



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

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# TxDMV Board Finance & Audit Committee Meeting

2:00 p.m.  
Wednesday, August 5, 2020

**AGENDA**  
**FINANCE AND AUDIT COMMITTEE**  
**OPEN MEETING VIA TELEPHONE CONFERENCE CALL\***  
**TEXAS DEPARTMENT OF MOTOR VEHICLES**  
**PURSUANT TO GOVERNOR'S MARCH 16, 2020, TEMPORARY SUSPENSION OF**  
**CERTAIN OPEN MEETING PROVISIONS\*\***  
**WEDNESDAY AUGUST 5, 2020**  
**2:00 P.M.**

**THIS MEETING WILL BE HELD REMOTELY VIA TELEPHONE CONFERENCE CALL\***

Instructions for accessing the meeting via WebEx:

<https://txdmv.webex.com/txdmv/onstage/g.php?MTID=e6f99c0529abe4310d5fe1d0a72a3d9c2>

Phone number for accessing the meeting via phone:

United States Toll Free: 1-844-740-1264

Event number/Access code: 133 527 5200

Event Password: 080520

You are solely responsible for your system and the installation and use of WebEx software.

Link to August 5, 2020, TxDMV Finance and Audit Committee Documents:

<https://www.txdmv.gov/about-us/txdmv-board-meetings>

\*The public can listen to the meeting via the WebEx link or the toll-free number listed above. If you have any technical questions about accessing the meeting, please send an email to [Board.Tech.Help@txdmv.gov](mailto:Board.Tech.Help@txdmv.gov).

\*\*Action by Governor Greg Abbott pursuant to Texas Government Code Section 418.016

All agenda items are subject to possible discussion, questions, consideration, and action by the Finance and Audit Committee of the Board of the Texas Department of Motor Vehicles (Committee). Agenda item numbers are assigned for ease of reference only and do not necessarily reflect the order of their consideration by the Committee. The Committee reserves the right to discuss any items in executive session where authorized by the Open Meetings Act. A quorum of the Board of the Texas Department of Motor Vehicles (Board) may be present at this meeting for information-gathering and discussion. However, Board members who are not Committee members will not vote on any Committee agenda items, nor will any Board action be taken.

**1. Roll Call and Establishment of Quorum**

**2. Pledges of Allegiance - U.S. and Texas**

### 3. Comments and Announcements from Committee Chair

#### **BRIEFINGS AND ACTION ITEMS**

#### 4. *Consideration and Possible Recommendation for Action to Full Board:*

- 6 A. [FY 2022 - 2023 Legislative Appropriations Request, Baseline, and Exceptional Items](#) - Linda M. Flores and Sergio Rey
- 46 B. [FY 2021 Recommended Annual Operating Budget](#) - Linda M. Flores and Sergio Rey
- 104 C. [FY 2021 First Six Month Internal Audit Plan](#) - Sandra Menjivar-Suddeath
- 5. *Briefing Items:*
  - 119 A. [Financial Impacts of COVID-19 on TxDMV](#) - Linda M. Flores and Brian Kline
  - 124 B. [Third Quarter Financial Report ending May 31, 2020](#) - Linda M. Flores and Sergio Rey
  - 143 C. [Internal Audit Division Status Report](#) - Sandra Menjivar-Suddeath

#### **EXECUTIVE SESSION**

#### 6. **The Committee 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** - Deliberation Regarding Security Devices or Security Audits; Closed Meeting.
  - the deployment, or specific occasions for implementation, of security personnel or devices; or
  - a security audit.
- **Section 551.089** - Deliberation Regarding Security Devices or Security Audits; Closed Meeting.

- security assessments or deployments relating to information resources technology;
- network security information as described by Section 2059.055(b); or
- the deployment, or specific occasions for implementation, of security personnel, critical infrastructure, or security devices.

## **7. Action Items from Executive Session**

## **8. Public Comment**

## **9. Adjournment**

The Committee will allow an open comment period to receive public comment on any agenda item or other matter that is under the jurisdiction of the Committee. 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, Committee 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.

If you want to comment on any agenda item (including an open comment under Item #8), you must send an email to [GCO\\_General@txdmv.gov](mailto:GCO_General@txdmv.gov) with one of the following prior to the agenda item being taken up by the Committee:

1. a completed registration form (available on the TxDMV webpage for the Board and other public meetings: <https://www.txdmv.gov/about-us/txdmv-board-meetings>); or
2. the following information:
  - a. the agenda item you wish to comment on;
  - b. your name and address, including your city, state, and zip code; and
  - c. who you are representing.

You must wait for the chairman to call on you before you verbally make your comment via the link or the toll-free number listed above. Each speaker will be limited to three minutes, and time allotted to one speaker may not be reassigned to another speaker.

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

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 David Richards by telephone at (512) 465-1423.

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

CERTIFYING OFFICIAL: Tracey Beaver, General Counsel, (512) 465-5665.

**Board Meeting Date: 8/5/2020**  
**ACTION ITEM**

**To:** Finance & Audit Committee, Texas Department of Motor Vehicles Board  
**From:** Linda M. Flores, CPA, Chief Financial Officer, Finance & Administrative Services Division Director  
**Agenda Item:** 4.A  
**Subject:** Recommended FY 2022-2023 Legislative Appropriations Request, Baseline and Exceptional Items

### RECOMMENDATION

Approval of the TxDMV's legislative appropriations request for Fiscal Years (FY) 2022-2023. The TxDMV has developed a total request of \$328.3 million that includes a baseline of on-going operations and six exceptional items for consideration and approval.

### PURPOSE AND EXECUTIVE SUMMARY

The Texas Department of Motor Vehicles (TxDMV) appropriations requests for the upcoming biennium, FY 2022-2023 includes 1) a baseline request for on-going operations of \$310.8 million and capital items and 2) an exceptional item request for six new initiatives to achieve its goals, strategies and objectives during the next biennium. The baseline request reflects the same baseline as the FY 2020-2021 biennium and the amount estimated in June. The total exceptional items amount to \$17.5 million and reflects a slight increase over the preliminary amounts from June.

### FINANCIAL IMPACT

TxDMV is a net-revenue-generating agency for the state. The agency's budget request is supported by revenue collections. The staff estimates that TxDMV will collect \$3.9 billion for the State while retaining \$310.8 million for baseline agency operations over the biennium. The majority of the Legislative Appropriations Request (LAR) will be funded from the TxDMV Fund 0010. The LAR also includes General Revenue (GR) funding for baseline and an exceptional item request for the Motor Vehicle Crime Prevention Authority.

### BACKGROUND AND DISCUSSION

The baseline budget request of \$310.8 million reflects no change from the \$310.8 million baseline request presented to the board in June 2020.

Exceptional items total \$17.5 million and includes an increase of \$354,989 from the amount presented in June 2020. Cost estimates were refined for new substations in Dallas and Houston as well as the MVCPA Fee and Refund unit.

The baseline capital budget includes funding for Automation (\$8.1 million), Registration and Titling System improvements online service enhancements; replacement of computer equipment in the counties and at TxDMV headquarters (\$12.1 million); cybersecurity projects (\$400k); four fleet vehicles (\$90k); renovations and repairs at the regional service centers (\$500k); and ongoing costs for the Data Center Services contract (\$22.3 million).



Staff is proposing to submit a total of six (6) exceptional items, which if approved, result in increases to the baseline budget. The exceptional item requests total \$17.5 million and include 11.0 FTEs. The exceptional item requests include:

- \$6.2 million for the planning and design of a new Building 5 at the TxDMV headquarters campus
- \$3.5 million for the acquisition and support of an Accounts Receivable System; costs include 2.0 FTEs
- \$5.2 million for the development of a Complaint Management System
- \$2.03 million to open new Regional Service Center substations in Dallas and Houston; costs include 6.0 FTEs
- \$560K to fund 3.0 FTEs and associated operating costs for a Motor Vehicle Crime Prevention Authority (MVCPA) Fee and Refund Unit. This exceptional item would be funded by General Revenue appropriations.

The recommended LAR continues five riders that currently exist in the FY 2020-2021 budget. The riders for FY 2022-2023 will include the appropriation of Special License Plate Fees, Unexpended Balance Authority for Automation Funds, Federal Grants and Matching Funds, Headquarters Capital Maintenance, and the carry-forward authority of operating funds between the biennium.

# **Texas Department of Motor Vehicles**



## **Recommended FY 2022 – 2023 Legislative Appropriations Request, Baseline and Exceptional Items Summary**



## Legislative Appropriations Request Process

**Legislative Appropriations Request (LAR)** - The LAR is the agency's biennial funding budget request. The agency solicits information from all levels of management in order to identify future program needs and situations unique to each division. Advanced planning and comprehensive involvement provides the agency with the most complete budget information.

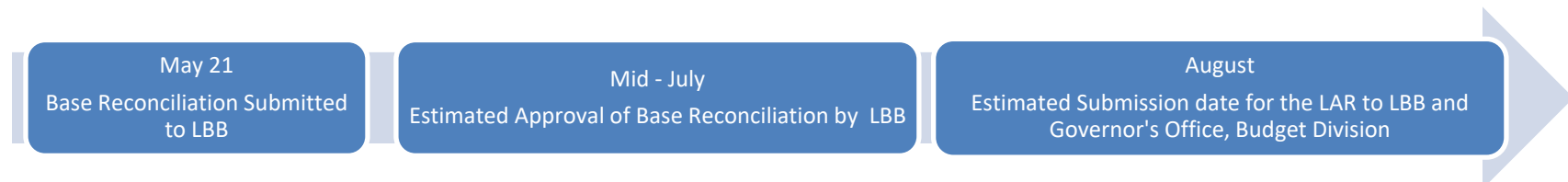
- The LAR begins with the base reconciliation and covers two separate fiscal years. The LAR becomes the basis for consideration of agency funding by the Legislature for the FY 2022-2023 biennium, covering September 1, 2021 through August 31, 2023.

The LAR is divided into two components:

**Baseline** — funding necessary to maintain existing operations and existing capital projects; and,

**Exceptional items** — desired services above the baseline request.

### Timeline



**Baseline Development Process (Base Reconciliation)** - The FY 2019-2021 Base Reconciliation requires TxDMV to reconcile its original appropriations by method of finance and the full-time equivalent (FTE) positions to fiscal year 2019 expended, fiscal year 2020 estimated, and fiscal year 2021 budgeted amounts. The following table shows an estimated biennial baseline calculation of approximately \$310.8 million. That amount includes \$25.7 million in GR for Motor Vehicle Crime Prevention Authority (MVCPA) (previously Automobile Burglary and Theft Prevention Authority (ABTPA)), \$283.6 million for the TxDMV Fund and the remainder in Federal Funds). These amounts will be sufficient to fund the baseline FY 2022-2023 budget request. The Base Reconciliation was submitted to the Legislative Budget Board (LBB) on May 21, 2020.

Estimated FY 2022-23 Base Calculation	
2020 Estimated Expenditures	158,047,088
2021 Budget	172,117,856
<b>Total 2020-21</b>	<b>330,164,943</b>
Less - TxDMV Automation UB (GR/Fund 0010)	(19,223,148)
Less - Additional ITD Grant Revenue estimated in FY 2020	(181,075)
<b>Estimated FY2022-23 Baseline</b>	<b>310,760,720</b>

## Key Differences from the June Preliminary LAR to the August Recommend LAR

### Baseline

- In June 2020 the Preliminary LAR included a base request for FY 2022-2023 of \$310.8 million
- The Recommended LAR will continue to reflect an estimated base amount of FY 2022-2023 amount of \$310.8 million.
- The primary changes from June to August are reallocations between strategies to better align costs to functions and address critical needs in the Indirect Administration strategies such as facilities maintenance costs for cleaning services.

Items of Appropriations	June Preliminary LAR			Recommended Request			Variance
	FY 2022	FY 2023	Biennial Total	FY 2022	FY 2023	Biennial Total	
Goal A. Optimize Services and Systems							
Strategy A.1.1. – Titles, Registrations, and Plates	72,974,245	72,077,418	145,051,663	71,757,920	71,659,680	143,417,600	(1,634,063)
Strategy A.1.2. – Vehicle Dealer Licensing	4,169,189	4,182,971	8,352,160	4,059,971	4,059,971	8,119,942	(232,218)
Strategy A.1.3. – Motor Carrier Permits & Credentials	9,270,184	9,152,569	18,422,753	9,031,570	9,031,571	18,063,141	(359,612)
Strategy A.1.4. – Technology Enhancement & Automation	9,306,276	2,714,575	12,020,851	10,838,152	2,704,575	13,542,727	1,521,876
Strategy A.1.5. – Customer Contact Center	3,327,875	3,269,094	6,596,969	3,269,094	3,269,094	6,538,188	(58,781)
Total, Goal A: Optimize Services and Systems	99,047,769	91,396,627	190,444,396	98,956,707	90,724,891	189,681,598	(762,798)
Goal B. Protect the Public							
Strategy B.1.1. – Enforcement	7,467,087	7,117,718	14,584,805	6,891,577	6,891,578	13,783,155	(801,650)
Strategy B.2.1. – Automobile Theft Prevention	12,835,851	12,835,851	25,671,702	12,835,851	12,835,851	25,681,702	-
Total, Goal B: Protect the Public	20,302,938	19,953,569	40,256,507	19,727,428	19,727,429	39,454,857	(801,650)
Goal C: Indirect Administration							
Strategy C.1.1. – Central Administration	8,602,518	8,602,518	17,205,036	9,249,658	9,219,238	18,468,896	1,263,860
Strategy C.1.2. – Information Resources	26,792,398	25,918,345	52,710,743	26,373,345	25,436,907	51,810,252	(900,491)
Strategy C.1.3. – Other Support Services	5,007,348	5,136,690	10,144,038	5,445,834	5,899,283	11,345,117	1,201,079
Total, Goal C: Indirect Administration	40,402,264	39,657,553	80,059,817	41,068,837	40,555,428	81,624,265	1,564,448
Total Department of Motor Vehicles	159,752,971	151,007,749	310,760,720	159,752,972	151,007,748	310,760,720	-
Method of Finance							
General Revenue (GR) Fund 0001	12,835,851	12,835,851	25,671,702	12,835,851	12,835,851	25,671,702	-
Texas Department of Motor Vehicles Fund 0010	146,173,370	137,428,148	283,601,518	146,173,371	137,428,147	283,601,518	-
Federal Funds	743,750	743,750	1,487,500	743,750	743,750	1,487,500	-
Total Method of Finance	159,752,971	151,007,749	310,760,720	159,752,972	151,007,748	310,760,720	
Full Time Equivalents (FTEs)			802.0			802.0	

## Key Differences From the June Preliminary LAR to the August Recommend LAR

### Exceptional Items

- The key differences from the June Preliminary LAR for exceptional items include a finalization of the priority order of the requests and minor adjustments in the cost estimates for the Dallas and Houston RSC request and the MVCPA Fee Collection Unit.

Division	Exceptional Item	Description	Biennial Request	
			FTE	Amount
<b>Finance &amp; Administrative Services</b>	<b>New Building 5</b>	To demolish Building 5 on the TxDMV Camp Hubbard campus and construct a new building in the same location. Based on an assessment completed by the Texas Facilities Commission (TFC), the age and physical condition of Building 5 is such that a tear-down and rebuilding is a more cost-effective approach than repairing and renovating. Funding in the FY 2022-2023 biennium would provide for planning and design services, with construction funding to follow in FY 2024-2025.		6,187,500
<b>Finance &amp; Administrative Services</b>	<b>Accounts Receivables Systems</b>	Deploy the Centralized Accounting and Payroll/Personnel Systems (CAPPS) Accounts Receivables module to allow for better tracking of accounts receivables balances and to help insure that revenue collection is maximized. Currently the collection and monitoring of receivable accounts is done through 18 different applications. However, none of the systems are designed for conducting accounts receivable activities. The decentralized accounts receivable function and multiple systems have limited TxDMV's ability to properly monitor or conduct accounts receivable activities. Costs include one-time external contract services, temporary support during deployment, and two (2) ongoing FTEs.	2.0	3,472,958

Division	Exceptional Item	Description	Biennial Request	
			FTE	Amount
Consumer Relations/ Enforcement/ Motor Carrier/ Motor Vehicle /Information Technology Services	Complaint Management System (CMS)	Develop and maintain a new complaint management system which would include data on the status of complaints, complaint procedures, and documentation of complaints. This item also includes coalescing complaints into a single repository for greater efficiency, instead of the current process of storing complaints in separate systems. Includes costs for funding for external contract services.		5,225,712
Vehicles, Titles and Registration (VTR)	New Dallas RSC Substation	To fund a new Dallas Regional Service Center (RSC) substation. The TxDMV Dallas/Carrollton RSC is currently located at 1925 Beltline Road, Suite 100, Carrollton, Texas and is housed in approximately 7,865 square feet of leased space with a staff of 22.5 employees. The Dallas RSC is expected to outgrow their current facility by 2028. In anticipation of future growth, and to better serve customers, this request is to open a new Dallas RSC substation office. An analysis of historical customer flow indicates the new location is best fit in southeast Dallas. Funding includes the build out of a new facility and operating costs for two (2) additional FTEs.	2.0	<del>700,470</del> 855,970
Vehicles, Titles, and Registration (VTR)	New Houston RSC Substation	To fund a new Houston Regional Service Center (RSC) substation. The Houston RSC is currently located at 2110 East Governors Circle, Houston, Texas with a staff of 28.5 employees. The Houston RSC is expected to outgrow their current facility by 2028. In anticipation of future growth, and to better serve customers, this request is to open a new Houston RSC substation office. An analysis of historical customer flow indicates the new location is best fit in southeast Houston. Funding includes the build out of a new facility and operating costs for four (4) additional FTEs.	4.0	<del>998,244</del> 1,180,119
Motor Vehicle Crime Prevention Authority	Fee and Refund Unit	The Motor Vehicle Crime Prevention Authority (MVCPA) is requesting to add 3 positions to maintain that insurers that sell any form of motor vehicle insurance are aware and comply with the MVCPA Fee requirements. These new positions will provide analysis, audit, outreach and education to insurers. Funding includes salaries and operating costs for three (3) FTEs.	3.0	<del>542,386</del> 560,000
Total Exceptional Items			11.00	<del>17,127,270</del>

Division	Exceptional Item	Description	Biennial Request	
			FTE	Amount
				17,482,259
Totals by Method of Finance				
General Revenue			3.0	<del>542,386</del> 560,000
TxDMV Fund			8.0	<del>16,584,884</del> 16,922,259
TOTAL			11.00	<del>17,127,270</del> 17,482,259

### Comparison of FY 2020-2021 to Estimated Baseline for FY 2022-2023

The baseline represents the amount necessary to maintain existing agency operations. The table below depicts the department's current appropriations of \$310.8 million which is estimated to be \$310.8 million for the upcoming 2022-2023 biennium. The Legislative Budget Board (LBB) will approve the baseline target for FY 2022-2023 in late July or early August. The overall economic conditions for the state as a result of the COVID-19 event could have a major impact on the targets established by the LBB. It is also anticipated the Legislature may implement a zero-based budget approach for the development of the FY 2022-2023 appropriation request.

Appropriation Summary	Approved Appropriation		Estimated Base Appropriation	
	FY 2020	FY 2021	FY 2022	FY 2023
Goal A: Optimize Services and Systems	99,047,769	91,396,627	98,956,707	90,724,891
Goal B: Protect the Public	20,302,938	19,953,569	19,727,428	19,727,429
Goal C: Indirect Administration	38,402,264	41,657,553	41,068,837	40,555,428
Total Appropriations	157,752,971	153,007,749	159,752,972	151,007,748
Method of Finance				
General Revenue	12,835,851	12,835,851	12,835,851	12,835,851
TxDMV Fund	144,173,370	139,428,148	146,173,371	137,428,147
Federal Reimbursements	743,750	743,750	743,750	743,750
Total Method of Finance	157,752,971	153,007,749	159,752,972	151,007,748
FTE	802	802	802	802

### FY 2022-2023 Estimated Revenue Collections by Fund

TxDMV is a net-revenue-generating agency for the state, collecting revenues from registrations, licenses, titles, permits, and credentials. Revenues collected by TxDMV are deposited into the State Highway Fund (Fund 0006), which is the primary source of funding for the state's transportation and infrastructure system; TxDMV Fund (Fund 0010); and General Revenue Fund (Fund 0001). For the FY 2020-2021 biennium, TxDMV estimates it will deposit approximately \$3.75 billion in total revenues: \$3.26 billion to State Highway Fund 0006; \$319 million to TxDMV Fund 0010; and \$209 million to General Revenue Fund 0001. In the FY 2022-2023 biennium, TxDMV projects collections of \$3.33 billion to be deposited to State Highway Fund 0006; \$332 million to TxDMV Fund 0010; and \$213 million to General Revenue Fund 0001.

Expected TxDMV Revenue Collections				
Fund Type	FY 2020	FY 2021	FY 2022	FY 2023
State Highway Fund 0006	\$ 1,529,590,000	\$ 1,738,975,000	\$ 1,653,783,000	\$ 1,679,226,000
TxDMV Fund 0010	\$ 153,940,000	\$ 166,282,000	\$ 164,031,000	\$ 167,832,000
General Revenue Fund 0001	\$ 103,205,000	\$ 106,359,000	\$ 105,362,000	\$ 107,724,000
<b>Total</b>	<b>\$ 1,786,735,000</b>	<b>\$ 2,011,616,000</b>	<b>\$ 1,923,176,000</b>	<b>\$ 1,954,782,000</b>

The table below reflects projected revenues to TxDMV Fund 0010 for the four-year period beginning in FY 2020 broken out by major categories, using moderate growth projections.

TxDMV Revenue Forecast				
Category	FY 2020	FY 2021	FY 2022	FY 2023
Motor Vehicle Titles	\$ 35,768,000	\$ 39,563,000	\$ 40,749,000	\$ 41,972,000
Motor Vehicle Registration	\$ 33,849,000	\$ 34,223,000	\$ 35,080,000	\$ 35,959,000
Motor Carrier - Oversize / Overweight	\$ 15,294,000	\$ 15,600,000	\$ 15,930,000	\$ 16,248,000
Business Dealer Licenses	\$ 7,316,000	\$ 7,682,000	\$ 7,036,000	\$ 7,388,000
Processing and Handling Fee	\$ 52,022,000	\$ 59,327,000	\$ 55,305,000	\$ 56,135,000
Miscellaneous Fees	\$ 9,691,000	\$ 9,887,000	\$ 9,931,000	\$ 10,130,000
<b>Total</b>	<b>\$ 153,940,000</b>	<b>\$ 166,282,000</b>	<b>\$ 164,031,000</b>	<b>\$ 167,832,000</b>

The TxDMV Fund 0010 balance is projected to be at \$208.0 million at the end of the FY 2020-2021 biennium. The table below illustrates that the balance at the end of the FY 2022-2023 biennium will be sufficient to fund the requested exceptional items.

FY 2019-2023 Pro Forma Summary					
	FY 2019 Actual	FY 2020 Estimated	FY 2021 Budgeted	FY 2022 Requested	FY 2023 Requested
Beginning Balance	120,376,647	177,879,702	194,496,146	208,049,998	196,120,997
Capital UB Authority	21,300,224	18,968,806	19,110,107		
MVCPA Grant UB Authority	360,679				
<b>Subtotal</b>	<b>142,037,550</b>	<b>196,848,508</b>	<b>213,606,253</b>	<b>208,049,998</b>	<b>196,120,997</b>
<b>Revenues</b>					
General Revenue (MVCPA)	12,835,851	12,835,851	12,835,851	12,835,851	12,835,851
TxDMV Fund	171,701,323	153,940,000	166,282,000	164,031,000	167,832,000
Federal Reimbursement	224,258	924,825	743,750	743,750	743,750
<b>Total Revenues</b>	<b>184,761,432</b>	<b>167,700,676</b>	<b>179,861,601</b>	<b>177,610,601</b>	<b>181,411,601</b>
<b>Total Income</b>	<b>326,798,982</b>	<b>364,549,184</b>	<b>393,467,854</b>	<b>385,660,599</b>	<b>377,532,598</b>
<b>Obligations</b>					
Operating Expenses	132,044,078	153,747,087	167,883,856	155,349,972	146,516,748
Credit Card Service Fees	4,643,141	4,151,000	4,234,000	4,403,000	4,491,000
Employee Benefits	12,232,061	12,154,951	13,300,000	13,300,000	13,300,000
<b>Total Obligations</b>	<b>148,919,280</b>	<b>170,053,038</b>	<b>185,417,856</b>	<b>173,052,972</b>	<b>164,307,748</b>
<b>Fund Balance</b>					
<b>Exceptional Items</b>					
Exceptional Items TxDMV Fund				16,206,630	715,629
Exceptional Items General Revenue				280,000	280,000
<b>Total Exceptional Items</b>				<b>16,486,630</b>	<b>995,629</b>
<b>Revised Ending Fund Balance</b>	<b>177,879,702</b>	<b>194,496,146</b>	<b>208,049,998</b>	<b>196,120,997</b>	<b>212,229,221</b>



## Motor Vehicle Crime Prevention Authority Fee Collections

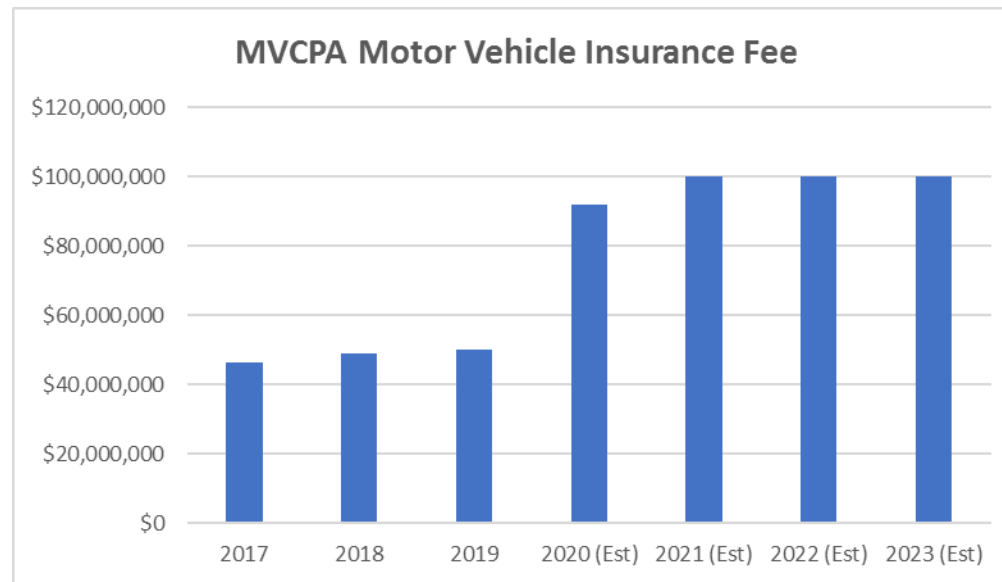
The Motor Vehicle Crime Prevention Authority (MVCPA) has fostered a state-wide cooperative network of law enforcement groups, prosecutors, insurance industry representatives, local tax assessor-collectors, and concerned citizens to combat vehicle theft and burglary through enforcement, prevention, public information, and education initiatives. In addition to providing guidance and oversight, MVCPA awards financial grants to agencies, organizations, and concerned parties in an effort to raise public awareness of vehicle theft and burglary and implement education and prevention initiatives.

The predecessor of the Motor Vehicle Crime Prevention Authority (MVCPA) was established by the 72nd Texas Legislature in 1991 as the Automobile Theft Prevention Authority (ATPA). It was one of the nation's first statewide efforts to reduce auto theft. The 80th Legislature expanded the ATPA mission to include combating motor vehicle burglary and changed the name to the Automobile Burglary and Theft Prevention Authority. The 86th Legislature changed the name to the Motor Vehicle Crime Prevention Authority and added fraud-related motor vehicle crime to its mission. To better align the operation and improve coordination with the Texas Department of Motor Vehicles (TxDMV), the enabling statute for the MVCPA was codified in the Texas Transportation Code. Under the recodification the MVCPA is required to:

1. Collect a \$4 fee for every motor vehicle insured in Texas.
2. Issue grants to law enforcement agencies and other statutorily designated groups to combat motor vehicle crime.
3. Develop, collect and monitor performance data on arrests, recovery of vehicles and cases cleared and other performance measures for motor vehicle crime.
4. Report annually to the Texas Legislature fiscal and program data.
5. Develop a biennial statewide Plan of Operation to combat motor vehicle crime.
6. Examine and make determinations for refunds to insurers that overpay the \$4 per vehicle fee.

House Bill (HB) 2048, passed during the 86<sup>th</sup> Legislature, increased the fee that motor vehicle insurance companies pay per motor vehicle year from \$2.00 to \$4.00. HB 2048 also changed the allocation of the fee revenue to MVCPA from 50% of the \$2.00 fee to 20% of the \$4.00 fee.

The following charts illustrates the recent trend in the MVPCA motor vehicle insurance fee collections and estimates for the FY 2022-2023 biennium.



### FY 2022-2023 Baseline Budget Appropriations Request by Strategy

The following table illustrates the estimated baseline budget appropriations by strategy. The baseline represents the amount of money necessary to maintain existing operations across the agency. The LBB approves the baseline target for each agency. The key variances between the FY2020-2021 appropriation and the FY 2022-2023 amount are adjustments between strategies to better align costs with functions.

Items of Appropriations	Appropriation			Recommended Request			Variance
	FY 2020	FY 2021	Biennial Total	Base FY 2022	Base FY 2023	Biennial Total	
<b>Goal A. Optimize Services and Systems</b>							
Strategy A.1.1. – Titles, Registrations, and Plates	72,974,245	72,077,418	145,051,663	71,757,920	71,659,680	143,417,600	(1,634,063)
Strategy A.1.2. – Vehicle Dealer Licensing	4,169,189	4,182,971	8,352,160	4,059,971	4,059,971	8,119,942	(232,218)
Strategy A.1.3. – Motor Carrier Permits & Credentials	9,270,184	9,152,569	18,422,753	9,031,570	9,031,571	18,063,141	(359,612)
Strategy A.1.4. – Technology Enhancement & Automation	9,306,276	2,714,575	12,020,851	10,838,152	2,704,575	13,542,727	1,521,876
Strategy A.1.5. – Customer Contact Center	3,327,875	3,269,094	6,596,969	3,269,094	3,269,094	6,538,188	(58,781)
<b>Total, Goal A: Optimize Services and Systems</b>	<b>99,047,769</b>	<b>91,396,627</b>	<b>190,444,396</b>	<b>98,956,707</b>	<b>90,724,891</b>	<b>189,681,598</b>	<b>(762,798)</b>
<b>Goal B. Protect the Public</b>							
Strategy B.1.1. – Enforcement	7,467,087	7,117,718	14,584,805	6,891,577	6,891,578	13,783,155	(801,650)
Strategy B.2.1. – Automobile Theft Prevention	12,835,851	12,835,851	25,671,702	12,835,851	12,835,851	25,681,702	-
<b>Total, Goal B: Protect the Public</b>	<b>20,302,938</b>	<b>19,953,569</b>	<b>40,256,507</b>	<b>19,727,428</b>	<b>19,727,429</b>	<b>39,454,857</b>	<b>(801,650)</b>
<b>Goal C: Indirect Administration</b>							
Strategy C.1.1. – Central Administration	8,220,092	8,602,518	16,822,610	9,249,658	9,219,238	18,468,896	1,263,860
Strategy C.1.2. – Information Resources	26,935,545	25,918,345	52,853,890	26,373,345	25,436,907	51,810,252	(900,491)
Strategy C.1.3. – Other Support Services	3,246,627	7,136,690	10,383,317	5,445,834	5,899,283	11,345,117	1,201,079
<b>Total, Goal C: Indirect Administration</b>	<b>38,402,264</b>	<b>41,657,553</b>	<b>80,059,817</b>	<b>41,068,837</b>	<b>40,555,428</b>	<b>81,624,265</b>	<b>1,564,448</b>
<b>Total Department of Motor Vehicles</b>	<b>157,752,971</b>	<b>153,007,749</b>	<b>310,760,720</b>	<b>159,752,972</b>	<b>151,007,748</b>	<b>310,760,720</b>	
<b>Method of Finance</b>							
General Revenue (GR) Fund 0001	12,835,851	12,835,851	25,671,702	12,835,851	12,835,851	25,671,702	-
Texas Department of Motor Vehicles Fund 0010	144,173,370	139,428,148	283,601,518	146,173,371	137,428,147	283,601,518	-
Federal Funds	743,750	743,750	1,487,500	743,750	743,750	1,487,500	-
<b>Total Method of Finance</b>	<b>157,752,971</b>	<b>153,007,749</b>	<b>310,760,720</b>	<b>159,752,972</b>	<b>151,007,748</b>	<b>310,760,720</b>	
<b>Full Time Equivalents (FTEs)</b>			<b>802.0</b>			<b>802.0</b>	

### FY 2022-2023 Capital Budget Project Summary Baseline

The following table illustrates FY 2022-2023 Capital budget:

Capital Budget	Biennial Appropriation	Recommended Biennial Base Request
	FY 2020-2021	FY 2022-2023
TxDMV Automation System	\$ 6,566,078	\$ 8,133,578
Growth and Enhancement – Agency Operations Support	1,614,996	1,614,996
Technology Replacement and Upgrades - Regional Support for County Tax Assessor Collector Offices	10,025,000	10,025,000
PC Replacement	451,600	541,600
Cybersecurity Initiative Projects	400,000	400,000
Transportation – Replacement Vehicles	180,000	90,000
RSC Maintenance and Repair	500,000	500,000
Consumer Protection and Enforcement Tracking	567,500	-
Infrastructure Improvements	1,000,000	-
Data Center Consolidation	22,288,028	22,288,028
<b>Total Capital Budget</b>	<b>43,593,202</b>	<b>43,593,202</b>
<b>Method of Finance</b>		
Texas Department of Motor Vehicles Fund 0010	\$ 43,593,202	\$ 43,593,202
<b>Total Method of Finance</b>	<b>\$ 43,593,202</b>	<b>\$ 43,593,202</b>

## ***FY 2022-2023 Capital Budget Descriptions***

***TxDMV Automation*** – The TxDMV Automation develops information technology assets to improve customer services and improve access to agency programs for customers and the public. This initiative is supported by the \$0.50 automation fee. The FY2022-2023 Automation project will focus on maintenance and upgrades to the Registration and Titling System (RTS) and expanding online applications.

***Growth and Enhancement – Agency Equipment*** – This appropriation provides funding for activities that enhance or expand information resources in TxDMV individual program areas. Items included in this appropriation are telephone and communication system replacements and upgrades; and software licenses for enterprise applications.

***County Equipment Technology Replacement and Upgrades*** – This appropriation provides funding to deploy and maintain printers, computers, monitors, laptops, cash drawers, and printer toner deployed at county tax assessor-collector (TAC) offices throughout the state. These funds also maintain connectivity between the county TAC offices and the TxDMV Registration and Titling System, as well as connectivity throughout statewide TxDMV offices.

***PC Replacement*** - The PC Replacement project consists of funding for computer, printer and laptops replacement.

***Cybersecurity Initiative*** - This project provides funding for initiatives to improve security for statewide information technology systems.

***Vehicles*** – Funding to provide for the replacement of 4 vehicles. The vehicles would be used to support investigation activities in the Enforcement and Compliance and Investigations (CID) divisions.

***RSC Maintenance and Repair*** – Funding to update a two medium-sized Regional Service Centers (RSC) in order to standardize the look of TxDMV facilities across the state.

***Data Center Services*** – This appropriation supports information technology infrastructure assets and functions through statutorily required participation in the State Data Center maintained by the Texas Department of Information Resources (DIR). The Data Center Services (DCS) program enables state agencies to access data center computing as a managed service. DCS fees are based on a consumption based model with costs varying based on statewide usage of DCS services.

### FY 2022-2023 Recommended Exceptional Item Requests

The following table is a preliminary list of exceptional items that will be requested by TxDMV for the FY 2022-2023 biennium. Exceptional items are those desired services above the baseline request. Detailed information on the exceptional items contained in Appendix A.

Division	Exceptional Item	Description	Biennial Request	
			FTE	Amount
<b>Finance &amp; Administrative Services</b>	<b>New Building 5</b>	To demolish Building 5 on the TxDMV Camp Hubbard campus and construct a new building in the same location. Based on an assessment completed by the Texas Facilities Commission (TFC), the age and physical condition of Building 5 is such that a tear-down and rebuilding is a more cost-effective approach than repairing and renovating. Funding in the FY 2022-2023 biennium would provide for planning and design services, with construction funding to follow in FY 2024-2025.		6,187,500
<b>Finance &amp; Administrative Services</b>	<b>Accounts Receivables Systems</b>	Deploy the Centralized Accounting and Payroll/Personnel Systems (CAPPS) Accounts Receivables module to allow for better tracking of accounts receivables balances and to help insure that revenue collection is maximized. Currently the collection and monitoring of receivable accounts is done through 18 different applications. However, none of the systems are designed for conducting accounts receivable activities. The decentralized accounts receivable function and multiple systems have limited TxDMV's ability to properly monitor or conduct accounts receivable activities. Costs include one-time external contract services, temporary support during deployment, and two (2) ongoing FTEs.	2.0	3,472,958
<b>Consumer Relations/ Enforcement/ Motor Carrier/ Motor Vehicle /Information Technology Services</b>	<b>Complaint Management System (CMS)</b>	Develop and maintain a new complaint management system which would include data on the status of complaints, complaint procedures, and documentation of complaints. This item also includes coalescing complaints into a single repository for greater efficiency, instead of the current process of storing complaints in separate systems. Includes costs for funding for external contract services.		5,225,712

Division	Exceptional Item	Description	Biennial Request	
			FTE	Amount
Vehicles, Titles, and Registration (VTR)	New Dallas RSC Substation	To fund a new Dallas Regional Service Center (RSC) substation. The TxDMV Dallas/Carrollton RSC is currently located at 1925 Beltline Road, Suite 100, Carrollton, Texas and is housed in approximately 7,865 square feet of leased space with a staff of 22.5 employees. The Dallas RSC is expected to outgrow their current facility by 2028. In anticipation of future growth, and to better serve customers, this request is to open a new Dallas RSC substation office. An analysis of historical customer flow indicates the new location is best fit in southeast Dallas. Funding includes the build out of a new facility and operating costs for two (2) additional FTEs.	2.0	855,970
Vehicles, Titles, and Registration (VTR)	New Houston RSC Substation	To fund a new Houston Regional Service Center (RSC) substation. The Houston RSC is currently located at 2110 East Governors Circle, Houston, Texas with a staff of 28.5 employees. The Houston RSC is expected to outgrow their current facility by 2028. In anticipation of future growth, and to better serve customers, this request is to open a new Houston RSC substation office. An analysis of historical customer flow indicates the new location is best fit in southeast Houston. Funding includes the build out of a new facility and operating costs for four (4) additional FTEs.	4.0	1,180,119
Motor Vehicle Crime Prevention Authority	Fee and Refund Unit	The Motor Vehicle Crime Prevention Authority (MVCPA) is requesting to add 3 positions to maintain that insurers that sell any form of motor vehicle insurance are aware and comply with the MVCPA Fee requirements. These new positions will provide analysis, audit, outreach and education to insurers. Funding includes salaries and operating costs for three (3) FTEs.	3.0	560,000
<b>Total Exceptional Items</b>			<b>11.00</b>	<b>17,482,259</b>
<b>Totals by Method of Finance</b>				
General Revenue			3.0	560,000
TxDMV Fund			8.0	16,922,259
<b>TOTAL</b>			<b>11.00</b>	<b>17,482,259</b>

## Riders

A “rider” is a legislative directive or appropriation inserted in the General Appropriations Act (GAA) following the Items of appropriation for an agency or, in the special or general provisions of the act. A rider provides direction, expansion, restriction, legislative intent, or an appropriation. A rider may be requested by an agency or may be drafted and inserted by the legislature.

For the FY 2022-2023 LAR, the agency, at minimum, intends to request five riders to assist in its operations.

### Riders Previously Approved in FY 2020-2021 and Re-requested for FY 2022-2023

- ***Special License Plate Fees*** – 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. This rider was included in the FY 2020-2021 General Appropriation Act.
- ***Capital Projects - Automation—Unexpended Balance Authority*** – this rider will allow the agency to spend money appropriated for Automation capital projects during both years of the biennium. The agency is requesting that any unexpended funds appropriated for capital projects at the end of FY 2021 be carried forward to the new biennium beginning FY 2022 for the agency’s use. This rider was included in the FY 2020-2021 General Appropriation Act.
- ***Federal Grants and State Matching Funds*** – this rider allows the agency to spend any unexpended balances of state match funds for federal grants from FY 2021 in FY 2022. This rider was included in the FY 2020-2021 General Appropriation Act.
- ***Unexpended Balance Authority within the Biennium*** – this rider would allow the agency to spend any unexpended balances in appropriations between the fiscal years. This rider was included in the FY 2020-2021 General Appropriation Act.
- ***Capital Projects - HQ Maintenance—Unexpended Balance Authority*** – this rider will allow the agency to spend money appropriated for capital projects for headquarters maintenance during both years of the biennium. The agency is requesting that any unexpended funds appropriated for capital projects at the end of FY 2021 be carried forward to the new biennium beginning FY 2022 for the agency’s use.



## Appendix A – Exceptional Item Detail

2022-2023 LAR Exceptional Item Request Schedule				
<b>Division:</b>	FAS		<b>Division Director:</b>	Linda Flores
<b>Item Name:</b>	Building 5 Replacement		<b>Item Priority:</b>	1
<b>Strategy:</b>	C.1.3 Other Support Services			
Code	Total Exceptional Item Request		Requested	
			2022	2023
	<b>Objects of Expense:</b>			
5000	Capital Expenditures		\$ 6,187,500	-
	<b>Total, Objects of Expense</b>		\$ 6,187,500	-
	<b>Method of Financing:</b>			
001	General Revenue			
010	TxDMV Fund		\$ 6,187,500	-
8082	Federal Reimbursements			
	<b>Total, Method of Finance</b>		\$ 6,187,500	-
<b>Number of Full-time Equivalent Positions (FTE):</b>				
<b>Detail for Capital Appropriation Items: (included in above amounts)</b>				
5001	Acquisition of Land and Other Real Property			
5002	Construction of Buildings and Facilities		\$ 6,187,500	
5003	Repairs or Rehabilitation			
5005	Acquisition of Information Resources Technologies		\$ -	
5006	Transportation Items			
5007	Acquisition of Capital Equipment and Items			
7000	Data Center Consolidation Services		\$ -	\$ -
	<b>Total, Capital Appropriation Items</b>		\$ 6,187,500	\$ -
<b>Detail on Object of Expenses and FTEs: (Included above)</b>				

2022-2023 LAR Exceptional Item Request Schedule				
<b>Division:</b>	FAS		<b>Division Director:</b>	Linda Flores
<b>Item Name:</b>	Building 5 Replacement		<b>Item Priority:</b>	1
<b>Strategy:</b>	C.1.3 Other Support Services			
Code	Total Exceptional Item Request	Requested		
		2022	2023	
<b>Detail for Capital Appropriation Items: (included above)</b>				
		<b>FY 2022-2023</b>	<b>FY 2024-2025</b>	
	Architectural Engineering Services	\$ 3,750,000	\$ -	
	Environmental Services	\$ 468,750	\$ -	
	Surveying Services	\$ 937,500	\$ -	
	Geotech Engineers	\$ 468,750	\$ -	
	Utility Connections	\$ -	\$ 250,000	
	Demolition and clean up	\$ -	\$ 1,875,000	
	Utility Improvements (CH7)	\$ -	\$ 250,000	
	CH5 Construction	\$ -	\$ 46,875,000	
	Moving Expenses	\$ -	\$ 330,554	
	Swing Space rental for staff	\$ -	\$ 7,200,000	
	New Modular Furniture	\$ -	\$ 1,466,500	
	Contingency	\$ 562,500	\$ 5,824,705	
		\$ 6,187,500	\$ 64,071,759	
<b>Description/Justification (2000 character limit)</b> <input type="checkbox"/>				
<p>In 2019 the department requested the Texas Facilities Commission (TFC) perform multiple building assessments to determine the overall condition (i.e. mechanical, plumbing, electrical, HVAC, environmental quality, etc.) of all buildings located on the Camp Hubbard Campus. On February 26, 2020 TxDMV received the final report and overview of each building's age, size, estimated repair and replacement costs, and then used this information to develop the Facility Condition Index (FCI). FCI is used to determine the physical condition of a facility expressed by the ratio of repair costs to replacement value of the facility (See Exhibit A at the end of this document for FCI details). Building 1 FCI = 153% and Building 5 FCI = 134%. Both building 1 &amp; 5 were built in 1955 and due to their age and current conditions, it is more expensive to repair the buildings than to replace them. Based on these findings, TFC recommends demolishing Building 5 and constructing a new building in the same location. Current building code permits a maximization of the existing space with a 5-story structure at 37,500 sf per floor. The proposed building has a gross square footage of 187,500 which exceeds what DMV currently occupies, 166,158 sf for both buildings 1 and 5. Costs are allocated across two (2) bienniums, with design and planning in FY 2022-2023 and construction in FY 2024-2025.</p>				

## Replacement of Building 5

In 2019 the department requested the Texas Facilities Commission (TFC) perform multiple building assessments to determine the overall condition (i.e. mechanical, plumbing, electrical, HVAC, environmental quality, etc.) of all buildings located on the Camp Hubbard Campus. On February 26, 2020 we received the final report and overview of each building's age, size, estimated repair and replacement costs, and then used this information to develop the Facility Condition Index (FCI). FCI is used to determine the physical condition of a facility expressed by the ratio of repair costs to replacement value of the facility (See Exhibit A at the end of this document for FCI details). Building 1 FCI = 153% and Building 5 FCI = 134%. Both building 1 & 5 were built in 1955 and due to their age and current conditions, it is more expensive to repair the buildings than to replace them. Based on these findings, TFC recommends demolishing Building 5 and constructing a new building in the same location. Current building code permits a maximization of the existing space with a 5-story structure at 37,500 sf per floor. The proposed building has a gross square footage of 187,500 which exceeds what DMV currently occupies, 166,158 sf for both buildings 1 and 5.

## Texas Department of Motor Vehicles

## 2022-23 LAR Exceptional Item Request Schedule

<b>Division:</b>	<b>Finance &amp; Administrative Services</b>	<b>Division Director:</b>	<b>Linda Flores</b>		
<b>Item Name:</b>	CAPPS Accounts Receivable Implemenation	<b>Item Priority:</b>	<b>2</b>		
<b>Strategy:</b>	C.1.1 Central Administration				
<b>Code</b>	<b>Total Exceptional Item Request</b>	<b>Requested</b>			
		<b>2022</b>	<b>2023</b>		
	<b>Objects of Expense:</b>				
1001	Salaries	\$ 111,304	\$ 111,304		
1002	Other Personnel Costs	\$ 557	\$ 557		
2001	Professional Fees & Services (includes DCS)	\$ 3,234,784	\$ -		
2009	Other Operating Expense	\$ 12,226	\$ 2,226		
	<b>Total, Objects of Expense</b>	\$ 3,358,871	\$ 114,087		
	<b>Method of Financing:</b>				
010	TxDMV Fund	\$ 3,358,871	\$ 114,087		
	<b>Total, Method of Finance</b>	\$ 3,358,871	\$ 114,087		
<b>Number of Full-time Equivalent Positions (FTE):</b>					
<b>Detail for Capital Appropriation Items: (included in above amounts)</b>					
5005	Acquisition of Information Resources Technologies	\$ 3,234,784			
	<b>Total, Capital Appropriation Items</b>	\$ 3,234,784	\$ -		
<b>Detail on Object of Expenses and FTEs: (Included above)</b>					
<u>Recommend use of Exceptional Item Cost Worksheet for calculations.</u>					
<b>Salary</b>		<b>FTE</b>	<b>Monthly Salary</b>	<b>FY 2022</b>	<b>FY 2023</b>
	Job Class New Positions				
	Accountant V	1.00	\$ 5,301	\$ 63,616	\$ 63,616
	Accountant III	1.00	\$ 3,974	\$ 47,688	\$ 47,688

## Texas Department of Motor Vehicles

## 2022-23 LAR Exceptional Item Request Schedule

Division:	Finance & Administrative Services	Division Director:	Linda Flores		
Item Name:	CAPPS Accounts Receivable Implemenation	Item Priority:	2		
Strategy:	C.1.1 Central Administration				
Code	Total Exceptional Item Request			Requested	
				2022	2023
Other Expenses (list line items)		Unit Cost	Units	FY 2022	FY 2023
	Other Operating - Training 1% of salary/yr per FTE		-	\$ 1,113	\$ 1,113
	Other Operating - Cubicles \$5,000 per FTE	\$ 5,000	2.00	\$ 10,000	\$ -
	Other Operating - Payroll Health Contribution 1% (Legislatively Mandated)			\$ 1,113	\$ 1,113
	Other Personnel - Employee Retirement Contribution .5% (Legislatively Mandated)			\$ 557	\$ 557
Subtotal, Detail on Object of Expenses and FTEs				\$ 124,087	\$ 114,087
Detail for Capital Appropriation Items: (included above)					
Professional Fees	CAPPS Implementation Fees to CPA	\$ 500,000.00	1	500,000	
Professional Fees	1 Project Manager	\$ 116.00	2,080	241,280	
Professional Fees	1 IT Business Analyst	\$ 106.00	2,080	220,480	
Professional Fees	6 IT Contractor/Programmers	\$ 100.00	12,480	1,248,000	
Professional Fees	1 IT System Integrations Tester	\$ 82.00	2,080	170,560	
Professional Fees	IT Contingency (20%)			376,064	
Professional Fees	1 Temp Staff to Backfill CAPPS Security	\$ 75.00	2,080	156,000	
Professional Fees	1 Temp Staff to Backfill Revenue Acct	\$ 50.00	2,080	104,000	
Professional Fees	1 Temp Staff to Backfill Revenue Acct V	\$ 55.00	2,080	114,400	
Professional Fees	1 Temp Staff to Backfill Revenue Acct IV	\$ 50.00	2,080	104,000	
Professional Fees	Total Professional Fees			3,234,784	-

2022-2023 LAR Exceptional Item Request Schedule				
<b>Division:</b>		<b>Finance &amp; Administrative Services</b>		
<b>Item Name:</b>		<b>CAPPS Accounts Receivable Implemenation</b>		
<b>Strategy:</b>		<b>C.1.1 Central Administration</b>		
<b>Code</b>		<b>Total Exceptional Item Request</b>		<b>Requested</b>
				<b>2022</b>
				<b>2023</b>
<b>Description/Justification (2000 character limit)</b> <input type="checkbox"/>				
<p>At TxDMV, the collection and monitoring of receivable accounts is done through 18 different applications. However, none of the systems are designed for conducting accounts receivable activities. The decentralized accounts receivable function and multiple systems have limited TxDMV's ability to properly monitor or conduct accounts receivable activities. Deploying the CAPPS Accounts Receivable module and integrating it with existing TxDMV applications will allow for better tracking of accounts receivable balances and will help insure that revenue collection is maximized. Included in the estimated costs for this project are implementation fees payable to Comptroller of Public Accounts, 1 project manager, 1 IT Business Analyst, 6 IT Programmers, 1 IT System Integrations Tester &amp; 4 additional contractors to backfill the day to day duties of FAS subject matter experts while they work primarily on the CAPPS deployment. Due to the large number of systems TxDMV will be integrating with the CAPPS Accounts Receivable (A/R) module, significant IT programming resources are required. Additionally, once the CAPPS A/R module is live, 2 additional permanent FTE's within the FAS organization will be required to centrally manage the accounts receivable reporting process for the entire Department; while collection efforts continue to remain as decentralized functions within the program areas.</p>				

## Accounts Receivable System

At TxDMV, the collection and monitoring of accounts receivable function is spread across six divisions and eighteen (18) different system applications. The divisions include Enforcement, Information Technology Services, Motor Carrier, Motor Vehicle, Vehicle Titles and Registration, and Finance and Administrative Services. TxDMV has 28 receivable accounts where payments are collected in advance or in arrears of services rendered. The collection and monitoring of receivable accounts are performed through 18 different applications, however none of the systems were designed to manage accounts receivable activities.

The decentralized accounts receivable function and multiple systems have limited TxDMV's ability to properly monitor or conduct accounts receivable activities. Deploying the CAPPS Accounts Receivable (A/R) module and integrating it with existing TxDMV applications will allow for better tracking of accounts receivable balances and will help insure that revenue collection is maximized.

Two additional staff are included in the request to centrally manage, reconcile and report Department-wide accounts receivable.



2022-2023 LAR Exceptional Item Request Schedule				
<b>Division:</b>	Enforcement		<b>Division Director:</b> Corrie Thompson	
<b>Item Name:</b>	Complaint Management System		<b>Item Priority:</b> 3	
<b>Strategy:</b>	A.1.4 Technology Enhancement and Automation			
Code	Total Exceptional Item Request	Requested		
		2022	2023	
	<b>Objects of Expense:</b>			
2001	Professional Fees & Services (includes DCS)	\$ 2,090,712		
2009	Other Operating Expense	\$ 3,135,000	-	
	<b>Total, Objects of Expense</b>	\$ 5,225,712	-	
	<b>Method of Financing:</b>			
010	TxDMV Fund	\$ 5,225,712	-	
	<b>Total, Method of Finance</b>	\$ 5,225,712	-	
<b>Number of Full-time Equivalent Positions (FTE):</b>				
<b>Detail for Capital Appropriation Items: (included in above amounts)</b>				
5005	Acquisition of Information Resources Technologies	\$ 5,225,712		
	<b>Total, Capital Appropriation Items</b>	\$ 5,225,712	\$ -	
Professional Fee	Acquisition of Information Resource Tech	\$ 2,090,712		
Contract Svcs	Vendor Costs	\$ 3,000,000		
Software	Software	\$ 135,000		
<b>Description/Justification (2000 character limit) <input type="checkbox"/></b>				
Sunset Recommendation Develop and maintain a complaint management system which would include data on the status of complaints, complaint procedures, and documentation of complaints.				

## Complaint Management System

As a customer-focused agency, it is important for the department to have easy access to a clear view of its customers' satisfaction, and a key indicator of the customer experience is the number of complaints.

As noted in the department's recent Sunset report, each division has its own complaint handling process without consistent central reporting or analysis of complaint trends. Additionally, complaints are stored in separate individual systems which complicates the ability to capture consistent information across the organization. This approach creates risk that the department may not adequately address complaints and that management does not have the ability to obtain a holistic view of customer service issues. This approach also increases the time to respond and resolve complaints due to the manner in which complaints are managed.

This funding request supports the development and maintenance of a new complaint management system which includes data on the status of complaints, complaint procedures, and documentation of complaints. This request also includes merging complaints into a single repository for greater efficiency, instead of the current process of storing complaints in separate systems. The system will streamline the complaint handling process and allow TxDMV's customers and stakeholders to benefit from reducing the time needed to resolve a complaint. The system will help facilitate the creation a centralized complaint intake process, assist tracking complaints as they move through the process to identify bottlenecks, and enable timely notification to complainants as to progress of their complaint.

2022-23 LAR Exceptional Item Request Schedule					
<b>Division:</b>	Vehicle Titles & Registration		<b>Division Director:</b>	Jeremiah Kuntz	
<b>Item Name:</b>	Dallas Regional Service Center Substation		<b>Item Priority:</b>	4	
<b>Strategy:</b>	A.1.1 Titles Registration and Plates				
Code	Total Exceptional Item Request	Requested			
		2022	2023		
	<b>Objects of Expense:</b>				
1001	Salaries	110,702	110,702		
1002	Other Personnel Costs	554	554		
2001	Professional Fees & Services (includes DCS)	50,000	-		
2003	Consumable Supplies	600	600		
2005	Travel	6,400	6,400		
2006	Rent - Building	122,100	122,100		
2009	Other Operating Expense	17,484	2,274		
5000	Capital Expenditures	305,500	-		
	<b>Total, Objects of Expense</b>	613,340	242,630		
	<b>Method of Financing:</b>				
001	General Revenue				
010	TxDMV Fund	613,340	242,630		
8082	Federal Reimbursements				
	<b>Total, Method of Finance</b>	613,340	242,630		
<b>Number of Full-time Equivalent Positions (FTE):</b>		2.0	2.0		
<b>Detail for Capital Appropriation Items: (included in above amounts)</b>					
5001	Acquisition of Land and Other Real Property				
5002	Construction of Buildings and Facilities	\$ 255,500			
5005	Acquisition of Information Resources Technologies	\$ 50,000			
7000	Data Center Consolidation Services	\$ -	\$ -		
	<b>Total, Capital Appropriation Items</b>	\$ 305,500	\$ -		
<b>Detail on Object of Expenses and FTEs: (Included above)</b>					
<u>Recommend use of Exceptional Item Cost Worksheet for calculations.</u>					
Salary		FTE	Monthly Salary	FY 2022	FY 2023
	Job Class New Positions				
	Manager II	1.00	6,066	72,789	72,789
	Customer Service Rep III	1.00	3,159	37,914	37,914
Travel	Supervisor travel = \$200/day*16 days/year			6,400	6,400

2022-2023 LAR Exceptional Item Request Schedule					
<b>Division:</b>	<b>Vehicle Titles &amp; Registration</b>			<b>Division Director:</b>	<b>Jeremiah Kuntz</b>
<b>Item Name:</b>	Dallas Regional Service Center Substation			<b>Item Priority:</b>	<b>4</b>
<b>Strategy:</b>	A.1.1 Titles Registration and Plates				
Code	Total Exceptional Item Request			Requested	
				2022	2023
Travel	Supervisor travel = \$200/day*16 days/year			6,400	6,400
<b>Other Expenses (list line items)</b>		<b>Unit Cost</b>	<b>Units</b>	<b>FY 2022</b>	<b>FY 2023</b>
	Consumable Supplies \$300/yr per FTE	300	2.00	600	600
	Other Operating - share of xerox rental \$30/FTE	30	2.00	60	60
	Other Operating - Training 1% of salary/yr per FTE	0	-	1,107	1,107
	Other Operating - Chair \$350 per FTE	350	2.00	700	
	Other Operating - Computer, printer, monitor phone	2,255	2.00	4,510	
	Other Operating - Cubicles \$5,000 per FTE	5,000	2.00	10,000	
	Other Operating - Payroll Health Contribution 1% (Legislatively Mandated)			1,107	1,107
	Other Personnel - Employee Retirement Contribution .5% (Legislatively Mandated)			554	554
<b>Subtotal, Detail on Object of Expenses and FTEs</b>				\$ 135,740	\$ 120,530
<b>Detail for Capital Appropriation Items: (included above)</b>					
	Buildout of new location			255,500	
	Furniture			50,000	

2022-2023 LAR Exceptional Item Request Schedule				
<b>Division:</b> Vehicle Titles & Registration		<b>Division Director:</b> Jeremiah Kuntz		
<b>Item Name:</b> Dallas Regional Service Center Substation		<b>Item Priority:</b> 4		
<b>Strategy:</b>	A.1.1 Titles Registration and Plates			
Code	Total Exceptional Item Request	Requested		
		2022	2023	
<b>Description/Justification (2000 character limit)</b> <input type="checkbox"/> <p>The TxDMV Dallas/Carrollton Regional Service Center (RSC) is currently located at 1925 Beltline Road, Suite 100, Carrollton, Texas and is housed in approximately 7,865 square feet of leased space with a staff of 22.5 employees. The Dallas RSC is expected to outgrow their current facility by 2028. In anticipation of future growth, and to better serve our customers, the Vehicle Titles and Registration Division is recommending we open a new Dallas RSC substation office. An analysis of historical customer flow indicates the new location is best fit in southeast Dallas. It is estimated that approximately 50% of the current Dallas RSC customer base would utilize the new location. An additional supervisor would be required to oversee the location. One existing coordinator and half of the existing staff would be reassigned to the new location. One additional customer service representative is needed to adequately staff the new</p>				
<b>External/Internal Factors (2000 character limit)</b> <p>Texas added more population in the past twelve months than any other state. The growth is forecasted to continue at, or above, the current rate. Much of this population settled, and will continue to settle, in the Dallas-Fort Worth metroplex. As the population expands, the demands for the services of TxDMV regional service centers also increases. Additional resources are required, as described herein, to meet those demands proactively to ensure the department continues to provide exceptional services to its customers. By creating a third location in the metroplex rather than expanding our current location, the department will be positioned closer to its customers, thereby enhancing the customer experience, reducing traffic congestion, and protecting the environment.</p>				

## Dallas Regional Service Center Substation

The **Dallas RSC** is expected to outgrow their current facility by 2028. In anticipation of future growth, and to better serve our customers, the Vehicle Titles and Registration Division is recommending a new Dallas RSC substation office. An analysis of historical customer flow indicates the new location is best situated in southeast Dallas. It is estimated that approximately 50% of the current Dallas RSC customer base would utilize the new location. Two new staff are included in this request--a supervisor would be required to oversee the location and one additional customer service representative. Existing staff would also be reassigned to adequately staff the new location.

2022-23 LAR Exceptional Item Request Schedule					
<b>Division:</b>		<b>Vehicle Titles &amp; Registration</b>		<b>Division Director:</b> Jeremiah Kuntz	
<b>Item Name:</b>		Houston Regional Service Center Substation		<b>Item Priority:</b> 5	
<b>Strategy:</b>		A.1.1 Titles Registration and Plates			
Code	Total Exceptional Item Request	Requested			
		2022	2023		
<b>Objects of Expense:</b>					
1001	Salaries	186,529	186,529		
1002	Other Personnel Costs	933	933		
2001	Professional Fees & Services (includes DCS)	50,000	-		
2003	Consumable Supplies	1,200	1,200		
2005	Travel	6,400	6,400		
2006	Rent - Building	160,000	160,000		
2009	Other Operating Expense	34,270	3,850		
5000	Capital Expenditures	381,875	-		
<b>Total, Objects of Expense</b>		821,207	358,912		
<b>Method of Financing:</b>					
001	General Revenue				
010	TxDMV Fund	821,207	358,912		
8082	Federal Reimbursements				
<b>Total, Method of Finance</b>		821,207	358,912		
<b>Number of Full-time Equivalent Positions (FTE):</b>		4.0	4.0		
<b>Detail for Capital Appropriation Items: (included in above amounts)</b>					
5005	Acquisition of Information Resources Technologies	\$ 50,000			
<b>Total, Capital Appropriation Items</b>		\$ 50,000	\$ -		
<b>Detail on Object of Expenses and FTEs: (Included above)</b>					
<u>Recommend use of Exceptional Item Cost Worksheet for calculations.</u>					
Salary		FTE	Monthly Salary	FY 2022	FY 2023
	Job Class New Positions				
	Manager II	1.00	6,066	72,789	72,789
	Customer Service Rep III	3.00	3,159	113,741	113,741

2022-23 LAR Exceptional Item Request Schedule					
<b>Division:</b>	<b>Vehicle Titles &amp; Registration</b>			<b>Division Director:</b>	<b>Jeremiah Kuntz</b>
<b>Item Name:</b>	Houston Regional Service Center Substation			<b>Item Priority:</b>	<b>5</b>
<b>Strategy:</b>	A.1.1 Titles Registration and Plates				
Code	Total Exceptional Item Request			Requested	
				2022	2023
Travel	Supervisor travel = \$200/day*16 days/year			6,400	6,400
<b>Expenses (list line items)</b>		<b>Unit Cost</b>	<b>Units</b>	<b>FY 2022</b>	<b>FY 2023</b>
	Consumable Supplies \$300/yr per FTE	300	4.00	1,200	1,200
	Other Operating - share of xerox rental \$30/FTE	30	4.00	120	120
	Other Operating - Training 1% of salary/yr per FTE	0	-	1,865	1,865
	Other Operating - Chair \$350 per FTE	350	4.00	1,400	
	Other Operating - Computer, printer, monitor phone	2,255	4.00	9,020	
	Other Operating - Cubicles \$5,000 per FTE	5,000	4.00	20,000	
	Other Operating - Payroll Health Contribution 1% (Legislatively Mandated)			1,865	1,865
	Other Personnel - Employee Retirement Contribution .5% (Legislatively Mandated)			933	933
<b>Subtotal, Detail on Object of Expenses and FTEs</b>				\$ 229,332	\$ 198,912
<b>Detail for Capital Appropriation Items: (included above)</b>					
	Buildout of new location			331,875	
	Furniture			50,000	
				-	-



2022-2023 LAR Exceptional Item Request Schedule				
<b>Division:</b>		<b>Vehicle Titles &amp; Registration</b>		<b>Division Director:</b> Jeremiah Kuntz
<b>Item Name:</b>		Houston Regional Service Center Substation		<b>Item Priority:</b> 5
<b>Strategy:</b>	A.1.1 Titles Registration and Plates			
<b>Code</b>	<b>Total Exceptional Item Request</b>	<b>Requested</b>		
		<b>2022</b>	<b>2023</b>	
<b>Description/Justification (2000 character limit)</b> <input type="checkbox"/> <p>The Houston Regional Service Center (RSC) is currently located at 2110 East Governors Circle, Houston, Texas with a staff of 28.5 employees. The Houston RSC is expected to outgrow their current facility by 2028. In anticipation of future growth, and to better serve our customers, Vehicle Titles and Registration Division is recommending we open a new Houston RSC substation office. An analysis of historical customer flow indicates the new location is best fit in southeast Houston. It is estimated that approximately 50% of the current Houston RSC customer base would utilize the new location. An additional supervisor would be required to oversee the location. One existing coordinator and one-third of the existing staff would be reassigned to the new location. Three additional customer service representatives are needed to adequately staff the new location.</p>				

## Houston Regional Service Center Substation

As the Texas population expands, the demands for the services of TxDMV regional service centers in the Houston metroplex also increases. Additional resources are required to meet those demands proactively to ensure the department continues to provide exceptional services to its customers. By creating a second location in the Houston area rather than expanding the current location, the department will be positioned closer to its customers, thereby reducing wait times, traffic congestion and protecting the environment.

2022-23 LAR Exceptional Item Request Schedule					
<b>Division:</b>		<b>Motor Vehicle Crime Prevention Authority</b>		<b>Division Director:</b> Bryan Wilson	
<b>Item Name:</b>		Collections and Refund Unit		<b>Item Priority:</b> 6	
<b>Strategy:</b>		B.2.1 Motor Vehicle Crime Prevention Authority			
Code	Total Exceptional Item Request	Requested			
		2022	2023		
<b>Objects of Expense:</b>					
1001	Salaries	244,000	244,000		
1002	Other Personnel Costs	1,220	1,220		
2003	Consumable Supplies	900	900		
2005	Travel	6,095	6,095		
2009	Other Operating Expense	27,785	27,785		
<b>Total, Objects of Expense</b>		280,000	280,000		
<b>Method of Financing:</b>					
001	General Revenue				
010	TxDMV Fund	280,000	280,000		
8082	Federal Reimbursements				
<b>Total, Method of Finance</b>		280,000	280,000		
<b>Number of Full-time Equivalent Positions (FTE):</b>					
<b>Detail for Capital Appropriation Items: (included in above amounts)</b>					
<b>Total, Capital Appropriation Items</b>		\$	-	\$	-
<b>Detail on Object of Expenses and FTEs: (Included above)</b>					
<u>Recommend use of Exceptional Item Cost Worksheet for calculations.</u>					
Salary		<b>FTE</b>	<b>Monthly Salary</b>	<b>FY 2022</b>	<b>FY 2023</b>
	Tax Manager	1.00	\$ 9,417	113,000	113,000
	Auditor V	1.00	6,000	72,000	72,000
	Program Specialist IV	1.00	4,917	59,000	59,000
Travel	Method of calculation			6,095	6,095

2022-23 LAR Exceptional Item Request Schedule					
<b>Division:</b> Motor Vehicle Crime Prevention Authority			<b>Division Director:</b> Bryan Wilson		
<b>Item Name:</b> Collections and Refund Unit			<b>Item Priority:</b> 6		
<b>Strategy:</b> B.2.1 Motor Vehicle Crime Prevention Authority					
Code	Total Exceptional Item Request	Requested			
		2022		2023	
Expenses (list line items)	Unit Cost	Units	FY 2022	FY 2023	
Consumable Supplies \$300/yr per FTE	300	3.00	900	900	
Other Operating - share of copier rental \$30/FTE	30	3.00	90	90	
Other Operating - Training 1% of salary/yr per FTE	0	-	2,440	2,440	
Other Operating - Chair \$350 per FTE	350	3.00	1,050	-	
Other Operating - Computer, printer, monitor phone	2,255	3.00	6,765	-	
Other Operating - Cubicles \$5,000 per FTE	5,000	3.00	15,000	-	
Other Operating - Payroll Health Contribution 1% (Legislatively Mandated)			2,440	2,440	
Other Personnel - Employee Retirement Contribution .5% (Legislatively Mandated)			1,220	1,220	
Other Operating - Miscellaneous items, contracts				22,815	
<b>Subtotal, Detail on Object of Expenses and FTEs</b>			\$ 280,000	\$ 280,000	

## Motor Vehicle Crime Prevention Authority (MVCPA) Fee and Refund Unit

In 2019, the Auto Burglary Theft Prevention Authority name changed to the Motor Vehicle Crime Prevention Authority (MVCPA) and its responsibilities were expanded to include **fraud-related motor vehicle crime**. The insurance fee increased to \$4 with 20% to be appropriated to the Authority and 60% going to emergency and trauma centers. MVCPA works with the Comptroller of Public Accounts, Texas Department of Insurance (TDI), insurance companies and insurance trade associations to ensure all motor vehicle insurers are in full compliance with the law regarding the collection of the fee.

The goal of this request is to create the Motor Vehicle Crime Prevention Insurance Fee and Refund Unit. The employees will ensure equitable collection practices to provide fair market conditions for all insurers. The unit will also assist insurers with the MVCPA fee compliance and focus on accurate and timely collections and refunds of fees. All positions will be funded through MVCPA appropriations.



Board Meeting Date: 8/5/2020

**ACTION ITEM**

**To:** Finance & Operations Committee, Texas Department of Motor Vehicles Board  
**From:** Linda M. Flores, CPA, Chief Financial Officer, Finance & Administrative Services Division Director  
**Agenda Item:** 4.B  
**Subject:** Recommended FY 2021 Operating Budget

**RECOMMENDATION**

1. Approval of the Recommended FY 2021 Operating Budget.
2. Approval for the Executive Director to negotiate and execute the routine and required contracts contained in Part VI of the document and specific approval of the following contract:
  - a. American Association of Motor Vehicle Administrators (AAMVA) National Motor Vehicle Title Information System (NMVTIS). This contract allows the agency to maintain access to AAMVA NMVTIS for the period of September 1, 2020 through August 31, 2021.
3. Approval to transfer \$2.7 million from Automation capital line to the Data Center Consolidation capital line item and to request authority from the Legislative Budget Board (LBB) and the Governor's Office Budget and Policy Division (GOBP) to exceed the 25% transfer limit to utilize Data Center Services (DCS) Managed Application Services (MAS). The department has two projects that can be developed using DCS vendors—1) Statewide Web Dealer Adoption and 2) External Website Web Server Cloud Solution.

**PURPOSE AND EXECUTIVE SUMMARY**

The Texas Department of Motor Vehicles (TxDMV) develops annual operating budgets based on approved biennial appropriations. The recommended FY 2021 operating budget implements the second year of appropriations for the 2020-2021 biennium adjusted for eligible carryforward of unspent balances. This recommended operating budget includes \$181.7 million and is structurally balanced to support recurring expenses throughout the department organization.

**FINANCIAL IMPACT**

The department's recommended FY 2021 operating budget of \$181.7 million will be primarily supported by TxDMV Fund 0010 collections, whose estimated revenue for FY 2021 is \$166.2 million. In addition to the TxDMV Fund 0010, the department's budget is also funded by a combination of General Revenue appropriations (\$12.8 million), estimates of carryforward of FY 2020 Automation balances (\$13.7 million); other Capital balances (\$5.4 million); the estimated carryforward of unspent operating funds as allowed under Rider 10 (\$9.6 million); and federal reimbursements (\$743,750). This recommended budget document includes a list of contracts that will be funded as part of the FY 2021 budget.



## **BACKGROUND AND DISCUSSION**

### **Revenues**

Estimated FY 2021 TxDMV Fund 0010 revenue of \$166.2 million includes collections from the processing and handling fee estimated to be \$59.3 million, \$91.3 million associated with titles and registration fees and \$15.6 million in fees for oversize/overweight permits. The staff estimates that TxDMV will collect approximately \$2.0 billion for the State in all funds during FY 2021.

### **Appropriations**

The FY 2021 recommended operating budget is \$181.7 million and is based on the appropriations by the 86th Legislature's Senate/House Conference Committee adjusted for eligible carryforward of unspent balances. The attached budget document includes baseline funding for 802 full time equivalents (FTE), online fulfillment of vehicle registrations, license plate production, the Data Center Services (DCS) contract with the Department of Information Resources, vehicle replacements and other projects. The 86<sup>th</sup> Legislature's approved recommendations included an additional 23 full time equivalents (FTE) and funding which continue in FY 2021:

- Information Technology Division Development and Maintenance Improvements – 12 new FTEs (\$915K)
- Information Technology Division Infrastructure Improvements (\$850K)
- Consumer Relations Division Customer Service Enhancement – 9 new FTEs (\$418K)
- Consumer Protection and Tracking Resources (\$97,500)
- Statewide Cost Allocation Plan (SWCAP) increases (\$1.1M)
- Regional Service Center Capital (\$250K)
- Digital License Plates funding – 2 new FTEs (\$112K)

FY 2021 also includes the second year of riders related to the use of unexpended balances for federal grants and state matching funds, TxDMV HQ Security and Badge System, TxDMV HQ Maintenance, and balances within the biennium.

### **Unexpended Balance Capital Authority**

In addition to \$17.9 million in Fiscal Year 2021 capital appropriations, the recommended capital budget includes \$19.1 million in estimated unexpended balance carry-forward from FY 2020 capital projects. The carry-forward consists of \$12.4 million in Fiscal Year 2020 TxDMV Automation balances and \$6.7 million in FY 2020 carry forward from other capital projects, with HQ Maintenance being the largest component of other capital.

The Automation balances will be utilized for the completion of the Web Lien, Statewide Web Dealer Adoption, Call Center, RTS Testing Tools, and Computer Aided Software Testing (CAST) software projects, along with funding an unallocated reserve for future initiatives.

### **Rider 10 Unexpended Balance Authority**

The FY 2021 Recommended Budget also includes an estimated \$9.6 million in carry-forward from FY 2020 appropriations. This carry-forward is authorized by TxDMV Rider 10 ***Unexpended Balances Within the Biennium***, which allows unspent balances to carry forward from FY 2020 to FY 2021. The carry-forward will be used to address continued department operations.

**Contract Requiring Board Approval**

The department'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 contract listed below requires Board approval for the award and/or renewal and for the proposed contract amount for Fiscal Year 2021.

American Association of Motor Vehicle Administrators – This contract (\$377,702) 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 vehicle identification numbers (VINs) from destroyed vehicles are never used for stolen vehicles.

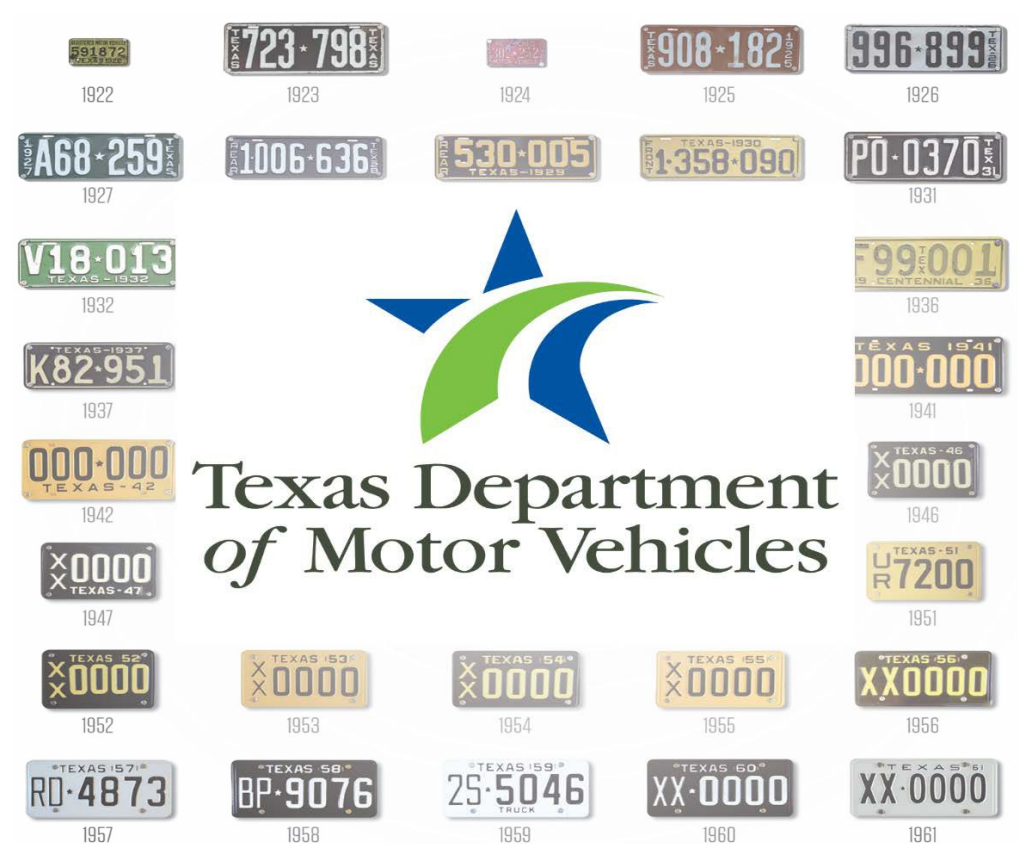
**Board Approval for FY 2021 Data Center Consolidation (DCS)**

The department plans to transfer \$2.7 million from the Automation capital line item to the DCS capital line item to complete the Web Dealer Statewide adoption project and the External Website Web Server Cloud Solution project. The transfer exceeds the DCS capital appropriation more than 25%. The General Appropriations Act requires state agencies to obtain approval from the governing board, Governor's Office Budget and Policy Division (GOBP) and the Legislative Budget Board (LBB) prior to the transfer.



# FY 2021

## Recommended Operating Budget



August 5, 2020



# Texas Department of Motor Vehicles

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Texas Department *of* Motor Vehicles

**Part I: Executive Summary and Fiscal Year 2020-2021**  
**Legislative Appropriations Request and Approved**  
**Budget**



## Texas Department *of* Motor Vehicles

### Executive Summary

The FY 2021 Operating Budget document's purpose is to provide the TxDMV Board and executive management with a detailed description outlining how the department plans to spend its money for the upcoming fiscal year.

The document is an internal, organizational reference designed to provide information on the total dollars available for use, how those amounts are determined, where those dollars are allocated, as well as the amounts of revenues available to support its expenditures.

For FY 2021, the TxDMV Operating Budget proposes total expenditures of \$181.7 million, which includes \$153.0 million in funds appropriated by the Legislature for FY 2021 and approximately \$28.7 million in funds that can be spent for the same purposes from previous years, known as “carry-forward” funds.

Highlights of TxDMV's FY 2021 Operating Budget include:

- \$88.6 million for core program activities;
- \$37.0 million for capital;
- \$20.4 million for agency-wide purposes;
- \$18.0 million for Information Technology;
- \$17.7 million for central administration; and

TxDMV estimates that TxDMV Fund revenues to total \$166.3 million in FY 2021, which is the primary source of revenue available to support its operations, plus an additional \$12.8 million appropriated from the General Revenue Fund to support the operations of the MVCPA program.

The FY 2021 Operating Budget is described in the detailed sections included in this report.



## Texas Department of Motor Vehicles

### **Fiscal Year 2020-2021 Legislative Appropriations Request and Approved Budget**

Every two years, each state agency submits to the Legislative Budget Board (LBB), and the Office of the Governor (OOG), its request for money it anticipates needing to fund its programs and operations. This request is known as the Legislative Appropriations Request (LAR).

In August 2018, the Texas Department of Motor Vehicles (TxDMV) submitted an LAR totaling \$359.1 million: \$321.5 million in its baseline (the funding amount needed to continue its current program and operations) plus an additional request of \$37.6 million in exceptional items (items that are not currently funded, but that an agency anticipates it will need for the future.)

The LAR is subject to both legislative and gubernatorial approval. The final, approved amounts are included in the state's final budget bill, known as the General Appropriations Act (GAA).

For a more complete history of the TxDMV's appropriations, refer to Appendix 1 of this document.

The FY 2020-2021 GAA is the starting point for the department's FY 2021 operating budget. The final approved biennial budget totaled \$309.4 million: \$300.9 million baseline; \$8.5 million in exceptional items; and \$1.4 million in riders (items the legislature approves that may authorize an agency to spend additional amounts); \$10.7 million less than originally requested.

The following table details the adjustments made during the legislative process.



# Texas Department of Motor Vehicles

## FY 2020-2021 TxDMV LAR Compared to Final Approved GAA

	Legislative Appropriations Request (LAR)	Enrolled FY 2020-2021
<b>A. Goal: Optimize Services and Systems</b>		
A.1.1. Strategy: Titles, Registrations, and Plates	\$ 142,682,844	\$ 145,051,663
A.1.2. Strategy: Vehicle Dealer Licensing	\$ 8,294,710	\$ 8,352,160
A.1.3. Strategy: Motor Carrier Permits & Credentials	\$ 18,296,274	\$ 18,422,753
A.1.4. Strategy: Technology Enhancement & Automation	\$ 11,949,000	\$ 12,020,851
A.1.5. Strategy: Customer Contact Center	\$ 5,653,804	\$ 6,596,969
<b>Total, Goal A: Optimize Services and Systems</b>	<b>\$ 186,876,632</b>	<b>\$ 190,444,396</b>
<b>B. Goal: Protect the Public</b>		
B.1.1. Strategy: Enforcement	\$ 13,920,886	\$ 14,584,805
B.2.1. Strategy: Motor Vehicle Crime Prevention	\$ 38,917,804	\$ 25,671,702
<b>Total, Goal B: Protect the Public</b>	<b>\$ 52,838,690</b>	<b>\$ 40,256,507</b>
<b>C. Goal: Indirect Administration</b>		
C.1.1. Strategy: Central Administration	\$ 16,354,086	\$ 16,467,357
C.1.2. Strategy: Information Resources	\$ 49,228,344	\$ 52,997,037
C.1.3. Strategy: Other Support Services	\$ 16,165,848	\$ 10,595,423
<b>Total, Goal C: Indirect Administration</b>	<b>\$ 81,748,278</b>	<b>\$ 80,059,817</b>
<b>Grand Total, Department of Motor Vehicles</b>	<b>\$ 321,463,600</b>	<b>\$ 310,760,720</b>
<b>Difference</b>		<b>\$ (10,702,880)</b>
<b>Detail for Adjustments to Fiscal Year 2020-2021 LAR Request</b>		
<b>A.1.1 Titles, Registrations, and Plates</b>		
Approval of Rider Contingency for Digital License Plates	\$	1,383,994
<b>A.1.5 Customer Contact Center</b>		
Approval of Exceptional Item - Customer Service Enhancement	\$	904,005
<b>B.1.1. Strategy: Enforcement</b>		
Approval of Exceptional Item - Consumer Protection and Tracking	\$	567,500
<b>B.2.1. Strategy: Motor Vehicle Crime Prevention</b>		
Exceptional Items not Funded - Expansion of MVCPA Grants	\$	(13,246,102)
<b>C.1.2. Strategy: Information Resources</b>		
Approval of Exceptional Item - IT Maintenance and Development	\$	1,922,568
Approval of Exceptional Item - IT Infrastructure	\$	2,700,000
Reduction in Baseline Data Center Services	\$	(1,186,845)
<b>C.1.3. Strategy: Other Support Services</b>		
Reduction in Baseline for Headquarters (HQ) Badge & Security and HQ Furniture	\$	(650,000)
Reduction in Baseline for HQ Capital	\$	(5,000,000)
<b>Multiple Strategies</b>		
Approval of Exceptional Item - Statewide Cost Allocation Plan (SWCAP)	\$	1,902,000
<b>Total Adjustments to Fiscal Year 2020-2021 LAR Request</b>	<b>\$</b>	<b>(10,702,880)</b>



## Texas Department of Motor Vehicles

### Exceptional Items and Riders in the TxDMV FY 2020-2021 Budget

**Exceptional Items:** The TxDMV originally submitted five exceptional items in August 2018. Prior to a legislative session, agencies can revisit their original exceptional item requests. Subsequently, in January 2019, TxDMV revised its exceptional item request to nine items. The table below details the TxDMV's revised exceptional items considered during the legislative process.

Of the nine requested exceptional items, six were approved and three were not.

Priority	Exceptional Items	TxDMV Baseline Biennial Request		Conference Committee HB1 Biennial Amounts	
		FTEs	Amount	FTEs	Amount
1	Information Technology Infrastructure Improvements		\$ 2,700,000		\$ 2,700,000
2	Information Technology Development and Maintenance	12.0	\$ 1,922,568	12.0	\$ 1,922,568
3	Consumer Protection and Tracking		\$ 567,500		\$ 567,500
4	Customer Service Enhancement	9.0	\$ 904,005	9.0	\$ 904,005
5	Statewide Cost Allocation Plan		\$ 1,902,000		\$ 1,902,000
6	Headquarters Facility		\$ 5,112,000		\$ -
7	Regional Service Center Capital		\$ 500,000		\$ 500,000
	<b>Subtotal TxDMV Fund</b>	<b>21.0</b>	<b>\$ 13,608,073</b>	<b>21.0</b>	<b>\$ 8,496,073</b>
1	MVCPA Crime Reduction Strategy		\$ 6,600,000		\$ -
2	MVCPA Grants		\$ 17,400,000		\$ -
	<b>Subtotal General Revenue</b>		<b>\$ 24,000,000</b>		<b>\$ -</b>
	<b>Total</b>	<b>21.0</b>	<b>\$ 37,608,073</b>	<b>21.0</b>	<b>\$ 8,496,073</b>

**Riders -** A rider provides specific instructions regarding the expenditure or collection of funds by an agency. It may or may not include additional funding to an agency. In addition to specific riders in an agency's bill pattern, several provisions in the General Appropriations Act (GAA), Article IX, authorize agencies to increase or decrease appropriations.



## Texas Department of Motor Vehicles

TxDMV Riders Approved for FY 2020-2021	
<b>Special License Plates</b> – This rider provides additional appropriations each year of the biennium for making payments to the contract vendor for the marketing and sale of specialty 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
<b>Texas Department of Motor Vehicles Fund Report</b> – This rider requires the department to submit an annual report on TxDMV Fund 0010 expenditures/revenues to the Legislative Budget Board.	Approved
<b>Unexpended Balance and Capital Authority – TxDMV Automation System</b> – This rider allows the department to carry forward any unexpended funds appropriated in Strategy A.1.4, Technology Enhancement and Automation, for the TxDMV Automation System capital budget projects remaining at the end of FY 2019 and expended for the same purpose to the new biennium beginning September 1, 2019.	Approved
<b>Unexpended Balance – Federal Grants and State Matching Funds</b> – This rider allows the department to spend unexpended balances of state matching funds for federal grants from FY 2020 in FY 2021.	Approved
<b>Unexpended Balance – TxDMV Headquarters Security and Badge System</b> - This rider allows the department to carry forward any unexpended funds appropriated for the Headquarters Security and Badge System remaining at the end of FY 2019 to the new biennium.	Approved
<b>Unexpended Balance – TxDMV Headquarters Maintenance Projects</b> – This rider allows the department to carry forward to the new biennium beginning September 1, 2019 any unexpended funds appropriated in Strategy C.1.3, Other Support Services capital budget projects for the Headquarters Maintenance Projects Capital remaining at the end of FY 2019.	Approved
<b>Unexpended Balance Within the Biennium</b> – This rider allows the department to carry forward any unexpended funds appropriated to TxDMV at the end of FY 2020 for the same purpose for the new fiscal year beginning September 1, 2020.	Approved
<b>Contingency Rider for HB 1711/SB 604</b> – This rider provides an appropriation for legislation relating to the issuance of digital license plates. This rider appropriates a total of \$1,383,994 over the FY 2020-2021 biennium and includes an increase of 2.0 FTEs	Approved





Texas Department *of* Motor Vehicles

## **Part II: Fiscal Year 2021 Recommended Operating Budget**



## Texas Department *of* Motor Vehicles

### **Fiscal Year 2021 Recommended Operating Budget by Appropriation**

The General Appropriations Act (GAA) has appropriated \$153.0 million for TxDMV use in FY 2021. This amount funds the TxDMV FY 2021 annual operations. The GAA also authorizes the department to spend additional amounts for carry-forward balances and other allowable costs under certain circumstances, at an estimated amount of \$28.7 million. This results in a grand total of \$181.7 million to support TxDMV operations for FY 2021. The following chart depicts the TxDMV FY 2021 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) (see Budget Terms and Definitions) and estimated carry-forward of FY 2020 unexpended capital balances.

The following table reflect the amounts approved by the 86<sup>th</sup> Legislature including estimated carry-forward of capital balances and operating balances from FY 2020. The operating balance carry-forward estimate of \$9.6 million is allowed under the authority granted during the 86<sup>th</sup> Legislative Session in Rider 10 **Unexpended Balances Within the Biennium**. This rider allows TxDMV to carry forward from FY 2020 to FY 2021 any unspent funds in any operating appropriation.



# Texas Department of Motor Vehicles

## Operating Budget by Appropriation

A. Goal: Optimize Services and Systems		FY 2021 Recommended Operating Budget
A.1.1. Strategy: Titles, Registrations, and Plates	\$	72,077,418
A.1.2. Strategy: Vehicle Dealer Licensing	\$	4,182,971
A.1.3. Strategy: Motor Carrier Permits & Credentials	\$	9,152,569
A.1.4. Strategy: Technology Enhancement & Automation	\$	2,714,575
A.1.5. Strategy: Customer Contact Center	\$	3,269,094
<b>Total, Goal A: Optimize Services and Systems</b>	<b>\$</b>	<b>91,396,627</b>
B. Goal: Protect the Public		
B.1.1. Strategy: Enforcement	\$	7,117,718
B.2.1. Strategy: Motor Vehicle Crime Prevention Authority	\$	12,835,851 *
<b>Total, Goal B: Protect the Public</b>	<b>\$</b>	<b>19,953,569</b>
C. Goal: Indirect Administration		
C.1.1. Strategy: Central Administration	\$	8,247,265
C.1.2. Strategy: Information Resources	\$	26,061,492
C.1.3. Strategy: Other Support Services	\$	7,348,796
<b>Total, Goal C: Indirect Administration</b>	<b>\$</b>	<b>41,657,553</b>
<b>Total TxDMV Appropriation Budget</b>	<b>\$</b>	<b>153,007,749</b>
Other Adjustments		
Estimated Increase for Benefit Replacement Pay	\$	65,728
Projected Unexpended Balance Carry-Forward (UB) from FY 2020		
Capital - TxDMV Automation Systems	\$	12,459,373
Capital - Other Capital	\$	6,650,734
Rider 10 Operating Adjustment Carry Forward (UB)	\$	9,600,000
<b>Total, Other Adjustments</b>	<b>\$</b>	<b>28,775,835</b>
<b>Total TxDMV Operating Budget</b>	<b>\$</b>	<b>181,783,584</b>
Method of Finance		
General Revenue Fund (includes estimated Automation UB)	\$	6,101,596
TxDMV Fund (includes estimated Automation and Other Capital UB)	\$	174,938,238
Federal Reimbursements	\$	743,750
<b>Total, Method of Finance</b>	<b>\$</b>	<b>181,783,584</b>

\*FY 2021 amount for Motor Vehicle Crime Prevention Authority may be adjusted for legislative reductions. Submitted reduction plan includes a proposed reduction of \$468,709 in FY 2021. Final decisions on reduction plan is pending.



## Texas Department of Motor Vehicles

### **Fiscal Year 2021 Expenditure Budget Highlights**

#### **Summary**

The department's FY 2021 recommended operating budget totals \$181.7 million. Appropriations for current Automation and Other Capital projects are continued for FY 2021 as well as carry-forward of unspent funds from FY 2020.

#### **TxDMV Strategies and Goals**

TxDMV strategies are allocated through three broad categories to support its operations: 1) core functions that are public-facing, 2) technology enhancements and automation primarily supporting the core functions and 3) indirect costs that are integral to the operations of any state agency.

- Core Functions include:
  - Providing title, registration and specialty license plate services (Goal 1, Strategy A.1.1.)
  - Regulating vehicle dealer licensing (Goal 1, Strategy A.1.2.)
  - Issuing motor carrier permits and credentials (operating authority) (Goal 1, Strategy A.1.3.)
  - Responding to customer inquiries through the Contact Center (Goal 1, Strategy A.1.5.)
  - Performing enforcement activities of the TxDMV regulated community and conducting investigations, including those of fraud, waste and abuse (Goal 2, Strategy B.1.1.)
  - Assisting in the prevention of motor vehicle burglary and theft (Goal 2, Strategy B.2.1.)

The core functions of the department represent approximately 65% of TxDMV's total baseline request, or approximately \$118.2 million of the FY 2021 Recommended Budget.

- Technology Enhancements and Automation and Information Resources include:
  - Upgrades, enhancements and deployment of systems that primarily support the department's core functions and its partners and the department resources dedicated to supporting these systems (Goal 1, Strategy A.1.4.; Goal 3, Strategy C.1.2.).

Technology enhancements and automation and Information Resources represent about 26.0% of TxDMV's FY 2021 Recommended Budget, or \$47.7 million.

- Indirect Administration includes:
  - Central Administration includes the department's support functions such as human resources, financial services, government and strategic communications, project management and other offices and support services that are critical to the maintaining day-to-day operations of the TxDMV. (Goal 3, Strategies C.1.1. and C.1.3.)

Total Indirect Administration represents approximately 9.0% of TxDMV's FY 2021 Recommended Budget, or \$15.8 million. Central Administration totals 4.7% of the department's entire FY 2021 Recommended Budget.

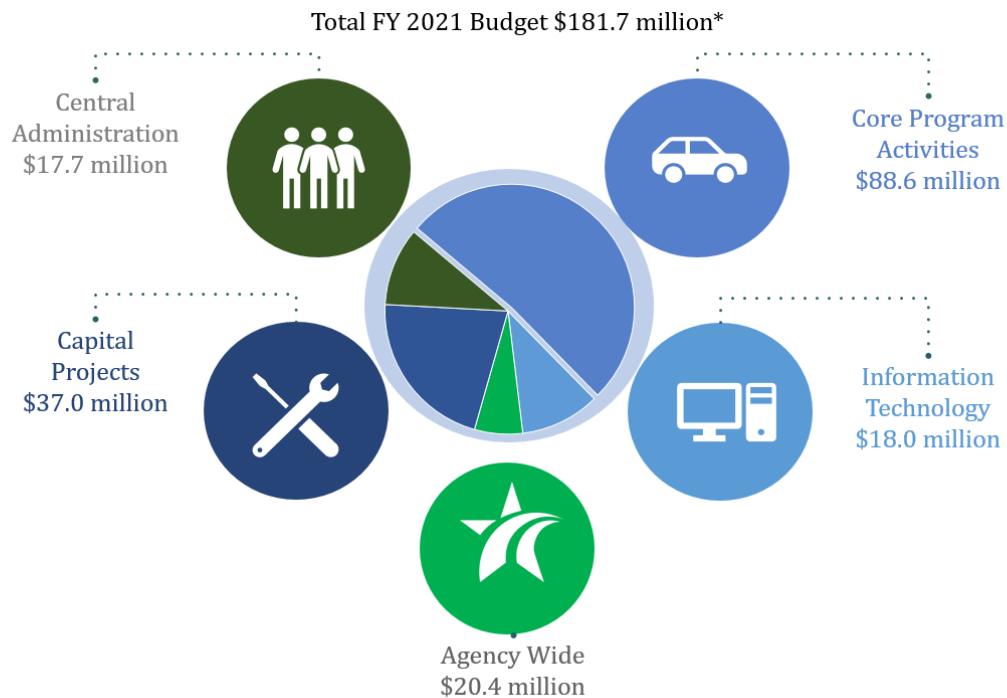


## Texas Department of Motor Vehicles

Major considerations integrated in the department's appropriations include amounts necessary to cover the impact of payroll growth for the state pension systems and employee group benefits, continuation of upgrades and enhancements of automation and technology projects and facilities maintenance.

External factors such as statewide population growth and the national and state economic environments have been considered. The impact of COVID-19 is another major driver to be considered in FY 2021. As most of the services provided by the TxDMV are consumer-driven, the department is diligent in monitoring changes to the state and national economies. Any significant changes in trends are evaluated by executive management for the impact on departmental services. This is necessary to ensure continuity of service delivery and appropriate staffing.

Maintaining current levels of funding in core areas have been determined to be critical to the efficiency and effectiveness of TxDMV's operations.



\* (excludes Fringe Benefits and BRP)



## Texas Department of Motor Vehicles

### **Core Program Activities: \$88.6 million**

Program administration includes the department's core program areas such as MVCPA, Motor Vehicle Licensing, Motor Carrier programs (Oversize/Overweight and Texas IRP), Enforcement, Compliance and Investigations, Lemon Law (including management and administrative hearings), Consumer Relations, the Office of Administrative Hearings, and Vehicle Titles and Registration activities including Digital License Plate.

### **Capital Projects: \$37.0 million**

Major technology capital initiatives include continued appropriations that will be utilized for addressing Registration and Titling System (RTS) defects and batch-scheduling processes. Funding is also approved for the continuation of Data Center Services (DCS), County Technology and Agency Growth and Enhancement. Other initiatives in FY 2021 include Regional Service Center (RSC) improvements, replacement vehicles and Headquarter maintenance projects that will be funded through the carry-forward funds from FY 2020.

### **Agency-Wide: \$20.4 million**

Provides funding for department expenses such as fringe benefits and special programs, MyPlates and credit card payments. MyPlates is a third-party vendor that designs, markets and sells specialty license plates. This is a revenue-generating contract. Agency-Wide also includes reserves for unanticipated expenditures.

### **Information Technology: \$18.0 million**

Provides administrative oversight of all department technology functions and projects.

### **Central Administration: \$17.7 million**

Provides funding for Executive Management and Administrative Services such as Finance and Administrative Services, General Counsel, Human Resources, Government and Strategic Communications, Internal Audit and Board Support.



## Texas Department of Motor Vehicles

### Fiscal Year 2021 Recommended Operating Budget by Category

The table below outlines the FY 2021 recommended operating budget by TxDMV budget categories. The allocations represent estimates of anticipated costs based on prior year expenditures and planned expenditures.

**2021 Estimated TxDMV Budget by Budget Category**

Budget Category	FY 2021 Recommended Operating Budget
Salaries and Wages	\$ 44,741,445
Benefit Replacement Pay	\$ 65,728
Other Personnel Costs	\$ 1,172,835
Professional Fees and Services	\$ 36,696,194
Fuels & Lubricants	\$ 81,000
Consumable Supplies	\$ 1,383,675
Utilities	\$ 4,468,755
Travel In-State	\$ 472,013
Travel Out-of-State	\$ 99,175
Rent - Building	\$ 901,694
Rent - Machine and Other	\$ 346,062
Purchased Contract Services	\$ 29,541,904
Advertising & Promotion	\$ 138,000
Computer Equipment Software	\$ 1,052,738
Fees & Other Charges	\$ 5,167,735
Freight	\$ 839,175
Maintenance & Repair	\$ 4,120,905
Memberships & Training	\$ 289,084
Other Expenses	\$ 15,988,319
Postage	\$ 12,140,498
Reproduction & Printing	\$ 5,504,216
Services	\$ 3,653,015
Grants	\$ 12,293,618
Other Capital	\$ 625,800
<b>Total</b>	<b>\$ 181,783,584</b>

*A description of the budget categories is in Appendix C.*



## Texas Department of Motor Vehicles

### Legislative Reduction Plan

In May 2020, the Office of the Governor, the Legislature and the Legislative Budget Board (LBB) requested agencies to submit written plans identifying a five percent reduction to their General Revenue appropriations during FY 2020-2021. For TxDMV, the reduction requirement applies to the Motor Vehicle Crime Prevention Authority (MVCPA) appropriation, as that is the only TxDMV appropriation funded by General Revenue. The calculated amount of the reduction was \$1,283,585 for the 2020-2021 biennium.

In June 2020, MVCPA submitted a reduction plan that met the criteria of the reduction plan. The following table details the proposed reductions in FY 2020 and FY 2021.

#### *Proposed MVCPA Reductions for FY 2020 and FY 2021*

Budget Item	FY20 Amount	FY21 Amount	Statutory or Other Impact of Reduction
<i>Rent- Building</i>	<b>-\$4,000</b>	<b>-\$7,000</b>	Suspend renting meeting spaces.
<i>Travel</i>	<b>-\$7,300</b>	<b>-\$3,000</b>	All other FY 2020 travel is suspended including site visits to monitor grant activities, conferences and staff training. One essential trip scheduled in August. FY 2021 travel will be reduced.
<i>Consumables/ Other Operating</i>	<b>-\$74,700</b>	<b>-\$30,000</b>	Suspend for FY 2020 and reduce for FY 2021 expenses for educational programs designed to inform motor vehicle owners of methods of preventing motor vehicle burglary or theft and fraud-related motor vehicle crime. This function is required by Transportation Code 1006.154(a)(3).  Reduce Motor Vehicle Crime Investigator training expenses. Suspend or reduce professional or training membership expenses.
<i>Grants</i>	<b>-\$728,876</b>	<b>-\$428,709</b>	Reduce grant award funds used to fund local law enforcement officers and their operating expenses in taskforces. This function is required by Transportation Code 1006.154(a)(1), (2), (3) & (5).  Suspend Rapid Response Strikeforce grants used to increase law enforcement officers conducting border and port security operations <sup>1</sup> and combating use of stolen vehicles in human trafficking.
<b>FY Total Reduction</b>	<b>-\$814,876</b>	<b>-\$468,709</b>	<b>Total Biennial Reduction: -\$1,283,585</b>

<sup>1</sup> Spending requirements for border and port security in GAA Article IX, 17.07 will be met but reduced.





Texas Department *of* Motor Vehicles

## **Part III: Fiscal Year 2021 Recommended Capital Projects**



## Texas Department of Motor Vehicles

### Fiscal Year 2021 Recommended Capital Budget

The following chart categorizes the uses for the capital budget and identifies three significant areas for FY 2021. The FY 2021 Capital budget includes approximately \$18 million in new funding as approved in the General Appropriations Act and an estimated \$19 million in carry-forward of funds from FY 2020.

The FY 2021 Recommended Capital Budget also requests the approval of a transfer of funds from the Automation System capital budget to the Data Center Consolidation capital budget in the amount of \$2.7 million to cover project-related data center expenditures for the Statewide Web Dealer Adoption project and the External Website project. The transfer will require approval from the Legislative Budget Board and the Governor's Office to exceed the 25% allowable capital transfer limit.

#### Fiscal Year 2021 Recommended Capital Budget

<b>TxDMV Capital Project Appropriations</b>		<b>FY 2021</b>
Fiscal Year 2021 Appropriation	\$	17,908,031
Estimated Unexpended Balance Carry-Forward	\$	19,110,107
<b>Total Capital Appropriations</b>	<b>\$</b>	<b>37,018,138</b>
<b>TxDMV Automation System <sup>1</sup></b>		<b>FY 2021 Preliminary Operating Budget</b>
RTS Defects*	\$	2,600,000
Re-Architect RTS Batch Cycle*	\$	1,066,078
Web Lien*	\$	2,023,348
Cybersecurity*	\$	109,208
RTS Enhancements*	\$	161,740
Statewide Web Dealer Adoption*	\$	133,968
Unallocated*	\$	6,318,877
<b>TxDMV Automation System Subtotal</b>	<b>\$</b>	<b>12,413,219</b>
<b>Other Technology Projects</b>		
Growth and Enhancements - Agency Operations Support	\$	807,498
Technology Replacement & Upgrades - County Support	\$	5,025,000
PC Replacement	\$	225,800
Data Center Consolidation**	\$	12,758,387
Consumer Protection and Tracking*	\$	540,500
Application Improvements*	\$	1,000,000
Cybersecurity*	\$	216,956
<b>Other Technology Projects Subtotal</b>	<b>\$</b>	<b>20,574,141</b>
<b>Other Capital Projects</b>		
Vehicle Replacement	\$	90,000
Regional Service Center	\$	250,000
HQ Maintenance (Unexpended Balance)*	\$	3,690,778
<b>Other Capital Projects Subtotal</b>	<b>\$</b>	<b>4,030,778</b>
<b>TxDMV Total Capital Budget</b>	<b>\$</b>	<b>37,018,138</b>

1. The TxDMV Automation project includes project funds for FY 2021, which will be funded from budget balances remaining at year end of FY 2020.

\* - Project funded through Unexpended Balance (UB) carry-forward from FY 2020

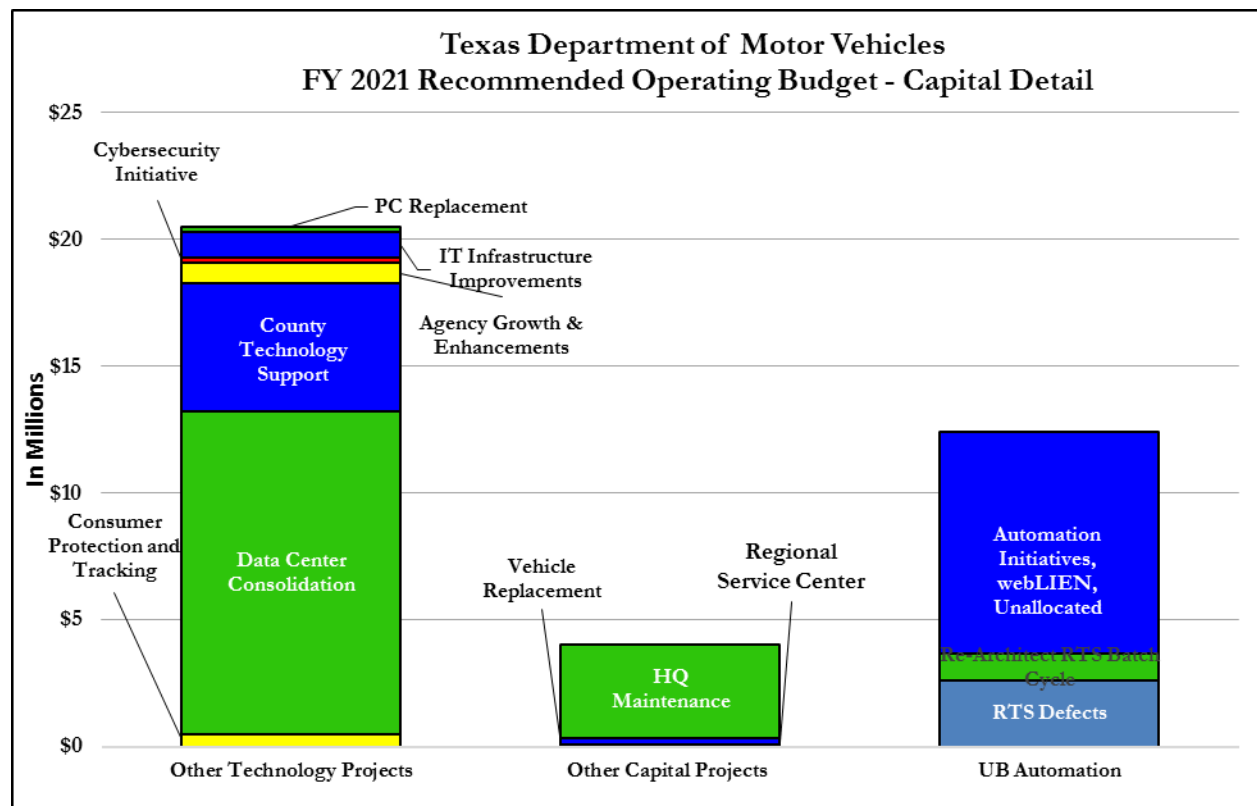
\*\* - Project includes transfer of \$2.7 million in FY 2020 from Automation for Statewide Web Dealer Adoption and External Web Site Design charges



## Texas Department of Motor Vehicles

### Capital Project Details

The chart below depicts the uses and allocations of the capital budget to help illustrate where funds are being allocated and to which project.



### TxDMV Automation Systems Project (estimated \$12.4 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 to take advantage of operational efficiencies. This project also allows data sharing between department functions to improve customer service. As the project continues to be refined, the initiatives in FY 2021 that will be addressed through the TxDMV Automation Systems Project are as follows:

#### Capital Appropriations:

**RTS Defect and Batch Cycle Processes** –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



## Texas Department of Motor Vehicles

holds nearly 100 million current and archived vehicle registration and titling records. The contract with them consisted of multiple work streams that continued through FY 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.

Starting in FY 2020 and continuing into FY 2021, the Automation Project will focus on two initiatives, identifying and resolving the remaining outstanding issues and defects for statewide roll-out of the RTS System and a re-architect of the RTS batch cycle processes to enhance functionality of the system for the agency.

### **Project Continuation (funded from Unexpended Balances):**

**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.

**Automation Initiatives** – Several automation and technology initiatives will carry forward for completion in FY 2021.

- **Statewide Web Dealer Adoption** – this project is to increase the statewide adoption of the Web Dealer application by fixing product defects and making enhancements to the application to effectively meet the statutory requirements of Senate Bill 604, from the 86<sup>th</sup> Legislative Session, that mandates Web Dealer will be available to all motor vehicle dealers in the State of Texas.
- **Cybersecurity Project** – this project provides several initiatives to enhance and improve TxDMV cybersecurity and technology security, such as increase the levels of encryption and authentication for TxDMV systems.

### **Technology Replacement & Upgrades for Counties (\$5.0 million)**

This appropriation provides funding to maintain printers, computers, monitors, laptops, cash drawers, and other related equipment 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.

### **Data Center Consolidation (\$12.7 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. Also included are costs for printing and mailing of registration processed online. This allows TxDMV to fund data center services resulting from continued efforts to build an IT infrastructure and the implementation of the RTS enhancements.



## Texas Department of Motor Vehicles

### **Agency Growth and Enhancements (\$0.8 million)**

This line item includes replacement of 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 (\$0.2 million)**

The PC Replacement project was contained in Growth & Enhancement in previous years. It has now been separated into a unique capital line item. This project includes replacement of desktop computers, desktop printers and laptops.

### **Cybersecurity Initiative (\$0.2 million)**

This project provides funding for initiatives to improve security for statewide information technology systems. Initiatives include the acquisition of malware and email security tools and the implementation of a managed security service provider through the DIR Data Center Services contract. Funding in FY 2021 reflects a carry-forward of unexpended balances from FY 2020

### **Consumer Protection and Tracking (\$0.5 million)**

This project allows the department to implement a proactive, risk-based approach to enforcement and fraud detection through leveraging technology. Specifically, this item will fund three initiatives: 1) construction of a public-facing database for case histories for motor vehicle and motor carrier licensees; 2) enhancements to the existing case management system to improve reporting of motor vehicle and motor carrier enforcement data, including complaints by source and license type, nature of complaint, resolution by allegation type and enhanced reporting of cases referred to the State Office of Administrative Hearings; and 3) provision of the newly established Compliance and Investigations Division with software tools to help detect and assist in the investigation of auto theft, auto fraud, curbstoning, insurance fraud, scofflaws and unlicensed businesses. The department plans to acquire software that will automate identification of vulnerabilities, trends and other indicators of fraud and criminal behavior, including activity on online classifieds, e-commerce and social media websites.

### **IT Application Improvements (\$1.0 million)**

This item provides funding to implement identified improvements that will facilitate a comprehensive, holistic approach in application development, maintenance and updating of TxDMV information technology infrastructure. Professional fees will be used to implement testing improvements to facilitate the creation of self-service test data, obtaining automated testing tools and creating automated tests. Additionally, funding is needed for application development to build out self-service password reset functionality in the Registration and Titling System and Motor Vehicle Inquiry Network (MVINET) and to modify International Registration Plan System (IRP) to reduce errors.



## Texas Department *of* Motor Vehicles

### **Other Capital Projects (\$4.0 million)**

This category consists of three projects for TxDMV. The fleet will be increased by eight vehicles that will support investigation activities in the Enforcement Division and Compliance and Investigations Division (CID).

Additionally, two medium-sized Regional Service Centers (RSCs) will be updated to standardize the look of TxDMV facilities across the state.

Finally, the TxDMV HQ Maintenance and Repair project includes funding for several major projects such as weatherization, roof repair and internal and external upgrades for the building, including several hard walled office constructions complete with HVAC, electrical and cabling needs. Funding in FY 2021 is from the carry-forward of unexpended balances from FY 2020.



Texas Department *of* Motor Vehicles

## **Part IV: TxDMV Revenues**



## Texas Department of Motor Vehicles

### Fiscal Year 2018-2021 Revenue Summary

TxDMV collects revenues from registrations, licenses, titles, permits and credentials for deposit into the State Highway Fund (Fund 0006), the General Revenue Fund (Fund 0001) and the TxDMV Fund (Fund 0010).

Total revenue collections are estimated to be \$2.011 billion in FY 2021 in **all funds** combined.

FY 2021 revenue estimates shown below are conservative projections determined by the department during FY 2020.

### Fiscal Year 2018-2021 Revenue Summary

<i>Revenue Fund and Fee Categories</i>	<i>FY 2018 Actual</i>	<i>FY 2019 Actual</i>	<i>FY 2020 Estimated</i>	<i>FY 2021 Estimated</i>
<b><u>General Revenue Fund 0001</u></b>				
Motor Vehicle Certificates of Title	\$ 37,095,019	\$ 36,014,610	\$ 32,598,000	\$ 34,394,000
Motor Vehicle Registration	\$ 15,960,844	\$ 16,769,958	\$ 16,482,000	\$ 16,767,000
Motor Carrier - Oversize/Overweight	\$ 49,399,440	\$ 52,334,080	\$ 45,444,000	\$ 46,353,000
Motor Carrier Credentialing	\$ 5,954,605	\$ 6,100,069	\$ 5,910,000	\$ 5,974,000
Miscellaneous Revenue	\$ 4,091,610	\$ 3,674,467	\$ 2,771,000	\$ 2,871,000
<b>Total Fund 0001 Revenue</b>	<b>\$ 112,501,518</b>	<b>\$ 114,893,185</b>	<b>\$ 103,205,000</b>	<b>\$ 106,359,000</b>
<b><u>State Highway Fund 0006</u></b>				
Motor Vehicle Certificates of Title	\$ 9,764,464	\$ 8,584,810	\$ 7,545,000	\$ 8,757,000
Motor Vehicle Registration	\$ 1,516,742,393	\$ 1,550,457,840	\$ 1,407,591,000	\$ 1,613,475,000
Motor Carrier - Oversize/Overweight	\$ 116,627,035	\$ 129,723,304	\$ 114,454,000	\$ 116,743,000
<b>Total Fund 0006 Revenue</b>	<b>\$ 1,643,133,892</b>	<b>\$ 1,688,765,954</b>	<b>\$ 1,529,590,000</b>	<b>\$ 1,738,975,000</b>
<b><u>Texas Department of Motor Vehicles Fund 0010</u></b>				
Motor Vehicle Certificates of Title	\$ 43,441,426	\$ 43,119,638	\$ 35,768,000	\$ 39,563,000
Motor Vehicle Registration	\$ 38,696,773	\$ 36,664,581	\$ 33,849,000	\$ 34,223,000
Motor Carrier - Oversize/Overweight	\$ 15,349,386	\$ 16,916,066	\$ 15,294,000	\$ 15,600,000
Motor Vehicle Business Licenses	\$ 8,157,612	\$ 7,906,911	\$ 7,316,000	\$ 7,682,000
Miscellaneous Revenue	\$ 7,709,165	\$ 10,085,561	\$ 9,691,000	\$ 9,887,000
Processing and Handling Fee	\$ 58,271,922	\$ 56,758,468	\$ 52,022,000	\$ 59,327,000
<b>Total Fund 0010 Revenue</b>	<b>\$ 171,626,284</b>	<b>\$ 171,451,224</b>	<b>\$ 153,940,000</b>	<b>\$ 166,282,000</b>
<b>TOTAL REVENUE DEPOSITS TO FUNDS 0001, 0006, AND 0010</b>	<b>\$ 1,927,261,695</b>	<b>\$ 1,975,110,363</b>	<b>\$ 1,786,735,000</b>	<b>\$ 2,011,616,000</b>

TxDMV revenue collections are expected to dip in the current biennium (fiscal years 2020–2021) as compared to the previous biennium. The decline is primarily attributable to COVID-19 events, including fee





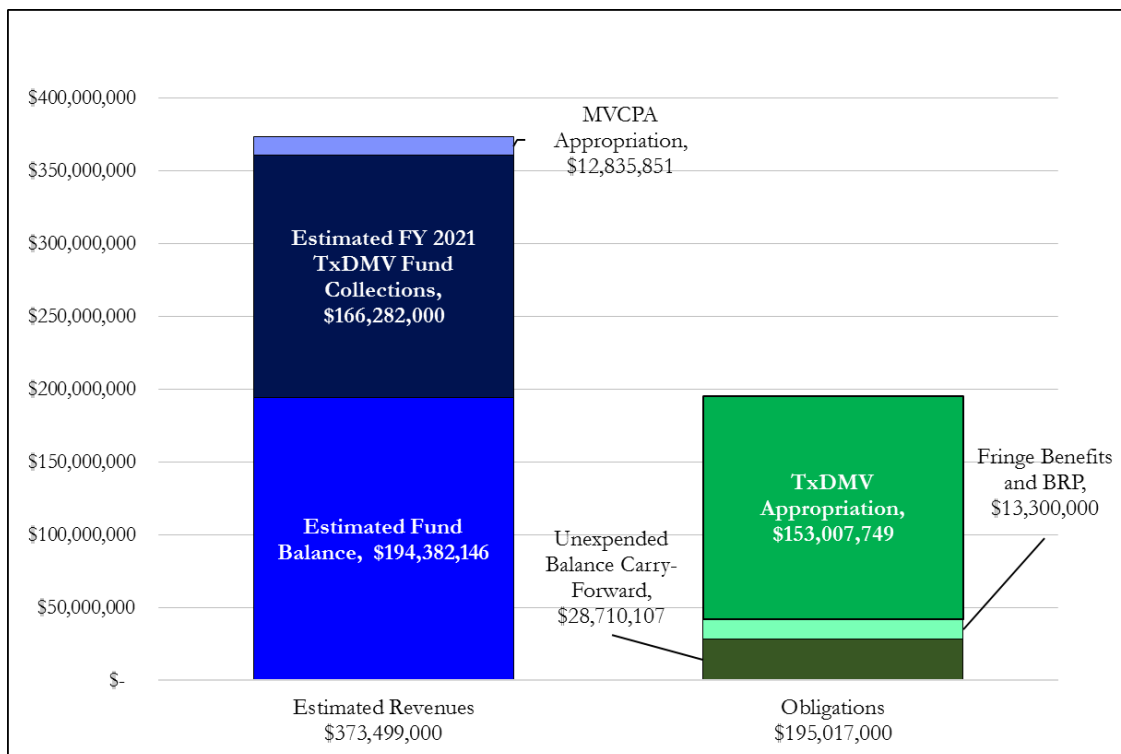
## Texas Department of Motor Vehicles

waivers, extensions and economic impacts. In fiscal year 2019, TxDMV collected \$1.98 billion in total revenue. This comprised \$1.69 billion to the State Highway Fund; \$114.89 million to the General Revenue Fund; and \$171.45 million to the TxDMV Fund. In fiscal year 2020, total revenue collections are estimated to be \$1.79 billion; with State Highway Fund collections of \$1.53 billion; General Revenue Fund collections of \$103.21 million; and TxDMV Fund estimated revenue collections of \$153.94 million.

In the FY 2020–2021 biennium, TxDMV Fund revenue collections are projected to total \$320.22 million, 6.7% less when compared to the previous biennium. Again, this decline is attributable to COVID-19 events.

### **Fiscal Year 2021 TxDMV Estimated Revenues vs. Obligations**

TxDMV will have sufficient amounts available to support TxDMV operations. Amounts available include General Revenue of \$12.8 million for the Motor Vehicle Crime Prevention Authority (MVCPA) plus TxDMV Fund 0010 beginning fund balance of \$194.3 million plus collections of \$166.3 million. The chart below reflects that available funds are sufficient to cover TxDMV operations and fringe benefits for FY 2021.





## Texas Department of Motor Vehicles

### **Fiscal Year 2021 Motor Vehicle Crime Prevention Authority** **Estimated Revenues**

The Motor Vehicle Crime Prevention Authority (MVCPA) is a separate entity administratively attached to TxDMV. MVCPA is governed by a five-member, gubernatorial appointed board. MVCPA is required to collect a \$4 fee on all motor vehicles covered by any form of motor vehicle insurance sold in Texas. The funds collected are statutorily directed as follows:

- 20% appropriated to the authority for the use of MVCPA duties;
- 20% to the credit of the general revenue fund, to be used only for criminal justice purposes; and
- 60% deposited to the credit of the designated trauma facility and emergency medical services account to be used only for the criminal justice purpose of funding designated trauma facilities, county and regional emergency medical services, and trauma care systems that provide trauma care and emergency medical services to victims of accidents resulting from traffic offenses.

SB 604, 86<sup>th</sup> Legislature, Regular Session changed the name to the Motor Vehicle Crime Prevention Authority, clarified the role of TxDMV relating to MVCPA in carrying-out the duties of the MVCPA and added fraud-related motor vehicle crime to its mission to better align the operation and improve coordination with the TxDMV. Included in the legislation, MVCPA is required to, among other items:

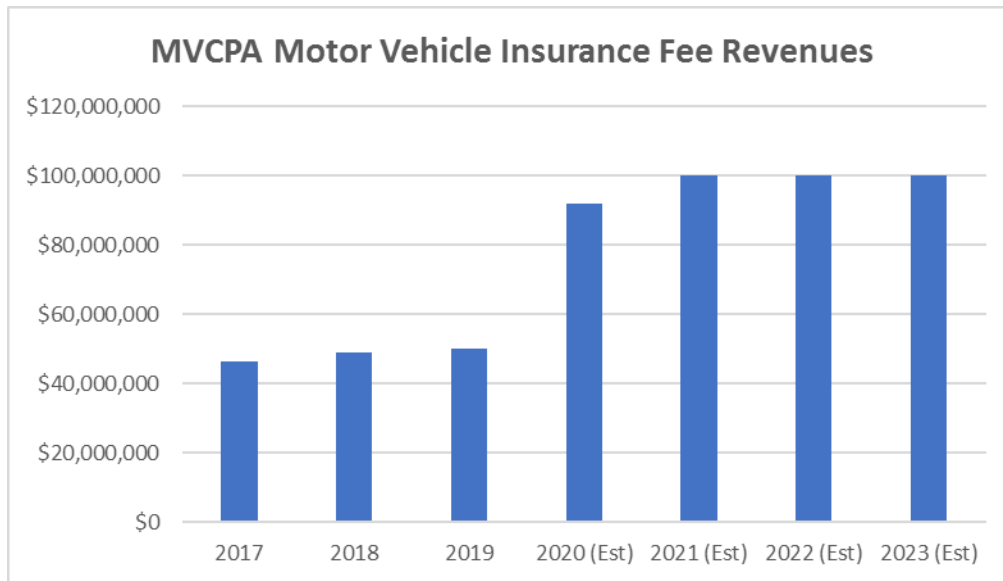
1. Collect a \$4 fee for every motor vehicle insured in Texas.
2. Issue grants to law enforcement agencies and other statutorily designated groups to combat motor vehicle crime.
3. Develop, collect and monitor performance data on arrests, recovery of vehicles and cases cleared and other performance measures for motor vehicle crime.
4. Report annually to the Texas Legislature fiscal and program data.
5. Develop a biennial statewide Plan of Operation to combat motor vehicle crime.
6. Examine and make determinations for refunds to insurers that overpay the \$4 per vehicle fee.

The MVCPA issues grants to foster a state-wide cooperative network of law enforcement groups, prosecutors, insurance industry representatives, local tax assessor-collectors and concerned citizens to combat vehicle crime through enforcement, prevention, public information and education initiatives. The MVCPA grants also provide border and port security operations to prevent stolen vehicles from going into Mexico.



## Texas Department of Motor Vehicles

The following charts illustrates the six-year trend in the MVPCA motor vehicle insurance fee collections and a comparison of fees collected to MVPCA appropriations.



\*Estimated revenues for 2020 and 2021 reflect fee increase from \$2 to \$4

### MVCPA Fees and Appropriations

Fiscal Year	MVCPA Fees	Amount Appropriated to MVCPA	Amount to Trauma Center Account	Amount Remaining in General Revenue
2016	\$46,068,858	\$14,904,340	\$0	\$31,164,518
2017	\$46,436,967	\$14,920,849	\$0	\$31,516,118
2018	\$49,083,185	\$14,920,849	\$0	\$34,162,336
2019	\$50,042,957	\$12,835,851	\$0	\$37,207,106
2020*	\$91,745,420	\$12,835,851	\$55,047,252	\$23,862,317
2021*	\$100,085,913	\$12,835,851	\$60,051,548	\$27,198,514

\* FY 2020 and 2021 Fees are estimated



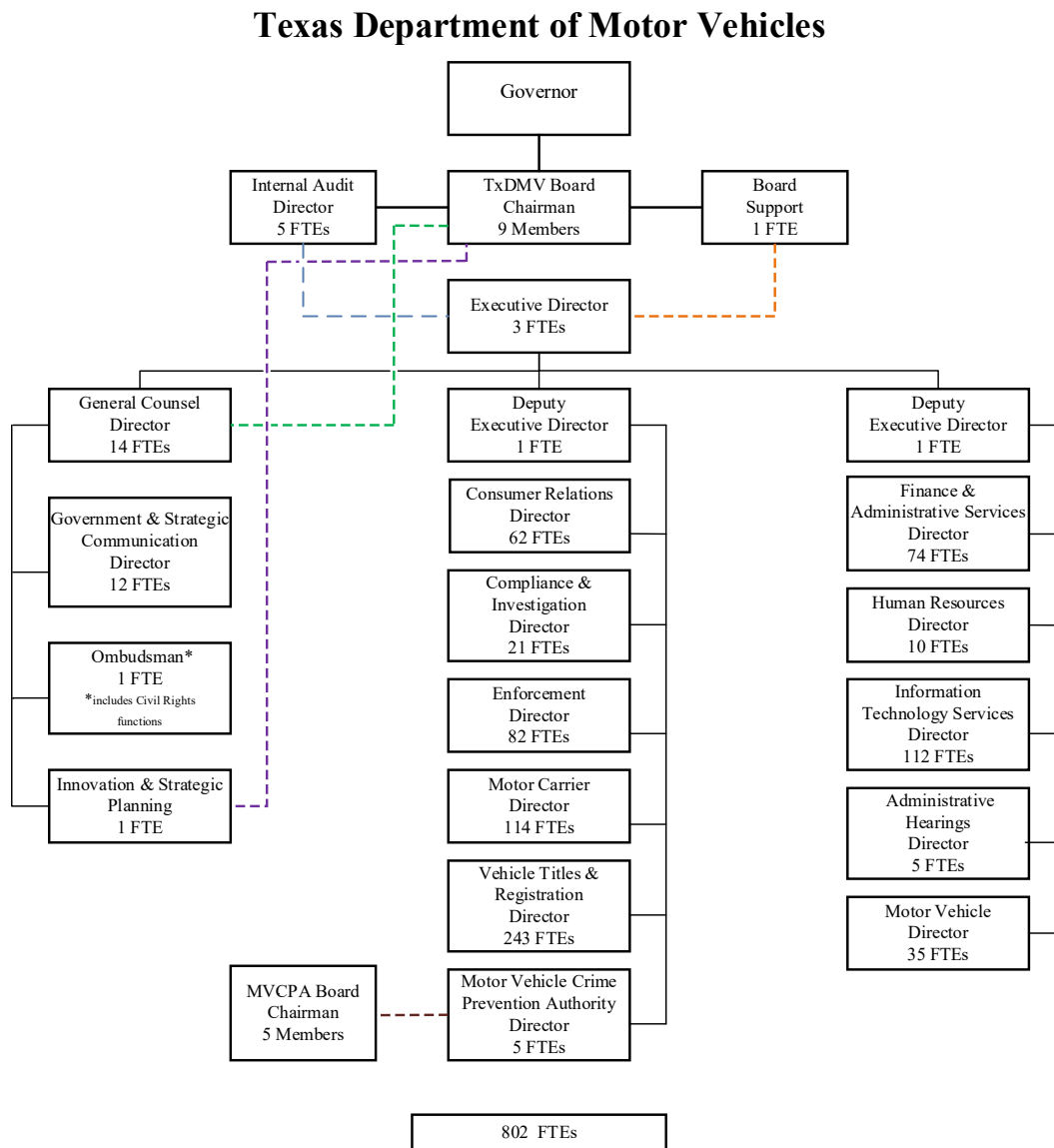
Texas Department *of* Motor Vehicles

## **Part V TxDMV Organizational Chart**



# Texas Department of Motor Vehicles

## TxDMV Organizational Chart





Texas Department *of* Motor Vehicles

## **Part VI – Fiscal Year 2021 Contracts**



## Texas Department of Motor Vehicles

### Fiscal Year 2021 Contract Summary

The department executes contracts that are statutorily required and 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 department will execute approximately 217 new contracts and renewals of existing contracts that are not statutorily required but assist TxDMV in performing its operations.

The department anticipates the renewal of 16 statutorily required contracts in Fiscal Year 2021.

The Fiscal Year 2021 budget currently includes:

- 17 contracts of more than \$200,000
- 11 contracts between \$100,000-\$200,000
- 169 contracts of less than \$100,000
- 20 IT Staff Augmentation contracts

Total of 217 new and renewal contracts not statutorily required

- 16 statutorily required contracts

Grand Total of 233 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

### Contracts Requiring Board Approval

The contracts listed below require Board approval for the award and/or renewal and proposed contract amounts for Fiscal Year 2021. Additional procurements may be conducted during the fiscal year and will be presented to the Board individually upon occurrence.

Division	Vendor	Purpose	Contract Period		FY 2021 Contract Amount	Total Contract Amount as of FY 2021
			Award	Expire		
Vehicle Titles and Registration	American Association of Motor Vehicle Administration	Information systems title check through AAMVA	10/1/2018	9/30/2021	\$ 377,702	\$ 1,746,398
Total					\$ 377,702	\$ 1,746,398

### Board Approval Action for FY 2021 Data Center Consolidation

Data Center Consolidation (DCS) is a unique capital line item contained in a state agency's appropriation. The Data Center provides statewide services for mainframe, server, network, data center and print/mail services. DCS also offers Managed Application Services (MAS) through pre-approved vendor for application development. TxDMV has two automation efforts 1) Web Dealer Statewide Adoption Project and 2) External Website Web Server Cloud Solution Project that are funded in the Automation capital line item that can be developed with the assistance of MAS vendors.

The TxDMV FY 2021 DCS appropriation is \$10.6 million. As mentioned above, the cost for the two projects is \$2.7 million and is appropriated in the Automation capital line and is available to transfer to the DCS capital line, however, the result of the transfer is that it exceeds the DCS appropriation more than 25%.

The transfer from one capital appropriation to another capital appropriation more than 25% requires state agencies to seek specific approvals (outlined in the General Appropriations Act, Article IX, Section 14.03 (h)) from its board and oversight agencies such as the Governor's Office Budget and Policy (GOBP) and the Legislative Budget Board (LBB).

TxDMV requests the approval to seek authority to exceed the 25% transfer limit to utilize Managed Application Services (MAS) contractors for the Statewide Web Dealer Adoption Project and the External Website Web Server Cloud Solution Project.





## Texas Department of Motor Vehicles

### Statutorily Required Contracts

Contracts required by statute include the State Office of Administrative Hearings (contested cases), the State Office of Risk Management, Workers Compensation, vehicle liability insurance and property insurance and the Texas Department of Criminal Justice (manufacturing of license plates, registration stickers and placards, etc.). Line items below represent anticipated statutorily required contracts for the upcoming fiscal year.

Term Contracts are contracts negotiated by the Texas Comptroller of Public Accounts (CPA) for use by all state agencies. These competitively bid contracts include goods and services such as photocopier leases, automated mailing services, printing services, consumable office supplies and Point-of-Sale registration paper. State agencies have little or no negotiation authority for these contracts.

Division	Vendor	Purpose	Contract Period		FY 2021 Contract Amount	Total Contract Amount as of FY 2021
			Award	Expire		
Agency Wide	State Office of Risk Management	Workers compensation & Risk management service	9/1/2018	8/31/2021	\$ 87,638	\$ 467,212
Capital Projects	Texas Dept. of Information Resources	Data Center Services	7/8/2014	8/31/2021	\$ 11,412,233	\$ 68,168,976
Capital Projects	Texas Dept. of Information Resources	Texas by Texas through Texas.Gov	9/1/2020	8/31/2021	\$ 1,102,088	\$ 1,102,088
Finance and Administrative Services	Alliant Insurance Services	Fleet liability ins premium	5/13/2016	8/31/2021	\$ 26,970	\$ 75,870
Finance and Administrative Services	Arthur J Gallagher Risk Management Services, Inc	Property Liability insurance per State Office of Risk Management	9/1/2016	8/31/2021	\$ 13,000	\$ 40,028
Finance and Administrative Services	Open Text	Digital Imaging services	9/1/2016	8/31/2021	\$ 3,415,875	\$ 17,120,198
Finance and Administrative Services	Texas Dept of Criminal Justice	Manufacturing of License Plates/Stickers	9/1/2016	8/31/2021	\$ 17,832,733	\$ 102,192,651
Finance and Administrative Services	Texas State Library	Records Storage	9/1/2016	8/31/2021	\$ 5,000	\$ 58,000
Finance and Administrative Services	Workquest	Janitorial/Custodial Services at Regional Service Centers	7/1/2017	6/30/2021	\$ 241,512	\$ 1,223,227
Finance and Administrative Services	Workquest	HQ Janitorial Services	9/1/2016	8/31/2020	\$ 405,300	\$ 1,156,180
Finance and Administrative Services	Workquest	Transportation/freight services for plates provided by Southeast Vocational Alliance (SVA) Services	9/1/2016	8/31/2020	\$ 715,000	\$ 3,030,077
Finance and Administrative Services	TX Comptroller of Public Accounts	Fleet mgmt system support fee	5/11/2015	8/31/2020	\$ 407	\$ 3,254
Information Technology Services	Texas Dept. of Information Resources	Web Hosting Texas.Gov	9/1/2016	8/31/2021	\$ 67,000	\$ 3,228,614
Motor Vehicle	State Office of Administrative Hearings	Interagency contract for administrative hearings	9/1/2015	8/31/2020	\$ 164,438	\$ 609,960
Vehicle Titles and Registration	Taylor Communications	Vehicle Registration Decals	4/16/2015	4/15/2021	\$ 4,118,782	\$ 24,016,099
Vehicle Titles and Registration	Workquest	Specialty license plates mail preparation & mailing service	9/1/2016	8/31/2021	\$ 743,603	\$ 4,201,873
Total					\$ 40,351,579	\$ 226,694,307



## Texas Department of Motor Vehicles

### Contracts Greater than \$200K

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. These contracts include (1) routine operations; (2) procured from the Texas Council on Competitive Government (CCG); (3) Texas Department of Information Resources (DIR); and (4) Texas Procurement and Support Services (TPASS).

Division	Vendor	Purpose	Contract Period Award      Expire		FY 2021 Contract Amount	Total Contract Amount as of FY 2021
Capital Projects	Insight Public Sector Inc.	County refresh and ongoing maintenance of County equipment	8/7/2017	8/6/2021	\$ 300,000	\$ 7,861,134
Finance and Administrative Services	Ragsdale-Brook	Houston RSC	6/26/2014	8/31/2024	\$ 284,678	\$ 3,880,860
Finance and Administrative Services	Workquest	Toner for County Tax-Assessor Collector offices	9/1/2017	8/31/2021	\$ 1,000,000	\$ 4,200,000
Finance and Administrative Services	TBD	HQ Security Services	9/1/2019	8/31/2021	\$ 1,000,000	\$ 1,250,000
Finance and Administrative Services	Texas Dept of Transportation	Interagency contract between TxDMV & TxDOT Year 2	9/1/2018	8/31/2021	\$ 1,000,000	\$ 2,000,000
Finance and Administrative Services	Sigma Surveillance	Security System	9/1/2019	8/31/2021	\$ 244,000	\$ 317,867
Finance and Administrative Services	TBD	Facilities Services for COVID 19 - electrostatic fogging and on-demand cleaning services	9/1/2020	8/31/2021	\$ 652,000	\$ 652,000
Information Technology Services	CDW	Cisco Smart Net	7/29/2016	10/31/2020	\$ 443,443	\$ 1,445,095
Information Technology Services	Carahsoft	Salesforce eLicensing Annual license fees	8/31/2017	8/30/2021	\$ 1,152,000	\$ 4,411,573
Information Technology Services	Explore	IRP Maintenance	4/1/2017	3/31/2021	\$ 336,300	\$ 1,649,476
Capital Projects	Insight Public Sector Inc.	Network services	4/2/2020	8/31/2021	\$ 478,980	\$ 957,960
Motor Carrier	Promiles Software Development Corp.	TxPROS software maintenance	5/12/2016	8/31/2021	\$ 603,180	\$ 3,619,080
Motor Carrier	Southwest Research Institute	TxCVIEW Annual Support	3/31/2014	8/31/2021	\$ 600,000	\$ 4,443,157
Vehicle Titles & Registration	RR Donnelly Company	Title Paper	3/6/2016	3/8/2021	\$ 327,902	\$ 3,106,242
Vehicle Titles & Registration	Taylor Communications	VTR RTS-500 Form	9/1/2017	8/31/2021	\$ 602,250	\$ 2,824,100
Vehicle Titles & Registration	Pitney Bowes	Postage	9/1/2016	8/31/2021	\$ 11,800,000	\$ 51,562,586
Total					\$ 20,824,734	\$ 94,181,130



## Texas Department of Motor Vehicles

### Contracts Greater than \$100K but less than \$200K

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 at the executive director's discretion within budget guidelines and 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 2021 Contract Amount	Total Contract Amount as of FY 2021
			Award	Expire		
Internal Audit	TBD	Temporary staffing	9/1/2020	8/31/2021	\$ 150,016	\$ 150,016
Finance and Administrative Services	Purple Tree LLC	Dallas/Carrollton RSC	6/18/2013	3/31/2021	\$ 126,534	\$ 1,177,073
Finance and Administrative Services	Voyager Fleet Systems Inc.	Fleet fuel and maintenance	4/4/2014	8/31/2021	\$ 154,000	\$ 1,091,276
Finance and Administrative Services	Pitney Bowes	Agency postage	9/1/2017	8/31/2021	\$ 175,000	\$ 700,000
Finance and Administrative Services	Multiple	Cleaning Services for Headquarters	9/1/2020	8/31/2021	\$ 192,000	\$ 192,000
Information Technology Services	Voice Products Inc	Communication Maintenance	9/1/2018	8/31/2021	\$ 136,556	\$ 400,496
Information Technology Services	Red River Consulting Services	External Website Renovation	2/1/2019	1/31/2021	\$ 142,000	\$ 225,000
Information Technology Services	Solid Border	Security Software	10/21/2016	8/31/2021	\$ 188,210	\$ 855,398
Information Technology Services	National Auto Research Division	Web Portal Services	6/1/2017	5/31/2021	\$ 108,000	\$ 741,250
Information Technology Services	Dell	Innowake Software Maintenance	9/1/2020	8/31/2021	\$ 167,511	\$ 335,021
Vehicle Titles and Registration	Workquest	Temporary staffing	4/1/2020	12/31/2020	\$ 129,692	\$ 169,926
Total					\$ 1,519,503	\$ 5,887,440



## Texas Department of Motor Vehicles

### Contracts Less than \$100K

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 at the executive director's discretion within budget guidelines and in accordance with established procurement contract laws, rules, regulations and policies of oversight agencies.

Category	Division	Vendor	Purpose	Contract Period		FY 2021 Contract Amount	Total Contract Amount as of FY 2021
				Award	Expire		
Temporary Staffing	Enforcement	Workquest	Temporary staffing	2/14/2020	10/31/2020	\$ 26,637	\$ 116,007
	Finance and Administrative Services	Workquest	Temporary staffing	7/8/2019	12/31/2019	\$ 27,680	\$ 51,890
Building Leases	Finance and Administrative Services	Burnham Properties LTD	El Paso RSC	7/3/2014	10/31/2019	\$ 56,565	\$ 103,706
	Information Technology Services	Texas Dept. of Information Resources	Data Recovery Center	4/16/2014	4/30/2021	\$ 12,000	\$ 24,000
	Finance and Administrative Services	Corpus Christi Regional Transportation	Corpus Christi RSC	4/1/2017	3/31/2020	\$ 45,324	\$ 71,489
	Finance and Administrative Services	4015 Limited Partnership	CPA Warehouse	5/1/2015	4/30/2020	\$ 20,337	\$ 40,674
	Finance and Administrative Services	Tony Martin Trustee	Waco RSC	4/2/2012	8/31/2020	\$ 38,226	\$ 76,452
	Finance and Administrative Services	Riverbend Complex LLC	Ft. Worth RSC	7/1/2015	9/30/2020	\$ 77,625	\$ 155,250
	Finance and Administrative Services	Herrero & Company LLC	San Antonio RSC	5/1/2017	4/30/2027	\$ 81,825	\$ 163,650
	Information Technology Services	SHI Govt Solutions	GoTo Webinar	5/18/2015	5/18/2020	\$ 7,151	\$ 21,460
Information Technology	Information Technology Services	Smarty Streets	Address Lookup	7/1/2016	6/30/2021	\$ 10,000	\$ 37,400
Employee Resources	Human Resources	Alliance	Employee Assistance Program (EAP)	1/1/2017	12/31/2020	\$ 27,847	\$ 122,745
Accounting Services	MVCPA	Texas Comptroller of Public Accounts (CPA)	Collection and Reporting of MVCPA related fees	9/1/2017	8/31/2021	\$ 10,000	\$ 30,000
Other Services	Multiple	On the Record Reporting & Transcription	Reporting and Transcription Services	11/1/2017	8/31/2020	\$ 23,893	\$ 62,393
HQ Landscaping	Finance and Administrative Services	TBD	HQ Landscaping	9/1/2019	8/31/2021	\$ 30,134	\$ 75,000
Cellular Services	Multiple	AT&T Wireless	Cellular Services	9/1/2017	8/31/2021	\$ 94,402	\$ 352,871
Total						\$ 589,646	\$ 1,504,984



## Texas Department of Motor Vehicles

### Summary of Contracts Grouped by Category

The following table is a summary of contracts that are less than \$100,000 grouped by similar category and not itemized as shown on Page 36.

Category	Purpose	FY 2021 Average Contract Amount	FY 2021 Contract Amount	Total Combined Contract Amount as of FY 2021
Memberships & Licenses 27 Contracts Subscriptions 35 Contracts	Bar Dues \$5,875 Memberships \$65,845 Subscriptions \$397,748	\$ 7,957.08	\$ 469,468	\$ 1,369,014
Technology, Hardware/Software Maintenance 15 Contracts	Technology, Hardware/Software Maintenance \$109,447	\$ 9,949.73	\$ 109,447	\$ 723,033
Copier Leases 59 Contracts	59 Copiers \$158,746	\$ 3,174.92	\$ 158,746	\$ 1,492,978
Service Contracts 17 Contracts	Mailing \$97,000 Broadband Services \$7,694 Other \$90,051	\$ 6,296	\$ 194,745	\$ 2,702,087
Total			\$ 932,406	\$ 6,287,112



# Texas Department of Motor Vehicles

## IT Staff Augmentation Contracts

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 following list of Information Technology-related staff augmentation contracts for 2021 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 Period Award      Expire		Primary Project	FY 2021 Contract Amount	Total Contract Amount
Information Technology	DIR/DCS	Technology Services Staff Augmentation	9/1/2020	8/31/2021	DCS	\$ 228,800	\$ 228,800
Information Technology	Apex Systems	Technology Services Staff Augmentation	9/1/2020	8/31/2021	IT Operating	\$ 208,832	\$ 208,832
Information Technology	NF Consulting	Technology Services Staff Augmentation	9/1/2020	8/31/2021	DLP	\$ 200,720	\$ 200,720
Information Technology	Nipun Systems	Technology Services Staff Augmentation	9/1/2020	8/31/2021	RTS Defects	\$ 208,832	\$ 208,832
Information Technology	NF Consulting	Technology Services Staff Augmentation	9/1/2020	8/31/2021	RTS Defects	\$ 235,040	\$ 235,040
Information Technology	Nipun Systems	Technology Services Staff Augmentation	9/1/2020	8/31/2021	MyPlates	\$ 201,760	\$ 201,760
Information Technology	NF Consulting	Technology Services Staff Augmentation	9/1/2020	8/31/2021	DLP	\$ 199,680	\$ 199,680
Information Technology	NF Consulting	Technology Services Staff Augmentation	9/1/2020	8/31/2021	DLP	\$ 201,760	\$ 201,760
Information Technology	NF Consulting	Technology Services Staff Augmentation	9/1/2020	8/31/2021	RTS Defects	\$ 208,832	\$ 208,832
Information Technology	Bansar Technologies	Technology Services Staff Augmentation	9/1/2020	8/31/2021	RTS Defects	\$ 187,221	\$ 187,221
Information Technology	Sistema Technologies	Technology Services Staff Augmentation	9/1/2020	8/31/2021	MCCS	\$ 176,800	\$ 176,800
Information Technology	Capital Systems	Technology Services Staff Augmentation	9/1/2020	8/31/2021	RTS Defects	\$ 197,600	\$ 197,600
Information Technology	Bansar Technologies	Technology Services Staff Augmentation	9/1/2020	8/31/2021	RTS Defects	\$ 200,574	\$ 200,574
Information Technology	Apex Systems	Technology Services Staff Augmentation	9/1/2020	8/31/2021	RTS Defects	\$ 200,574	\$ 200,574
Information Technology	Workquest	Technology Services Staff Augmentation	9/1/2020	8/31/2021	RTS Defects	\$ 198,224	\$ 198,224
Information Technology	Apex Systems	Technology Services Staff Augmentation	9/1/2020	8/31/2021	RTS Defects	\$ 200,574	\$ 200,574
Information Technology	Apex Systems	Technology Services Staff Augmentation	9/1/2020	8/31/2021	RTS Defects	\$ 200,574	\$ 200,574
Information Technology	Apex Systems	Technology Services Staff Augmentation	9/1/2020	8/31/2021	RTS Defects	\$ 200,574	\$ 200,574
Information Technology	NF Consulting	Technology Services Staff Augmentation	9/1/2020	8/31/2021	New Project	\$ 260,000	\$ 260,000
Information Technology	Nipun Systems	Technology Services Staff Augmentation	9/1/2020	8/31/2021	County Sandbox	\$ 241,966	\$ 241,966
						<b>\$ 4,158,939</b>	<b>\$ 4,158,939</b>



Texas Department *of* Motor Vehicles

## Appendix A: TxDMV Appropriations History



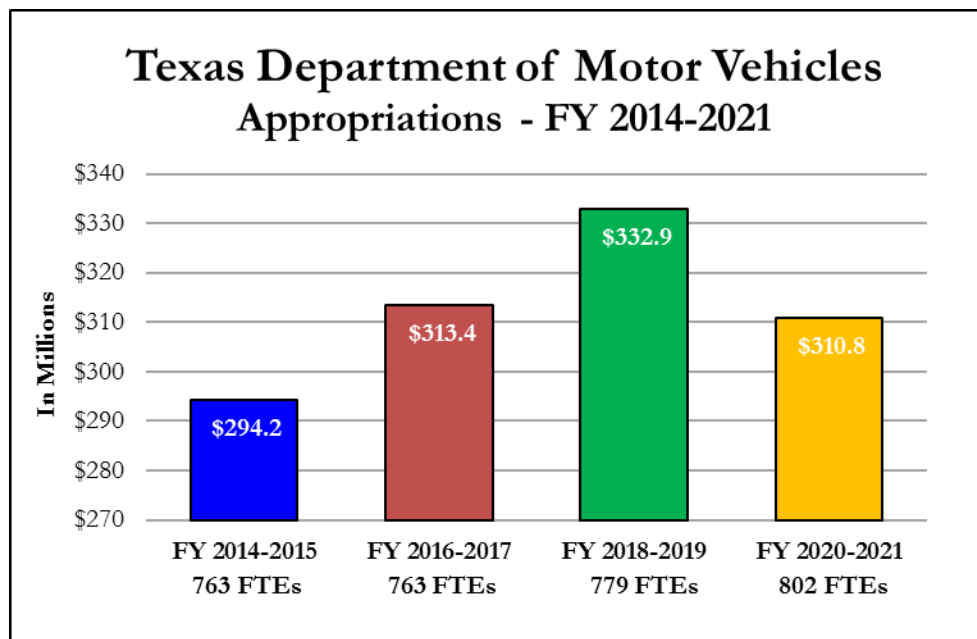
## Texas Department of Motor Vehicles

### Texas Department of Motor Vehicles - Appropriations History

Since the department's creation in FY 2009, TxDMV appropriations have more than doubled, from an original \$142.9 million to 310.7 million in FY 2020-2021. In FY 2012-2013, the department's appropriation increased due to the addition of the Motor Carrier Oversize/Overweight permitting program after passage of SB 1420 (82<sup>nd</sup> Legislature). Appropriations in subsequent years include additional funding for Automation Capital and license plate production. In 2013, with the passage of HB 1692, 83<sup>rd</sup> Legislature, Regular Session, the department established the Office of Administrative Hearings to conduct contested case hearings for "Lemon Law" and warranty performance disputes internally, rather than referring such cases to the State Office of Administrative Hearings.

In FY 2016-2017, the department's appropriations increased almost 7% from FY 2014-2015. The department received funds in FY 2016-2017 to cover higher license plate production and volume costs, relocation of two Regional Service Centers (RSCs) and the Bull Creek campus. In addition, the department's ongoing Automation Project (including information technology separation efforts) was fully funded.

The following table illustrates the TxDMV appropriation and FTE history since the FY 2014-2015 biennium.



The 85<sup>th</sup> Legislature provided funding for FY 2018-2019 in an approved amount of \$332.9 million, a 6% increase over the FY 2016-2017 biennium. The increase in FY 2018-2019 is primarily driven by the approval of funding for TxDMV Headquarters (HQ) maintenance costs (\$9.8 million).





## Texas Department of Motor Vehicles

TxDMV received funding for a Special Investigations Unit, renamed to Compliance & Investigations (\$1.9 million) to address more complicated motor vehicle crimes that are often not detected or investigated but cost the state considerable losses in both dollars and public confidence. Some of the crimes are related to other serious criminal enterprises, such as auto theft, illegal drug and human trafficking.

The department received appropriations from the TxDMV Fund to create a function that specializes in these more complicated types of theft and fraud in an effort to assist law enforcement and protect citizens in a more timely and effective manner. The appropriation included an additional 13 FTEs, as well as funds for four

vehicles, travel and related expenses. The department hired the division director in January 2018 and began operations in June 2018.

### ***TxDMV Facilities - Background***

In the department's FY 2016-2017 Legislative Appropriations Request to the 84th Legislature, TxDMV presented two options, through exceptional item requests, to consolidate and relocate its headquarters operations. The first option was the request to purchase land and construct a building and the second option was the request to lease commercial space to house TxDMV's headquarters operations. During the course of the session, the 84th Legislature included in the General Appropriations Act \$57.9 million to purchase land and construct a building through the Texas Facilities Commission. However, the request was ultimately not approved. Discussions between the Governor's Office, the Texas Department of Transportation (TxDOT) and TxDMV ultimately led to the development of a long-term low-cost solution to house TxDMV headquarters staff. As a result, Motor Carrier Division staff were relocated to Building 6, 5th Floor on Camp Hubbard on January 2018. SB 1349, 85th Legislature, Regular Session granted TxDMV authority to buy, improve, sell and lease property. SB 1349 also gave TxDOT legal authority to donate two tracts of property (Tract 1 is Camp Hubbard Buildings 1 through 5 and Tract 2 is Camp Hubbard Buildings 6 through 10 and the associated parking of both tracts) to TxDMV via negotiations and the sale of real property through the General Land Office.

Since the creation of the TxDMV as a separate state agency, its headquarters facilities have been housed in TxDOT-owned facilities. These properties were located on Jackson Avenue (known as Camp Hubbard) and Bull Creek Road in Austin. As part of the appropriation, three additional FTEs were approved to handle facilities and maintenance needs related to the property. TxDMV will collaborate with TxDOT to transition facilities maintenance tasks and costs at Camp Hubbard to TxDMV.

The department was appropriated \$9.8 million for the biennium (FY 2018-2019) to begin undertaking maintenance-related expenses associated with the buildings occupied by TxDMV staff.

In FY 2020-2021, the department's total appropriations decreased by 7.1% from the previous biennium. The decrease was primarily a result of the complete elimination of an appropriation for Texas.gov service fees and an overall reduction in one-time capital project funding. Decreases in the capital funding are the result of several capital projects ending, including RTS refactoring, which will be transitioning into maintenance. The main source of funding is the TxDMV Fund, while the Motor Vehicle Crime Prevention Authority (MVCPA), previously named Automobile Theft and Prevention Authority, will continue to be funded through General Revenue.

TxDMV carefully reviewed each program and budget strategy to determine the value of each dollar requested. The department's appropriations for the FY 2020-2021 biennium is \$310.8 million, \$157.8 million in FY 2020 and \$153.0 million in FY 2021, with 802 FTEs.

As the TxDMV moves into the FY 2022-2023 biennium and prepares for the future, the primary catalyst for enhancing service delivery will be technology-driven changes. To support these changes, the department recognizes the need to concentrate on emerging hardware and software needs as well as the human resources required to implement, sustain and support technological advances. TxDMV will also need to address how best to educate customers to fully utilize new technologies available. Finally, the department recognizes its need to



## Texas Department of Motor Vehicles

increase its efforts to combat motor vehicle crime, not only with an increase in existing grants, but also with an expansion of the scope of the program. Many of these issues were addressed in the recommendations included in the *Sunset Advisory Commission's Staff Report* and are supported by the TxDMV Board and executive management.

The department's approved FY 2020-21 appropriations increase program efficiencies and effectiveness, align with state executive leadership direction and include recommendations from the Sunset Commission's Staff Report. TxDMV will work to ensure that improvements in its operations maximize service delivery to the TxDMV's customers in the upcoming biennium.

The department's FY 2020-2021 appropriations include additional funding for:

- Information Technology Services Division Development and Maintenance Improvements - 12 FTEs; \$1.9 million
- Information Technology Services Division Infrastructure Improvements - \$2.7 million
- Consumer Protection and Tracking Resources - \$567,500
- Consumer Service Enhancement - 9 FTEs; \$904,005
- Statewide Cost Allocation Plan (SWCAP) increase - \$1.9 million
- Regional Service Centers Capital - \$500,000
- Rider contingency - 2 FTEs and \$1.4 million for the implementation of digital license plates

The department's request for headquarters renovations (\$5.1 million) was not approved. These funds would have accommodated renovations to two floors in Building 1. However, the department received a rider that allows the carry-forward of unspent HQ Capital dollars into the new biennium. This will allow the department to continue needed repairs to Building 1's infrastructure such as weatherization and the repair of Building 5's roof.

Finally, TxDMV received riders that provide the department with enhanced flexibility in efficiently and effectively spending its appropriations as well as providing the department with additional tools for planning and aligning its expenditures with its needs.



Texas Department *of* Motor Vehicles

## **Appendix B: Purchasing Contract Resolution**



## Texas Department of Motor Vehicles

### BOARD OF THE TEXAS DEPARTMENT OF MOTOR VEHICLES

#### CONTRACT APPROVAL PROCEDURES

Revised May 2, 2019

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 <sup>1</sup>	Interagency/Interlocal Agreements <sup>2</sup>
Registration Stickers	Software - Off-the shelf
Equipment Maintenance	Set-Aside Contracts <sup>3</sup>
Temporary Staff Services	Postage
Security Services	

### **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 31<sup>st</sup> 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.

<sup>1</sup> 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.

<sup>2</sup> However, the interagency contract between TxDMV and the Texas Department of Transportation pursuant to House Bill 3097 from the 81<sup>st</sup> Regular Legislative Session and/or Senate Bill 1420 from the 82<sup>nd</sup> 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.

<sup>3</sup> 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.

Contract Approval Procedures



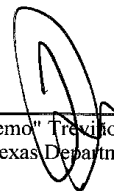
## Texas Department of Motor Vehicles

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 03, 2016, and titled *Board of the Texas Department of Motor Vehicles, Contract Approval Procedures* is rescinded, effective May 2, 2019.

The Department is directed to take necessary steps to implement the actions authorized in this contract approval procedures.

May 2, 2019

  
\_\_\_\_\_  
Guillermo "Memo" Treviño, Chair  
Board of the Texas Department of Motor Vehicles

Contract Approval Procedures



Texas Department *of* Motor Vehicles

## Appendix C: 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. See budget terms and definitions for further explanation.

**Capital** – Expenditures related to the acquisitions, lease-purchase or ancillary cost (including contracts) associated with a capital items/projects over \$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** – Services outsourced to third party entities for the benefit of the agency such as MyPlates and Standard Register.

**Exceptional Items** – The Legislative Budget Board (LBB) distributes instructions to state agencies and higher-education entities in the preparation of its biennial appropriations request. State agencies determine its baseline request by compiling actual/estimated/budgeted expenditures for the current biennium with specific guidance from the LBB. The baseline computation is approved by the LBB and the Governor's Office and becomes the basis for the next biennium's appropriations. Programs and/or services not included in the baseline request are considered exceptional items and may be submitted for consideration.

**Fees and Other Charges** – Credit card processing fees, employee health insurance fees, State Office of Risk Management insurance charges, and court filing fees.

**Freight** – Goods transported in bulk by truck, train, ship, or aircraft. For example, the 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).





## Texas Department of Motor Vehicles

**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.

**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 staff compensation 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 Title Information System (NMVTIS) and LexisNexis.

**Travel (In-State/Out-of-State)** – that which has official state business purpose, attending approved job-related training, working on behalf of or officially representing the department. Includes transportation, meals and accommodations, and travel per-diems.

**Utilities** – Costs associated with providing services at facility locations and/or HQ such as electricity, telephone, water, and natural gas.



Texas Department *of* Motor Vehicles

## **Appendix D: Budget Terms and Definitions**



## Texas Department of Motor Vehicles

### **Budget Terms and Definitions**

**Annual Operating Budget** – An agency's 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 Operating Budget reflects FY 2021 appropriations as identified in the 86<sup>th</sup> Legislature, Conference Committee. The agency's Annual Operating Budget covers a one-year period from September 1 through August 31.

**Appropriation** – Refers to funding or associated full-time equivalent (FTE) positions authorized for specific fiscal years and 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.

**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 adjustments.

**Benefit Replacement Pay** – Benefit Replacement Pay (BRP) is compensation authorized by the Texas Legislature to offset the loss of state-paid Social Security contributions. SB 102, 74<sup>th</sup> Legislature, eliminated the state-paid Social Security payment, effective December 31, 1995. After this date, eligible employees began receiving a supplement known as 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, capital acquisitions or projects.

**Centralized Accounting and Payroll/Personnel System (CAPPS)** – CAPPS is the official name of the statewide Enterprise Resource Planning (ERP) system created by the Comptroller of Public Accounts (CPA) 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.

**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 method of finance.



## Texas Department of Motor Vehicles

**General Appropriations Act (GAA)** – The law that appropriates biennial funding to state agencies and higher-education institutions for specific fiscal years and sets provisions for spending authority.

**General Revenue (GR) (Fund 0001)** – The fund 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.

**Fiscal Year (FY)** – September 1 through August 31, and specified by the calendar year in which the fiscal year ends. For example, FY 2020 runs from September 1, 2019 through August 31, 2020.

**Full-Time Equivalents (FTEs)** – Units of measure that represent the monthly average number of state personnel working 40 hours per week.

**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 1) not obligated by August 31 of the appropriation year in which they were made or 2) not 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 HB. 2202, 83<sup>rd</sup> Legislature, Regular Session, in June 2016, effective January 1, 2017, a new Processing and Handling (P&H) fee for registration activities was adopted. The P&H fee is set at an amount (\$4.75) sufficient to cover the costs of registration services.

**Rider** – Sets specific instructions regarding the expenditure or collection of funds by an agency.

**Salary Budget** – Fiscal year salaries include projected annual costs based on prior year actual salaries with adjustments for vacancies, merits and projected 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 right-of-ways and law enforcement on public roads.



## Texas Department of Motor Vehicles

**TxDMV Fund (Fund 0010)** – SB 1512, 84<sup>th</sup> Legislature, Regular Session, re-created the TxDMV Fund outside of the GR Fund and directed the agency to change its deposit schedule beginning in FY 2017. SB 1512 also redirected the revenues previously identified in HB 2202, 83<sup>rd</sup> Legislature, Regular Session, associated with certain TxDMV fees to be deposited to the credit of the newly established TxDMV Fund. MVCPA, however, continues to be self-funded through the collection of a \$4 fee on insurance policy renewals and its fees are deposited to the credit of the General Revenue Fund.

**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 E: Finance and Administrative Services**

### **Contacts**



## Texas Department *of* Motor Vehicles

### **Finance and Administrative Services Contacts**

Linda M. Flores, Chief Financial Officer  
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Blake Randow, Accounting Operations Director  
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Laura Fowler, Financial Analyst  
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Steve Sandoval, Financial Analyst  
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#### **Planning**

Lisa Conley, Planner  
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Board Meeting Date: 8/5/2020

ACTION ITEM

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board  
From: Sandra Menjivar-Suddeath, Internal Audit Division Director  
Agenda Item: 4.C  
Subject: Fiscal Year (FY) 2021 First Six Month Internal Audit Plan

### **RECOMMENDATION**

To recommend to the Texas Department of Motor Vehicles Board to approve the FY 2021 First Half Internal Audit Plan.

### **PURPOSE AND EXECUTIVE SUMMARY**

The Texas Department of Motor Vehicles Board approves the Internal audit plan each year to be in compliance with the Texas Internal Audit Act (Texas Government Code 2102.008). The FY 2021 Internal Audit plan provides information for the entire fiscal year, including an hour analysis and the potential engagements; however, IAD is only requesting approval on the engagements, divisional initiatives, and added-value services for the first six months. The plan includes nine engagements, divisional initiatives, and added-value services for the first six months.

### **FINANCIAL IMPACT**

No Financial Impact.

### **BACKGROUND AND DISCUSSION**

The TxDMV Board approves the Internal audit plan each year to be in compliance with the Texas Internal Audit Act (Texas Government Code 2102.008). The FY 2021 Internal Audit plan provides information for the entire fiscal year, including an hour analysis and the potential engagements; however, IAD is only requesting approval on the engagements, divisional initiatives, and added-value services for the first six months. IAD is requesting approval for only the six months because it will allow IAD to better address any unforeseen risks that appear in the fiscal year. IAD plans to request approval on the second six month in early 2021.

### ***First Half Engagements***

IAD identified nine engagements that it will conduct during the first six months of the fiscal year. Out of the nine engagements, four engagements are required and five engagements are risk-based. The five risk-based engagements are tied to the four themes presented in the June Finance & Audit Committee meeting: Transformation, Information Technology, Human Resources, and Procurement and Supply Chain Management:

- **Procurement Measures:** An engagement will review procurement timelines and measures.
- **Telecommuting:** An engagement will evaluate the implementation of the telecommuting program, including mechanisms established to monitor remote workers.
- **Employee Relations:** An engagement will review processes set up to deal with employee performance issues.
- **License Plate Manufacturing and Monitoring:** An engagement will review the contract with the Texas Department of Criminal Justice (TDCJ) for the manufacturing of license plates, disabled placards, and other



items. The engagement would review the processes established for the manufacturing, storage, disbursement, and monitoring of the manufacturing and supply of manufactured goods.

- **Information Technology Change Management:** A co-sourced engagement will review the change management processes within the Information Technology Services Division. Change management includes, but is not limited to implementation of new functionality, interruption of service, repair of existing functionality, and the removal of existing functionality.

The four required engagements include the Annual Audit Activities, Quality Assurance and Improvement Program – Internal Assessment, Quality Assurance and Improvement Program – External Assessment, and the Audit Recommendation Implementation Status Follow-Up.

The nine engagements are estimated to take 3,265 hours.

### ***Contingency Engagements***

The first half plan also includes contingency engagements that could be done in lieu of one of the first half engagements or could be done in the second half of the fiscal year. The contingency engagements are the following: Strategic Communication, Payment Card Industry Compliance, Staff Retention and Recruitment, Strategic Purchasing, or a placeholder engagement.

The placeholder engagement is to allow the Department and division flexibility if a risk occurs that requires immediate review prior to the creation and approval of the second half engagement. This placeholder engagement would only be used if the Finance & Audit Committee Chair and Board Chair agree that the risk needs to be immediately reviewed. Finance & Audit Committee members would brief on the new risk and plan changes as well.

### ***Divisional Initiatives and Added-Value Services***

In addition to the engagements, IAD conducts other value-added services and works on divisional initiatives to improve IAD's effectiveness and efficiency. IAD plans on working and conducting the following:

- Key Risk Indicators
- Staff Development Plans and Training
- TeamMate + Training
- Dashboard Review
- Board Communication
- Fraud, Waste, and Abuse (FWA) Items
- External Coordination Efforts
- Ad hoc Advisory
- Work Group Participation
- Department Training



**Texas Department  
*of* Motor Vehicles**  
HELPING TEXANS GO. HELPING TEXAS GROW.

# Fiscal Year (FY) 2021 First Half Internal Audit Plan

Internal Audit Division

August 2020

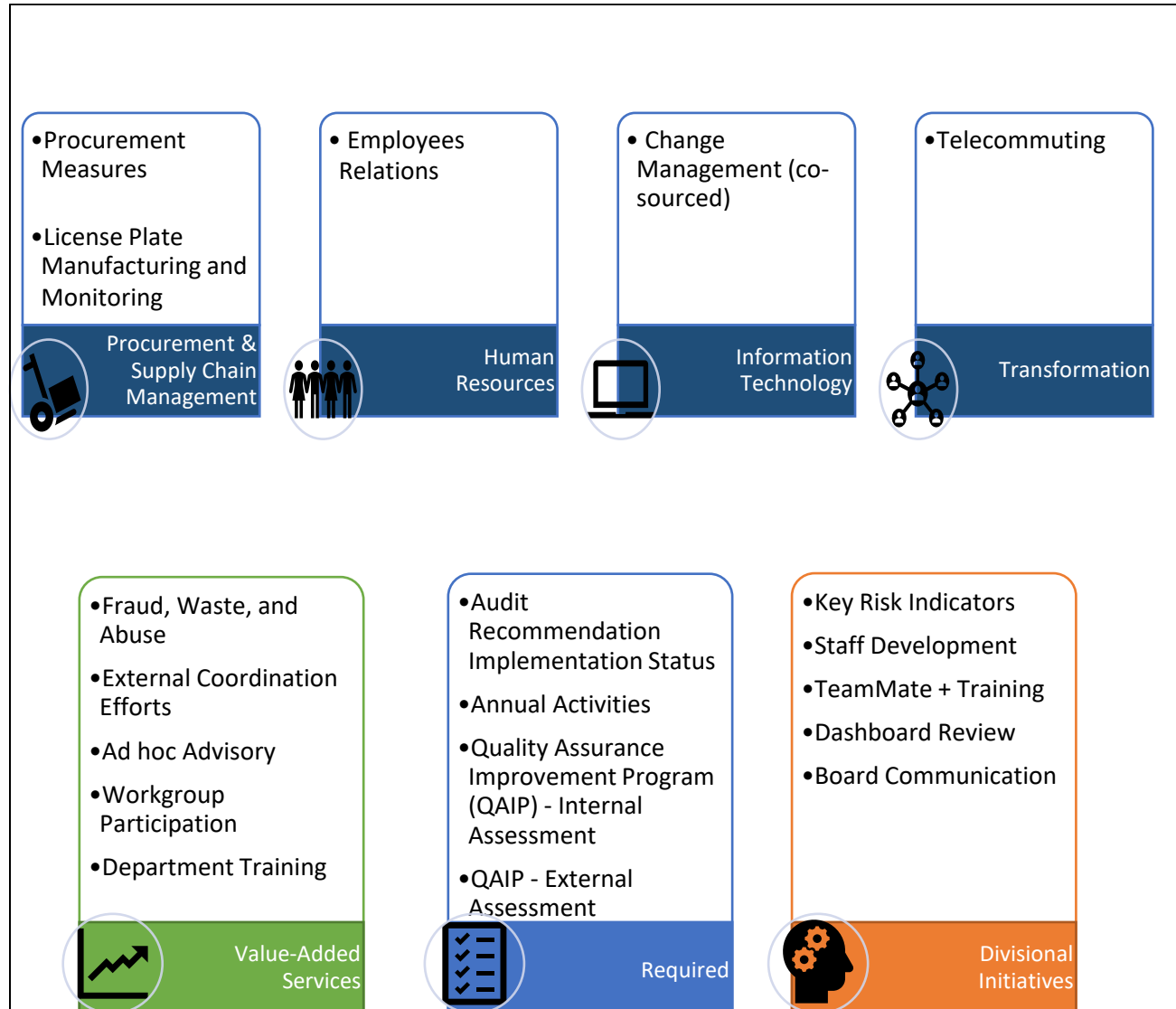
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## FY 2021 First Half Summary

The Internal Audit Division (IAD) audit plan for fiscal year (FY) 2021 is divided into two six-month plans. IAD moved to a six-month audit plan to allow for flexibility as Texas Department of Motor Vehicles' (TxDMV) risks change rapidly. The audit plan for the first half of the fiscal year includes five risk-based engagements and four required engagements tied to five themes. In addition, the plan includes division initiatives, and added-value services. The first half summary is illustrated in figure 1.

Figure 1. First Half Audit Plan Summary



## Engagement and Services Information



### Risk-Based Engagements

- **Procurement Measures:** This engagement will review procurement timelines and measures.
- **Telecommuting:** This engagement will evaluate the implementation of the telecommuting program, including mechanisms established to monitor remote workers.
- **Employee Relations:** This engagement will review processes set up to deal with employee performance issues.
- **License Plate Manufacturing and Monitoring:** This engagement will review the contract with the Texas Department of Criminal Justice (TDCJ) for the manufacturing of license plates, disabled placards, and other items. The engagement would review the processes established for the manufacturing, storage, disbursement, and monitoring of the manufacturing and supply of manufactured goods.
- **Information Technology Change Management\*:** This co-sourced engagement will review the change management processes within the Information Technology Services Division. Change management includes, but is not limited to implementation of new functionality, interruption of service, repair of existing functionality, and the removal of existing functionality.



### Required Engagements

- **Audit Recommendation Implementation Status Follow-Up:** Verification of the implementation status for internal and external audit recommendation.
- **Annual Activities:** A statutorily required report that summarizes previous fiscal year's internal audit activities.
- **Quality Assurance and Improvement Program – Internal Assessment:** An internal review to determine whether the division complied with audit standards and to provide information on the division's performance.
- **Quality Assurance and Improvement Program – External Assessment:** An external review to determine the division's compliance with internal audit standards. The review occurs every three years and the division must prepare a self-assessment report.

\*This engagement is dependent on the availability of the vendor.



### Divisional Initiatives

- **Key Risk Indicators:** IAD will be finalizing and providing quarterly reporting on the following indicators:
  - *Fraud Indicators:* IAD will monitor leave balances and payment information.
  - *Regional Service Center (RSC) Transactions:* IAD will be monitoring RSC transactions to identify potential fraud.
  - *Procurement and Contract Management Monitoring:* IAD will monitor procurement and high-risk contracts.
- **TeamMate Transition:** IAD will transition to TeamMate +, a web-based, audit software at the beginning of the fiscal year. Staff will receive training and provide support to the Department staff.
- **Staff Development Plans and Training:** IAD staff take training and create development plans to obtain required knowledge, skills, and abilities.
- **Dashboard Report Development:** IAD will develop an interactive dashboard style report to provide more focused information on results.
- **Board Communication:** IAD will continue refining dashboards and other items to provide a snapshot of the Department's risk management and governance information.



### Added – Value Services

- **Fraud, Waste, and Abuse (FWA) Items:** IAD is responsible for reviewing, tracking, and investigating any internal FWA allegations, including those received through the State Auditor's Office Hotline.
- **External Coordination Efforts:** IAD coordinates and facilitates any external audits. External coordination efforts include providing audit status update and coordinating responses.
- **Ad hoc Advisory:** IAD sets aside 150 hours to address any short-term assessment or information requests by TxDMV staff during the first half of the fiscal year.
- **Workgroup Participation:** IAD participates in TxDMV work groups to help identify any unforeseen risk in enterprise projects or activities.
- **Department Training:** IAD provides training to help TxDMV staff understand their responsibilities for audits, recommendation implementation, and preventing fraud, waste, and abuse.

## Detailed Engagement Information

### Engagements

Tables 1 and 2 provide information on the risk-based and required engagements that will be conducted in the first half of the FY 2021. The information includes engagement name, engagement hours, TxDMV strategic goal alignment, impacted division(s), and background. The background includes information on how the engagement ties to Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Information on COSO can be found in Scope and Methodology section, under the [Committee of Sponsoring Organizations of the Treadway Commission \(COSO\) Methodology](#). Table 1 provides information on the risk-based engagement and table 2 provides information on the required engagements.

Table 1. Risk-Based Engagements

Engagement Area	Hours	Strategic Goal(s)	Impacted Division(s)	Background
<b>Telecommuting</b>	700	Optimized Services and Innovation	Department-wide  Human Resources Division	Telecommuting, or remote work, has become the standard in the COVID-19 environment. Telecommuting must be set up properly to be effective for the organization and employees. Set up includes processes for monitoring employee productivity, program usage, and whether program objectives were properly articulated. This engagement ties to COSO elements of Control Environment, Risk Assessment, Control Activities, and Monitoring.
<b>Employee Relations</b>	680	Performance Driven	Human Resources Division	Employee relations involves creating and maintaining a positive environment between the organization, its managers, and employees, where employees feel engaged and are accountable for their work. When employees may not be performing at expected levels, processes should exist to help management and the employee achieve output expectations. This engagement ties to COSO elements of Control Environment, Control Activities, Information and Communication, and Monitoring.

Engagement Area	Hours	Strategic Goal(s)	Impacted Division(s)	Background
<b>Procurement Measures</b>	750	Optimized Services and Innovation	Finance & Administrative Services Division	Procurements, or purchases, conducted by the Department range from consumable goods to complex information technology products. Regardless of the procurement, timelines, roles, and measures should be established to measure the effectiveness and performance of the procurement function. This engagement ties to COSO elements of Control Environment, Risk Assessment, Control Activities, and Monitoring.
<b>License Plate Manufacturing and Monitoring</b>	850	Optimized Services and Innovation  Customer Centric  Performance Driven	Finance & Administrative Services Division  Vehicle Titles & Registration Division  Compliance & Investigations Division	The Department contracts with the Texas Department of Criminal Justice (TDCJ) to manufacture license plates, disabled placards, and other items. The Department's contract outlines the minimum requirements of goods produced and responsibilities between the departments. The goods are produced at the Wynne Unit, a facility owned and operated by the TDCJ. TxDMV has staff at the Wynne Unit to oversee the manufacturing, storage, and disbursement of manufactured goods. The engagement will be coordinated with the TDCJ's internal audit division. This engagement ties to COSO elements of Risk Assessment, Control Activities, and Monitoring.
<b>Information Technology Change Management</b>	N/A	Performance Driven	Information Technology Services Division	The engagement was selected using the Cybersecurity roadmap and will co-sourced. Change management is the process that ensures all changes are processed in a controlled manner, including standard changes and emergency maintenance relating to information technology. Changes include, but are not limited to interruption of service, implementation of new functionality, and the repair and/or removal of existing functionality. This engagement is



Engagement Area	Hours	Strategic Goal(s)	Impacted Division(s)	Background
				contingent on vendor availability. This engagement ties to COSO elements of Control Activities and Monitoring.

Table 2. Required Engagements

Engagement Area	Hours	Strategic Goal(s)	Impacted Division(s)	Background
<b>Annual Audit Activities</b>	35	Performance Driven	Department-wide	A statutorily required review that summarizes internal activities conducted in FY 2020. The State Auditor's Office prescribes the report format and information.
<b>Quality Assurance and Improvement Program – Internal Assessment</b>	75	Performance Driven	Internal Audit Division	An internal assessment to determine compliance with audit standards and provide information on IAD's performance. IAD's performance includes an evaluation of Key Performance Indicators and Capability Model.
<b>Quality Assurance and Improvement Program – External Assessment</b>	50	Performance Driven	Internal Audit Division	Every three years, the division is required to obtain an External Assessment (Peer Review) on whether the internal audit function complies with the applicable professional auditing standards in all material aspects. The division produces a self-assessment report and the report is used to obtain information on how the IAD meets applicable auditing standards.
<b>Audit Recommendation Implementation Status Follow-Up</b>	125	Optimized Services and Innovation  Customer Centric  Performance Driven	Department-wide	An engagement to verify if outstanding audit recommendations have been fully implemented. Quarterly reporting for internal audit recommendations will be done.

## Contingency Engagements

Table 3 denotes the potential engagements that could be done in the second half of the fiscal year or performed during the first half of the fiscal year if one of the risk-based engagements cannot be done.

Table 3. Contingency

Engagement Area	Strategic Goal(s)	Impacted Division(s)	Preliminary Engagement Information
<b>Strategic Communication</b>	Customer Centric  Performance Driven	Government & Strategic Communication	The Department provides written communications, in various forms, to customers and employees with key information that impact the operations internally and externally and to employees. With the need to communicate quickly and effectively, processes should exist to ensure effective communication. This engagement ties to COSO elements of Control Environment and Information and Communication.
<b>Payment Card Industry (PCI)</b>	Performance Driven	Information Technology Services Division	The Department accepts credit cards and is required to meet PCI standards. This potential audit would evaluate PCI compliance with one of the 12 requirements. This audit was identified as an area of review in the Cybersecurity roadmap. This engagement ties to COSO elements of Risk Assessment, Control Activities, and Monitoring.
<b>Staff Retention and Recruitment</b>	Optimized Services and Innovation  Performance Driven	Human Resources Division	Staff retention and recruitment begins with processes and policies that help divisions identify the talent needed to achieve organizational goals. It also includes those divisions using available policies and processes to keep employees. This engagement ties to COSO elements of Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.
<b>Strategic Purchasing</b>	Optimized Services and Innovation  Performance Driven	Finance & Administrative Services Division	Purchasing is a key component to ensure the Department's needs and objectives are met. Without a purchasing strategy, needs and objectives may not be met. This includes key purchases, such as technology purchases. This engagement ties to COSO elements of Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

Engagement Area	Strategic Goal(s)	Impacted Division(s)	Preliminary Engagement Information
<b>Contract Development</b>	Optimized Services and Innovation	Finance & Administrative Services Division  Office of General Counsel	The state continues to evolve its procurement and contract rules and regulation and has begun focusing more on the development of contracts. This engagement would review processes that exist to develop contracts and amend contracts. This engagement ties to COSO elements of Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.
<b>Placeholder</b>	TBD	TBD	In case a risk emerges that requires immediate review, this engagement will be used to substitute one of the risk-based engagements. This engagement will only be conducted in consultation with the Finance & Audit Committee Chair and members and the Board Chair.

## Scope and Methodology

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### Scope

The Internal Audit Plan covers activities and engagements for the first half of the fiscal year, September 2020 through January 2021, and identifies potential engagements for the second half of the fiscal year.

### Risk Assessment

#### Risk Methodology

The audit plan was developed using a risk-based methodology, which incorporated input from TxDMV board members, executive management, division management, and risks identified by audit staff through previous fiscal year engagements and observations. IAD also analyzed TxDMV information and reviewed internal audit and industry publications to identify and rank potential audit topics by risk. In addition, IAD collected information on the potential controls that were in place to mitigate the identified risks.

Each risk was reviewed using approved Department risk guidance that included the following factors:

- Revenue or expense impact
- Asset or liability impact
- Operational effectiveness and efficiency impact
- Legal or regulatory impact
- Brand or reputational impact
- Degree of change in the program, function, or process
- Degree of complexity
- Degree of centralization
- Control design strength

247 Department risks have been identified through the risk assessment, including an additional 75 risks that had not been identified in previous risk assessments or were new risks due to the changing environments. Each risk identified was scored using the above factors to determine the engagements for the first half of fiscal year 2021 and contingency engagements.

The risk scores ranged from zero, which is the lowest risk score, to ten, which is the highest risk score. Table 4 provides information on the risk scores for each item.

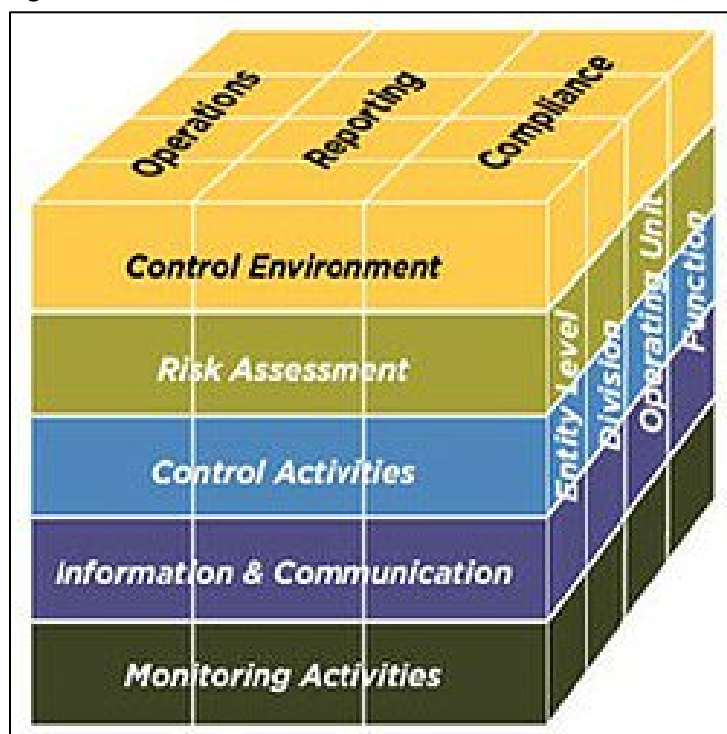
Table 4. Risk Scores

Very Low Risk	Low Risk	Medium Risk	High Risk	Very High Risk
0 - 1.5	1.5 – 2.5	2.5 – 3.5	3.5 – 4.5	4.5 +

## Committee of Sponsoring Organizations of the Treadway Commission (COSO) Methodology

Once all risks were reviewed and ranked, the audit team evaluated each risk using the COSO *Internal Control – Integrated Framework*. The framework integrates three broad objectives (Operations, Reporting, and Compliance) and ties those objectives to risks and controls through five internal control components and four structural levels as depicted in Figure 2, COSO cube. The COSO cube depicts how the internal controls framework has a direct relationship between objectives, the components needed to achieve objectives, and a typical organizational structure.

Figure 2. COSO Cube



The definition for the COSO Internal Control Components are as follows:

- Control Environment:** The foundation for an internal control system. The Control Environment is a set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. It provides the discipline and structure to help an entity achieve its objectives. The TxDMV Board and executive management establish the tone at the top regarding the importance of internal control including expected standards of conduct.

- **Risk Assessment:** The processes used to determine how risk is to be managed. TxDMV management assesses the risks facing the entity as it seeks to achieve its objectives.
- **Control Activities:** The actions TxDMV management established through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes information systems.
- **Information and Communication:** The quality of information TxDMV management and staff generate and use to communicate and support the internal control system on an ongoing and iterative basis.
- **Monitoring:** The activities TxDMV management established to assess the quality of performance over time. The activities include ongoing evaluations, separate evaluations, or some combination of the two. The activities are used to ascertain whether each of the five components of internal control, are present and functioning.

## Themes

For the FY 2021, the Internal Audit Division introduced “themes” to help organize and categorize the internal audit plan. The themes include: Human Resources, Transformation, Information Technology, and Procurement & Supply Chain Management. In addition, the themes were significantly impacted by COVID-19:

- **Transformation:** Areas where new solutions are needed to address the post COVID-19 environment, which poses difficult problems that significantly disrupt current operations.
- **Human Resources:** Areas within human resources that play a critical role in ensuring our organization has a competitive advantage in hiring and retaining staff, as well as improving morale and coaching staff.
- **Information Technology:** Areas where the spread of new technologies, data collection methodologies, and automation increases risks to our organization and customers.
- **Procurement & Supply Chain Management:** Areas in procurement and supply chain that are critical to ensure costs are being contained and services/goods are provided on time and as needed.

## Hour Analysis

Hours were calculated using historical data and auditor’s judgement. Hours are an estimate and could be adjusted. IAD anticipates about 1700 hours available for required and risk-based engagements for the second half of the fiscal year.



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**To:** Finance & Audit Committee, Texas Department of Motor Vehicles Board  
**From:** Linda M. Flores, CPA, Chief Financial Officer, Finance & Administrative Services Division Director  
**Agenda Item:** 5.A  
**Subject:** Financial Impacts of COVID-19 on TxDMV

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## RECOMMENDATION

Briefing Only

## PURPOSE AND EXECUTIVE SUMMARY

TxDMV is required by the Legislative Budget Board and the Governor's Office to prepare monthly reports on the financial impact to TxDMV from the COVID-19 event. The monthly reporting addresses the impact on revenue collections and on expenditures for COVID-19 response. TxDMV also submitted a 5% savings plan for its General Revenue funded appropriation in response to the economic conditions resulting from the COVID-19 event.

## FINANCIAL IMPACT

The COVID-19 event has impacted TxDMV financially in three distinct areas: revenue collections, expenditures for COVID-19 response, and mandated appropriation reductions.

## BACKGROUND AND DISCUSSION

### **REVENUE DISCUSSION**

In response to requests from the Legislative Budget Board and other entities, TxDMV has developed new estimated FY 2020 revenue changes from previous projections used for board reporting. TxDMV has actual revenue information for September 2019 to June 2020 (ten months), and uses estimates for July through August 2020 (two months). Current expectations include:

- a loss of \$12,734,000 to General Revenue Fund 0001;
- a loss of \$175,922,000 to State Highway Fund 0006; and
- a loss of \$22,219,000 to TxDMV Fund 0010.

TxDMV updates monthly estimates with monthly actuals as each month progresses.

The analysis considers incorporating proclamations from the Texas governor stating that certain fees/permits are suspended or outright waived from March 16 until 60 days after TxDMV notifies the public that its services have recommenced as normal; this includes the reopening of county tax assessor-collector offices and TxDMV regional service centers to in-person customer activity. It is assumed, for this analysis, that TxDMV and county activity will resume as normal on August 1, with most fee or permit suspensions and waivers ending September 30.

Even though many fee streams are not directly affected or named by the national, state, or local measures, the economic changes will affect many fee collections. It is assumed that TxDMV revenue collections will see an interim decrease, but will not return to previously projected levels even within the current fiscal year.

## **EXPENDITURE DISCUSSION**

Through the end of June 2020 TxDMV expended a total of \$1,473,381 in response to COVID-19. The expenditures are primarily from staff time for planning and preparation of COVID-19 response activities, the acquisition of personal protective equipment (PPE) items for employees and customers, cleaning supplies, and facility preparation activities such as cleaning and defogging services and the installation of plexiglass partitions for public areas.

The total projected cost for COVID-19 response is estimated to be \$1,706,486 through the end of FY 2020. The year-end estimate assumes continued staff time through the middle of July and continued cleaning services and cleaning supply/PPE replenishment through the end of the fiscal year.

A detailed month-by-month obligation table is included in the Financial Impact of COVID-19 Supplement.



## Financial Impacts of COVID-19

### REVENUE FORECASTS

The red figures shown in the table below are the changes from FY 2020 revenue projections. The table compares original FY 2020 forecasts to new estimates impacted by the COVID-19 pandemic.

Funds 0001, 0006, and 0010 Projected FY 2020 Revenue Impact				
Combined Revenue (Funds 0001, 0006, and 0010)	Waived	Postponed until FY 2021	Economic Impact	Expected Variance within FY 2020
Motor Vehicle Certificates of Title	\$ (7,020,000)	\$ -	\$ (6,407,070)	\$ (13,427,070)
Motor Vehicle Registration	\$ (16,944,000)	\$ (109,530,000)	\$ (34,882,527)	\$ (161,356,527)
Motor Carrier - Oversize/Overweight	\$ -	\$ -	\$ (29,228,152)	\$ (29,228,152)
Motor Carrier Credentialing	\$ -	\$ -	\$ (250,982)	\$ (250,982)
Motor Vehicle Business Licenses	\$ -	\$ -	\$ (749,218)	\$ (749,218)
Miscellaneous Revenue	\$ -	\$ -	\$ (922,113)	\$ (922,113)
Processing and Handling Fee	\$ (934,000)	\$ (4,838,000)	\$ 830,773	\$ (4,941,227)
<b>Total Combined Funds</b>	<b>\$ (24,898,000)</b>	<b>\$ (114,368,000)</b>	<b>\$ (71,609,289)</b>	<b>\$ (210,875,289)</b>
General Revenue Fund (Fund 0001)	Waived	Postponed until FY 2021	Economic Impact	Expected Variance within FY 2020
Motor Vehicle Certificates of Title	\$ -	\$ -	\$ (3,776,990)	\$ (3,776,990)
Motor Vehicle Registration	\$ -	\$ -	\$ (456,230)	\$ (456,230)
Motor Carrier - Oversize/Overweight	\$ -	\$ -	\$ (7,936,598)	\$ (7,936,598)
Motor Carrier Credentialing	\$ -	\$ -	\$ (250,982)	\$ (250,982)
Miscellaneous Revenue	\$ -	\$ -	\$ (312,932)	\$ (312,932)
<b>Total General Revenue Fund</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (12,733,732)</b>	<b>\$ (12,733,732)</b>
State Highway Fund (Fund 0006)	Waived	Postponed until FY 2021	Economic Impact	Expected Variance within FY 2020
Motor Vehicle Certificates of Title	\$ -	\$ -	\$ (1,125,980)	\$ (1,125,980)
Motor Vehicle Registration	\$ (16,944,000)	\$ (109,530,000)	\$ (29,161,078)	\$ (155,635,078)
Motor Carrier - Oversize/Overweight	\$ -	\$ -	\$ (19,161,411)	\$ (19,161,411)
<b>Total State Highway Fund</b>	<b>\$ (16,944,000)</b>	<b>\$ (109,530,000)</b>	<b>\$ (49,448,469)</b>	<b>\$ (175,922,469)</b>
TxDMV Fund (Fund 0010)	Waived	Postponed until FY 2021	Economic Impact	Expected Variance within FY 2020
Motor Vehicle Certificates of Title	\$ (7,020,000)	\$ -	\$ (1,504,100)	\$ (8,524,100)
Motor Vehicle Registration	\$ -	\$ -	\$ (5,265,219)	\$ (5,265,219)
Motor Carrier - Oversize/Overweight	\$ -	\$ -	\$ (2,130,142)	\$ (2,130,142)
Motor Vehicle Business Licenses	\$ -	\$ -	\$ (749,218)	\$ (749,218)
Miscellaneous Revenue	\$ -	\$ -	\$ (609,181)	\$ (609,181)
Processing and Handling Fee	\$ (934,000)	\$ (4,838,000)	\$ 830,773	\$ (4,941,227)
<b>Total TxDMV Fund</b>	<b>\$ (7,954,000)</b>	<b>\$ (4,838,000)</b>	<b>\$ (9,427,087)</b>	<b>\$ (22,219,087)</b>

Note: Of the \$155.6 million shown as a revenue loss/variance within FY 2020 for State Highway Fund 0006 registration fees, \$109.5 million is revenue that is postponed and is expected to be deposited in FY 2021. The associated processing and handling fee on registration transactions is effectively postponed as well, with \$4.8 million of the FY 2020 \$4.9 million loss/variance (in Fund 0010) expected to be deposited in FY 2021.



## Texas Department of Motor Vehicles

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## Projected FY 2020 Revenue Impact of TxDMV Fees Waived or Postponed

Fee	Statutory Citation	Fund	Payer of Fee	Waived/Postponed	Fee-Loss Estimate	Postponed until FY 2021
Delinquent Title Transfer Penalty	501.146(a)	0010	Dealer	waived	\$ (1,283,000)	\$ -
Delinquent Title Transfer Penalty	501.146	0010	Individual	waived	\$ (5,737,000)	\$ -
Temporary Permit (72-hour)	502.094(c)(2)	0006	Motor Carrier	waived*	\$ (2,633,000)	\$ -
Temporary Permit (144-hour)	502.094(c)(2)	0006	Motor Carrier	waived*	\$ (6,791,000)	\$ -
Temporary Permit (30-Day)	502.095(e)(2)(B)	0006	Individual	waived*	\$ (7,520,000)	\$ -
Processing and Handling Fee	502.1911(b)	0010	Individual	postponed/waived	\$ (934,000)	\$ (4,838,000)
Annual-Registration Fee	502.252-502.256	0006	Individual	postponed	\$ -	\$ (109,530,000)
					<b>\$ (24,898,000)</b>	<b>\$ (114,368,000)</b>

Of the \$210.9 million decline in projected FY 2020 revenue presented (shown on page 1), the majority (\$114.4 million) is expected to be deposited in FY 2021. Of the \$96.5 million projected revenue loss, \$71.6 million is attributed to a decline in economic activity (including lower oil prices), and \$24.9 million from a direct waiver of fees.

There was no postponement amount in last meeting's submittal, because the date used then for the public announcement of the resumption of normal operations (June 1) would have allowed for deferred registration revenues to be deposited within FY 2020.

\* This fee was waived per governor proclamation (30-day) and for vehicles engaged in virus-relief efforts (72-hour and 144-hour).

**General Observations** - TxDMV has FY 2020 actual revenues by month for September 2019 through June 2020 (ten months) broken down by fund (0001, 0006, and 0010) and revenue category. Estimates are used for July 2020 through August 2020 (two months).

TxDMV considered numerous factors when putting the figures together. We will update monthly estimates with monthly actuals as each month progresses and update estimates as needed with new estimates. TxDMV will continue to monitor and update actual revenues, activity, and projections on an ongoing basis.

**Return to Normal Operations Start Date** - The analysis incorporates proclamations from the Texas governor stating that certain fees/permits are suspended or outright waived from March 16 until 60 days after TxDMV notifies the public that its services have re-commenced as normal; this includes the reopening of county tax assessor-collector offices and TxDMV regional service centers to in-person customer activity. Therefore, to perform this revenue analysis for certain fees, it is necessary to assume a future, to-be-determined date for resumption of normal operations. Accordingly, it is assumed for calculations in this analysis that TxDMV will announce resumption of normal operations on August 1, with most fee/permit suspensions and waivers ending September 30, 2020. (Note: The assumed starting date for public announcement of the resumption of normal operations might change in future submittals of this exercise.)

**Economic Impacts** - Even though many fee streams are not directly affected or named by the state measures, the economic changes will affect many fee collections (for example, a decrease in dealer-licensing activity from licensee customers not purchasing/renewing their licenses). It is assumed that some of TxDMV's revenue collections will see an interim decrease, but might not return to previously projected "normal" levels even within the current fiscal year.

**EXPENDITURE IMPACTS OF COVID-19 PANDEMIC**

The total expended amount related to COVID-19 response through the end of June is \$1,473,381. The expenditures are primarily from staff time for planning and responding to Covid-19 activities, the acquisition of personal protective equipment (ppe) items for employees and customers, cleaning supplies, and facility preparation activities such as cleaning and disinfecting fogging services and the installation of plexiglass partitions for public areas.

The total projected cost for the department's response to the pandemic is \$1,706,486. The year-end estimate assumes continued staff time through the middle of July and continued cleaning services and cleaning supplies/ppe replenishment through August 31, 2020.

The following table provides monthly actuals for March through June by Object of Expense and expenditure estimates for the remaining months of FY 2020.

TxDMV COVID 19 Obligations by Month								
Object of Expense	Description	Actuals				Estimated		Total
		March	April	May	June	July	August	
1001	Salaries and Wages	\$ 238,247.50	\$ 262,130.47	\$ 184,298.49	\$ 131,119.04	\$ 135,489.67	\$ -	\$ 951,285.17
1002	Other Personnel costs	\$ 1,191.24	\$ 1,310.65	\$ 677.45	\$ 338.72	\$ -	\$ -	\$ 3,518.06
2001	Professional Fees and Services	\$ -	\$ 114,889.58	\$ (69,588.12)	\$ 9,625.30	\$ -	\$ -	\$ 54,926.76
2002	Fuels and Lubricants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2003	Consumable Supplies	\$ 898.62	\$ 12,802.14	\$ 124,310.26	\$ 15,008.29	\$ 3,950.11	\$ -	\$ 156,969.42
2004	Utilities	\$ 3,762.44	\$ 20,533.02	\$ 3,502.31	\$ 1,417.20	\$ 461.65	\$ -	\$ 29,676.62
2005	Travel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2006	Rent - Building	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2007	Rent - Machine and Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2008	Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2009	Other Operating Expense	\$ 23,272.18	\$ 40,981.23	\$ 324,362.87	\$ 28,289.91	\$ 59,806.11	\$ 33,397.50	\$ 510,109.80
3001	Client Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3002	Food for Persons - Wards of State	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4000	Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5000	Capital Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		\$ 267,371.98	\$ 452,647.09	\$ 567,563.26	\$ 185,798.46	\$ 199,707.54	\$ 33,397.50	\$ 1,706,485.83
Fund 0001		\$ 1,589.82	\$ 879.53	\$ 30,271.60	\$ 293.34	\$ 289.00	\$ -	\$ 33,323.28
Fund 0010		\$ 265,782.16	\$ 451,767.57	\$ 537,291.66	\$ 185,505.13	\$ 199,418.54	\$ 33,397.50	\$ 1,673,162.55
		\$ 267,371.98	\$ 452,647.09	\$ 567,563.26	\$ 185,798.46	\$ 199,707.54	\$ 33,397.50	\$ 1,706,485.83

**Board Meeting Date: 8/5/2020**  
**BRIEFING**

**To:** Finance & Audit Committee, Texas Department of Motor Vehicles Board  
**From:** Linda M. Flores, CPA, Chief Financial Officer, Finance & Administrative Services Division Director  
**Agenda Item:** 5.B  
**Subject:** FY 2020 Third Quarter Financial Report (BRIEFING ONLY) – Linda M. Flores and Sergio Rey

## PURPOSE

The TxDMV Board is briefed quarterly on revenue collections and department expenditures. This report contains sections detailing year-to-date status as well as actual versus projections of revenues and expenditures. The year-to-date report includes a section dedicated to the TxDMV Fund and a section with information on Motor Vehicle Crime Prevention Authority (MVCPA) fee collections that support the MVCPA program. An additional section provides information about the TxDMV Mid-Year Budget process.

Attached is the FY 2020 financial summary report for the period ending May 31, 2020.

## EXECUTIVE SUMMARY

The TxDMV is self-sufficient and supports all its expenditures through revenues deposited to TxDMV Fund 0010, except for the Motor Vehicle Crime Prevention Authority (MVCPA). MVCPA is fully funded through fees deposited to the credit of the General Revenue Fund.

As of the end of the third quarter of FY 2020, the key highlights of the department's revenues and expenditures are:

- The department's total revenue deposits (all funds) were \$1.3 billion, a 7.2% decrease compared to the third quarter of FY 2019.
- TxDMV Fund 0010 collections totaled \$117.4 million, a 7.0% decrease compared to third-quarter FY 2019.
- All-fund (General Revenue Fund and TxDMV Fund) expenditures (including obligations and encumbrances) totaled \$131.9 million. This includes expenditures associated with COVID-19 in the amount of \$1.3 million.
- The department collected sufficient revenue in FY 2020 to support its expenditures during the same period.
- The ending TxDMV Fund 0010 balance at May 31, 2020, was \$153.2 million. Inclusion of encumbrances adjusts the net balance to \$126.1 million.

## FINANCIAL SUMMARY

### TOTAL REVENUES (All Funds)

TxDMV revenue deposits totaled \$1.3 billion through the third quarter of FY 2020. This amount comprises:

- \$ 1.15 billion for the State Highway Fund (Fund 0006);
- \$ 79.46 million for the General Revenue Fund (Fund 0001); and
- \$ 117.39 million for the TxDMV Fund (Fund 0010).

### TxDMV FUND 0010 REVENUES

FY 2020 collections for TxDMV Fund 0010 totaled \$117,391,590. This amount comprises revenues from titles, registered vehicles, license plates, oversize/overweight permits, motor vehicle business licenses, processing and handling fees, and miscellaneous fees.

TxDMV Fund 0010 revenues decreased by 7.0% compared to FY 2019. The decrease in FY 2020 revenues compared to FY 2019 is attributable to the fee waivers and decline in economic activity related to COVID-19.

### EXPENDITURES/OBLIGATIONS

Obligations through May 31, 2020, totaled \$131.9 million (\$96.4 million in expenditures and \$35.5 million in encumbrances) for all funds. Significant expenditure categories continue to include salaries, contract services for plate production, printing costs for Vehicle Titles and Registration Division forms, postage, and Data Center Services costs. Included in expenditures is \$3.5 million for contract payments to MyPlates, the specialty-plates vendor. Contract payments to MyPlates are contingent upon revenues collected.

The department incurred \$1.3 million in obligations related to the COVID-19 response. The majority of the cost is related to staff time responding to operational issues, i.e., planning and implementing new policies/procedures, modifying facilities for customer service and disinfecting services. Overall expenditures to address the pandemic are estimated to total \$1.7 million by the end of the fiscal year August 31<sup>st</sup>.

The FY 2020 capital project budget obligations include expenditures of approximately \$10.4 million and encumbrances of approximately \$8.5 million, for a total obligated amount of \$18.9 million. This includes \$10.9 million in obligations for Data Center Services; \$4.4 million for Automation; and \$1.7 million for County Technology. The remaining capital obligations are for agency support in vehicle replacement, technology, and facilities. The FY 2020 capital project budget includes \$18.9 million in funds carried forward from FY 2019; the majority of the carry forward is for the Automation capital budget.

The FY 2020 budget includes funding for exceptional items that were approved by the Legislature during the 86th Legislative Session. The exceptional items approved include nine new full-time equivalents (FTEs) and associated funding for the Consumer Relations Division, and twelve new FTEs for the Information Technology Services Division. The Legislature also approved a contingency rider for the implementation of a digital license plate program that included two FTEs for the Vehicle Titles and Registration Division. Administrative rules to establish the digital plate program have been approved and a vendor Request for Proposal (RFP) is currently being prepared. The digital license plate program is anticipated to be implemented by the end of the calendar year.

### MyPlates

The current (third) specialty-plates marketing contract executed with MyPlates runs from November 19, 2019, to December 31, 2025, with an option to renew the contract for an additional six-year term. The contract includes a minimum guarantee of \$25 million into the General Revenue Fund from the sale of personalized and non-personalized new vendor specialty plates, as well as 5% of the revenue from the renewal of these plates, during the term of the contract.

General Revenue Fund 0001 deposits associated with the MyPlates contract from November 19, 2019, to May 31, 2020, totaled \$7.4 million. Of this \$7.4 million, \$3.3 million counts toward the \$25 million contract guarantee.



# Texas Department of Motor Vehicles

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## 3rd Quarter Financial Report ending May 31, 2020 Fiscal Year 2020



# Texas Department *of* Motor Vehicles

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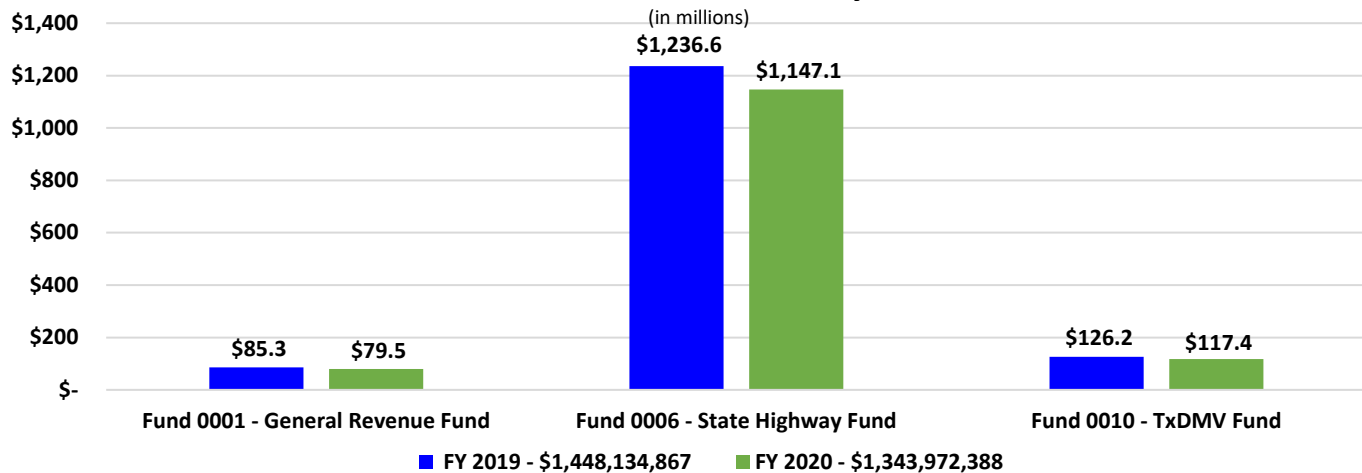
Actual Revenue (All Funds)

# Financial Summary through the Third Quarter

## September through May FY 2020

### Overall Revenue Collections

#### FY 2019 and FY 2020 Year-over-Year Revenue by Fund



The Texas Department of Motor Vehicles (TxDMV) is trending year-to-date to collect \$1.8 billion in FY 2020, significantly below the originally forecasted amount of \$2.0 billion. This represents 10.6% less than the originally projected FY 2020 total, and 9.5% below FY 2019 collections. However, it is expected that \$114.4 million of the FY 2020 drop from original projections is registration (and the associated processing and handling fee) revenue that will be *postponed* per governor proclamation and collected in FY 2021 as discussed on page 9. Excluding this estimated postponement amount, TxDMV deposits in FY 2020 actually represent a loss of 4.8% from projections rather than the above-mentioned 10.6%. Through the first two quarters the state had experienced a strong start to the collections of revenue, and TxDMV was on track to meet its revenue projections. COVID-19 has affected the state's economy, including reduced auto sales and downward impacts to the oil-and-gas sector as a result of low oil prices.

Revenue collected for all three funds totaled \$1,343,972,388 through the third quarter of FY 2020. This was a decrease of 7.2% over the same time period of FY 2019. The amount of revenue collected for each fund in FY 2020 consisted of: Fund 0001, General Revenue Fund, \$79,456,190; Fund 0006, State Highway Fund, \$1,147,124,608; and Fund 0010, TxDMV Fund, \$117,391,590. These fees include: Motor Vehicle Certificates of Title, Motor Vehicle Registration, Motor Carrier Oversize/Overweight, Motor Carrier Credentialing, Motor Vehicle Business Licenses, Processing and Handling Fee, and miscellaneous revenues.

Based on activity through the third quarter, TxDMV revenue deposits in FY 2020 in each of the three funds are not expected to meet projections.

#### FY 2020 versus FY 2019 Year-to-Date Comparison

##### Year over Year

Revenue Category	FY 2019		FY 2020		% Difference
	Actual		Actual		
Motor Vehicle Certificates of Title	\$ 64,512,865		\$ 59,689,326		-7.5%
Motor Vehicle Registration	1,175,456,815		1,091,444,211		-7.1%
Motor Carrier Oversize/Overweight	145,328,992		135,347,017		-6.9%
Motor Carrier Credentialing	5,280,819		5,126,054		-2.9%
Motor Vehicle Business Licenses	5,997,305		5,433,327		-9.4%
Miscellaneous Revenue	10,098,818		9,525,215		-5.7%
Processing and Handling Fee	41,459,252		37,407,237		-9.8%
<b>Total</b>	<b>\$ 1,448,134,867</b>		<b>\$ 1,343,972,388</b>		<b>-7.2%</b>







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## **TxDMV Fund 0010 Financial Status Highlights**

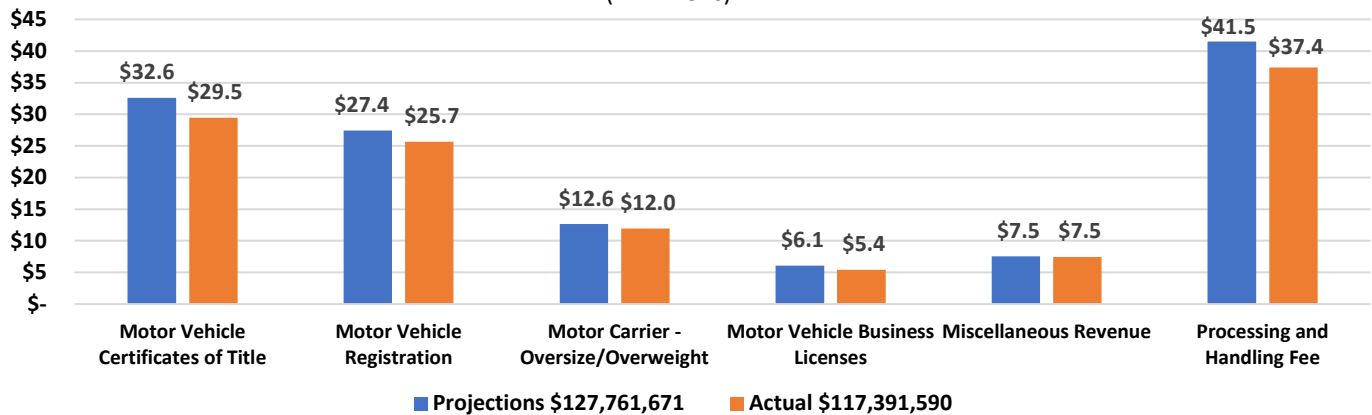
# Financial Summary through the Third Quarter

September through May FY 2020

## TxDMV Fund 0010 Highlights

### Actuals vs Projections

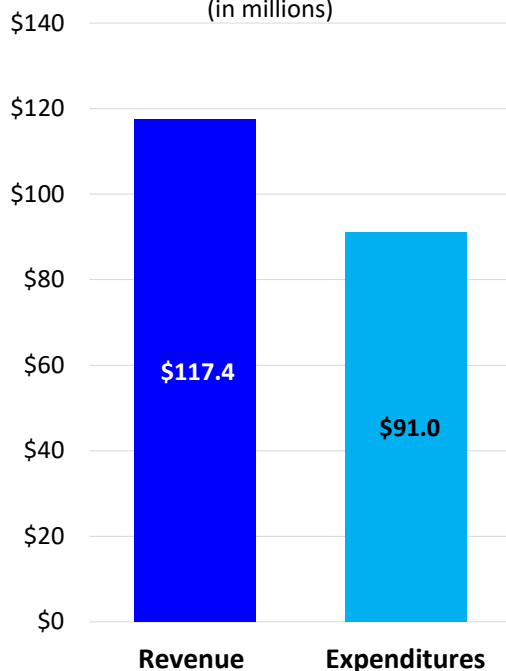
(in millions)



- Overall TxDMV Fund (0010) revenues for FY 2020 compared to FY 2019 are projected to decrease by 10.2%. Excluding the effect of \$4.8 million in processing and handling fee revenue *postponed* until FY 2021, the projected drop from FY 2019 is only 7.4%. The original TxDMV Fund forecast (\$176.2 million) will not be met for FY 2020.
- TxDMV Fund revenue collections totaled \$117.4 million, which was 7.0% lower (\$8.8 million) than collections during the same time period of FY 2019. This represented: a 7.0% decrease in title revenue, a 4.8% decrease in registration revenue, a 6.4% decrease in oversize/overweight revenue, a 9.4% decrease in motor vehicle business license revenue, a 1.1% increase in miscellaneous revenue, and a 9.8% decrease in processing and handling fee revenue.
- TxDMV Fund deposits were below original projections by 8.1% (\$10.4 million) through the third quarter of FY 2020.

### FY 2020 Activity-to-date

(in millions)



### TxDMV Fund 0010 Balance

	Year-to-date
<b>Beginning Fund Balance</b>	\$ 126,750,987
<b>Fund 0010 Revenue</b>	
Motor Vehicle Certificates of Title	\$ 29,460,311
Motor Vehicle Registration	\$ 25,675,135
Motor Carrier - Oversize/Overweight	\$ 11,954,911
Motor Vehicle Business Licenses	\$ 5,433,327
Miscellaneous Revenue	\$ 7,460,668
Processing and Handling Fee	\$ 37,407,237
<b>Total Revenue</b>	\$ 117,391,590
<b>Fund 0010 Expenditures</b>	
TxDMV Operational Expenditures	\$ 81,796,017
Fringe Benefits	\$ 9,181,295
<b>Total Operational Expenditures</b>	\$ 90,977,312
<b>Ending Fund Balance, May 31, 2020</b>	\$ 153,165,264
<b>Adjustment for Encumbrances</b>	\$ 27,045,017
<b>Adjusted Net Cash Balance</b>	\$ 126,120,247



Texas Department *of* Motor Vehicles

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## Motor Vehicle Crime Prevention Authority

# Financial Summary through the Third Quarter

## September through May FY 2020

### Motor Vehicle Crime Prevention Authority

#### Fiscal Year 2021 Motor Vehicle Crime Prevention Authority Estimated Revenues

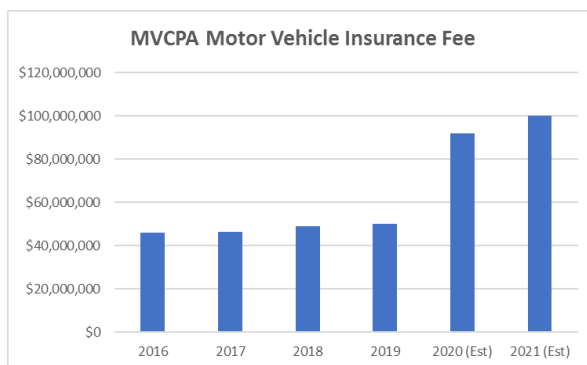
The Motor Vehicle Crime Prevention Authority (MVCPA) has fostered a state-wide cooperative network of law enforcement groups, prosecutors, insurance industry representatives, local tax assessor-collectors, and concerned citizens to combat vehicle theft and burglary through enforcement, prevention, public information, and education initiatives. In addition to providing guidance and oversight, MVCPA awards financial grants to agencies, organizations, and concerned parties in an effort to raise public awareness of vehicle theft and burglary and implement education and prevention initiatives.

The predecessor of the Motor Vehicle Crime Prevention Authority (MVCPA) was established by the 72nd Texas Legislature in 1991 as the Automobile Theft Prevention Authority (ATPA). It was one of the nation's first statewide efforts to reduce auto theft. The 80th Legislature expanded the ATPA mission to include combating motor vehicle burglary and changed the name to the Automobile Burglary and Theft Prevention Authority. The 86th Legislature changed the name to the Motor Vehicle Crime Prevention Authority and added fraud-related motor vehicle crime to its mission. To better align the operation and improve coordination with the Texas Department of Motor Vehicles (TxDMV), the enabling statute for the MVCPA was codified in the Texas Transportation Code. Under the recodification the MVCPA is required to:

- Collect a \$4 fee for every motor vehicle insured in Texas.
- Issue grants to law enforcement agencies and other statutorily designated groups to combat motor vehicle crime.
- Develop, collect and monitor performance data on arrests, recovery of vehicles and cases cleared and other performance measures for motor vehicle crime.
- Report annually to the Texas Legislature fiscal and program data.
- Develop a biennial statewide Plan of Operation to combat motor vehicle crime.
- Examine and make determinations for refunds to insurers that overpay the \$4 per vehicle fee.

House Bill (HB) 2048, passed during the 86<sup>th</sup> Legislature, increased the fee that motor vehicle insurance companies pay per motor vehicle year from \$2.00 to \$4.00. HB 2048 also changed the allocation of the fee revenue to MVCPA from 50% of the \$2.00 fee to 20% of the \$4.00 fee.

The following charts illustrates the six-year trend in the MVPCA motor vehicle insurance fee collections and a comparison of fees collected to MVCPA appropriations.



#### MVCPA Fees and Appropriations

Fiscal Year	MVCPA Fees	Amount Appropriated to MVCPA	Amount Remaining in General Revenue
2016	\$46,068,858	\$14,904,340	\$31,164,518
2017	\$46,436,967	\$14,920,849	\$31,516,118
2018	\$49,083,185	\$14,920,849	\$34,162,336
2019	\$50,042,957	\$12,835,851	\$37,207,106
2020*	\$91,745,420	\$12,835,851	\$78,909,569
2021*	\$100,085,913	\$12,835,851	\$87,250,062

\* FY 2020 and 2021 Fees are estimated

Year-to-date revenue collected through May is \$40,338,669 with the majority deposited in February. The MVCPA Fees are forecasted to remain flat for 2022 and 2023.

	Actual	Actual	Forecast	Forecast	Forecast	Forecast
	2018	2019	2020 (Est.)	2021 (Est.)	2022 (Est.)	2023 (Est.)
MVCPA Fee	\$49,083,185	\$50,042,957	\$91,745,420	100,085,913	100,085,913	100,085,913



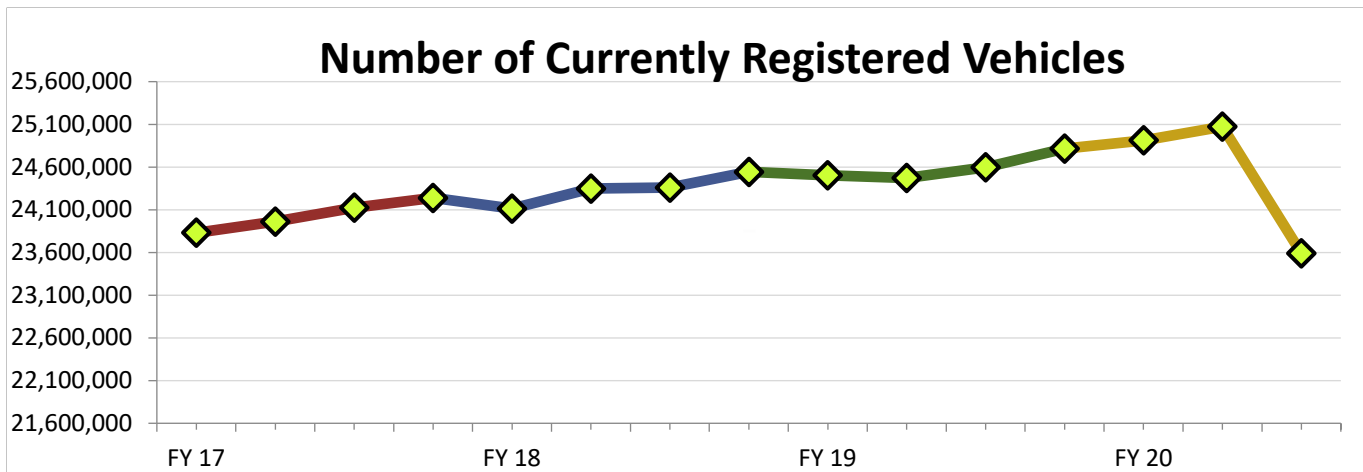
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All Funds (Fund 0001, Fund 0006 and Fund 0010) on Title, Registration, Oversize/Overweight and Processing and Handling Fees

# Financial Summary through the Third Quarter

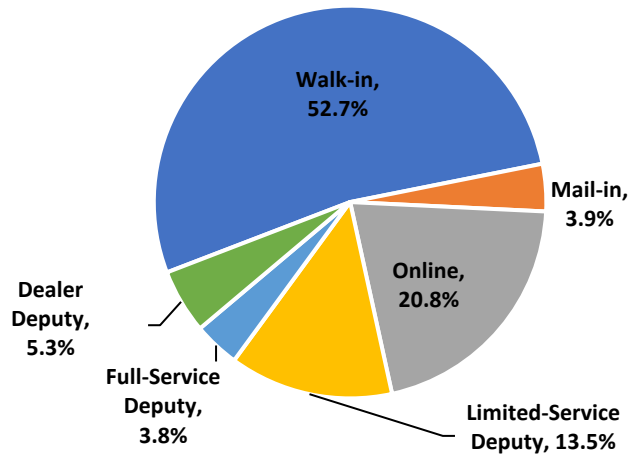
## Registration Revenue

- All-funds registration revenue in FY 2020 is now projected to decrease about 9.1% from FY 2019. This is based mostly on the waiver of certain temporary permits and the permitted *deferral* of annual-registration renewals until 60 days after the public announcement of the resumption of normal TxDMV operations (the deferral is expected to postpone registration-revenue collections for many FY 2020 expirations into FY 2021 instead).
- All-funds registration revenue was 7.1% (\$84.0 million) lower than FY 2019 collections. This revenue category will not meet the original FY 2020 projection (\$1.6 billion). The number of registered vehicles went from 25.1 million at the end of February to 23.6 million at the end of May, a decrease of 1.5 million vehicles. The number of registered vehicles will rebound within 60 days after the resumption of normal TxDMV operations.



## Processing and Handling Fee

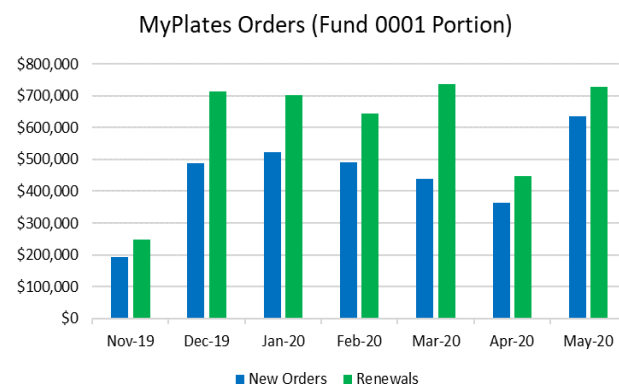
### Transaction Mix from Annual Registrations through the 3rd Qtr.



- The majority (52.7%) of annual-registration transactions year-to-date were processed at county offices. Year-to-date online-utilization is 20.8%, a 4.7-percentage-point increase from FY 2019.
- With some county offices closed temporarily, more registration renewals were processed online during the third quarter of FY 2020 than the same period of FY 2019. During the third quarter, online renewals made up 29.1% of the 7.5 million FY 2020 transactions versus 15.8% of the 12.2 million FY 2019 transactions.

## Vendor Plates

- General Revenue Fund 0001 deposits associated with the (third) MyPlates contract from November 19, 2019, to May 31, 2020, totaled \$7.4 million, of which \$3.3 million counted toward the contract's \$25 million guarantee.
- Since the effective date of the new contract, new orders made up 42.6% of the Fund 0001 mix, and renewals made up 57.4%.

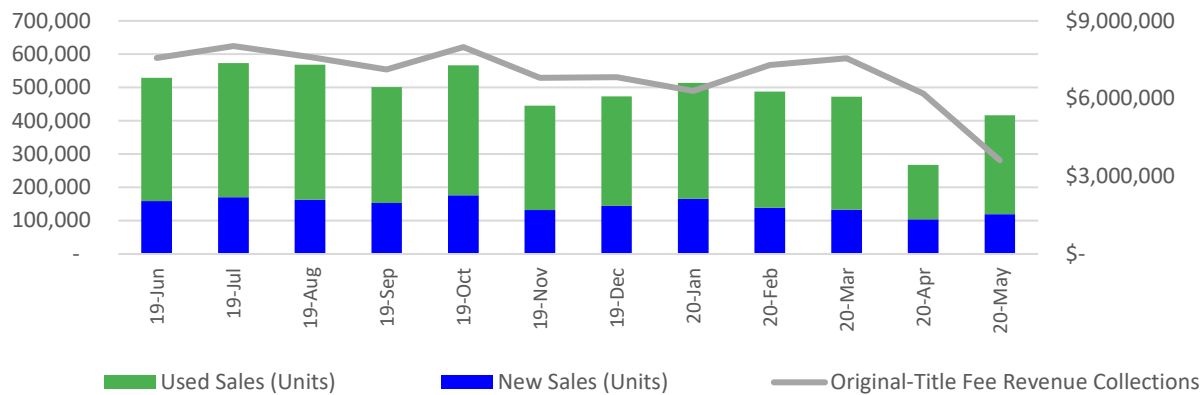


# Financial Summary through the Third Quarter

## Motor Vehicle Certificates of Title

- The agency projects a decline in FY 2020 in all-funds title revenue of 17.6% (\$15.7 million) forecasted through August FY 2020. Due to COVID-19 and the current economic status, original projections for the year will not be met.

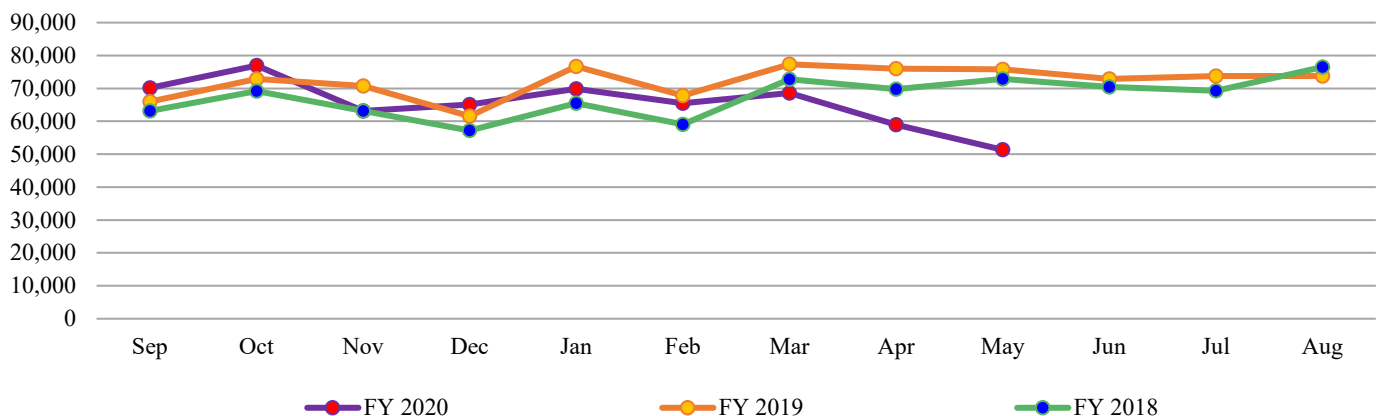
### Monthly Auto Sales and Original-Title Fee Revenue Collections



- Revenue from the original-title fee makes up the largest component of certificates of title revenue. In FY 2020, revenue was collected from the issuance of about 4.6 million original titles. This is a decrease of 5.3% from the same time period in FY 2019. Original-title issuance is driven by new- and used-vehicle sales.
- Compared to FY 2019, auto sales in FY 2020 decreased by 8.4%, with used-car sales down 9.4% and new-car sales down 5.9%, all contributing to a year-over-year decrease in revenue.

## Motor Carrier Oversize/Overweight

### Monthly Oversize/Overweight Permit Issuance



- All-funds oversize/overweight permitting revenue was 7.8% (\$11.5 million) under FY 2020 projections. The number of permits issued in FY 2020 year-to-date was 589,694 compared to 644,702 issued in FY 2019, a decrease of 8.5% (55,008 more permits in FY 2019). Recent decreased activity in the oil-and-gas sector has had an impact on the issuance of motor-carrier permits, resulting in lower-than-expected oversize/overweight fee deposits. As a result of recent worldwide events and continued lower oil prices, revenue in this category will not meet FY 2020 expectations.



# Texas Department *of* Motor Vehicles

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## TxDMV Budget



# Financial Summary through the Third Quarter

## September through May FY 2020

### TxDMV Fund 0010

The approved budget for FY 2020 includes a number of new initiatives that were authorized during the 86th legislative session.

- Additional Full-Time Equivalents (FTEs) were added for Consumer Relations (9.0 FTEs) and Information Technology Services (12.0 FTEs).
- Capital funding was added for Regional Service Center renovations and upgrades (\$250,000); ITS infrastructure and application improvements (\$1,850,000); and consumer protection and enforcement tracking (\$470,000)
- Funding was also approved in the amount of \$730,000 to address increases in Statewide Cost Allocation Plan costs. These costs are for legislatively mandated reimbursements to the General Revenue Fund for central services provided by the Comptroller of Public Accounts, such as the maintenance of the statewide financial system used by TxDMV.
- A contingency rider was also approved during the 86th legislative session for implementing a digital license plates program. An appropriation in the amount of \$1.2 million was approved for FY 2020 for two new FTEs in the Vehicle Titles and Registration (VTR) Division and technology costs in the ITS Division. Administrative code rules to establish a digital license plate program have been finalized and a Request for Proposal (RFP) to contract with at least one digital license plate vendor is nearing publication. One position has been filled and the second one is anticipated to be filled by the fourth quarter, and the digital license plate program is anticipated to be implemented by the end of calendar year 2020 for eligible vehicles.

As of the end of May FY 2020 total TxDMV obligations for all funds is \$131.9 million, which represents a 4.4% increase over the obligated amount at the end of May FY 2019. The increase over the prior year is attributable to the timing of contracts for services and postage and an overall improvement in the number of filled positions since the beginning of FY 2020. FY 2020 expenditures also include initial obligations related to the COVID-19 pandemic response.

Through the end of May 2020 TxDMV had classified approximately \$1.3 million in obligations related to the COVID-19 response. Those obligations are included in the overall obligation total of \$131.9 million. The majority of expenditures related to the COVID-19 response has been for employee time, directly related to responding to COVID-19 issues; examples include planning meetings and preparing facilities for customer service. Overall expenditures for COVID-19 response are estimated to reach \$1.7 million by the end of the fiscal year in August. Expenses in the fourth quarter will include continued staff time and cleaning services to ensure facilities are safe.

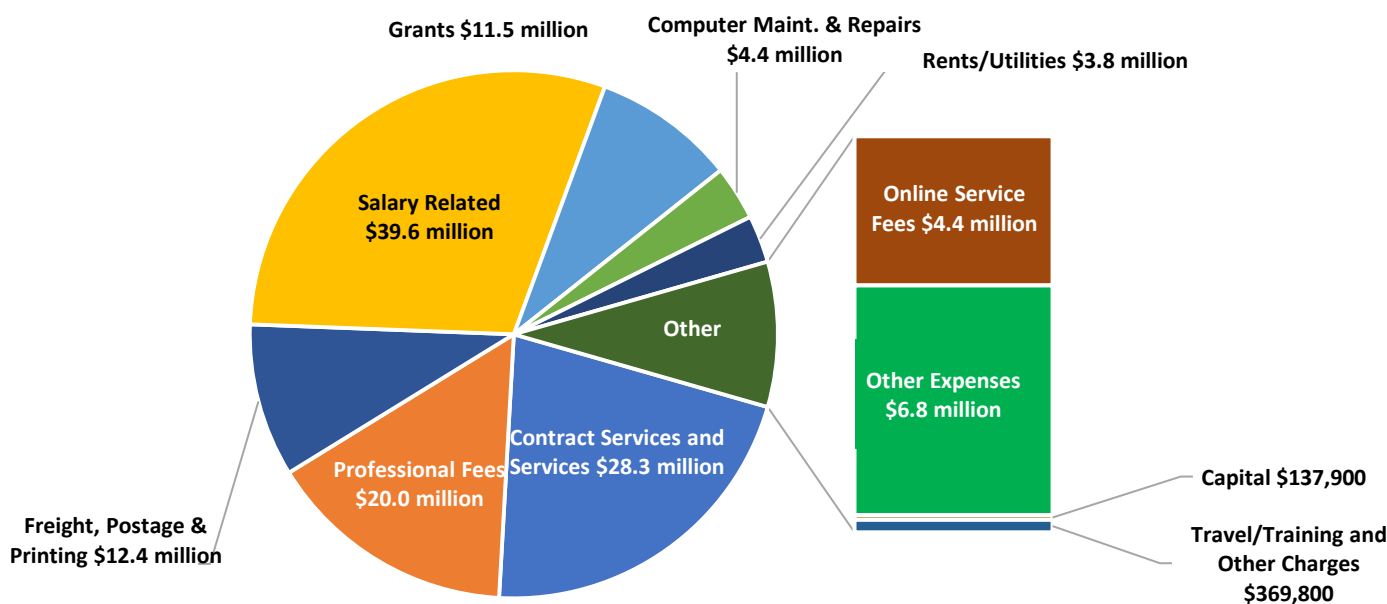
# Financial Summary through the Third Quarter

September through May FY 2020

## Obligations

- Third-quarter TxDMV obligations for all funds totaled \$131.9 million (expenditures of \$96.4 million and \$35.5 million in encumbrances). Encumbrances are outstanding purchase orders that have been issued for goods and services that will be received and expended in the future.

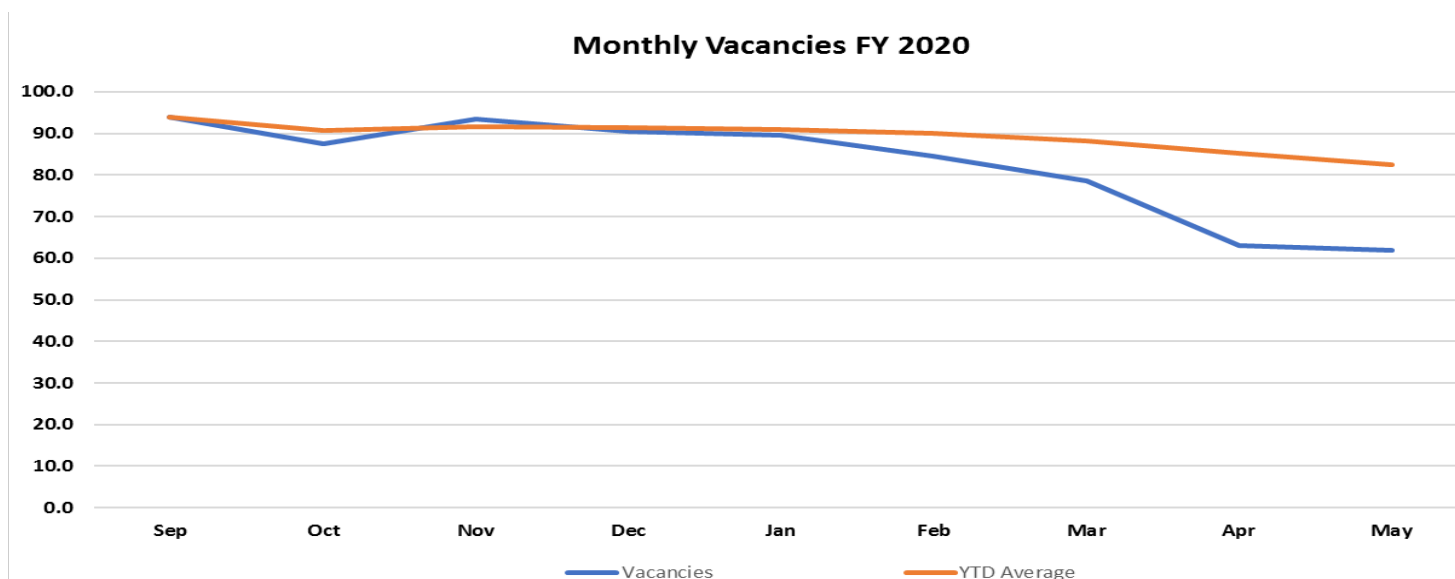
### Third Quarter Obligations by Category - All Funds



- Major third-quarter obligations in FY 2020 are listed in the chart above. Obligations for freight/postage/printing (primarily postage/printing), contract services, professional fees, salary related, and grants constitute 90% of the department's obligations for the third quarter.
- Printing expenditures are associated with titling and registration forms and imaging costs. Contract services include costs of license plate production, registration decal production, and MyPlates contract obligations. Professional fees are associated with data center services and capital project contractors working on department technology initiatives.

## Full-Time Equivalents

- In FY 2020, the approved department FTE count increased from 779 to 802: nine new FTEs for Consumer Relations, twelve new FTEs for Information Technology Services, and two new FTEs for Vehicle Titles and Registration for digital license plates.
- Overall filled positions have increased from 705.5 FTEs in May 2019 to 740.0 FTEs as of May 2020. Overall staffing since the beginning of FY 2020 has been steadily improving and vacancies have decreased from 93.5 at the end of the first quarter to 62.0 vacancies at the end of the third quarter.



# Financial Summary through the Third Quarter

## FY 2020 Mid-Year Budget

- The Mid-Year Review is a process where staff assesses the budgetary needs for TxDMV and for individual Divisions to determine if additional resources are available to fund unanticipated cost changes and items not included in the initial budget.
- The review process begins in January and includes Division input and a detailed analysis of TxDMV revenues/expenditures during the year.
- FAS staff prepared estimates of FY 2020 year-end balances and anticipated obligations for the end of the fiscal year. The estimates were based on accumulated data through the end of February 2020, which represents the midpoint of the fiscal year.
- As a result of the analysis, a number of budget actions were approved during the Mid-Year process:
  - Funding in the amount of \$1.5 million was transferred from savings generated by vacant positions to agency reserves. This funding provides for future unanticipated costs and will assist with COVID 19 expenditures.
  - Savings from vacant positions will also be used for one-time merit costs.
  - \$400K was approved during the Mid-Year process to provide funding for a consultant contract to assist with the development of an Accounts Receivable System procurement.
  - Funding was established to address internal FTE reallocations.

In addition to the items above, approval was given to address a number of issues within Division budgets for items not anticipated at the beginning of the fiscal year. These items include:

- Funding to begin the implementation of a fleet vehicle telematics contract, which will allow Fleet Services to gather usage data on TxDMV fleet vehicles.
- One-time costs to develop a Lemon Law educational video to be used by the Office of Administrative Hearings
- Funding for one-time contractor costs in Information Technology and one-time legal services in the Office of General Counsel.

# Financial Summary through the Third Quarter

## Capital Budget and Projects

### Capital Project Budget Status

	Revised Budget	Expenditures	Encumbrances	Available Budget
Technology	\$ 18,779,093	\$ 8,023,450	\$ 5,424,554	\$ 5,331,089
Automation	\$ 20,768,139	\$ 1,919,395	\$ 2,565,495	\$ 16,283,249
Other Capital Projects	\$ 5,106,745	\$ 470,064	\$ 515,889	\$ 4,120,792
<b>All Capital Grand Total</b>	<b>\$ 44,653,977</b>	<b>\$ 10,412,909</b>	<b>\$ 8,505,938</b>	<b>\$ 25,735,130</b>

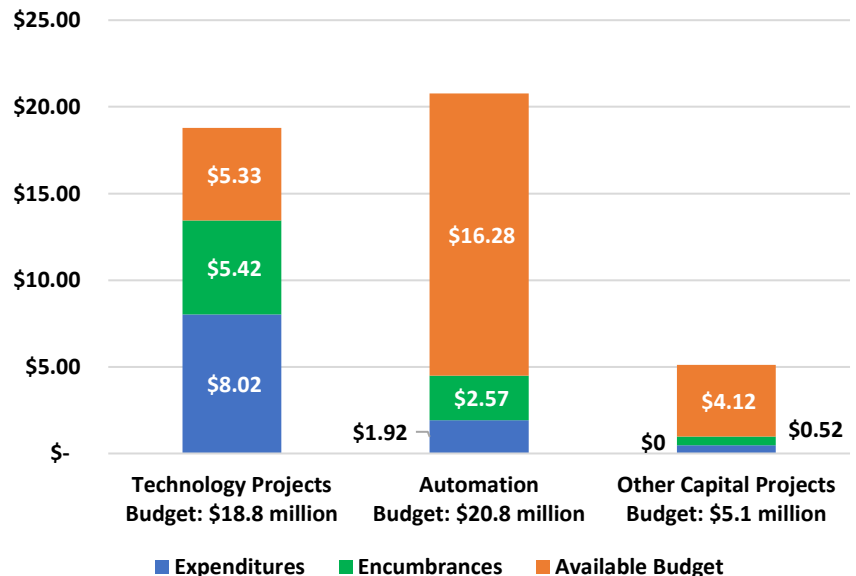
### Capital Budget Status

The capital budget totals \$44,653,977.

- Including: Expenditures of \$10.4 million, and encumbrances of \$8.5 million, for a total of \$18.9 million in obligations.
- The budget as of the end of the quarter for capital consists of \$18.9 million carried forward from FY 2019 for Automation and HQ Maintenance projects, and \$25.7 million in new appropriations.
- Detailed information on Technology Projects is shown below, and Automation and Other Capital Project information is on the following page.

### Third Quarter Capital Budget Status

(in Millions)

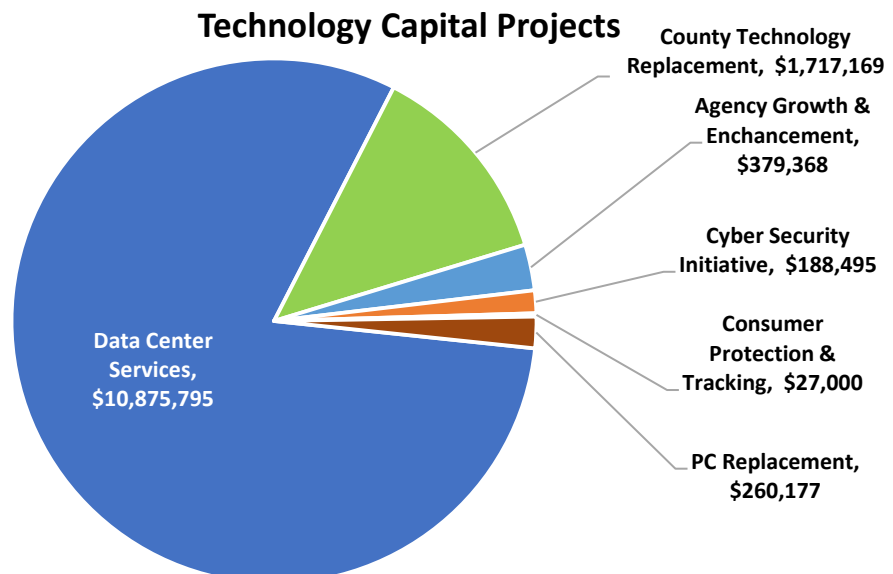


## Technology Capital Projects

### Technology Highlights

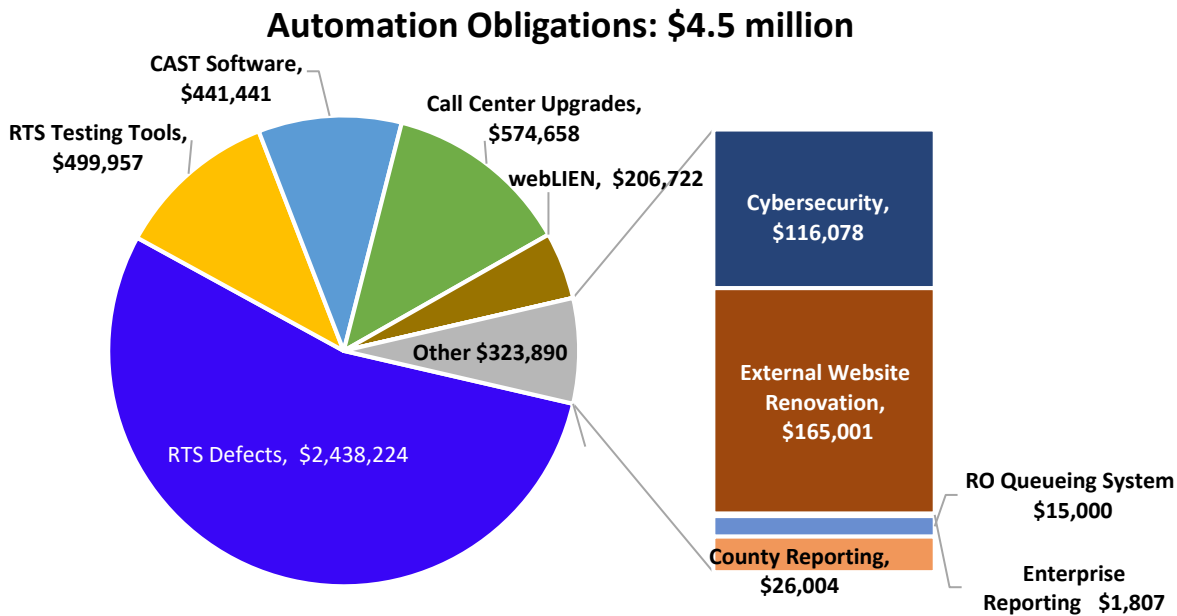
The obligations in the Technology category consist of:

- Data Center Services (DCS), the largest single component of the Technology budget (\$10.9 million), provides management of applications, hardware and technology services for TxDMV.
- The majority of expenditures and encumbrances through May 2020 includes Data Center Services, and toner and technical support for the counties. Significant expenditures in County Technology Replacement and PC Replacement include laptops and desktops for the refresh programs.



# Financial Summary through the Third Quarter

## Automation Capital Projects



- The TxDMV Automation project consists of \$4.5 million in obligations. The primary obligations as of May 2020 are for Registration and Title System (RTS) defects, Computer Aided Software Testing (CAST), RTS Testing Tools, and the Call Center Upgrades Project.
- New projects for FY 2020 include the RTS defects project and the RTS batch cycle improvement project.
- All Automation balances have been transferred into FY 2020 using unexpended-balance authority. Approximately \$9 million remains in Unallocated Reserve at the end of May.
- In the fourth quarter of FY 2020, \$2.7 million will be transferred from Unallocated Reserve to fund the webDEALER Statewide Adoption Project, leaving a balance of \$6.3 million.

## Other Capital Projects

- Other Capital Projects budget of \$5.1 million consists of: \$90,000 for agency vehicles, \$76,000 for HQ security/badge, \$250,000 for regional service center maintenance, and \$4.7 million for HQ maintenance.
- HQ maintenance had \$634,000 in obligations as of May 2020. The primary expenditures to date have been for a facility assessment study. Weatherization, roof replacement and security and badge system projects have entered the planning phase with projected completion dates in FY 2021.
- Several HQ Projects within HQ maintenance are in the assessment and vendor procurement stages and these remaining projects have projected completion dates in FY 2021.
- The RSC maintenance capital budget has been used to address facility needs related to COVID-19 response, such as acquiring partitions to provide safety measures between employees and customers.



# Texas Department of Motor Vehicles

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**To:** Finance & Audit Committee, Texas Department of Motor Vehicles Board  
**From:** Sandra Menjivar-Suddeath, Internal Audit Division Director  
**Agenda Item:** 5.C  
**Subject:** Internal Audit Division Status

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#### RECOMMENDATION

Briefing Only – No recommendation.

#### PURPOSE AND EXECUTIVE SUMMARY

The status update provides information on current Internal Audit Division (IAD) activities. The August 2020 update contains the fiscal year (FY) 2020 Internal Audit Plan status and external coordination efforts.

#### FINANCIAL IMPACT

None.

#### BACKGROUND AND DISCUSSION

At every Texas Department of Motor Vehicles Board meeting, IAD provides an update and status on current activities, including the Internal Audit Plan status. The Internal Audit Plan status includes information on the engagement type, the objective(s), anticipated report release date, any results, and the current audit phase. For the August 2020 update, IAD is providing information on the FY 2020 Internal Audit Plan status and external coordination efforts.

##### Internal Audit Plan Status

The division has completed one engagement and has two engagements in the reporting phase. The FY 2020 Internal Audit Follow-Up is still in fieldwork as it is still reviewing and collecting evidence for internal audit recommendations that were due in the last quarter of FY 2020.

##### External Coordination Efforts

IAD coordinated or participated in two external audit and assessment items. Reports have not been issued in the audit or assessment.

##### Internal Audit Activities

IAD staff are participating in the local Institute of Internal Auditors chapter.

## Internal Audit Division Status

### Fiscal Year (FY) 2020 Audit Plan Status

Engagement	Description and Results	Status
<b>Law Enforcement Information Requests</b>	An advisory service to review law enforcement information request processes throughout the Department. Report being reviewed by management.	Reporting  Anticipated release: August 2020
<b>Payment Card Industry Compliance – Requirement 2</b>	An audit to determine whether the Department is compliant with replacing vendor-supplied defaults for system passwords and other security parameters. Report being reviewed by management.	Reporting  Anticipated release: September 2020
<b>FY 2021 Risk Assessment and First Six Month Internal Audit Plan</b>	An engagement to identify high risk areas that may warrant review in fiscal year 2021. Risk assessment themes were provided in a previous agenda item.	Completed
<b>FY 2020 Internal Audit Follow Up</b>	This engagement verifies if outstanding audit recommendations have been fully implemented. IAD is reviewing recommendations that were due or implemented between June 1 and August 31, 2020.	Fieldwork  Anticipated release: September 2020

### External Coordination

- The Texas Department of Public Safety announced they will conduct a Criminal Justice Information Services (CJIS) Security Technical Audit. The audit evaluates the compliance with the technical aspects of the Federal Bureau of Investigation (FBI) CJIS Division policies and regulations.
- A Texas Cybersecurity Framework (TCF) Assessment began in July 2020. The assessment evaluates the Department's overall health of the security program by reviewing policies.

### Internal Audit Activities

- Internal Audit Division staff, Frances Barker and Jacob Geray, volunteered to serve on the Institute of Internal Auditors – Austin Chapter committees related to professional development and reporting.



**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.

- 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.



## **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.



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 EPMD project management standards based upon internal quality assurance reviews	Baseline in development	100%		EPMD
	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%		EPMD
		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.							