



Texas Department of Motor Vehicles
FY 2022 – 2023
Legislative Appropriations
Supplemental Presentation
As of March 30, 2021

Actions by the Senate Finance Committee



- ➔ **Voted Committee Substitute Senate Bill 1 (CSSB 1) - The Budget Bill - out of committee on March 30**
Next Step: Bill to be considered by the full Senate.
- ➔ **Adopted TxDMV budget - \$309.1 million in all funds**
 - \$160.30 million in FY 2022
 - \$148.98 million in FY 2023
 - 804 Full-time Equivalent Positions
- ➔ **Adopted TxDMV Fund 0010 Exceptional Items, \$6.6 million; included in CSSB 1 voted out of committee**
 - ✓ Item 1: Restoration of Automation Capital Funds (\$3.1 million)
 - ✓ Item 3: Account Receivable System Request (\$3.5 million, with 2 FTEs)





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 - Item has not yet been finalized
 - Can be considered for inclusion in the General Appropriations Act (GAA) when the House and Senate Conference Committee deliberates the conference committee report on the GAA
 - ❖ *Sen. Nichols told committee members there was a documented need for TxDMV to construct a new headquarters facility as it has been determined repairs are more costly than new construction.*



➔ **Exceptional Items Not Adopted**

- Complaint Management System
- Dallas and Houston RSCs substations
- All MVCPA exceptional item requests

Actions by the House Appropriations Committee



➔ Adopted Baseline - \$302.5 million in all funds

\$153.8 million in FY 2022

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- ✓ Item 1: Restoration of Automation Capital Funds (\$3.1M)
- ✓ Item 2: Camp Hubbard Building #5 (\$6.2M)
- ✓ Item 3: Accounts Receivable System (\$3.5M)
- ✓ Item 4: Complaint Management System (\$5.2M)

➔ MVCPA Exceptional Items 7-9, funded through General Revenue

- ✓ Item 7: Restoration of Grant Funding (\$8.6M)
 - ✓ Adopted at 50% of the request for \$4.3 million
 - ✓ Remaining 50% of \$4.3 million was adopted in *Article XI*
- ✓ Item 8 & 9: Expanded Coverage and Fee Collection Unit (\$7.4M and \$560k, respectively)
 - ✓ Adopted in *Article XI*

Finance and Audit Committee Meeting

March 31, 2021



BRIEFINGS AND ACTION ITEMS

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

A. FY 2021 Second Six-Month Internal Audit Plan and Risk Assessment Report – Sandra Menjivar-Suddeath



Six Month Internal Audit Plan

Value – Added Services

- Services to help the Department achieve objectives and improve risk management and governance.

Divisional Initiatives

- Initiatives to improve the management or to enhance the achievement of internal audit objectives.

Required Engagements

- Engagements that must be done to stay in compliance with audit standard or state statute.

Risk - Based Engagements

- Engagements that were identified through the risk assessment process



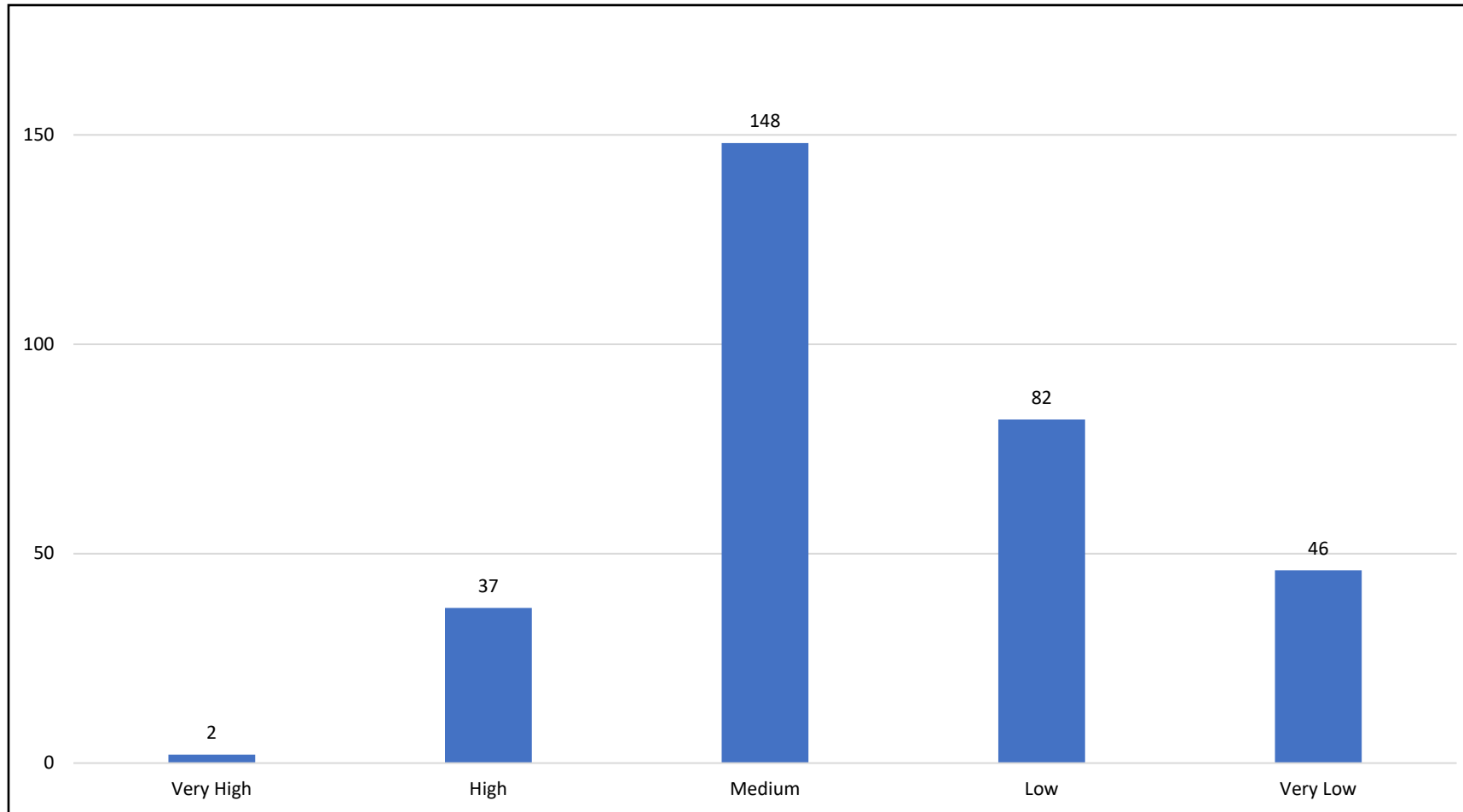
Risk Assessment Process

- ❑ Collected and identified risks from various sources
- ❑ 315 risks were reviewed and evaluated using the risk guidelines.
 - 238 unique controls
 - 39 risks in the High and Very High Risk Category

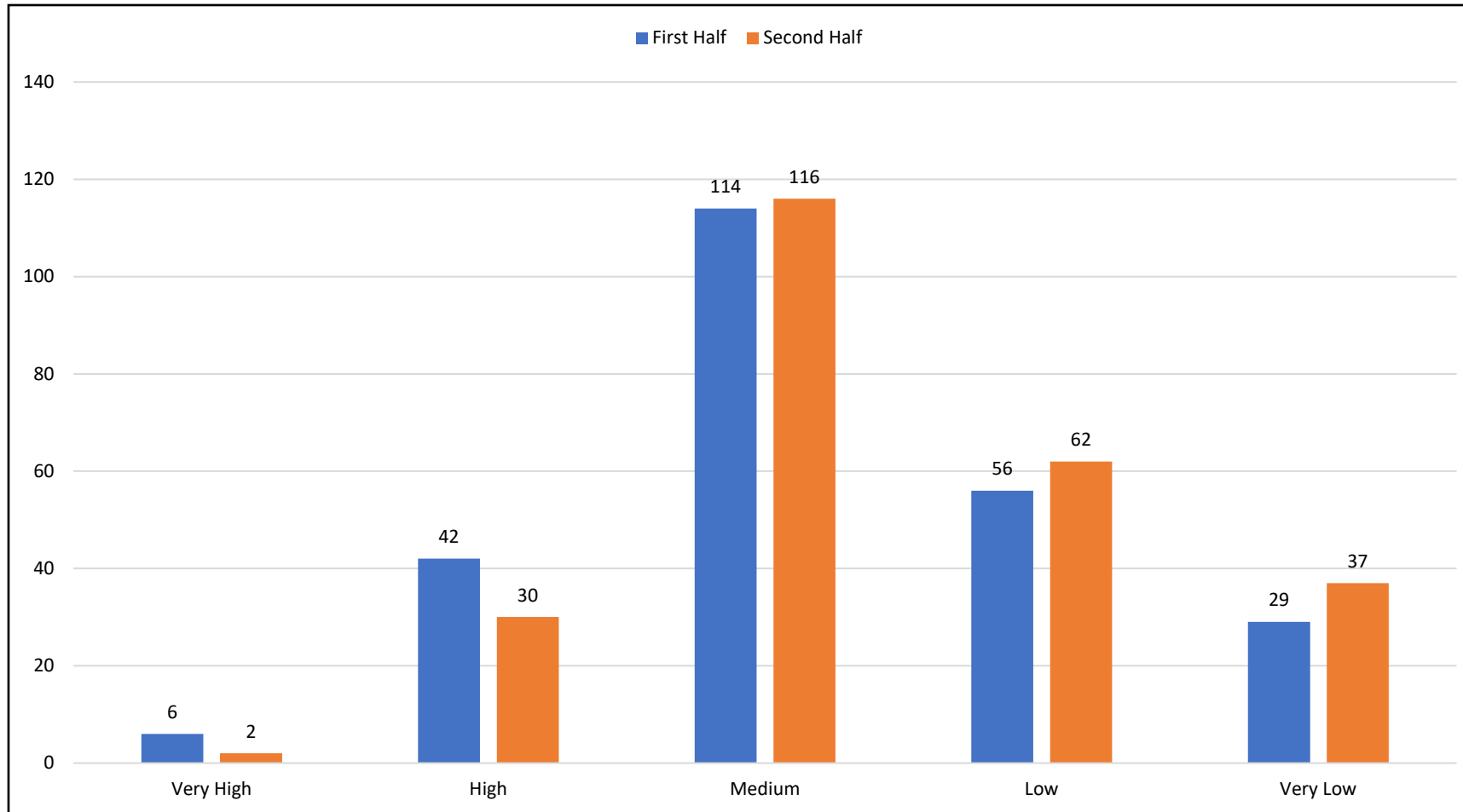
Very Low Risk	Low Risk	Medium Risk	High Risk	Very High Risk
0 - 1.49	1.5 – 2.49	2.5 – 3.49	3.5 – 4.49	4.5 +



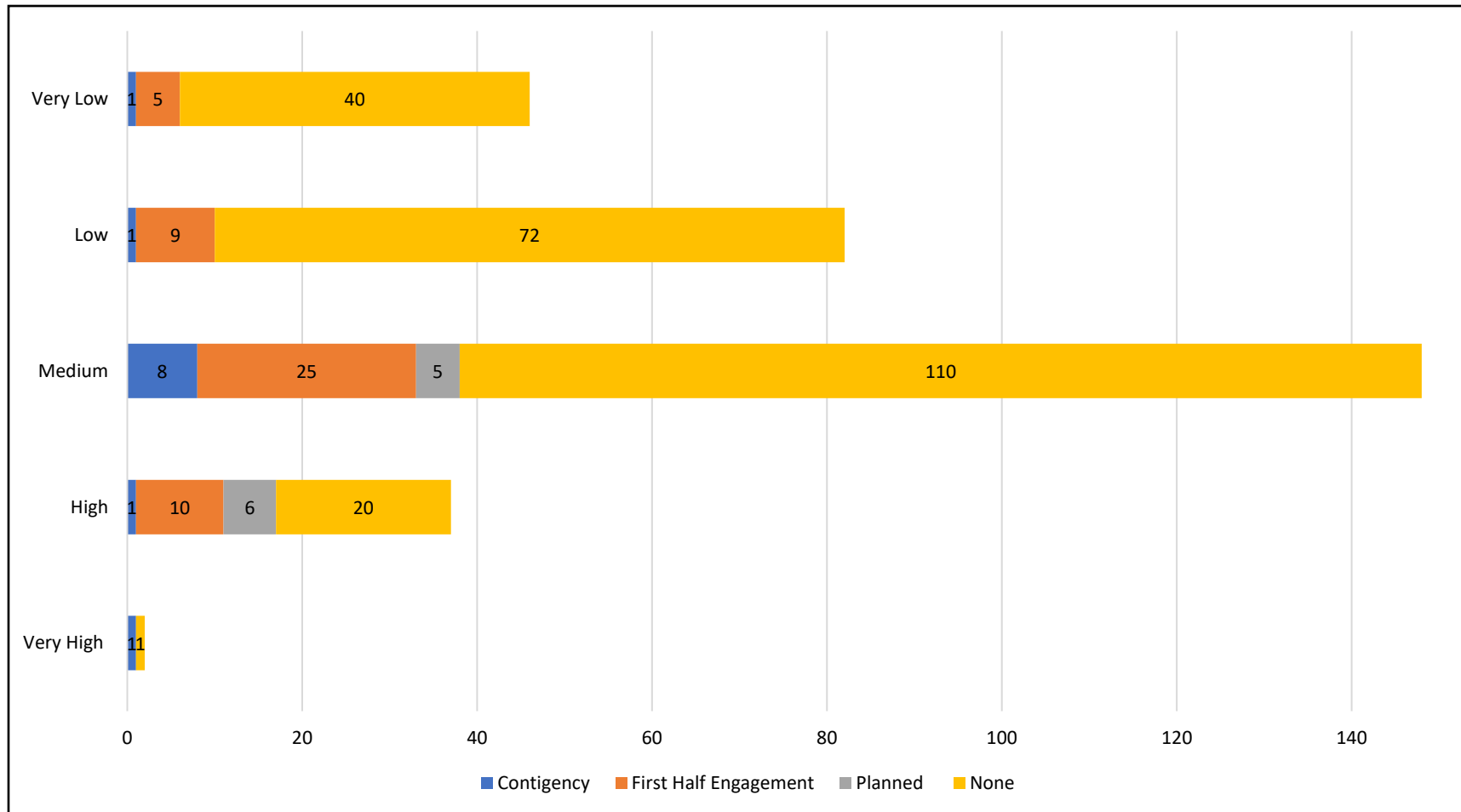
Second Half Risk Scores



First Half Risk Rating Changes



Risk Rating & In Scope Risks



Six Month Internal Audit Plan Summary





Risk- Based Engagements

- ❑ **Strategic Communication:** 900 hours – Review communication process and its effectiveness
- ❑ **Payment Card Industry** – Requirement 1: 600 hours – Evaluate PCI compliance with compliance requirement 1: Install and Maintain a Firewall



Required Engagements

- ❑ **Audit Recommendation Implementation Status Follow-Up** - 75 hours - verify if outstanding audit recommendations have been fully implemented.
- ❑ **QAIP External Assessment** – 100 hours - an External Assessment (Peer Review) on whether the internal audit function complies with the applicable professional auditing standards in all material aspects.

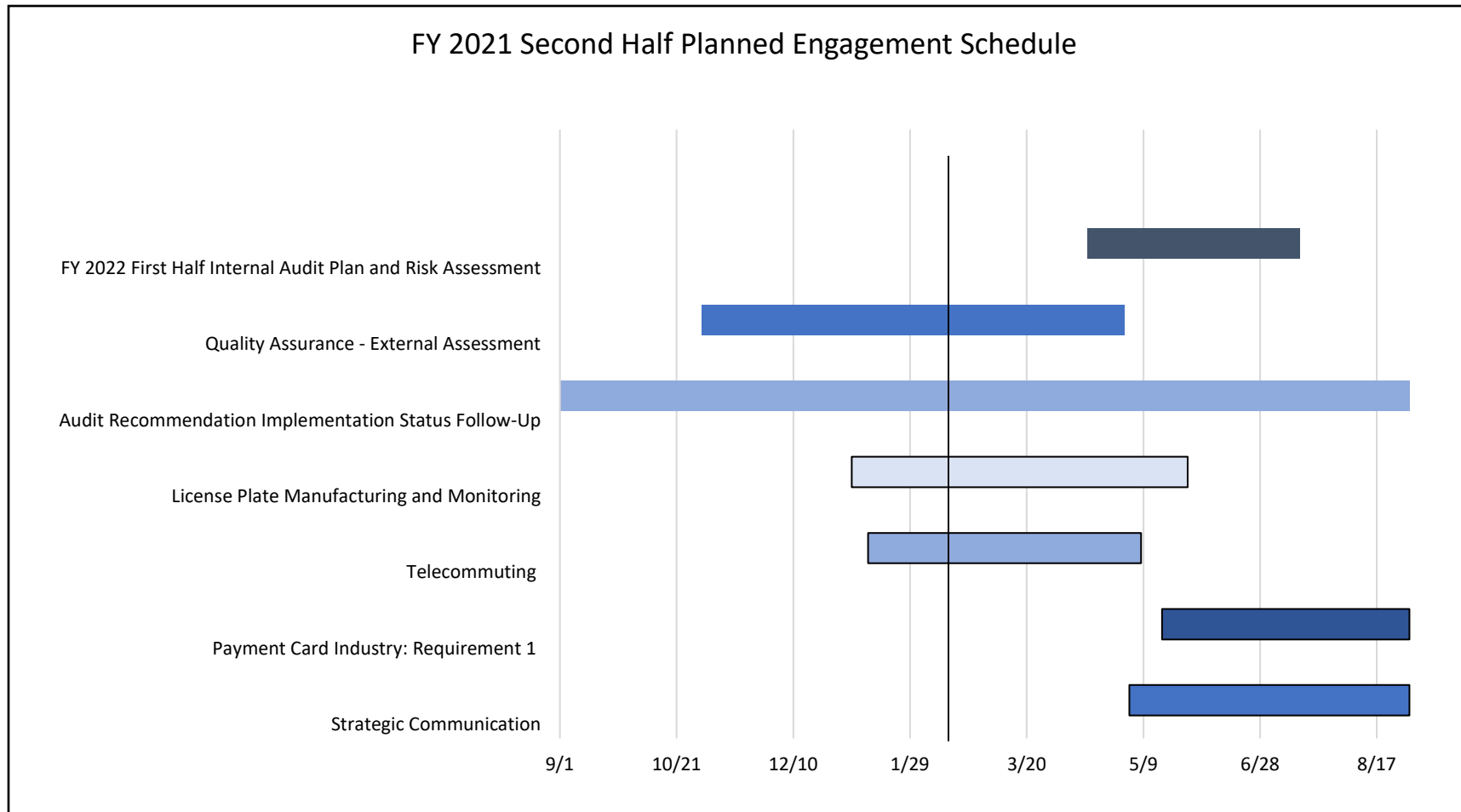


Required Engagements

- ❑ **FY 2022 Risk Assessment and First Half Internal Audit Plan:**
200 hours - An engagement to identify high – risks areas where engagement may be warranted in the upcoming year.



Estimated Schedule



- line denotes the end of first half of the fiscal year



Divisional Initiatives

- ❑ Key Risk Indicators
- ❑ TeamMate + Development
- ❑ Staff Development Plans and Training
- ❑ Board and Executive Communication



Added-Value Services

- ❑ Fraud, Waste, and Abuse (FWA) Items
- ❑ External Coordination Efforts
- ❑ Ad hoc Advisory
- ❑ Work Group Participation
- ❑ Department Training

Finance and Audit Committee Meeting

March 31, 2021



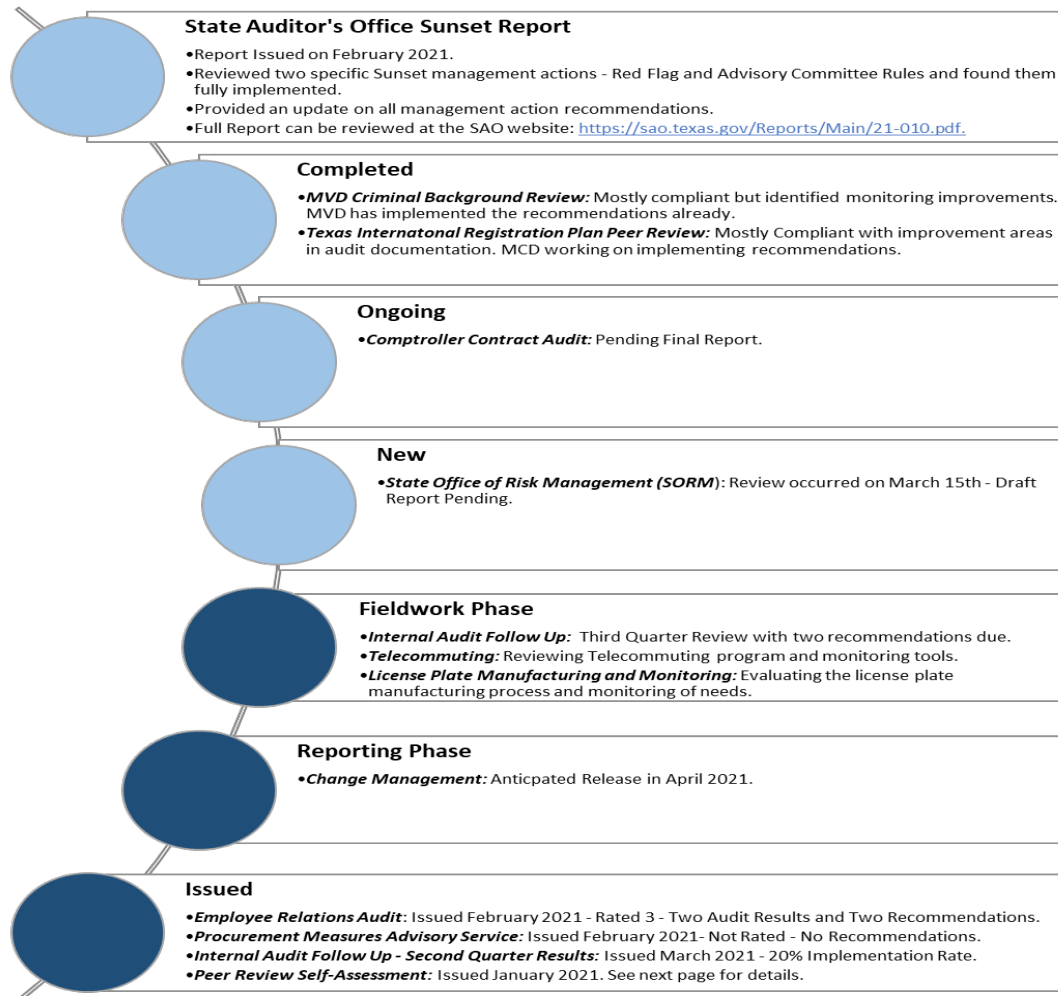
BRIEFINGS AND ACTION ITEMS

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

B. Internal Audit Division Status Update – Sandra Menjivar-Suddeath



Internal Audit Status



□ Five External Engagements being monitored by IAD.

□ Seven Internal Engagements being conducted by IAD.

■ Issued reports or memorandums include Employee Relations, Procurement Measures, Internal Audit Follow-Up, and Peer Review Self-Assessment Report

Peer Review



Peer Review Process

Three year requirement.

Peer Review team made up of other state agency auditor.

Concludes whether the function conforms with requirements for the past three fiscal years.

Team reviews compliance with internal audit standards.

Validates External Audit Recommendations Implemented.

Determines effectiveness and efficiency.

Engagement Letter

Signed by all parties involved in the engagement.

Outlines Peer Review expectations and deliverables.

Peer Review Engagement
Timeframe: February - May 2021.

Evaluate Internal Audit processes and documentation from fiscal year 2018 - 2020.

Self-Assessment

Conforms with all three internal audit standards.

Evaluted conformance with overall function requirements.

Evaluated conformance with engagement requirements.

Previous Peer Review recommendation related to ethics has been implemented.

Finance and Audit Committee Meeting

March 31, 2021



BRIEFINGS AND ACTION ITEMS

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

C. FY 2020 End of Year Reports – Linda Flores and Eric Horn

Annual Financial Report Fiscal Year 2020

March 31, 2021



Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.

Exhibit I – Statement of Net Assets (Balance Sheet)

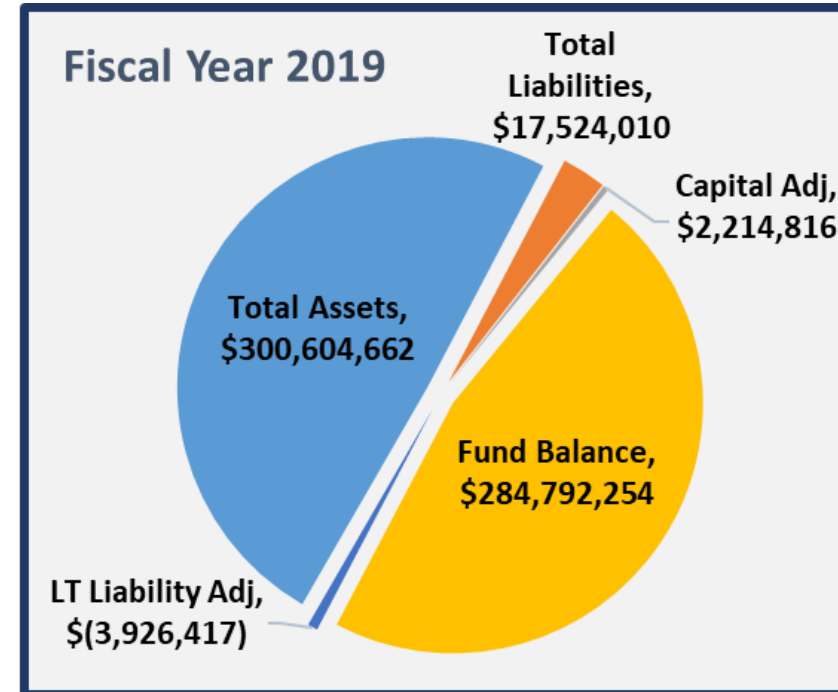
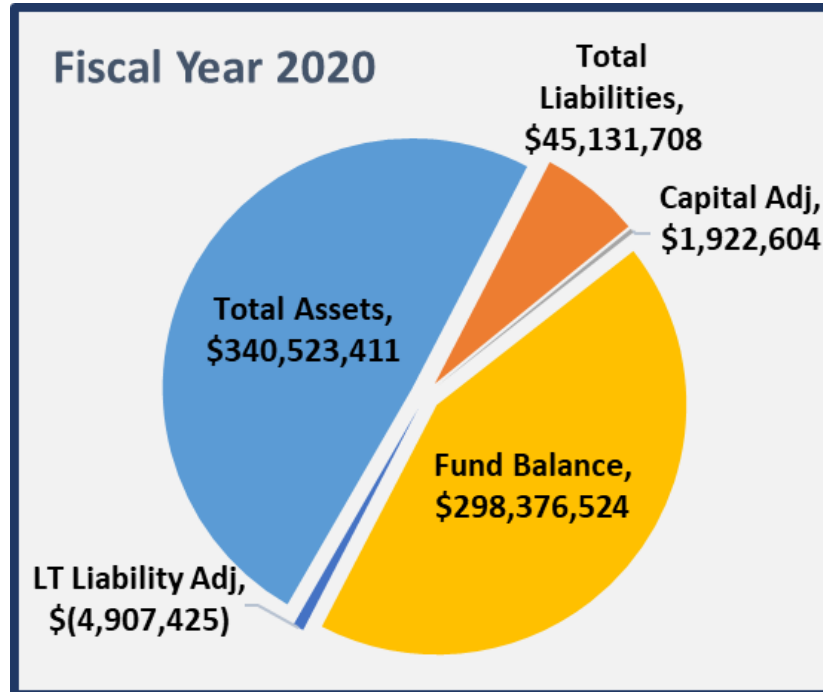
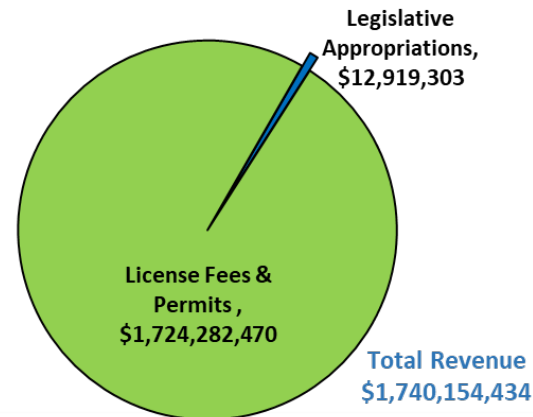




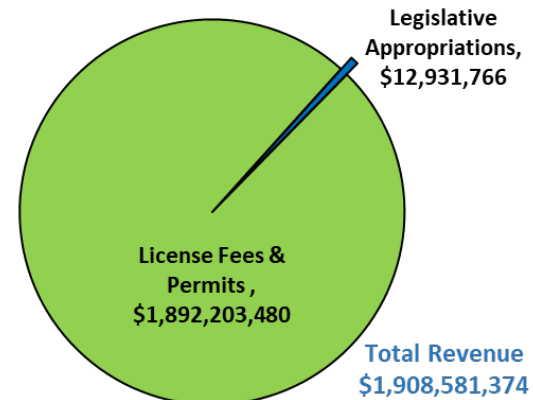
Exhibit II – Statement of Revenue, Expenditures and Changes in Net Assets (Income Statement)

Revenues

Fiscal Year 2020

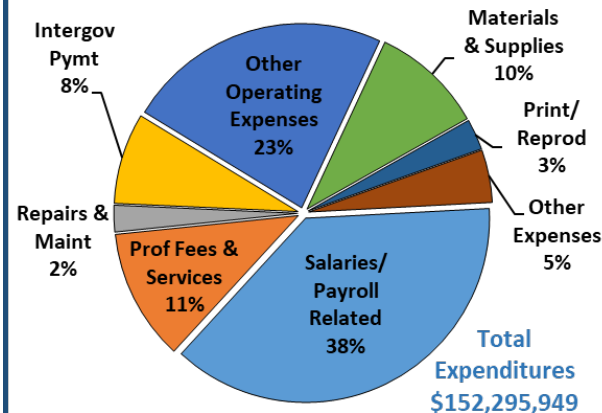


Fiscal Year 2019

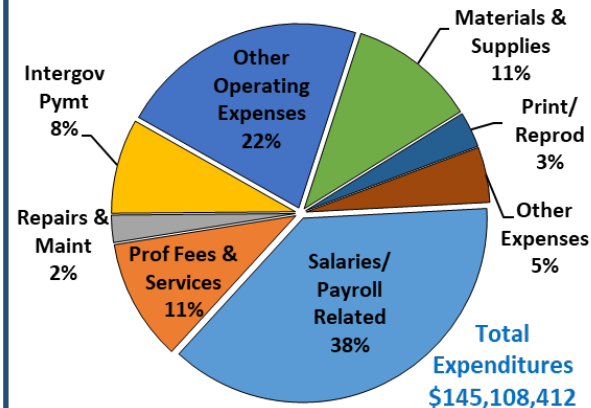


Expenditures

Fiscal Year 2020



Fiscal Year 2019



Annual Report of Nonfinancial Data Fiscal Year 2020

March 31, 2021



Texas Department *of* Motor Vehicles

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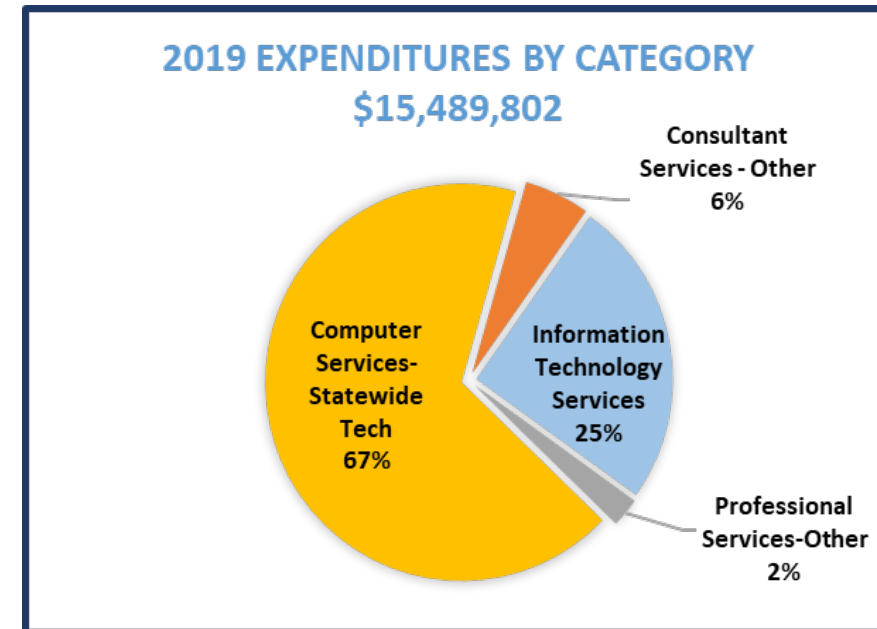
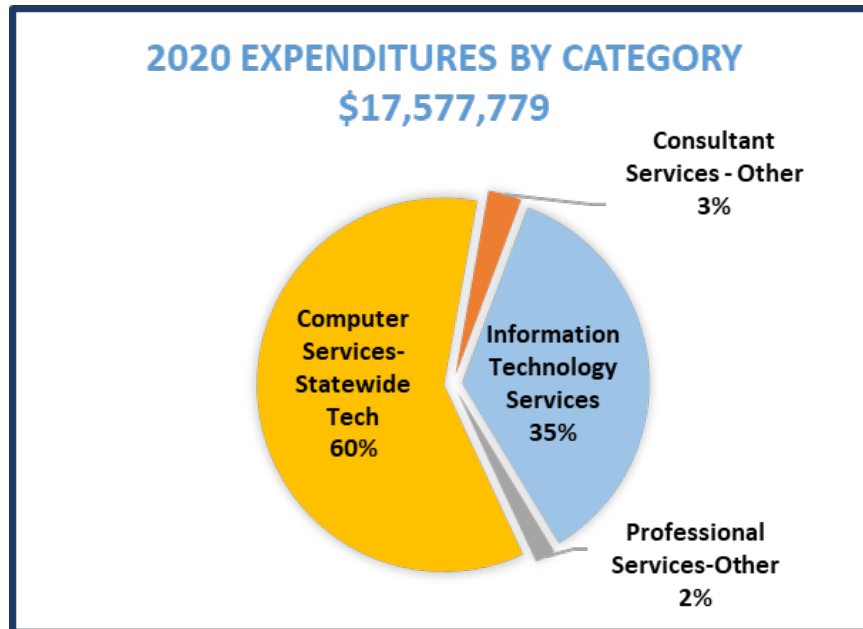
Annual Report of Nonfinancial Data

- ❑ Report of nonfinancial schedules required by Government Code 2101.0115, previously included in the Annual Financial Report
- ❑ Schedules
 - Appropriation Item Transfers
 - Historically Underutilized Businesses Strategic Plan Progress
 - Indirect Cost Schedule
 - Space Occupied
 - Vehicles Purchased
 - Alternative Fuel Program Status
 - Itemized Purchases
 - Professional/Consulting Fees & Legal Services Fees



Nonfinancial Data Highlights

Professional/Consulting Fees & Legal Service Fees



The Professional Services - Other category includes: Educational/Training Services, Financial & Accounting Services, Legal Services-Approved by SOAH (State Office of Administrative Hearings) and Professional Services-Other.



Questions?

Finance and Audit Committee Meeting

March 31, 2021



BRIEFINGS AND ACTION ITEMS

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

D. FY 2021 Second Quarter Financial Summary Report –

Linda Flores, Sergio Rey and Brian Kline

FY 2021 Second Quarter Financial Report as of February 28, 2021

March 31, 2021



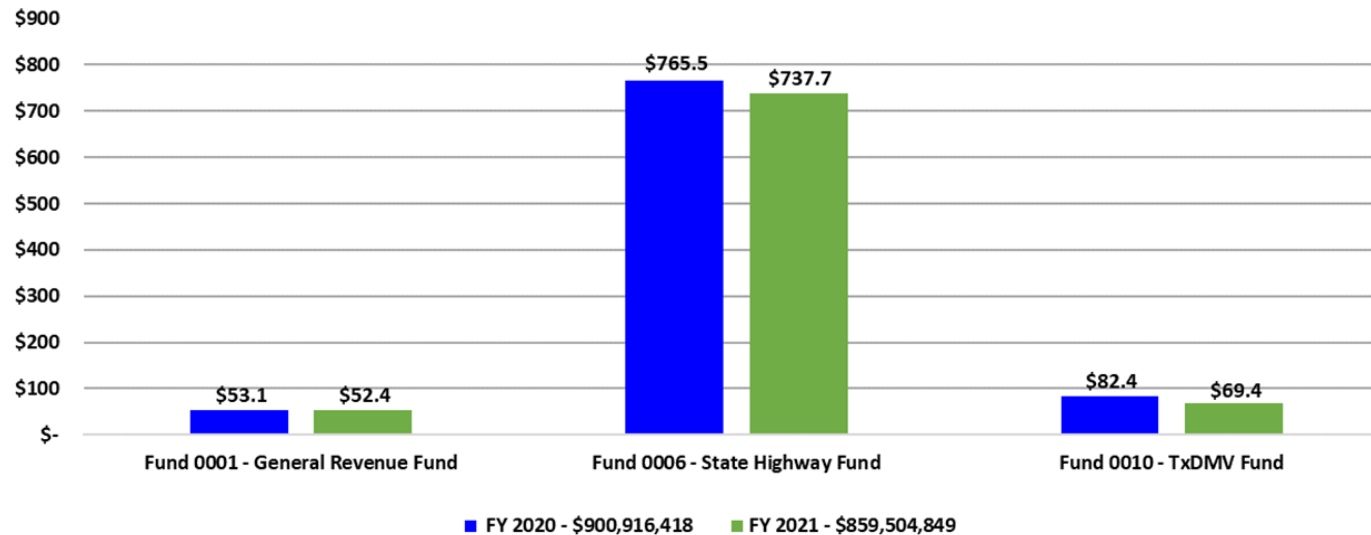
Texas Department of Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.



Total Revenue All Funds

FY 2020 and FY 2021
Year-over-Year Revenue by Fund
(in millions)



- Based on activity through the second quarter, TxDMV revenue deposits in FY 2021 to all funds collectively did meet projections.

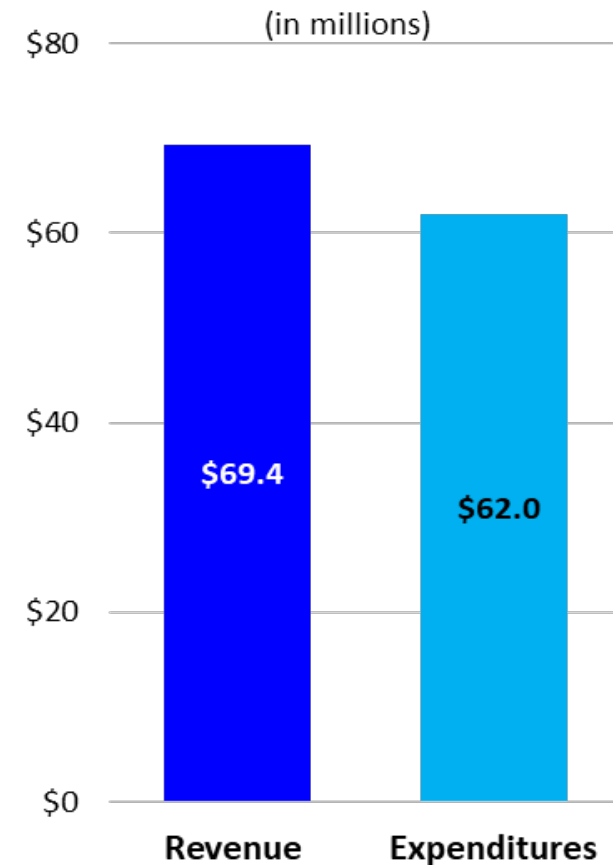
- Total FY 2021 revenue collections were \$859.5 million through the second quarter ending February 28, 2021.
- FY 2021 revenue collections deposited through the second quarter to the TxDMV Fund, State Highway Fund, and General Revenue Fund decreased 4.6% (\$41.4 million) from FY 2020.
- The largest revenue component was registration fees. This component (\$716.2 million) reflected a decrease of 1.6% from FY 2020.



TxDMV Fund 0010 Highlights

- Revenues covered the department's expenditures through the second quarter of FY 2021.
- In FY 2021, TxDMV Fund 0010 total revenue collected was \$69.4 million. This represents a 15.8% decrease over the same time period of FY 2020.
- The processing and handling fee was the largest revenue component of the TxDMV Fund, at \$24.2 million. Motor vehicle registration revenue was the second-largest component, with \$17.7 million in revenue (includes the buyer's tag).
- Total operational expenditures from the TxDMV Fund through the second quarter of FY 2021 was \$62.0 million.

FY 2021 Activity-to-date





TxDMV Fund 0010 Highlights

Revenue Category	Year over Year			% Difference	
	FY 2020 Actual	FY 2021 Actual			
Motor Vehicle Certificates of Title	\$ 20,945,467	\$ 13,142,455		-37.3%	↓
Motor Vehicle Registration	17,805,647	\$ 17,729,629		-0.4%	↓
Motor Carrier Oversize/Overweight	8,218,170	\$ 6,638,185		-19.2%	↓
Motor Vehicle Business Licenses	3,849,068	4,014,882		4.3%	↑
Miscellaneous Revenue	5,174,458	3,653,923		-29.4%	↓
Processing and Handling Fee	26,413,553	24,203,854		-8.4%	↓
Subtotal	\$ 82,406,364	\$ 69,382,929		-15.8%	↓

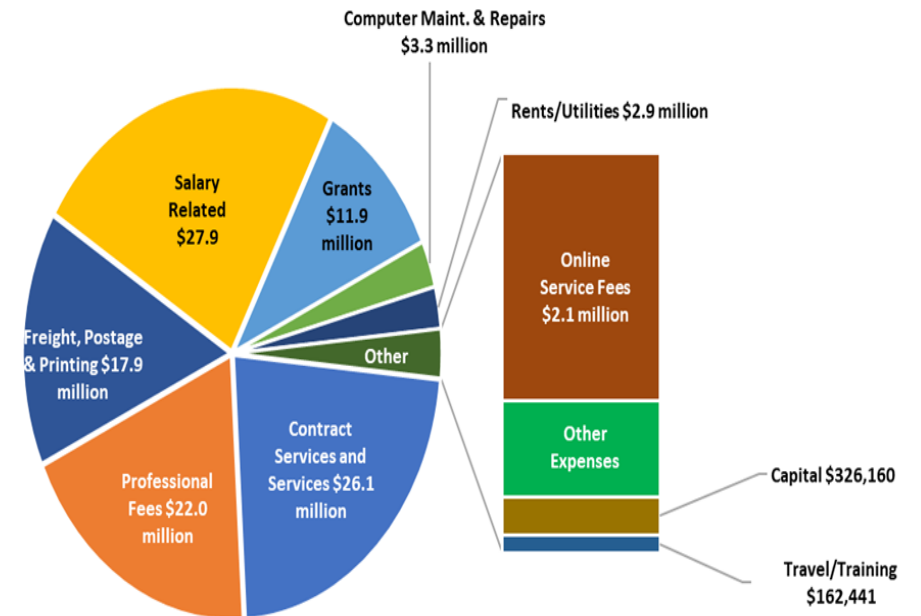
- TxDMV Fund revenue collected in FY 2021 was 15.8% lower than FY 2020 and 0.8% below projections.
- Miscellaneous revenue in the TxDMV Fund decreased 29.4% from FY 2020, and was 12.1% below projections.
- Oversize/overweight revenue decreased by 19.2% (\$1.6 million) in FY 2021 as compared to FY 2020, and was above projections by 1.4%.
- Processing and handling fee revenue was below FY 2020 collections by 8.4% (\$2.2 million), and below FY 2021 original projections by 4.5%.



Obligations

- Second-quarter TxDMV obligations for all funds totaled \$115.5 million (expenditures of \$63.3 million and \$55.2 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.
- Major second-quarter obligations in FY 2021 are listed in the chart to the right. Obligations for freight/postage/printing (primarily postage/printing), contract services, professional fees, salary related, and grants constitute 90% of the obligations for the third quarter. Included is \$1.6 million related to COVID-19 response.
- 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.

Second Quarter Obligations by Category - All Funds

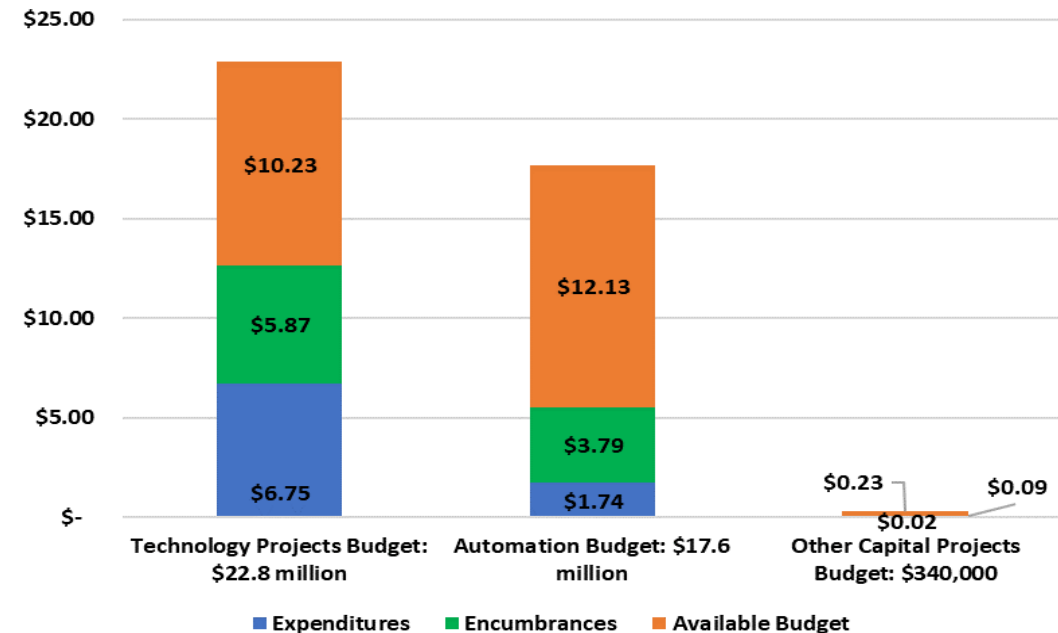


Capital



- The capital budget totals \$40.8 million through the second quarter of FY 2021.
- Expenditures of \$8.5 million and encumbrances of \$9.7 million sum to obligations of \$18.2 million for the second quarter of FY 2021.
- The majority of expenditures and encumbrances through February 2021 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.
- The TxDMV Automation project consists of \$5.5 million in obligations. The primary obligations as of February 2021 are for Registration and Title System (RTS) defects, Texas by Texas application implementation, and the Call Center Upgrades Project.
- Other Capital Projects budget as of February 2021 totals \$340,000. That amount includes \$90,000 for agency vehicles and \$250,000 for regional service center maintenance. Funding for agency vehicles will provide for the acquisition of four vehicles in FY 2021. The RSC maintenance capital budget will be utilized in FY 2021 for renovations and facility improvements at the Midland-Odessa Regional Service Center.

Second Quarter Capital Budget Status
(In Millions)





Questions?

Finance and Audit Committee Meeting

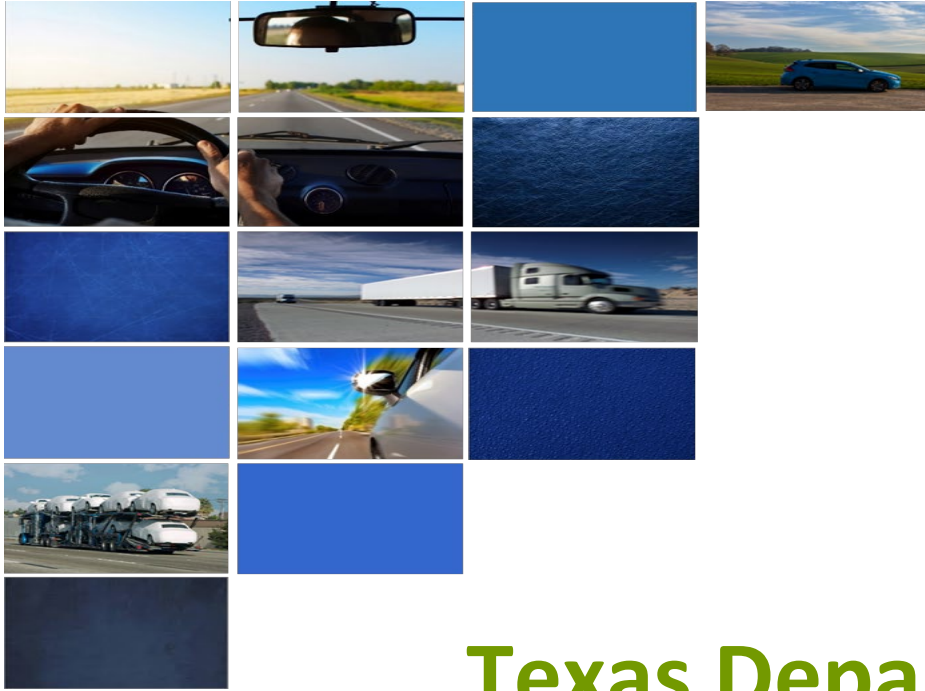
March 31, 2021



BRIEFINGS AND ACTION ITEMS

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

**E. FY 2022-2023 Legislative Appropriations Request Update –
Linda Flores**



Texas Department of Motor Vehicles

FY 2022 – 2023

Legislative Appropriations Request Update



TxDMV LAR Comparison to HB1/SB1

	TxDMV Request/Full-Time Equivalents (FTEs)	HB 1/SB1 Recommended/Full- Time Equivalents (FTEs)	Difference
Baseline	\$319.3 Million/802 FTEs	\$302.5 Million/802 FTEs	\$(16.8 Million)
Exceptional	\$19.5 Million/11 FTEs	\$ - 0 -	\$(19.5 Million)/11 FTEs
Total	\$338.8 Million/813 FTEs	\$302.5 Million/802 FTEs	\$(36.3 Million)/11 FTEs

- Baseline request reduced by \$16.8 million primarily consisting of reductions in MVCPA grants, Automation capital, DCS capital, and market adjustments
- No exceptional items were recommended.
- Baseline included riders for Unexpended Balance authority for Automation capital and HQ Maintenance, matching funds for Federal grants, and unexpended authority within the FY 2022-2023 biennium



Revised Exceptional Items

TxDMV 2022-23 Exception Item Summary



Priority	Exceptional Items	Original Request				Revised Request			
		FY 2022	FY 2023	Biennial Total	Full Time Equivalents	FY 2022	FY 2023	Biennial Total	Full Time Equivalents
1	Restoration of Automation Funding	\$ -	\$ -	\$ -	-	\$ 3,113,578	\$ -	\$ 3,113,578	-
2	Building 5 Replacement	\$ 6,187,500	\$ -	\$ 6,187,500	-	\$ 6,187,500	\$ -	\$ 6,187,500	-
3	Accounts Receivables System	\$ 3,358,871	\$ 114,087	\$ 3,472,958	2.00	\$ 3,358,871	\$ 114,087	\$ 3,472,958	2.00
4	Complaint Management System	\$ 5,225,712	\$ -	\$ 5,225,712	-	\$ 5,225,712	\$ -	\$ 5,225,712	-
5	Houston RSC Sub-Station	\$ 821,207	\$ 358,912	\$ 1,180,119	4.00	\$ 821,207	\$ 358,912	\$ 1,180,119	4.00
6	Dallas RSC Sub-Station	\$ 613,340	\$ 242,630	\$ 855,970	2.00	\$ 613,340	\$ 242,630	\$ 855,970	2.00
1	Restoration of MVCPA Grant Funding	\$ -	\$ -	\$ -	-	\$ 4,287,508	\$ 4,287,508	\$ 8,575,016	-
2	MVCPA Expanded Coverage	\$ 1,276,641	\$ 1,276,641	\$ 2,553,282	-	\$ 3,550,241	\$ 3,838,642	\$ 7,388,883	-
3	MVCPA Fee Collection Unit	\$ -	\$ -	\$ -	-	\$ 280,000	\$ 280,000	\$ 560,000	3.00
Total, Exceptional Items		\$17,483,271	\$ 1,992,270	\$19,475,541	8.00	\$27,437,957	\$ 9,121,779	\$36,559,736	11.00
Method of Finance									
	General Revenue Fund 0001	\$ 1,276,641	\$ 1,276,641	\$ 2,553,282		\$ 8,117,749	\$ 8,406,150	\$ 16,523,899	
	Texas Department of Motor Vehicles Fund 0010	\$ 16,206,630	\$ 715,629	\$ 16,922,259		\$ 19,320,208	\$ 715,629	\$ 20,035,837	
Total, Method of Finance		\$17,483,271	\$ 1,992,270	\$19,475,541		\$27,437,957	\$ 9,121,779	\$36,559,736	



Modifications to Exceptional Items

Two new exceptional items were added:

- Restoration of Automation Capital funding – to complete the Web Salvage Project
- Restoration of Motor Vehicle Crime Prevention Authority (MVCPA) grant funding

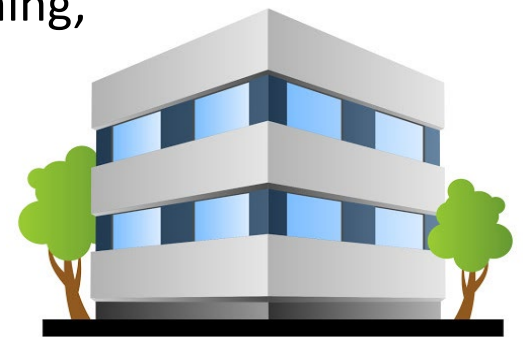
One existing exceptional item was modified:

- Expand MVCPA coverage – the amount was increased by \$4.8 million for the biennium based on updated revenue estimates

TxDMV Headquarters Building Construction



- Texas Facilities Commission determined that it was more cost effective to newly construct rather than repair current structures
- Total Cost: \$65 million based on current assessment estimates
- All costs covered through the TxDMV Fund, regardless of bonding or lump-sum appropriation, no General Revenue is required
- TxDMV is requesting \$6.2 million in the FY 2022-2023 biennium for Planning, Design and Site Preparation
- Construction costs are not being requested in the FY 2022-2023 biennium

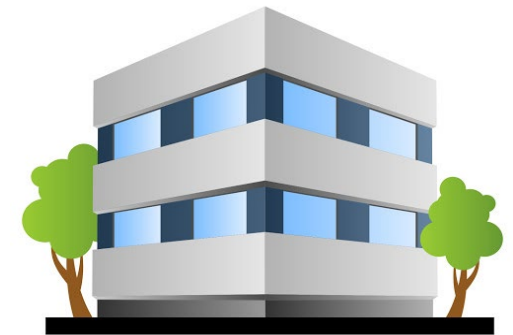


TxDMV Headquarters Building Construction



\$65 million project financing options

- *Option 1:*
 - ✓ Legislature Approval Required
 - ✓ Bonds issued by the Texas Public Finance Authority,
 - ✓ 20-year bonds, 2.5% interest,
 - ✓ Monthly payment of \$344,437; Annual payment of \$4,133,244
 - ✓ Biennial Payment of \$8,266,488
- *Option 2:*
 - ✓ Lump-sum funding request to be considered by the Legislature

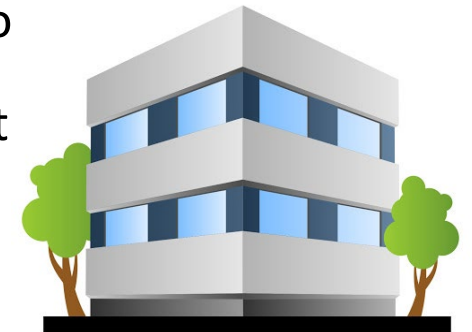


TxDMV Headquarters Building Construction



Texas Public Finance Authority Process

- Steps to request bond funding from the Texas Public Finance Authority (TPFA)
 - ✓ Request legislative authorization through a General Appropriations Act Rider
 - ✓ The Rider will authorize the project, the issuance of revenue bonds, the appropriation of bond proceeds, and the appropriation of lease payments
 - ✓ A resolution adopted by the TxDMV Board authorizing submittal of the request to TPFA
 - A project description, budget, and estimated expenditure schedule must be provided to TPFA
 - ✓ The request must be approved by the TPFA Board





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 - ✓ Adopted in *Article XI*



Questions?

Finance and Audit Committee Meeting

March 31, 2020



BRIEFINGS AND ACTION ITEMS

4. Briefing Item:

F. 2021 Winter Storm Impacts to Headquarters and Regional Service Center Facilities - Linda M. Flores and Ann Pierce

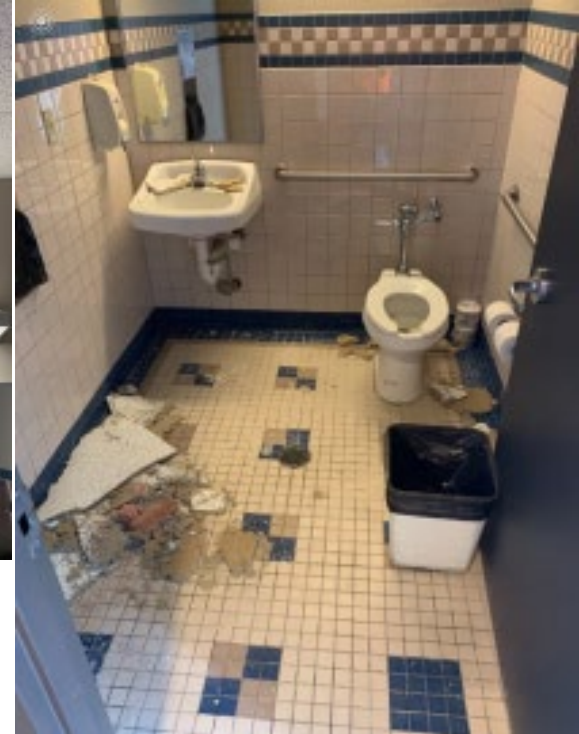


2021 Winter Storm Impacts

During the week of February 15, 2021, TxDMV operations were impacted by the wintry weather, unusually cold temperatures and dangerous roadways. Several offices experienced issues related to lack of heating and electrical services as well as water supply. The following locations were adversely impacted as a result:

- Austin Regional Service Center
- Longview Regional Service Center
- Austin Headquarters – CH-1 Employee Entrance, Executive Director Office Suite and Lone Star Room
- Austin Headquarters - CH-5 water leaks continue with each weather event; 150 ceiling tiles are being replaced; and 2nd floor carpet cleaning scheduled.

Austin Regional Service Center



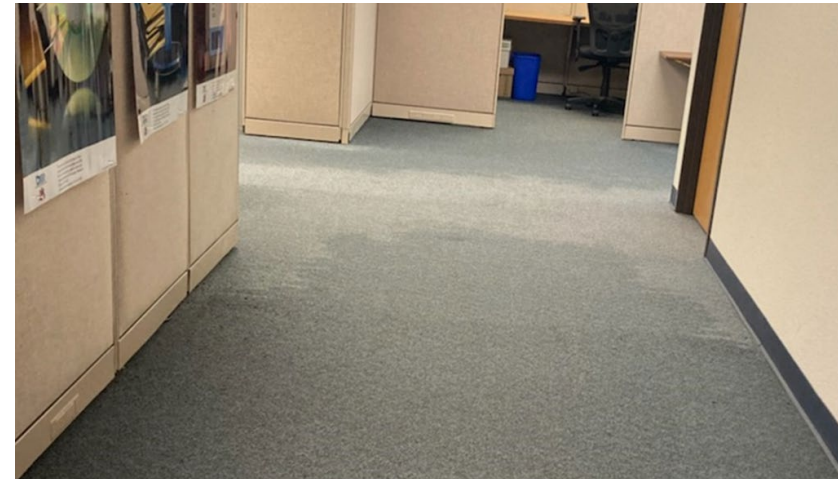
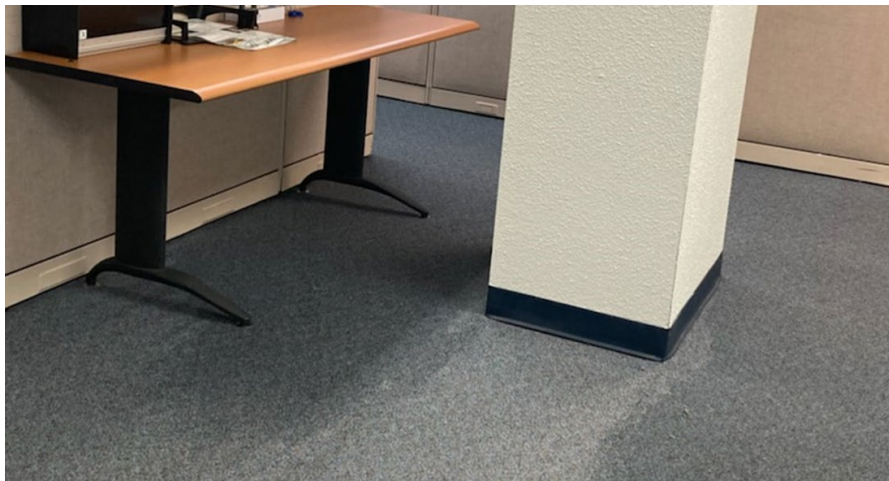
Longview Regional Service Center



HQ CH-1 Employee Lobby



HQ CH-1 EDO Suite





HQ CH-1 EDO Suite (*continued*)



HQ CH-1 Lone Star/Board Room

