the new sections are in effect, the public benefit anticipated as a result of enforcing or administering the new sections will be new permits, which may increase commerce.

There are no anticipated economic costs for persons required to comply with the proposed new sections, other than the fees for the permits. There will be no adverse economic effect on small businesses or micro-businesses.

TAKINGS IMPACT ASSESSMENT

The department has determined that this proposal affects no private real property interests and that this proposal does not

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1 restrict or limit an owner's right to property that would
2 otherwise exist in the absence of government action, and so does
3 not constitute a taking or require a takings impact assessment
4 under Government Code, §2007.043.

5

6 SUBMITTAL OF COMMENTS

7 Written comments on the proposed new sections may be submitted
8 to David D. Duncan, General Counsel, Texas Department of Motor
9 Vehicles, 4000 Jackson Avenue, Austin, Texas 78731 or by email
10 to *rules@txdmv.gov*. The deadline for receipt of comments is
11 5:00 p.m. on October 9, 2017.

12

13 STATUTORY AUTHORITY

14 The new sections are proposed under Transportation Code,
15 §1002.001, which provides the board of the Texas Department of
16 Motor Vehicles (board) with the authority to adopt rules that
17 are necessary and appropriate to implement the powers and the
18 duties of the department under the Transportation Code;
19 Transportation Code, §623.002, which authorizes the board of the
20 Texas Department of Motor Vehicles to adopt rules that are
21 necessary to implement and enforce Transportation Code, Chapter
22 623; and more specifically, Transportation Code, §623.407(a),
23 which requires the department to adopt rules that are necessary

1 to implement Transportation Code, Chapter 623, Subchapter U,
2 Vehicles Transporting Fluid Milk; and Transportation Code,
3 §623.411(a), which requires the department to adopt rules that
4 are necessary to implement Transportation Code, Chapter 623,
5 Subchapter U, Intermodal Shipping Containers.

6

7 CROSS REFERENCE TO STATUTE

8 Transportation Code, Chapters 621 and 623.

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SUBCHAPTER C. PERMITS FOR OVER AXLE AND

OVER GROSS WEIGHT TOLERANCES

§219.34. North Texas Intermodal Permit.

(a) Purpose. This section prescribes the requirements, restrictions, and procedures regarding the annual permit for transporting an intermodal shipping container under the provisions of Transportation Code, §623.0172.

(b) Application for permit.

(1) To qualify for a North Texas intermodal permit, a person must submit an application to the department.

(2) The application shall be in a form prescribed by the department and at a minimum, will require the following:

(A) name and address of the applicant;

(B) name of contact person and telephone number or email address; and

(C) vehicle information, including vehicle year, make, license plate number and state of issuance, and vehicle identification number.

(3) The application shall be accompanied by the total annual permit fee of \$2,000.

(4) Fees for permits issued under this section are payable as required by §219.11(f) of this title (relating to General Oversize/Overweight Permit Requirements and Procedures).

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1 (c) Amendments. An annual permit issued under this section
2 will not be amended except in the case of department error.

3 (d) Transfer of permit. An annual permit issued under this
4 section is not transferable between vehicles.

5 (e) Restrictions pertaining to road conditions. Movement of
6 a permitted vehicle is prohibited when road conditions are
7 hazardous based upon the judgment of the operator and law
8 enforcement officials. Law enforcement officials shall make the
9 final determination regarding whether or not conditions are
10 hazardous. Conditions that should be considered hazardous
11 include, but are not limited to:

12 (1) visibility of less than 2/10 of one mile; or

13 (2) weather conditions such as wind, rain, ice, sleet,
14 or snow.

15 (f) Curfew restrictions. The operator of a permitted
16 vehicle must observe the curfew movement restrictions published
17 by the department.

18 (g) Construction or maintenance areas. The permitted
19 vehicle may not travel through any state highway construction or
20 maintenance area if prohibited by the construction restrictions
21 published by the department.

22 (h) Night movement. Night movement is allowed under this
23 permit, unless prohibited by the curfew movement restrictions

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1 published by the department.

2 (i) Manufacturer's tire load rating. Permits issued under
3 this section do not authorize the vehicle to exceed the
4 manufacturer's tire load rating.

5

6 §219.35. Fluid Milk Transport Permit.

7 (a) Purpose. This section prescribes the requirements,
8 restrictions, and procedures regarding the annual permit for
9 transporting fluid milk under the provisions of Transportation
10 Code, Chapter 623, Subchapter U, as added by Chapter 750 (S.B.
11 1383), Acts of the 85th Legislature, Regular Session, 2017.

12 (b) Application for permit.

13 (1) To qualify for a fluid milk transport permit, a
14 person must submit an application to the department.

15 (2) The application shall be in a form prescribed by
16 the department and at a minimum, will require the following:

17 (A) name and address of the applicant;

18 (B) name of contact person and telephone number
19 or email address;

20 (C) vehicle information, including vehicle year,
21 make, license plate number and state of issuance, and vehicle
22 identification number; and

23 (D) a list of counties in which the vehicle will

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1 be operated.

2 (3) The application shall be accompanied by the total
3 annual permit fee of \$1,200.

4 (4) Fees for permits issued under this section are
5 payable as required by §219.11(f) of this title (relating to
6 General Oversize/Overweight Permit Requirements and Procedures).

7 (c) Issuance and placement of permit and windshield
8 sticker; restrictions.

9 (1) A permit and a windshield sticker will be issued
10 once the application is approved, and each will be mailed to the
11 applicant at the address contained in the application.

12 (2) The windshield sticker shall be affixed to the
13 inside of the windshield of the vehicle in accordance with the
14 diagram printed on the back of the sticker and in a manner that
15 will not obstruct the vision of the driver. Any attempt to
16 remove the sticker from the windshield will render the sticker
17 void and will require a new permit and sticker.

18 (3) A replacement sticker for a lost, stolen, or
19 mutilated windshield sticker may be issued, provided that the
20 permittee submits a request on a form approved by the department
21 which shall include a statement, signed by the permittee,
22 affirming that the sticker was lost, stolen, or mutilated. The
23 replacement sticker shall only be valid for the permitted

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1 vehicle.

2 (d) Amendments. An annual permit issued under this section
3 will not be amended except in the case of department error.

4 (e) Transfer of permit. An annual permit issued under this
5 section is not transferable between vehicles.

6 (f) Termination of permit. An annual permit issued under
7 this section will automatically terminate, and the windshield
8 sticker must be removed from the vehicle:

9 (1) on the expiration of the permit;

10 (2) when the lease of the vehicle expires;

11 (3) on the sale or other transfer of ownership of the
12 vehicle for which the permit was issued; or

13 (4) on the dissolution or termination of the
14 partnership, corporation, or other legal entity to which the
15 permit was issued.

16 (g) Restrictions pertaining to road conditions. Movement of
17 a permitted vehicle is prohibited when road conditions are
18 hazardous based upon the judgment of the operator and law
19 enforcement officials. Law enforcement officials shall make the
20 final determination regarding whether or not conditions are
21 hazardous. Conditions that should be considered hazardous
22 include, but are not limited to:

23 (1) visibility of less than 2/10 of one mile; or

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1 (2) weather conditions such as wind, rain, ice, sleet,
2 or snow.

3 (h) Curfew restrictions. The operator of a permitted
4 vehicle must observe the curfew movement restrictions published
5 by the department.

6 (i) Construction or maintenance areas.

7 (1) The permitted vehicle may not travel through any
8 state highway construction or maintenance area if prohibited by
9 the construction restrictions published by the department.

10 (2) The permittee is responsible for contacting the
11 appropriate local jurisdiction for construction or maintenance
12 restrictions on non-state maintained roadways.

13 (j) Night movement. Night movement is allowed under this
14 permit, unless prohibited by the curfew movement restrictions
15 published by the department. (k) Manufacturer's tire load
16 rating. Permits issued under this section do not authorize the
17 vehicle to exceed the manufacturer's tire load rating.

18

19 §219.36. Intermodal Shipping Container Port Permit.

20 (a) Purpose. This section prescribes the requirements,
21 restrictions, and procedures regarding the annual permit for
22 transporting an intermodal shipping container under the
23 provisions of Transportation Code, Chapter 623, Subchapter U, as

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1 added by Chapter 108 (S.B. 1524), Acts of the 85th Legislature,
2 Regular Session, 2017.

3 (b) Application for permit.

4 (1) To qualify for an intermodal shipping container
5 port permit, a person must submit an application to the
6 department.

7 (2) The application shall be in a form prescribed by
8 the department and at a minimum, will require the following:

9 (A) name and address of the applicant;

10 (B) name of contact person and telephone number
11 or email address;

12 (C) vehicle information, including vehicle year,
13 make, license plate number and state of issuance, and vehicle
14 identification number;

15 (D) a list of counties in which the vehicle will
16 be operated; and

17 (E) a list of municipalities in which the vehicle
18 will be operated.

19 (3) The application shall be accompanied by the total
20 annual permit fee of \$6,000.

21 (4) Fees for permits issued under this section are
22 payable as required by §219.11(f) of this title (relating to
23 General Oversize/Overweight Permit Requirements and Procedures).

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1 (c) Issuance and placement of permit and windshield
2 sticker; restrictions.

3 (1) A permit and a windshield sticker will be issued
4 once the application is approved, and each will be mailed to the
5 applicant at the address contained in the application.

6 (2) The windshield sticker shall be affixed to the
7 inside of the windshield of the vehicle in accordance with the
8 diagram printed on the back of the sticker and in a manner that
9 will not obstruct the vision of the driver. Any attempt to
10 remove the sticker from the windshield will render the sticker
11 void and will require a new permit and sticker.

12 (3) A replacement sticker for a lost, stolen, or
13 mutilated windshield sticker may be issued, provided that the
14 permittee submits a request on a form approved by the department
15 which shall include a statement, signed by the permittee,
16 affirming that the sticker was lost, stolen, or mutilated. The
17 replacement sticker shall only be valid for the permitted
18 vehicle.

19 (d) Amendments. An annual permit issued under this section
20 will not be amended except in the case of department error.

21 (e) Transfer of permit. An annual permit issued under this
22 section is not transferable between vehicles.

23 (f) Termination of permit. An annual permit issued under

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1 this section will automatically terminate, and the windshield
2 sticker must be removed from the vehicle:

3 (1) on the expiration of the permit;

4 (2) when the lease of the vehicle expires;

5 (3) on the sale or other transfer of ownership of the
6 vehicle for which the permit was issued; or

7 (4) on the dissolution or termination of the
8 partnership, corporation, or other legal entity to which the
9 permit was issued.

10 (g) Restrictions pertaining to road conditions. Movement of
11 a permitted vehicle is prohibited when road conditions are
12 hazardous based upon the judgment of the operator and law
13 enforcement officials. Law enforcement officials shall make the
14 final determination regarding whether or not conditions are
15 hazardous. Conditions that should be considered hazardous
16 include, but are not limited to:

17 (1) visibility of less than 2/10 of one mile; or

18 (2) weather conditions such as wind, rain, ice, sleet,
19 or snow.

20 (h) Curfew restrictions. The operator of a permitted
21 vehicle must observe the curfew movement restrictions published
22 by the department.

23 (i) Construction or maintenance areas.

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1 (1) The permitted vehicle may not travel through any
2 state highway construction or maintenance area if prohibited by
3 the construction restrictions published by the department.

4 (2) The permittee is responsible for contacting the
5 appropriate local jurisdiction for construction or maintenance
6 restrictions on non-state maintained roadways.

7 (j) Night movement. Night movement is allowed under this
8 permit, unless prohibited by the curfew movement restrictions
9 published by the department.

10 (k) Manufacturer's tire load rating. Permits issued under
11 this section do not authorize the vehicle to exceed the
12 manufacturer's tire load rating.



Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Date: August 17, 2017

**Action Requested: APPROVE DELEGATION TO THE EXECUTIVE
DIRECTOR OF FINAL CONTRACT EXECUTION**

To: Texas Department of Motor Vehicles (TxDMV) Board
From: David Duncan, General Counsel
Agenda Item: 10.A.1
Subject: **Biennial Interagency Contract with Texas Department of Transportation (TXDOT)**

PURPOSE AND EXECUTIVE SUMMARY

The TxDMV has negotiated and executed an Interagency Contract (IAC) with TXDOT every year since we were separated into two agencies. This is necessary due to shared facilities, IT infrastructure, and management interplay issues.

The staff requests that the Board authorize Executive Director Brewster to negotiate any final changes to the contract, and execute the IAC on behalf of the agency.

FINANCIAL IMPACT

The IAC sets the agency's maximum payment under the agreement to \$1 million per

BACKGROUND AND DISCUSSION

The IAC this year has several new elements. The most important is that both agencies agree that we can now move to a biennial negotiation, which matches with the state budgeting structure and meetings of the Legislature. The shared facilities and infrastructure issues between the two agencies are now well understood and routinely managed, allowing for a longer timeframe between renegotiations.

The other changes in this year's agreement include:

1. Removing references to shared IT infrastructure which has been closed due to the successful completion of the TxDMV AMSIT project.
2. Lowering the TxDMV "not to exceed" expenditure amount by half due to successful separation activities.
3. Establishing a "facilities management workgroup" to begin the process of discussing a possible takeover of Camp Hubbard facility maintenance by TxDMV, if and when TXDOT transfers all or some of the property to TxDMV.
4. Clarifying information sharing and IT infrastructure relationships in the new environment where TxDMV is almost totally separated from TXDOT equipment.
5. Removing and updating language that is no longer correct due to separation activities.

THE STATE OF TEXAS §

THE COUNTY OF TRAVIS §

INTERAGENCY CONTRACT FOR FISCAL YEARS ~~2018~~ 2019

THIS AGREEMENT is entered into by and between the State agencies shown below under the authority granted and in compliance with the provisions of Chapter 771 of the Government Code.

I. PARTIES

TxDMV Texas Department of Motor Vehicles
TxDOT Texas Department of Transportation

II. LEGAL AUTHORITY

TxDMV and TxDOT are authorized to enter into this contract by Chapter 771, Government Code; HB 3097, 81st Leg., Regular Session, 2009 (hereafter HB 3097); and SB 1420, 82nd Leg., Regular Session, 2011 (hereafter SB 1420).

III. TERM

This contract begins September 1, 2017, and terminates at the end of August 31, ~~2018~~ 2019.

IV. MAXIMUM AMOUNT PAYABLE

The maximum amount payable by TxDMV to TxDOT under this contract shall not exceed \$~~12~~ million per fiscal year, unless this amount is amended as provided by Section XIV of this contract.

The maximum amount payable by TxDOT to TxDMV under this contract shall not exceed \$1 million per fiscal year, unless this amount is amended as provided by Section XIV of this contract.

V. SCOPE AND INTENT

It is the intent of the parties that this contract shall govern the provision of services and the reimbursement of actual costs.

VI. NOTICES

Official notices under this contract shall be sent by first-class mail. Advance copies may be sent by facsimile transmission or email to the appropriate project manager or point of contact. Official notices shall be directed as follows:

Notices to TxDMV:
Executive Director
Texas Department of Motor Vehicles
4000 Jackson Avenue
Austin, TX 78731
(512) 465-3001 Phone
(512) 465-3004 Fax

Notices to TxDOT:
Director of Contract Services
Texas Department of Transportation
125 E. 11th Street
Austin, Texas 78701
(512) 416-4620 Phone
(512) 416-4621 Fax

VII. FUNDING

The agency that provides deliverables (performing agency) to the other agency (receiving agency) shall provide an itemized invoice to the receiving agency, except as otherwise stated in this contract.

The receiving agency shall pay the actual costs of all deliverables provided by or through the performing agency under this contract, except as stated otherwise in this contract.

The basis for calculating actual costs is set forth in Attachment A, which is incorporated by reference in this contract. Actual costs shall be invoiced no more frequently than monthly and within 90 days of the date those costs are incurred.

Neither agency shall make a profit from its participation in this contract.

VIII. FACILITIES, EQUIPMENT, AND PERSONNEL

- A. TxDMV personnel may occupy assigned TxDOT facilities and use TxDOT equipment on the same terms as TxDOT employees. For facilities where TxDOT controls access to buildings, TxDOT shall issue security badges to TxDMV employees, board members, and contractors. The badges shall associate the recipients with TxDMV and enable access to TxDOT facilities as required by TxDMV business operations. Neither agency shall have any right of access to buildings occupied exclusively by the other agency except to perform functions authorized by the contract. Either party may mutually agree on an ad hoc basis to permit the other party access for the purpose of a particular function. TxDMV shall make no alterations or additions to TxDOT facilities without prior written approval from TxDOT.

- B. TxDMV shall give TxDOT one year written notice of its intent to vacate a TxDOT facility (whether owned by or leased to TxDOT) unless agreed otherwise by the parties. TxDOT shall give TxDMV one year written notice to vacate prior to the date TxDMV is required to vacate a TxDOT facility, regardless of whether TxDOT owns or leases the facility, provided, however, that ~~if such notice is given after March 15, 2017 during the 2017 Texas Legislative Session, it~~ TxDOT may not require TxDMV to vacate prior to the midpoint of the following scheduled legislative session.
- C. TxDMV employees shall have access to TxDOT resources (such as Crossroads) as agreed to by both parties. Domain Admin and Supervisor Access will no longer be provided without agreement in advance by TxDMV and TxDOT. Use of ~~TxDOT either party's~~ computer equipment by any ~~TxDMV employee of the other party~~ shall be conditioned on that employee's execution of and adherence to an agreement stating the employee shall adhere to ~~all TxDOT the providing agency's~~ policies governing the use of ~~TxDOT their~~ computer equipment. ~~TxDMV Each party~~ shall take appropriate action to protect ~~TxDOT's the other party's~~ network and computer system from misuse. In the case of contradiction between TxDOT and TxDMV policies or procedures governing equipment, network or systems, TxDOT policies and procedures take precedence as it relates to TxDOT equipment, network, or systems, and TxDMV policies and procedures take precedence as it relates to TxDMV equipment, networks or systems.
- D. Because TxDOT has outsourced most of its information technology functions and has no way of capturing the labor or incremental cost of those functions, TxDOT shall have no responsibility for providing TxDMV with services that TxDOT obtains through a contractor.
- ~~E. TxDMV shall obtain prior approval (both via TxDMV Change Advisory Board (TxDMV CAB) and the TxDOT Change Advisory Board (TxDOT CAB)) from TxDOT before installing or maintaining hardware or software not included in the TxDOTNow Service Catalog on devices that are connected to TxDOT's network. If agreement cannot be reached between the TxDMV Chief Information Officer (CIO) and the TxDOT Information Management Division Director, then the hardware or software shall not be used on TxDOT's network or other technical infrastructure. TxDOT may remove hardware or software placed into service that is not approved in advance via TxDMV CAB and TxDOT CAB, or cause such hardware or software to cease to function. Every effort should be made by TxDMV to add new software and hardware to the TxDMV network and not to the TxDOT network. For all software installed on the TxDOT network, TxDMV will abide by the TxDOT Software Asset Management Policy; however TxDOT must provide a copy of the Software Asset Management Policy to TxDMV within 15 days after the entry of this agreement, and must provide any amendments within 30 days after those amendments become effective.~~
- ~~F-E.~~ Wherever and whenever TxDMV employees occupy space owned or leased by TxDOT, TxDMV and its employees shall follow facility management, building maintenance, parking, and security policies, procedures, and standards

established by TxDOT. Requests for deviation from these policies, procedures, and standards shall be reviewed as needed by a committee consisting of two persons appointed by TxDOT and two persons appointed by TxDMV. No deviation is permitted without TxDOT's advance written approval.

~~G.F.~~ In the event of a disaster affecting TxDMV headquarters, TxDOT agrees to provide additional office space to TxDMV as specified in Appendix I.

~~H.G.~~ During separation activities, TxDMV shall notify TxDOT of the separation of shared services and any costs anticipated as a result of the separation via TxDMV and TxDOT CAB. If TxDOT discontinues use of a shared service billed through Data Center Services (DCS) before TxDMV discontinues use of the same service, TxDMV shall pay for all DCS charges directly related to that service until DCS decommissions the service and discontinues associated billing. If TxDMV discontinues use of a shared service billed through DCS before TxDOT discontinues use of the same service, TxDOT shall pay for all DCS charges directly related to that service until DCS decommissions the service and discontinues associated billing.

~~I.H.~~ TxDMV and TxDOT agree to establish as soon as practicable a facility maintenance workgroup consisting of facilities, maintenance, and purchasing staff from both agencies. The objective of the group is to develop a strategy which will allow TxDMV to assume responsibility for the maintenance of Buildings 1, 2, 3, 4, 5 and 6 located at Camp Hubbard ~~after such time as if and when TxDOT transfers ownership of the above-referenced property to TxDMV. Nothing in this agreement obligates TxDOT to transfer ownership or sets any timeframes or deadlines for such transfer.~~ TxDOT agrees to share with TxDMV through the working group all relevant information relating to the facility maintenance and upkeep, including but not limited to current maintenance or service contracts, utility locations, specifications, drawings, designs, safety information and the like.

IX. SHARING OF INFORMATION

The parties shall share information as necessary to fulfill the terms of this contract.

Each party shall promptly notify the other party of any changes that may reasonably affect the operations of the other party, and both parties shall cooperate fully in managing those changes. ~~TxDMV-Each party~~ shall promptly notify ~~TxDOT-the other party~~ of any significant changes in operations affecting obligations under this Contract and shall promptly provide ~~TxDOT-the other agency~~ with copies of any required documentation. Each party shall keep the other party informed of any significant issues relating to contemplated or pending litigation or requests for information that may affect the responsibilities of the other party.

Neither party is authorized to accept a public information request, service of a subpoena, or any other formal notice on behalf of the other party.

The parties shall cooperate fully in preparing any reports required by state or federal law.

To the extent permitted by law, each party shall treat the other party's information as confidential. As provided in the Texas Public Information Act (Tex. Government Code Ch. 552), confidential information of one party shall remain confidential despite its disclosure to the other party, and disclosure between the parties shall not act as a waiver of confidentiality.

TxDMV shall continue to provide TxDOT batch inquiry title and registration information from the Texas Motor Vehicle Title and Registration database and remote electronic access through Motor Vehicle Inquiry to the Motor Vehicle Title and Registration database without charge, as further outlined in Section XI, Services to be Provided by TxDMV.

TxDOT must use its best efforts to timely provide TxDMV with current information TxDMV needs to issue and to complete permits under Chapters 621 through 623, Transportation Code. TxDOT must use its best efforts to timely provide TxDMV with such information through direct lines of communication to enable TxDMV to timely serve the motor carrier industry. TxDOT shall continue to provide access to Crossroads resources necessary for TxDMV to map restrictions and route oversize/overweight loads (as specified further in subsection X.I., below).

TxDMV shall provide access to TxDOT to all records and reports necessary to enable TxDOT to determine that accurate road and maintenance information is being used by TxDMV to issue permits under Chapters 621 through 623, Transportation Code.

Both parties must use best efforts to ensure that they do not introduce into the other party's electronic systems any malware, including, but not limited to viruses, spyware, computer worms, Trojan horses, rootkits, dishonest adware, and other malicious or unwanted software.

Each party understands and acknowledges that it uses the other party's systems at its own risk. Neither party shall be responsible to the other for any injury, damage, liability, claims or suits resulting from the party's use of the other party's systems.

X. SERVICES TO BE PROVIDED BY TxDOT

At the request of TxDMV, TxDOT shall provide the following support services to TxDMV:

- A. Validation tests for license plates and other related registration and titling insignia per TxDMV specifications.
- B. Facility maintenance support to include building maintenance, parking, and security.
- C. Facility support and access to shop services for the TxDMV regional office employees in the same manner as TxDOT employees.
- D. Contact information for two employees per district assigned to coordinate with TxDMV on permit issues during regular TxDOT office hours and emergency contact information for after hour and weekend emergency situations.
- E. Information regarding road restrictions, maintenance schedules, and any other

relevant information that will affect the issuance of oversize and overweight permits.

- F. Auditing of TxDMV records to determine that all road information provided by TxDOT is being used in the issuance of oversize and overweight permits.
- G. If TxDOT discovers that it has provided incorrect road information to TxDMV which has been or will be used in the issuance of an oversize or overweight permit, TxDOT shall take all actions available to correct the information to limit damage to the roadway or other hazards.
- H. TxDOT shall cooperate with TxDMV and provide access to shared servers as TxDMV implements the Application Migration and Server Infrastructure Transformation project. TxDMV agrees to pay for any contractor cost incurred by TxDOT and not explicitly contracted for by TxDMV. TxDMV is scheduled to separate from ~~be off~~ the TxDOT IT infrastructure by August 31, 2017. In the event this separation is not complete by August 31, 2017, TxDMV shall continue to reimburse TxDOT for TxDOT's IT infrastructure-related costs as agreed in the FY2017 interagency agreement.
- I. TxDOT shall provide continued access to the following resources~~TxDOT Intranet (Crossroads) resources~~ used to map restrictions needed to route oversize/overweight loads, ~~including~~:
 1. TxDOT Permanent Structure Numbers: <http://crossroads/apps/psn/>
 2. TxDOT's TARHE Geodatabase: provided by TxDOT IT/NTT Data
 3. TxDOT LZ bridges: <http://apps.dot.state.tx.us/apps/gis/lrbm/>
 4. TxDOT Crossroads: <http://crossroads/> (Necessary to access division and district organization charts and personnel info for contact information)
 5. TxDOT statewide mapping: <http://crossroads/org/tpp/StatewideMapping/>
 6. TxDOT Roadway portal: http://iapps/apps/txdot_gis_portal/Map.aspx
 7. Bridge Underclearance database (UCDB): <http://iapps/apps/ucdb/>
 8. LIDAR data and updates: received from Bridge Division
 9. Daily posting of Structure.Pontis_Brinsap_Mst_Pnt feature class data (Pontis data) from TxDOT GIS GDB to PSDC FTP: provided by TxDOT IT/NTT Data
 10. TxDOT Facilities and Maintenance System (FMS): <http://crossroads/org/mnt/FacManInfo.htm>
- J. In the event TxDMV is not ~~off~~separated from the TxDOT IT infrastructure by August 31, 2017, TxDMV shall send a representative to the weekly TxDOT CAB in order to receive notification of changes to shared infrastructure. ~~In addition,~~ and TxDOT will distribute TxDOT CAB meeting minutes via the CAB distribution list, which includes key TxDMV IT personnel.

Commented [WF1]: Update name

- K. TxDOT shall ensure that TxDOT district offices coordinate with TxDMV the handling of oversize or overweight (OS/OW) traffic in emergency/disaster events. TxDOT will maintain TxDMV on TxDOT's statewide Emergency Operations Center (EOC) notification list. TxDOT District Permit Coordinators and/or Maintenance Supervisors/Area Engineers shall provide TxDMV with timely emergency road closure notifications, including contra flow locations through the TxDMV's Emergency Operations Center email address MCD-EOC@txdmv.gov. TxDOT District Permit Coordinators and/or Maintenance Supervisors/Area Engineers shall provide TxDMV with alternate contact information, including contacts for local law enforcement and/or other emergency personnel, for the purposes of assisting with OS/OW loads in emergency/disaster events.
- L. TxDOT shall provide TxDMV access to crash records information (CRIS) without charge.

M. ~~TxDOT and TxDMV will separate data pertaining to HROnline so that each agency no longer retains the other agency's data per a mutually agreed upon plan signed by each agency's Information Security Officer. Due to the sensitivity of this personally identifiable information within HROnline, this information will be separated and destroyed/purged per the guidance of the National Institute of Standards and Technology and within the process of the State of Texas Data Center Services. TxDOT will not be held liable for damage or loss resulting from TxDMV data remaining in HROnline after separation.~~

Commented [WF2]: TxDOT to determine status

XI. SERVICES TO BE PROVIDED BY TxDMV

- A. TxDMV shall scan any bonds filed with TxDMV (that are payable to TxDOT) and provide TxDOT with an electronic copy of any bond, upon TxDOT's request. TxDOT authorizes TxDMV to destroy the original bond once TxDMV creates an electronic copy.
- B. TxDMV shall provide contract management services for any enhancements or modifications TxDOT requests regarding the Texas Permitting & Routing Optimization System (TxPROS). TxDMV shall bill TxDOT for any time and materials associated with such contract management services.
- C. TxDMV shall not alter or disregard road information provided by TxDOT for the purposes of oversize or overweight permits. To the extent TxDOT provides TxDMV with a notification of a route or road restriction, TxDMV shall not issue an oversize or overweight permit that does not apply the new route or road information. TxDMV shall also not alter a route designated or approved by TxDOT in the issuance of an oversize or overweight permit. If TxDMV needs to vary a route to complete a requested permit, TxDMV must work with TxDOT to obtain approval on an alternate route designation.

- D. If TxDOT discovers that TxDMV did not take into account road information provided by TxDOT in the issuance of an oversize or overweight permit, TxDMV shall take all actions available to correct the permit to limit damage to the roadway.
- E. TxDMV shall not take actions that allow permitted loads to be routed onto any TxDOT-operated toll road, as long as TxDOT provides TxDMV with the applicable road restriction information as required by Section X.E. of this contract.
- F. TxDMV shall continue to provide TxDOT batch inquiry title and registration information from the Texas Motor Vehicle Title and Registration database without charge. TxDMV shall continue providing the information to TxDOT or its vendor in a secure manner as it has under prior versions of the Interagency Contract (IAC) with TxDOT. TxDOT shall ensure its vendors use the Texas Motor Vehicle Title and Registration database and all data retrieved only for TxDOT operations and as requested by TxDMV, will provide signed certifications from vendors verifying compliance. The parties may agree, through their respective CIO's, to a different delivery method. TxDMV shall also work with TxDOT to ensure the batch inquiry is inclusive of all Texas plates and tags registered with TxDMV, including, but not limited to [dealer](#), eTags, temporary permits, commercial fleet plates such as apportioned plates, and dealer license plates [maintained in the various DMV systems](#). TxDMV shall also continue to provide the files required for processing special license plates [and the weekly VTR update file](#). TxDMV will also provide a one-time copy of the complete VTR database on media supplied by TxDOT. TxDMV and TxDOT shall jointly develop a process for exchanging updated customer address information to ensure the most current information available is maintained between the two agency systems who utilize registration information.
- G. TxDMV shall take the actions required by Texas Transportation Code §502.011 to deny registration of a motor vehicle after TxDOT provides written notice of a final determination that the registered owner of a motor vehicle is a habitual violator (HV) in accordance with Transportation Code, Subchapter C, Chapter 372. TxDOT Toll Operations Division (TOD) shall provide the list of habitual violators, pay required fees for entry of registration blocks, and notify TxDMV when an HV is no longer determined to be a habitual violator or an appeal has been perfected.
- H. TxDMV shall also provide TxDOT with remote electronic access through Motor Vehicle Inquiry to the Motor Vehicle Title and Registration database without charge. Upon request from TxDOT, TxDMV shall provide a written certification verifying the accuracy of the Motor Vehicle Title and Registration database (to

Commented [WF3]: DMV to propose changes

Commented [PD4]: The process for obtaining the vehicle information is changing. We would like to have access to the SFTP site with access to all Texas plates and tags registered with TxDMV.

Commented [PD5]: We would like to have the complete registered plates and tags data with access to update files (noted above)

standard that current processes support). Except in connection with a criminal investigation or prosecution, TxDOT shall be assessed the required fee(s) for TxDMV staff to conduct title history research, production of title history documents, and certification of these documents, provided, however, that TxDMV shall provide the first 20 certified title history searches per fiscal year to TxDOT at no charge.

- I. TxDMV and TxDOT will discuss possible interfaces between TxDOT toll operations and TxDMV regional service centers. Any recommendations developed through these discussions may be considered for possible inclusion of additional terms in the FY 2018 existing or future IACs.
- J. TxDMV will provide TxDOT District offices with emergency contact information and instructions necessary to reach TxDMV OS/OW staff in the event of an emergency requiring coordination as required under paragraph X.K, above. The TxDMV will notify the EOC groups via email of procedures and hours of operations for each emergency/disaster situation. In no event shall OS/OW traffic be routed onto TxDOT operated toll roads without specific written approval from TxDOT's Toll Operations Division.

~~K. TxDMV IT will provide quarterly updates on all transition items to TxDOT IMD.~~

~~L. TxDMV will separate all below services out of the TxDOT environment by 8/31/2017 unless otherwise noted:~~

- ~~1. All Wide Area Network (WAN) services including Texas Law Enforcement Telecommunications System (TLETS) and Comptroller of Public Accounts (CPA)~~
- ~~2. Filenet - 12/31/2016~~
- ~~3. Active Directory~~
- ~~4. Domain Name Services~~
- ~~5. eDIR (Novell)~~

~~The following list is the current servers that will be transitioned out of the TxDOT environment by 8/31/2017:~~

TxDOT-HQ65
HQ8
TxDOT-HQ4
TxDOT-HQ5
TxDOT-HQ6
TxDOT-HQ8

~~TxDOT will not be liable for damage or loss resulting from data remaining in the TxDOT environment.~~

~~M. TxDOT and TxDMV will meet quarterly beginning with February 28, 2017 to adjust the sever list to ensure accurate billing charges.~~

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XII. LITIGATION AND LIABILITY

TxDMV shall be solely responsible for any litigation that was managed before November 1, 2009, by one of the TxDMV divisions that transferred under HB 3097, without regard to when the litigation arose or was filed. TxDMV shall be solely responsible for any litigation that was managed before January 1, 2012, by the TxDOT Motor Carrier Division that transferred under SB 1420, without regard to when the litigation arose or was filed. With respect to any other litigation arising out of events that occurred before the November 1, 2009, transfer under HB 3097 or the January 1, 2012, transfer under SB 1420, TxDOT shall retain responsibility, without regard to whether the litigation relates to activities or employees of TxDMV.

Whenever one party is involved in litigation that relates to activities or employees of the other party or that may reasonably involve payments from appropriation strategies that are allocated to the other party, the party managing the litigation shall provide the other party with timely copies of all pleadings and shall not settle the litigation without the prior consent of the other party. Liability arising from litigation shall be charged to the appropriations strategy of the activity that gave rise to the litigation.

XIII. RESPONSIBILITIES OF THE PARTIES

This contract does not create a partnership, joint venture, or other joint enterprise. It is an agreement between two independent state agencies governing their mutual rights and obligations. Each party acknowledges that it is not an agent, servant, or employee of the other party. Each party is solely responsible for its own acts and deeds and for those of its agents, servants, or employees.

XIV. AMENDMENTS

This contract may only be amended by a written supplement executed by both parties prior to the expiration of the contract.

XV. TERMINATION

This contract may be terminated by satisfactory completion of all services and obligations contained in this contract, by mutual written agreement, or as provided by Section III of this contract.

XVI. COMPLIANCE WITH LAWS

The parties shall comply with all federal, state, and local laws, statutes, ordinances, rules, and regulations and with the orders and decrees of any courts or administrative bodies or tribunals in any manner affecting the performance of this contract.

XVII. RIGHTS AND OBLIGATIONS OF THE PARTIES REGARDING TxPROS

- A. Although all ownership rights in TxPROS transferred to TxDMV on January 1, 2012, TxDMV shall provide TxDOT with reasonable access to and the right to use TxPROS for the purposes of carrying out TxDOT's statutory functions. TxDMV shall provide this access to TxDOT at no cost.
- B. TxDMV shall be responsible for maintaining TxPROS, using money specifically appropriated for this purpose.
- C. Each party is responsible for paying for any modifications or enhancements that it makes or causes to be made to TxPROS. TxDMV is responsible for contracting with a vendor or otherwise providing personnel to make any modifications or enhancements that TxDMV authorizes to be made to TxPROS.
- D. If TxDOT wants to make any modifications or enhancements to TxPROS, the TxDOT Information Management Division Director shall provide to the TxDMV CIO the specifications and scope of work for the proposed modifications or enhancements. If agreement cannot be reached between the TxDMV CIO and the TxDOT Information Management Division Director regarding any TxDOT proposed modifications or enhancements, then TxDOT's Executive Director may escalate the issue to the TxDMV Executive Director for consideration.
- E. The contact information for the respective information technology contacts is as follows:

Eric Obermier
TxDMV Chief Information Officer
E-mail: eric.obermier@txdmv.gov
Phone: (512) 465-4040

Dana Glover
TxDOT Information Management Division Director
E-mail: dana.glover@txdot.gov
Phone: (512) 467-3837
- F. TxDMV has the final say on any TxDOT requested modifications or enhancements to TxPROS. To the extent TxDMV determines any TxDOT proposed modification or enhancement shall not be made, TxDMV shall supply TxDOT with written justification for the decision.
- G. The primary purpose for TxPROS is for the permitting and routing of oversize or overweight motor vehicles. TxDMV shall consider this fact when making any decisions regarding any modifications or enhancements to TxPROS. Also,

TxDOT is only authorized to request modifications or enhancements to TxPROS to enable TxPROS to run reports or to provide improvements on the collection of road information provided by TxDOT.

- H. To the extent TxDMV wants to make any modifications or enhancements to TxPROS that affect the report, access, or audit capabilities of TxDOT, the TxDMV CIO shall coordinate those modifications with the TxDOT Information Management Division Director, including the specifications and scope of work for the proposed modifications or enhancements.
- I. The parties shall act in good faith regarding any modifications or enhancements to TxPROS to minimize the impact to the other agency's operations.
- J. To the extent TxDMV authorizes any TxDOT proposed modifications or enhancements, TxDMV shall serve as the contract manager for the modifications or enhancements.
- K. Regarding any TxDOT proposed enhancements or modifications to TxPROS, TxDOT shall do the following:
 - 1. Jointly participate in any contract negotiations,
 - 2. Approve any contracts prior to signature,
 - 3. Jointly review any deliverables with the TxDMV contract manager,
 - 4. Approve any receiving reports that TxDMV creates,
 - 5. Timely notify TxDMV of any reason to dispute payment under Chapter 2251, Government Code, and
 - 6. Timely transfer money to TxDMV to pay for any deliverables prior to any payment deadlines under Chapter 2251, Government Code. TxDOT is responsible for any interest that results from an overdue payment if the late payment is due to TxDOT's failure to timely transfer money to TxDMV to pay any invoice.
- L. With the exception of the following, TxDOT owns the data it inputs or causes to be input into TxPROS:
 - 1. Data regarding the issuance and completion of any permits; and
 - 2. Any data purchased from a third party under a contract that says otherwise.
- M. TxDMV owns the data regarding the issuance and completion of any permits.

XVIII. SEVERABILITY

If any provision of this contract is held by a final judgment or order of a court of competent jurisdiction to be invalid, unenforceable, or illegal, such provision shall be reformed to the minimum extent necessary to permit enforcement thereof. The validity, enforceability, or legality of the remaining provisions of this contract shall not be affected or impaired, even

if such invalid, unenforceable, or illegal provision cannot be reformed.

THE UNDERSIGNED PARTIES bind their respective agency to the faithful performance of this contract.

Texas Department of Transportation

Texas Department of Motor Vehicles

James M. Bass
Executive Director

Whitney H. Brewster
Executive Director

Date: _____

Date: _____

Attachment A

Interagency Contract (IAC) Management

TxDMV and TxDOT agree to appoint a single point-of-contact for information technology (IT) issues, a single point-of-contact for non-IT issues, and back-up personnel to facilitate the process for requesting services and invoicing for those services between the two agencies. The designated points-of-contact in each agency shall act as the TxDMV and TxDOT project manager(s).

The Project Managers are as follows:

TxDMV Project Manager, Non-IT: Sergio Rey, Director of Accounting
 TxDMV Back-Up Project Manager, Non-IT: David Chambers, Director of Purchasing
 TxDMV Project Manager, IT: Eric Obermier, CIO
 TxDMV Back-Up Project Manager, IT: Josh Kuntz, Information Security Officer
 TxDOT Project Manager, Non-IT: Casey Rowe, Revenue Accounting Manager
 TxDOT Back-Up Project Manager, Non-IT: Crystal Myers, Accounting Specialist
 TxDOT Project Manager, IT: Dana Glover, Information Management Division Director
 TxDOT Back-Up Project Manager, IT: ~~Dan Teczar, Operations Excellence~~
~~Coordinator~~ Keith Handrick, Business Relationship Manager

Cost of Services Provided by TxDOT Generally to State Agencies

TxDOT provides some services to multiple state agencies, including flight services and printing services. These services shall not be included or invoiced under this contract, and TxDMV shall be eligible to use these services in the same way and on the same terms as other state agencies.

Cost of Operating and Maintaining Facilities

TxDOT shall invoice TxDMV for recurring monthly building and maintenance costs at a flat rate of ~~\$34,000.00~~ \$38,000.00 per month. This flat rate includes electricity, water, gas, Centimeter storage space, window washing, HVAC maintenance, elevator maintenance, and trash collection and is allocated based on TxDMV's occupancy of TxDOT-owned or -leased facilities as of September 1, ~~2016~~ 2017. TxDOT will not be required to provide invoices or supporting documentation for these costs. TxDMV may request a one-time recalculation of the allocated costs and adjustment of the flat rate if TxDMV's total occupancy changes by more than 10%.

TxDOT shall invoice TxDMV at the end of ~~the contract term~~ each fiscal year for security costs.

All other costs, including landscaping, pest control, and non-recurring time and materials costs associated with building operations, such as requests for the relocation of fixed walls, will be requested through a Work Authorization and billed on the basis of actual

costs incurred by TxDOT or TxDMV, as set forth below. Time of TxDOT or TxDMV employees shall be invoiced on an hourly basis at their appropriate pay rate. Materials shall be invoiced on a unit basis and shall consist of the actual cost to TxDOT or TxDMV for those materials.

Work Authorizations

Except in the event of an emergency situation as defined below, all work to be performed under this contract involving the cost of labor for agency employees shall be requested and performed through the use of a "Work Authorization" (WA).

The receiving agency's Project Manager (PM) shall provide the performing agency's PM with a signed WA prior to any non-emergency work being done. If the receiving agency has not issued a WA, the performing agency shall have no obligation to provide the requested services. Any non-emergency work done without a signed WA shall not be billable under this contract. All approvals regarding work to be done under this contract shall occur between the TxDMV and TxDOT PM's.

Performing agency shall respond to all WA requests for non-emergency work within 10 days, unless mutually agreed by both parties.

Emergency Services

"Emergency situation" is defined as any unexpected, non-routine event which damages or affects the utility or safety of any building, system, or portion or component of a building in such a way that it prevents the reasonable business operational use of some or all of the facility. This does not include routine maintenance or normal wear and tear events.

In the event of an emergency situation requiring work to be performed before a WA can be issued, the receiving agency's PM must submit a request to the performing agency's PM in writing, outlining the requested work and noting that the work requested is due to an emergency. The receiving agency shall follow up with a written WA within two business days of the event. Upon receipt of an itemized invoice, the receiving agency will reimburse the performing agency for its actual costs in performing the work. The receiving agency can request review of the causation of the emergency situation to determine if acts or omissions of the performing agency contributed to the event, and request that the performing agency pay some or all of the cost. In the event the parties assigned to the task cannot reach an agreement on allocation of costs, the WA may subsequently be subject to the Dispute Resolution Procedure set forth in this Attachment.

Work Authorization

Each WA shall include the following information:

- a. the date of the request;
- b. the amount of estimated expenditure authorized;
- c. a description of the deliverables/services authorized;
- d. the physical location where the services are authorized to be performed, including address, complex, and building number;

- e. a WA number;
- f. the receiving agency's division name; and
- g. the receiving agency's coding block to be charged.

Data Center Services

TxDMV shall reimburse TxDOT monthly for 50% of the actual cost of shared data center services (DCS) being billed to TxDOT and not directly to TxDMV. The amount shall be adjusted based on changes in the number or quantity of services that are billed through TxDOT. TxDOT and TxDMV will both be conducting significant consolidation and decommissioning activities this year. If these activities will impact a TxDMV/TxDOT shared service, TxDOT shall provide TxDMV notification in advance and parties shall coordinate as needed. Conversely, any DCS changes initiated by TxDMV that impact TxDOT infrastructure shall be approved in TxDOT CAB prior to the change being implemented by DCS.

Billing for Servers and Responsibility for Data

TxDOT shall not bill TxDMV for utilization of any servers which store data which TxDMV has notified TxDOT it no longer needs. [This includes the following servers as of the date of the execution of this IAC:](#)

ABL1	SAT1	TXEPOLICY2
AMA1	TXDB48	TX-IM7APP1
AUS-NTRAVIS		TX-MRTG
BMT1	TxDOT-HQ41	TX-OC1
CRP1	TxDOT-HQ59	TX-PSFT-TD
ISDAIS-HR-VS4		TYL-LONGVIEW
ISDAIS-HR-VS7		WFS1
LBB1	TXEDMSAPP2	WT-PSFT-PD
PHR1	TXEDMSAPP5	WT-RTS-LBT1

For data residing on servers that TxDMV is no longer financially responsible for under the language above, TxDOT shall not be held responsible for any TxDMV data remaining on those servers so long as TxDOT and/or its contractors use standard industry practices in the handling of such data. Once the servers are finally decommissioned, TxDOT shall destroy any remaining TxDMV data consistent with the guidance of the National Institute of Standards and Technology and within the process of the State of Texas Data Center Services. Any disputes over data handling or destruction practices under this section shall be resolved by consultation with the state Chief Information Security Officer.

Technology Daily Operations

Requests for unusual support or involving the performance of work by TxDOT employees shall be billed by TxDOT to TxDMV at actual cost. Any requests by TxDMV that are implemented by a TxDOT contractor, including NTT DATA, shall be coordinated

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under a direct agreement between TxDMV and the application contractor. Billings shall be made directly to TxDMV with no TxDOT involvement or action required.

Billing Review for IT Services

On a quarterly basis the IT Project Managers (IT PMs) shall review the receiving agency's use of DCS, software and server components governed by this agreement. The IT PMs may agree to adjust the charges for IT services without the need for amendment to this agreement, so long as any changes would not result in expenditure in excess of an agency's overall "not to exceed" budget amount in Paragraph IV of the agreement.

Submitting Invoices

The receiving agency shall pay the performing agency on the basis of the flat rate services as referenced in this Attachment A and non-recurring service invoices submitted to and approved by the receiving agency, showing:

- a. a reference to the WA number by line item (not applicable to flat rate utility invoices);
- b. the performing agency's Agency Number and Recurring Transaction Index (RTI);
- c. the performing agency's non-IT PM's e-mail address and phone number;
- d. the date range of work performed for the associated charge, unless otherwise specified on the WA or supporting documentation;
- e. copies of the original documentation that validates the non-recurring charges, including third party invoices with clear, legible descriptions, and the performing agency's Staff Name/Salary Rate/Hours Worked (not applicable to flat rate utility invoices);
- f. the USAS Comptroller Object of Expense used by TxDOT;
- g. a certification that the charges shown are reasonable and necessary, and all appropriate and required supporting documentation is attached.

TxDOT must e-mail all invoices and supporting documentation to TxDMV at: DMV_FIN-INVOICES@txdmv.gov

TxDMV must e-mail all invoices and supporting documentation to TxDOT at: FIN_Invoices@txdot.gov

If both parties agree that any invoices paid contain charges that should not have been billed to one party, the other party shall apply a credit to the over-billed party's future invoices within 90 days of the original invoice with incorrect charges.

Invoices for flat rate utility costs must be paid within 30 calendar days of receipt.

If the invoices for non-recurring services are clear, complete, and include all required supporting documentation, then the receiving agency shall process payment for all performing agency invoices submitted in accordance with this contract and Comptroller

Post-Payment Audit guidelines. The receiving agency shall reimburse the performing agency within 30 calendar days of receipt. If the invoices are not clear and complete, then the receiving agency shall notify the performing agency of the need for clarification or documentation within fifteen (15) calendar days of receipt. The receiving agency may also request additional documentation necessary for post-payment audit purposes. In addition, the receiving agency shall inform the performing agency of disputed items in any invoice within fifteen (15) calendar days of receipt. Any items not disputed within this fifteen calendar day period will be deemed acceptable.

Dispute Resolution

Any dispute over billing, payment or other issues arising in this Attachment or the IAC generally shall be first discussed and negotiated by the two parties assigned to the task under the IAC. If they cannot agree on a resolution, the matter shall be summarized by the two parties and submitted to the non-IT Project Managers (PMs) specified under the IAC. If the two PMs cannot agree on a resolution, the matter shall be summarized and submitted to the Chief Financial Officer (CFO) of each agency, or the CFO's designee, who shall be the final arbiters of all disputes.

Appendix I

TxDMV Use of TxDOT Austin Regional Office Space in the Event of Disaster

This Appendix is made part of the Interagency Contract (IAC) between TxDOT and TxDMV, and is subject to all of the general terms and conditions of that Contract.

TxDMV responsibilities:

- A. TxDMV shall provide written notice (email allowed) to TxDOT upon declaration of a disaster. A disaster for which the TxDMV Continuity of Operations Plan is implemented may be declared only by the TxDMV Executive Director, Deputy Executive Director, Chief Financial Officer, Chief Information Officer or General Counsel. The notice shall reference this Appendix to the IAC and request use of the Austin, Regional Service Center (RSC) at the TxDOT Austin Parmer Lane Regional Office pursuant to the requirements and limitations of this Appendix.
- B. TxDMV shall directly pay for and oversee any modifications necessary to the Austin, RSC, and any temporary installations, temporary facilities such as portable restrooms, generators, air conditioning or heating systems, computer or phone equipment, lighting, utilities or similar items needed to support temporary operations. TxDOT shall not be responsible for making any modifications unless otherwise agreed in writing.
- C. TxDMV shall reimburse TxDOT for any actual costs incurred due to TxDMV's use and occupancy of the Austin, RSC space, so long as TxDOT notifies TxDMV as soon as possible when it begins to incur costs (no longer than 48 hours after costs are being incurred) and allows TxDMV to provide alternative resources to offset TxDOT costs if possible.
- D. TxDMV shall be responsible and liable for the safety, injury, and health of all TxDMV employees or contractors in the alternative facility.
- E. During a disaster with a duration of more than 2 weeks, DMV may augment work space by leasing one or more temporary office trailers to be located in the Austin, RSC parking areas. TxDMV shall obtain and pay for the trailer(s) and any modifications, utility installation and expense, and all associated costs (including demobilization and removal). TxDMV shall consult with and obtain prior written permission from TxDOT for the location of these temporary trailers and all associated support structures.
- F. TxDMV shall remove and pay the cost of all modifications made to the Austin, RSC after cessation of emergency operations, unless TxDOT informs TxDMV in writing

to leave specific modifications in place.

- G. TxDMV shall repair any damage to the Austin, RSC caused during TxDMV use of the facility during the emergency.
- H. During the period of use of the Austin, RSC, TxDMV and its employees shall follow facility management, building maintenance, parking and security policies, procedures, and standards established by TxDOT. Requests for deviation from these policies, procedures, and standards shall be submitted in writing by TxDMV to TxDOT, who shall reply as soon as possible, but no later than 48 hours after the request.
- I. During the occupancy of space at the Austin, RSC, TxDMV shall provide TxDOT weekly status reports regarding the use of the Austin, RSC and TxDMV's progress in responding to the disaster and either returning operations to the TxDMV Headquarters site or another location.
- J. Within two weeks of the conclusion of the disaster and moving all equipment and personnel out of the Austin, RSC, TxDMV shall provide a final report to TxDOT documenting all modifications performed and any repairs needed or modifications not yet removed along with a schedule for completion of those items.

TxDOT responsibilities:

- A. Upon receipt of notice of a declared disaster as set forth in the TxDMV Responsibilities section, TxDOT shall provide as soon as practical, but in no case later than 24 hours after notice, the following support services to TxDMV for the duration of the disaster:
 - 1. Use of:
 - a. all available, unused office space in the TxDOT-controlled portions of the main building at the Austin, RSC, including all in-place utilities and fixtures;
 - b. the main conference room in the main building of the Austin, RSC;
 - c. two equipment maintenance bays (non-climate controlled space with overhead door access), preferably the two bays immediately adjacent at the rear of the main Austin, RSC office building.
 - 2. For a disaster of a duration of more than two weeks, upon written request from TxDMV, space for placement of one or more temporary office trailers, in a location as near as possible to the main Austin, RSC building.
 - 3. 24-hour controlled access to the referenced buildings, facilities and associated parking lots.

4. Cooperation on installation and use of portable or temporary equipment or facilities such as generators, portable buildings, computer or phone equipment, tables, chairs, desks, air conditioners, fans, cabling and the like.
- B. Within 30 days of notice from TxDMV of the cessation of a disaster, TxDOT shall provide notice to TxDMV of any necessary repairs or expenses incurred due to TxDMV's use of the Austin, RSC premises, and shall include in that notice any requests to retain any equipment or modifications which would otherwise be removed or surplus by TxDMV.
- C. TxDOT shall notify TxDMV within 48 hours of incurring any expenses as a result of TxDMV's occupancy of the additional Austin, RSC space under this Appendix, and shall allow TxDMV to provide alternative services or personnel to avoid or offset such costs.



DATE: August 17, 2017

Action Requested: Approval

To: Texas Department of Motor Vehicles (TxDMV) Board
From: Linda M. Flores, CPA, Chief Financial Officer
Agenda Item: 10.A.2.
Subject: FY 2018 Recommended Operating Budget

RECOMMENDATIONS

The Finance and Audit Committee recommends to the full Board of the Texas Department of Motor Vehicles (TxDMV) the following items related to the FY2018 Operating Budget

1. Approval of the FY 2018 Recommended Operating Budget.
2. Approval for the department to use authority provided in TxDMV Capital Rider #2 to transfer \$5,869,823 from TxDMV capital projects to TxDMV Automation. The TxDMV Capital Rider #2 specifically exempts the agency from the transfer limits outlined in General Appropriation Act (GAA) Article IX (Section 14.03 Limitations on Expenditures – Capital Budget). (The complete text of Rider 2 is in the Unexpended Balance Authority section of the Fiscal Year 2018 Recommended Operating Budget.
3. Approval for the Executive Director to negotiate and execute the routine and required contracts contained in Part II of the document and specific approval of the following three contracts:
 - Southwest Research Institute (SwRI) - These funds will be used to increase the current contract with SwRI, a staff-recommended contractor that provides specialized assistance and consulting services, to modify the Texas Commercial Vehicle Information Exchange Window (TxCVIEW).
 - American Association of Motor Vehicle Administrators (AAMVA) National Motor Vehicle Title Information System (NMVTIS) - To allow the agency to maintain access to the AAMVA National Motor Vehicle Title Information System (NMVTIS) for September 1, 2016-August 31, 2017.
 - Interagency Agreement with the Texas Department of Transportation (TxDOT) - To specify the duties and obligation of the two agencies for shared facilities, services and equipment. This IAC is for the period September 1, 2017 – August 31, 2019

PURPOSE AND EXECUTIVE SUMMARY

2018 Recommended Operating Budget

The Texas Department of Motor Vehicles (TxDMV) develops annual operating budgets based on approved biennial appropriations. The recommended Fiscal Year 2018 operating budget implements the first year of approved appropriations for the 2018-2019 biennium. The attached recommended budget is presented as authorized by the 85th Legislative Regular Session General Appropriations Act. This recommended operating budget allocates \$168 million in appropriations and is structurally balanced to support recurring expenses throughout the agency's organization.

FINANCIAL IMPACT

2018 Recommended Operating Budget

Effective September 1, 2016, TxDMV began depositing revenue into a new agency fund recreated by the 84th Legislature, the TxDMV Fund (0010). The agency's recommended Fiscal Year 2018 operating budget of \$168 million will be primarily supported by TxDMV Fund collections estimated to be \$160 million. In addition to the TxDMV Fund the



DATE: August 17, 2017
Page 2

Action Requested: Approval

agency's budget is also funded by a combination of General Revenue appropriations (\$12.8 million), estimates of carryforward of Fiscal Year 2017 Automation balances (\$10.5 million, which includes \$4.6 million from the State Highway Fund) and Federal reimbursements (\$743,750). This recommended budget document also includes a list of contracts funded as part of the Fiscal Year 2018 budget including those that are statutorily required, in excess of \$200,000, between \$100,000 and \$200,000, less than \$100,000 and contracts in excess of \$200,000 excluded from board approval.

BACKGROUND AND DISCUSSION

2018 Recommended Operating Budget

Revenues

In Fiscal Year 2017 the department implemented a new Processing and Handling Fee on registration transactions and began collecting revenue in TxDMV Fund 0010 on November 14, 2016. Estimated Fiscal Year 2018 revenue of \$160 million includes collections from the Processing and Handling Fee estimated to be \$58 million. In addition, collections also include \$74.4 million associated with titles and other registration fees and \$13.8 million in fees for Oversize/Overweight permits. Staff projects a continued upward trend of overall revenue collections, with an increase of approximately 4.4% in Fiscal Year 2018. Natural population growth, strong auto sales and healthy overall economic activity are expected to drive growth in revenue collections. The staff estimates that TxDMV will collect approximately \$1.94 billion for the State.

Appropriations

The FY 2018 recommended operating budget is \$168 million and is based on the current approved appropriations approved by the 85th Legislature, Regular Session. The attached budget document includes funding for:

- 779 full time equivalents,
- online fulfillment of vehicle registrations,
- license plate production and,
- Automobile Burglary and Theft Prevention Authority (ABTPA) grants to local entities.

This recommended budget also includes the following exceptional items approved by the 85th Legislature:

- Headquarters (HQ) Maintenance
- Commercial Vehicle Information System and Networks (CVISN)
- Special Investigations Unit exceptional item
- Partial Restoration of Automation
- Reductions to ABTPA grants
- Riders related to the use of unexpended balances for the Bull Creek relocation and reporting of TxDMV revenues and expenditures

The capital portion of the budget consists of \$33.3 million which provides funding for TxDMV Automation projects, Data Center Services (DCS) contract with the Department of Information Resources, vehicle replacements and other projects.



DATE: August 17, 2017

Page 3

Action Requested: Approval

Unexpended Balance Authority

In addition to \$22.8 million in Fiscal Year 2018 capital appropriations, the recommended capital budget includes \$10.5 million in estimated unexpended balance carry-forward. The carry forward consists of \$4.6 million in Fiscal Year 2017 TxDMV Automation balances and the use of authority in the TxDMV Capital Rider #2 to transfer \$5,869,823 from balances in the Fiscal Year 2017 TxDMV capital projects listed below to the TxDMV Automation capital project.

- County Technology Enhancement: \$1,125,000
- AMSIT: \$4,500,000
- Physical Security and RSC Relocation: \$244,823

These transfers along with \$4.6 million in Fiscal Year 2017 TxDMV Automation balances will be carried forward to Fiscal Year 2018 to fund several automation initiatives including the implementation of the weBLIEN project.

Contracts

The agency's resolution adopting contract approval procedures specifies that the Executive Director must obtain board approval for contracts \$200,000 or more prior to award or renewal unless specifically excluded. The contracts listed below require Board approval for the award and/or renewal and proposed contract amounts for Fiscal Year 2018.

- The SwRI contract stipulates modifications to the TxCVIEW as Federal Motor Carrier Safety Administration (FMCSA) moves their data to a cloud environment; modifies some of their web services; changes databases or requirements for TxCVIEW; and facilitates FMCSA's rollout of a new Unified Carrier Registration application.
- AAMVA provides online access to meet the TxDMV's obligation to receive and report information to the National Motor Vehicle Title Information System (NMVTIS) as required by federal statute. NMVTIS serves as a repository of information related to vehicles that have been in the possession of auto recyclers, junk yards and salvage yards. States and consumers use the information to ensure that junk or salvage vehicles are not later resold and ensures that VINS from destroyed vehicles are never used for stolen vehicles.
- TxDMV has signed an Interagency Contract (IAC) with the Texas Department of Transportation (TxDOT) every year since the agency's inception. The IAC with TxDOT outlines duties and obligations of the two agencies regarding IT functions, facilities operations and maintenance, and the division of costs for shared services between the two agencies. The not to exceed amount of this contract for the two year period beginning September 1, 2017 will be \$1.8 million. The prior year contract had an annual cost of \$2 million per fiscal year. The reduction in the contract amount is due to the progress of separation activities, particularly in IT which has reduced TxDMV's need for TxDOT support.





Texas Department of Motor Vehicles

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Texas Department of Motor Vehicles

Part I: Fiscal Years 2018-19
Legislative Appropriations Request



Texas Department of Motor Vehicles

Fiscal Years 2018-19 Legislative Appropriations Request

The Legislative Appropriations Request (LAR) is the starting point for the agency's budget. In August 2016, the Texas Department of Motor Vehicles (TxDMV) submitted its appropriations request of \$367.8 million – (\$327.8 million baseline plus \$40.0 million in exceptional items). The current approved biennial budget totals \$332.9 million – (\$321.1 million baseline plus \$14.7 million in approved Conference Committee exceptional items, less \$3.0 million in additional reductions), a difference of \$34.9 million less than requested.

	Legislative Appropriations Request (LAR)	Approved FY 2018-2019
A. Goal: Optimize Services and Systems		
A.1.1. Strategy: Titles, Registrations, and Plates	\$ 173,328,562	\$ 172,723,262
A.1.2. Strategy: Vehicle Dealer Licensing	\$ 8,294,710	\$ 8,294,710
A.1.3. Strategy: Motor Carrier Permits & Credentials	\$ 18,726,290	\$ 18,726,290
A.1.4. Strategy: Technology Enhancement & Automation	\$ 17,154,836	\$ 12,004,836
A.1.5. Strategy: Customer Contact Center	\$ 4,422,468	\$ 4,422,468
Total, Goal A: Optimize Services and Systems	\$ 221,926,866	\$ 216,171,566
B. Goal: Protect the Public		
B.1.1. Strategy: Enforcement	\$ 12,652,118	\$ 12,627,118
B.2.1. Strategy: Automobile Theft Prevention	\$ 55,151,468	\$ 25,671,702
Total, Goal B: Protect the Public	\$ 67,803,586	\$ 38,298,820
C. Goal: Indirect Administration		
C.1.1. Strategy: Central Administration	\$ 15,804,746	\$ 15,804,746
C.1.2. Strategy: Information Resources	\$ 46,005,443	\$ 46,328,538
C.1.3. Strategy: Other Support Services	\$ 16,257,906	\$ 16,257,906
Total, Goal C: Indirect Administration	\$ 78,068,095	\$ 78,391,189
Grand Total, Department of Motor Vehicles	\$ 367,798,547	\$ 332,861,576
Difference		\$ (34,936,971)
Detail for Adjustments to Fiscal Year 2018-19 LAR Request		
A.1.1. Strategy: Titles, Registrations, and Plates		
Baseline reduction - Regional Service Center (RSC) Relocation and New Vehicles	\$	(605,300)
A.1.4. Technology Enhancement & Automation		
Baseline reduction - Automation	\$	(5,950,000)
Automation Restoration	\$	800,000
B.1.1. Strategy: Enforcement		
Baseline reduction - New Vehicles	\$	(25,000)
B.2.1. Strategy: Automobile Theft Prevention		
Exceptional items not funded - 4% Restoration/Grants	\$	(26,505,410)
Additional Reduction - ABTPA*	\$	(2,974,356)
C.1.2. Strategy: Information Resources		
Baseline reduction - Agency Growth & Enhancement	\$	(76,905)
Cybersecurity Initiative - Capital	\$	400,000
Total Adjustments to Fiscal Year 2018-19 LAR Request	\$	(34,936,971)

*Includes a \$109,750 biennial reduction related to Article IX, Section 17.10 - Contract Cost Containment.



Texas Department of Motor Vehicles

Exceptional Items and Riders Disposition for TxDMV

Exceptional Items:

Priority	Exceptional Items	TxDMV Biennial Request		Conference Committee Biennial Recommendations	
		FTE	Amount	FTE	Amount
1	TxDMV Headquarters Maintenance	3.0	\$ 9,828,000	3.0	\$ 9,828,000
2	Special Investigations Unit	13.0	\$ 1,923,131	13.0	\$ 1,923,131
3	CVISN		\$ 1,750,000		\$ 1,750,000
4	Restoration of Automation		\$ 2,500,000		\$ 800,000
	Subtotal TxDMV Fund/Federal	16.0	\$ 16,001,131	16.0	\$ 14,301,131
1	ABTPA 4% Reinstatement		\$ 1,193,586		\$ 0
2	ABTPA Grants		\$ 25,311,824		\$ 0
	Subtotal General Revenue		\$ 26,505,410		\$ 0
	Total TxDMV Request	16.0	\$ 42,506,541	16.0	\$ 14,301,131

Riders

Riders Previously Approved in FY 2016-17 and Requested for FY 2018-19	
MyPlates – This rider provides additional appropriations each year of the biennium for the purpose of making payments to the contract vendor for the marketing and sale of personalized license plates. The rider also allows for unexpended balances to be carried forward into the next fiscal year of the biennium for the same purposes.	Approved
Federal Grants and State Matching Funds – This rider allows the agency to spend unexpended balances of state match funds for federal grants from FY 2017 in FY 2018.	Not Approved
Capital Projects—Unexpended Balance Authority – This rider will allow the agency to spend money appropriated for capital projects each year of the biennium. The agency is requesting that any unexpended funds appropriated for capital projects at the end of FY 2017 be carried forward to the new biennium beginning FY 2018.	Approved

TxDMV Rider Request	
Unexpended Balance Authority within the Biennium – This rider would allow the agency to spend any unexpended balances in appropriations between the fiscal years.	Not Approved

New Riders Added by Conference Committee	
Texas Department of Motor Vehicles Fund Report – This rider requires the agency to submit an annual report on TxDMV Fund 0010 expenditures/revenues to the Legislative Budget Board.	Approved
Unexpended Balance Appropriation Department of Motor Vehicles Austin Bull Creek – This rider allows the agency to carry forward any unexpended funds appropriated for the Bull Creek relocation remaining at the end of FY2017 to the new biennium.	Approved



Texas Department of Motor Vehicles

Article IX General Provisions

Article IX riders provides specific authority to all state agencies for funding and administrative process such as salary administration, travel process, legal representation, information technology, expenditure reporting and appropriation management. Also included in these riders are Legislative mandates to specific state agencies for reporting requirements and authorized expenditures. There are three riders in Article IX that specifically impact operations of the Automobile Burglary and Theft Prevention Authority (ABTPA).

New Article IX Riders Impacting Automobile Burglary and Theft Prevention Authority (ABTPA)

Section 7.11 Border Security - ABTPA along with several other agencies will be required to report to the Legislative Budget Board, budget, expenditures and performance indicator results for borders security as of February 28 and August 31st of each fiscal year. The rider outlines the definition of "border security" and the specific items required for the report.

Section 17.07 Border Security - Informational Listing - This rider is a listing agencies with amounts for allocated to border security in their appropriations. There is \$5.6 million for the 2018-19 biennium, listed in the rider for ABTPA grants.

Section 17.10 Contract Cost Containment - ABTPA, along with other agencies funded with General Revenue and General Revenue Dedicated, was reduced by \$109,750 for the 2018-2019 biennium to achieve General Revenue cost savings.



Texas Department of Motor Vehicles

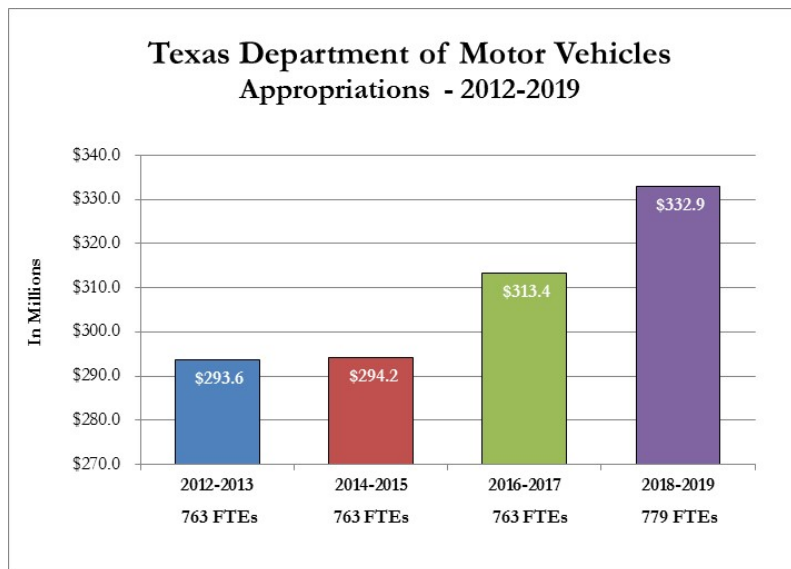
Texas Department of Motor Vehicles - Appropriations History

Since the agency's inception in Fiscal Year 2010, agency appropriations have more than doubled from the original \$142.9 million. In **Fiscal Years 2012-2013**, the agency's appropriation increased due to the addition of the Motor Carrier Oversize/Overweight permitting program after passage of S.B. 1420, (82nd Legislature). Appropriations in subsequent years include additional funding for Automation Capital and license plate production. With the passage of H.B. 1692, 83rd Legislature, Regular Session, the agency established the Office of Administrative Hearings to conduct contested case hearings for warranty performance and "Lemon Law" disputes internally, rather than referring such cases to the State Office of Administrative Hearings.

In **Fiscal Years 2016-2017**, the agency's appropriations increased almost seven percent from **Fiscal Years 2014-2015**. The agency received funds in 2016-2017 to cover higher license plate production and volume costs, relocation of two regional service centers and the Bull Creek campus. In addition, the agency's ongoing Automation Project (including information technology separation efforts) was fully funded.

The 85th Legislature provides funding for **Fiscal Years 2018-2019** in an approved amount of \$332.9 million, a 6% increase over the 2016-2017 biennium. The increase in Fiscal Years 2018-2019 is primarily driven by the approval of funding for TxDMV Headquarters maintenance costs (\$9.8 million).

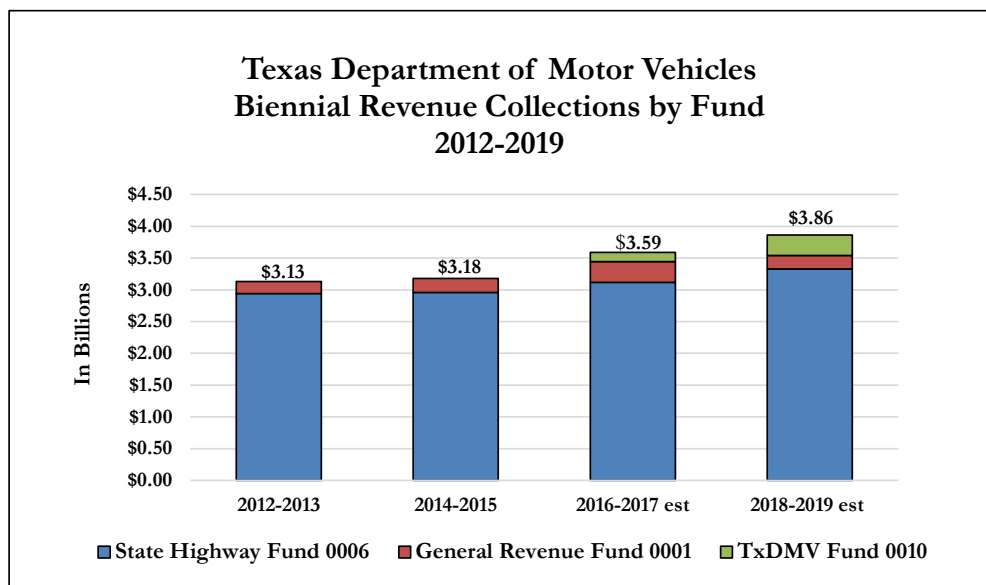
The TxDMV's method of finance for **Fiscal Years 2018-2019** will be primarily funded by the TxDMV Fund, which was established on September 1, 2017 (with the exception of the ABTPA program). The ABTPA program will continue to be funded through General Revenue.





Texas Department of Motor Vehicles

Agency revenue collections continue to rise in the current biennium (Fiscal Years 2016-2017) as compared to the previous biennium. In Fiscal Year 2016, the TxDMV collected approximately \$1.75 billion in total revenue for the State of Texas. This includes \$1.53 billion for the State Highway Fund and approximately \$222 million to the General Revenue Fund (GR). In Fiscal Year 2017, the agency estimates an increase of 4.9% in total revenues from Fiscal Year 2016 with State Highway Fund collections estimated at \$1.59 billion, General Revenue collections estimated at \$105.2 million, and TxDMV Fund collections estimated at \$143.7 million. In Fiscal Year 2017, the department implemented a new Processing and Handling Fee on registration transactions and began collecting revenue in the TxDMV Fund on November 14, 2016. The upward revenue trend is expected to continue into the Fiscal Year 2018-2019 biennium, with a revenue increase of approximately 4.4% in Fiscal Year 2018 and 1.3% in Fiscal Year 2019, for a biennial total of approximately \$3.86 billion. Natural population growth and healthy auto sales are factors included in the Comptroller's 2018-2019 Biennial Revenue Estimate (BRE).





Texas Department of Motor Vehicles

Part II: Fiscal Year 2018 Revenues



Texas Department of Motor Vehicles

Fiscal Year 2018 Revenue Summary

TxDMV collects revenues from registrations, licenses, titles, permits, and credentials for deposit into the State Highway Fund (Fund 0006), the General Revenue (GR) Fund (Fund 0001) and the TxDMV Fund (Fund 0010). Total revenue collections are estimated to be approximately \$1.84 billion in Fiscal Year 2017 in all funds combined. Growth in the revenues is the result of natural population growth and healthy overall economic activity.

Revenue Fund Revenue Descriptions	FY 2016 TxDMV Annual Revenue	FY 2017 TxDMV Estimated Annual Revenue	FY 2018 TxDMV BRE Estimated Annual Revenue ¹	FY 2019 Comptroller Biennial Revenue Estimates
<u>FUND 0001 (General Revenue Fund)</u>				
Certificate of Titles	\$ 74,740,339	\$ 35,360,000	\$ 35,890,000	\$ 36,428,000
Motor Vehicle Registration Fees	\$ 70,206,394	\$ 13,000,000	\$ 12,500,000	\$ 12,500,000
OverSize/OverWeight	\$ 57,095,387	\$ 46,000,000	\$ 47,618,000	\$ 47,618,000
Commercial Transportation Fees*	\$ 13,487,125	\$ 6,471,000	\$ 6,568,000	\$ 6,667,000
Miscellaneous Fees	\$ 6,899,208	\$ 4,394,000	\$ 4,448,000	\$ 4,480,000
Total Estimated Fund 0001 Revenue	\$ 222,428,453	\$ 105,225,000	\$ 107,024,000	\$ 107,693,000
<u>FUND 0006 (State Highway Fund)</u>				
Certificate of Titles	\$ 7,664,800	\$ 6,782,000	\$ 7,500,000	\$ 7,500,000
Motor Vehicle Registration Fees	\$ 1,425,042,883	\$ 1,476,672,000	\$ 1,523,428,000	\$ 1,544,756,000
OverSize/OverWeight	\$ 95,968,514	\$ 105,000,000	\$ 120,766,000	\$ 123,181,000
Total Estimated Fund 0006 Revenue	\$ 1,528,676,197	\$ 1,588,454,000	\$ 1,651,694,000	\$ 1,675,437,000
<u>FUND 0010 (TxDMV Fund)</u>				
Certificate of Titles		\$ 37,817,000	\$ 38,384,000	\$ 38,960,000
Motor Vehicle Registration Fees		\$ 43,245,000	\$ 36,057,000	\$ 36,768,000
OverSize/OverWeight		\$ 13,712,000	\$ 13,849,000	\$ 13,849,000
Commercial Transportation Fees		\$ 7,670,000	\$ 7,747,000	\$ 7,747,000
Processing and Handling Fee ²		\$ 38,635,569	\$ 58,036,235	\$ 58,010,719
Miscellaneous Fees		\$ 2,572,400	\$ 5,888,300	\$ 6,000,300
Total Estimated Fund 0010 Revenue		\$ 143,651,969	\$ 159,961,535	\$ 161,335,019
TOTAL ESTIMATED REVENUE	\$ 1,751,104,650	\$ 1,837,330,969	\$ 1,918,679,535	\$ 1,944,465,019

1 - The Biennial Revenue Estimate (BRE) includes \$3,290,000 in electronic service fees and interest on state deposits.

2 - In FY 2017, Processing and Handling (P&H) Fee revenue is 8 months of collections. In FY 2018-2019, P&H Fee revenues do not reflect \$11.2 million in payments to Texas.gov for online transactions since these fees are retained by Texas.gov and not deposited into the TxDMV Fund.

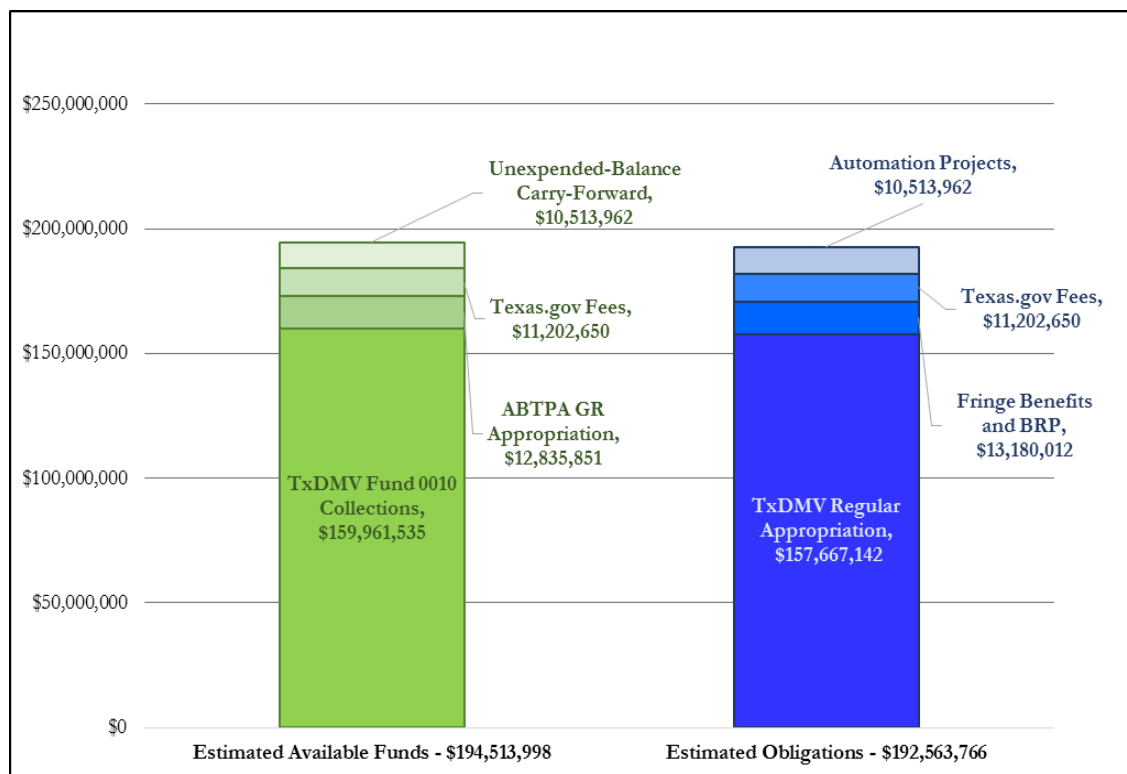
**Source: Texas Comptroller of Public Accounts, Biennial Revenue Estimate, 2018-2019 Biennium, 85th Texas Legislature, January, 2017.*



Texas Department of Motor Vehicles

Fiscal Year 2018 TxDMV Revenues vs. Obligations

Total revenues of approximately \$194.5 million primarily consists of \$160 million in estimated TxDMV Fund collections, Texas.gov fees, GR appropriations for ABTPA and estimated carry-forward of Fiscal Year 2017 automation balances. The chart below reflects the estimated available funds are sufficient to cover TxDMV obligations of \$192.5 million for Fiscal Year 2018.



The Fiscal Year 2018 Recommended Operating Budget treats the \$11.2 million in Texas.gov fees for online registrations renewals as an obligation to the TxDMV Fund and are excluded from the agency's operating budget.

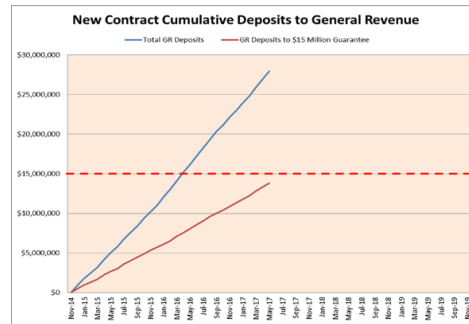


Texas Department of Motor Vehicles

MyPlates Highlights

Contract Term:

The new contract began November 19, 2014, and will run for a term of five years. As of May 31, 2017, total General Revenue (GR) collections from the sale of vendor plates totaled **\$27,934,412**. As laid out under the existing contract provisions, only a portion of this total figure counts toward the \$15 million guarantee. The first contract with MyPlates, Inc. expired on November 18, 2014 with GR collections totaling **\$27,334,768**.



Renewal Contract Provisions

Revenue Guarantee

The revenue guarantee for the renewed MyPlates contract is established at \$15 million to GR from the sale of vendor plates for the five-year renewal period that runs from November 19, 2014 through November 18, 2019. Revenue counted toward meeting the minimum guarantee includes new sales, renewal sales, auction sales and ancillary products. However, the renewal contract is significantly different from the initial contract in that nearly all plate renewal revenue will flow to the state instead of MyPlates. As of May 31, 2017, MyPlates has generated \$13,833,559 in GR deposits that count towards the \$15 million contractual guarantee. The previous contract generated \$27,334,769 in GR deposits.

Revenue Share

New Plate Sales - TxDMV will continue to receive \$8 per plate per year as an administrative fee. The net revenue received for all new license plate sales will be divided with MyPlates receiving 60% and the state (GR) receiving 40%.

Plate Renewals - The net revenue received for all plate renewals will be divided with MyPlates receiving 5% and the state (GR) receiving 95%. This represents a significant change to the compensation structure of the first contract period. During the initial contract period renewal revenue was divided in the same manner as new plate sales.

Multi-Year and Auction Plates

The contract renewal eliminated the option of the 10-year plate. The contract renewal limits plate terms to one, three and five year terms. Revenue for the new multi-year and auction plate sales are divided 60% to the state and 40% to MyPlates.

Plate Inventory Management

New Plate Designs – The TxDMV board maintains sole discretion to approve new plate designs. Once a plate design has been approved by the TxDMV Board, MyPlates is required to provide 200 customer commitments within 180 days before the new design may be sold.



Texas Department of Motor Vehicles

Existing Plate Designs – If a plate design fails to meet a milestone listed below, it will no longer be offered for sale. The previous contract did not place a lower limit on plate sales, but the renewed contract added the 200 plate minimum requirement to clean up inventory and remove slow selling plates.

90 days – 50 plates	180 days – 100 plates
270 days – 150 plates	365 days – 200 plates

Redesign "T" Plate – MyPlates is required, not later than the effective date of the renewal, to redesign the "T" Plate. Existing customers with a "T" Plate will be allowed to maintain their plate until they reach the replacement cycle (seven years). They will also be given the option of replacing the plate immediately at no cost.

Design Specifications

All existing and new plate designs are required to meet the TxDMV standards for content, layout, color and other limitations. TxDMV is required to notify MyPlates as soon as possible of any changes to the design standards, and MyPlates will be granted 180 days to submit redesigned plates to TxDMV.

MyPlates Facts:

Number of Plates in MyPlates Catalog

Of the 173 plate designs approved since 2009, MyPlates has removed 58 designs. Of the removed designs, 55 were permanently discontinued, two were not produced, and one, Texas A&M Helmet, was removed temporarily while it is being redesigned. This leaves 115 vendor plates currently available for the public to order. Two more plates, Colorado School of Mines and Carbon Fiber could be implemented if a 200 prepaid order threshold is met.

Top Ten Plates

The table at right shows top 10 plates ranked by plates ordered (both new and renewals) since November, 2009.

Top 10 Plates		
Rank	Plate Description	Number ordered
1	Lone Star Black	76,094
2	Texas Black 1845	24,845
3	T for Texas - Black	17,137
4	Small Star Black	15,679
5	Classic Black	11,440
6	Texas Vintage Black	7,510
7	Texas White	7,190
8	Lone Star Pink	6,301
9	Small Star Silver	5,774
10	Come And Take It Flag	5,019

Highest All Time Plate Sold

MyPlates has auctioned 182 personalized patterns to date. These patterns generated an average of \$175 a year in revenue to GR. The record for the highest price fetched at a Texas plate auction is still \$115,000, for 12THMAN (\$79,590 to GR).

General Revenue Collections

At the end of the five-year vendor contract (from 2009-2014), 38% of the gross revenue generated was distributed to GR and 50% to the vendor. Two and a half years into the amended, renewed five-year vendor contract (from 2014 to 2019), the distribution of revenue is 63% to GR, and 26% to the vendor. (Under the renewed contract, GR receives 95% of the renewal revenue.)

Renewal of One, Three and Five-Year Term Plates

The GR Fund currently derives most of its renewal revenue from vendor plates with one-year terms (87%). Plates with five-year terms account for 12% and plates with three-year terms account for 1% of the renewal revenue to GR.



Texas Department of Motor Vehicles

Part III: Fiscal Year 2018 Recommended Operating Budget



Texas Department of Motor Vehicles

Fiscal Year 2018 Recommended Budget By Appropriation

The General Appropriation Act (GAA) has appropriated \$168.9 million for Fiscal Year 2018. This amount funds agency Fiscal Year 2018 operations (\$157.7 million) and Texas.gov fees (\$11.2 million for Processing and Handling (P&H) Fee transactions). The GAA also includes additional appropriations for certain unexpended balances and other allowable costs. The following chart depicts the TxDMV Fiscal Year 2018 budget by Program Goal and Strategy. This recommended budget includes adjustments between strategies for position transfers and increases to appropriations for Benefit Replacement Pay (BRP) and estimated carry-forward of Fiscal Year 2017 unexpended balances in Automation.

Not included are fringe benefits and appropriated payments to Texas.gov, which are listed as obligations to the TxDMV Fund on page 20.

These amounts reflect the amounts approved by the 85th Legislature and signed by the Governor.

A. Goal: Optimize Services and Systems	2018 Recommended Budget *
A.1.1. Strategy: Titles, Registrations, and Plates	73,826,655
A.1.2. Strategy: Vehicle Dealer Licensing	4,147,355
A.1.3. Strategy: Motor Carrier Permits & Credentials	9,255,352
A.1.4. Strategy: Technology Enhancement & Automation	9,285,457
A.1.5. Strategy: Customer Contact Center	2,377,427
Total, Goal A: Optimize Services and Systems	98,892,246
B. Goal: Protect the Public	
B.1.1. Strategy: Enforcement	6,462,452
B.2.1. Strategy: Automobile Theft Prevention	12,835,851
Total, Goal B: Protect the Public	19,298,303
C. Goal: Indirect Administration	
C.1.1. Strategy: Central Administration	7,902,373
C.1.2. Strategy: Information Resources	23,364,517
C.1.3. Strategy: Other Support Services	8,209,703
Total, Goal C: Indirect Administration	39,476,593
Total TxDMV Appropriation Budget	157,667,142
Other Adjustments	
Estimated Increase for Benefit Replacement Pay	113,012
Projected Unexpended Balance Carry-Forward	
Capital - Tx Automation Systems Article VII Rider 5	10,513,962
Subtotal, Other Adjustments	10,626,974
Total TxDMV Operating Budget	168,294,116
Method of Finance	
General Revenue Fund (includes estimated Automation UB)	18,650,366
State Highway Fund (estimated Automation UB)	4,644,639
TxDMV Fund	144,255,361
Federal Reimbursements	743,750
Total, Method of Finance	168,294,116

** Fiscal Year 2018 Strategy Appropriations are adjusted for transfers between strategies that were implemented in Fiscal Year 2017 after the submission of the LAR. Article IX of General Appropriations Act allows transfers up to 20% of the approved appropriation amount of each strategy. Transfers between strategies for Fiscal Year 2017 were to accommodate the reallocation of FTEs between divisions. The Fiscal Year 2018 Recommended Operating Budget treats the \$11.2 million in Texas.gov fees for online registrations renewals as an obligation to the TxDMV Fund and are excluded from the agency's operating budget.*

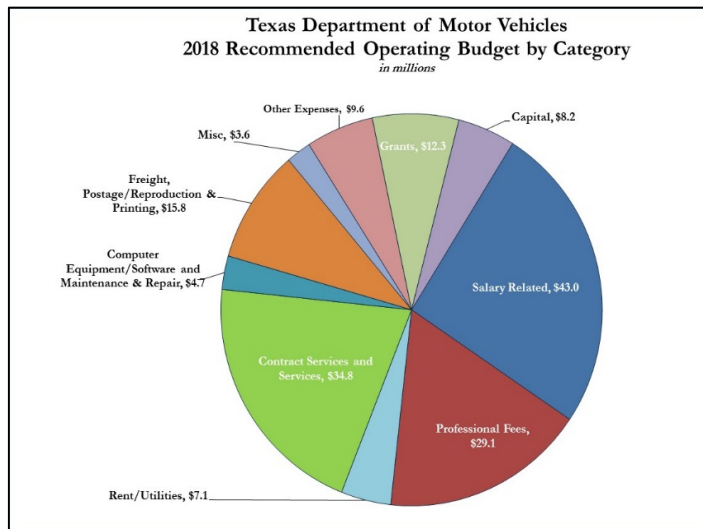


Texas Department of Motor Vehicles

Agency Summary

TxDMV is governed by a nine member board appointed by the Governor, with the advice and consent of the Senate, to serve six-year overlapping terms. The agency's mission is "to serve, protect and advance the citizens and industries in the state with quality motor vehicle related services."

The Executive Director, Whitney Brewster, and Deputy Executive Director, Shelly Mellott, oversee the agency's day-to-day operations. The Executive Director reports to the agency board and directs staff to enact operational changes as a result of enacted legislation and implement policies and rules approved by the board. The pie chart below reflects the Fiscal Year 2018 operating budget by category.



The agency's Fiscal Year 2018 operating budget of approximately \$168 million is a decrease of \$24 million over the Fiscal Year 2017 original approved budget of \$192 million. The decrease is primarily due to the completion in 2017 of major capital projects for LACE Replacement and AMSIT, and a reduction in the Fiscal Year 2018 budget for Automation funding. Approximately one-third of the budget consists of Professional Fees (associated with Automation projects). The majority of the remaining budget is related to the production of registration materials, titles and plates (services, freight, postage, reproduction, printing, and other expenses) and salary expenses.

Miscellaneous Expense totaling \$3.6 million is comprised of the following items: \$1.5 million in Advertising, Fees and Other Charges; \$1.2 million in Fuels, Lubricants and Consumables; In-State and Out-of-State Travel of \$600,000; and Memberships & Training of \$300,000.

Detail Contract Services & Services	Amount
Huntsville Plate Production	\$ 20,452,057
Registration stickers, motor vehicle and speciality plates mailing	\$ 5,185,345
MyPlates contract payments	\$ 6,836,637
Facility Support (Headquarters/RSC)	\$ 1,586,323
Contracts for online training, subscriptions & Interagency agreements	\$ 708,426
Total	\$ 34,768,788

Detail for Professional Fees	Amount
Data Center Contract - DIR	\$ 9,076,261
UB for Capital Projects (primarily contractors)	\$ 7,388,962
Deloitte for RTS Refactoring	\$ 5,766,078
Info Technology (IT) Operating for eLicensing	\$ 1,000,000
CVISN Grant and CVIEW (Commercial Vehicle Information Exchange Window)	\$ 1,175,000
TxDOT DCS	\$ 1,200,000
Cybersecurity and Automation Initiatives	\$ 1,200,000
Contractors and Miscellaneous Contracts	\$ 1,909,329
TxPROS (Texas Permitting & Routing Optimization System)	\$ 333,780
Total	\$ 29,049,410

Detail for Other Expenses	Amount
Agency Wide - Contingency	\$ 4,741,603
Agency Wide - Specialized Programs - Credit	\$ 3,267,440
Card Fees (TxPROS, Temp Permits, MCCS, etc)	\$ 960,470
Contingency Facility Operations	\$ 249,498
SIU - Onboarding Expenses	\$ 155,045
Other Expenses	\$ 261,834
Total	\$ 9,635,890



Texas Department of Motor Vehicles

Fiscal Year 2018 Recommended Operating Budget by Category

The table below outlines the Fiscal Year 2018 operating budgets by TxDMV budget categories. The allocations represent estimates of anticipated costs based on prior year expenditures and planned obligations.

Budget Category	FY 2018 Approved Budget
Salaries and Wages	\$ 41,793,206
Benefit Replacement Pay	\$ 113,012
Other Personnel Costs	\$ 1,241,310
Professional Fees and Services	\$ 29,049,410
Fuels & Lubricants	\$ 81,000
Consumable Supplies	\$ 1,153,561
Utilities	\$ 5,545,221
Travel In-State	\$ 474,002
Travel Out-of-State	\$ 86,135
Rent - Building	\$ 1,268,550
Rent - Machine and Other	\$ 320,573
Purchased Contract Services	\$ 33,643,862
Advertising & Promotion	\$ 95,050
Computer Equipment Software	\$ 898,974
Fees & Other Charges	\$ 1,355,486
Freight	\$ 828,290
Maintenance & Repair	\$ 3,758,227
Memberships & Training	\$ 300,795
Other Expenses	\$ 9,635,890
Postage	\$ 9,178,744
Reproduction & Printing	\$ 5,827,275
Services	\$ 1,124,926
Grants	\$ 12,303,182
Other Capital	\$ 8,217,435
Total	\$ 168,294,116

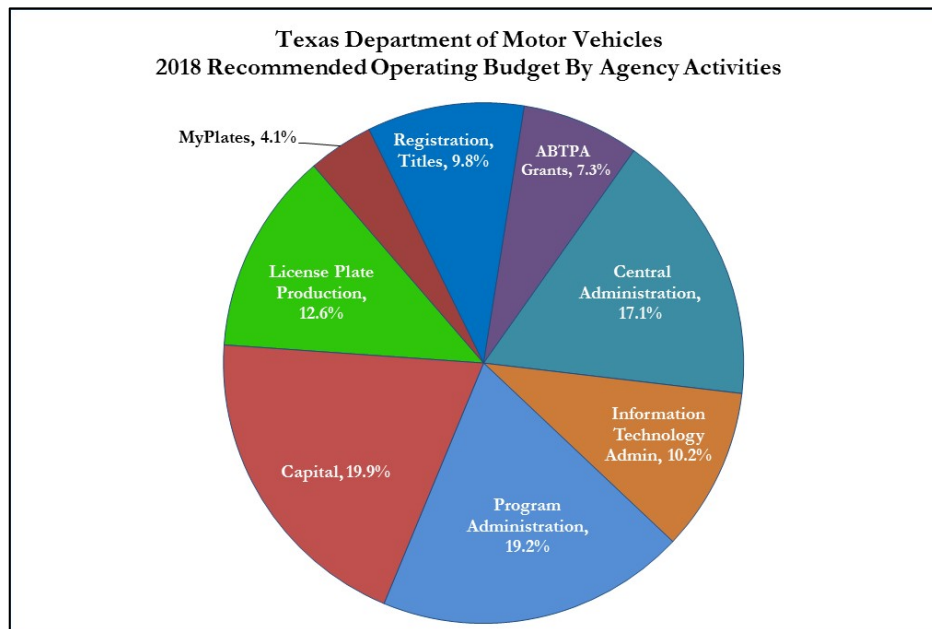
A description of the budget categories are in [Appendix A](#).



Texas Department of Motor Vehicles

The TxDMV budget is primarily allocated to registration, titling, license plates, and upgrading agency technology. The pie chart below shows that a total of 22.4% of the agency budget is dedicated to the production of plates (12.6%) and registration and title materials (9.8%). In addition, 10.2% of the budget is allocated to technology administration while Capital expenditures account for 19.9% of the total budget. The chart below details the various spending levels by program.

Program Administration (19.2%) includes budgets for administration of agency programs including ABTPA, Motor Vehicle, Motor Carrier programs (Oversize/Overweight and Texas International Registration Plan [IRP]), Inspections and Enforcement, Lemon Law (including management and administrative hearings), and Registration and Titling activities. The remainder of the budget includes funding for Central Administration/Support Services (17.1%), grants for ABTPA (7.3%) and the MyPlates contract (4.1%). Central Administrative costs represent a larger share of costs than in prior years due to the funding for Headquarters (HQ) maintenance costs.



Program Administration

ABTPA, Consumer Relations, Enforcement, Motor Carrier, Motor Vehicle, Office of Administrative Hearings, Vehicle Titles and Registration

Information Technology:

Enterprise Project Management
Information Technology Division

Central Administration

Executive Office (including Civil Rights), Board Support Office, Finance and Administrative Services (excluding license plate production), Office of General Counsel, Government and Strategic Communications, Office of Innovation and Strategy, Internal Audit



Texas Department of Motor Vehicles

Fiscal Year 2018 Recommended Operating Budget by Division

The General Appropriations Act provides the agency with its total appropriation amount by goal and strategy. In comparison, the purpose of the operating budget is to establish a specific operating budget allocation by division and capital project.

The table below outlines TxDMV's Fiscal Year 2018 recommended operating budget and the number of FTE by division/office.

Division/Office	FY 2018 Recommended Budget	FTE Allocation
Automobile Burglary and Theft Prevention Authority	\$ 12,847,260	5.0
Board Support Office	\$ 139,177	1.0
Consumer Relations Division	\$ 2,361,347	48.0
Enforcement Division	\$ 6,061,321	90.0 ¹
Enterprise Project Management Office	\$ 1,572,954	17.0
Executive Office*	\$ 553,486	4.0
Finance and Administrative Services Division	\$ 37,544,560	74.0 ²
Office of General Counsel	\$ 1,026,965	11.0
Government and Strategic Communications Division	\$ 1,140,338	10.0
Human Resources Division	\$ 1,035,489	10.0
Information Technology Services Division	\$ 15,557,367	92.0
Office of Innovation & Strategy	\$ 128,150	1.0
Internal Audit Office	\$ 293,500	3.0
Motor Carrier Division	\$ 7,998,294	115.0
Motor Vehicle Division	\$ 2,434,221	38.0
Office of Administrative Hearings	\$ 413,685	5.0
Vehicle Titles and Registration Division	\$ 35,814,747	255.0 ¹
Agency Wide	\$ 7,998,661	0.0
Subtotal	\$ 134,921,522	779.0
Capital Projects		
TxDmv Automation System Project (includes estimated UB from 2017)	\$ 17,080,040	
Data Center Consolidation	\$ 9,076,261	
Technology Replacement & Upgrades - County Support	\$ 5,000,000	
Growth & Enhancements - Agency Operations Support	\$ 808,998	
PC Replacement	\$ 102,295	
Cybersecurity Initiative	\$ 400,000	
Vehicle Replacement	\$ 500,000	
Special Investigations Unit Vehicles	\$ 100,000	
Capital Equipment (HQ Security and Badge System)	\$ 305,000	
Subtotal	\$ 33,372,594	
Agency Total	\$ 168,294,116	
Method of Finance		
General Revenue Fund (includes Automation UB)	\$ 18,660,748	
State Highway Fund (estimated Automation UB)	\$ 4,644,639	
TxDmv Fund	\$ 144,244,979	
Federal Reimbursements	\$ 743,750	
Method of Finance Total	\$ 168,294,116	
TxDmv Fund Obligations not included in operating budget		
- Fringe Benefits	\$ 13,067,000	
- Payments to Texas.gov for online transaction fees ³	\$ 11,202,650	
Subtotal	\$ 24,269,650	
Grand Total TxDMV FY 2018 Recommended Obligations	\$ 192,563,766	

*Executive Office includes \$21,405 for Civil Rights Office.

¹ - FTE allocation for Enforcement is increased by 8 FTE and VTR by 5 FTE for Special Investigations Unit

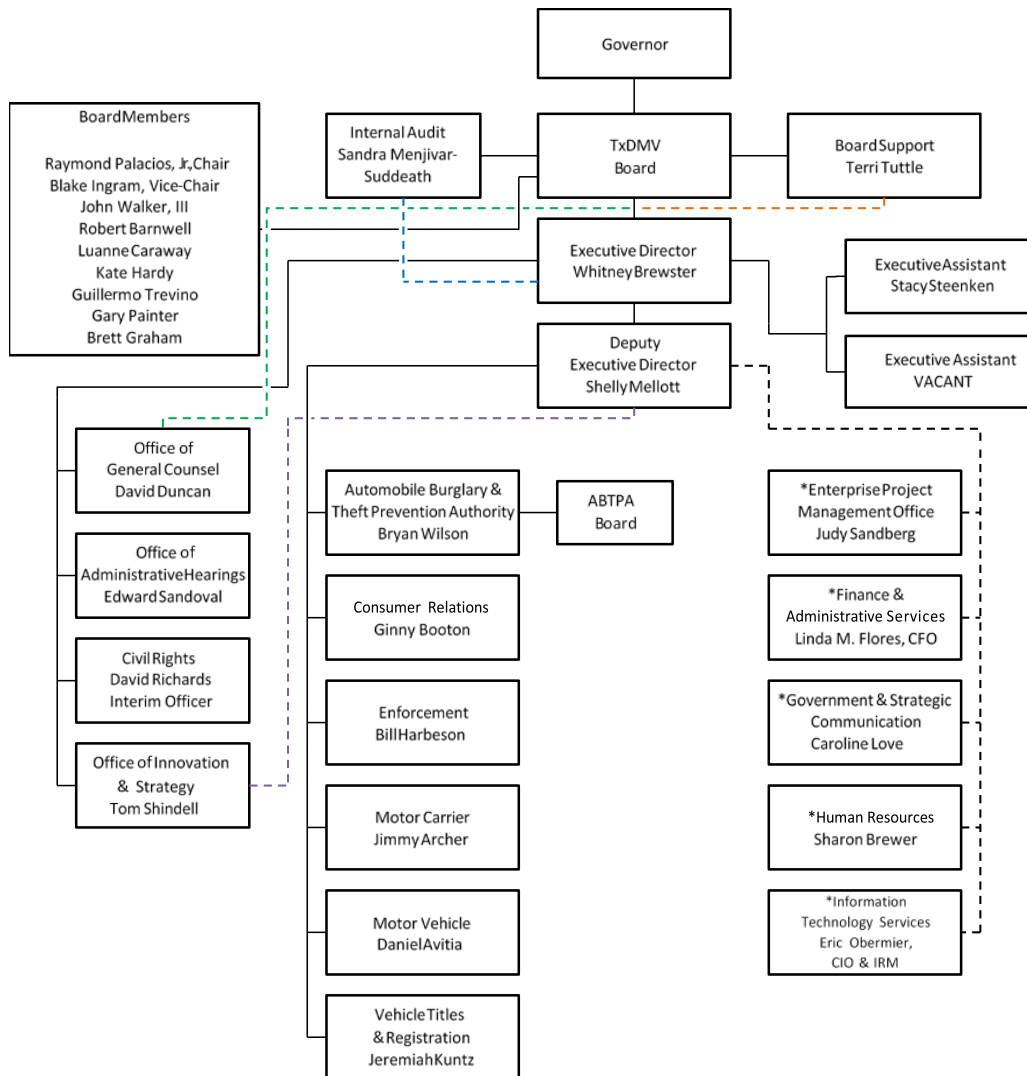
² - FTE allocation for Finance and Administrative Services is increased by 3 FTE for HQ Maintenance Exceptional Item

³ - The Fiscal Year 2018 Recommended Operating Budget treats the \$11.2 million in Texas.gov fees for online registrations renewals as an obligation to the TxDMV Fund and are excluded from the agency's operating budget.



Texas Department of Motor Vehicles

TxDMV Organizational Chart



**Note: Although these positions report directly to the ED, rank is equivalent to the Motoring Services Division Directors. The DED assumes the responsibilities of the ED in absentia.*



Texas Department of Motor Vehicles

Part IV: Fiscal Year 2018 Recommended Capital Projects



Texas Department of Motor Vehicles

Fiscal Year 2018 Recommended Capital Budget

TxDMV Capital Project Appropriations	FY 2018
Fiscal Year 2018 Appropriation	\$ 22,858,632
Estimated Unexpended Balance Carry-Forward	\$ 10,513,962
Total Capital Appropriations	\$ 33,372,594

TxDMV Automation System ¹	2018 Recommended Budget
RTS Refactoring	\$ 5,016,078
eLicensing/LACE	\$ 750,000
Kiosk and Mobile Applications Pilot Programs	\$ 800,000
WebLIEN*	\$ 2,514,732
Automation Initiatives*	\$ 4,375,000
Unallocated*	\$ 3,624,230
TxDMV Automation System Subtotal	\$ 17,080,040
Other Technology Projects	
Growth and Enhancements - Agency Operations Support	\$ 808,998
Technology Replacement & Upgrades - County Support	\$ 5,000,000
PC Replacement	\$ 102,295
Data Center Consolidation	\$ 9,076,261
Cybersecurity Initiative	\$ 400,000
Other Technology Projects Subtotal	\$ 15,387,554
Other Capital Projects	
Vehicle Replacement	\$ 500,000
Special Investigations Unit Vehicles	\$ 100,000
Capital Equipment (<i>HQ Security and Badge System</i>)	\$ 305,000
Other Capital Projects Subtotal	\$ 905,000
TxDMV Total Capital Budget	\$ 33,372,594

1. The TxDMV Automation project includes project funds for Fiscal Year 2018 which will be funded from budget balances remaining at year end of Fiscal Year 2017.

* - Project funded through Unexpended Balance (UB) carry-forward from Fiscal Year 2017



Texas Department of Motor Vehicles

Unexpended Balance Authority

The TxDMV Capital Rider #2 specifically exempts the agency from the transfer limits outlined in General Appropriation Act (GAA) Article IX (Section 14.03 Limitations on Expenditures – Capital Budget). The department is authorized, with TxDMV Board approval and notification to the Legislative Budget Board and Governor's Office, to transfer funds in excess of the 25% transfer limitation into another capital budget line item. The text of the rider is below with emphasis added.

TxDMV Rider #2. Capital Budget. Funds appropriated above may be expended for capital budget items listed below. Notwithstanding the General Provisions of this Act relating to limitations on the expenditure of appropriated funds on capital budget items, upon approval of the board of the Department of Motor Vehicles, (1) the amounts identified for each item below may be adjusted or may be expended on other capital budget items within the strategy to which the funds are appropriated or transferred to another capital budget item in another strategy; and (2) any funds appropriated above to the Department of Motor Vehicles may be expended for the acquisition of capital items, excluding construction of buildings and facilities and acquisition of land and other real property. If the Department of Motor Vehicles transfers an amount of appropriations into or out of a capital budget item in excess of 25 percent of the amount listed below for the capital budget item or acquires any capital budget items not expressly listed in this rider, the chair of the board of the Department of Motor Vehicles shall report such a transfer or acquisition in a quarterly report to the Governor and the Legislative Budget Board. Amounts appropriated above and identified in this provision as appropriations either for "Lease Payments to the Master Lease Purchase Program" or for items with a "(MLPP)" notation shall be expended only for the purpose of making lease-purchase payments to the Texas Public Finance Authority pursuant to the provisions of Government Code §1232.103. Upon approval from the Legislative Budget Board, capital budgeted funds listed below under "Acquisition of Information Resource Technologies" may be used to lease information resources hardware and/or software, if determined by agency management to be in the best interest of the State of Texas.

The FY2018 recommended capital budget includes the use of authority in the TxDMV Capital Rider #2 to transfer \$5,869,823 from balances in the FY2017 TxDMV capital projects listed below to the TxDMV Automation capital project.

- County Technology Enhancement.....\$1,125,000
- AMSIT\$4,500,000
- Physical Security and RSC Relocation.....\$ 244,823

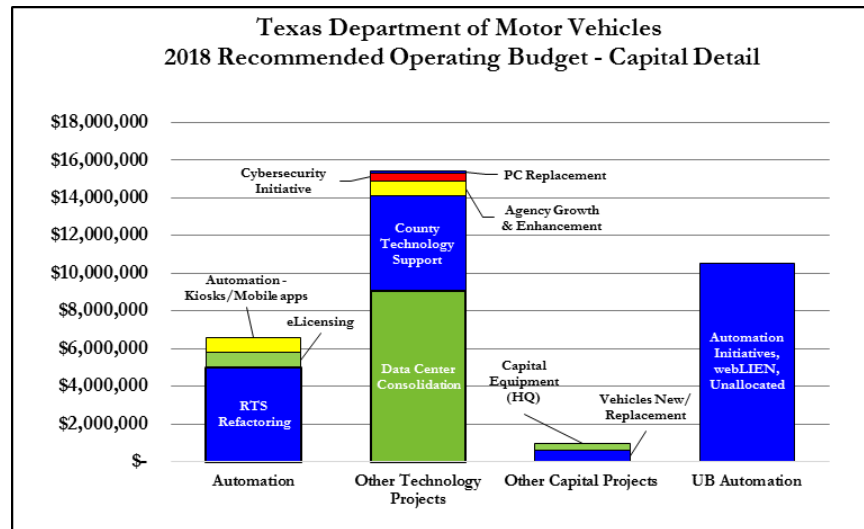
The \$5.9 million transfer will be added to \$4.6 in balances in the TxDMV Automation project and carried forward to FY 2018 as authorized by Rider #4 (language below) in the TxDMV 2018-2019 appropriation. These monies will be used to fund the webLIEN initiative and other automation initiatives. A detailed listing of the programs to be funded with these funds begins on page 25.

TxDMV Rider #4. Unexpended Balance and Capital Authority: TxDMV Automation Systems. In addition to amounts appropriated above for the TxDMV Automation System capital budget item in Rider 2, Capital Budget, any unexpended balances remaining as of August 31, 2017 (estimated to be \$0), from appropriations made to the Department of Motor Vehicles in Strategy A.1.4, Technology Enhancement and Automation, for the state fiscal biennium ending August 31, 2017, for the TxDMV Automation System capital budget project are appropriated for the same purpose in the state fiscal biennium beginning September 1, 2017.



Texas Department of Motor Vehicles

Capital Project Details



TxDMV Automation Systems Project (\$6.5 million + estimated \$10.5 million unexpended balance carry-forward)

TxDMV is developing information technology assets to improve customer services and access to agency programs for the public through the TxDMV Automation System Project. This project encompasses entire agency operations in order to take advantage of operational efficiencies. This project also allows data sharing between agency functions to improve customer service. There are multiple initiatives in Fiscal Year 2018 that will be addressed through the TxDMV Automation Systems Project. Major projects include:

Capital Appropriations:

RTS Refactoring Project – In June, 2013, TxDMV entered into a contract with Deloitte Consulting LLP to refactor the former Registration and Titling System (RTS) by converting the code from a mainframe program to a JAVA web-based system. The system holds nearly 100 million current and archived vehicle registration and titling records. The contract consisted of multiple work streams that will continue through 2018.

The RTS Refactoring project, which began implementation in May, 2015, is currently fully deployed to TxDMV headquarters staff, the Regional Service Centers and all 254 counties. The team is currently working on work streams four and five which include Maintenance and Operations (M&O) and Knowledge Transfer activities, respectively. Additionally, work stream four includes quarterly enhancement releases.



Texas Department of Motor Vehicles

eLicensing – The new eLicensing system, launched in March, 2017, allows current dealer and salvage licensees and those seeking licenses for the first time to renew and/or apply online. The funding for the upcoming biennium will increase self-service capabilities.

Kiosks and Mobile Application Pilot Projects– These planned applications are to provide customers with the ability to electronically access TxDMV services more conveniently.

Unexpended Balance:

webLIEN Project – webLIEN is an expansion of the current Electronic Lien and Title (ELT) system providing lienholders with an internet enabled application. The application will facilitate the recording and removal of liens electronically. The project is expected to be approximately 19 months.

Automation Initiatives – A number of automation and technology initiatives are planned to begin in 2018. Workgroups consisting of program and IT staff have been formed to outline scope for the following projects:

- **Cybersecurity** – Provide increased levels of encryption and authentication.
- **Commercial Vehicle Information Exchange Window (CVIEW)** – Upgrade the data sharing capabilities and data quality of this information database used by various state agencies to ensure commercial carrier compliance.
- **Call Center Upgrades** – Upgrade agency telephone equipment allowing TxDMV's call centers to incorporate new functionality.
- **Fraud Data Dashboard** – Utilize a Cognos (a specialized software tool) reporting cube to create a dashboard to analyze patterns and trends in transactions in order to identify possible fraud using predetermined thresholds to set possible fraud alerts.
- **External Website Renovation** – Update and refresh the agency's public website in an effort to improve customer usability.
- **E-Renewals/E-Reminder** – Reduce paper registration renewal notices by replacing them with an option to receive an electronic registration renewal notice. This results in savings to the agency as well as reducing the agency's reliance on paper based transactions and aligns with customers' increased reliance on digital communication.
- **Online Certified Records** – Provide the ability for consumers to obtain certified vehicle records online, 24/7.
- **Enterprise Reporting** – Agency initiative to continue enhancements to existing reports and to create new reports to monitor and improve the performance of the agency.

Technology Replacement & Upgrades for Counties (\$5.0 million)

This appropriation provides funding to maintain printers, computers, monitors, laptops, cash drawers, etc. deployed at county tax assessor-collector offices throughout the state. Additionally, it provides funding to support point-to-point connectivity to the agency's Registration and Titling System for all 254 counties and their 508 primary and substation locations.



Texas Department of Motor Vehicles

Data Center Consolidation (\$9.1 million)

This appropriation supports information technology infrastructure assets and functions through statutorily required participation in the State Data Center maintained by the Department of Information Resources (DIR). Also included are costs for printing and mailing of registration processed online. This allows TxDMV to fund data center services from resulting continued efforts to build an IT infrastructure, the implementation of the RTS Refactoring project, and the ongoing impact of separating from Texas Department of Transportation (TxDOT) networks.

Agency Growth and Enhancement (\$0.8 million)

Agency operations support includes information resources activities that enhance or expand existing information resources services in TxDMV's individual program areas. This project includes replacement of desktop computers, desktop printers, laptops, and peripheral devices; telephone system replacements and upgrades; replacement and upgrades of network equipment; the development of a VOIP (Voice over Internet Protocol) infrastructure; and the software licenses for enterprise applications. Additionally, the project includes division-level imaging and document management in the development of workgroup applications.

PC Replacement (\$0.1 million)

The PC Replacement project was situated in Growth & Enhancement in previous years. It has now been separated into its own project.

Cybersecurity Initiative (\$0.4 million)

This is a new project providing funding to agencies for initiatives to improve security for statewide information technology systems.

Other Capital Projects (\$0.9 million)

This category consists of two new projects for TxDMV. Vehicles, funding for 33 replacement and 4 new vehicles for Enforcement's Special Investigations Unit (SIU); and Equipment which includes funding for headquarters security/badging equipment.



Texas Department *of* Motor Vehicles

Part V – Fiscal Year 2018 Contracts



Texas Department of Motor Vehicles

Fiscal Year 2018 Contract Summary

The agency executes contracts that are statutorily required and also executes contracts that are not required by law but enable it to perform its duties and operations. The Board's approval of the operating budget constitutes approval of any contracts listed in the operating budget. Procedures for Board contract procedures may be found in Appendix A, of this document.

The agency will execute approximately 173 new contracts and renewals of existing contracts that are not statutorily required but assist the agency in performing its operations.

The agency anticipates the renewal of 16 statutorily required contracts in Fiscal Year 2018.

The Fiscal Year 2018 budget currently includes:

- 15 contracts of more than \$200,000
- 8 contracts between \$100,000-\$200,000
- 128 contracts of less than \$100,000
- 22 IT Staff Augmentation contracts
- 16 statutorily required contracts

The following pages detail both statutorily required and optional contracts by division, vendor, purpose, contract period, and amount.

Note:

The contracts listed on the following pages are subject to change based on the final terms and conditions negotiated.



Texas Department of Motor Vehicles

Fiscal Year 2018 Delegated and Statewide Contracts more than \$200,000

Contracts, including Statewide Contracts that have a cumulative cost value of more than \$200,000, (Commodities over \$25,000 and Services over \$100,000 must be reviewed by the Texas Comptroller of Public Accounts; Government Code 2156.121) may be delegated to the agency by the Texas Comptroller of Public Accounts. The executive director must obtain board approval for contracts \$200,000 or more prior to award or renewal unless specifically excluded and ensure that the contract is within budget guidelines in accordance with established procurement contract laws, rules, regulations and policies of oversight agencies.

The contracts listed below require Board approval for the award and/or renewal and proposed contract amounts for Fiscal Year 2018. Additional procurements may be conducted during the fiscal year and will be presented to the Board individually upon occurrence.

Division	Vendor	Purpose	Contract Period Award Expire		FY 2018 Contract Amount	Total Contract Amount
Motor Carrier	Southwest Research Institute	TxCVIEW Annual Support	3/31/2014	1/31/2018	\$ 1,505,000	\$ 3,273,157
Vehicle Titles and Registration	American Association of Motor Vehicle Administration	Information systems title check through AAMVA	10/1/2017	9/30/2018	\$ 348,247	\$ 957,138
Finance and Administrative Services	Texas Dept of Transportation	Interagency contract between TxDMV & TxDOT	9/1/2017	8/31/2018	\$ 900,000	\$ 900,000
Total					\$ 2,753,247	\$ 5,130,295



Texas Department of Motor Vehicles

Excluded Contracts

The following contracts have a cumulative cost value of more than \$200,000. In accordance with the Board Resolution Adopting Contract Approval Procedures, these contracts are excluded from Board approval procedures (Appendix A). These contracts include (1) routine operations; (2) procured from the Texas Council on Competitive Government (CCG); (3) procured from Texas Department of Information Resources (DIR); and (4) procured Texas Procurement and Support Services (TPASS).

Division	Vendor	Purpose	Contract Period		FY 2018 Contract Amount	Total Contract Amount as of FY 2018
			Award	Expire		
Capital Projects	Deloitte Consulting LLP	RTS Refactoring WS4	11/19/2015	11/18/2017	\$ 750,000	\$ 8,100,000
Capital Projects	Insight Public Sector Inc.	County refresh and ongoing maintenance of County equipment	8/7/2017	8/6/2018	\$ 300,000	\$ 6,961,134
Capital Projects	Deloitte Consulting LLP	RTS Refactoring	8/1/2013	9/30/2017	\$ 1,084,575	\$ 39,624,197
Finance and Administrative Services	Ragsdale-Brook	Houston RSC	6/26/2014	8/31/2024	\$ 277,969	\$ 3,037,604
Finance and Administrative Services	TTBH Industries, Inc.	Toner for County Tax-Assessor Collector offices	9/1/2017	8/31/2018	\$ 800,000	\$ 800,000
Information Technology Services	HP Enterprise Services LLC	eTags Application Maintenance	7/9/2014	7/7/2018	\$ 224,460	\$ 934,965
Information Technology Services	CDW	Cisco Smart Net	7/29/2016	7/28/2019	\$ 262,008	\$ 524,016
Information Technology Services	Explore	IRP Maintenance	4/1/2017	3/31/2018	\$ 209,588	\$ 1,205,149
Motor Carrier	Promiles Software Development Corp.	TxPROS software maintenance	5/12/2016	8/31/2018	\$ 603,180	\$ 1,809,540
Vehicle Titles & Registration	RR Donnelly Company	Title Paper	3/6/2016	3/8/2018	\$ 510,909	\$ 1,766,476
Vehicle Titles & Registration	Taylor Communications	VTR RTS-500 Form	9/1/2017	8/31/2017	\$ 678,600	\$ 1,357,200
Vehicle Titles & Registration	Pitney Bowes	Postage	9/1/2016	8/31/2018	\$ 9,577,474	\$ 19,122,586
Total					\$ 15,278,763	\$ 85,242,866



Texas Department of Motor Vehicles

Fiscal Year 2018 Statutorily Required Contracts and Term Contracts (Informational Only)

Contracts required by statute include but are not limited to the State Office of Administrative Hearings (contested cases), the State Office of Risk Management (SORM), Workers' Compensation, vehicle liability insurance and property insurance, and the Texas Department of Criminal Justice (manufacturing of license plates, registration stickers and placards, etc.).

Division	Vendor	Purpose	Contract Period Award	Contract Period Expire	FY 2018 Contract Amount	Total Contract Amount as of FY 2018
Agency Wide	State Office of Risk Management	Workers compensation & Risk management service	9/1/2017	8/31/2018	\$ 76,000	\$ 204,168
Capital Projects	Texas Dept. of Information Resources	Data Center Services	7/8/2014	8/31/2018	\$ 9,076,261	\$ 32,986,630
Finance and Administrative Services	Alliant Insurance Services	Fleet liability ins premium	5/13/2016	8/31/2018	\$ 17,700	\$ 31,200
Finance and Administrative Services	Arthur J Gallagher Risk Management Services, Inc	Property Liability insurance per State Office of Risk Management	9/1/2016	8/31/2018	\$ 9,000	\$ 19,500
Finance and Administrative Services	Open Text	Digital Imaging services	9/1/2016	8/31/2018	\$ 3,367,581	\$ 10,168,752
Finance and Administrative Services	Texas Dept of Criminal Justice	Manufacturing of License Plates/Stickers	9/1/2016	8/31/2018	\$ 20,271,101	\$ 66,565,047
Finance and Administrative Services	Texas State Library	Records Storage	9/1/2016	8/31/2018	\$ 8,000	\$ 42,000
Finance and Administrative Services	TIBH Industries Inc.	Janitorial/ Custodial Services at Regional Service Centers	7/1/2017	6/30/2018	\$ 210,143	\$ 771,886
Finance and Administrative Services	TIBH Industries Inc.	HQ Janitorial Services	9/1/2016	8/31/2018	\$ 173,238	\$ 737,668
Finance and Administrative Services	TIBH Industries, Inc.	Transportation/ freight services for plates provided by Southeast Vocational Alliance (SVA) Services	9/1/2016	8/31/2017	\$ 715,000	\$ 1,430,000
Finance and Administrative Services	TX Comptroller of Public Accounts	Fleet mgmt system support fee	5/11/2015	8/31/2020	\$ 407	\$ 2,440
Information Technology Services	NICUSA	Web Hosting TX.Gov	9/1/2016	8/31/2018	\$ 514,620	\$ 2,573,100
Motor Vehicle	State Office of Administrative Hearings	Interagency contract for administrative hearings	9/1/2015	8/31/2018	\$ 133,760	\$ 275,560
Vehicle Titles and Registration	Standard Register	Vehicle Registration Decals	4/16/2015	4/15/2017	\$ 3,524,017	\$ 12,262,870
Vehicle Titles and Registration	TIBH Industries, Inc.	Specialty license plates mail preparation & mailing service	9/1/2016	8/31/2017	\$ 480,000	\$ 1,766,773
Agency Wide	NICUSA	Texas.Gov Transaction Fees	9/1/2017	8/31/2018	\$ 11,202,650	\$ 11,202,650
Total					\$ 49,779,477	\$ 141,040,244

Footnote 1 - NICUSA Texas.gov contract for transactions fees for online registration renewals is considered an obligation to the TxDMV Fund but is excluded from the agency's operating budget



Texas Department of Motor Vehicles

Fiscal Year 2018 Delegated and Statewide Contracts \$100,000 - \$200,000 (Informational Only)

Contracts, including Statewide Contracts that have an annual cost value from \$100,000 to \$200,000 (Commodities over \$25,000 and Services over \$100,000 must be reviewed by the Texas Comptroller of Public Accounts; Government Code 2156.121) may be delegated to the agency by the Texas Comptroller of Public Accounts. If delegated, these are executed by FAS at the executive director's discretion within budget guidelines in accordance with established procurement contract laws, rules, regulations and policies of oversight agencies. The executive director will report contract executions to the board.

Division	Vendor	Purpose	Contract Period		FY 2018 Contract Amount	Total Contract Amount as of FY 2018
			Award	Expire		
Finance and Administrative Services	Sky Investment Property Inc.	Dallas/Carrollton RSC	6/18/2013	3/31/2020	\$ 122,829	\$ 804,882
Finance and Administrative Services	Voyager Fleet Systems Inc.	Fleet fuel and maintenance	4/4/2014	4/30/2017	\$ 153,562	\$ 621,464
Finance and Administrative Services	Pitney Bowes	Agency postage	9/1/2017	8/31/2018	\$ 175,000	\$ 175,000
Multiple	AT&T Mobility	Cellular usage fees	4/12/2017	8/31/2017	\$ 101,307	\$ 101,307
Information Technology Services	NTT Data, Inc.	Server Application Software Maintenance	1/29/2014	8/31/2017	\$ 162,985	\$ 692,374
Information Technology Services	National Auto Research Division	Web Portal subscription	5/1/2014	5/31/2018	\$ 102,375	\$ 417,250
Motor Vehicle	Integ (Anderton)	Printing, Folding, Metering	10/22/2013	11/27/2017	\$ 109,600	\$ 314,132
Vehicle Titles and Registrations	TIBH Industries, Inc.	Temporary staffing	5/23/2014	5/26/2017	\$ 135,872	\$ 525,446
Total					\$ 1,063,530	\$ 3,651,854



Texas Department of Motor Vehicles

Fiscal Year 2018 Delegated and Statewide Contracts less than \$100,000 (Informational Only)

Contracts, including Statewide Contracts under \$100,000 annually for services and \$25,000 for commodities are delegated to state agencies by the Texas Comptroller of Public Accounts (Government Code 2155.132). These include but are not limited to competitively bid contracts for goods and services that are executed by FAS at the executive director's discretion within budget guidelines in accordance with established procurement contract laws, rules, regulations and policies of oversight agencies.

Category	Division	Vendor	Purpose	Contract Period Award Expire		FY 2018 Contract Amount	Total Contract Amount as of FY 2018
Contractors	Motor Carrier	TIBH Industries, Inc.	Temporary staffing	3/24/2016	9/20/2017	\$ 44,000	\$ 108,328
	Consumer Relations	TIBH Industries, Inc.	Temporary staffing	4/18/2017	4/18/2018	\$ 44,832	\$ 107,266
	Human Resources	TIBH Industries, Inc.	Temporary staffing	6/16/2016	12/31/2017	\$ 42,477	\$ 69,294
Building Leases	Finance and Administrative Services	Burnham Properties LTD	El Paso RSC	7/3/2014	10/31/2017	\$ 56,565	\$ 173,124
	Information Technology Services	Texas Dept. of Information Resources	Data Recovery Center	4/16/2014	4/30/2018	\$ 12,000	\$ 48,000
	Finance and Administrative Services	Corpus Christi Regional Transportation	Corpus Christi RSC	4/1/2017	3/31/2018	\$ 44,853	\$ 63,542
	Finance and Administrative Services	4015 Limited Partnership	CPA Warehouse	5/1/2015	4/30/2020	\$ 20,337	\$ 122,021
	Finance and Administrative Services	Tony Martin Trustee	Waco RSC	4/2/2012	8/31/2020	\$ 38,226	\$ 283,184
	Finance and Administrative Services	Riverbend Complex LLC	Ft. Worth RSC	7/1/2015	9/30/2020	\$ 77,625	\$ 478,688
	Finance and Administrative Services	Acharya Investments	San Antonio RSC	5/1/2017	4/30/2027	\$ 81,825	\$ 81,825
	Motor Carrier	Explore Information Service	IRP Software Maintenance for PRISM	7/17/2014	3/31/2018	\$ 47,700	\$ 95,400
Software Maint/License Fees	Information Technology Services	Explore Information Service	IRP Maintenance and Support	4/12/2014	3/31/2018	\$ 63,000	\$ 1,131,796
	Information Technology Services	SHI Govt Solutions	GoTo Webinar	5/18/2015	5/18/2018	\$ 13,608	\$ 13,608
	Information Technology Services	American Digital Cartography	TomTom MultiNet Find Annual License	4/12/2016	4/11/2017	\$ 9,559	\$ 9,559
	Information Technology Services	PCMG	Acrobat Licenses	9/1/2017	8/31/2018	\$ 72,000	\$ 72,000
	Information Technology Services	Carahsoft	Salesforce.com Annual Fee	12/31/2016	12/30/2017	\$ 74,804	\$ 74,804
	Information Technology Services	Smarty Streets	Address Lookup	7/1/2016	6/30/2017	\$ 17,400	\$ 17,400
	Total					\$ 380,915	\$ 1,453,447



Texas Department of Motor Vehicles

The following table is a summary of contracts that are less than \$100,000 grouped by category

Category	Purpose	FY 2018 Average Contract Amount	FY 2018 Combined Contract Amount	Total Combined Contract Amount
Memberships & Licenses 20 Contracts Subscriptions 19 Contracts	Bar Dues \$4,903 Memberships \$57,969 Subscriptions \$199,173	\$ 6,551	\$ 262,045	\$ 692,123
Technology, Hardware/Software Maintenance 6 Contracts	Software Maintenance \$202,761	\$ 33,794	\$ 202,761	\$ 504,139
Copier Leases 47 Contracts	47 Copiers \$234,213	\$ 4,592	\$ 234,213	\$ 1,175,486
Service Contracts 19 Contracts	IT-related \$90,000 Broadband Services \$9,985 Delivery/Courier \$7,000 Other \$120,015 Mailing Services \$75,236	\$ 13,855	\$ 471,082	\$ 2,312,596
		Total	\$ 1,170,101	\$ 4,684,344



Texas Department of Motor Vehicles

Fiscal Year 2018 Information Technology Staff Augmentation (Informational Only)

Generally, contracts over \$200,000 must be reviewed and approved by the TxDMV Board; however, the TxDMV Board resolution adopting contract approval procedures excludes from approval those contracts with DIR for routine operations. The list of Information Technology-related staff augmentation contracts for 2018 listed below are for informational purposes only.

Note that contract amounts are subject to change based on agency needs and the final terms and conditions negotiated.

Division	Vendor	Purpose	Contract Award	Period Expire	Primary Project	FY 2017 Estimated Expenditures	FY 2018 Contract Amount	Total Contract Amount
Enterprise Project Management Office	TIBH Industries, Inc.	Technology Services Staff Augmentation	5/11/2015	5/10/2018	WebDealer	\$ 94,180	\$ 108,389	\$ 433,555
Enterprise Project Management Office	Nu Info Systems Inc.	Technology Services Staff Augmentation	10/5/2015	10/12/2017	WebDealer	\$ 212,947	\$ 201,760	\$ 582,054
Enterprise Project Management Office	Navayuga Infotech	Technology Services Staff Augmentation	4/11/2016	4/10/2018	WebDealer	\$ 152,381	\$ 182,998	\$ 518,378
Enterprise Project Management Office	NF Consulting Services	Technology Services Staff Augmentation	6/29/2016	6/28/2018	WebDealer	\$ 129,532	\$ 195,520	\$ 520,572
Enterprise Project Management Office	NF Consulting Services	Technology Services Staff Augmentation	11/12/2012	11/11/2017	WebDealer	\$ 192,090	\$ 197,600	\$ 1,424,560
Information Technology Services	C & T Information Technology	Technology Services Staff Augmentation	9/1/2011	12/9/2017	IT Operating	\$ 160,933	\$ 176,800	\$ 1,081,540
Enterprise Project Management Office	NF Consulting Services	Technology Services Staff Augmentation	9/1/2011	7/31/2018	Multiple Projects	\$ 244,984	\$ 235,040	\$ 1,983,517
Enterprise Project Management Office	NF Consulting Services	Technology Services Staff Augmentation	8/5/2014	8/4/2018	RTS Refactoring	\$ 116,293	\$ 145,600	\$ 553,280
Information Technology Division	TIBH Industries, Inc.	Technology Services Staff Augmentation	5/12/2011	8/31/2018	IT Operating	\$ 115,502	\$ 108,389	\$ 521,424
Information Technology Division	TIBH Industries, Inc.	Technology Services Staff Augmentation	9/6/2011	8/31/2018	IT Operating	\$ 97,650	\$ 108,389	\$ 513,150
Information Technology Division	Kaeppl Consulting	Technology Services Staff Augmentation	6/8/2017	12/11/2017	Multiple Projects	\$ 44,488	\$ 172,640	\$ 217,128
Information Technology Division	Apex Systems	Technology Services Staff Augmentation	1/5/2017	1/4/2018	RTS Refactoring/IT Operating	\$ 97,560	\$ 187,200	\$ 284,760
Enterprise Project Management Office	National Human Resource Group	Technology Services Staff Augmentation	1/13/2017	1/12/2018	WebDealer	\$ 53,690	\$ 201,760	\$ 255,450
Information Technology Division	Capitol Systems Inc	Technology Services Staff Augmentation	2/13/2017	2/12/2018	IT Operating	\$ 45,915	\$ 187,200	\$ 233,115
Information Technology Division	TIBH Industries, Inc.	Technology Services Staff Augmentation	6/10/2016	12/7/2017	IT Operating	\$ 109,501	\$ 108,389	\$ 217,889
Enterprise Project Management Office	TIBH Industries, Inc.	Technology Services Staff Augmentation	1/3/2017	7/3/2018	RTS Refactoring	\$ 137,770	\$ 201,802	\$ 339,571
Enterprise Project Management Office	TIBH Industries, Inc.	Technology Services Staff Augmentation	1/2/2017	7/3/2018	RTS Refactoring	\$ 140,922	\$ 201,802	\$ 342,724
Enterprise Project Management Office	TIBH Industries, Inc.	Technology Services Staff Augmentation	11/14/2016	11/13/2017	RTS Refactoring	\$ 154,558	\$ 196,747	\$ 351,305
Enterprise Project Management Office	TIBH Industries, Inc.	Technology Services Staff Augmentation	4/17/2017	4/16/2018	RTS Refactoring/IT Operating	\$ 64,320	\$ 196,747	\$ 261,067
Enterprise Project Management Office	TBD	Technology Services Staff Augmentation	TBD	TBD	RTS Refactoring	\$ 16,800	\$ 208,000	\$ 224,800
Enterprise Project Management Office	TBD	Technology Services Staff Augmentation	TBD	TBD	RTS Refactoring	\$ 16,800	\$ 208,000	\$ 224,800
Enterprise Project Management Office	TBD	Technology Services Staff Augmentation	TBD	TBD	RTS Refactoring	\$ 16,800	\$ 208,000	\$ 224,800
Total						\$ 2,415,618	\$ 3,938,771	\$ 11,309,440



Texas Department of Motor Vehicles

Appendix A: Purchasing Contract Resolution



Texas Department of Motor Vehicles

BOARD OF THE TEXAS DEPARTMENT OF MOTOR VEHICLES

CONTRACT APPROVAL PROCEDURES

Revised November 03, 2016

The Board of the Texas Department of Motor Vehicles (Board) finds it necessary to adopt procedures relating to contracts executed on behalf of the Texas Department of Motor Vehicles (department). The Executive Director (or designee) has the authority to sign and/or approve contracts on behalf of the department without Board approval, to the extent this contract approval procedures does not require prior Board approval and Board approval is not required by law. The Board authorizes the Executive Director to adopt separate internal procedures to assist with the implementation of this contract approval procedures.

Procurement Process:

The department may enter into the procurement process to acquire goods and/or services without consultation or prior Board approval provided that the department complies with the General Contract Approval procedures below.

General Contract Approval:

Department contracts must be submitted to the Board by the Executive Director (or designee) for review and approval prior to execution and/or award if:

- the contract or contract renewal exceeds \$200,000.
- a change order, individually or in combination with other change orders (other than the exercise of available renewal options), increases the original contract by twenty-five percent or more, as long as the dollar amount of the change order is \$50,000 or more.
- any change order, individually or in combination with other change order (other than the exercise of available renewal options), increases the original contract by \$100,000 or more.

At the discretion of the Executive Director (or designee), the department may request the Board consider any contract of any amount.

Exclusions:

The department is not required to obtain approval for any grants awarded to the department or awarded by the department or any contracts which do not obligate the department to pay, such as the contract for the TexasSure program.

The following department contracts are for routine operations and are excluded from the contract approval procedures listed above:



Texas Department of Motor Vehicles

Statewide Procurement Division (SPD) Contracts	Lawn Services
Department of Information Resources (DIR) Contracts	Janitorial Services
Council on Competitive Government (CCG) Contracts	Vehicles
Hardware/Software Maintenance	Leased Copiers
Vehicle Registration Renewal Notices	Copier Maintenance
Vehicle Titles	Trash Disposal
TXMAS Contracts ¹	Interagency/Interlocal Agreements ²
Registration Stickers	Software – Off-the shelf
Equipment Maintenance	Set-Aside Contracts ³
Temporary Staff Services	Postage

Emergency Procurements:

In the event a contract is needed on an emergency basis, the Executive Director (or designee) will contact the Board Chairman or the Finance and Audit Committee for approval to execute such a contract and will brief the full Board at the next regularly scheduled Board meeting.

An emergency procurement is an unforeseeable situation requiring a procurement and the possible execution and/or award of a contract to:

- prevent a hazard to life, health, safety, welfare, or property;
- avoid undue additional costs to the state; or
- avoid undue delay to any department operations.

Budgeting and Reporting:

Even though the routine contracts listed above are excluded from Board review, the Executive Director (or designee) must still ensure that all contracts are within budget guidelines and adhere to all established procurement contract laws, rules, regulations and policies of oversight agencies.

No later than August 31st of each fiscal year, the Chief Financial Officer (or designee) shall submit to the Board an annual report which identifies all agency contracts which are expected to exceed \$200,000 in the next fiscal year. This report shall include, but not be limited to, vendor name, contract purpose, contract amount, and contract duration. Additionally, the Chief Financial Officer (or designee) shall state whether sufficient funds are available in the agency's proposed operating budget for such contracts.

¹ Texas Multiple Award Schedule (TXMAS) contracts are contracts that have been developed from contracts awarded by the federal government or any other governmental entity of any state.

² However, the interagency contract between TxDMV and the Texas Department of Transportation pursuant to House Bill 3097 from the 81st Regular Legislative Session and/or Senate Bill 1420 from the 82nd Regular Legislative Session is excluded from this exclusion. So the department must obtain Board approval for this contract prior to execution of such contract, to the extent the dollar amount triggers the requirement for Board approval.

³ Set-aside contracts are a specific set of contracts for which a competitive procurement is not required, such as contracts for commodities or services that are available from Texas Correctional Industries and the Central Nonprofit Agency under contract with the Texas Workforce Commission (TWC). Currently, TIBH Industries, Inc. is the Central Nonprofit Agency under contract with TWC.



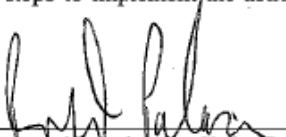
Texas Department of Motor Vehicles

Funds for the department's contracts are first considered when the Board reviews and approves the department's operating budget. The Board's approval of the operating budget constitutes approval of any contracts listed in the operating budget. After the Board approves the operating budget, the department's Executive Director (or designee) is authorized to execute such contracts according to established procurement and contract laws, rules, regulations and policies of oversight agencies.

IT IS THEREFORE ORDERED by the Board that these contract approval procedures are adopted. The contract approval procedures dated November 14, 2013, and titled *Board of the Texas Department of Motor Vehicles, Contract Approval Procedures* is rescinded, effective November 03, 2016.

The Department is directed to take necessary steps to implement the actions authorized in this contract approval procedures.

November 03, 2016



Raymond Palacios, Jr., Chairman
Board of the Texas Department of Motor Vehicles



Texas Department of Motor Vehicles

Appendix B: Budget Category Definitions



Texas Department of Motor Vehicles

Budget Category Definitions

In Alphabetical Order

Advertising and Promotion – Includes radio/media ads, posters, signage, brochures, flyer production, and other promotional items.

Benefit Replacement Pay – Benefit Replacement Pay (BRP) is compensation authorized by the Texas Legislature to offset the loss of state-paid Social Security contributions.

Capital – Includes items established as “Capital Items” by the agency, or greater than \$5,000, which have capital authority as outlined in Rider 2 of the General Appropriations Act, 85th Legislature, such as Acquisition of Information Resource Technology, land and buildings, relocation of facilities, and aggregate furniture purchases in excess of \$100,000.

Computer Equipment – The purchase and replacement of personal information technology equipment and peripherals such as workstations, monitors, keyboards, and laptops.

Consumables – Standard consumable costs required to run the day-to-day operations of the agency such as paper, pens, pencils, media discs and USB drives, paper clips and staples.

Contract Services – General jobs outsourced to third party companies and organizations for the benefit of the agency such as MyPlates and Standard Register.

Fees and Other Charges – Credit card processing fees, employee health insurance fees, State Office of Risk Management insurance charges, and court filing fees.

Freight – Costs to transport license plates to county tax offices.

Fuels and Lubricants – Fleet maintenance and operation costs related to oil changes and refueling fleet vehicles.

Grants – Pass through funds designated for use by city, county, and other state agencies for a specific, contractual requirement.

Maintenance and Repair – Expenditures related to the upkeep of agency facilities, equipment, and software used on agency systems for annual application support such as e-Tags and International Registration Plan (IRP).

Memberships and Training – Fees for training courses and conference registrations for agency staff. Also included are expenditures for memberships for agency personnel such as Texas Association of Public Purchasers, American Association of Motor Vehicle Administrators (AAMVA) and the National Board of Motor Vehicle Boards and Commissions.



Texas Department of Motor Vehicles

Other Expenses – Includes office furniture and equipment, and miscellaneous non-categorized costs such as employee awards, publication purchases, parts, promotional items, and non-capitalized tools. Also included in this category is a portion of the funding for TxDMV Automation and Growth and Enhancement.

Postage – Includes costs of metered mailing for license plates, registration renewal notices, and titles; and includes the cost of the rental of agency post office boxes.

Professional Fees – Work, requiring specific expertise, provided by third party professionals holding specific certifications and qualifications.

Rent – Building/Rent – Machine, Other – Costs associated with procurement of project facilities such as office rental, off-site training rooms; and costs associated with the rental of office equipment such as postage meters and copy machines.

Reproduction and Printing – Includes all agency printed materials primarily used in registration renewal notices and titles such as notification inserts, envelopes, and title paper.

Salary – Includes salaried workers and interns, longevity pay, health insurance contributions, and retirement contributions. Does not include contract workers who are not a part of the organization's normal payroll.

Services – Includes costs associated with services provided to TxDMV through subscription such as National Motor Vehicle Information System (NMVTIS) and LexisNexis.

Travel (In-State/Out-of-State) – Planned travel costs provided to participant. Includes transportation, meals and accommodations, and travel per-diems.

Utilities – Costs associated with providing services at facilities such as electricity, telephone, water, and natural gas.



Texas Department of Motor Vehicles

Appendix C: Budget Terms and Definitions



Texas Department of Motor Vehicles

Budget Terms and Definitions

Appropriated – Refers to the dollars or associated full-time equivalent (FTE) positions authorized for specific fiscal years and to the provisions for spending authority.

Appropriation Year (AY) – Refers to the specific fiscal year for which an appropriation is made. The appropriation year dictates the year to which the expenditure is authorized/charged.

Annual Operating Budget – An agency's Recommended Annual Operating Budget represents a one-year financial plan supporting the agency's business operations and addresses base operating requirements and adjustments. The budget covers funding for each division and reflects the most appropriate method of finance and strategy for core activities and continuing programs. The TxDMV Recommended Annual Operating Budget reflects Fiscal Year 2018 appropriations as identified in the 85th Legislature, Regular Session, GAA. The agency's Recommended Annual Operating Budget covers a one-year period from September 1 through August 31.

Base Request – The base request represents the basis for the agency's biennial budget. The base request cannot exceed the appropriated amount established by the legislature through the prior biennial GAA, adjusted for Article IX appropriation reductions.

Benefit Replacement Pay – Benefit Replacement Pay (BRP) is compensation authorized by the Texas Legislature to offset the loss of state-paid Social Security contributions. S.B.102, 74th Legislature eliminated the state-paid Social Security payment, effective December 31, 1995. After this date, eligible employees began receiving a supplement known as Benefit Replacement Pay (BRP) in place of the state-paid Social Security payment. Eligible employees include those that were employed by the state and subject to FICA taxes on August 31, 1995, and have been continuously employed by the state since that date; employees that left the state but returned within 30 consecutive calendar days and those that retired before June 1, 2005, and returned to work with the state before September 30, 2005.

Biennium – Two-year funding cycle for legislative appropriations.

Capital Budget – The portion of an agency's appropriation that is restricted to expenditures for designated capital construction projects or capital acquisitions.

Centralized Accounting and Payroll/Personnel System (CAPPS) – CAPPS is the official name of the statewide Enterprise Resource Planning (ERP) system created by the Comptroller's of Public Accounts (CPA) office ProjectONE team. CAPPS will replace legacy systems with a single software solution for financial and Human Resources (HR)/Payroll Administration for Texas state agencies. The modules for TxDMV's CAPPS include: Asset Management; General Ledger/Commitment Control (Budget); Payables; Purchasing/eProcurement; HR and Payroll Administration.



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Expended – Refers to the actual dollars or positions utilized by an agency or institution during a completed fiscal year; a goal or strategy; an object of expense; or an amount from a particular method of finance.

General Appropriations Act (GAA) – The law that appropriates biennial funding to state agencies for specific fiscal years and sets provisions for spending authority.

General Revenue (GR) Fund – The fund (Fund 0001) that receives state tax revenues and fees considered available for general spending purposes and certified as such by the Comptroller of Public Accounts.

Federal Funds/Grants – Funds received from the United States government by state agencies and institutions that are appropriated to those agencies for the purposes for which the federal grant, allocation, payment or reimbursement was made.

Full-Time Equivalents (FTEs) – Units of measure that represent the monthly average number of state personnel working 40 hours per week.

Fiscal Year (FY) – September 1 through August 31 and specified by the calendar year in which the fiscal year end, e.g. Fiscal Year 2018 runs from September 1, 2017 through August 31, 2018.

Lapsed Funds – The unobligated balance in an item of appropriation that has not been encumbered at the end of a fiscal year or at the end of the biennium. Appropriations expire if they are not 1) obligated by August 31 of the appropriation year in which they were made or 2) expended within two years following the last day of the annual year.

Line-item – An element of spending authority granted to an agency or institution in an appropriations bill. It is literally, a line in the General Appropriations Act specifying an agency's appropriations for a specific designated use. In Texas, the governor may veto a line-item.

Method of Finance – This term usually appears as a heading for a table that lists the sources and amounts authorized for financing certain expenditures or appropriations made in the General Appropriations Act (GAA). A source is either a "fund" or "account" established by the comptroller or a category of revenues or receipts (e.g. federal funds).

Processing and Handling Fee – In accordance with H.B. 2202, 83rd Legislature, Regular Session, in June 2016, effective January 1, 2017, a new processing and handling (P&H) fee for registration activities has been adopted. The new P&H fee is set at an amount sufficient to cover the costs of registration services.

Salary Budget – Fiscal Year 2018 salaries include projected annual costs based on Fiscal Year 2017 actual salaries with adjustments for vacancies, merits and Fiscal Year 2018 longevity costs.

State Highway Fund (Fund 0006) – Constitutionally created fund that dedicates net revenues from motor vehicle registration fees and taxes on motor fuels and lubricants. Revenue in the State Highway Fund is used for highway construction and maintenance, acquisition of rights-of-way and law enforcement on public roads.

TxDMV Fund (Fund 0010) – S.B. 1512, 84th Legislature, Regular Session, re-created the TxDMV Fund outside of the GR Fund and directed the agency to change its deposit schedule beginning in Fiscal Year 2017.



Texas Department of Motor Vehicles

S.B. 1512 also redirected the revenues previously identified in H.B. 2202, 83rd Legislature, Regular Session associated with certain TxDMV fees to be deposited to the credit of the newly established TxDMV Fund. ABTPA, however, continues to be self-funded through the collection of a \$2 fee on insurance policy renewals and its fees are deposited to the credit of the General Revenue.

Unexpended Balance (UB) or Carry-Forward – The amount left in an item of appropriation at the end of an appropriation period and includes only that part of the appropriation, if any, which has not had an obligation or commitment made by the agency in charge of spending the appropriation. The term also refers to the amount of an appropriation, a fund or a category of revenue which is brought forward (appropriated) to the succeeding fiscal year. Agencies must have legislative authority to move funds from one year to the next and/or from one biennium to the next biennium.



Texas Department of Motor Vehicles

Appendix D: Finance and Administrative Services **Contacts**



Texas Department of Motor Vehicles

Finance and Administrative Services Contacts

Linda Flores, Chief Financial Officer
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Renita Bankhead, Assistant Chief Financial Officer
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David Chambers, Purchasing Director
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Sergio Rey, Accounting Operations, Director
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Ann Pierce, Deputy Division Director, Administrative Services
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Brian Kline, Financial Analyst
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Laura Fowler, Financial Analyst
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Planning

Lisa Conley, Planner
512-465-4186



Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

DATE: August 17, 2017

Action Requested: Briefing

To: Texas Department of Motor Vehicles (TxDMV) Board
From: Sandra Menjivar-Suddeath, Director, Internal Audit
Agenda Item: 10. A. 3.
Subject: [Approval of the FY2018 Annual Audit Plan](#)

RECOMMENDATION

Approve the Fiscal Year 2018 Internal Audit Plan

PURPOSE AND EXECUTIVE SUMMARY

The Texas Internal Auditing Act (Govt Code 2102.008) requires that the annual audit plan be approved by the agency's governing board. The audit plan is the work plan for the Internal Audit Division in Fiscal Year 2018. The audit plan lists the 12 items, audits, and advisory services (engagements) that will be done in Fiscal Year 2018 as well as the other internal audit duties and contingency audits. For the 12 engagements and other internal audit duties, an estimate on the time it will take to complete these items is provided. In addition, background information and preliminary objectives is provided for the 12 engagements.

FINANCIAL IMPACT

None.

BACKGROUND AND DISCUSSION

The Texas Internal Auditing Act (Govt Code 2102.008) requires that the annual audit plan be approved by the agency's governing board. The audit plan lists the following:

- 12 proposed items, audits, and advisory services to be done in Fiscal Year 2018;
- other Internal Audit division duties; and
- two contingency audits.

Specifically, the proposed audit plan includes two required items, eight audits, one advisory service, and a special request placeholder. The special request placeholder will allow the Internal Audit Division to respond and address any unforeseen risks that may come up throughout the fiscal year. This special request can come from Management, the Board, or both. If there is no special request, the Internal Audit Division will conduct one of the contingency audits. Two contingency audits have been developed.

The annual audit plan was developed using a risk based approach and input from the Board members and senior management. Hour estimates were included in the plan.



Texas Department *of* Motor Vehicles

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Fiscal Year 2018 Internal Audit Plan 17-08

Internal Audit Division
August 2017

Texas Department of Motor Vehicles (TxDMV) Fiscal Year 2018 Internal Audit Plan

The Internal Audit Plan for Fiscal Year (FY) 2018 is composed of ten audit and advisory services and two required items (engagements), six Internal Audit Division duties, and two contingency audits.

Annual Audit Plan

The table below provides information on the twelve engagements that will be conducted in FY2018, including the hours allocated to each engagement, the alignment to the TxDMV strategic goals, the initial contact division (if necessary), the engagement background information, and the preliminary objectives (if necessary).

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objective(s)
1. TxDMV Fund tables and Process & Handling Fees 800 hours	Optimized Services and Innovation	Finance & Administrative Services (FAS)	<p><u>Background:</u> In FY 2017, the TxDMV changed its method of finance from the General Revenue Fund (Fund 1) to the TxDMV Fund (Fund 10) for most of its operations. With the change, most of the TxDMV expenditures and revenues, including revenues produced from the Process & Handling Fees, are recorded in Fund 10. As of April 2017, \$93.2 million of revenue had been deposited to the TxDMV Fund since the beginning of FY2017.</p> <p><u>Preliminary Objective(s):</u></p> <ul style="list-style-type: none"> Determine whether appropriate revenues, including motor vehicle registration fees, are deposited to the TxDMV fund appropriately Determine whether appropriate amounts of revenue are transferred to counties per agency rule

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objective(s)
2. Inventory 1000 hours	Optimized Services and Innovation & Performance Driven	FAS, Information Technology Services (ITS), Vehicle Titles & Registration (VTR)	<p><u>Background:</u> Capitalized and controlled assets (e.g., printers, computers, cameras, vehicles) are located throughout the state, including at Tax Assessor-Collectors' offices, Full Service Deputies' locations, and TxDMV's Regional Service Centers. In FY2017, the TxDMV had over 8,300 capitalized and control assets that had an initial cost of \$11.9 million. In addition, the TxDMV upgraded assets located at Tax Assessor-Collectors' offices in FY2017.</p> <p><u>Preliminary Objective(s):</u></p> <ul style="list-style-type: none"> • To determine if an adequate process exists to accurately and completely track assets • To determine if an adequate process exists to safeguard assets • To determine whether appropriate access controls exist to safeguard assets • To determine if the department is in compliance with statutory requirements
3. eLicensing 1000 hours	Customer Centric & Performance Driven	Enforcement (ENF), Motor Vehicle Division (MVD), Office of Administrative Hearings (OAH), Consumer Relations Division (CRD)	<p><u>Background:</u> eLicensing has changed how the department processes and handles motor vehicle licenses and complaints. eLicensing allows motor vehicle dealers, salvage dealers, and industry licensees to apply, renew, or amend their license online. In addition, it allows customers to submit complaints about motor vehicle issues online.</p> <p><u>Preliminary Objective(s):</u></p> <ul style="list-style-type: none"> • To determine if eLicensing is achieving desired outcomes related to faster services to customers • To review the adequacy of access controls within eLicensing

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objective(s)
			<ul style="list-style-type: none"> To determine eLicensing's impact on the licensing process
4. Open Records 500 hours	Optimized Services and Innovation	Office of General Counsel (OGC)	<p><u>Background:</u> An estimated 20,000 open records requests, or Public Information Requests (PIRs), were received in FY2017. Although the PIRs are routed through the Office of General Counsel, each division is responsible for coordinating and providing the information for the PIRs. In addition, a new application, FOIAXpress, is used for handling PIRs.</p> <p><u>Preliminary Objective(s):</u></p> <ul style="list-style-type: none"> To determine if PIRs are handled consistently throughout the department To determine whether costs for PIR are appropriate To determine if PIRS are handled in accordance with state laws
5. Fraud, Waste, and Abuse Risk Assessment 300 hours <i>Advisory Service</i>	Optimized Services and Innovation & Performance Driven	Executive Office, Department-Wide	<p><u>Background:</u> The TxDMV has focused on identifying and managing fraud, waste, and abuse risks; however, a risk assessment has not been fully developed to determine which fraud, waste, and abuse risks are the highest risks for the department and how those risks should be mitigated. This advisory service will be a yearlong project to identify fraud, waste, and abuse risks for the department, to rank those risks, and to help the department develop mitigation responses to those risks.</p>
6. Payment Card Industry (PCI) Compliance 350 hours	Performance Driven	ITS, VTR	<p><u>Background:</u> Customers' credit cards are accepted for some of the department's transactions. To be able to accept credit cards, the TxDMV has to attest to the Payment Card Industry (PCI) Security Standards Council that the credit card information obtained from transactions are being safeguarded and the department is meeting the twelve PCI requirements. The</p>

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objective(s)
			<p>requirements range from installing and maintaining a firewall to maintaining an information security policy.</p> <p>In addition, the IAD conducted a preliminary PCI Compliance audit in FY2017.</p> <p><u>Preliminary Objective(s):</u></p> <ul style="list-style-type: none"> • To determine whether TxDMV is compliant with certain aspects of PCI • To determine the implementation status of previously issued PCI audit recommendations
7. Travel and Training 500 hours	Optimized Services and Innovation & Performance Driven	FAS, Department-Wide	<p><u>Background:</u> In FY2017, the TxDMV budgeted \$375,000 for in-state and out-of-state travel and \$290,000 in training. In addition, the 85th Legislature showed concern on the appropriateness of travel and training done by state agencies.</p> <p><u>Preliminary Objective(s):</u></p> <ul style="list-style-type: none"> • To determine if training requests have the appropriate approvals and justifications • To determine if travel requests have the appropriate approvals and justifications • To determine if a process exists to ensure travel and training requests are appropriate and meet the needs of the department • To evaluate how board member travel is handled at other state agencies • To determine if travel and training are in compliance with state law and guidance
8. Social Media 350 hours	Customer Centric	Government Strategic &	<p><u>Background:</u> Social media (e.g., Twitter, Facebook, Instagram) is used by both public and private sector entities to</p>

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objective(s)
		Communication (GSC)	<p>connect with customers and provide more on-demand help/services. However, on-demand communication with customers carries risk to the department's brand if the messages do not align with the department's strategic goals and vision. The TxDMV uses Twitter and Facebook to communicate with customers. The TxDMV receives about sixty-four and posts six to twelve social media messages/comments a month on its primary accounts.</p> <p><u>Preliminary Objective(s):</u></p> <ul style="list-style-type: none"> To determine if the department's social media policies and processes have been sufficiently developed to protect the department's brand
9. Management or Board Request 300 hours	TBD	TBD	<p><u>Background:</u> Time has been allotted for a special request or a review of a new or emerging risk for the department. If no request is received, one of the audits from the contingent audit list will be conducted (see page 7).</p>
10. FY2018 Internal Audit Follow-Up 50 hours	Optimized Services and Innovation, Customer Centric, & Performance Driven	Department-wide	<p><u>Background:</u> This project would verify if outstanding internal and external audit recommendations have been fully implemented. Quarterly reporting will be provided as well as an annual report.</p> <p><u>Preliminary Objective(s):</u></p> <ul style="list-style-type: none"> To determine if internal and external recommendations have been fully implemented
11. Fiscal Year 2019 Internal Audit Plan 100 hours	Optimized Services and Innovation & Customer Centric	Department-wide	<p><u>Background:</u> The annual audit plan is prepared using risk assessment techniques to identify individual audits to be conducted during the year. The TxDMV Board must review and approve the annual audit plan as required by Government Code.</p>

Engagement Topic	Strategic Goal(s)	Division	Background and Preliminary Objective(s)
12. Fiscal Year 2017 Annual Internal Audit Report 30 hours	Not Applicable	Department-wide	<u>Background:</u> A summary of internal audit activities, including the status of the FY2017 audit plan, non-audit services provided, and external audit services procured; and the FY2018 audit plan. This annual report must be submitted before November 1 to the TxDMV Board, the Governor, the Legislative Budget Board, the State Auditor's Office, and the Sunset Advisory Commission.

In addition to conducting engagements, the Internal Audit Division (IAD) has other duties that it performs each fiscal year. The other duties include conducting quality control on issued audit and advisory service reports, preparing and facilitating the required Peer Review, working on Anti-Fraud, Waste, and Abuse Items, and providing ad hoc advisory services to the department. The table below summarizes the other Internal Audit Duties and the hours allocated to each item. In addition, the table provides information on the total budgeted hours for the IAD activities, including hours allocated to engagements and hours to other duties.

Other Internal Audit Duties	
<ol style="list-style-type: none"> 1. Coordinating with external auditors and reviewers (30 hours) 2. Working on Anti-Fraud, Waste, and Abuse Items (450 hours) 3. Conducting an annual Quality Assurance and Improvement Program as required by auditing standards (50 hours) 4. Coordinating the required Peer Review (180 hours) 5. Advising the agency's Governance Team and Executive Steering Committees (200 hours) 6. Providing ad hoc advisory services or consultations (250 hours) 	
Total Budgeted Hours on Required Reports, Audits ,and Advisory Service: 5,280 Total Budgeted Hours on Other Internal Audit Division Duties: 1,160 Total Budgeted Hours for Reports and Division Duties in FY 2018: 6,440	

Contingency Audits

If resource become available, after completing the engagements and duties identified in the above tables, or no Management Request are requested, the IAD has identified alternate, or contingency, audits that it can perform. The table below provides information on the contingent engagements for FY2018, including the alignment to the strategic goals, the initial contact division (if necessary), and the engagement background information. Preliminary objectives and allocated hours were not developed for the contingent audits. The objectives would be developed and the hours would be allocated if and when the audits is required.

Contingent Engagement Topic	Strategic Goal(s)	Division	Background
1. Regional Service Centers	Customer Centric	VTR	<u>Background:</u> The Regional Service Centers (RSCs) play an integral role in serving the TxDMV customers located throughout the state of Texas. Each RSC has a regional manager that manages the RSC and an assistant chief that oversees the RSC. This audit would review the monitoring done to ensure the RSCs are meeting the department's objectives and the customer needs.
2. Lemon Law Investigation and Resolution Process	Customer Centric & Performance Driven	ENF, OAH	<u>Background:</u> The lemon law resolution process was transferred from the State Office of Administrative Hearings (SOAH) to the department when HB 1692 (83 rd Texas Legislature, Reg. Session) passed. As of January 2014, the Office of Administrative Hearing, with help from the Enforcement Division, has been in charge of handling lemon law investigations and resolutions. This audit would review if expected outcomes have been achieved and if there are any improvements to the process to help customers receive resolution faster.

Methodology

Scope

The Internal Audit Plan for Fiscal Year 2018 covers the period of September 1, 2017 to August 31, 2018.

Risk Assessment

The audit plan was developed using a risk-based methodology including input from board members, senior management, and division management. The Internal Audit Division also analyzed department information and reviewed internal audit and industry publications to identify and rank potential audit topics by risk. Projects risk rankings were developed using the following factors:

- Revenue or expense impact
- Asset or liability impact
- Operation effectiveness and efficiency impact
- Law or regulation impact
- Brand or reputation impact
- Degree of change in the program, function, or process
- Degree of complexity
- Degree of centralization

The State Auditor's Office (SAO) guidelines for the Internal Audit Plan for Fiscal Year 2018, request that internal audit indicate which projects in the audit plan address expenditure transfers, capital budget controls, or any other limitation or restrictions in the General Appropriation Act, contract management, and information technology risks. The proposed audits that address these topics are the following:

- TxDMV Fund tables and Process & Handling Fees, eLicensing, PCI Compliance will address information technology risks.
- TxDMV Fund tables and Process & Handling Fees, Open Records, Inventory, and eLicensing will address expenditure transfers and capital budget controls.
- Inventory and eLicensing will address contract management.

Hour Analysis

Hours were calculated using historical data and auditor's judgement. For FY2018 hours, the IAD calculated having five FTEs for the majority of the audit year. Hours are an estimate and could be adjusted during the fiscal year.



DATE: August 17, 2017

Action Requested: Briefing Only

To: Texas Department of Motor Vehicles (TxDMV) Board
From: Linda M. Flores, CPA, Chief Financial Officer
Agenda Item: 10.B.1.
Subject: FY 2017 Quarterly Financial Report

RECOMMENDATION

For information purposes only.

PURPOSE AND EXECUTIVE SUMMARY

The Finance and Administrative Division presented the attached Financial Summary to the Finance and Audit Committee. The Financial Summary reflects revenues and expenditures for the Texas Department of Motor Vehicles (TxDMV) as of the May 31, 2017.

Year-to-Date (YTD) TxDMV Fund 0010 collections of \$125,903,788 exceeded projections, however; collections for all revenues (including Fund 0006 and Fund 0001) were under projection. TxDMV revenue collections were close to projections without any unanticipated fluctuations. Expenses for the same period totaled \$95.1 million with salaries, professional fees, and contract services constituting the majority of the expenditures.

FINANCIAL IMPACT

Beginning in Fiscal Year 2017 the agency is funded from the newly created TxDMV Fund which includes the Processing and Handling Fee (P&H). The exception is the Automobile Burglary and Theft Prevention Authority (ABTPA), which will continue to be funded from General Revenue. The department completed the first nine months without any major cost overruns or unanticipated expenditures.

BACKGROUND AND DISCUSSION

Revenues

Through May of Fiscal Year 2017, TxDMV Fund collections exceeded expectations with overall revenue 1.3% higher than projected. Strong registration and title revenue both finished above projection, offsetting diminished oversize/overweight revenue. Business dealer licenses revenue continues to exceed projections with revenue 6% higher than anticipated year to date. P&H revenue including the automation portion and temporary permits totaled \$17,296,681 through May 2017.

As of May 31, 2017, revenue collections for the new MyPlates contract totaled approximately \$27.9 million of which \$13.8 million counts toward the \$15 million General Revenue guarantee. At the current collection rate it is estimated the \$15 million General Revenue guarantee will be met in late summer of calendar year 2017.

Through the first 9 months of Fiscal Year 2017, collections for all revenues ended 3.3% lower or \$45.3 million less than projected. The major drivers for lower than projected revenue collections are a decline in registration revenue and oversize/overweight revenue. Registration revenue is lower than anticipated, as the state has experienced a decrease in the number of registered vehicles compared to the same period last year. Through May, oversize/overweight revenue is 6.6% below projected levels, but revenue in this category trended upward during the third quarter. The slump in oil prices and the related downturn in the oil patch continue to put pressure on the oversize/overweight category, but the number of permits issued on a monthly basis improved during the third compared to the same period of Fiscal Year 2016.

Expenditures

Year-to-date expenditures through May 31, 2017 for all funds total \$102,088,957 of which 79% (\$81.1 million) is funded by the TxDMV Fund. In addition to TxDMV Fund expenses of \$81.1 million, obligations to the fund includes \$14.1 million for fringe benefits, credit card convenience fees and payments to Texas.gov results in total TxDMV Fund expenses to over \$95.2 million.



DATE: August 17, 2017

Page 2

Action Requested: Briefing Only

Overall the largest expenditures incurred were in salary related categories, contract services (plate production/registration renewal) and professional fees (Data Center Services and Automation). Included in the year-to-date expenditures is approximately \$3.3 million for contract payments to the MyPlates vendor. Contract payments to the MyPlates vendor are contingent upon revenues collected. As of the end of May, MyPlates revenues totaled \$3,385,080. Also included are capital appropriation expenditures of approximately \$25.1 million, of which half are for Automation projects associated with RTS Refactoring and LACE Replacement/eLicensing.

The department estimates \$2.2 million in lapse (\$1.6 in salaries and \$600,000 in fringe benefits) associated with the Governor's Office hiring freeze effective February 1, 2017. In addition, the department anticipates lapsing approximately \$12 million in the operating budget primarily consisting of set aside payments to Texas.gov for fees related to online processing of the P&H fee. TxDMV does not collect these amounts as revenue, Texas.gov retains \$2.00 fee from each online transaction and remits the states portion to the treasury, and therefore a payment is not processed.



Texas Department *of* Motor Vehicles
HELPING TEXANS GO. HELPING TEXAS GROW.

FY 2017 Financial Summary for the period ending May 31, 2017

Finance and Administrative Services Division
May 31, 2017

FY 2017 Financial Status Highlights for the Period Ending May 31, 2017

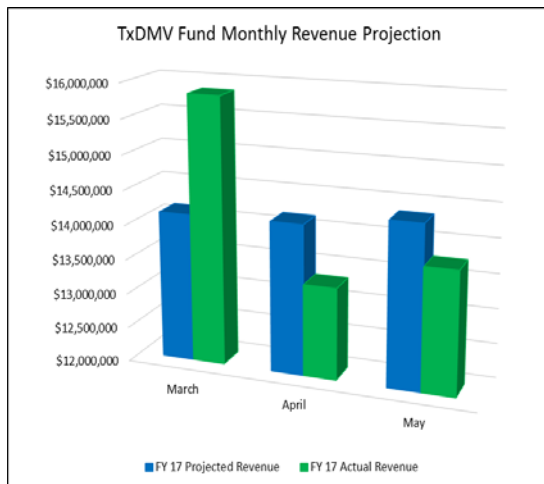
TxDMV Fund Overview

Revenues:	FY 2017 YTD Projected Revenue	FY 2017 YTD Actual Revenue
Motor Vehicle Certificates of Title	\$ 27,866,684	\$ 29,530,721
Motor Vehicle Registration Fees	32,269,913	34,359,268
Motor Carrier - Oversize / Overweight	9,861,743	9,440,329
Business Dealer Licenses	5,529,282	5,862,017
Miscellaneous Revenue	1,929,300	1,802,056
TxDMV Fund One-time Transfer	23,000,000	23,000,000
Processing and Handling Fee	23,885,612	21,909,397
Total TxDMV Fund Revenue	\$ 124,342,534	\$ 125,903,788

Note: The table above reflects FY2017 collections for fees assessed by TxDMV and the one time transfer. An additional \$4.9 million in collections for credit cards and Texas.gov fees are not included. These collections are automatically paid out to these entities for credit card and online transactions.

Overall, TxDMV Fund revenue is 1.3% over projection through the first 9 months of FY 2017. Certificate of Title revenue is 6% higher than projected while registration revenue is 6.5% higher than projected.

Through the first 9 months of FY 2017 Oversize/Overweight deposits to the TxDMV Fund are 4.3% below projections, as fewer permits have been issued YTD in the depressed oil price environment. In the 3rd quarter the



department saw an uptick in the number of permits issued and revenue received. In the 3rd quarter, the department issued approximately 17% more Oversize/Overweight permits than the same period of FY 2016. After a slow revenue start to the year and recent implementation of eLicensing, Business Dealer Licenses revenue is now 6% higher than projected.

The department has been collecting Processing and Handling Fee (P&H) revenue since November and through May has collected nearly \$22 million. After a solid start to the year, P&H revenue slipped in May to finish the reporting period 8.3% under projection. Revenue staff monitors P&H revenue on a monthly basis. Overall collections remain slightly below projections.

Through May FY 2017, the top four TxDMV Fund fees (P&H, Title - \$3 Portion, Buyer's Tag and Automation) accounted for approximately 54% of all TxDMV Fund revenue. The Automation Fee was reduced to \$0.50 in January via the P&H rule package and is included below in the Processing and Handling (Automation Portion). Salvage Titles/ Title Histories and MyPlates Renewal Fees round out the top 10 TxDMV Fund fees. The one-time \$23,000,000 transfer is not included below.

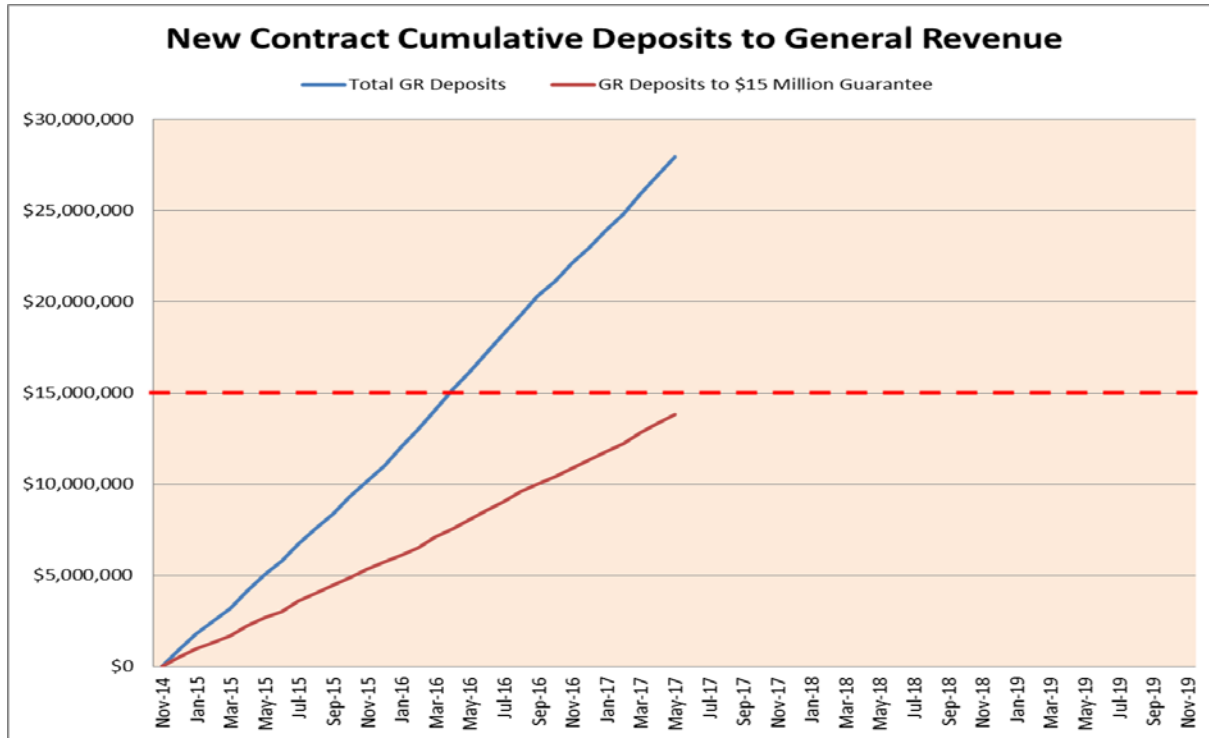
Top 10 TxDMV Fund Fees through May FY 2017 ¹			
			% of Total
Processing and Handling Fee (P&H)	\$ 17,296,681		16.8%
Title Fees (\$3 Portion)	14,458,434		14.1%
Buyer's Tag	13,647,483		13.3%
Automation Fee	10,435,452		10.1%
Oversize/Overweight Permits	7,336,498		7.1%
Business Dealer Licenses	5,856,067		5.7%
Delinquent Title Transfer (Public)	5,692,522		5.5%
Processing and Handling Fee (Automation Portion)	4,776,064		4.6%
Salvage/Title Histories	3,575,476		3.5%
MyPlates Renewal Fees	3,374,307		3.3%
Top 10 TxDMV Fund Fees Deposits	\$ 86,448,983		84.0%
Total TxDMV Fund Deposits	\$ 102,903,788		100.0%

¹ - Overall collections remain in line with projections.

FY 2017 Financial Status Highlights for the Period Ending May 31, 2017

My Plates Contract Revenue and Guarantee Status

Through May of FY 2017, cumulative vendor deposits to GR totaled \$27,934,412. Of these deposits, \$13,833,559 counts toward the contractual guarantee of \$15 million in deposits to GR. At the current rate of growth and using conservative methodology, it is estimated MyPlates will meet the revenue guarantee in the summer of FY 2017.



Snapshot at 5/31/17	Total
New Contract Cumulative Deposits to General Revenue*	\$27,934,412
New Order Deposits to General Revenue	\$13,091,409
Renewal Deposits to General Revenue	\$14,843,003
General Revenue Deposits Counted Toward \$15 Million Guarantee ¹	\$13,833,559

*Figures exclude refund data and are subject to minimal revision.

¹ – GR revenue from the sale of new plates and 5% of renewal plate revenue shall count toward the guarantee

General Revenue deposits from the sale of vendor specialty plates are determined by plate type and plate term with the state receiving:

- 40% from all plates sales of one year
- 95% of all renewals sales
- 60% of all auction sales
- 60% from all plate sales with a term of greater than one year
- 10% of all ancillary products

FY 2017 Financial Status Highlights for the Period Ending May 31, 2017

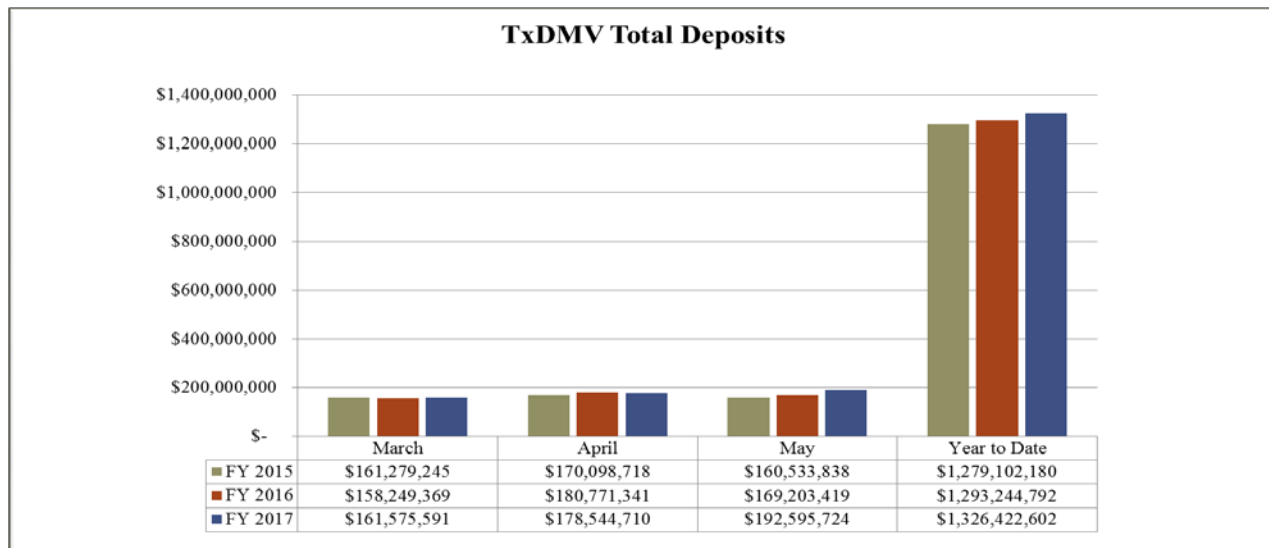
Overview All Revenues

Revenues:	FY 2017 YTD Projected Revenue	FY 2017 YTD Actual Revenue
Motor Vehicle Certificates of Title	\$ 58,823,301	\$ 62,190,075
Motor Vehicle Registration Fees	1,128,674,940	1,090,480,139
Motor Carrier - Oversize / Overweight	121,080,636	113,033,127
Commercial Transportation Fees	5,506,218	5,025,801
Business Dealer Licenses	5,529,282	5,862,017
Miscellaneous Revenue	5,224,800	4,922,046
TxDMV Fund One-time Transfer	23,000,000	23,000,000
Processing and Handling Fee	23,885,612	21,909,397
Total DMV Revenue	\$ 1,371,724,789	\$ 1,326,422,602

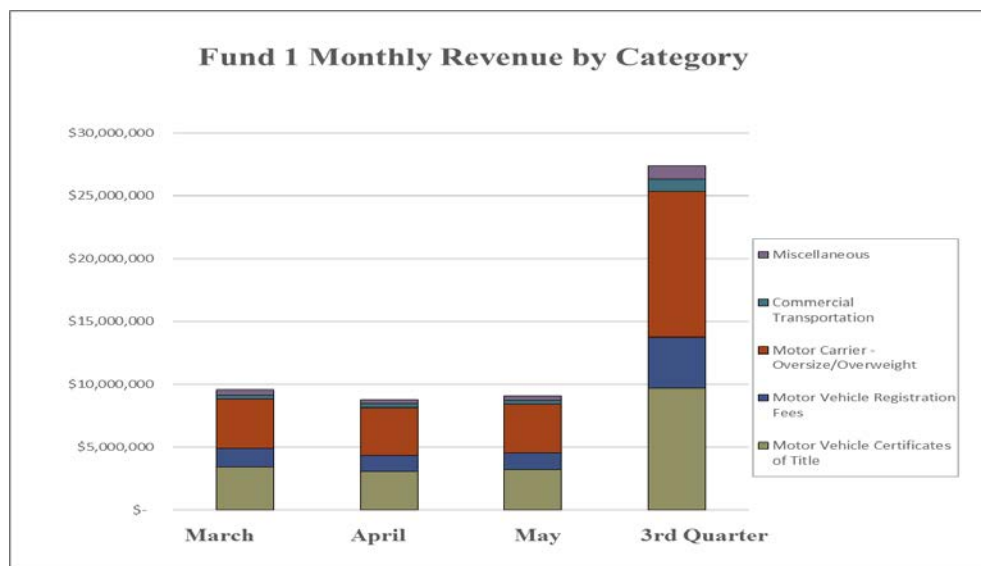
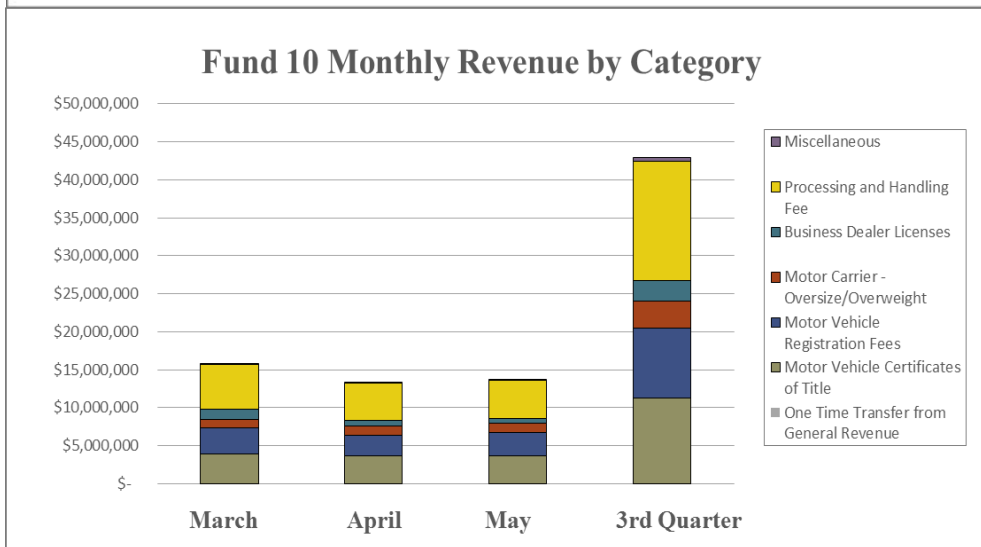
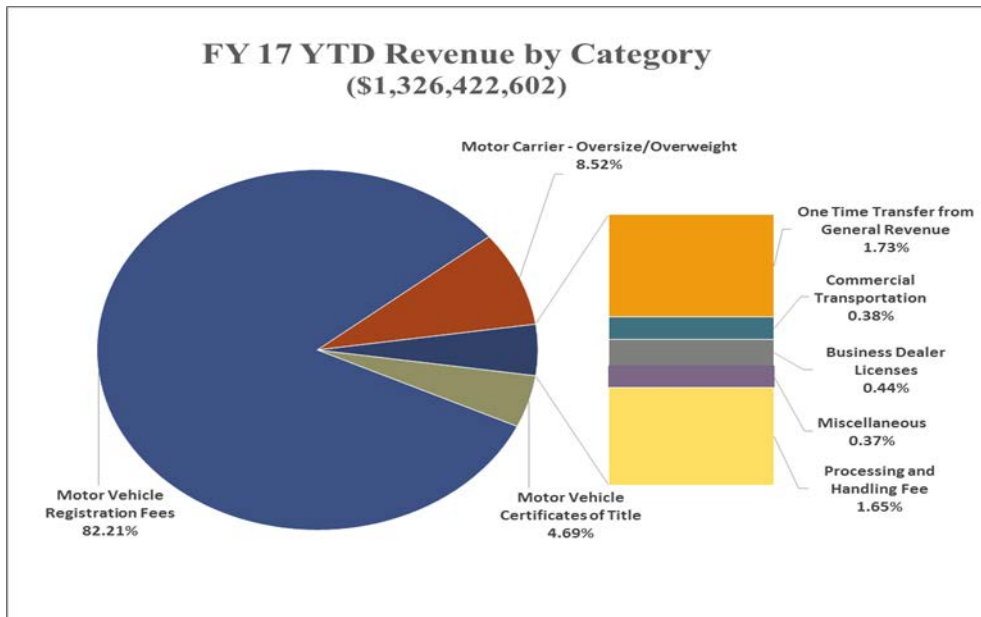
Overall, revenue is 3.3% under projection through May of FY 2017 for all revenue collections. For the month of May revenue was 13.8% higher compared to May 2016, but total year-to-date revenues are slightly below FY 2016 collections.

Certificate of Title revenue is 5.7% over projection, helped by strong overall auto sales. In the third quarter of FY 2017, the department recorded 1,650,206 vehicle sales, of which 448,789 (27.2%) were dealer-new sales and 1,201,417 (72.8%) were dealer-used or private-party sales. The overall sales of 1,650,206 in the third quarter of FY 2017 is 0.5% less than the same period in FY 2016. In contrast to TxDMV Fund registration revenue, overall registration revenue is 3.4% below projected levels as the state has experienced a slight decrease in the number of registered vehicles compared to the same period last year. As of May, there were 24,124,000 (excluding exempt vehicles) registered vehicles in Texas. Although TxDMV's registration forecast is more conservative than both the Biennial Revenue Estimate (BRE) and TxDOT Cash Forecast, registration revenue may not meet the FY 2017 projection. Based on the first 9 months of FY 2017, registration deposits to the State Highway Fund are estimated to finish the year approximately \$30 million below staff projections.

Oversize/Overweight revenue is down 6.6% YTD compared to projections, but has seen a revenue rise in the 3rd quarter of this fiscal year. Oil prices remain depressed, but if recent revenue momentum continues, Oversize/Overweight revenue may meet projections. Commercial Transportation Fees revenue is 8.7% below projections. Business Dealer Licenses revenue is 6.0% higher than projections after a slow start in FY 2017. The Motor Vehicle Division has worked through a backlog of credential applications and recently implemented eLicensing. TxDMV total deposits YTD through May for the past three fiscal years is shown below. Typically the months of March, April and May are the highest revenue months for the department.



FY 2017 Financial Status Highlights for the Period Ending May 31, 2017



FY 2017 Financial Status Highlights for the Period Ending May 31, 2017

May 2017 Budget Status

Expenditures:	2017 Adjusted Budget	1Q Sep - Nov	2Q Dec - Feb	3Q Mar - May	YTD Expenditures	FY 2017 Available Budget	FY 2017 Encumbrances	FY 2017 Available Budget
Salaries and Wages	\$ 40,975,493	\$ 9,391,703	\$ 9,525,759	\$ 9,429,065	\$ 28,346,526	\$ 12,628,967	\$ -	\$ 12,628,967
Benefit Replacement Pay	\$ 113,282	\$ 10,266	\$ 63,400	\$ 14,752	\$ 88,418	\$ 24,864	\$ -	\$ 24,864
Other Personnel Costs	\$ 1,614,246	\$ 293,343	\$ 394,704	\$ 372,598	\$ 1,060,645	\$ 553,601	\$ -	\$ 553,601
Professional Fees and Services	\$ 43,913,707	\$ 2,530,505	\$ 5,524,176	\$ 9,208,814	\$ 17,263,496	\$ 26,650,212	\$ 6,449,725	\$ 20,200,487
Fuels & Lubricants	\$ 75,650	\$ 8,358	\$ 11,976	\$ 12,522	\$ 32,856	\$ 42,794	\$ 26,915	\$ 15,879
Consumable Supplies	\$ 1,570,263	\$ 268,597	\$ 348,632	\$ 656,584	\$ 1,273,814	\$ 296,450	\$ 168,376	\$ 128,074
Utilities	\$ 4,709,027	\$ 713,743	\$ 815,835	\$ 1,523,127	\$ 3,052,705	\$ 1,656,322	\$ 190,441	\$ 1,465,881
Travel In-State	\$ 442,156	\$ 76,095	\$ 52,977	\$ 85,138	\$ 214,209	\$ 227,947	\$ -	\$ 227,947
Travel Out-of-State	\$ 83,723	\$ 9,336	\$ 2,300	\$ 8,237	\$ 19,873	\$ 63,850	\$ -	\$ 63,850
Rent - Building	\$ 1,272,970	\$ 184,379	\$ 171,063	\$ 171,671	\$ 527,113	\$ 745,857	\$ 133,280	\$ 612,577
Rent - Machine and Other	\$ 341,190	\$ 25,754	\$ 81,458	\$ 72,897	\$ 180,109	\$ 161,081	\$ 103,975	\$ 57,106
Advertising & Promotion	\$ 647,468	\$ 1,323	\$ 5,631	\$ 16,920	\$ 23,874	\$ 623,594	\$ 25,496	\$ 598,097
Purchased Contract Services	\$ 36,058,378	\$ 5,580,386	\$ 8,343,429	\$ 8,609,897	\$ 22,533,712	\$ 13,524,666	\$ 9,492,650	\$ 4,032,016
Computer Equipment Software	\$ 8,170,883	\$ 145,893	\$ 914,288	\$ 3,539,417	\$ 4,599,597	\$ 3,571,285	\$ 2,021,254	\$ 1,550,031
Fees & Other Charges	\$ 1,457,962	\$ 251,321	\$ 259,263	\$ 467,105	\$ 977,689	\$ 480,273	\$ 287,391	\$ 192,882
Freight	\$ 829,716	\$ 13,098	\$ 235,582	\$ 160,797	\$ 409,477	\$ 420,239	\$ 371,094	\$ 49,145
Maintenance & Repair	\$ 8,153,516	\$ 753,363	\$ 1,003,304	\$ 1,797,624	\$ 3,554,291	\$ 4,599,226	\$ 2,744,616	\$ 1,854,609
Memberships & Training	\$ 300,520	\$ 91,523	\$ 42,979	\$ 58,539	\$ 193,042	\$ 107,478	\$ 24,310	\$ 83,169
Other Expenses	\$ 9,301,427	\$ 15,583	\$ 26,644	\$ 91,450	\$ 133,677	\$ 9,167,750	\$ 118,947	\$ 9,048,803
Postage	\$ 14,523,871	\$ 4,556,567	\$ 2,187,353	\$ 2,247,297	\$ 8,991,218	\$ 5,532,653	\$ 4,923,478	\$ 609,174
Reproduction & Printing	\$ 5,037,662	\$ 1,129,177	\$ 1,064,138	\$ 1,185,096	\$ 3,378,411	\$ 1,659,251	\$ 1,070,751	\$ 588,500
Services	\$ 1,227,211	\$ 127,394	\$ 284,561	\$ 184,991	\$ 596,946	\$ 630,265	\$ 448,403	\$ 181,862
Grants	\$ 13,681,480	\$ -	\$ 1,241,538	\$ 3,074,909	\$ 4,316,447	\$ 9,365,033	\$ 8,240,379	\$ 1,124,654
Other Capital	\$ 1,822,882	\$ 5,519	\$ -	\$ 315,295	\$ 320,814	\$ 1,502,068	\$ 6,050	\$ 1,496,018
	\$ 196,324,682	\$ 26,183,225	\$ 32,600,990	\$ 43,304,742	\$ 102,088,957	\$ 94,235,725	\$ 36,847,530	\$ 57,388,195

Total budget adjustment (UB from
FY2016) to original approved budget
of \$191.7 million ¹

\$ 4,583,896

Comparison to Prior Year			
	Adjusted Fiscal Year 2016	Adjusted Fiscal Year 2017	Percent Change
Approved Adjusted Budget	\$ 196,162,934	\$ 196,324,682	0.08%
Year-to-Date Expenditures	\$ 88,941,061	\$ 102,088,957	14.78%
Available Budget	\$ 107,221,873	\$ 94,235,725	-12.11%
Encumbrances/Remaining Expenses	\$ 55,300,596	\$ 36,847,530	-33.37%
Available Budget	\$ 51,921,277	\$ 57,388,195	10.53%

Notes:

1. Unexpended balance (UB) amount adjusted to reflect actual costs in FY 2016 for Automation, County RTS, AMSIT and Physical Security capital budgets.

FY 2017 Financial Status Highlights for the Period Ending May 31, 2017

Expenditures:

Year-to-date expenditures through May 31, 2017 for all funds total \$102,088,957. The significant expenditure categories are detailed below:

Salaries and Other Personnel (\$29.4 million) – As of May 31, 2017 there were 701 filled positions and 62 vacancies. Effective February 1, 2017, the Governor's Office implemented a mandatory hiring freeze to be in effect through August 31, 2017. The estimated salary lapse from the hiring freeze is approximately \$1.6 million, the total lapse with benefits will be \$2.2 million.

Purchased Contract Services (\$22.5 million) – This line item includes Huntsville license plate production (\$15.2 million); Special License Plate Fees - Rider 3, (\$3.3 million); and registration renewal and specialty plate mailing (\$3.5 million).

Professional Fees (\$17.3 million) – The majority of these expenses are Data Center Services (DCS) (\$5.3 million), Automation (\$10.0 million), AMSIT (\$555K), and IT technology services (\$428K).

Postage (\$8.9 million) – Postage permits for registration renewal mailings.

Reproduction & Printing (\$3.4 million) – Printing and imaging of titles (\$1.7 million), title paper, envelopes, and registration inserts (\$1.5 million).

Utilities (\$3.0 million) – Information Technology data circuit and telephone costs (\$2.6 million); and reimbursement to TxDOT for facility costs (\$256K)

Maintenance and Repair (\$3.5 million) – Annual software maintenance costs (\$994K); RTS Refactoring (\$2.1 million); and County technology support (\$476K)

TxDMV Fund

Year-to-date TxDMV fund operating/capital expenditures totaled \$81,059,337, with the largest expenditures in salary related and contract services. Contract services expenditures includes payments to MyPlates of \$3,342,696 with the majority of the remainder consisting of expenditures for the manufacture of plates. In addition to the \$81.1 million in expenditures there are also obligations to the fund of \$14,106,080 for fringe benefits, credit card convenience fees and payments to Texas.gov bringing total TxDMV fund expenses to \$95,165,417 as of the end of May 2017.

The department estimates approximately \$12.2 million in lapse primarily consisting \$7.8 million in set aside payments to Texas.gov for fees related to online processing of the P&H fee. TxDMV does not collect these amounts as revenue, Texas.gov retains \$2.00 fee from each online transaction and remits the states portion to the treasury, and therefore a payment is not processed. The remaining lapse of approximately \$4 million represents approximately 3% of the revised operating budget. Unspent operating balances will lapse to the TxDMV Fund increasing funding available for future appropriations.

FY 2017 Financial Status Highlights for the Period Ending May 31, 2017

Capital Project Status

Technology Replacements and Upgrades - County Support

The FY 2017 budget is \$9.2 million. This includes \$5.5 million in FY 2017 appropriations and \$3.7 million in unexpended balance from FY 2016. Expenditures to date include toner cartridges for county offices, network equipment maintenance, and equipment and services for the County Equipment Refresh Project (CERP). The CERP provides workstation and printer upgrades to the 508 County offices throughout the state. The majority of the encumbrance (\$3.5 million) is allocated for the County Equipment Refresh Project (CERP). The deployment of the workstation and printer upgrades was completed in early April. Staff is in the process of disposing of old equipment and closing the project.

TxDMV Automation System

The TxDMV Automation capital project provides for the continued development of information technology assets to improve customer services and improve access to agency programs for customers and the public.

The majority of the Automation expenditures are associated with the Registration and Titling System (RTS) Refactoring Project, which is estimated to be \$16.2 million at year end. The Point of Sale (POS) component has been implemented in all 254 counties and the migration of RTS off the mainframe onto DCS-based servers was completed in November 2015. The overall schedule for the project has been updated and the new Process and Handling (P&H) fee for RTS was implemented in October 2016. Work continues with the deployment of releases, Workstream 4 tasks, and legislative implementation that impacts RTS release schedules.

The LACE Replacement/eLicensing project was successfully launched in March 2017.

The Web Dealer Project continues with dealer implementation and enhancement testing. The modules implemented to date include New Vehicles, Used Vehicles, and Commercial Fleet. The Salvage module was implemented in July 2016. Adjustments have been made for the impact to Web Dealer from the implementation of the TxDMV Fund and the new Process and Handling (P&H) fee. The Centralized Payment module is in the business requirements development phase. Additional releases are scheduled for deployment later in calendar year 2017.

The second phase of Single Sticker was completed in April 2017. The Automation funding for this project was \$1.2 million. The majority of that cost was to upgrade the TxDMV International Registration Plan (IRP) system, which implemented an automated inspection process to replace the manual verification process for commercial fleet services.

The unallocated reserve for Automation was increased in August 2016 by \$1.9 million to \$3.8 million, through a transfer from operating lapse to fund the new WebLien project (budgeted at \$2.5 million) anticipated to begin in FY 2017. The unallocated reserve amount is currently budgeted at \$3.8 million.

Growth and Enhancement – Agency Operations Support

This budget provides funds to acquire hardware/software to support agency operations. Expenditures and encumbrances to date include costs for miscellaneous computer equipment and laptops.

Commercial Vehicle Information Systems and Networks (CVISN) Grant

The Commercial Vehicle Information Systems and Networks (CVISN) federal grant focuses on safety enforcement on high-risk operators; integrating systems to improve the accuracy, integrity, and verifiability of credentials; improving efficiency through electronic screening and enabling online application and issuance of credentials. The Motor Carrier Division (MCD) works with three other state agencies – Texas Department of Transportation (TxDOT), Texas Department of Public Safety (DPS), and State Comptroller – to implement the grant, with

FY 2017 Financial Status Highlights for the Period Ending May 31, 2017

expenditures planned for TxVIEW maintenance and core augmentation, the ABC Warning Project, and travel. Expenditures of \$222,000 have occurred through April 2017 and \$213,000 is encumbered for the ABC Warning Project.

Data Center Services

The Data Center Services (DCS) program enables state agencies to access data center computing as a managed service. State agencies are billed for the amount of services consumed. Expenditures totaled \$5.3 million through the end of May. The year-to-date total reflects charges for services through the April 2017 billing period. The total DCS budget of \$9.5 million does not include payments to TxDOT for DCS charges, which will be paid from Information Technology (IT) operating funds in FY 2017.

Relocation of Regional Service Centers

This project provides funding in FY 2017 for the relocation of three Regional Service Centers from TxDOT facilities. On Monday, April 3, 2017, the Corpus Christi Regional Service Center began operations in its new location and Vehicles, Titling, and Registration (VTR) stakeholders reported operations went smoothly. The TxDMV Board approved the lease for the new San Antonio RSC at its January 6, 2017 meeting. The new address will be 15150 Nacogdoches Road in Suite 100 and an August 2017 move date is anticipated. The Pharr Regional Service Center will remain at its current location on TxDOT property due to the inability to find viable properties within budget allowances and suitable to agency needs.

Relocation of Bull Creek Campus

Capital funding in the amount of \$800,000 for FY 2017 will be used to address costs related to the relocation of MCD staff from Bull Creek to the 5th Floor of Building 6 at Camp Hubbard. This move is anticipated to occur by January 2018.

Application Migration & Server Infrastructure Transformation (AMSIT)

The Application Migration and Server Infrastructure Transformation project will identify shared assets, applications, and servers to be relocated from their current position to satisfy the goal of establishing a standalone agency environment. Although this project is related to Automation, it is a separate capital project. Primary costs in FY 2016 were for allotted for project management and services provided by NTT Data. The FY 2017 adjusted budget is \$6.5 million, and expenditures total \$978,000 through the end of May 2017, primarily for project management, NTT data project services, and capital equipment.

Physical Security

In June 2016, the TxDMV Board approved transfers from EPMO operating (\$122,040), and Growth and Enhancement, (\$175,000), to create the FY 2016 Physical Security Project budget. FY 2017 funding in the amount of \$354,156 includes \$130,000 in unexpended balance (UB) funding from FY 2016. This amount financed project management costs and other miscellaneous implementation expenses. Expenses to date in FY 2017 are associated with project management, cabling costs, and minor facility costs. This project was closed in April 2017 and equipment has been installed at fifteen Regional Service Centers. The last site remaining is the San Antonio Regional Service Center, which is scheduled to move in August 2017. Physical security cameras and badges will be installed at the new location as part of the Physical Security project and the installation will be managed by IT personnel.

FY 2017 Financial Status Highlights for the Period Ending May 31, 2017

Statement of Capital Project Expenditures through May 31, 2017

Capital Projects	2017 Approved Adjusted Budget	1Q Sep - Nov	2Q Dec - Feb	3Q Mar - May	FY 2017 YTD Expenditures	FY 2017 Available Budget	FY 2017 Encumbrances	FY 2017 Available Budget
Application Migration & Server Transformation (AMSTT)	6,480,559	37,010	76,181	865,573	978,764	5,501,795	752,128	4,749,667
Commercial Vehicle Information Systems & Network (CVISN)	435,000	-	-	221,951	221,951	213,049	-	213,049
Data Center Consolidations	9,574,259	1,486,448	1,866,500	1,963,832	5,316,780	4,257,479	2,319,653	1,937,826
Growth & Enhancements - Agency Operations Support	1,216,786	66,983	124,672	57,177	248,832	967,954	215,557	752,397
Technology Replacement & Upgrades - County Support	9,199,003	522,752	1,034,547	4,127,351	5,684,650	3,514,353	2,045,632	1,468,721
TXDMV Automation System Project	28,391,882	885,543	3,741,054	7,633,573	12,260,170	16,131,712	4,027,206	12,104,506
Regional Office Relocation	871,500	-	293	91,681	91,974	779,526	69,812	709,714
Bull Creek Relocation	800,000	-	-	-	-	800,000	-	800,000
Physical Security	354,156	48,987	120,384	104,290	273,661	80,495	19,042	61,453
Total	57,323,145	3,047,722	6,963,631	15,065,428	25,076,781	32,246,363	9,449,029	22,797,332

Statement of TxDMV Automation Project Expenditures through May 31, 2017

TxDMV Automation Project Appropriations	FY 2017
Original Estimated Unexpended Balance Carry-Forward from FY 2016	<u>\$ 28,391,882</u>
Total Automation Appropriations	<u>\$ 28,391,882</u>

TxDMV Automation	2017 Approved Adjusted Budget	1Q Sep - Nov	2Q Dec - Feb	3Q Mar - May	2017 YTD Expenditures	2017 YTD Encumbrances	Available Budget
813010 RTS Refactoring	\$ 16,171,826	\$ 327,249	\$ 2,395,052	\$ 2,407,828	\$ 5,130,129	\$ 3,420,135	\$ 7,621,562
813015 WebDealer E-Titles	\$ 1,380,817	\$ 117,949	\$ 241,345	\$ 304,457	\$ 663,751	\$ 484,088	\$ 232,978
813020 E-Licensing	\$ 6,380,272	\$ 440,345	\$ 738,347	\$ 4,829,710	\$ 6,008,402	\$ 31,405	\$ 340,465
815028 Single Sticker Phase II	\$ 572,857	\$ -	\$ 366,310	\$ 91,578.00	\$ 457,888	\$ 91,578	\$ 23,391
84BDGT Unallocated	\$ 3,886,109	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,886,109
TxDMV Automation Total	\$ 28,391,882	\$ 885,543	\$ 3,741,054	\$ 7,633,573	\$ 12,260,170	\$ 4,027,206	\$ 12,104,506



DATE: August 17, 2017

Action Requested: Briefing Only

To: Texas Department of Motor Vehicles (TxDMV) Board
From: Linda M. Flores, CPA, Chief Financial Officer
Agenda Item: 10.B.2.
Subject: TxDMV Fund Update

RECOMMENDATION

No action required.

PURPOSE AND EXECUTIVE SUMMARY

On September 1, 2016, the TxDMV began depositing revenue into the Texas Department of Motor Vehicle Fund (TxDMV Fund or Fund 0010.) The operating budget for Fiscal Year 2017 is primarily funded by revenues collected in the TxDMV Fund. Legislation authorized a one-time \$23 million transfer of funds from General Revenue (Fund 0001) to the TxDMV Fund as start-up resources.

FINANCIAL IMPACT

TxDMV staff briefed the Finance and Audit Committee on the status of the TxDMV fund as of May 31, 2017. For the month ending May 2017, collections for the TxDMV Fund totaled \$130.9 million consisting of \$107.9 million in revenue deposits (including \$4.9 million in collections for payments of fees for credit cards and Texas.gov) plus the \$23 million one-time transfer.

- Revenue collections for the Processing and Handling Fee (P&H) as of May 2017 are within projected levels at \$21.9 million.

Obligations to the TxDMV Fund for the same period includes \$81.1 million in operating expenses, plus \$9.2 million in obligations for fringe benefits and \$4.9 million for convenience and Texas.gov fees. The result is a projected net cash balance of \$35.7 million for the month ending May 2017.

Staff project that collected revenues will continue to cover operating costs. Unspent operating expenses will lapse to the TxDMV Fund increasing balances available for future year appropriations.

BACKGROUND AND DISCUSSION

The 83rd Legislature, Regular Session, enacted two bills—H.B. 2202 and H.B. 6—that significantly affect TxDMV's revenue disposition for funds collected by the department and its method of finance for the 2014-2015 biennium. The 84th Legislature, Regular Session enacted SB 1512 which ensured that the TxDMV Fund and its revenue dedications were recreated and rededicated revenues for deposit into the TxDMV Fund.

The TxDMV Fund 0010 was created effective September 1, 2016, changing the agency's method of financing from General Revenue (with the exception of the Automobile Burglary and Theft Prevention Authority [ABTPA]) to the TxDMV Fund.

TxDMV Fund Revenue & Expenses

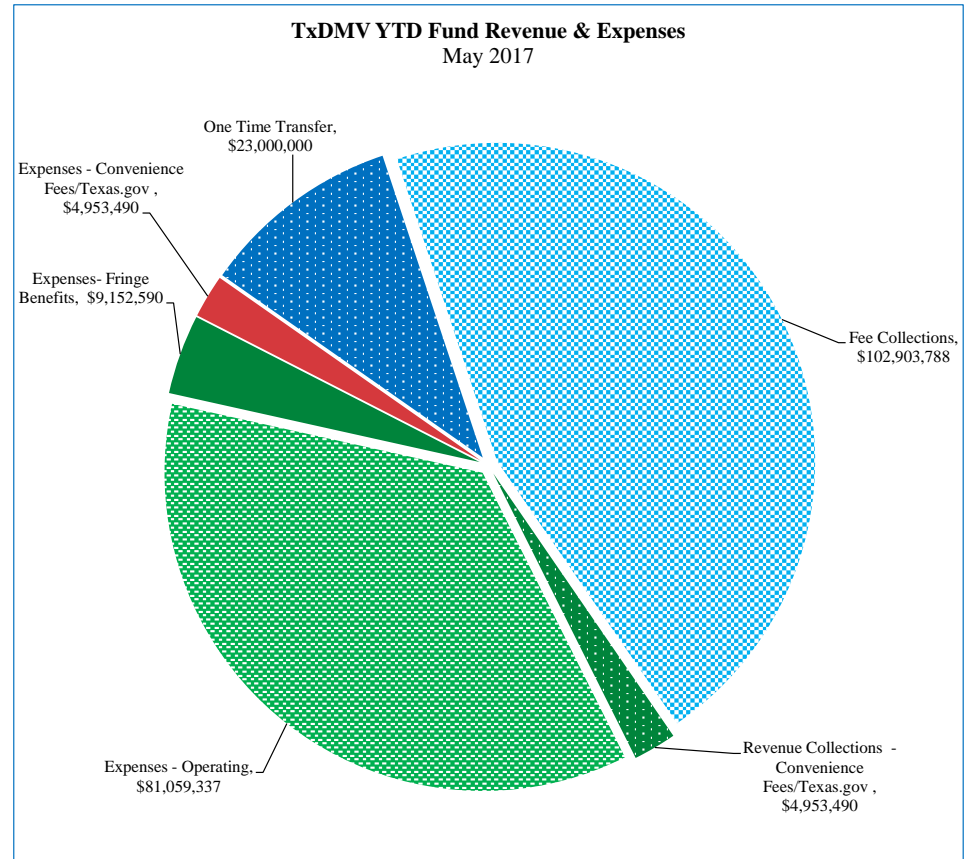
May-17

Revenues

One Time Transfer		\$	23,000,000
Motor Vehicle Certificates	\$	29,530,721	
Motor Vehicle Registration Fees	\$	34,359,268 ⁽¹⁾	
Motor Carrier - Oversize / Overweight	\$	9,440,329 ⁽²⁾	
Motor Vehicle Business Licenses	\$	5,862,017	
Miscellaneous Revenue	\$	1,802,056	
Processing & Handling (P&H) Fees	\$	21,909,397	
Subtotal Fee Collections	\$	102,903,788	
Total Fee Collections with Transfer	\$	125,903,788	
Credit Card Convenience Fees	\$	2,624,340 ⁽³⁾	
Texas.gov Fees for Online P&H	\$	2,329,150	
Total Revenue for Convenience Fees and Texas.gov	\$	4,953,490	
Total Revenue	\$	130,857,278	

Expenditures

Salary Related	\$	28,088,970	
Benefit Replacement Pay	\$	88,418	
Other Personnel	\$	1,052,377	
Professional Fees	\$	6,696,327	
Fuels & Lubricants	\$	32,856	
Consumables	\$	1,006,386	
Utilities	\$	3,051,970	
Travel In-State	\$	202,902	
Travel Out-of-State	\$	20,365	
Rent - Building	\$	526,251	
Rent - Machine and Other	\$	177,315	
Advertising & Promotion	\$	12,544	
Purchased Contract Services	\$	22,123,745 ⁽¹⁾	
Computer Equipment & Software	\$	2,061,511	
Fees & Other Charges	\$	974,474	
Freight	\$	409,477	
Maintenance & Repair	\$	1,312,803	
Membership & Training	\$	191,756	
Other Expenses	\$	77,128	
Postage	\$	8,989,718	
Reproduction & Printing	\$	3,360,017	
Services	\$	596,509	
Other Capital	\$	5,519	
Subtotal Operating Expenses	\$	81,059,337	
Fringe Benefits	\$	9,152,590	
Credit Card Convenience Fees	\$	2,624,340	
Texas.gov Fees for Online P&H	\$	2,329,150	
Total Expenses	\$	95,165,418	
Net Cash Balance	\$	35,691,860	



Notes:

⁽¹⁾ MyPlates TxDMV Fund revenues for this period total \$3,385,080 with expenses totaling \$3,342,696

⁽²⁾ Motor Carrier - Oversize/Overweight excludes escrow deposits of \$2.6 million.

⁽³⁾ Credit Card Convenience Fees includes fees for Temp Permits, Oversize/Overweight Permits, TxIRP, Motor Carrier Credentialing System (MCCS) and eLICENSING.



Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

DATE: August 17, 2017

Action Requested: Approval

To: Texas Department of Motor Vehicles (TxDMV) Board
From: Linda M. Flores, CPA, Chief Financial Officer
Agenda Item: 10. B. 3.
Subject: Facilities Update

RECOMMENDATION

For information purposes only.

PURPOSE AND EXECUTIVE SUMMARY

Finance and Administrative Services provides updates regarding agency relocation projects:

- Bull Creek/Motor Carrier Division (Austin, Texas)
- Corpus Christi Regional Service Center (Corpus Christi, Texas)
- San Antonio Regional Service Center (San Antonio, Texas)
- Pharr Regional Service Center (Pharr/Edinburg, Texas)

FINANCIAL IMPACT

- \$1.49 million was initially appropriated for the Motor Carrier Division (MCD) Relocation in the FY 2016-2017 biennium. The 85th Legislature, Regular Session authorized the TxDMV to carry forward unspent balances associated with the project into Fiscal Year 2018.
 - ❖ The division is tentatively scheduled to move to Camp Hubbard, Building 6, 5th floor in January 2018.
- \$1.4 million was appropriate for the relocation of Regional Service Center Relocations.
 - ❖ Corpus Christi began normal business operations on Monday, April 3, 2017 at its new location 601 North Staples.
 - ❖ San Antonio is scheduled to move August 18, 2017.
 - ❖ Pharr was de-scoped from relocation efforts in March 2017.

BACKGROUND AND DISCUSSION

Please see the attached agency routine *Facilities Update Report* and the *Corpus Christi Regional Service Center Relocation Final Update Report* for further detail.

2017 TxDMV Corpus Christi RSC Relocation

Facilities Services Update

08/01/17

EXECUTIVE SPONSOR: Executive Director's Office (EDO) – Whitney Brewster/Shelly Mellott

STAKEHOLDER TEAM: Finance and Administrative Services (FAS - Finance, Facilities and Purchasing), Vehicle Titles and Registration (VTR - Headquarters, Regional Services Section and Corpus Christi Regional Service Center), Enforcement (ENF), Office of Administrative Hearings (OAH), Enterprise Project Management Office (EPMO), Office General Counsel (OGC) and Government and Strategic Communications (GSC) –

- | | |
|---|------------------------------------|
| ➤ Linda Flores (FAS-Finance) | ➤ Bill Harbeson (ENF) |
| ➤ Ann Pierce (Project Manager/Facilities) | ➤ Edward Sandoval (OAH) |
| ➤ Donny Ruemke (FAS-Facilities) | ➤ Eric Obermier (ITS) |
| ➤ Dawn McNabb (FAS-Facilities) | ➤ Tom Benavides (ITS) |
| ➤ David Chambers (FAS-Purchasing) | ➤ Jason Hoke (ITS) |
| ➤ Paula Ramsey (FAS-Purchasing) | ➤ Lance Chambers (ITS) |
| ➤ Rhonda Gips (FAS-Purchasing) | ➤ Jeff Templeton (ITS) |
| ➤ Jeremiah Kuntz (VTR-HQ) | ➤ Jack Rutledge (ITS) |
| ➤ Tim Thompson (VTR-HQ) | ➤ Craig Archer (contractor – EPMO) |
| ➤ William Diggs (VTR-RSS) | ➤ David Duncan (OGC) |
| ➤ Boyd Bush (VTR-RSS) | ➤ Adam Shaivitz (GSC) |
| ➤ Stefan Krisch (VTR-CC) | |

PROJECT GOAL: Relocate the VTR Corpus Christi Regional Service Center and designated ENF investigators to support daily business needs at a new facility by or before April 3, 2017 (first day of business) while also ensuring the facility will meet enhanced agency needs supporting Board video conferencing meetings and potential on-site OAH hearings.

PROJECT TIMEFRAME: TxDMV made notification to TxDOT of our intention to relocate from our current Corpus Christi Regional Service Center on TxDOT property once a lease was in place and the Board had made approval of the relocation site and lease. Notification to Vacate was sent to TxDOT on 12/21/16. Board approved property was identified as 602 N. Staples, Corpus Christi, Texas 78405 in Nueces County and a lease was signed on behalf of TxDMV by the Texas Facilities Commission as of August 31, 2016. The lease covers a 10 year period, commencing on April 1, 2017 and expiring on March 31, 2027 with two 60 months each renewal options.

NEW SITE ADDRESS: 602 N. Staples, Corpus Christi, Texas 78405

MOVE-IN COMMENCEMENT: After 5pm on Friday, March 31, 2017 (through Saturday, April 1, 2017 with staff testing on Sunday, April 2, 2017)

FIRST DAY OF BUSINESS OPERATIONS AT NEW SITE: Monday, April 3, 2017

LEASE EXPIRATION: March 2027

PROJECT BUDGET AND ACTUAL EXPENSES:

Corpus Christi RSC Relocation Close-Out Budget Analysis				
<i>TxDMV Corpus Christi RSC Relocation</i>				
<i>Reporting as of 06/13/2017</i>				
Recurring Annual Costs	Original Budget Amount	LEASE COST		
		One Time Cost Year 0	Recurring Annual Cost	Variance
Projected 12 month annual (inclusive) rent set at \$44,854; plus 3% CPI annual cost per year beginning April 2018 for 3,141 occupied square feet (all office space) - overall is 10 year lease of April 1, 2017 thru March 31, 2027. (1)	\$ 39,577.00		\$ 44,853.48	\$ (5,276.48)
Telephone	\$ 8,000.00		\$ 8,000.00	\$ -
Badge System (Monitoring)	\$ 3,000.00		\$ 3,000.00	\$ -
Security (guard)	\$ 19,500.00		\$ -	\$ 19,500.00
Janitorial*	\$ 2,262.00		\$ -	\$ 2,262.00
Modular Reconfiguration	\$ 10,000.00		\$ -	\$ 10,000.00
Electrical, Gas, Waste Disp *	\$ 6,031.00		\$ -	\$ 6,031.00
Total Recurring Annual Costs	\$ 88,370.00	\$ -	\$ 55,853.48	\$ 32,516.52
One time Costs				
Contingency	\$ 21,635.00	\$ -		\$ 21,635.00
Estimated Move of Staff/Equipment	\$ 8,000.00	\$ 6,972.00		\$ 1,028.00
Hardcase Furniture	\$ 25,000.00	\$ 28,594.00		\$ (3,594.00)
Modular Furniture	\$ 22,611.00	\$ 16,721.00		\$ 5,890.00
Security System (2)	\$ 50,000.00	\$ -		\$ 50,000.00
IT and Call Center infrastructure technology cost (2)	\$ 38,000.00	\$ 36,032.05		\$ 1,967.95
One time Costs	\$ 165,246.00	\$ 88,319.05	\$ -	\$ 76,926.95
Totals	\$ 253,616.00	\$ 88,319.05	\$ 55,853.48	\$ 109,443.47
Estimate based on 10 year lease at 600 N. Staples, Corpus Christi, TX 78401				
(1) Estimate based on a full service lease inclusive of these costs: electricity, gas, and janitorial.				
(2) Part of Facility Physical Security System Project				
FTEs = 9 Required Sq Ft = 3,141				

The project came in on time and under budget.

TIMELINE:**October 2015**

- TxDMV submits portal to Texas Facilities Commission (TFC) to begin discussions regarding a property search and potential relocation of several TxDMV regional service centers, to include Corpus Christi.

January 2016

- TFC posts request for proposal (RFP) 303-7-20538 on 01/20/16.

March 2016

- RFP closes 03/03/16.
- TFC received one proposal from the Corpus Christi Regional Transit Authority (CCRTA) at their Staples Service Center to be built and located at 600 North Staples, Corpus Christi, Texas 78401.
- Property site visit conducted by TxDMV.

June 2016

- TFC presents property for approval at June Commission meeting; approval received 06/15/16.
- TxDMV presents property for approval at June Board meeting; approval received 06/27/16.

September 2016

- Final lease approved by TxDMV, TFC and CCTRA commissions/boards; TxDMV receives official lease execution through TFC portal on 09/13/16.

October 2016 – March 2017

- Space planning conversations between TxDMV and CCRTA take place; layout designs are drafted, distributed, discussed and updated several times.

December 21, 2016

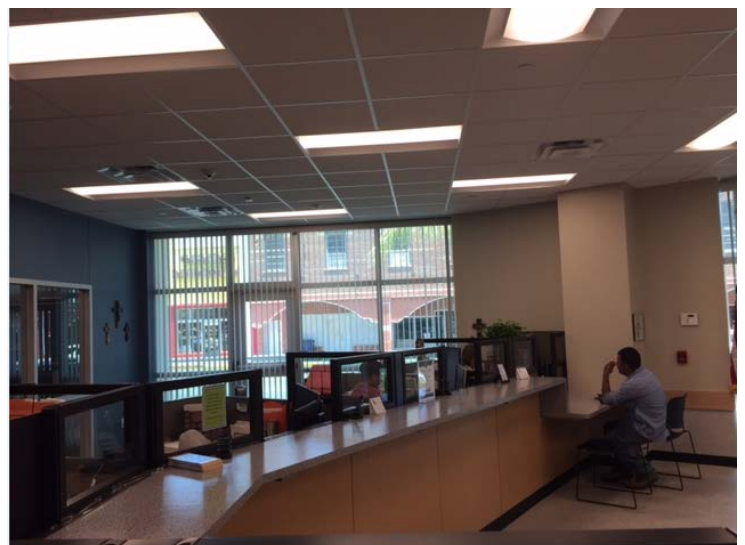
- Notice to vacate sent to TxDOT Executive Director, James Bass.

March 2017

- Modular installation occurred on 03/14/17.
- A week prior to the move, ITD staff have new IT equipment (computers, printers, cash drawers) delivered to new site.
- ITD staff arrive in advance of the move (03/30/17) to begin installations at new site.
- On 03/31/17, Facilities Services arrives at old location and move begins right at 5:00pm with all items transitioning from old location to new location and staff available to finalize packing at old site and to unpack and organize new site late into the evening; ITD representatives continue with installations at the new site and de-installations at the old site.

April 2017

- On 04/01/17, Facilities Services, RSC manager, ITD representatives and move vendor meet at old site; move vendor begins tear down of modular furniture and packing of surplus for overnight storage.
- On 04/01-02/17, ITD and CC RSC staff perform testing and final set up.
- On 04/03/17, CC RSC has a successful first day of operations in their new location.



2017 TxDMV San Antonio RSC Relocation
Facilities Services
Photo Diary Progress Update
07/27/2017

PROJECT GOAL: Relocate the VTR San Antonio Regional Service Center and designated ENF investigators to support daily business needs at a new facility by or before August 1, 2017, while also ensuring the facility will meet enhanced agency needs supporting Board video conferencing meetings and potential on-site OAH hearings.

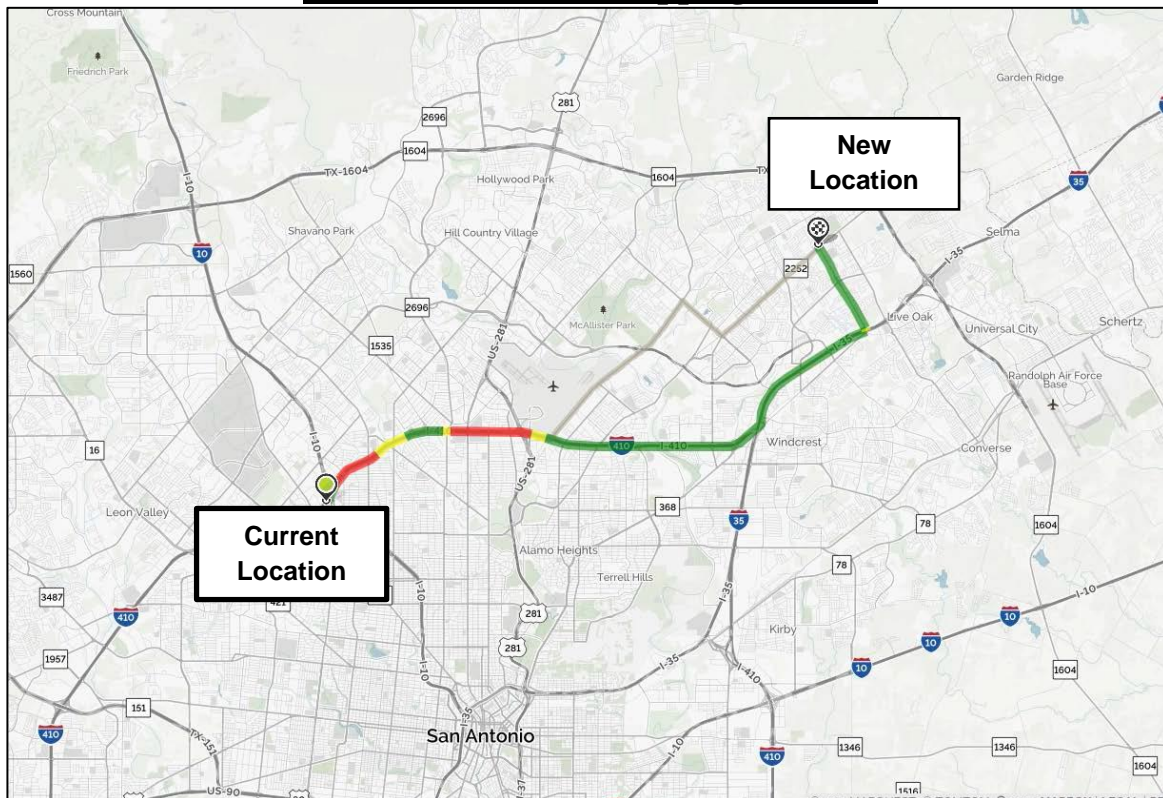
NEW SITE ADDRESS: 15150 Nacogdoches Road, Suite 100, San Antonio, Texas 78233

MOVE-IN COMMENCEMENT: After 5pm on Friday, August 18, 2017 (through Saturday, August 19, 2017 with staff testing on Sunday, August 20, 2017)

FIRST DAY OF BUSINESS OPERATIONS AT NEW SITE: Monday, August 21, 2017

LEASE EXPIRATION: September 2027

New Location Site
(Comanche Trails Shopping Center)



As of 07/17/17 Night Visit (Continued)



Building Retrofitting Progress
As of 07/21/17





To: Texas Department of Motor Vehicles (TxDMV) Board
From: Sandra Menjivar-Suddeath, Director, Internal Audit
Agenda Item: 10. B. 4.
Subject: Internal Audit Division Status Report

RECOMMENDATION

None.

PURPOSE AND EXECUTIVE SUMMARY

The status update provides information on current Internal Audit Division (IAD) activities. This status update includes information on audit and advisory service engagements and external coordination and reviews.

FINANCIAL IMPACT

None.

BACKGROUND AND DISCUSSION

Internal Projects

The IAD has finalized or is currently working on five internal projects:

- Internal Audit Recommendation Follow-Up Engagement
- Annual Quality Assurance Review
- Fiscal Year 2018 Annual Audit Plan
- Payment Card Industry (PCI) Compliance with Credit Card Information Storage
- Continuous Monitoring of Vehicle Registration and Title Transactions Advisory Service

Of those five internal projects, three projects have been finalized: 1) Internal Audit Recommendation Follow-Up Engagement, 2) Annual Quality Assurance Review, and 3) Fiscal Year 2018 Annual Audit Plan.

The Internal Audit Recommendations Follow-Up Engagement reviewed 125 internal audit recommendations that were issued in twelve different audit and advisory service reports. The department had fully implemented 106 (85%) internal audit recommendations. The remaining 19 recommendations either were no longer applicable (four recommendations) due to the age of the recommendation or were partially implemented (fifteen recommendations). The fifteen partially implemented recommendations all have new completion date with the furthest completion date being June 2018.

The Annual Quality Assurance Review determines whether the division is complying with all required audit standards (the Institute of Internal Auditors' International Professional Practices Framework, the U.S. Government Accountability Office's (GAO) Generally Accepted Auditing Standards (GAGAS), and the Texas Internal Auditing Act, Texas Government Code, Chapter 2102). The IAD reviewed work produced from June 2016 to June 2017 to determine compliance with the audit standards. The IAD concluded that the division is in compliance with all required audit standards. Although the IAD complies with all audit standards, there are three opportunities for improvement related to our policies and procedures. Specifically, the IAD should update its policies and procedures to include the following:

- the process for notification when an auditor, who is performing an advisory service, has a threat to independence that could not be mitigated;
- the process for determining if temporary personnel are qualified and competent to participate in an audit; and
- that fraud training be one of the training subjects that should be considered when each auditor develops their annual training plan.



These opportunities for improvement have been addressed in the IAD's policies and procedures and the updated policies and procedures will be in effect at the beginning of Fiscal Year 2018 (September 1).

In addition, the IAD followed up on a previous peer review recommendation related to Information Technology knowledge.

The Fiscal Year 2018 Annual Audit Plan is the work plan for the upcoming fiscal year for the IAD. The audit plan includes twelve proposed items, audits, and advisory services to be done in Fiscal Year 2018, other Internal Audit division duties, and two contingency audits.

Payment Card Industry (PCI) Compliance with Credit Card Information Storage Audit is in the reporting phase and has an anticipated release date of August 31, 2017.

Continuous Monitoring of Vehicle Registration and Title Transactions Advisory Service is in the reporting phase and has an anticipated release date of August 31, 2017.

State Auditor's Office (SAO) Fraud Hotline Coordination

On June 28, the TxDMV provided the SAO with the SAO Fraud Hotline Coordination Letter for referrals received during the third quarter of FY 2017.

External Coordination

The Internal Audit Division has been tracking the implementation status of recommendations issued in the SAO's audit of the complaint process. Of the 11 recommendations issued, the department has addressed nine of them.



Internal Audit Division August Status Update

Status of Fiscal Year (FY) 2017 Internal Audit Plan

Project	Description	Current Status	Expected Report Release
Internal Audit Recommendation Follow-Up Engagement	This engagement is verifying the implementation status of the internal audit recommendations that had a completion date prior to December 2016.	Completed	See attachment 1
Annual Quality Assurance Review	To assess if the Internal Audit Division is meeting both the Generally Accepted Government Auditing Standards and International Standards for the Professional Practice of Internal Auditing.	Completed	See attachment 2
FY 2018 Internal Audit Plan	To identify audits and advisory services in high- risk areas that will be conducted in FY2018.	Completed	See Board Item - FY2018 Internal Audit Plan
Payment Card Industry (PCI) Compliance with Credit Card Information Storage	To determine if credit card information is being stored electronically.	Reporting	This audit report has been sent to Executive Management for review. The expected released in August 31, 2017.
Continuous Monitoring of Vehicle Registration and Title Transactions Advisory Service	Advisory Service for Vehicle Titles & Registration (VTR) where the division will identify reports that could be used to continuously monitor potentially fraudulent transaction.	Reporting	This audit report has been sent to Executive Management for review. The expected released in August 31, 2017.

State Auditor's Office (SAO) Fraud Hotline Coordination

On June 28, the TxDMV provided the SAO with the SAO Fraud Hotline Coordination Letter for referrals received during the third quarter of FY 2017. The letter included the official agency response to four referrals and provided an updated on two internal referrals.

External Audits

1. SAO – An Audit Report on Complaint Processing at the Department of Motor Vehicles Recommendations Status

Attachments

1. Fiscal Year 2017 Internal Audit Follow-Up Report
2. Letter on the Quality Assurance Review
3. State Auditor's Office – An Audit Report on Complaint Processing at the Department of Motor Vehicles: Recommendation Status



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Fiscal Year 2017 Internal Audit Follow-Up Report 17-05

Internal Audit Division
August 2017

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Fiscal Year 2017 Internal Audit Follow-Up, 17-05

Executive Summary

WHY AND WHAT WAS REVIEWED

The Internal Audit Division (IAD) produced twelve internal audit and advisory service reports between Calendar Year (CY) 2012 and 2016. In each of these reports, recommendations were made to improve the efficiency and effectiveness of the Texas Department of Motor Vehicles' (TxDMV) operations. In total, 136 internal audit recommendations (recommendations) were issued in the audit and advisory service reports. Out of those 136 recommendations, 125 recommendations (92%) had a completion date before January 1, 2017 or had no assigned completion date.

Although the TxDMV divisions had implemented many of the recommendations, the IAD had not verified the recommendations' implementation status. The verification of the recommendations is important and necessary to provide the Texas Department of Motor Vehicles (TxDMV) Board and Executive Management visibility on whether identified issues have been fully remediated.

This report provides the verified implementation status for the 125 recommendations that had implementation completion dates before January 1, 2017 or had no assigned completion date. The IAD determined if the recommendations were fully implemented, partially implemented, not applicable, or not implemented.

WHAT WE RECOMMENDED

The IAD did not make any additional recommendations in this report as it was a follow-up report. The 15 recommendations determined to be partially implemented remain open, although language updates were made to the recommendation if the function or division had changed.

WHAT WE DETERMINED

The TxDMV has fully implemented 106 (85%) recommendations and has partially implemented 15 (12%) recommendations. For the partially implemented recommendations, divisions provided updated responses (if needed) and new completion dates. All the new completion dates for the partially implemented recommendations are before June 30, 2018. In addition, the IAD determined that four (3%) recommendations were deemed no longer applicable because of changes to the program, division, or function.

MANAGEMENT RESPONSE

For partially implemented recommendations, management provided updated responses and new completion dates.

Overall Conclusion

Strengths

The Texas Department of Motor Vehicles has taken an active approach to implementing internal audit recommendations (recommendations), which resulted in all recommendations being started and most (85%) recommendations being fully implemented. In addition, each TxDMV division was aware of which recommendations were still pending.

Improvements

The Texas Department of Motor Vehicles has not fully implemented fifteen recommendations that affect ongoing issues and could create more efficiencies and effectiveness for the department. The partially implemented recommendations include items related to succession planning, strategic management system, staff skill assessment, information technology security, and data protection.

Below are the audit results that further expand on these areas.

Result #1: The department has fully implemented 106 of previously issued recommendations and has partially implemented 15 recommendations relating to key functions that need to be completed.

The detailed audit results can be found under the Results section of this report (begins on page 6).

Background

Between Calendar Year (CY) 2012 and CY2016, the Internal Audit Division (IAD) has issued twelve internal audit and advisory service reports about operations within the Texas Department of Motor Vehicles (TxDMV, department). These reports reviewed operations in several TxDMV divisions, including the Automobile Burglary Theft & Prevention Authority, Motor Carrier, Information Technology Services, Vehicle Titles & Registration, and the Finance & Administrative Services divisions. The table below provides a summary for each audit that was part of the follow-up.

Report Number and Name	Summary
P12-15 County Equipment Replacement Project Audit	The audit reviewed the Fiscal Year (FY) 2012 County Equipment Replacement Project (CERP), which updated computers, printers, cabling and networking equipment used by the county Tax Assessor-Collectors' (TACs) offices. The audit identified areas of improvement related to project management, inventory management, and technology enhancements.
P13-06 Audit of Agency Cash Handling Operations	The audit reviewed the cash handling process used in FY2011 at the 16 Regional Service Centers (RSCs) and the Finance & Administrative Services Division. The audit identified improvements related to securing cash and checks at the RSCs, including upgrading equipment (e.g., safes, cash counting machines, and check stamps). The audit also identified the need to have a dedicated team for Certified Copy of Title (CCO) applications submitted by mail.
P13-09 Follow up Audit to State Auditor's Office Report 12-043	The follow up audit determined the implementation status of recommendations issued in the State Auditor's Office (SAO) Report 12-043. The SAO audit reviewed the procurement process of contracted goods and services during FY2010 and FY2011. The SAO determined that the department demonstrated inconsistencies in the procurement of contracted goods and services.
P14-14 Follow up Audit on the Implementation of Recommendations	The follow up audit determined the implementation status for recommendations issued in the Organizational Review conducted by the Azmith Group and four SAO audits. The four SAO audits were the following: <ul style="list-style-type: none"> • Audit Report on the Financial Responsibility Verification Program (TexasSure) (No. 10-016), • Audit Report on the Department of Motor Vehicles (No. 11-007), • Audit Report on Contract Management at the Department of Motor Vehicles (No. 12-043), and the • Audit Report on Selected State Entities' Compliance with Requirements Related to the Historically Underutilized Business Program and the State Use Program (No. 13-026).

Report Number and Name	Summary
P14-15 Audit of the Automobile Burglary and Theft Prevention Authority	The audit reviewed the Automobile Burglary and Theft Prevention Authority grant program, including the awarding and monitoring of grants. The audit identified several areas of opportunities.
15-1 Audit of the Texas Department of Motor Vehicles' Use of Contract Workers	The audit reviewed the management of the TxDMV's contract workers. The audit identified improvements related to the oversight of contractors, including completing a needs assessment prior to obtaining contractors, improving the procurement process, and overseeing the time worked by the contractors.
15-2 Internal Controls over the State of Texas Titling Processes	The audit reviewed the process for titling vehicles. The audit identified areas of improvement related to monitoring of titling transactions.
15-4 Audit of the Texas Department of Motor Vehicles' Administration of Statutes and Rules Through Tax Assessor-Collectors	The audit reviewed the processes used to administer department rules and statutes to register and title motor vehicles through TACs. The audit identified improvements in communicating with the TACs, monitoring late registration fee collections, and potential legislative improvements on registration fee collection.
15-5 Confidential Follow-up Audit on the Information Security Standards Gap Assessment	The confidential audit determined the implementation status of the recommendations from a Texas Administrative Code (TAC) 202 assessment. TAC 202 outlines the Information Security Standards that are required to be followed by the department.
16-2 Implementing an Anti-Fraud, Waste and Abuse Program	The advisory service assessed the TxDMV staffs' preparedness and knowledge in preventing, detecting, and reporting fraud, waste, and abuse and provided recommendations to implement a fraud prevention program.
16-3 Audit on the Efficiency of the Texas International Registration Plan (IRP) Compliance Audit Process	The audit reviewed the International Registration Plan (IRP) Audit Compliance Section within the MCD. The IRP allows licensed commercial vehicles that engage in interstate operations to obtain registration credentials in one jurisdiction. The IRP Audit Compliance Section conducts audits to ensure proper payment is given to all states for commercial vehicles that are registered in Texas. The audit identified areas of improvement related to reviewing audits, developing an annual audit plan, and creating an electronic process for conducting and storing audit documentation.
16-04 Confidential Audit of Texas Department of Motor Vehicles' Internal Controls Related to the Driver's Privacy Protection Act	The confidential audit reviewed how the department ensures compliance with the Driver Privacy Protection Act and the Motor Vehicle Records Act. The audit identified improvements related to monitoring usage and legislative changes.

To improve the operations of the reviewed divisions, the IAD issued 136 internal audit recommendations (recommendations) across the 12 reports. One hundred twenty five of these

recommendations had completion dates before January 1, 2017 or had no assigned completion date. Specifically, each report had the following number recommendations:

Report Number and Name	Number of Recommendations in the report	Number of Recommendations with completion dates before January 1, 2017 or no completion date
P12-15 County Equipment Replacement Project Audit	16	16
P13-06 Audit of Agency Cash Handling Operations	17	17
P13-09 Follow up Audit to State Auditor's Office Report 12-043	3	3
P14-14 Follow up Audit on the Implementation of Recommendations	4	4
P14-15 Audit of the Automobile Burglary and Theft Prevention Authority	39	39
15-1 Audit of the Texas Department of Motor Vehicles' Use of Contract Workers	13	13
15-2 Internal Controls over the State of Texas Titling Processes	10	9
15-4 Audit of the Texas Department of Motor Vehicles' Administration of Statutes and Rules Through Tax Assessor-Collectors	5	5
15-5 Confidential Follow-up Audit on the Information Security Standards Gap Assessment	16	14
16-2 Implementing an Anti-Fraud, Waste and Abuse Program	2	2
16-3 Audit on the Efficiency of the Texas International Registration Plan (IRP) Compliance Audit Process	6	2
16-04 Confidential Audit of Texas Department of Motor Vehicles' Internal Controls Related to the Driver's Privacy Protection Act	5	1
Total	136	125

In previous fiscal years, the IAD had not verified the implementation status of recommendations issued in previous internal audit and advisory service reports. As part of the Fiscal Year (FY) 2017 Annual Audit Plan, the IAD decided to verify the implementation status of previously issued recommendations that had a completion date before January 1, 2017 or had no assigned completion date. The IAD determined that a recommendation could have the following implementation status:

- **Fully Implemented:** The department has taken all actions necessary for processes, systems, or policies for a prior recommendation to operate as planned
- **Partially Implemented:** The department has begun to develop and use processes, systems, or policies to implement a prior recommendation but all elements have not been completed.
- **Not Applicable**¹: The recommendation is no longer relevant.
- **Not Implemented:** The department has not taken any steps to develop a process, system, or policy to address a prior recommendation.

This audit was included in the Fiscal Year 2017 Audit Plan. This follow-up audit was conducted in accordance with Generally Accepted Government Auditing Standards and in conformance with the International Standards for the Professional Practice of Internal Auditing. These standards require that the division plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The IAD believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

The audit was performed by Sandra Menjivar-Suddeath (Internal Audit Director) and reviewed by Mary Lupo (Audit Staff Contractor).

In accordance with the Texas Internal Auditing Act, this report is distributed to the Board of the Texas Department of Motor Vehicles, Governor's Office of Budget, Planning, and Policy, Legislative Budget Board, State Auditor's Office, and the Sunset Advisory Commission. In addition, this report was distributed to the Texas Department Of Motor Vehicles' Executive Management Team.

¹ Some recommendations are no longer applicable due to the age of the recommendation and organizational changes.

Follow-Up Results

The department has fully implemented 106 of previously issued recommendations and has partially implemented 15 recommendations relating to key functions that need to be completed.

Condition

The IAD verified that the department had fully implemented 106 recommendations (85%) and had partially implemented 15 recommendations (12%). In addition, four recommendations (3%) were deemed not applicable because of changes to the program, function, or department and zero (0%) recommendation were not implemented. The table below summarizes the verified recommendation status (fully implemented, partially implemented, and not applicable) by each report.

Report Number and Name	Fully Implemented	Partially Implemented	Not Applicable	Grand Total
P12-15 County Equipment Replacement Project Audit	14	1	1	16
P13-06 An Audit of Agency Cash Handling Operations	14	1	2	17
P13-09 A Follow-up Audit to State Auditor's Office Report 12-043	3	0	0	3
P14-14 A Follow up Audit on the Implementation of Recommendations	1	3	0	4
P14-15 An Audit of the Automobile Burglary and Theft Prevention Authority	36	2	1	39
15-1 An Audit of the Texas Department of Motor Vehicles' Use of Contract Workers	13	0	0	13
15-2 Internal Controls over the State of Texas Titling Processes	9	0	0	9
15-4 Audit of the Texas Department of Motor Vehicles' Administration of Statutes and Rules Through Tax Assessor-Collectors	5	0	0	5

Report Number and Name	Fully Implemented	Partially Implemented	Not Applicable	Grand Total
15-5 A Confidential Follow-up Audit Report on the Information Security Standards Gap Assessment	9	5	0	14
16-2 Implementing an Anti-Fraud, Waste, and Abuse Program	2	0	0	2
16-3 An Audit on the Efficiency of the Texas International Registration Plan Compliance Audit Process	0	2	0	2
16-04 A Confidential Audit of Texas Department of Motor Vehicles' Internal Controls Related to the Driver's Privacy Protection Act	0	1	0	1
Grand Total	106 (85%)	15 (12%)	4 (3%)	125

For the fifteen recommendations that were partially implemented, management provided updated completion dates and responses (as needed). The table below summarizes the recommendations and responses and the updated completion date for each report.

Report Number and Name	Summary of Partially Implemented Recommendation(s) and Response(s)	Updated Completion Date(s)
P12-15 County Equipment Refresh Project	One recommendation remains open related to developing an allocation model for toner, registration paper, and other consumables used at the Tax Assessor-Collectors' offices. The Vehicle Titles & Registration (VTR) Division is working with Finance & Administrative Services Division to identify and compile data elements for toners and forms distributed to the TACs and develop a methodology to assist the department in analyzing consumptions.	<ul style="list-style-type: none"> 08/31/2017
13-06 Audit of Agency Cash Handling Operations	One recommendation remains open related to accepting credit and debit cards (cards) at the TxDMV Regional Service Centers (RSCs). The Information Technology Services (ITS) Division	<ul style="list-style-type: none"> 12/31/2018

Report Number and Name	Summary of Partially Implemented Recommendation(s) and Response(s)	Updated Completion Date(s)
	– Information Security Section is working with the VTR Division on piloting a card system at the RSCs.	
P14-14 A Follow-Up Audit on the Implementation of Recommendations	Three recommendations remain open related to developing staff competency models, a Strategic Management System program, and a succession plan and talent management program for the department. The Human Resource Division and the Office of Innovation & Strategy are working on these recommendations.	<ul style="list-style-type: none"> • 08/31/2017 • 12/31/2017 • 01/31/2018
P14-15 Audit of the Automobile Burglary and Theft Prevention Authority	Two recommendations remain open related to conducting desk reviews of grantees and updating the audit requirements in the Operational Guide to match in the Uniform Grant Management Standards. The Automobile Burglary and Theft Prevention Authority are updating their procedures.	<ul style="list-style-type: none"> • 12/31/2017 • 12/31/2017
15-5 A Confidential Follow-Up Audit Report on the Information Security Standards Gap	Five recommendations remain open related to gaps identified in a Texas Administrative Code (TAC) 202 assessment. The ITS Division – Information Security Section is working on addressing these recommendations.	<ul style="list-style-type: none"> • 08/31/2017 • 08/31/2017 • 08/31/2017 • 08/31/2017 • 06/30/2018
16-3 An Audit on the Efficiency of the Texas International Registration Plan Compliance Audit Process	Two recommendations remain open related to establishing an electronic audit documentation system and reclassifying staff that conduct the audits to auditors (job audit). An electronic audit documentation system was implemented; however, staff were not using it consistently. In addition, a job audit is in the process of being submitted to the Human Resource Division for review and approval by the Motor Carrier Division.	<ul style="list-style-type: none"> • 08/31/2017 • 12/31/2017
16-04 Confidential Audit of Texas Department of Motor Vehicles' Internal Controls Related to the Driver's Privacy Protection Act	One recommendation remains open related to seeking legislative changes to Transportation Code §730.007. Legislation was filed in the 85 th Legislature, but the legislation did not pass. VTR and the Office of General Counsel will propose rules to address the recommendation.	<ul style="list-style-type: none"> • 03/31/2018

For the four recommendations that were deemed not applicable, the table below describes each recommendation and the reason it was considered not applicable.

Report Number and Name	Recommendation	Reason for No Longer Applicable
P12-15 County Equipment Refresh Project	Require staff to utilize the AICS system whenever transferring equipment.	The department began using the Centralized Accounting and Payroll/Personnel System (CAPPS) for all inventory and no longer uses AICS.
13-06 Audit of Agency Cash Handling Operations	The VTR Division should develop or work with the Government and Strategic Communication Division to develop a communication to Tax Assessor-Collector offices to remind them that Vehicle Transfer Notifications (VTNs) no longer require any payment to TxDMV and that updated forms should be used.	Communication was no longer needed as the no-charge VTN transfer policy has been in effective for several years and issues no longer exist with the enforcement of that policy.
13-06 Audit of Agency Cash Handling Operations	Consider implementing a check verification process.	The check verification process is no longer applicable since a pilot will be conducted for accepting debit and credit cards at an RSC in the near future.
P14-15 Audit of the Automobile Burglary and Theft Prevention Authority	Review access levels in eGrants periodically to ensure they are appropriate and remove access for users that are no longer with the Automobile Burglary and Theft Prevention Authority or a grantee.	eGrants is no longer used for the management of ABTPA grants and no electronic system was in place during the follow-up.

Appendix 1: Objectives, Scope, and Methodology

Objectives

The objective of this audit was to determine and verify the implementation status of internal audit recommendations issued.

Scope and Methodology

The scope of the audit included any internal audit recommendation that had a completion date before January 1, 2017 or had no assigned completion date for audits issued between Calendar Year 2012 and 2016.

Information and documents that IAD reviewed included the following:

- *Department policies and procedures*
- *Department forms*
- *ABTPA grant documentation*
- *Meeting minutes and notes*
- *Texas legislature documents*
- *TxDMV contractor information*
- *Job descriptions*
- *Division recommendation status documentation*
- *TxDMV Internal Audit Division reports*



Memorandum

To: Texas Department of Motor Vehicles Board Members
From: Sandra Menjivar-Suddeath, Internal Audit Director
Date: July 24, 2017
Subject: Letter on the Quality Assurance Review of the Texas Department of Motor Vehicles (TxDMV) Internal Audit Division

SUMMARY OF RESULTS

The Internal Audit Division (IAD) has completed the annual review of internal audit's Quality Assurance and Improvement Program for the period of June 2016 to June 2017. The review included an internal self-assessment review and a follow-up on the opportunity of improvement identified in the IAD's April 2015 External Quality Assurance Review (peer review).

The internal self-assessment concluded that the IAD complies with the (1) Institute of Internal Auditors' *International Professional Practices Framework* (IIA Standards), the definition of internal auditing, the *Core Principles for the Professional Practice of Internal Auditing* and the *Code of Ethics*; (2) U.S. Government Accountability Office's (GAO) *Generally Accepted Auditing Standards* (GAGAS); and (3) Texas Internal Auditing Act, Texas Government Code, Chapter 2102 (Act). The external peer review concluded in 2015 that the IAD complies with the (1) *International Professional Practices Framework* (IIA Standards), the definition of internal auditing, and the *Code of Ethics*; (2) U.S. Government Accountability Office's (GAO) *Generally Accepted Auditing Standards* (GAGAS); and (3) Texas Internal Auditing Act, Texas Government Code, Chapter 2102 (Act). The external peer review did not review compliance with the IIA's *Core Principles for the Professional Practice of Internal Auditing* since it was not required at the time of the review.

The internal self-assessment identified three opportunities for improvement related to updating the division's policies and procedures. Specifically, the division's policies and procedures needed to be updated to include the following:

- the process for notification when an auditor, who is performing an advisory service, has a threat to independence that could not be mitigated;
- the process for determining if temporary personnel are qualified and competent to participate in an audit; and
- that fraud training be one of the training subjects that should be considered when each auditor develops their annual training plan.

The IAD has drafted these changes in its division's policies and procedures and the changes will be in effect on September 1, 2017 (the beginning of Fiscal Year (FY) 2018).

The external peer review conducted in April 2015 by a peer review team gave the IAD a rating of "pass" out of three possible ratings: pass, pass with deficiencies, or fail. In its report, the peer review team identified one opportunity for improvement about considering the addition of audit resources whose primary expertise is auditing information technology (IT). The IAD Director agreed and also stated that the division would take steps to increase the IT knowledge of their current resources. Since the peer review, the IAD staff has increased their IT knowledge by taking training on emerging and current IT audit issues and having one staff member join the Information Systems Audit and Control Association (ISACA). In addition, the Internal Audit Director is a Certified Information Systems Auditor (CISA) and is currently taking coursework to obtain her associates in computer science.

BACKGROUND

Audit standards require that the director of internal audit develop and maintain a Quality Assurance and Improvement Program that includes both internal and external assessments of the internal audit activity. The IIA Standards require that the results of these periodic assessments be communicated to the governing board at least annually. The IIA Standards and the GAGAS require that internal audit's Quality Assurance and Improvement Program include:

- Internal assessments that include ongoing monitoring of the performance of the internal audit activity, as well as periodic reviews performed through self-assessment.
- External assessments conducted every three years by a qualified, knowledgeable peer review team independent of the agency. The peer review issues a public report rendering an overall opinion on whether internal audit's Quality Assurance and Improvement Program provides reasonable assurance that internal audit complies with applicable professional standards in all material aspects.

INTERNAL SELF-ASSESSMENT

The IAD maintains an ongoing Quality Assurance and Improvement Program and performs ongoing monitoring as required. As part of this program, the IAD completed an annual internal self-assessment in July 2017 and had an independent internal auditor (e.g., auditor was not responsible for conducting the audit work or project management on the projects reviewed) review the self-assessment. The auditor validated the results of the annual internal self-assessment done by the Internal Audit Director, as prescribed by the IAD's current policies and procedures.

Based on the self-assessment results, the TxDMV Internal Audit Division complies with the IIA Standards, the definition of internal auditing, the *Core Principles for the Professional Practice of Internal Auditing*, the IIA's *Code of Ethics*, GAGAS, and the Act. The results identified three

opportunities for improvement related to the policies and procedures being more specific about independence issues in advisory services, temporary personnel qualifications, and including fraud training in the annual training plan.

Opportunity for Improvement: The Internal Audit Division should state the process for notification when an auditor has an independence issue, during an advisory service that could not be mitigated. Currently, the division's policies and procedures discuss auditor's independence during an audit or advisory service and the need to put in safeguards when issues arise. However, the policies and procedures do not explicitly discuss the action and notification needed when an auditor's independence issue cannot be mitigated. The IAD has updated its policies and procedures to address this opportunity. The updated policies and procedures will be in effect at the beginning of Fiscal Year 2018.

Opportunity for Improvement: The Internal Audit Division should include fraud training as training subjects to consider when each auditor develops their annual training plan. The division's policies identify the types of training subjects that should be considered when each auditor is developing their annual training plan. The policies imply fraud courses, however, there is no explicit statement in the policies. The IAD has updated its policies and procedures to address this opportunity. The updated policies and procedures will be in effect at the beginning of Fiscal Year 2018.

Opportunity for Improvement: The Internal Audit Division should state how the division will determine if temporary personnel, who are assisting on audits, are qualified and competent to work on the audit. The division's policies and procedures require any auditor, regardless if they are Full-Time Equivalents (FTEs) or temporary personnel, to attest that they are qualified and competent to work on an audit. However, since temporary personnel, are on audits as needed, the division's policies and procedures should include a section on what additional documentation may be need to ensure temporary personnel are qualified and competent. The IAD has updated its policies and procedures to address this opportunity and the policies. The updated procedures will be in effect at the beginning of Fiscal Year 2018.

EXTERNAL PEER REVIEW

The TxDMV IAD completed its inaugural peer review in March 2015, and the peer review team released its report on April 1, 2015, which rated the TxDMV IAD as "pass". The following is an excerpt from the peer review report's overall opinion:

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Department of Motor Vehicles (TxDMV) Internal Audit Division receives a rating of "pass" and is in compliance with the Institute of Internal Auditors (IIA) International Professional Practices Framework (effective January 1, 2013) and Code of Ethics, the United States Government Accountability Office (GAO) Government Auditing Standards (December 2011 Revision), and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102). This opinion, which is the highest

of the three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal audit function.

The report noted one opportunity for improvement; the opportunity and the Internal Audit Director's response is as follows:

Opportunity for Improvement:

In evaluating the impact of technology on the Agency's future resource needs, consideration should be given to additional audit resources whose primary expertise and responsibility is auditing technology, including the complexities of contracts required for technology projects.

Director's Response:

The Director agrees with the above opportunity for improvement. Current staff will take steps to increase their technology skills and knowledge through professional development. If an audit requires technical skills the audit team does not possess, the Division will request approval to hire a temporary contract IT auditor. Also, the Internal Audit Division will seek an auditor with information technology experience when it has a vacancy or if additional resources are assigned to the division.

The IAD is actively working on addressing this opportunity of improvement and has taken several steps to increase its knowledge in auditing technology. The steps taken have included more training focused on IT for each auditor and having our auditor VI become a member of the Information Systems Audit and Control Association (ISACA). The auditor VI will begin studying for the Certified Information Systems Auditor (CISA) exam in FY2018. In addition, the Internal Audit Director is a CISA and is currently taking coursework to obtain her associates in computer science.

The IAD will be obtaining another peer review in FY2018 to maintain compliance with the audit standards. The peer review team will follow up on the Opportunity for Improvement as well as review compliance with all audit standards that the IAD is required to follow.

Please let me know if you have any questions or concerns.

cc: Whitney Brewster, Executive Director
Shelly Mellott, Deputy Executive Director
Terri Tuttle, Board Liaison



State Auditor's Office – An Audit Report on Complaint Processing at the Department of Motor Vehicles: Recommendation Status

Background

In May 2017, the State Auditor's Office (SAO) issued their audit report on the department's process for handling complaints. The SAO looked at the department's complaint process and complaints received in Fiscal Year (FY) 2016 to the first quarter of FY 2017 and the two Information Technology (IT) systems used by the department to handle the complaints. Those two systems were the Complaint Management System (CMS) and the Licensing, Administration, Consumer Affairs, and Enforcement (LACE) system.

The SAO found that the department had sufficient evidence to show that complaints were investigated properly. The SAO also found that the department could improve the complaint process by updating the standard operating procedures, restricting system access, and providing definition information when complaint information is reported to stakeholders. Specifically, the SAO issued 11 recommendations. The department agreed with the recommendations and stated that they would correct all the recommendations by June 30, 2017.

The Internal Audit Division tracked the recommendations and worked with the Enforcement (ENF) and the Information Technology Services (ITS) divisions to collect the evidence to show that the recommendations were implemented. In the section below, the Internal Audit Division provides its assessment on whether the recommendations were implemented, based on the evidence reviewed.¹

Recommendation Status

SAO Chapter Number	SAO Recommendation	IAD Implementation Assessment
Chapter 1-B	Document its required process for reviewing complaint investigations, and appropriately restrict access in its complaint tracking systems for its reviews of complaint investigations. Completion Date: May 15, 2017	Implemented and Verified. The Enforcement Division updated its standard operating procedures to document the required process for reviewing complaint investigations. In addition, the ITS Division restricted access to the systems.

¹ The Internal Audit Division did not close the recommendations as it is the division's policy to only provide a preliminary assessment of the implementation status for external audit recommendation.



Chapter 1-B	<p>Maintain sufficient documentation to show the reasons it did not take action on complaints and the reasons it deleted complaints.</p> <p>Completion Date: May 15, 2017</p>	<p>Pending. The Enforcement Division is working with the vendor to update eLicensing to require comments on complaints that are inactive (e.g., no action taken). Once eLicensing is changed, standard operating procedures will be updated.</p>
Chapter 1-B	<p>Notify parties to complaints of the status of the complaints with the frequency that statute requires, or maintain sufficient documentation to show the reasons that notification would jeopardize an ongoing investigation.</p> <p>Completion Date: June 30, 2017</p>	<p>Implemented and Verified. Complaint status notifications are being sent to complainants in eLicensing and CMS as of June 30, 2017. In addition, the Enforcement Division has updated their standard operating procedures to include the requirement to notify complainants of their complaint status.</p>
Chapter 1-C	<p>Implement a process to review the accuracy of complaint data entered into its complaint tracking systems, including key dates that it uses for internal reporting and to track the timeliness and effectiveness of complaint investigations.</p> <p>Completion Date: N/A</p>	<p>Implemented and Verified. Updates were made to the CMS system in April to restrict access and to automate dates.</p>
Chapter 1-C	<p>To reduce the risk of misinterpretation of its reports on complaints, ensure that those reports include (1) its definition of a complaint and (2) only activities that meet that definition.</p> <p>Completion Date: May 15, 2017</p>	<p>Pending. The Enforcement Division is working with the vendor to allow eLicensing to identify when a complaint is derived from an external or internal source. The standard operating procedures will be updated once eLicensing is changed.</p>
Chapter 2	<p>Ensure that password controls for its complaint systems comply with Department security policies and industry best practices.</p> <p>Completion Date: N/A</p>	<p>Verified and Implemented. The ITS Division made the necessary changes on April 6, 2017, prior to the release of the report.</p>



Texas Department of Motor Vehicles

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Chapter 2	<p>Disable employees' and contractors' access to its complaint systems promptly upon termination of employment or services.</p> <p>Completion Date: N/A</p>	<p>Verified and Implemented. The ITS Division removed access of employees and contractors that were no longer employed or had their services terminated on March 10, 2017. In May 2017, the ITS Division updated its standard operating procedures to include access validations for server and database accounts.</p>
Chapter 2	<p>Ensure that user access privileges for its complaint systems align with users' job duties, and promptly modify user access privileges when users' job duties change.</p> <p>Completion Date: N/A</p>	<p>Verified and Implemented. The ITS Division removed access of employees and contractors that were no longer employed or had their services terminated on March 10, 2017. In May 2017, the ITS Division updated its standard operating procedures to include access validations for server and database accounts.</p>
Chapter 2	<p>Remove access that allows developers to move their own code into the production environment.</p> <p>Completion Date: May 31, 2017</p>	<p>Verified and Implemented. The ITS Division made the necessary changes on May 31, 2017.</p>
Chapter 2	<p>Ensure that its complaint systems contain the applications controls necessary to ensure data integrity and appropriate segregation of duties related to complaint processing.</p> <p>Completion Date: N/A</p>	<p>Verified and Implemented. On April 6, 2017, the ITS Division made the necessary changes to the CMS system to ensure data integrity and appropriate segregation of duties. eLicensing already had those controls.</p>

**Texas Department of Motor Vehicles**

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DATE: August 17, 2017

Action Requested: BRIEFING

To: Texas Department of Motor Vehicles (TxDMV) Board
From: Linda M. Flores, CPA, Chief Financial Officer
Agenda Item: 11
Subject: Staff Review of County and Deputy Compensation

RECOMMENDATION

For information purposes only.

PURPOSE AND EXECUTIVE SUMMARY

In June 2016, the TxDMV Board approved new Subchapter I rules 217.11-217.185 to implement the Processing and Handling (P&H) Fee authorized by Transportation Code 502.1911. The Board requested a six month review of the P&H Fee implementation. The attached overview includes financial impacts to the county and the deputy classifications.

FINANCIAL IMPACT

Registration Transactions have decreased as projected from FY 2016.

- A reduced number of transactions used to calculate county compensation has declined by approximately 4%.
- Single Sticker Phase II – New car sales in FY 2016 have mandatory two-year registrations and will not renew until FY 2018, resulting in fewer registration transactions in FY 2017.
- Counties processing temporary permits receive \$4.75/permit compared to previous compensation of \$1.90/permit.

Full Service Deputies (FSD) are generating slightly less revenue post-rule implementation.

- A reduced number of registration and title transactions experienced by the counties and the state also impact revenue collections by the FSDs.
- FY 2016, statute authorized deputies to charge \$5.00 on registrations. Before the implementation of P&H Fee, revenue collections data for deputies was captured outside of TxDMV's registration and title system and not available for analysis by TxDMV.

Dealer Deputies

- Prior to the implementation of the P&H Fee, TxDMV did not have a method to determine the number of dealers possessing an inventory of plates and registration stickers. The implementation of P&H Fee allows TxDMV to provide data on the current state of deputy usage by county.
- Dealer deputies have processed approximately 551,057 registration transactions for the first six months and have retained approximately \$551,057.

BACKGROUND AND DISCUSSION

In June 2016, the TxDMV Board approved new Subchapter I rules 217.11-217.185 to implement the P&H Fee authorized by Transportation Code 502.1911. The new subchapter also

- Details transactions subject to and exempt from the P&H Fee.
- Sets the P&H Fee at \$4.75 per registration transaction.
- Allocates the fee for registration transactions conducted at the office of the county tax assessor-collector (TAC), or mailed to the TAC, such that the TAC retains \$2.30 of the \$4.75 processing and handling fee and remits the remainder to TxDMV.



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- Discounts the P&H Fee for registration transactions processed through the TxDMV online portal by \$1.00. Of the remaining \$3.75, \$.25 is remitted to the TAC and the balance is remitted to TxDMV.
- Allocates the fee for registration transactions processed by a full service deputy, such that the deputy retains \$1.00 of the P&H Fee, the TAC retains \$1.30 and the remainder is remitted to TDMV.

Conclusion:

Several factors are impacting county and deputy compensation. The major factor impacting compensation is the reduction in the number of registration transactions from the previous year. TxDMV projects the registration renewal cycle will resume growth of 1%-1.5% in FY 2018.

Inclusion of labor and postage savings associated with centralized fulfillment of online transactions would result in a positive impact to the county.

If FY 2017 transactions remained at FY 2016 levels, approximately 685,000 transactions would be added to the observed rates and revenue collections would increase approximately \$1.5 million over the updated estimates of \$45.8 million in county compensation.

During the proposed rule changes, the Governor's Office sent a request that savings be passed onto the fee-paying customer in the form of a fee reduction from the proposal. The TxDMV Board approved a \$1.00 discount for online registration renewals. Fee payers will save approximately \$1.5 million in the first six months of the P&H Fee implementation.

Single Sticker two-year registrations of 1.4 million new vehicles paid a P&H Fee of \$4.75 versus double that amount. As a result, fee payers saved approximately \$6.56 million. Further, these registered vehicles skipped the lines at limited service deputy locations (i.e., grocery stores) and county tax offices in FY 2017, consequently saving the state and its business partners approximately 3 minutes/vehicle or 4.2 million minutes/70,000 hours/\$507,500 (\$7.25 minimum wage) processing these renewal registrations. This allowed our business partners to focus on other operational tasks or more complicated transactions.

Estimated transaction counts, transaction breakouts and revenue will be re-examined at the close of FY 2017 and updated for future analysis.



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Staff Review of County and Deputy Compensation

Finance and Administrative Services Division

August 17, 2017



Texas Department of Motor Vehicles

Vision

“The Texas Department of Motor Vehicles sets the standard as the premier provider of customer service in the nation.”

Mission

“To serve, protect and advance the citizens and industries in the state with quality motor vehicle related services.”

Legislative History

House Bill (HB) 2202, 83rd Legislature, Regular Session, charged the Texas Department of Motor Vehicles (TxDMV) with creating efficiencies, driving down costs, utilizing more modernized processes, and most importantly providing better service to the citizens of Texas.

Senate Bill (SB) 1512, 84th Legislature, Regular Session, created the TxDMV Fund (Fund 0010), and the Texas Department of Motor Vehicles (TxDMV) Board adopted rules establishing a Processing & Handling (P&H) Fee for registration activities to implement these bills.

The intent of HB 2202, 83rd Legislature, Regular Session was for the P&H Fee to:

- *Consolidate add-on fees*
- *End State Highway Fund diversion and increase transportation funding*
- *Streamline the process for the customer*
- *Increase transparency of registration service delivery cost*

The P&H Fee in conjunction with other fees deposited to the credit of the TxDMV Fund are sufficient to cover the cost of administering the department. The cost of registration services for the counties, also known as county compensation, is deducted from the P&H Fee.

Solutions

State

- *Increase State Highway Funding by approx. \$47 mil/year*
- *Replace revenue to the TxDMV to cover cost of statewide registration services*

County

- *Increase county compensation for walk-in registration transactions*
- *Reduce renewal workload for Tax Assessor-Collector (TAC) offices*
- *Continue county equipment from the TxDMV budget*

Shared

- *Reduce online transaction costs for customers*
- *Establish the Performance Quality Recognition Program*

Increase to State Highway Fund (SHF)

	Before P&H	After P&H
Registration Fee	\$ 50.75	\$ 50.75
County Retained	\$ (1.90)	\$ -
Remitted to Fund 006	\$ 48.85	\$ 50.75
Net Gain to Fund 006/year		\$ 47,000,000

County Cost Savings

Plate Replacement Cycle

- Removes requirement to replace license plates
- County savings for postage, handling and plate envelopes
- Replacement plates only issued upon request
- Aligns with statutory requirement for plate replacement fee

County Plate Replacement Savings

Processing for Online and Mail-In Plate Replacements	
Postage (First Class)	\$ 3.74
Envelope	\$ 0.02
Labor	<u>\$ 1.24</u>
	\$ 5.00

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Annual Plate Replacements	135,000	244,125	289,406	355,970	419,350
County Savings	\$ 675,000	\$ 1,221,000	\$ 1,447,000	\$ 1,780,000	\$ 2,097,000

5 Year Savings

\$ 7,220,000

Centralized Online Fulfillment

TAC will no longer be required to:

- Pay for postage and return envelope
- Print registration sticker
- Stuff the return envelope

The registration revenue will continue to be deposited in the county fund and remitted with other registration fees

- Vendor Performance
 - On Demand (Next Day Turn-Around)
 - Financial Penalties – Escrow at risk
 - First failure in 13 months – Escrow at risk
 - Second failure in 13 months – Cash Payment
 - Redundant Process for Print Services
- Optional Service
 - “*Fast Forward*” service –
 - Automatic Address Update to Match USPS
 - No Postage Penalties for Return Mail
 - Ability for Self-Service Online Registration Tracking

Processing & Handling Fee

Registration Transactions Exempt from P&H Fee

- Replacement Registration Stickers
- Registration Transfer
- Exempt Registration
- Vehicle Transit Permit
- Replacement License Plate
- Registration Correction Receipt
- Duplicate Receipt
- Inquiry Receipt
- Inspection Fee Receipt
- Exchange of License Plate (for which no registration fees are collected)

Rule Proposal – County Fiscal Impact

County P&H Revenue compared to existing compensation revenue							
	2017	2018	2019	2020	2021	Total	
Proposed P&H	\$ 49,269,792	\$ 45,408,432	\$ 43,978,152	\$ 41,423,210	\$ 38,781,724	\$ 218,861,310	
Existing Compensation	\$ 54,235,717	\$ 56,063,987	\$ 57,934,899	\$ 60,372,028	\$ 62,603,963	\$ 291,210,594	
Rounded Net Gain/Loss	\$ (4,966,000)	\$ (10,656,000)	\$ (13,957,000)	\$ (18,949,000)	\$ (23,822,000)	\$ (72,349,000)	

County Fiscal Impact							
	2017	2018	2019	2020	2021	Total	
Need to Offset	\$ 4,966,000	\$ 10,656,000	\$ 13,957,000	\$ 18,949,000	\$ 23,822,000	\$ 72,350,000	
Estimated Savings	\$ 4,980,533	\$ 9,156,210	\$ 10,901,976	\$ 13,509,423	\$ 16,166,976	\$ 54,715,117	
Rounded Net Gain/Loss	\$ 15,000	\$ (1,500,000)	\$ (3,055,000)	\$ (5,440,000)	\$ (7,655,000)	\$ (17,635,000)	

Processing & Handling (P&H) Fee (\$4.75) Distribution

	Before P&H		After P&H	
	County	Deputy	County	Deputy
Walk-In	\$ 1.90	\$ -	\$ 2.30	\$ -
Online	\$ 2.90	\$ -	\$ 0.25	\$ -
Mail	\$ 2.90	\$ -	\$ 2.30	\$ -
Limited Service	\$ 1.90	\$ 1.00	\$ 1.30	\$ 1.00
Full Service ¹	\$ 1.90	\$ 5.00	\$ 1.30	\$ 1.00
Dealer	N/A	N/A	\$ 1.30	\$ 1.00
Temporary Permits ²	\$ 1.90	\$ -	\$ 4.75	\$ 4.75

1. Full Service Deputies may charge a \$9.00 convenience fee.

2. Processing entity retains the \$4.75 for Temporary Permits.

Deputy Types



Full Service Deputy (FSD) Provisions

Transactions performed by FSD = *Ability to process all transactions (may be limited by county)* The following counties utilize Full Service Deputies - Bexar, El Paso, Hidalgo, Travis

Compensation

Up to \$20 title/\$10 registration (Initial and renewal) / \$4.75 temporary permits (must publish fees)

Surety Bond Requirements

No less than \$100k or more than \$5 million

Obligations

Must be trained and deemed competent by County TAC to perform services

Contract with county and TxDMV

System Utilized

Registration and Title System (RTS) workstation

State Issued

Dealer Deputy Provisions

Transactions performed by Dealer Deputy = *Title, Initial Registration, Optional Registration Renewal*

Compensation

\$10 title/\$1 registration (Initial and renewal)

Surety Bond Requirements

No less than \$100k or more than \$5 million

Obligations

Must be trained and deemed competent by County TAC to perform services

Other Requirements

Must be a licensed dealer

System Utilized

webDEALER (no charge to Dealers)

Dealer provides computer and printer

Limited Service Deputy Provisions

Transactions performed by Limited Service Deputy = *Registration Renewal*
Compensation

\$1 registration renewal

Surety Bond Requirements

No less than \$2,500 or more than \$1 million

Obligations

Must be trained and deemed competent by County TAC to perform services

System Utilized

webSUB

Business provides computer and printer

Current Observations

TxDMV forecasters examined several metrics to gauge how the P&H rule implementation, effective January 1, 2017 has impacted county and deputy revenue. Although money related to the P&H Fee began to trickle in to the TxDMV in November 2016, significant collections did not occur until January 2017.

Several factors, listed below, have impacted registration collections. Consequently, compensation amounts provided to the counties are less than projected. The implementation of the P&H Fee is not wholly responsible for the observed decline.

- **Reduced number of transactions used to calculate county compensation.**

Overall registration transactions are down 4% from the same period in Fiscal Year (FY) 2016. In addition, transaction revenue is also impacted by the fact that counties are no longer compensated for exempt transactions.¹

- **Single Sticker Phase II impacts of new car two-year registrations.**

In FY 2016, single sticker changed the initial registration period on new cars from one year to two years in the most common registration classes.

¹ Exempt Transactions are transactions not assessed a registration fee and are exempt of the P&H Fee. These include items listed under “Registrations Transactions Exempt from P&H Fee” Section.

Under the provisions of single sticker, new vehicles sold during this year were the first to receive mandatory two-year registration. As a result of program implementation, a large majority of these vehicles (1.4 million) will not be re-registered until FY 2018, thus driving the number of total registrations lower in FY 2017.

- **Increase in the temporary permits revenue to counties.**

The number of temporary permits processed by the counties are down; however, counties receive \$4.75 for each temporary permit, under the P&H rule which is more than double the previous compensation of \$1.90 per transaction.

- **Observed transaction breakouts are different than projected in the rule package.**

County revenue has been helped by a slower than anticipated adoption rate for online transactions. There was also an unforeseen increase in the transactions processed by limited service deputies. The addition of the dealer deputy category now accounts for 4.7% of the transactions where the county receives a lower compensation amount. These changes have impacted compensation received by the counties.

Transaction Trends

In addition to differences in observed **online** transactions from the estimates in the rule package, there have been shifts in other types of transactions.

Walk-in rates have been near the assumed mark, with actual walk-in transaction rates of about 62%, very near the assumed 64%.

Actual **mail-in** rates of near 4% are roughly half of the assumed 8%.

The actual **full service** utilization rate of 4% is in-line with rule estimates of 4%.

Limited service deputy transaction rates were assumed to be 5% in the rule, but actuals are approximately double, at 11%. A wild card in the transaction break-out is the **dealer deputy** category, with actual transaction rates of nearly 5%.

Observed County Transaction Breakout vs. Rule Package Estimate ¹			
Observed		Rule Package Estimate	
Transaction Type	% of Transactions	Transaction Type	2017
Walk-in	62.1%	Walk-in	64.0%
Mail-in	4.1%	Mail-in	8.0%
Online	13.5%	Online	19.0%
Full Service Deputy	4.2%	Full Service Deputy	4.0%
Ltd Service Deputy	11.4%	Ltd Service Deputy	5.0%
Dealer Deputy	4.7%	Dealer Deputy ²	N/A
Total	100.0%	Total	100.0%
1 - Observed since rule implementation			
2 - Dealer Deputy is a new deputy type			

Another contributing factor impacting transactions is the mix of registered vehicles. The state experienced a decline in the registration of several vehicle classes while seeing an increase in others. Motorcycles and light trucks have seen year-over-year declines, but trucks greater than one ton and passenger cars over 6,000 lbs. have seen year-over-year increases. Due to the various base registration fee amounts charged by weight, a change in vehicle mix can offset a reduction in the number of registration transactions.

Summary Registered Vehicle Counts Percent Change FY 2016 to FY 2017			
Registration Class	3rd Qtr	2nd Qtr	1st Qtr
Total Registered Vehicles	0.04%	-1.25%	-1.26%
Passenger < 6,000 lbs	0.22%	-0.82%	-0.88%
Passenger > 6,000 lbs	3.54%	1.54%	1.81%
Motorcycle/ Moped	-0.94%	-2.96%	-3.87%
Trailers	0.42%	-1.70%	-0.51%
Trucks < 1 Ton	-0.88%	-2.13%	-2.20%
Trucks > 1 Ton	4.59%	2.78%	3.83%

State Highway Fund (SHF) Revenue Unchanged Despite Reduced Number of Transactions

Although overall registration transactions are down, State Highway Fund (SHF) registration revenue remains flat. With the implementation of the P&H Fee, the county compensation is now paid from the P&H Fee as opposed to the registration fee. That means the SHF receives the total amount of the base registration fee after flowing through the county road and bridge fee (CRBF) formula, including the \$1.90 previously paid to the counties.

Fiscal Year To Date Estimated Registration & Title Transactions with SHF Registration Revenue				
	FYTD 16	FYTD 17	Delta	% Change
Registration ¹	20,372,763	19,523,423	(849,340)	-4%
Title	6,820,421	6,878,127	57,706	1%
State Highway Fund Reg Revenue	\$ 1,183,541,703	\$ 1,183,123,363	\$ (418,340)	0%
<i>September - June, Fund 0006 State Highway Fund (SHF) Registration Revenue</i>				
<i>1 - Exempts included in FY 16 transaction figures</i>				

Impact on County Compensation

The current snapshot compares actual FY 2016 collections of \$51,550,098 (county commissions & mail-in) with projected FY 2017 revenue of \$45,752,092. The FY 2017 figure does not include estimated county savings associated with the elimination of mandatory plate replacement or a centralized fulfillment of online transactions.

County Commissions - FY 16 Actuals vs Annualized FY 17 Actuals					
		FY 16	FY 17 (Projected)	Delta	% Change
County Commissions	\$	47,073,024			
Mail-in Fee	\$	4,477,074			
	\$	51,550,098	\$	45,752,092	\$
				(5,798,006)	-11.2%

The rule package estimated postage and labor savings for the counties associated with the adoption of centralized fulfillment of online renewal transactions in the amount of (\$4.98 million).

For this analysis, only estimated county savings associated with postage of approximately \$2.1 million is added to the estimated total county compensation figure for FY 2017. As shown in the table below, total compensation rises to approximately \$47.8 million, or 7.2% lower than total FY 2016 compensation.

Based on year-to-date revenue collections, it is estimated that 187 counties have seen a revenue increase while 67 have seen a revenue decline.

Fiscal Year To Date Actuals County Comparison Including Cost Savings Annualized					
	FY 16		FY 17		% Change
Revenues	\$	51,550,098	\$	45,752,092	
Est Postage Cost Savings			\$	2,090,516	
	\$	51,550,098	\$	47,842,608	-7.2%

Other County Revenue

In addition to compensation for processing vehicle registrations, counties receive revenue associated with titles, duplicate receipts, and special plates. For the period of September 2016 through June 2017, counties have collected \$154.5 million for title application fees, delinquent title transfer penalties, special plate commissions, and replacement plates. This amount does not include county optional road and bridge fees or county share of oversize/overweight revenue.

Impact to Full Service Deputies (FSD)

Data and basic assumptions indicate selected FSDs are generating slightly less revenue post-rule implementation compared to pre-rule conditions.

As indicated in the chart below the number of FSD registration and title transactions are down overall when compared to the same period of the previous year, substantiating less overall revenue in January - June 2017.

Full Service Deputy Transaction Comparison Jan - June ¹				
Transaction Type	Jan - June 2016	Jan - June 2017	Delta	% Change
Registrations	298,400	281,994	(16,406)	-5%
Titles	240,182	229,512	(10,670)	-4%
Source: ITSD ad-hoc transaction query				
1 - Cameron County excluded with zero Calendar Year (CY) 17 transactions				

The analysis below reflects total estimated FSD revenue of approximately \$10.4 million on an annualized basis.

Estimated Annual Full Service Deputy Revenue ¹		
Full Service Deputy	Jan-June 2017	Estimated Annual Revenue ²
County AA	\$ 2,725,714	\$ 4,633,713
County BB	\$ 960,280	\$ 1,632,476
County CC	\$ 2,049,563	\$ 3,484,258
County DD	\$ 401,759	\$ 682,990
Grand Total All FSDs	6,137,316	10,433,437
Source: COGNOS and Full Service Deputy Reports 1 - Includes all Full Service Deputy data 2 - 6 months actual revenue annualized to 12 months at 85%		

Prior to the June rule adoption, statute authorized deputies to charge \$5.00 on registrations. Collections for deputies were outside of the Registration and Title System. FSDs would have collected approximately \$1.5 million at the previously authorized rate compared to approximately \$6.1 million shown above for the first six months of P&H Fee implementation.

Full Service Deputies also charge other fees for services such as notary, delivery and surety bonds which are not captured in the amounts above.

Impact to Dealer Deputies

There are currently 485 dealer deputies statewide, in 25 (9.8%) counties. Additionally, there are 1,175 dealers utilizing the webDEALER application, in 88 counties, that are not deputized. There is not a method to determine the number of dealers that had an inventory of plates and registration stickers prior to the June rules creating dealer deputies. Therefore it is difficult to determine the impacts the dealer deputy rules have had on the utilization of this business model prior to the rule adoption. The agency is able to provide data on the current state of dealer deputy usage by county.

Dealer Deputy Revenue ¹

January - June 2017	
Title Conv. Fees	P&H Compensation
\$719,263	\$551,057

1 - COGNOS transaction data.

Dealer deputies have processed approximately 551,057 registration transactions which included the P&H Fee where the dealer retained \$1.00. This resulted in the dealer's compensation for this transaction type of \$551,057 and an associated decrease in the county compensation of a like amount for the January to June 2017 period.

In addition to the compensation from the P&H Fee, certain dealer deputies are authorized to charge vehicle buyers a title convenience fee of up to \$10. There are

currently 102 dealers in 15 counties assessing the title convenience fee. Dealers have collected \$719,263 in title convenience fees for the January to June 2017 period. While the webDEALER application and the dealer deputy provide significant benefits and efficiency to counties and dealers, the consumer does not realize any notable benefits from the dealer deputy business model.

Conclusion

Registration Collections

- There are several factors impacting state, county and business partners registration collections with the reduction in transactions acting as a major driver.
- The updated total estimated county and deputy compensation is based upon observed transaction breakouts and rates.
- State Highway Fund registration revenue and the number of registered vehicles are down slightly or flat this year compared to last, so the assumed number of total compensation transactions in the rule may not be achieved for this fiscal year.
- The original rule package included projected county cost savings for labor and postage associated with centralized fulfillment of online transactions. Inclusion of postage and labor savings to the counties as a result of no longer having to perform the online transactions would result in a positive impact.

- If FY 2017 transactions had remained at FY 2016 levels there would have been approximately 685,000 transactions added to the observed rates. The result would have been an increase in revenue of approximately \$1.5 million over the updated estimates of \$45.8 million.
- Spurred by overall economic activity and natural increases in population, it is anticipated normal registration transaction growth of 1-1.5% will return in FY 2018. Both counties and the department stand to benefit from a resumption in normal growth that is expected to drive revenue collections higher.

Limitations of this analysis include limited full service deputy financial information, underlying assumptions made to prepare this analysis and the use of data snapshots.

Six months of data is not sufficient to form a definitive assessment of the impact of compensation to the counties, and the full service deputy business operations.

Realized Savings

- During the proposed rule changes, the Governor's Office sent a request that savings be passed onto the fee-paying customer in the form of a fee reduction from the proposal. The TxDMV Board approved a \$1.00 discount for online registration renewals. Fee payers will save approximately \$1.5 million in the first six months of the P&H Fee implementation.
- Single Sticker two-year registrations of 1.4 million new vehicles paid a P&H Fee of \$4.75 versus double that amount. As a result, fee payers saved approximately \$6.56 million. Further, these registered vehicles skipped the lines at limited service deputy locations (i.e., grocery stores) and county tax offices in FY 2017, consequently saving the state and its business partners approximately 3 minutes/vehicle or 4.2 million minutes/70,000 hours/\$507,500 (\$7.25 minimum wage) processing these renewal registrations. This allowed our business partners to focus on other operational tasks or more complicated transactions.

Next Steps

Estimated transactions counts, transaction breakouts and transaction revenue will be re-examined at the close of FY 2017 and updated for future years.



Texas Department of Motor Vehicles

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DATE: August 17, 2017

Action Requested: Briefing

To: Texas Department of Motor Vehicles Board (TxDMV)
From: Caroline Love
Agenda Item: 12. A.
Subject: 85th Legislative Implementation

PURPOSE AND EXECUTIVE SUMMARY

This briefing will cover a review of Texas Department of Motor Vehicles (TxDMV) implementation activities as they relate to legislation passed by the 85th Legislature, Regular Session.

FINANCIAL IMPACT

None.

BACKGROUND AND DISCUSSION

The briefing includes the status of implementation efforts. Key dates related to the legislative session and effective dates for bills enacted will be included. The Government and Strategic Communications Division will be providing regular updates throughout the 2018-2019 biennium on the status of implementation efforts.



Texas Department *of* Motor Vehicles
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85th Legislative Implementation

August 17, 2017

85th Legislative Session Update

The 85th Texas State Legislative Session began on January 10, 2017 which started the 140 day process for elected officials to consider changes to state statutes. The legislature adjourned Sine Die on May 29, 2017 and the Governor's opportunity to sign legislation, allow legislation to become law without signature, or veto legislation ended on June 18, 2017.

As outlined in previous meetings, the Texas Department of Motor Vehicles (TxDMV) Board is charged with considering opportunities to improve the operations of the department and recommending statutory changes to the Texas Legislature under Texas Transportation Code, Section 1001.025. TxDMV's Government and Strategic Communications Division worked with all the department's divisions and offices to identify statutory changes the board could recommend. Those changes were also evaluated by stakeholders.

The TxDMV Board adopted a set of legislative recommendations in November 2016. These recommendations were then presented to the Office of the Governor, Lt. Governor, and Speaker; as well as the chairs of the Senate and House Transportation Committees for further consideration during the session. Several of those recommendations were passed by the legislature. This report includes an update on implementation efforts of those measures as well as efforts related to other legislation passing with an impact on department operations and activities.

A. Implementation of TxDMV Board Recommendations to the 85th Legislature

- I. **Registration Code Changes: SB 2075 by Rodriguez (House Sponsor: Pickett)**
 - **Summary:** SB 2075 contains several clean up items, as well as further defining when a county tax assessor-collector office's transactions can be performed by a different county to allow for continuity of services for customers. This legislation allows for printed receipts from online vehicle registration renewal transactions to serve as proof of registration for 30 days (to allow the actual sticker time to be received through the mail). There are also changes resulting from an internal audit

recommendation associated with when counties remit registration fees to the state to align the statute with when fees are processed by the system currently and adjust the time frames accordingly.

- **Implementation:** The TxDMV Board will consider the proposal of rules implementing the definition of county closure for the purpose of assisting customers in the Chapter 217 Texas Administrative Code changes presented at the August 17 meeting. In addition, guidance has been provided to stakeholders regarding the proof of registration and other clean up items contained in the bill.

II. Motor Carrier Registration & Enforcement Changes: HB 3254 by Phillips (Senate Sponsor: Nichols)

- **Summary:** The legislation includes many of the recommendations from the 84th Legislative Session to promote greater efficiency and safety of the motoring public in TxDMV operations as it relates to the motor carrier industry and regulation of the industry. The language covers enforcement of chameleon carriers (i.e., a carrier who changes names or operates under various aliases to continue operations without remedying previous penalties or sanctions, often related to safety), provisions related to renewals and re-application of registration for motor carriers; a requirement for household goods movers to file all tariffs (i.e., what the mover charges a consumer) with the TxDMV rather than just the current requirement of only tariffs for moves between municipalities; and other clarifications.
- **Implementation:** Efforts to implement HB 3254 remain underway within the department.

III. Title Act Changes: SB 2076 by Sen. Rodriguez (House Sponsor: Pickett)

- **Summary:** The legislation changes statute to allow the “Certified Copy of Original Title” (CCO) to serve as the only valid proof of ownership and other various clarifications in statute. This also includes a new recommendations changing statute to reference and conform to the appropriate Code of Federal Regulations regarding odometer disclosure statement requirements, establishes a process to provide for Vehicle Identification Number (VIN) inspections, and further cleans up references to trailer dimensions and definitions of salvage vehicles. In addition

language was added requiring TxDMV to partner with the Texas Department of Public Safety (TxDPS) on a study of the elements related to the titling, registration and inspection of vehicles with recommendations on any elements that could be eliminated due to the legislature by December 2018.

- **Implementation:** The definition of county closure for the purpose of assisting customers as it relates to title transactions, trailer dimensions, and the salvage titling clean ups will be proposed in the Chapter 217 Texas Administrative Code changes presented at the August 17 meeting of the TxDMV Board. TxDMV and TxDPS staff will meet on August 10 to discuss the requirements of the study and begin the process of developing the associated report. The TxDMV Board will consider the adoption of rules implementing the VIN inspection process through the addition of Chapter 217.144 establishing an Identification Number Inspection in the Texas Administration Code at an upcoming meeting. The effective date of the CCO language has a delayed effective date of January 1, 2019 to allow for programming and communications related to the change, and implementation efforts remain ongoing.

IV. Lemon Law: HB 2070 by Smithee (Senate Sponsor: Watson)

- **Summary:** The legislation provides for statutory clarifications; as well and simplification of a vehicle's qualifications for Lemon Law status. HB 2070 will help Texas statutes reflect practices adopted in other states.
- **Implementation:** Efforts to implement HB 2070 remain underway.

V. Seized Disabled Parking Placard Process: HB 1790 by Pickett (Senate Sponsor: Rodriguez)

- **Summary:** The bill clarifies TxDMV's role when disabled parking placards are seized by law enforcement and removes outdated practices.
- **Implementation:** Staff has implemented the efforts associated with this legislation.

VI. Notification to Demolish Vehicle Process Changes: HB 3131 by Martinez (Senate Sponsor: Rodriguez)

- **Summary:** This legislation removes a redundant requirement that the department must send notice to an applicant who has been identified as the owner of a vehicle. This legislation was based upon feedback from the industry and stakeholders.
- **Implementation:** Staff continues to work on implementation efforts and guidance to counties related to this legislation.

VII. TxDMV Own/Control Real Property: SB 1349 by Watson/HB 3689 by Pickett

- **Summary:** The department continued to work closely with the Office of the Governor and the Texas Department of Transportation (TxDOT) to identify a solution for housing TxDMV headquarters operations. The legislation allows TxDMV to accept property from TxDOT, and for TxDMV to maintain, improve and have control over such property. The transfer from TxDOT would apply only to the Camp Hubbard location in Austin, where TxDMV headquarters is currently housed.
- **Implementation:** This legislation is effective and TxDMV will continue to coordinate closely with TxDOT on the continued implementation of this legislation.

B. Implementation of Other 85th Legislative Items

Several other pieces of legislation passed by the 85th Legislature will have an impact on TxDMV operations. These include, but are not limited to:

- **HB 561** by Murphy which allows for the use of small utility vehicles by delivery and logistics companies in residential communities to provide for more efficient package delivery services. This bill amends current law relating to the operation of certain vehicles used for package delivery and authorizes a \$25 license plate fee for such small utility vehicles. The TxDMV Board will consider the proposal of rules implementing this legislation in the Chapter 217 Texas Administrative Code changes presented at the August 17 meeting.
- **HB 1247** by Pickett outlines the notification requirements applicable to a vehicle storage facility in possession of an impounded vehicle registered in another state. This bill requires a vehicle storage facility operator to send the notice to an address

obtained from the applicable governmental or private entity that has access to the relevant vehicle information and by providing for the circumstances under which the operator may provide notice by publication. Guidance has been provided to counties on these new requirements and this legislation has been implemented.

- **SB 1062** by Perry allows for vehicle title transfer documentation to be processed either electronically or by paper. The legislation also references the appropriate federal regulations regarding odometer disclosure statements, which is also reflected in SB 2076 by Rodriguez. The effective date of this legislation is January 1, 2018 to allow for associated programming and implementation efforts.
- **HB 1959** by Thompson requires the department to conduct a study that identifies and assesses alternative procedures for commercial vehicle registration, licensing, and permitting. In addition it authorizes TxDMV to collaborate with another state agency or a research division of an institution of higher education in Texas to conduct the study. The study is due to the legislature by December 2021. In addition, if the study provides a pilot would be feasible, such a pilot could be conducted with a report to the legislature due by December 2022.
- **HB 2663** by Pickett allows for counties to issue a replacement vehicle registration sticker without a fee if it is determined by the county that the renewed sticker was not received by the customer in the mail, either through an online or mail-in renewal transaction. Guidance was provided to counties on this item and has been implemented.
- **HB 4102** by Neave provides an opportunity for individuals to voluntarily contribute to a grant program at the time of vehicle registration to help fund the testing of evidence collected in relation to sexual assaults or other sex offenses and authorizes voluntary contributions by the Texas Department of Public Safety. Language was added allowing for opportunities to voluntarily contribute to the Ending Homelessness Fund at the time of vehicle registration as well. Implementation efforts remain underway.
- **SB 1524** by Nichols provides for overweight shipment of sealed containers from production facilities proximate to the ports of entry. The legislation creates a permit authorizing the movement of a sealed intermodal shipping container moving in

international transportation not more than 30 miles from an applicable port of entry. The \$6,000 permit fee is distributed to the State Highway Fund and local entities to compensate for road damage, including 4% (\$240) of every permit being deposited to the TxDMV Fund to cover the costs of issuing the program. The TxDMV Board will consider the proposal of rules implementing this Intermodal Shipping Container Port Permit in the Chapter 219 Texas Administrative Code changes presented at the August 17 meeting.

- **SB 1001** by Larry Taylor allows for trailers up to 7,500 lbs gross vehicle weight rating to be exempt from state safety inspection requirements. This is an increase from 4,500 lbs gross vehicle weight rating and will require programming updates. Implementation efforts remain underway.
- **SB 1383** by Perry creates a permit authorizing the movement of fluid milk by a truck-tractor and semitrailer combination that, in addition to other criteria, is not heavier than 90,000 pounds. The TxDMV Board will consider the proposal of rules implementing this Fluid Milk Transport Permit in the Chapter 219 Texas Administrative Code changes presented at the August 17 meeting.
- **HB 2319** by Paddie creates a permit allowing the movement of sealed ocean cargo shipping containers on specific roadways in Northeast Texas. The TxDMV Board will consider the proposal of rules implementing this North Texas Intermodal Permit in the Chapter 219 Texas Administrative Code changes presented at the August 17 meeting.

In addition, 11 pieces of legislation are poised to be passed by the 85th Legislature creating 44 new specialty license plates. Of those, seven bills relate to special military plates creating 40 such new plates. The remaining four plates relate to new “Back the Blue”, State of Texas Award recipients, Blessed are the Peacemakers, and justices of the peace specialty license plates. The department is prepared to offer these plates by September 1, 2017.

The Government and Strategic Communications Division will continue to provide regular updates on legislative implementation efforts.



Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

DATE: August 17, 2017

Action Requested: Briefing

To: Texas Department of Motor Vehicles Board (TxDMV)
From: Caroline Love
Agenda Item: 12. B.
Subject: Updates from the 85th Legislature – Frist Called Session

PURPOSE AND EXECUTIVE SUMMARY

This briefing will cover a review of activities of the 85th Legislature, First Called Session as they relate to any legislation filed or being considered which could impact the Texas Department of Motor Vehicles (TxDMV).

FINANCIAL IMPACT

None.

BACKGROUND AND DISCUSSION

The briefing includes the status of any key legislation and outcomes. Key dates related to first called session will be included. The Government and Strategic Communications Division will continue to provide updates on any actions related to the first called session and impacts to TxDMV.



Texas Department *of* Motor Vehicles

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Updates from the 85th Legislature – First Called Session

August 17, 2017

85th Legislature First Called Session

On June 6, 2017 Governor Greg Abbott announced he would call the 85th Legislature back to Austin for a 30-day special session to begin on Tuesday, July 18th. He subsequently filed two proclamations setting the agenda for this First Called Session which include several items, including the extension of five medical oversight agencies through the Sunset Review process, pay raises for teachers, property tax relief, and other items per the proclamation issued by the governor.

An item from one of the proclamations includes “legislation adjusting the scheduling of Sunset Commission review of state agencies.” SB 28 by Van Taylor filed for this special session adjusts the Sunset review cycles of five agencies, including changing the Texas Department of Motor Vehicles (TxDMV) Sunset review date from 2019 to 2023.

SB 28 was heard on August 4 in the Senate Business & Commerce Committee. At the time of this submission, the legislation was voted out of committee with no changes. However, it was indicated an amendment may be considered by the full Senate to maintain the current 2019 Sunset review date for TxDMV, noting the department has not been reviewed since its creation in 2009 and that this review would align well with the Texas Department of Public Safety review scheduled for 2019. TxDMV staff remain on target for completing our Self Evaluation Report, which is due September 1, 2017 if we remain on the current review cycle.

On other legislation with subjects falling outside the proclamations, HB 161 by Pickett has been filed outlining the process counties would need to follow if a county commissioners court determines they would no longer like to participate in the Low Income and Repair Assistance Program (LIRAP) offered by the Texas Commission on Environmental Quality (TCEQ). This would require system programming to adjust the amount due at the time of registration (a county’s participation in LIRAP is an additional \$6 fee to the motorist). HB 161 was heard in the House Environmental Regulation Committee on July 26, and TxDMV served as a resource witness. This legislation is not part of the proclamations for the special session and remains pending any further action in committee at this time.

Additionally, HB 221 by Pickett was filed which updates state laws to reflect changes made by the Federal Fast Act related to vehicle size and weight limits. This legislation is a refile of HB 1789 from the regular session and reflects the TxDMV Board recommendation to update state statutes to conform to federal laws. The House Transportation Committee met on July 27 and considered this legislation, which is also not part of the proclamations for the special session and remains pending any further action in committee at this time.

Lastly, Sen. Huffines filed SB 58 which repeals statutes requiring vehicles to obtain a state safety inspection. This legislation is not part of the special session proclamations and no activity has occurred advancing the bill. GSC will continue to provide regular updates on special session activities.

The Government and Strategic Communications Division will continue to provide regular updates on legislative implementation efforts.



DATE: August 17, 2017

Action Requested: Briefing Only

To: Texas Department of Motor Vehicles Board (TxDMV)
From: Judy Sandberg, Enterprise Project Management Office Director
Agenda Item: 13 Projects and Operations
Subject: Enterprise Projects Update

RECOMMENDATION

This is a briefing only and no decisions or actions are requested.

PURPOSE AND EXECUTIVE SUMMARY

The purpose of this briefing is to provide an update on enterprise projects. The report includes:

- A dashboard for each active project
- A list of closed projects
- Timeline for planning portfolio for fiscal years (FY) 18/19
- Glossary
- Definitions for dashboard indicator colors.

FINANCIAL IMPACT

As shown on the Portfolio Trend dashboard, all active projects are within budget and are on target to end within budget.

BACKGROUND AND DISCUSSION

The following projects are on schedule and within budget:

1. Application Migration Server Infrastructure Transformation (AMSIT) to end by 8/31/2017
2. webDealer to end by 04/30/2018
3. Refactored RTS to end by 12/31/2018.

Planning for new projects for fiscal years (FY) 2018/2019 is in progress. The FY18/19 Portfolio Schedule will be discussed at the August 27, 2017 executive Governance Team meeting. The following initiatives have been funded and may be assigned to the EPMO to manage as projects in addition to webDealer and Refactored RTS:

1. webLien
2. Call Center Upgrade
3. Kiosk Pilot
4. Enterprise Reporting
5. Fraud Data Dashboard
6. External Web Site Renovation
7. Mobile App
8. E-Renewals/e-Reminders

Enterprise Projects Update

August 17, 2017

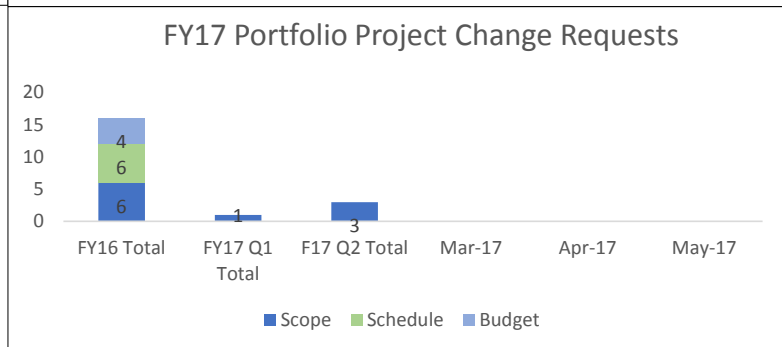
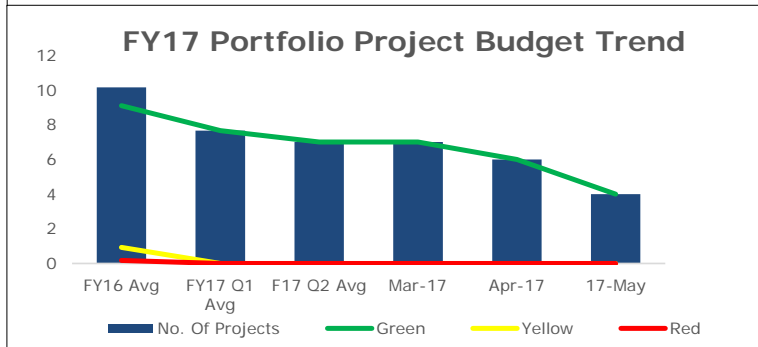
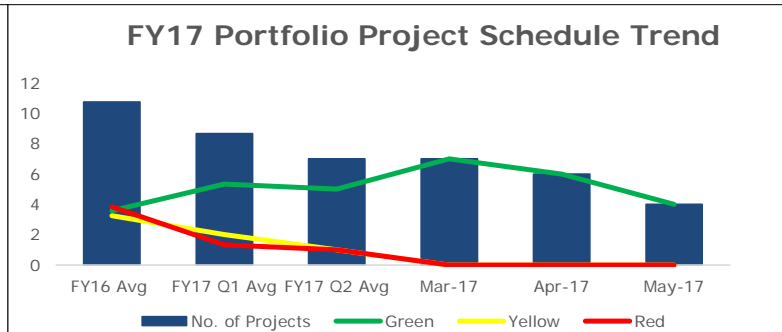
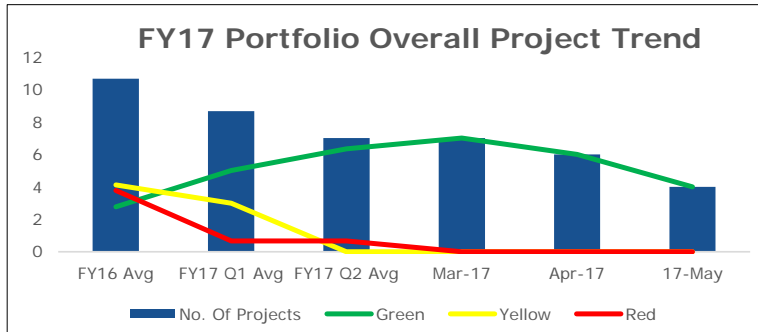


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TXDMV Portfolio Trend





AMSIT	Benefits to Public	Benefits to Agency
<p>AMSIT plans and implements the separation of TxDMV applications and related IT infrastructure components from TxDOT.</p> <p>Project Manager – R. Abdeladim Business Owner – T. Benavides Executive Sponsor – E. Obermier</p>	<ul style="list-style-type: none"> Improved agility to meet customers' needs with system autonomy. Improved service quality with stabilized environment. 	<ul style="list-style-type: none"> Streamlined support processes and enhanced automation. Improved information security. Compliance with state mandates related to Data Center transformation.

AMSIT Budget

Source: Capital
Total External Budget: \$7,353,955
Expenditures: \$1,453,873
Encumbrances: \$1,156,740
Budget Remaining: \$4,743,342

AMSIT Project Per Cent Complete

Work Done 95%

Duration Elapsed 95%

PSD – 1/1/16

Budget Used 36%

Expenditures 20%

Encumbrances 16%

May 2017 Status

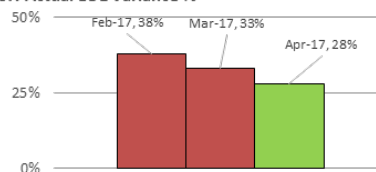
Overall Schedule Budget Scope Risk

December 2016 to April 2017 Trend Line

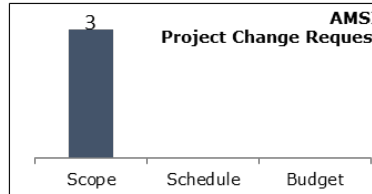


Initiating	✓
Planning	✓
Executing	
Closing	

AMSIT Actual LOE Variance %



AMSIT Project Change Requests



Accomplishments

- NSOC is 100% complete
- Secure webSub is 100% complete.
- Secure eTag is 100% complete.
- FTP and SFTP as is migrations are 90% complete.
- Novell to Windows migration is 80% complete.

Milestones – Next 30 Days

- Finish remaining 10% of FTP and SFTP as is migrations.
- Finish remaining 20% of Novell to Windows migration including MailMan for MCD.
- Obtain remaining vendor deliverables.
- Close Project.
- Hand off to IT for warranty oversight and support.

Risk/Issues

R₁ – Novell to Windows, there is the risk that unknown items will continue to be identified.

Mitigation/Corrective Action

R₁ – Risk is being closely monitored on an daily basis.

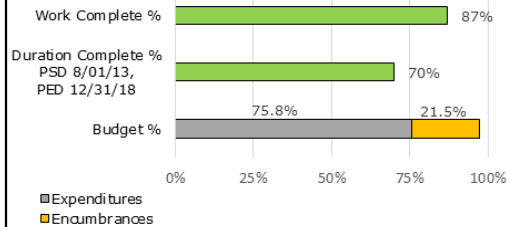


RTS Refactoring	Benefits to Public	Benefits to Agency
<p>RTS Refactoring will refresh the RTS technology by modernizing the core RTS system and provide business intelligence reporting capabilities.</p> <p>Project Manager – T. Beckley Business Owner – J. Kuntz Executive Sponsor– W. Brewster</p>	<ul style="list-style-type: none"> Improved customer service (system modernization provides opportunities for increased efficiency when implementing improvements). 	<ul style="list-style-type: none"> Modernization of the RTS system. Business intelligence reporting capabilities. Transitions RTS from TxDOT to the TxDMV infrastructure.

RTS Refactoring Budget

Source: Automation
Total External Budget: \$62,020,840
Expenditures: \$46,981,037
Encumbrances: \$13,148,952
Budget Remaining: \$1,890,851

RTS Project % Complete



May 2017 Status

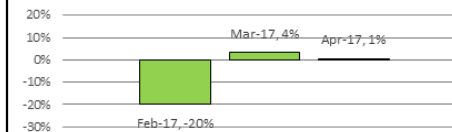


December 2016 to April 2017 Trend Line

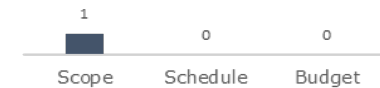


	WS2+	WS4-8.9.0	WS4-8.10.0	WS4-9.0
Req	✓	✓	✓	Y
Design	✓	✓	✓	
Devel	✓	✓	R	
Test	✓	✓		
Deploy	✓	✓		

RTS Actual LOE Variance %



RTS Refactoring Project Change Requests



Accomplishments – Last 30 Days

- Continuing development on August release 8.10.
- Requirements gathering has commenced on November release 9.0.

Milestones – Next 30 Days

- Continue development for release 8.10.
- Continue requirements gathering for Release 9.0.

Risk/Issues

R₁ – Legislative mandates requiring a September 1, 2017 or January 1, 2018 implementation date may impact the planned RTS release schedule, which will also impact the webDEALER schedule.

I₁ – August release 8.10 is behind because workload exceeds staff capacity.

Mitigation/Corrective Action

R₁ – Monitor legislative activities and communicate any changes impacting project schedule to other projects and coordinate changes appropriately.

I₁ – Obtained executive approval to hire 5 contractors to increase capacity. To date, 4 of 5 contractors hired. Within project budget.

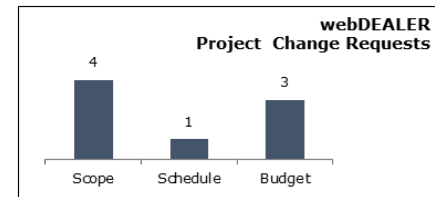
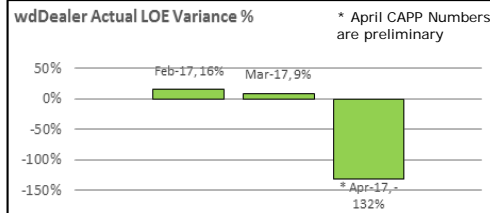
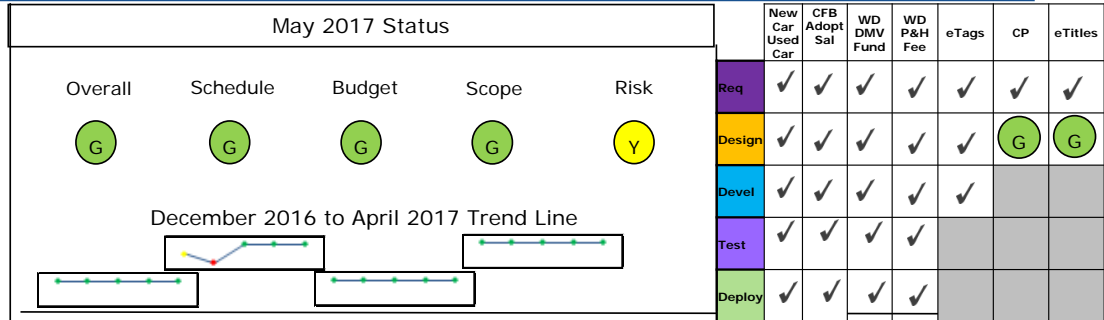
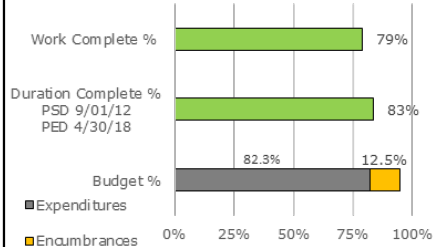
webDEALER	Benefits to Public	Benefits to Agency
<p>webDEALER allows a vehicle title to be created, stored and transferred in electronic form, improving the accuracy of the titling process.</p> <p>Project Manager – G. Wessels Business Owner – T. Thompson Executive Sponsor – J. Kuntz</p>	<ul style="list-style-type: none"> Reduced costs for titling and registration services from motor vehicle sales. Improved titling and registration time by reducing manual processes. 	<ul style="list-style-type: none"> Reduced costs for the county tax office and TxDMV to title and register vehicles. Improved system to track and manage registration and title services from Motor Vehicle Sales. Eliminates RSPS-DTA Processes.



webDEALER Budget

Source: Automation
Total External Budget: \$6,257,079
Expenditures: \$5,146,922
Encumbrances: \$781,867
Budget Remaining: \$328,290

webDEALER % Project Complete



Accomplishments – Last 30 Days	Risk/Issues	Mitigation/Corrective Action
<ul style="list-style-type: none"> Completed Server Architecture Design and Placed Request For Service (RFS) Completed eTAG Development. 	<p>R₁ – WD, AMSIT and RTS Project Schedules, Resource Sharing and Operational needs may impact the SDLC Milestone Project Schedule.</p> <p>R₂ – eTag release may cause an issue with the DB2 server due to the additional load, which may delay the Nov 2017 Release.</p> <p>R₃ – Legislative mandates requiring a September 1, 2017 or January 1, 2018 implementation date may impact the webDEALER Release Schedules.</p>	<p>R₁ – eTAG/C/P Release – Closely manage critical resource plan allocations vs. actual detailed efforts to the WBS between AMSIT and WD Projects. eTitles Release – Starting early review of high level design requirements. Compare WBS/LOE to previous estimate and reconcile as appropriate.</p> <p>R₂ –Conduct DB2 Architectural Design Review. Perform LAST on DB2 prior to Nov 2017 Release.</p> <p>R₃ – Monitor legislative activities and communicate any changes impacting webDEALER Release Schedules to webDEALER ESC.</p>
Milestones– Last 30 Days		
<ul style="list-style-type: none"> Design and begin procurement process. Started Centralized Payment (CP) Design. Continue CP and eTAG RTS Release 9.0 coordination. 		



FY 2017 Closed Projects

- ❑ Governance Team Meeting October 20, 2016
 - FileNet Project
- ❑ Governance Team Meeting December 21, 2016
 - CAPPS HR Project
- ❑ Governance Team Meeting March 27, 2017
 - LACE Replacement Project (effective 03/31/17)
- ❑ Governance Team Meeting April 24, 2017
 - Single Sticker Phase II
 - Facility Physical Security
- ❑ Governance Team Meeting May 22, 2017
 - County Equipment Refresh Project

Timeline for FY18/19 Portfolio of Projects

Date	Status	Action
5.29.17	Done	Sine Die. Legislative session ends.
6.18.17	Done	Last day Governor may sign or veto bills. Indicator of which projects or initiatives are funded.
6.26.17	Done	Executive Governance Team authorizes 8 funded initiatives to be governed as projects and to proceed to scope definition.
8.4.17	On Target	Workgroups for 8 projects define scope definitions and initial staff resource needs.
8.14.17	On Target	Executive Sponsors brainstorm start dates for 8 projects.
8.28.17	On Target	Executive Governance Team determines which projects are approved to begin and authorizes start dates.
9.1.17	On Target	Start of FY18/19 Biennium for projects.





Glossary



API – Application Programming Interface	M – Migration	SOW – Statement of Work
AMSIT – Application Migration Server Infrastructure Transformation	M - Mitigation	SS PII - Single Sticker Phase II
BA – Business Analyst	MCD – Motor Carrier Division	TAC – Tax Assessor Collector
BAFO – Best and Final Offer	M/CA – Migration/Corrective Action	TCEQ - Texas Commission on Environmental Quality
BRD - Business Requirements Document	MS - Mitigation Strategy	TPDF - Texas Project Delivery Framework
C ³ – Consolidated Call Center	NIM – Nice Information Management	TS - Registration and Titling System
CA - Corrective Action	NSOC - Network Security Operations Center	TxiRP – Texas International Registration Plan
CCB - Courtesy Callback	MVD – Motor Carrier Division	TxDOT – Texas Department of Transportation
DCS – Data Center Services	OAG - Office of Attorney General	UAT - User Acceptance Testing
CAPPS - Centralized Accounting and Payroll/Personnel System	OOS – Out of State	VTR – Vehicle Title and Registration Division
CERP – County Equipment Refresh Program	P&H – Process and Handling	WD - webDEALER
CIO - Chief Information Officer	PCR – Project Change Request	WFM – Work Force Management
CPO - Chief Projects Officer	PED – Project End Date	WS – Work Stream
CPA - Comptroller of Public Accounts	PM - Project Manager	WS2+ – Work Stream 2+
CPU – Central Processing Unit	PMLC - Project Management Life Cycle	WS4 – Work Stream 4
CRD – Consumer Relations Division	PMP - Project Management Professional	Y – Yellow (Status)
DB2 – IBM Database Server Products	PO – Purchase Order	
DCS – Data Center Services	POCN - Purchase Order Change Notice	
DEV Development	RQAT - Quality Assurance Team	
DIR - Department of Information Resources	PSD – Project Start Date	
DPS - Department of Public Safety	R – Red (Status)	
DTA – Dealer Title Application	R – Risk	
ENF - Enforcement	R/I – Risk/Issue	
EPMO - Enterprise Project Management Office	R/T - Registration and Title	
ERQ – Enterprise Reporting Quarter	RFO – Request For Offer	
ESC – Executive Steering Committee	RO – Regional Office	
FAQ – Frequently Asked Questions	RSPS – Remote Sticker Printing System	
FTE – Full Time Equivalent	RRTS - Refactored RTS	
G – Green (Status)	RSC – Regional Service Center	
GT – Governance Team	RTS - Registration & Title System	
HB – House Bill	QAT – Quality Assurance Team	
HEB - Howard E Butt Grocery Stores	QTR – Quarter	
HR – Human Resources	SIT – System Integration Test	
I – issue	SAT - System Acceptance Testing	
IAM – Identity and Access Management	SCC – Salvage Common Checkout	
IT – Information Technology	SDLC - Systems Development Life Cycle	
ITSD – Information Technology Services Division	SDLC – Software Development Life Cycle	
Jama - Product management software developed By Jama S/W Co.	SMS – Security Management System	
JIRA – Issue Tracking Software developed By Atlassian	SOP – Standard Operating Procedures	
LACE - Licensing, Administration, Consumer Affairs, and Enforcement		
LAST - Load and Stress Testing		
LPAR – Logical Partition		



Project Category Dashboard Indicators

Category	Blue (Closed Projects) 	Green 	Yellow 	Red 
Budget	Cost Variance (Budget to Spend ratio) is 0% or less, i.e. does not exceed authorized budget	Cost variance is trending to 0% or less.	Cost variance is trending to exceed authorized budget by 1 to 14% by project end date	Cost variance is trending to exceed authorized budget by 15% or more by project end date
Schedule	Duration variance is 0% or less and project finished by/before project end date	Project is on schedule to end by approved end date (Schedule Variance is 0% or less)	Project Schedule is behind by 1-2 weeks and/or risk to project end date is low to medium.	Project Schedule is behind by 2 weeks or more and/or risk to project end date is high.
Scope	Chartered scope is delivered, no more, no less unless project change management was applied through governance	Project is on target to deliver chartered scope, no more, no less or project change management was applied through governance	Chartered scope is at medium risk of not being fully delivered by end date or unmanaged scope creep is evident	Chartered scope is at high risk of not being fully delivered by end date or unmanaged scope creep is causing overruns on cost, schedule, and/or LOE
Resources	Actual Level of Effort (LOE) variance is +/-10% of planned LOE.	Actual Level of Effort (LOE) variance is =/< 14.9% of planned LOE.	Actual Level of Effort (LOE) variance is >15% but < 19.9 % of planned LOE.	Actual Level of Effort (LOE) variance is > 20% of planned LOE
<i>Negative LOE can mean resources are not available as planned</i>				
Risks / Issues (Severity = Probability x Impact)	All Risks/Issues are Mitigated/Addressed or transferred to new owner in closeout report	All risks/issues are severity level low and have mitigation strategies/corrective action plans and owners.	1 or more Risks/Issues related to cost, schedule, or scope has a medium severity level	1 or more Risks/Issues related to cost, schedule, or scope has a high severity level
Overall	All other categories are blue	Budget, Scope and Schedule are green	Budget or Schedule or Scope is yellow	Budget or Schedule or Scope are red



Board Policy Documents

[Governance Process](#) (10/13/11)

[Strategic Planning](#) (10/13/11)

[Board Vision](#) (4/7/16)

[Agency Boundaries](#) (9/13/12)

[KPIs](#) (9/12/14)

Texas Department of Motor Vehicles TxDMV Board Governance Policy

1. PURPOSE

The directives presented in this policy address board governance of the Texas Department of Motor Vehicles (TxDMV).

2. SCOPE

The directives presented in this policy apply to the TxDMV Board and TxDMV agency personnel who interact with the Board. The TxDMV Board Governance Policy shall be one that is comprehensive and pioneering in its scope.

3. POLICY

3.1. TxDMV Board Governing Style

The Board shall govern according to the following general principles: (a) a vision for the agency, (b) diversity in points of view, (c) strategic leadership, providing day-to-day detail as necessary to achieve the agency vision, (d) clear distinction of Board and Executive Director roles, (e) collective decision making, (f) react proactively rather than reactively and with a strategic approach. Accordingly:

- 3.1.1. The Board shall provide strategic leadership to TxDMV. In order to do this, the Board shall:
 - 3.1.1.1. Be proactive and visionary in its thinking.
 - 3.1.1.2. Encourage thoughtful deliberation, incorporating a diversity of viewpoints.
 - 3.1.1.3. Work together as colleagues, encouraging mutual support and good humor.
 - 3.1.1.4. Have the courage to lead and make difficult decisions.
 - 3.1.1.5. Listen to the customers and stakeholders needs and objectives.
 - 3.1.1.6. Anticipate the future, keeping informed of issues and trends that may affect the mission and organizational health of the TxDMV.
 - 3.1.1.7. Make decisions based on an understanding that is developed by appropriate and complete stakeholder participation in the process of identifying the needs of the motoring public, motor vehicle industries,

and best practices in accordance with the mission and vision of the agency.

- 3.1.1.8. Commit to excellence in governance, including periodic monitoring, assessing and improving its own performance.
- 3.1.2. The Board shall create the linkage between the Board and the operations of the agency, via the Executive Director when policy or a directive is in order.
- 3.1.3. The Board shall cultivate a sense of group responsibility, accepting responsibility for excellence in governance. The Board shall be the initiator of policy, not merely respond to staff initiatives. The Board shall not use the expertise of individual members to substitute for the judgment of the board, although the expertise of individual members may be used to enhance the understanding of the Board as a body.
- 3.1.4. The Board shall govern the agency through the careful establishment of policies reflecting the board's values and perspectives, always focusing on the goals to be achieved and not the day-to-day administrative functions.
- 3.1.5. Continual Board development shall include orientation of new Board members in the board's governance process and periodic board discussion of how to improve its governance process.
- 3.1.6. The Board members shall fulfill group obligations, encouraging member involvement.
- 3.1.7. The Board shall evaluate its processes and performances periodically and make improvements as necessary to achieve premier governance standards.
- 3.1.8. Members shall respect confidentiality as is appropriate to issues of a sensitive nature.

3.2. TxDMV Board Primary Functions/Characteristics

TxDMV Board Governance can be seen as evolving over time. The system must be flexible and evolutionary. The functions and characteristics of the TxDMV governance system are:

- 3.2.1. Outreach
 - 3.2.1.1. Monitoring emerging trends, needs, expectations, and problems from the motoring public and the motor vehicle industries.
 - 3.2.1.2. Soliciting input from a broad base of stakeholders.

3.2.2. Stewardship

- 3.2.2.1. Challenging the framework and vision of the agency.
- 3.2.2.2. Maintaining a forward looking perspective.
- 3.2.2.3. Ensuring the evolution, capacity and robustness of the agency so it remains flexible and nimble.

3.2.3. Oversight of Operational Structure and Operations

- 3.2.3.1. Accountability functions.
- 3.2.3.2. Fiduciary responsibility.
- 3.2.3.3. Checks and balances on operations from a policy perspective.
- 3.2.3.4. Protecting the integrity of the agency.

3.2.4. Ambassadorial and Legitimizing

- 3.2.4.1. Promotion of the organization to the external stakeholders, including the Texas Legislature, based on the vision of the agency.
- 3.2.4.2. Ensuring the interests of a broad network of stakeholders are represented.
- 3.2.4.3. Board members lend their positional, professional and personal credibility to the organization through their position on the board.

3.2.5. Self-reflection and Assessment

- 3.2.5.1. Regular reviews of the functions and effectiveness of the Board itself.
- 3.2.5.2. Assessing the level of trust within the Board and the effectiveness of the group processes.

3.3. Board Governance Investment

Because poor governance costs more than learning to govern well, the Board shall invest in its governance capacity. Accordingly:

- 3.3.1. Board skills, methods, and supports shall be sufficient to ensure governing with excellence.

- 3.3.1.1. Training and retraining shall be used liberally to orient new members, as well as maintain and increase existing member skills and understanding.
- 3.3.1.2. Outside monitoring assistance shall be arranged so that the board can exercise confident control over agency performance. This includes, but is not limited to, financial audits.
- 3.3.1.3. Outreach mechanisms shall be used as needed to ensure the Board's ability to listen to stakeholder viewpoints and values.
- 3.3.1.4. Other activities as needed to ensure the Board's ability to fulfill its ethical and legal obligations and to represent and link to the motoring public and the various motor vehicle industries.
- 3.3.2. The Board shall establish its cost of governance and it will be integrated into strategic planning and the agency's annual budgeting process.

3.4. Practice Discipline and Assess Performance

The Board shall ensure the integrity of the board's process by practicing discipline in Board behavior and continuously working to improve its performance. Accordingly:

- 3.4.1. The assigned result is that the Board operates consistently with its own rules and those legitimately imposed on it from outside the organization.
 - 3.4.1.1. Meeting discussion content shall consist solely of issues that clearly belong to the Board to decide or to monitor according to policy, rule and law. Meeting discussion shall be focused on performance targets, performance boundaries, action on items of Board authority such as conduct of administrative hearings, proposal, discussion and approval of administrative rule-making and discussion and approval of all strategic planning and fiscal matters of the agency.
 - 3.4.1.2. Board discussion during meetings shall be limited to topics posted on the agenda.
 - 3.4.1.3. Adequate time shall be given for deliberation which shall be respectful, brief, and to the point.
- 3.4.2. The Board shall strengthen its governing capacity by periodically assessing its own performance with respect to its governance model. Possible areas of assessment include, but are not limited to, the following:
 - 3.4.2.1. Are we clear and in agreement about mission and purpose?

- 3.4.2.2. Are values shared?
- 3.4.2.3. Do we have a strong orientation for our new members?
- 3.4.2.4. What goals have we set and how well are we accomplishing them?
- 3.4.2.5. What can we do as a board to improve our performance in these areas?
- 3.4.2.6. Are we providing clear and relevant direction to the Executive Director, stakeholders and partners of the TxDMV?
- 3.4.3. The Board Chair shall periodically promote regular evaluation and feedback to the whole Board on the level of its effectiveness.

Texas Department of Motor Vehicles Strategic Planning Policy

1. PURPOSE

The directives presented in this policy address the annual Strategic Planning process at the Texas Department of Motor Vehicles (TxDMV).

2. SCOPE

The directives presented in this policy apply to the TxDMV Board and TxDMV agency personnel who interact with the Board. TxDMV Strategic Planning Policy attempts to develop, document and expand its policy that is comprehensive in its scope in regards to the strategic planning process of the Board and the Department beyond that of the state strategic planning process.

3. POLICY

3.1. TxDMV Board Strategic Planning

This policy describes the context for strategic planning at TxDMV and the way in which the strategic plan shall be developed and communicated.

- 3.1.1. The Board is responsible for the strategic direction of the organization, which includes the vision, mission, values, strategic goals, and strategic objectives.
- 3.1.2. TxDMV shall use a 5-year strategic planning cycle, which shall be reviewed and updated annually, or as needed.
- 3.1.3. The 5-year strategic plan shall be informed by but not confined by requirements and directions of state and other funding bodies.
- 3.1.4. In developing strategic directions, the Board shall seek input from stakeholders, the industries served, and the public.
- 3.1.5. The Board shall:
 - 3.1.5.1. Ensure that it reviews the identification of and communication with its stakeholders at least annually.
 - 3.1.5.2. Discuss with agency staff, representatives of the industries served, and the public before determining or substantially changing strategic directions.

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- 3.1.5.3. Ensure it receives continuous input about strategic directions and agency performance through periodic reporting processes.
 - 3.1.6. The Board is responsible for a 5-year strategic plan that shall identify the key priorities and objectives of the organization, including but not limited to:
 - 3.1.6.1. The creation of meaningful vision, mission, and values statements.
 - 3.1.6.2. The establishment of a Customer Value Proposition that clearly articulates essential customer expectations.
 - 3.1.6.3. A Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis, to be updated annually.
 - 3.1.6.4. An assessment of external factors or trends (i.e., customer needs, political factors, economic factors, industry trends, technology factors, uncertainties, etc.)
 - 3.1.6.5. Development of the specific goals and objectives the Department must achieve and a timeline for action.
 - 3.1.6.6. Identification of the key performance indicators to measure success and the initiatives that shall drive results.
 - 3.1.6.7. Engage staff at all levels of the organization, through the executive director, in the development of the strategic plan through surveys, interviews, focus groups, and regular communication.
 - 3.1.6.8. Ensure the strategic planning process produces the data necessary for LBB/GOBPP state required compliance while expanding and enhancing the strategic plan to support the needs of the TxDMV. The overall strategic plan shall be used as a tool for strategic management.
 - 3.1.7. The Board delegates to the Executive Director the responsibility for **implementing** the agency's strategic direction through the development of agency wide and divisional operational plans.
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Texas Department of Motor Vehicles TxDMV Goals and Objectives

1. PURPOSE

The information presented in this policy addresses the goals and key objectives of the Board of the Texas Department of Motor Vehicles (TxDMV) as they relate to the mission, vision, and values of the TxDMV.

2. SCOPE

The scope of this policy is to define the desired state the TxDMV Board is working to achieve. This policy is designed to be inspirational in outlining the desired state of the agency that supports the TxDMV Board vision and meeting agency goals.

3. TxDMV MISSION

To serve, protect and advance the citizens and industries in the state with quality motor vehicle related services.

4. TxDMV VISION

The Texas Department of Motor Vehicles sets the standard as the premier provider of customer service in the nation.

5. TxDMV VALUES

To earn the trust and faith of all citizens of Texas with transparency, efficiency, excellence, accountability, and putting stakeholders first.

5.1. Transparency – Being open and inclusive in all we do.

5.2. Efficiency – Being good stewards of state resources by providing products and services in the most cost-effective manner possible.

5.3. Excellence – Working diligently to achieve the highest standards.

5.4. Accountability – Accepting responsibility for all we do, collectively and as individuals.

5.5. Stakeholders – Putting customers and stakeholders first, always.

6. TxDMV GOALS

6.1. GOAL 1 – Performance Driven

The TxDMV shall be a performance driven agency in its operations whether it is in customer service, licensing, permitting, enforcement or rule-making. At all times the TxDMV shall mirror in its performance the expectations of its customers and stakeholder by effective, efficient, customer-focused, on-time, fair, predictable and thorough service or decisions.

6.1.1. Key Objective 1

The TxDMV shall be an agency that is retail-oriented in its approach. To accomplish this orientation TxDMV shall concentrate the focus of the agency on:

- 6.1.1.1. Delivering its products and services to all of its customers and stakeholders in a manner that recognizes that their needs come first. These needs must be positively and proactively met. TxDMV works for and with its customers and stakeholders, not the other way around.
- 6.1.1.2. Operating the agency's licensing and registration functions in a manner akin to how a private, for-profit business. As a private, for-profit business, TxDMV would have to listen to its customers and stakeholders and implement best practices to meet their needs or its services would no longer be profitable or necessary. Act and react in a manner that understands how to perform without a government safety net and going out of business.
- 6.1.1.3. Simplify the production and distribution processes and ease of doing business with the TxDMV. Adapting and maintaining a business value of continuous improvement is central to TxDMV operations and processes.
- 6.1.1.4. All operations of the TxDMV shall stand on their own merits operationally and financially. If a current process does not make sense then TxDMV shall work within legislative and legal constraints to redesign or discard it. If a current process does not make or save money for the state and/or its customers or stakeholders then TxDMV shall work within legislative and legal constraints to redesign or discard it. TxDMV shall operate as efficiently and effective as possible in terms of financial and personnel needs. Divisions should focus on cost savings without sacrificing performance. Division directors are accountable for meeting these needs and applicable measures. All division directors are collectively responsible for the performance of TxDMV as a whole.
- 6.1.1.5. Focus on revenue generation for transportation needs as well as the needs of its customers.
- 6.1.1.6. Decisions regarding the TxDMV divisions should be based on the overriding business need of each division to meet or provide a specific service demand, with the understanding and coordination of overarching agency-wide needs.

- 6.1.1.7. Developing and regularly updating a long-range Statewide Plan describing total system needs, establishing overarching statewide goals, and ensuring progress toward those goals.
- 6.1.1.8. The TxDMV shall establish a transparent, well-defined, and understandable system of project management within the TxDMV that integrates project milestones, forecasts, and priorities.
- 6.1.1.9. The TxDMV shall develop detailed work programs driven by milestones for major projects and other statewide goals for all TxDMV divisions.
- 6.1.1.10. The TxDMV, with input from stakeholders and policymakers, shall measure and report on progress in meeting goals and milestones for major projects and other statewide goals.

6.2. GOAL 2 – Optimized Services and Innovation

The TxDMV shall be an innovative, forward thinking agency that looks for ways to promote the economic well-being and development of the industries it serves as well as the State of Texas within the legislative boundaries that have been established for the agency.

6.2.1. Key Objective 1

The TxDMV shall achieve operational, cultural, structural and financial independence from other state agencies.

- 6.2.1.1. Build the TxDMV identity. This means that TxDMV shall make customers aware of what services we offer and how they can take advantage of those services.
- 6.2.1.2. Build the TxDMV brand. This means that TxDMV shall reach out to the stakeholders, industries we serve and the public, being proactive in addressing and anticipating their needs.
- 6.2.1.3. Determine immediate, future, and long term facility and capital needs. TxDMV needs its own stand-alone facility and IT system as soon as possible. In connection with these needs, TxDMV shall identify efficient and effective ways to pay for them without unduly burdening either the state, its customers or stakeholders.
- 6.2.1.4. All regulations, enforcement actions and decision at TxDMV shall be made in a timely, fair and predictable manner.

6.2.2. Key Objective 2

Provide continuous education training on business trends in the industry with a particular emphasis on activities in Texas.

6.2.3. Key Objective 3

Provide continuous outreach services to all customers and stakeholders to access their respective needs and wants. This includes helping frame legislative or regulatory issues for consideration by other bodies including the legislature.

6.2.4. Key Objective 4

Examine all fees to determine their individual worth and reasonableness of amount. No fee shall be charged that cannot be defended financially and operationally.

6.3. GOAL 3 – Customer-centric

The TxDMV shall be a customer-centric agency that delivers today's services and decisions in a positive, solution-seeking manner while ensuring continuous, consistent and meaningful public and stakeholder involvement in shaping the TxDMV of tomorrow.

6.3.1. Key Objective 1

The TxDMV shall seek to serve its customer base through a creative and retail oriented approach to support the needs of its industries and customers.

6.3.2. Key Objective 2

The TxDMV shall develop and implement a public involvement policy that guides and encourages meaningful public involvement efforts agency-wide.

6.3.3. Key Objective 3

The TxDMV shall develop standard procedures for documenting, tracking, and analyzing customer complaint data. Successful problem resolution metrics should be monitored to support continuous improvement activities that shall permanently improve customer facing processes.

6.3.4. Key Objective 4

The TxDMV shall provide a formal process for staff with similar responsibilities to share best practices information.

6.3.5. Key Objective 5

The TxDMV shall provide central coordination of the Department's outreach campaigns.

6.3.6. Key Objective 6

The TxDMV shall develop and expand user friendly, convenient, and efficient website applications.

6.3.7. Key Objective 7

TxDMV shall timely meet all legislative requests and mandates.

Agency Operational Boundaries as Defined by Department Policies of the TxDMV Board (Board)

The Board is responsible for the policy direction of the agency. The Board's official connection to the day-to-day operation of the Texas Department of Motor Vehicles (TxDMV) and the conduct of its business is through the Executive Director of the TxDMV (ED) who is appointed by the Board and serves at its pleasure. The authority and accountability for the day-to-day operations of the agency and all members of the staff, except those members who report directly to the Board, is the sole responsibility of the ED.

In accordance with its policy-making authority the Board has established the following policy boundaries for the agency. The intent of the boundaries is not to limit the ability of the ED and agency staff to manage the day-to-day operations of the agency. To the contrary, the intent of the boundaries is to more clearly define the roles and responsibilities of the Board and the ED so as to liberate the staff from any uncertainty as to limitations on their authority to act in the best interest of the agency. The ED and staff should have certainty that they can operate on a daily basis as they see fit without having to worry about prior Board consultation or subsequent Board reversal of their acts.

The ED and all agency employees shall act at all times in an exemplary manner consistent with the responsibilities and expectations vested in their positions. The ED and all agency employees shall act in a manner consistent with Board policies as well as with those practices, activities, decisions, and organizational circumstances that are legal, prudent, and ethical. It is the responsibility of the ED to ensure that all agency employees adhere to these boundaries.

Accordingly, the TxDMV boundaries are as follows:

1. The day-to-day operations of the agency should be conducted in a manner consistent with the vision, mission, values, strategic framework, and performance metrics as established by the Board. These elements must not be disregarded or jeopardized in any way.
2. A team-oriented approach must be followed on all enterprise-wide decisions to ensure openness and transparency both internally and externally.
3. The agency must guard against allowing any financial conditions and decision which risk adverse fiscal consequences, compromise Board financial priorities, or fail to

show an acceptable level of foresight as related to the needs and benefits of agency initiatives.

4. The agency must provide timely, accurate, and honest information that will afford the Board, public, stakeholders, executive branch and the legislature the best ability to evaluate all sides of an issue or opportunity before forming an opinion or taking action on it. Any information provided that is intentionally untimely, inaccurate, misleading or one-sided will not be tolerated.
5. The agency must take all reasonable care to avoid or identify in a timely manner all conflicts of interest or even the appearance of impropriety in awarding purchases, negotiating contracts or in hiring employees.
6. The agency must maintain adequate administrative policies and procedures that are understandable and aid in staff recruitment, development and retention.
7. The agency must maintain an organizational structure that develops and promotes the program areas from an enterprise-wide perspective. No organizational silos or sub-agencies will be allowed. We are the TxDMV.
8. The agency must empower its entire staff to deliver a positive customer experience to every TxDMV customer, stakeholder or vendor to reduce their effort and make it easier for them to do business with the TxDMV.
9. The agency must at all times look to flattening its organizational structure to reduce cost as technology advances allow.
10. Agency staff shall anticipate and resolve all issues timely.
11. The agency must maximize the deployment and utilization of all of its assets – people, processes and capital equipment – in order to fully succeed.
12. The agency must not waste the goodwill and respect of our customers, stakeholders, executive branch and legislature. All communication shall be proper, honest, and transparent with timely follow-up when appropriate.
13. The agency should focus its work efforts to create value, make sure that processes, programs, or projects are properly designed, budgeted and vetted as appropriate with outside stakeholders to ensure our assumptions are correct so positive value continues to be created by the actions of the TxDMV.
14. The ED through his or her staff is responsible for the ongoing monitoring of all program and fiscal authorities and providing information to the Board to keep it apprised of all program progress and fiscal activities. This self-assessment must result in a product that adequately describes the accomplishment of all program

goals, objectives and outcomes as well as proposals to correct any identified problems.

15. In advance of all policy decisions that the Board is expected to make, the ED will provide pertinent information and ensure board members understand issues/matters related to the pending policy decision. Additionally, the ED or designee will develop a process for planning activities to be performed leading up to that particular policy decision and the timeframe for conducting these planning activities. It is imperative that the planning process describes not only when Board consideration will be expected but also when prior Board consultation and involvement in each planning activity will occur.
16. In seeking clarification on informational items Board members may directly approach the ED or his or her designee to obtain information to supplement, upgrade or enhance their knowledge and improve the Board's decision-making. Any Board member requests that require substantive work should come to the Board or Committee Chairs for direction.
17. The agency must seek stakeholder input as appropriate on matters that might affect them prior to public presentation of same to the Board.
18. The agency must measure results, track progress, and report out timely and consistently.
19. The ED and staff shall have the courage to admit a mistake or failure.
20. The ED and staff shall celebrate successes!

The Board expects the ED to work with agency staff to develop their written interpretation of each of the boundaries. The ED will then present this written interpretation to the Board prior to discussion between the Board and ED on the interpretation. The Board reserves the right to accept, reject or modify any interpretation. The intent is that the Board and the ED will come to a mutually agreeable interpretation of agency boundaries that will then form the basis of additional written thought on the part of the ED and staff as to how these boundaries will influence the actions of the agency.



Key Performance Indicator Measures
Adopted by TxDMV Board 9/12/14

GOAL	STRATEGY	#	MEASURE	Baseline	Target	Actual	OWNER
Performance Driven	Effective and efficient services	1	Average processing time for new franchise license applications	45 days	35 days		MVD
		2	Average processing time for franchise renewals	11 days	5 days		MVD
		3	Average processing time of franchise license amendments	20 days	8 days		MVD
		4	Average processing time for new Dealer's General Distinguishing Number (GDN) license applications	35 days	17 days		MVD
		5	Average processing time for GDN renewals	14 days	7 days		MVD
		6	Average processing time for GDN license amendments	19 days	7 days		MVD
		7	Average turnaround time for single-trip routed permits	33.88 mins	32 mins		MCD
		8	Average turnaround time for intrastate authority application processing	1.47 days	1.4 days		MCD
		9	Average turnaround time for apportioned registration renewal applications processing	2 days	2 days		MCD
		10	Average turnaround time to issue salvage or non-repairable vehicle titles	5 days	4 days		VTR
		11	Average time to complete motor vehicle complaints with no contested case proceeding	131 days	120 days		ENF
		12	Average time to complete motor vehicle complaints with contested case proceeding	434 days	400 days		ENF
		13	Average time to complete salvage complaints with no contested case proceeding	131 days	120 days		ENF
		14	Average time to complete salvage complaints with contested case proceeding	434 days	400 days		ENF
		15	Average time to complete motor carrier complaints with no contested case proceeding	297 days	145 days		ENF
		16	Average time to complete motor carrier complaints with contested case proceeding	133 days	120 days		ENF
		17	Average time to complete household goods complaints with no contested case proceeding	432 days	145 days		ENF
		18	Average time to complete household goods complaints with contested case proceeding	371 days	180 days		ENF
		19	Average time to complete Oversize/Overweight (OS/OW) complaints with no contested case proceeding	40 days	35 days		ENF
		20	Average time to complete OS/OW complaints with contested case proceeding	265 days	250 days		ENF
		21	Percent of lemon law cases resolved prior to referral for hearing	76%	60%		ENF
		22	Average time to complete lemon law cases where no hearing is held	147 days	65 days		ENF
		23	Average time to complete lemon law cases where hearing is held	222 days	150 days		ENF
		24	Percent of total renewals and net cost of registration renewal: A. Online B. Mail C. In Person	A. 15% B. 5% C. 80%	A. 16% B. 5% C. 79%		VTR
		25	Total dealer title applications: A. Through Webdealer B. Tax Office	Baseline in development	A. 5% B. 95%		VTR

GOAL	STRATEGY	#	MEASURE	Baseline	Target	Actual	OWNER
Optimized Services and Innovation		26	Percent of total lien titles issued: A. Electronic Lien Title B. Standard Lien Title	A. 16% B. 84%	A. 20% B. 80%		VTR
		27	Percent of total OS/OW permits: A. Online (self-issued) B. Online (MCD-issued) C. Phone D. Mail E. Fax	A. 57.47% B. 23.03% C. 11.33% D. 1.76% E. 6.4%	A. 58% or greater B. 25% or greater C. 10% or less D. 1.7% or less E. 5.3% or less		MCD
		28	Average time to complete lemon law and warranty performance cases after referral	Baseline in development	25 days		OAH
		29	Average time to issue a decision after closing the record of hearing	Baseline in development	30 days		OAH
	Implement appropriate best practices	30	Percent of audit recommendations implemented	Baseline in development	90% annual goal for these recommendations which Internal Audit included in a follow-up audit		IAD
	Continuous business process improvement and realignment	31	Percent of projects approved by the agency's governance team that finish within originally estimated time (annual)	57%	100%		EPMO
		32	Percent of projects approved by the agency's governance team that finish within originally estimated budget (annual)	71%	100%		EPMO/ FAS
		33	Percent of monitoring reports submitted to Texas Quality Assurance Team (TXQAT) by or before the due date	79%	100%		EPMO
		34	Percent of project manager compliance with EPMO project management standards based upon internal quality assurance reviews	Baseline in development	100%		EPMO
	Executive ownership and accountability for results	35	Percent of employees due a performance evaluation during the month that were completed on time by division.	Baseline in development	100%		HR
		36	Percent of goals accomplished as stated in the directors performance evaluation	Baseline in development	Measure annually at the end of the fiscal year		EXEC
	Organizational culture of continuous improvement and creativity	37	Employees who rate job satisfaction as above average as scored by the Survey of Employee Engagement (SEE)	3.47 (SEE 2012)	3.65	3.60 (SEE 2013)	HR
		38	Increase in the overall SEE score	337 (SEE 2012)	360	351 (SEE 2013)	HR
Focus on the internal customer	Focus on the internal customer	39	Percent of favorable responses from customer satisfaction surveys	Baseline in development	90%		EPMO
		40	Annual agency voluntary turnover rate	6.5% (FY 2013)	5.0%		HR
	Increase transparency with external customers	41	Number of education programs conducted and number of stakeholders/customers attending education programs	4.48/80.61	4/80		MCD
		42	Number of education programs conducted and number of stakeholders/customers attending education programs	36/335	42/390		VTR
		43	Number of eLearning training modules available online through the Learning Management System and number of modules completed by stakeholders/customers	eLearning Modules Available - 28 Completed - 735	Available - 31 Completed - 814		VTR

GOAL	STRATEGY	#	MEASURE	Baseline	Target	Actual	OWNER		
Customer Center	Excellent Service Delivery	44	Number of Shows and Exhibits attended to educate stakeholders/customers about TxDMV services and programs	6	7		MVD		
		45	Number of education programs conducted and number of stakeholders/customers attending education programs	3/250	3/250		ENF		
		46	Number of education programs conducted and number of stakeholders/customers attending education programs	3/150	4/300		ABTPA		
		47	Percent of customers and stakeholders who express above average satisfaction with communications to and from TxDMV	Baseline in development	80%		All Divisions		
		48	Average hold time	9 min	9 min		CRD		
		49	Abandoned call rate	22%	20%		CRD		
		50	Average hold time	Baseline in development	1 min		ITS		
		51	Abandoned call rate	Baseline in development	5%		ITS		
		52	Average hold time	Credentialing - 1.6 minutes Permits - 2.08 minutes CFS - 54.38 seconds	Credentialing - 1.5 minutes Permits - 2 minutes CFS - 50 seconds		MCD		
		53	Abandoned call rate	Credentialing - 7% Permits - 6.42% CFS - 5.63%	Credentialing - 6% Permits - 5% CFS - 5%		MCD		
		Key:		Critical	Off Target		On target		Not yet started
		Vision: The Texas Department of Motor Vehicles sets the standard as the premier provider of customer service in the nation.							
Mission: To serve, protect, and advance the citizens and industries in the state with quality motor vehicle related services.									
Philosophy: The Texas Department of Motor Vehicles is customer-focused and performance driven. We are dedicated to providing services in an efficient, effective and progressive manner as good stewards of state resources. With feedback from our customers, stakeholders and employees, we work to continuously improve our operations, increase customer satisfaction and provide a consumer friendly atmosphere.									
Values: We at the Texas Department of Motor Vehicles are committed to: TEXAS-Transparency, Efficiency, EXcellence, Accountability, and Stakeholders.									