



Sustaining Service for Virginians

House Appropriations
Committee
September 18, 2017

Richard D. Holcomb
DMV Commissioner

Department of



Motor Vehicles

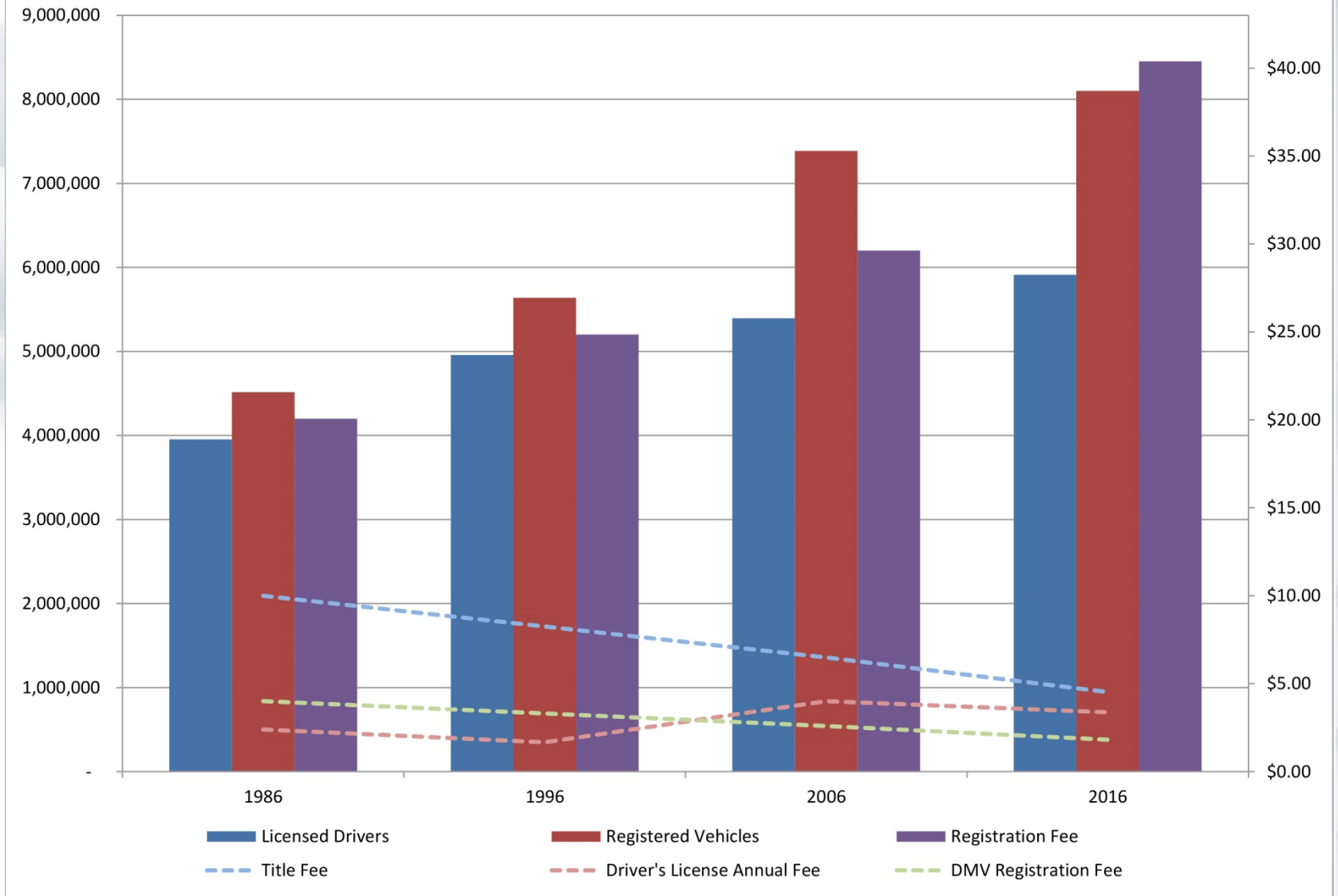
Budget Situation

- DMV special funded agency
- Faces \$16.4M shortfall and potential for significant FY 19 cuts
- Costs related to increases in salaries, benefits, healthcare, IT costs, credit cards
- Expenditures outpacing revenues
- Need new revenue source(s)

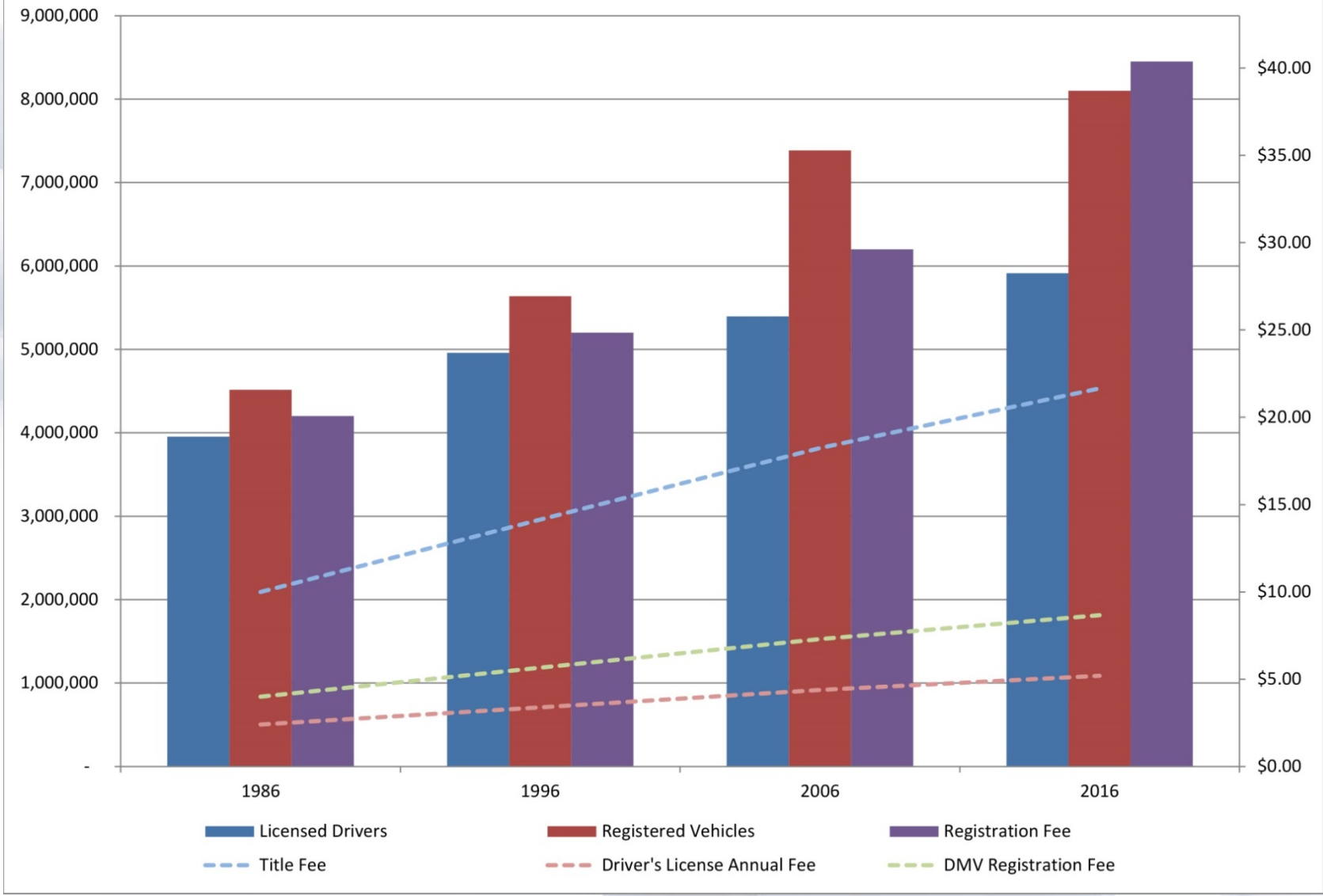
DMV Funding

- In FY 2017, DMV collected \$2.7B, retained \$243.4M (9.0%) for operations
- Major revenue sources:
 - Vehicle registrations - \$4 of \$40.75
 - Titles - \$10
 - Driver's licenses - \$4 per year
- DMV registration and title fees stagnant since 1980s; with inflation, DMV portion \$9 and \$22, respectively

DMV Customer Base v. Purchasing Power of Main Fees



DMV Fees with Inflation Factor



Cost-savings and Efficiencies

- Eliminated toll-free telephone - \$500K annually
- Electronic renewal reminders - \$1.5M saved since 2010
- Energy performance contract - \$1.06M saved since 2014
- Converting IT contractuals to classified positions - \$500K annually

Historical Perspective

- DMV projected in FY 07 funding would be depleted by FY 09.
- GA support:
 - Instituted \$5 walk-in fee for vehicle renewals eligible for online
 - Extended license validity period from 5 to 8 years; met short term needs. Established longer term revolving gap every 5 years as renewals drop for 3-year period each 8-year cycle.

Historical Perspective

- FY 13 GA support
 - Instituted \$10 vehicle renewal late fee
 - Equalized supplemental and replacement title fees at \$10
 - Set minimum license fees at \$20
 - Extended \$5 walk-in fee to online-eligible driver's license renewals

Historical Perspective

- Between FY 08 and FY16, GA actions generated \$95M
- Mandatory expenses totaled \$88.3M
- Continued increases have consumed most of additional revenue
- DMV forecasts negative cash flow at the beginning of FY 19, and will grow in FY 22 and FY 24 license funding gap

Projections

- Recent cost increases created expenditure levels from FY 16 through FY 22 that will exceed project revenue growth by \$94.3M
- Impact reduced by \$27.8M by \$1 information product fee increase - will generate \$4.9M annually

Collections for Other Agencies

- Collections have increased; DMV portion remains unchanged.
- Vehicle registration fee increased from \$20 in 1986 to \$40.75 today.
- SUT increased from 3% to 4.15% between FY 13 and FY 17.
 - Credit card fees up 81% - More than \$42.5M in SUT in FY 17 than FY 13 resulting in \$850K+ in CC fees absorbed by DMV
 - DMV Select payments up 34%; \$2.5M in SUT-related payments in FY 16
- Vital records at DMV generating more revenue for VDH

2017 Session

- At the start, DMV faced \$11.6M shortfall; at the conclusion, shortfall \$16.4M
- Senate budget included 4 amendments (Wagner, Newman) totaling \$9.083M to fund a portion of the increases
- Conference negotiations resulted in \$43K in savings

Recent Major DMV Actions

- Delayed planned FY 17 and FY 18 capital projects totaling \$4.1M, except essential minimal maintenance
- Cancelled replacement of aging queueing system
- Postponed expansion of TWIC and Precheck services
- Standardizing LVR fees
- Eliminated vacant positions and other administrative actions - \$4.3M savings
- Increasing localities VRW stop removal fee from \$20 to \$25 Sept. 1 – generate \$1.9M annually

Long-term Solutions

- Option A: Adjust DMV Fees for Inflation
 - Increase title fee from \$10 to \$20 - \$26.1M
 - Increase driver's license fee by \$1.25 per year
 - 8 year license = \$10 increase
 - Revenue FY 19-21 – \$21.6M; FY 22-24 - \$15M
 - Increase registration fee by \$3
 - Typical passenger vehicle registration \$40.75
 - DMV currently retains 20% of \$20
 - VDOT \$29, EMS \$6.25, VSP \$1.50

Long-term Solutions

- Option B: Redistribute Existing Fees to DMV
 - Equalize rates for non-supported transactions
 - SUT 1% - \$9.2M; IRP 20% - \$13.6M
 - Increase to 20% DMV share of transportation share - \$21.1M
 - Increase DMV share of fuels tax from 1% to 3.5% - \$21.9M
 - Currently DMV retains 1%; VDOT receives 99%
 - VDOT reductions impact SmartScale allocations dollar for dollar

REAL ID

- Committed to compliance with federal Act by October 2018
- Requires specific requirements for issuance of licenses and ID cards to be accepted for federal purposes
- Virginia continues progress - credentials accepted through this October 10
- Anticipate extension decision soon

Path Forward

- DMV has implemented most requirements; is working on final administration actions
- Current and new credential holders will have a choice whether to obtain REAL ID or, in the case of current credential holders, to renew current standard credentials
- Governor considering \$20.7M in budget for line of credit
- One-time \$10 surcharge for REAL ID to fund implementation

Implications

- Obtaining REAL ID requires in-person DMV visit and presentation of proof documents
- DMV estimates 40% of current credential holders will apply for REAL ID in first 24 months
- Result would be 2.6M customers at DMV seeking REAL ID credentials

Key Costs

- Scanning equipment for source documents
- Electronic verification systems
- Bandwidth upgrades
- Vendor charges
- Additional staff and overtime pay
- Estimated total costs: \$20.7M

Timeline

- Commitment letter to DHS sent April 21, 2017
- Current deadline October 10, 2017, with enforcement grace-period until January 2018; extension requested to October 1, 2018
- Go live target: October 1, 2018

Timeline

- Factors affecting implementation:
 - DHS enforcement action modifications
 - DHS acceptance of DMV progress toward full implementation and granting further extensions
 - Funding – REAL ID separate from overall DMV budget situation

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Richard.Holcomb@dmv.virginia.gov