Sustaining Service for Virginians

House Appropriations Committee
September 18, 2017

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DMV Commissioner
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
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