TEXAS DEPARTMENT OF MOTOR VEHICLES

BOARD MEETING

8:00 a.m.
Monday,
June 27, 2016

Lone Star Room
Building 1
4000 Jackson Avenue
Austin, Texas

BOARD MEMBERS:

Laura Ryan, Chair
Raymond Palacios, Vice-Chair
Robert "Barney" Barnwell, III
Luanne Caraway
Blake Ingram
Guillermo "Memo" Treviño
Johnny Walker
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   (Proposal Published April 22, 2016 - 41 TexReg 2930)

3. New Subchapter I, Fees, §§217.181 - 217.185
   Amendments, Subchapters B, Motor Vehicle Registration, §§217.23, 217.24, 217.29, 217.32, 217.52, and 217.53
   (includes amendments regarding plate replacement); and C, Registration and Title System, §217.72
   Repeal §217.31
   (Proposal Published April 22, 2016 - 41 TexReg 2920)

4. New Subchapter J, Performance Quality Recognition Program
   §§217.201 - 217.207
   (Proposal Published April 22, 2016 - 41 TexReg 2937)

5. Subchapters A, Motor Vehicle Titles; B, Motor Vehicle Registration; D, Non-Repairable and Salvage Motor Vehicles; and F, Motor Vehicle Record Information
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   (Proposal Published April 22, 2016 - 41 TexReg 2895)

3. EXECUTIVE SESSION

4. ACTION ITEMS FROM EXECUTIVE SESSION
   Appointment of Internal Audit Director pursuant to Texas Government Code, §2102.006(a)

5. ADJOURNMENT
PROCEEDINGS

MS. RYAN: Good morning. My name is Laura Ryan. I am pleased to open the Board Meeting of the Texas Department of Motor Vehicles. It is 8:00 a.m., and I am now calling the Board Meeting for June 27, 2016 to order.

I want to note for the record that the public notice of this meeting, containing all items on the agenda, was filed with the Office of Secretary of State on June 17, 2016.

Before we begin today's meeting, please place all cell phones and other communications in the silent mode, and please, as a courtesy to others, do not carry on side conversations or other activities in the meeting room.

If you wish to address the board or speak on an agenda item during today's meeting, please complete a speaker's sheet at the registration table. Please identify on the sheet the specific item you are interested in commenting on and indicate if you wish to appear before the board and present your comment or if you only wish to have a written comment read into the record. If your comment does not pertain to a specific agenda item, we will take your comment during the general public session portion of this meeting.

In accordance with the department's
administrative rule, comments to the board will be limited to three minutes. To assist each speaker, a timer has been provided. The timer light will be green for the first two minutes, yellow for one minute, and then red when your time is over. Individuals cannot accumulate time from other speakers. Comments should pertain to the issue stated on the comment card. When addressing the board, please state your name and affiliation for the record.

For those in the audience, I'd also like to update you up front that we will be adjusting the agenda to go into executive session immediately following agenda item 1.C for a very brief executive session, although we do not anticipate it to be longer than 30 minutes.

I'd like to announce for those in attendance that are not aware, Member Rush and Member Swindle have resigned their positions on the board and they will not be joining us for meetings moving forward.

I'd like to have a roll call of the board members at this time.

Board Member Barnwell?

MR. BARNWELL: Present.

MS. RYAN: Board Member Caraway:

MS. CARAWAY: Present.

MS. RYAN: Board Member Ingram?
MR. INGRAM: Present.

MS. RYAN: Board Member Palacios?

MR. PALACIOS: Here.

MS. RYAN: Board Member Treviño?

MR. TREVIÑO: Here.

MS. RYAN: Board Member Walker?

MR. WALKER: Here.

MS. RYAN: And let the record reflect I, Laura Ryan, am also here.

We will now move to our agenda and we will move to item 1.B.1. I'd like to welcome ABTPA Chair Carlos Garcia and turn the meeting quickly over to him.

Chair Garcia, welcome.

MR. GARCIA: Thank you, ma'am.

First and foremost, good morning to everybody. Chair Ryan and board members, good morning. My name is Carlos Garcia. I am the chair for the Automobile Burglary and Theft Prevention Authority, and I'm here this morning to present some items that are listed on the agenda.

The other thing I want to say is I want to acknowledge the outstanding work, or support, actually, that the Department of Motor Vehicles, Whitney Brewster and Shelly Mellott, and our director, Mr. Bryan Wilson, in supporting the mission and the goals of ABTPA.

Chair Ryan, in regards to agenda item B.1.a,
the new members, new members were appointed by the Governor's Office back in May of 2016. Mr. Tommy Hansen, deputy sheriff and lieutenant in the criminal investigations division of the Galveston County Sheriff's Office. He's also a member and past president of the International Association of Auto Theft Investigators and the Texas Association of Vehicle Theft Investigations. Lieutenant Hansen replaces one of the board members representing law enforcement.

A second board member that was appointed, Armin Mizani. He's a managing attorney for the Mizani Law Firm located in Dallas. He's a city councilman for the City of Keller, and he sits on the city's Crime Control and Prevention Committee and the Municipal Court Committee. He represents the public consumer part of the board.

So those are the two newest appointments to the Board of ABTPA and we're fully staffed at this time.

Any questions, Chair Ryan, board members?

(No response.)

MR. GARCIA: Moving on to item B.1.b on the legislative appropriation request, back on May 18 of this year, the ABTPA Board adopted our legislative appropriation request for fiscal year '18 and '19, respectively, in the amounts of $14,919,822 for each of the two years, for a total for the biennium of
$29,839,644. In addition to that, we're asking an inclusion for the exceptional items in the amount of $12,655,912 for each of the fiscal years, for a total of $25,311,824 for the upcoming biennium.

Any questions, Chair Ryan, board members?

MS. RYAN: Chair Garcia, does the board have specific actions or programs of implementation that they would do with those funds that would help the board understand the agency?

MR. GARCIA: In regards to the additional funding that we would be requesting is to, one, increase tactical strength of regional law enforcement programs, to assist communities and motor vehicle owners in the inspection of vehicles, and definitely in tracking the vehicles in case they're stolen. Very briefly, it's just to increase the amount of manpower so we can continue addressing the problem out there in the State of Texas and hopefully continue the reduction in that area.

MS. RYAN: Thank you, sir.

MR. GARCIA: Yes, ma'am.

MR. INGRAM: In terms of auto theft, do you have any numbers at hand on how we're trending in the State of Texas currently?

MR. GARCIA: No, I don't, but I know that since the program was initiated back in 1991, we have had a
substantial amount of decrease in auto theft, close to about, I would say, 60 percent.

MR. INGRAM: Is that something that you could wrangle up for us later on just to provide us with sort of maybe the last five years and how we're progressing?

MR. GARCIA: Yes, sir, we could.

MR. INGRAM: Thank you.

MS. RYAN: If I may, Chair Garcia.

MR. GARCIA: Sure.

MS. RYAN: Bryan, is there anything that you'd like to add? Bryan Wilson.

MR. WILSON: My name is Bryan Wilson, for the record.

Thank you, Chief Garcia.

The last three years we've seen a substantial increase of about 3 percent per year, and that's why we really feel that the additional manpower is needed in our communities. I will get you those numbers for the last five years.

MS. RYAN: Chair Garcia, thank you so much for your time. We appreciate the introduction of the other board members, as well.

MR. GARCIA: Thank you for having me here this morning, and thank you for putting me at the very front of the agenda.
MS. RYAN: Yes, sir. Thank you. Have a great
day.

With that, we will move to item 2.B.2 -- I'm
sorry -- 1.B.2, just moving along really quickly, a little
positive thinking here.

I wanted to address and give the rest of the
board an update on the Tax Assessor-Collectors Association
of Texas conference that the agency attended earlier this
month. As in years past, the agency attended the annual
TACA conference in Waco, Texas the week of June 13. The
agenda allowed the agency the opportunity to present
updates on key projects, current activities and future
technology enhancements to systems.

I was personally in attendance on June 13, and
presented, along with Eric Obermier, director of
Information Technology Services, and Jeremiah Kuntz, our
director of Vehicle Titles and Registrations, during the
general session. I was also able to sit in on the TxDMV
and VTR assigned committee session. This session resulted
in a lot of very good dialogue between the two groups with
a lot of excellent questions. This is certainly the type
of input that helps both sides understand each other's
challenges and often identifies areas where we can reduce
redundancies and create efficiencies in ways that all of
us can create a better service environment. This part of
the meeting was very well spent for me.

Though I had the opportunity to meet and speak with members of the TACA Board twice before the conference, this was the first time I was able to address the larger group of the TACA association members. This was not an easy task, with the discord, controversy and mandate for change upon us. Though my intention was to create clarity, it became obvious that my desire to communicate the agency's vision, strategies and direction was unsuccessful.

Unfortunately, for some the frustration caused their actions to become unproductive. I will say on behalf of the agency and myself, we appreciate those that have reached out to express their apology on behalf of others and express a desire that we all move forward. This is also the desire of the agency.

I truly believe things happen for a reason and that the current level of frustration may have been a tipping point for the relationship between the TxDMV and the TAC stakeholders. I also understand that the agency's drive for efficiency and innovation has created to continue a streamline of change in both process and communication, and that for many, change can be a catalyst for frustration. We will work to remain aware of this dynamic. Sometimes it takes a breakdown of something old
to allow for rebuilding of something new, something stronger, and I'm hopeful that the rebuilding of a fresh and recharged relationship between TxDMV and the TACs can begin today as we move forward and address the rules before us.

I understand that there will still be disagreements on how we get there, however, I do know that serving Texans and finding better and more efficiency ways to register vehicles is something that we must all do better in order to be successful, and I'm hoping that future TACA conferences and work sessions are the catalyst and formats that allow us to move forward. So I'm hoping that we are able to continue the good work that the TACA conferences have allowed us in the past.

And with that, I wanted to see if Luanne had anything else to add on updates with the conference.

MS. CARAWAY: Thank you, Chair.

First, I want to thank the agency and yourself for being present at our conference and addressing the group. It was a very frustrating time for tax collectors with the job that we try to do in our offices, and as always, we will move forward and we will do the job that is required of us as a whole.

I do think it's important that both the board members and directors of TACA, as well as agency
representatives come to the table together and work out these differences and try to make it something that's agreeable for all. I know this is a starting point and I know that if things do not turn out as either group would prefer, that there will be time to come back together and to work together at the table, legislatively, or just with the rules in general, that we can come back and revisit these issues at times in the future if there are things that don't turn out the way we expect them to. So I appreciate both groups being willing to work together and I do honestly believe that the TACA group is willing to work with DMV to come back together and to work out any differences.

So I appreciate the time to just say a few things, and again, I appreciate the agency being at the conference and talking to the folks that were there and addressing their frustrations. Thank you.

MS. RYAN: Thank you. Agreed, and I believe the DMV wants the same.

With that, I believe we will move to agenda 1.B.3, and we will turn it over to Executive Director Whitney Brewster.

MS. BREWSTER: Thank you, Madam Chair. For the record, Whitney Brewster, executive director.

I just wanted to share with the board and those
listening to the meeting some exciting things that have happened in the agency. We've received several awards since the board last met and just wanted to highlight a job well done by those receiving these awards within our agency.

The first is the Best of Texas Award. This program salutes IT professionals and projects in Texas at the state and local government level. They're awarded at the Texas Digital Government Summit event, and that was hosted here in Austin just last week, June 20 and 21. We received two awards, and I wanted to just point those out. One was for the consolidated call center project, and one for an IT staff member for outstanding IT service and support.

The consolidated call center project was recognized in the best IT collaboration among organizations category. The implementation of the new call center technology has allowed TxDMV to seamlessly share customer call volume between divisions as needed, across headquarters and the sixteen regional service centers, and this has been absolutely essential for this agency to be able to do that with initiatives like Single Sticker. We saw about a 30 percent increase in call volume and we were able to maintain a 91 percent customer satisfaction rating during that time frame, and without
being able to share the workload across the state in our offices, we would have had a much more difficult time keeping up with that program.

The Consumer Relations Division, Vehicle Titles and Registration Division, and IT Services Division monitored call volume and assigned resources from each of their call center teams to shorten hold times and get our customers the services they need. I'd like to thank the project team and all of the divisions that worked together to make this possible.

Chris Kanute, I know he is here. I think he's hiding behind the pole there. Hi, Chris. He was recognized for outstanding IT service and support. Chris is a key member of the registration and titling system development team. His technical leadership and instant knowledge of the RTS system were key factors in the implementation of refactored RTS, as well as the ongoing maintenance and support of the RTS system. Chris spent long hours, and I'll say really long hours, managing day-to-day activities of the legacy RTS system while also supporting refactored RTS efforts, building a new skill set enabling him to follow the refactored RTS system.

The project team and IT continue to look to Chris for his expertise and leadership, and his commitment to excellence is unsurpassed. I want to thank Chris, and
this was an award well deserved. Thank you, Chris.

(Applause.)

MS. BREWSTER: I was honored to accept several awards on behalf of the agency two weeks ago at the American Association of Motor Vehicle Administrators regional meeting, and I just wanted to quickly point those out. The first was Excellence in Government Partnership Award for Two Steps One Sticker. As most folks in this room know, as a result of legislation passed by the legislature, the state stopped issuing inspection stickers and transitioned to a combined registration and inspection sticker. We worked very closely with DPS, Texas Commission on Environmental Quality, tax assessors, the inspection stations, and together by partnering, we were able to implement and administer this new program in Texas.

I was happy to accept this, but I know that this is very much a shared award. It is not specific to DMV but it highlights, I think, a successful partnership on a program that had such a heavy lift. So thank you to everyone who helped receive this award.

The second was the Public Affairs And Consumer Education Award for outstanding news release. We were able to put out a very well written, succinct media release and we were issued an award for that, so it was
very nice to be able to honor our Government and Strategic Communications folks who do an excellent job getting the word out.

And the final award was a community service award, and I want to highlight this, Fight Against Hunger. This was awarded to our Fort Worth Regional Service Center. They work very closely with the Tarrant County Area Food Bank and over the years they have continued to work with that program. Together in 2015, the Fort Worth Regional Service Center continued this work and helped feed the needy in their area. Apart from the direct benefit to those in need, this project provided TxDMV employees with the sense of satisfaction and accomplishment that comes from knowing that they took part in making a real difference within their community.

So I want to very sincerely thank our Fort Worth Regional Service Center for going above and beyond and working together to help those in the community.

With that, Madam Chair, I have nothing else on that agenda item.

MS. RYAN: Thank you very much.

MS. BREWSTER: Would it be all right if I move on to the strategic plan?

MS. RYAN: Absolutely.

MS. BREWSTER: All right. Thank you.
TexDMV's 2017-2021 strategic plan was submitted to the Governor and the Legislative Budget Board by the deadline of Friday, June 24. Strategic plans are prepared every two years and are used to inform the agency's stakeholders, as well as the public, about its activities and to outline the direction that the agency intends to go. The board received this information in their board packets, but also in front of you is the bound strategic plan for you to take home as well. We have posted this on the agency's website for anyone who wishes to take a look at it.

Just a couple of things that I'd like to highlight on this. This included two new sections this legislative cycle: goals and activities, as well as redundancies and impediments. For the goals and activities, the agency used the board's three strategic goals to formulate that, and we identified sixteen strategic activities to pursue in the next one to five years. We also identified eleven challenges it faces in the redundancies and impediments section.

I'm really pleased with the overall outcome of the strategic plan. There was a lot that went into putting this together. I want to thank the board for its input, I want to thank the agency leadership as well as staff for contributing to this as well. I want to
particularly thank Tom Shindell and Lisa Conley who
wrangled all of us and put this information together into
a very succinct, well written document. And I would just
encourage those who are interested in the agency's
strategic plan to go take a look at it on its website.

Madam Chair, that's all I have on that item.

I'd be happy to answer any questions.

MS. RYAN: Any questions from the board?

(No response.)

MS. BREWSTER: Moving on. Staff has begun the
process of putting together changes to statute that would
provide for greater efficiencies in the TxDMV's
operations. We will be finalizing kind of where the
agency staff is at on these items, and this will help us
to vet this information with stakeholders moving forward.

We will start doing so in July and August. And I think
this is a very key area where I think we can work with
stakeholders, tax assessor-collectors to build our
relationship. I think there are a lot of things that need
to be done and I think we have a lot of challenges that
are shared, and it would be excellent if we could come
together over some of these items to move forward with
improving the way that we deliver services across the
state. I think there are some ideas that we have that
could benefit the consumer, as well as help the tax
assessor-collectors with the volumes that you see in your offices.

So we will start those meetings in July and August, and the goal is to have information before the board in October. With bill filing starting in November, we would like to get that finalized in the October board meeting, if at all possible because before we know it, the legislature will be back in January. So looking forward to your continued support on this board and look forward to working with our stakeholders on our legislative package.

With that, Madam Chair, I have no more comments.

MS. RYAN: Do we anticipate a Legislative Committee meeting before the October meeting?

MS. BREWSTER: Yes, ma'am, we do anticipate one likely in October, but certainly we'll work with the chair of that committee to determine the appropriate time.

MS. RYAN: Okay. Thank you.

Any questions before we move on?

(No response.)

MS. RYAN: Thank you.

With that, I do see that we have one public comment card from Mr. Hickman, so I will call Mr. Hickman up.
Good morning. Mr. Hickman, I would remind you if you'll please state your name and also that you'll have three minutes. Thank you so much, and we'll set the timer and then when you're ready.

MR. HICKMAN: For the record, my name is Howard Anthony Hickman. I'm a retired enforcement attorney for this agency.

Since the Texas Department of Motor Vehicles was created in 2009, it has received $188,684,137 for IT capital expenditures, not to mention the tens of millions of dollars spent on the agency's 100-plus IT related employees. What have the people of Texas received? A system that's suffered 79 public systems crashes in a recent six-month period which is an average of a crash every other day, a system that when I started working for this agency, a certain letter in LACE took 30 seconds to create and mail, when I retired, the same letter took anywhere from 70 seconds to three minutes and ten seconds, and that's without the frequent system crashes or daily computer freezes.

A recent crash was blamed on TxDMV using a TxDOT server. In a time period equal to tearing down the Waldorf Astoria Hotel and building the Empire State Building five times or a year less than it took for the U.S. to put a man on the Moon, you have been unable to buy
basic IT hardware and create TxDMV's own computer hardware system. I could go on with dozens of other TxDMV computer problems but you have allowed me only a short period of time.

Let me leave you by reminding you that next week is Independence Day. On that day I want you to look in the mirror and remember that Benedict Arnold did more for America than you've done for the people of Texas. At least he won the Battle of Saratoga that gave America an alliance with France in the Revolutionary War, and you can't buy something that comes in a box and plug it in for $200 million. Thank God you were not running the Revolutionary War. We would still be trying to get directions to the Boston Tea Party.

With that, I'll leave you with another minute to go. Thank you. I'll see you next time.

MS. RYAN: Thank you, Mr. Hickman.

Okay. With that, as I stated earlier, we're going to alter the agenda slightly, and at this time we are going into closed session. It is now 8:31 a.m. on June 27, 2016. We will be going into closed session under Texas Code Sections 551.071 and 551.074.

For those of you in the audience, I anticipate being in executive session for approximately 30 minutes, and we will reconvene in open session after that.
With that, we are recessed from the public meeting and we are going into executive session. Thank you.

(Whereupon, at 8:31 a.m., the meeting was recessed, to reconvene this same day, Monday, June 27, 2016, following conclusion of the executive session.)

MS. RYAN: It's approximately 9:20 a.m. on June 27, 2016, and the Board of the Texas Department of Motor Vehicles is now in open session. We want to note that no action was taken in closed session.

We will move to item 2.A, the action and briefing items begin with 2.A, Finance and Audit Committee update, and hear from the chair of the Finance and Audit Committee, Raymond Palacios.

Raymond, I'll turn it over to you.

MR. PALACIOS: Okay. Thank you, Chairwoman Ryan.

The Finance and Audit Committee of the TxDMV met on Wednesday, June 1, 2016 here at DMV headquarters. I presided over the meeting which was also attended by Members Caraway an Treviño.

The committee considered five agenda items. I will be summarizing the staff's presentations of those items and presenting the committee's recommendations in this report. Two of the items from the committee meeting
require action by the full board. I will present those
two items, along with the committee's recommendations for
board action, and I will present updates on the remaining
items we were briefed on in the meeting without repeating
the presentations made by staff. All the staff who made
those presentations are available today in case you have
any questions or would like more detail.

The first item requiring board action is a
contract on county registration and titling systems, RTS,
equipment refresh, which are on page 7 and 8 of your board
books. Because the bidding period had not closed before
the meeting, TxDMV chief information officer, Mr. Eric
Obermier, presented a briefing to the committee on the
staff's report for the offer for the services and
equipment which was posted on May 4, 2016 and was
scheduled to close on June 1, 2016. Mr. Obermier will
provide the board with an update today.

Mr. Obermier.

MR. OBERMIER: Good morning, Chair Ryan and
members of the board. For the record, my name is Eric
Obermier, CIO for the DMV. I'll be covering agenda item
2.A.1 on page 84 of your board book.

This item is a contract for county registration
and titling system equipment refresh. Staff is requesting
the board to delegate authority to the executive director
to execute a contract for refresh of the RTS computer equipment in the county offices across the state that support vehicle titling and registration services and also provide on-site support of that equipment across the state for up to four years. This contract is still an active procurement so financial information should not be discussed in this open meeting.

This contract has two primary components. The first would be the replacement of the RTS work stations and printers in the all the county offices across the state, and also providing the on-site support for the RTS equipment in those offices. The current on-site support contract expires on August 6, 2016. This will be the first component of the contract that is going to be implemented.

The on-site support primarily consists of vendor technicians being dispatched to address problems that cannot be resolved by TxDMV support staff over the telephone. Physical printer maintenance or replacement and also computer part replacements account for the majority of those service calls.

The replacement of the RTS computers and printers will be planned and completed in FY 2017. TxDMV uses a five-year replacement cycle for computer equipment. The last equipment for county RTS work stations was
completed in 2012. Approximately 2,900 computers and printers will be replaced at over 500 sites across the state. The selected vendor will be responsible for procuring the new equipment, providing temporary storage as needed, shipping equipment to the county offices, removal of the old equipment, installation of the new equipment, validation of the new equipment, inventory tagging, destruction of hard drives from old computers, and more.

The request for offer for services and equipment related to this contract was posted on May 4, 2016, with a closing date of June 1, 2016. Multiple vendor offers were received and evaluated. A best value vendor was identified through the evaluation process. A best and final offer was requested and received from the best value vendor.

Staff is requesting authority be delegated to the executive director to execute a contract, including up to three option renewals for one year each, for on-site support at an amount not to exceed the agency budget for this matter set forth in the General Appropriations Act for the 2016-2017 biennium.

This concludes my remarks. I'll be happy to answer any questions that you may have.

MR. INGRAM: One question, Eric. The refresh
starts January 2017 so that's the starting point for getting the printers and computers taken out and replaced?

MR. OBERMIER: We actually have not set the actual start month. It is going to planned as well as executed within the FY 2017 fiscal year, so starting September 1.

MR. INGRAM: Okay. So it could start earlier than that.

MR. OBERMIER: It could, right.

MR. INGRAM: All right.

MR. WALKER: Question. So I heard everything you said but I didn't hear you mention anything about what we're doing with the old equipment. Does the contract also call for the destruction or disposition of the old equipment?

MR. OBERMIER: What it calls for is the surplus of the old equipment, however, the hard drives that would contain any information related to RTS transactions within them are going to be taken out of the computers and sent to a shredder, and we will also be requiring the vendor to give us a certificate of destruction.

MR. WALKER: So they're going to take the hard drives, we're going to shred those, they're going to get rid of all the old equipment where it's not our responsibility.
MR. OBERMIER: We're going to work out the process with them for how to get it through the state surplus process.

MR. WALKER: I'm not sure I understand that.

MR. OBERMIER: The last time this refresh was done -- and I may need to call on some other individuals that were here back when that was done the last time -- the equipment, the old PCs were actually shipped back to Camp Hubbard here to actually go into the state surplus process. Whenever any of the agencies are finished using any of the technology equipment that they have, it has to go into what's called a surplus process where we post everything that we have that's ready to go to another state agency should they want it, or after that it would go off to either destruction or any other kind of auction, but at that point the DMV sends it over to the agency that is actually responsible for that.

MR. WALKER: At no cost to us?

MR. OBERMIER: If the equipment is going to be shipped back to here, it would be at a cost to us.

MR. WALKER: And that's not in the proposed cost numbers that we have, so where would we cover that?

MR. OBERMIER: So we also have funding within the budget that covers kind of equipment support in general, so if any of those expenses were going to be
incurred, that's where we could look to for that.

MR. WALKER: Thanks.

MR. INGRAM: Madam Chair, I'd go ahead and move
that the board approve the contract on county registration
and titling system equipment refresh and delegate
authority for the agency's executive director to execute
and sign the contract in an amount not to exceed the
appropriation contained in the current state biennial
budget for this item. In addition, I also move to
authorize the agency's executive director to execute any
renewals of or amendments to the contract with the
approval of the chair.

MR. BARNWELL: Second.

MS. RYAN: We have a motion from Member Ingram
and a second from Member Barnwell. Any discussion?

(No response.)

MS. RYAN: All in favor raise your right hand, please.

(A show of hands.)

MS. RYAN: The motion carries unanimously.

Thank you.

Mr. Palacios.

MR. PALACIOS: Madam Chair, the second item
requiring board action is creation of a new capital
project line item in the TxdMV fiscal year '16 through '17
budget for the physical security project and the transfer of existing funds to that line item. TxDMV chief financial officer, Ms. Linda Flores, and her staff discussed the details of this project with the committee that are on page 9 and 10 of your books.

The TxDMV previously submitted a legislative appropriation request to the LBB for regional office security to ensure the protection of agency property and personnel. The Texas Legislature appropriated $813,000 to TxDMV for this project and the department awarded a contract to a courier and security guard services vendor called Sigma for the full appropriation amount.

To complete the work before August 31 of 2017, the TxDMV governance team designated the matter as a formal EPMO project. In initiating and planning the project, EPMO determined that the $813,000 was insufficient to fund the required elements such as site preparation work at the sixteen regional offices, funding a project manager and establish a contingency for unplanned issues. Therefore, the staff recommends an additional $521,196 be added to the $813,000 appropriation for a total capital project budget of $1,334,196.

The committee considered the staff recommendation and recommends the board approve the creation of a new capital line item in the fiscal year '16
through '17 budget for the physical security project with a total amount of $1,334,196, and the use of Rider 2 of the state budget to transfer the $521,196 from the TxDMV operating funds to the physical security project budget to close the gap between the project cost of the $1,334,196 and the $813,000 appropriated to the TxDMV for this purpose during the 83rd Session of the Texas Legislature.

MR. INGRAM: One quick question on the funding, and Linda, this question probably goes to you. We have the money necessary to appropriate to this line item the additional $522,000?

MS. FLORES: For the record, Linda Flores, chief financial officer.

Yes, sir. The dollars will be repurposed from operating dollars within the agency to cover the gap.

MR. WALKER: So I don't know whether it's appropriate now or after we have the motion, but I have some questions about this with respect to you're asking for additional funds of $521,000. We currently have an FTE manager on this or are we hiring one?

MS. FLORES: We've hired a contract individual to manage the project.

MR. WALKER: So it is a contractor.

MS. FLORES: Yes, sir.

MR. WALKER: Why are we going from $118,000 and
increasing that pay to $150,000?

MS. FLORES: Because it covers the two-year span between now and the end of August 31 of next year, so there's a portion for this year because that individual came on board sometime in February, so we're hoping to keep him on for approximately eighteen months total.

MR. WALKER: So if it's a contractor, it doesn't count towards our FTEs. Is that not correct?

MS. FLORES: It does because he will be here longer than six months.

MR. WALKER: But there's an understanding that there's some kind of contractual wording that says at the end of the project this person is terminated?

MS. FLORES: Yes, sir.

MR. WALKER: Okay.

MS. BREWSTER: Madam Chair, if I might?

MS. RYAN: Yes.

MS. BREWSTER: Member Walker, in fact, if the work is completed earlier than the project manager's contract with the agency, there is a caveat that he is released upon completion of the work.

MR. WALKER: So the only other question I have on this with respect to this, you've got $50,000 worth of travel in here, and I'm like that's a thousand dollars a week in travel.
MS. FLORES: Again, the travel is going to cover the sixteen regional offices, and it's probably more than one person. It's several individuals heading to all of the regional offices across the state, so it's not just one person worth of travel, it could be three to four to five individuals going out to that particular office. There's going to be cabling involved, they have go out there, make at least two or three visits, I would say.

MR. WALKER: That's the only questions I have.

MR. TREVIÑO: Chair Ryan, I move that the board approve the creation of a new capital project line item in the TxDMV fiscal year '16-17 budget for physical security project and transfer of existing funds into that line item.

MR. INGRAM: Second.

MS. RYAN: We have a motion from Member Treviño and a second from Member Ingram. Any further discussion, questions?

(No response.)

MS. RYAN: All in favor please raise your right hand.

(A show of hands.)

MS. RYAN: The motion carries unanimously.

Thank you.

MR. PALACIOS: Lastly, members, I would like to
submit the Finance and Administrative Committee's report on the non-action briefing items from our meeting.

With the fiscal year '18-19 appropriation request preliminary baseline and exceptional items, Ms. Flores and her staff briefed the committee on the LAR process for the upcoming legislative session, including the timeline estimated revenue collections by fund, baseline budget, appropriations request by strategy, capital budget, project summary baseline, preliminary exceptional baseline request by order of priority and riders. That timeline included that the department would submit the baseline reconciliation to the LBB by June 16.

The estimated approval of baseline reconciliation by the LBB is mid July. The LAR is submitted and will be presented to the Finance and Audit Committee and the full board in early August, and the estimated submission date for the LAR to the LBB and Governor's Office is August 16.

We also received a financial status report from our TxDMV chief financial officer, Ms. Linda Flores. She briefed the committee on the fiscal year 2016 financial summary as of April 30, 2016, which is on pages 13 through 20 of your books. The main points in the report were year-to-date revenue collections increased by $5.5 million over the same period last year, primarily from increases in registration revenue. Year-to-date expenditures
toted $78.4 million. Major expenditure categories include salaries, professional fees, including the RTS refactoring project, and contract services. As of the end of April 2016, $57 million of the revised budget of $196 million remained. The majority of this balance is attributable to salaries and professional fees.

Staff projects a year-end balance of approximately $2 million which will be transferred to the automation capital fund to finance additional capital requests in the next fiscal year.

Regarding the My Plates contracts, the company has collected $7.56 million of their $15 million guarantee in the new contract.

And finally, we received an update from our deputy director of the Internal Audit Division, Mr. Arby Gonzalez. He presented the committee with the status of the remaining projects in the fiscal year 2016 internal audit plan, as well as the external audit plan project coordination, the SAO fraud hotline coordination, and the Internal Audit Division personnel. The update also included attachments of the quality assurance improvement program letter, SAO analysis of the QAT projects, the RTS refactoring project excerpt, and the SORM on-site visit with the TxDMV transmittal letter. And if anybody needs a legend of what all these acronyms mean, just let me know.
I know I went through quite a few of them.

That completes my report.

MS. RYAN: Thank you. So you've covered 2.A.4 and we'll move to 2.A.5 then before we move on to 2.B.

Before we move to 2.B, I'm going to jump ahead slightly and we're going to move ahead to agenda item 4 to coincide with the Internal Audit update and move to agenda item 4 quickly to action items from our executive session, and ask that Vice-Chair Palacios make a motion for us, please.

MR. PALACIOS: Yes. Madam Chair, I'd like to make a motion regarding the appointment of the Internal Audit director for the Texas Department of Motor Vehicles. In light of the vacancy that we currently have in the Internal Audit director position, we are pleased to report that we have selected a candidate to fill this position, and at this time I would like to move to approve the appointment of Ms. Sandra Menjivar-Sudeath as the Internal Audit director, contingent on satisfying all TxDMV human resource qualifications.

MR. TREVIÑO: Second.

MS. RYAN: We have a motion from Vice-Chair Palacios and a second from Member Treviño. Any questions or discussion?

(No response.)
MS. RYAN: All in favor raise your right hand.

(A show of hands.)

MS. RYAN: The motion carries unanimously.

MR. TREVIÑO: Chair, I would like to recognize Arby Gonzalez's work, stepping into that role temporarily while we lost our Internal Audit director, and just commend him for the job he's done.

MS. RYAN: I would concur. Is Arby here? Arby, if you would please stand, if you would come forward. Arby, thank you very much. We still have a couple of weeks so we are going to continue to count on you, and we're going to continue to count on you. You have done a phenomenal job currently and continue, and thank you very much. We want to thank you for all the work that you've done and know that you will continue to do.

MR. GONZALEZ: For the record, my name is Arby Gonzalez, deputy director, Internal Audit.

Thank you so much. I appreciate the support and I do understand I know you all recognize and value the work that Internal Audit does, and we'll do our best to continue that and keep it going. Thank you so much.

MS. RYAN: We very much do. Thank you very much.

MR. PALACIOS: Thank you, Arby.
(Applause.)

MS. RYAN: We will now move to item 2.B, Linda Flores.

MS. FLORES: For the record, Linda Flores, chief financial officer for Texas Department of Motor Vehicles.

I'm here to request approval for the agency and the executive director to take appropriate action to relocate the Corpus Christi Regional Service Center on Texas Facilities Commission approved commercially leased property. This agency was appropriated $1.4 million to relocate regional service centers from Texas Department of Transportation facilities. An internal workgroup was established and identified three candidates for the move: San Antonio, Pharr and Corpus Christi, which is before you for consideration.

We've worked together with the Texas Facilities Commission to determine and find appropriate space requirements, and we were successful in finding a spot across from the city hall in Corpus Christi. The space will be housed in the Corpus Christi Regional Transit Authority, located on Staples Street in Corpus Christi. It is about 5.7 miles away from the current location and provides needed space to accommodate up to nine staff members. It offers accessible public transportation,
provides both sufficient and secure parking, and the lease is offered as a full service lease which means it includes the rent, janitorial services and utilities.

The total project is estimated to cost approximately $787,000. It includes the ten-year lease cost at $481,856 with $14,000 ongoing annual costs, as well as an estimated $165,246 in one-time cost. The one-time cost, as you would expect, includes the physical move, some modular, some IT cabling and a contingency.

And I'm open to questions.

MR. WALKER: I move that the board delegate the authority to the executive director to make the necessary arrangements to enter into a lease for the Corpus Christi Regional Service Center, move it to 600 N. Staples in Corpus Christi, including the lease through the Texas Facilities Commission for a ten-year period beginning in April of 2017 running through March of 2027.

MR. TREVIÑO: Second.

MS. RYAN: Thank you. We have a motion from Member Walker and a second from Member Treviño. Any discussion or questions?

(No response.)

MS. RYAN: All in favor raise your right hand.

(A show of hands.)

MS. RYAN: The motion carries unanimously.
Thank you, Ms. Flores.

With that, we will move to item 2.C, Jeremiah Kuntz.

MR. KUNTZ: Good morning, members. For the record, Jeremiah Kuntz, director of the Vehicle Titles and Registration Division.

Before you for your consideration is a license plate for the Blue Knights International Law Enforcement Motorcycle Club. This license plate is a non-vendor license plate. As I'm sure you're aware, there are three different types of license plates that can come before you: we have statutory plates which are passed through the legislature, we have My Plates plates which are the vendor's plates, and then we have state agency sponsored license plates. This is the third, it is a state agency sponsored license plate. The sponsoring agency is the Texas Commission on Law Enforcement. This particular association is known for presentation of state flags to families of deceased Texas peace officers, and so that's what they intend to use the proceeds from these license plates for. The fee for these license plates would be $30, $22 of which would go to the Commission on Law Enforcement.

MR. BARNWELL: Is there a motorcycle plate?

It's a motorcycle club.
MR. KUNTZ: I'm sure we will offer it as a motorcycle option as well.

MR. BARNWELL: What would it look like?

MR. KUNTZ: Very similar to the one that you use there, just smaller.

MR. BARNWELL: I don't think you can get it all on there.

MR. KUNTZ: We do have limits on how many characters we can fit on those motorcycle plates.

MR. WALKER: Does that still have to meet the same requirements as the other plates for a minimum of 200 before it can be actually sold?

MR. KUNTZ: No. That is a contractual obligation between us and My Plates.

MR. WALKER: So do you have any idea about how many of these plates are going to be sold?

MR. KUNTZ: We do not do pre-orders on these types of plates, nor on statutory plates, so neither of those two types of plates have a minimum threshold for orders.

MR. WALKER: That's what we tried to do at some point in time was to try to clean up so we didn't have 10,000 plates out there, onesies and twosies all over the place that actually don't make any money for the state.

MR. KUNTZ: Yes, sir.
MR. WALKER: So we could go out here and create this license plate, and does anybody have to put up the money for the design and setup for the plate?

MR. KUNTZ: Yes, they do.

MR. WALKER: That's still $4,000, I think it was?

MR. KUNTZ: I believe it's $8,000.

MR. WALKER: Eight thousand?

MR. KUNTZ: We'll go and check on exactly the amount, but yes, there is a requirement in statute that the organization post a deposit until they meet a minimum threshold of orders, and which they get the money back.

MR. BARNWELL: How long do they have to get to that threshold?

MR. KUNTZ: I don't believe that there's a time limit.

That concludes my presentation.

MS. RYAN: Thank you.

Any more questions?

MR. INGRAM: Okay, I'll kick in. I move that we approve the specialty plate as designed for the Blue Knights International Law Enforcement Motorcycle Club.

MR. TREVIÑO: Second.

MS. RYAN: Thank you. We have a motion from Member Ingram and a second from Member Treviño. Any
further discussion, questions?

(No response.)

MS. RYAN: All in favor raise your right hand.

Please hold them up.

(A show of hands: Members Caraway, Ingram, Palacios, Ryan, Treviño.)

MS. RYAN: We have all in favor from Members Caraway, Ryan, Palacios -- one more time -- Treviño and Barnwell -- Ingram. I'm sorry.

Opposed?

MR. BARNWELL: I'm opposed.

MR. WALKER: I'm opposed.

(A show of hands: Members Barnwell and Walker.)

MS. RYAN: Opposed Barnwell and Walker. Motion carries. Thank you.

MS. RYAN: We are going to take a quick recess for ten minutes, please. So if everybody would be back and ready to go at 10:00 a.m., it would be much appreciated. Thank you. It is now 9:50, and we are in recess.

(Whereupon, at 9:50 a.m., a brief recess was taken.)

MS. RYAN: All right. Thank you. It is now 10:04. I call the meeting back to order.
And we will move to agenda 2.D, adoption of rules under 43 Texas Administrative Code, Chapter 217, Vehicle Titles and Registration. We will hear agenda item 2.D.1, adoption rules briefing from Whitney Brewster, executive director, Linda Flores, chief financial officer, and Jeremiah Kuntz, director of Titles and Registration.

Before I turn it over to them, we will address a few things regarding comments in a few minutes, however, we'll share a few changes that we're going to make on the comments. I'd like to remind everyone who has signed up to speak that you'll have three minutes. We've combined the time sheets today and before we let you make comments, we'll address the speaker cards.

Before I turn it over to the agency staff, I wanted to take a few minutes to share some thoughts with regard to the public comment period that we've had and some thoughts with regard to that, and then I will certainly allow the rest of the members of the board to do the same, and then we will certainly turn it over to the agency staff to present their recommendations.

There's been a lot of time leading up to today and a lot of change. The 81st Legislature created the DMV as a stand-alone agency to create greater efficiency and accountability. The 83rd Legislature approved House Bill 2202 and provided the board not just the authority to
address the rules before us today, it also created the
responsibility to address accountability and transparency
in funding the department's registration costs and
operations. And then the 84th Legislature created the
TxDMV Fund to be effective September 1, 2016.

The intent of the TxDMV Fund was to increase
the accountability and the transparency as it relates to
funding the agency. Simply put, this was meant to ensure
that the registration fee went into funding highway
infrastructure and the DMV would then streamline the
current add-on fees that the customers paid, expenses and
compensation into one fee, a process and handling fee
which was meant to fund the agency and which the agency
would be responsible to fund itself out of.

To this point, I'd like to quickly clarify a
couple of the public comment themes that we've read that
seem to be in conflict and that I'm sure is just a
misunderstanding. First, the process and handling fee is
meant to be transparent and a sum of all the registration
services. If you add up all the fixed expenses and then
add the required fees that the agency is required to pay
for registration services, all the fixed expenses, one of
which is tax assessor-collector compensation, everything
added up equals the amount of the process and handling
fee. There's nothing else included in that fee, which
The higher each of the individual fees, the higher the processing and handling fee will be. Some of the fees are fixed, others can be impacted, either to be higher or to be lower, based on actual expenses. Examples of this would be both the TxDMV compensation portion of the fee and the tax assessor-collector portion of the fee.

The agency has spent almost a year looking at its own efficiencies and cutting costs to keep its portion for the fee as low as possible, and we will continue to do this and make this fee as low as possible. We will also ask that the tax assessor-collector offices continue with this process. In order to ensure that the processing and handling fee can be set as low as possible, each of the tax assessor-collector offices will need to exercise the same process.

There also seems to be a perception, based on public comments that I've read and in the media, that the processing and handling fee is being created to fill a budget deficit that may have been created as mismanagement or a lack of ability to cut costs, so I wanted to share some of the background there also.

When the legislature created the TxDMV Fund, which will be effective September 1, 2016, the agency will then be self-funded, and it was presumed that at this time
the board would adopt rules for a processing and handling fee to cover the expense of registration services. In essence, the budget gap was intentional. The only financial deficit the agency has or will have is due to the legislative action and should the board not adopt the proposed rules to implement a processing and handling fee which will cover the cost of registration services it was intended to authorize through creation of the TxDMV Fund.

The other misunderstanding that seems to be floating around is that the proposed rules intentionally create higher fees for walk-in customers because of the online discount. The proposed rules attempt to do the opposite and actually standardize the registration fees to one consistent fee, $55.50, regardless of how you choose to register your vehicle. We do believe that the customer should have the ability to register their vehicle how they want, when they want, mail-in, walk-in or online. The difference is that the online customers receive the benefit of a dollar discount for registration fee which reduces the fee to $54.50. Because of the efficiencies of scale of the proposed centralized fulfillment, the cost saving is being passed on to the citizens in the form of discount. Currently the registration fees range from $51.75 to $54.75, depending on how the customer chooses to register.
The last area I'd like to share thoughts on is the general comments of why change things. If not said, it's implied in a lot of the comments and in the media articles. The reason is growth. The population of Texas is rapidly changing and is expected to double by 2040. Our current reliance on brick and mortar will only drive the cost of registering your vehicle up unless innovation, technology and efficiencies are introduced into the process and the administration infrastructure that the DMV and the tax offices are responsible for is changed, creating a positive change for tomorrow.

The agency has been through a lot of change since its inception in 2009, however, I can tell you that the vision of a premier agency, the culture of employee engagement, transparency, accountability and customer service has not changed. As well, we as a board continue to focus on our actions and the actions of the agency's leadership on the priorities that are focused on the agency's three strategic goals of performance-driven, customer-centric, and creating optimized services and innovation. It's these strategies, goals and policies that the agency's board has the main responsibility for.

In closing, I'd like to thank everyone that participated in the comment period that provided us with information and took the time and effort to engage in
constructive dialogue with us over the last couple of months. Even though it may have created misunderstanding, it did allow us a tremendous amount of information and allowed us to understand different perspectives and an opportunity to create additional understanding. It allows the board today to engage in good dialogue and it does allow us to provide the state better governance. So again, thank you for that input.

I'd also like to take the time to thank the staff for the effort and the energy that they've put to better understand and make additional recommendations, and I'd like to thank our stakeholders for also the additional input and information that they've provided us.

With that, does anyone on the board have any additional comments before we turn it over to staff?

(No response.)

MS. RYAN: All right. Whitney.

MS. BREWSTER: Thank you, Madam Chair, members of the board. For the record, Whitney Brewster, executive director.

Before you are four rule packages for consideration for final adoption. Agency staff wanted to provide you with some additional information, having gone through the public comment period, and to be available to answer any questions that you have.
So why are we doing this? Going back to the purpose. The purpose of the proposed rules are to create efficiencies, drive down costs, utilize more modernized processes, and most importantly, provide better service to the citizens of Texas. What is included in these rules is a major effort to modernize and streamline service delivery when it comes to registration in the State of Texas. These rules collectively will help Texas move forward with more modern, convenient service delivery options and we believe will provide more value for the citizens of this state.

In the last presentation that we gave to the board, we talked about the Texas State Government mission statement, and I think this still holds true in what we are presenting to you today, after having gone through the public comment period, and I think it's certainly worth stating on the record. A portion of it says: To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner. And that is indeed what the agency is trying to do through these four rule packages before you today.

HB 2202 was the basis for two for the four rule packages before you today. Specifically, those pertaining to the processing and handling fee, as well as to

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deputies. The intent of the bill can be seen here on the slide. Went back and listened to the testimony, read a lot about HB 2202 during the 83rd Legislative Session, and these are the main bullet points from the legislative intent.

It consolidates all of the add-on fees, and I'll get into that a little bit in the moment, but we're talking about the mail-in fee, the credit card fees, as well as the automation fee.

Second bullet, end State Highway Fund diversion, increases transportation funding. This was the key mechanism to get the agency out of being funded from the State Highway Fund.

The intent was also to streamline the process for the customer so that they knew what to expect when walking into a county or a deputy office.

And increases transparency of registration service delivery costs

So on this slide here, it's very interesting. So under the current scenario, the processing and handling fee right now does not exist, and that's what's before you today, but currently $1.90 of the registration fee itself is paid to the counties. Under HB 2202 that funding mechanism goes away, and so the question remains where does that funding come from, how do we pay the counties,
how do we pay our expenses, and it comes from the processing and handling fee.

We've heard a lot during the public comment period from folks that oppose a fee increase but also want to be paid more. That's in direct conflict with one another because the compensation comes out of the processing and handling fee itself, so the more that's increased, the greater the expense to the customer in the form of a processing and handling fee.

We have worked very hard to keep the processing and handling fee as low as possible and we've cut costs associated with registration services. We also have some additional ideas that we intend to bring forward to the board for consideration for the next legislative session that will further drive down those costs.

Why is this important now? That was another thing that we heard during the public comment period: Why are we doing this now? We're doing this now because the legislature also created the TxDMV Fund. This was the mechanism to get the TxDMV out of the State Highway Fund so that our agency would no longer be funded with highway dollars. The legislature directed non-registration fees like title fees, license fees for dealers, et cetera, but not registration to go into that fund but purposefully did not include funding for registration services due to the
processing and handling fee monies coming into the fund to cover those specific costs.

So to Chair Ryan's point of some of the public comment that we've received that maybe somehow the agency has mismanaged its budget, I want to be very clear that this was an intentional act done by the legislature to not fund the registration services portion of our business because that is what the processing and handling fee was supposed to cover, the agency's expenses. So our appropriations starting on September 1, 2016 will come out of the TxDMV fund, and without the processing and handling fee, there will not be enough funding in that account to pay for the agency's registration services.

So here you'll see all of the things that have to come out of the processing and handling fee. These are the things that have to be paid for out of a processing and handling fee. You'll see the tax assessor-collector compensation included in there, as well as the TxDMV compensation, the automation fee, the mail-in fee, the online credit card fee, the full service deputy as well as the limited service deputy fee. All of these things have to come out of that processing and handling fee.

There has been a lot of misinformation surrounding these rules that I'm hopeful we can clear up today, some of which we've already addressed. I won't go
into all of these now but by the end of this presentation we hope to address all of these items here.

And now I specifically want to turn the time over to David Duncan to discuss some of the legal questions that came up during the public comment period.

MR. DUNCAN: The primary question that was raised in numerous comments was that the DMV doesn't have authority to centralize processing of portions of satisfying the internet registrations, and the term that's used in statute in a couple of different places is process through. Under the statute, DMV is given very broad authority over registration and titling generally, and specifically as it relates to registrations, we're required to provide services that are reasonable, adequate and efficient.

The intent of the statute, we went back and looked at the bill that actually added the language about processing all registrations through an online system designated by the department, and the intent of that, there were some counties that were not getting on that system, and the intent was to make sure that everyone is on that system and that was built and operated by the DMV.

The agency's interpretation of its statutes through rule is given serious consideration by courts when courts review agency actions such as rulemaking like this,
and one county in particular commented that there's ambiguity in the term "process" and we agreed that in the statute there is some room for the board to decide what process through means, and that's what's being done through these rules is we're specifying what process through means.

By no means are we taking over every aspect of processing online transactions, and we've even got some examples, there are some examples, some types of transactions that are already performed by the DMV either in large part or completely through RTS, and Mr. Kuntz will cover those.

MR. KUNTZ: For the record, Jeremiah Kuntz, director of the Vehicle Titles and Registration Division.

As you can see on this slide before you, there are many things that are already centralized within the department. There is a common registration and titling system that is managed and operated by the state. IVTRS which is the Internal Vehicle Title and Registration Service, that is what people get on, when they do an online transaction that is the system that is used. That is also centrally managed by the department.

I draw that out and make sure to kind of call that out and call your attention to it. We have looked at what other states do. Because we're a member of AAMVA, we
talk to the other states. What other states do in a lot of this respect, if you look at most other states, most of them already have a fully centralized DMV system. States like Florida are decentralized, similar to the way that we are, utilizing counties to process their transactions. We fall somewhere in between the two. In Florida the actual counties run their own internet system so they have to build their own online portals, they have to collect all of that through their own systems, and then remit it to the state. They also require that the counties send out renewal notices. So in other states like that, they are fully decentralized, and in other states they are fully centralized; we walk somewhere in between.

So what you can see here is we have a centralized computer system, centralized online system. We send out all for the renewal notices for the registrations, so we already have a centralized notice process, the counties are not required to send out their own notices. The counties also do not print their own titles. All of those titles that are issued by a county are centrally processed and printed here at headquarters, utilizing a vendor.

We also have other registration services that are currently centralized. When you look at the International Registration Plan for motor carriers, those
transactions are currently processed at a regional service center or through the IRP online system. The revenue is then remitted to the county, and the counties hold it and remit it with their standard registration fees after the 34-day holding period. The same goes for fleet registrations. Those fleets have standard registration, they are companies like AT&T who are centrally processed through our online system, the revenue goes to the counties and is remitted the same way as the IRP registration revenue. Forestry registrations, NAFTA permits, and token trailers are also centrally processed at our regional offices and/or online, again, with the revenue flowing through the counties and then it being remitted back. So we have at least five examples where registration is already being centrally processed, and we are following the same process for the online system.

I want to talk a little bit about what is being proposed with a centralized printing and mailing process. There's been a lot of confusion about what that means. This is only the printing and mailing of registration stickers. So today all of those processes when somebody goes online, the order is sent to the county, the county approves the transaction, reviews it and approves it, prints the sticker, stuffs it and mails it back to the customer, utilizing a county envelope and county postage.
What we're talking about here, as you can see in this flow chart, is the customer would go in to IVTRS and process their transaction, the payment would process the same way that it does today utilizing WorldPay which is the vendor for Texas.gov, that's their credit card processor. RTS would hold the transaction and we do not know exactly how many days yet, we're going to be working with the counties on how long this hold would be in place. What we've talked about is zero to five days.

The county would be given the ability to verify that the deposit is made into their bank account, they would also be given the authority to look in and see if there's any other issues, like a scofflaw remark that's on the record, and they would have the ability to decline those transactions at that point. So we'd be dealing with exceptions only, they would only be doing declining and not doing approvals.

RTS would automatically approve those transactions once the time period has expired. The stickers would be sent to Xerox which would be our vendor. They would print, they would stuff and mail them. The postage, the printing and the envelope would be at the state's expense, no longer at the county's expense, and the customer would receive that sticker.

There's been a lot of questions in the comments.
about why billing for the county. This process does not
add or remove any liability that the county currently has
with regards to processing those transactions online.
They would still have the ability to look at those
transactions and decline them if the revenue has not been
paid.

I'd also like to address the issue of
chargebacks which has come up a lot. Right now, all of
those transactions that are processing online are done
with a credit card. A customer can do a chargeback on
those cards, and they do every now and then. We've
reviewed those chargebacks, it is not a very high amount.
I know that we've looked at Collin County and Travis
County in specific, and in Collin County they've had 44
chargebacks in the last seven years, averaging less than
five chargebacks per year. Travis County reported to us
that they've only had five chargebacks.

In the case of a chargeback, what would happen
is the county would go in and RTS actually offers them the
ability to enter that chargeback into the system. It is
therefore taken off of what is owed to the state, and so
they are not required to remit that to the state. So they
are not liable for any fees that a customer charges back,
they actually get to deduct those from their deposits to
the state, and the state would be the one that does not
receive the revenue on those transactions. So there is no liability for the counties as far as the revenue is concerned.

MR. WALKER: What is a chargeback?

MR. KUNTZ: That's when somebody goes in and disputes the credit card charges. If somebody steals your credit card or uses it for an unauthorized purchase, you can go in and charge back that charge.

MR. INGRAM: Jeremiah, I apologize for interrupting the presentation. One thing I don't see is the single sticker requirements in terms of the inspections. How will that be handled through that?

MR. KUNTZ: That is automatically verified through the online system, so it will operate the exact same way it does today. If there is no inspection in the system, then it prompts the person with a challenge that says is this vehicle currently out of state. If they answer yes, it's out of state, they're allowed to proceed. If they answer no, it is currently in state, it blocks them and tells them to go and get an inspection.

MR. INGRAM: So it's not going to get very far in that process.

MR. KUNTZ: It won't even get to the county. It would stop them at the very first block there.

MR. WALKER: So do we limit the cost in the
system on the same sticker deal where somebody doesn't get
their car inspected and they start the registration
process, what happens today is they mail the check back,
mail everything back and say, hey, you didn't get your car
inspected.

MR. KUNTZ: That's if it's mailed in. This is
the online process only.

MR. WALKER: And that's my question. So if
it's online, everything is processed online back to the
customer that says: Hey, by the way, your car hasn't been
inspected so you can't continue the process. Until that
we don't send the mail back?

MR. KUNTZ: It stops them right dead in their
tracks. So if they don't have an inspection in the
system, the system will hard stop them and tell them they
need to go get an inspection.

MR. WALKER: Through the internet?

MR. KUNTZ: Yes, the internet system will
prompt them and give them that message that they need to
get an inspection.

MR. WALKER: So there's no cost associated with
it.

MR. KUNTZ: No.

MR. WALKER: Like right now there's a cost
incurred mailing a check back with a letter that says go
get your car inspected.

MR. KUNTZ: For mail-ins.

MR. INGRAM: There's going to be a certain percentage of those consumers that are just going to be confused. They didn't get the memo about needing inspections. So when they get stopped at that point, will it then be the DMV policy to redirect those people if they have questions to our own internal staff? How are we going to handle the questions at that point, because there will be questions.

MR. KUNTZ: Our staff are already handling those single sticker calls. Yes, we are removing all references to contact the county from the online system and instructing individuals to contact our 1-800 number or visit the regional office.

MR. INGRAM: Thank you.

MR. PALACIOS: Jeremiah, regarding the scofflaw reports that you mentioned, will counties have the same capabilities, I guess, to look for any outstanding scofflaw issues that they currently have? How is this different from what they're doing now?

MR. KUNTZ: There's two different ways that counties handle scofflaw. Some counties provide us the files for us to mark the record in the registration and titling system. If they do that, the online system will
hard stop them. If they don't -- I know in El Paso they
do not do that, they have their own outside system that
they use to track scofflaws -- in that situation the hold
period becomes important to them in that they could go in
and review those transactions and compare it against their
own database the way they do today and they could decline
those transactions. IVTRS actually has a comment field so
they can type a comment back to the customer that they had
an issue with their registration and do it that way.

MR. PALACIOS: Okay. So are you saying they'd
be required to have two databases?

MR. KUNTZ: They are not required to. In some
counties they choose to have a separate outside database.
They're not required to. They can send those records in
and have the RTS system mark them, but some counties
choose to have a separate stand-alone system because they
use it for property taxes as well as for this. So they
use it for dual purpose, and so in those instances, the
hold period would give them that ability to go in and
decline those transactions.

MS. CARAWAY: Jeremiah, on the scofflaw and the
zero to five days, is that going to be per county choosing
the number of days, or is that going to be a statewide
issue?

MR. KUNTZ: We are looking at that being a
statewide single point, and so that's something we'll be
talking to the tax assessor-collectors about how long do
ty they want that hold period to be to give them adequate
time to check.

MS. CARAWAY: Thank you.

MR. TREVIÑO: Jeremiah, are scofflaw declines a
large issue? What percentage of overall applications are
scofflaw declined?

MR. KUNTZ: I don't have percentages on those,
and it's hard to tell. As we've said, some of those
systems are outside of RTS, so we would only be able to
know which ones are in the system, and I don't have that
at my fingertips right now.

MR. INGRAM: And just to make sure that we're
all on the same page, the goal thorough these actual
rules, in fact, is -- or through statute, I'm not sure --
we're hoping to give the consumer a receipt at the time
they do the renewal that will be good for transportation
until they receive their actual sticker.

MR. KUNTZ: We are looking at pursuing a
legislative change.

MR. INGRAM: It's a legislative change.

MR. KUNTZ: To allow that receipt to serve as
registration for a period of time. That way they're not
relying on that sticker being printed right away. The way
that temp tags work today is that temp tag can be printed
online and used immediately. We would be pursuing some
legislative changes to allow that receipt to serve as
registration until they receive the sticker.

MR. INGRAM: Great. Thank you.

MS. RYAN: Jeremiah, one question on the
scofflaw. In some of the reading I was doing, it stated
that some entities -- and I don't know if counties do --
some entities actually contract or pay the county tax
assessor-collectors -- and Luanne, maybe you addressed
this -- to engage in this scofflaw verification. Was that
just a comment? Can we confirm that?

MR. KUNTZ: There are various ways that
counties have set up their scofflaw programs. Some have
outside vendors that are doing recovery on those fees and
taxes that are owed to the counties or municipalities, so
we know that there are some that have an outside vendor
that track those in a separate system. That's what we are
referring to in El Paso. I'm not sure if El Paso uses a
homegrown system or if they have a vendor that provides
that information, but there are some counties that have
software that they purchase in order to track those
scoffs.

MS. RYAN: So do the tax offices get paid when
they engage to do that?
MR. KUNTZ: There is a statutory provision that allows a county to assess a $20 fee for having to do the chasing on those scoffs, so they can assess the customer a fee, and that's statutory.

MS. RYAN: Okay.

MR. TREVIÑO: Jeremiah, you're satisfied that the vendor can fulfill all these obligations and deliver a good product?

MR. KUNTZ: Yes, sir. We currently utilize that vendor to process approximately 2 million registration renewal notices a month, as well as all of the titles for us. They've been doing a very good job of keeping that up. We actually recently transitioned the stuffing and mailing from an outside vendor back to Xerox. Xerox has always done the printing but now they are also doing the stuffing and mailing, so they've got the whole process from end to end. They're able to hit their marks on everything that they're doing for the renewal notices and exceed our current requirements to get those out the door. So we're actually having to re-look at our schedule because they're exceeding their SLA by about a week's time on getting those notices prepared, so we're trying to look at that to see how we can streamline that for them as well.

They've also, in the first month that they've
taken over doing our notices, they were able to save us a substantial amount on postage by doing what they call householding which is merging multiple notices that are going to the same address into one envelope in order to save on postage, so they've been doing well at saving us postage as well through this process.

MR. INGRAM: So just making sure I understand fully then, from the tax assessor-collector, they're basically handling the funds through Texas.gov. Right? And they're using whatever system that they use for the scofflaw, and that's their basic tasks. Is that correct?

MR. KUNTZ: Correct.

MS. CARAWAY: Jeremiah, insofar as the online is concerned, when a sticker is mailed out and if we get legislation changed where they can use a receipt as a temporary proof of registration and that customer does not receive the sticker in the mail and they need a replacement sticker, most of those are probably going to turn to the county tax office to get that sticker to go ahead and get it in hand. And in the past I know counties were talked to about the number of no-charge replacements and that being extremely high, and so what is going to be the recommendation on how those are handled and will that be held against the counties as it has in the past?

MR. KUNTZ: So I'm going to the next slide real
quick to help to answer.

MS. CARAWAY: I'm sorry.

MR. KUNTZ: No. It will help answer this question.

By going to a centralized process, we're going to be able to have greater visibility into what the status of that sticker is, so as part of the programming effort to do this centralization, we are looking at building a tracking system, much like Amazon and other shippers do, to track the shipment of that package or mail through the mail system. So what you're seeing here is a mockup of what a customer would be able to get from an online tracking portal. We are looking to build a web page on our website that would allow the customer to enter the license plate and last four of the VIN. When they do that they'll have a tracking bar that will show them where that sticker is through the system.

We are looking at adding an intelligent mail bar code to the envelope. The United States Postal Service has got a specific type of bar code that they're utilizing now that actually will allow us to see when it is scanned in their facilities and for us to get reports back out of that system. We've met with the post office last week, actually, to talk through that. They have the ability to send reports to us for us to query against, to
actually watch that piece of mail as it's going through
the postal system. So what the customer will be able to
do is see exactly where the status of that sticker is in
its delivery so that we can better estimate when that
sticker would be delivered to them.

What we are anticipating is that if there's a
problem while at the printer, while at Xerox being
printed, that those would be automatically reprinted and
sent back out. We should be able to see it getting
delivered. If it does not get delivered to the post
office, we are looking at reinitiating that printing of a
replacement automatically without the customer having to
query us so that we can get it into the mainstream without
us having to ask.

Once it's entered the Postal Service, obviously
things do get lost in the mail, statute contemplates for
lost or stolen stickers or license plates that the
customer pay a $6 fee plus the 50 cents for the automation
which means they would have to pay $6.50 to get a
replacement. That would allow the county to be
compensated for doing that transaction. We're not
contemplating that there would be free replacements for
this, and we are hoping that this system would give enough
visibility that you can see exactly where that is in the
process to know if it really truly was lost or if it's
just still in route.

MS. CARAWAY: And how is that $6.50 divided?

MR. KUNTZ: I believe that the statute has it at $2.50 for the counties.

MS. CARAWAY: Okay. And then on the approval or decline, again back to the zero to five days on approval or decline, I know that some counties wait till the monies are deposited into their bank account, some process them immediately, probably depends on the size of the county. So that zero to five days is going to determine that, and still the county will have to take action on approving each of those.

MR. KUNTZ: The way that we're setting up the system is the system would hold it and it would be an exception-based system, so the system would hold the transaction for that zero to five days. Once it hits that, it would release and it would go to printing, so unless the county intervenes and stops the transaction, it would go through. That way you're only looking for the exceptions. If you look at your financial report and you see that something did not fund, then it would just be an exception to stop those, but it would not be that you have to go in and approve all of the transactions.

MS. CARAWAY: And will the reporting be the same?
MR. KUNTZ: We are looking at some additional reporting as well in order to make sure that we've got all the requirements. So again, we'll be going out to some counties to look to see if there's any additional reports that you would need, but that's being built into the requirements as well.

MS. CARAWAY: Thank you.

MR. KUNTZ: Yes, ma'am.

MR. WALKER: So why would there be any more lost replacements going forward than there is currently right now? I mean, it's the same process, basically the mail. Correct?

MR. KUNTZ: Yes, sir.

MR. WALKER: So how much is there right now, Luanne?

MS. CARAWAY: I don't have a number. I mean, we get quite a few that call who haven't received them.

MR. KUNTZ: This system will definitely give us greater visibility. By centralizing it, we can use bar code technology to track that where we can't do that today, so we'll be able to see exactly where it failed in the system or where something went wrong which will help us greatly in figuring how many come back in returned mail as well as how many just never get delivered.

MS. RYAN: Is there a cleanup process? I'm not
using the right terminology, but when it does come back or before it goes out to verify an address or clean up an address should it come back?

MR. KUNTZ: So we are looking at deploying some new technology on the front end of IVTRS. If you've been on the websites recently that you do orders, a lot of them are using different pieces of software to validate that it is a good address that the customer enters. The customer enters the address at the time that they purchase the sticker, we don't rely on the address that's in the system. So they actually give us the address at the time that they order it that they want the sticker to be sent to, and so we're looking at having a piece of software that validates that that is a good address that was entered. If the customer made a mistake in typing the address, put in an incorrect zip or something, the system will prompt them to correct that right then on the spot and that should cut down substantially on the ones that are having to get returned for a bad address.

MR. INGRAM: Luanne, do you feel like that the returns would go down simply because you don't have the people that are procrastinating and they're waiting till the very last second to get their registration renewed, and so they're in kind of a panic to get those stickers? Now if you actually print something off at the time that
they do it, that that desperation goes way down?

MS. CARAWAY: I think that definitely could
have an impact.

MR. BARNWELL: Is the U.S. Postal Service
already up and running with this bar code technology?

MR. KUNTZ: Yes, sir.

MR. BARNWELL: What's the additional cost?

MR. KUNTZ: There is none.

MR. BARNWELL: So they're absorbing that cost.

MR. KUNTZ: It's already included in the price
of a stamp.

MR. BARNWELL: And where is that technology
deployed? Is it only in big cities at central processing
facilities, or is it in the countryside?

MR. KUNTZ: It's everywhere that the Postal
Service uses their technology.

MR. BARNWELL: Well, yes, I know that.

MR. KUNTZ: The only thing is it only scans it
when it hits a facility, they're not doing door-to-door
scan, so you're not going to get a scan when they're
actually putting it into the mailbox but you can track it
all the way until the point that it is put into the
delivery bag, if you will.

MR. BARNWELL: Okay. And this would count for
the post office in Magnolia, Texas?
MR. KUNTZ: Yes, sir.

MR. BARNWELL: You sure about that? I don't think Magnolia, Texas knows anything about this is why I'm asking. But I mean, that's my post office and I know those fine people over there.

MR. KUNTZ: Anywhere that it is run through one of their tracking systems, so when it goes out for delivery, what they've told us is they scan those to go out for final delivery and they should be able to tell us whenever it is scanned at one of their receiving facilities.

MR. BARNWELL: Okay. Very interesting.

MS. CARAWAY: Is that the bar code that is added to the front of even lopes?

MR. KUNTZ: Currently, yes.

MS. CARAWAY: Because sometimes those don't get done or they can't read them. We've tried to use that for proof of delivery or whatever.

MR. KUNTZ: One of the things when you use an intelligent mail bar code, the way to use it effectively is you need to add a serial number into it, and we have not done that up until this point, so we've been looking at that. What you do is you create a nine-digit code to embed within that bar code and that's what will track it back to that specific transaction. We have not added
those up until those point because we've not had a way to
utilize that serial number, but that will be programmed in
to where we'll add that and serial number each piece of
mail.

MR. TREVIÑO: Jeremiah, has the vendor been
asked to conform to a standard like delivery within five
to ten days or anything like that?

MR. KUNTZ: There will be SLAs in the contract
and it is for next day printing

MR. TREVIÑO: And delivery? I know that
depends on the mail and everything else and also the hold
and everything else, but just a range.

MR. KUNTZ: It will go out in first class mail.
The printing and stuffing is for next day.

MR. BARNWELL: As we know, the problem is not
in the central facility with the U.S. Postal Service, the
problem is once it's processed out of that central
facility. Delivery to the remote facility where the
actual postal carrier works, that's where we're going to
have and do have the problem. The central facilities are
highly automated and they blast millions of pieces of mail
through there every day. What's the real point of this is
my question, because where we're going to fall down in
delivery is not the fact that they actually got it into
the central facility and managed to scan it. So what?
That's not going to help you.

Now, if this helps internally as a check on Xerox or a check on our own processes and handling and the manner it's handled and the efficiency of that, then I can understand it. But I'm not seeing any benefit to checking with the U.S. Postal Service because that's out of control anyway.

MR. KUNTZ: Obviously, once it gets into the Postal Service's hands, we rely on the post office to make delivery. What we are looking to do is to provide as much transparency to the customer as we possibly can as to where that sticker is in the mail process and when they can expect to receive it. A lot of the questions that I'm sure Luanne gets is, you know, people are waiting for the sticker and they've waited maybe two days or three days and they're expecting it to come in and they just don't know where it is in the process. This will give them the visibility to see it was printed yesterday, it was put in the mail today, and they can expect to see it within three to four days.

MR. BARNWELL: And this receipt we're talking about, that's legislatively activated.

MR. KUNTZ: In order for them to use the receipt that is printed from their desktop.

MR. BARNWELL: For up to 30 days, I believe?
MR. KUNTZ: Yes. That's what we'll be seeking.

MR. BARNWELL: At that point in time then, the bar code thing is still transparency.

MR. KUNTZ: Absolutely. We want to make sure that customers have that transparency in order to try and cut down on calls. A lot of the comments and concerns that we heard from the tax assessor-collectors is that they would be flooded with phone calls and not know what the status was of that sticker. This will give both them as well as the customer the ability to see where it is in the process, to answer those questions for them to say, Hey, I can see that it was just printed yesterday, it should be in the mail, give it a couple of days to get there.

MR. BARNWELL: And that's going to cut down on calls.

MR. KUNTZ: We hope that it will cut down on phone calls, but obviously, if customers continue to call, they will continue to call.

MR. INGRAM: And Jeremiah, is it contemplated that DPS will be able to also determine the status? I'm just imagining a scenario where an officer pulls over somebody and they pull out this printed receipt, they may not want to rely completely on that printed receipt.

MR. KUNTZ: They could obviously, if they have
internet access in their computer in their car, they could run it if they needed to to see if that's truly a valid sticker that was ordered.

MR. BARNWELL: That's all future. It's all going to be approved by the legislature or not.

MR. KUNTZ: Yes, sir.

MS. BREWSTER: Just to be clear. I'm sorry. We're not dealing with that issue quite yet, that's a legislative change to allow for the registration receipt to be used as proof of registration. That's definitely an improvement that we're hoping to see down the road but not one that we can utilize right now.

MR. INGRAM: I understand. I should have been clear that I'm thinking way ahead that that may be necessary.

MS. RYAN: The receipt aspect, but the bar code is current.

MS. CARAWAY: And where is the return mail going to go? Is it going to go back to Xerox, will it come to here at headquarters?

MR. KUNTZ: Yes. We are talking with Xerox. Obviously it will still come back to headquarters because it's got the return address here. Xerox makes deliveries over to our headquarters building daily, and so what we would do is hand off the return mail to them to scan back
into the system as well daily.

MR. WALKER: What about proof of insurance?

MR. KUNTZ: Proof of insurance is handled through the online system.

MR. WALKER: And how do you handle it through the online system?

MR. KUNTZ: There's a system called TexasSure, and so right now we validate insurance electronically through TexasSure, and it goes off of the VIN and it can tell whether or not that vehicle has insurance on it.

MR. WALKER: So what do you do about my truck?

MR. KUNTZ: Are you uninsured?

(General laughter.)

MR. WALKER: Quite the contrary, over insured.

So I'm on a fleet policy that says any and all vehicles operated by. It's not listed as a VIN.

MR. KUNTZ: It's not going to be able to validate that. I know that TexasSure has been working to get that validation in place.

MR. WALKER: So I can't register any of my fleet of vehicles because our fleet policy doesn't list specific VINs, it just says any and all vehicles operated. Because we have so many vehicles, we don't list the VINs.

MR. KUNTZ: The system won't be able to verify it electronically, and we're relying on that electronic
verification to process those.

MR. WALKER: But I won't be able to register online.

MR. KUNTZ: Not at this time. My understanding is TexasSure has been working on trying to get fleet policies added.

MS. RYAN: That's a current process, though. Right? That's the way it's been as long as the online process has been in place, so you haven't been able to, I guess, do it online. You haven't been able to do it online that way.

MR. WALKER: No. Because they send it back and say send proof of insurance, we have to send it in.

MS. RYAN: That's the same way. Okay.

MR. KUNTZ: This brings us to staff recommendations.

The first staff recommendation relates to license plate replacement cycle. We did receive some comments suggesting that the license plate replacement cycle should remain mandatory for various reasons. I know that there were some that cited the reflectivity as an issue. We did not receive any comments from law enforcement related to the reflectivity of license plates, and so we have recommended not amending the rule as proposed. There are less than half a million license
plates that make it to the seven years. As we discussed in the previous board meeting, we get less and less license plates that make it to that seven years every year because of turnover in the fleet that occurs, and so we're recommending leaving that as is.

As a note, statute does require a motorist to maintain a legible set of license plates, and so they would be required to come in and replace those license plates and pay the requisite fee for a replacement set of license plates if they ever became illegible.

MR. INGRAM: Jeremiah, remind me the cost savings that we had calculated for the plates.

MS. FLORES: On an annual basis we're estimating between $2-1/2- to $3 million a year.

MR. INGRAM: And DPS has not complained about the proposal to drop the plate term. Why are we doing it again? Just kind of fill me in; I must have missed it.

MR. KUNTZ: No, we did not receive any comments from law enforcement nor from DPS about this rule. Part of the issue with centralizing this, one of the things that the counties are dealing with today is when a customer's license plates reach the seven-year replacement, the counties when somebody applies online are having to issue that person a set of license plates, if they're doing it online or by mail, they have to mail
those license plates back. We know that postage on those plates is quite expensive, it could be as high as $3.50 for a set of license plates to mail those out, and so in order to save the counties as well as the state the money for mailing those back to the customer, that is the driving factor behind that. We've heard no concerns about the reflectivity from law enforcement.

MR. INGRAM: Okay. So I'm sorry, I'm very confused then. It says that you're recommending not to amend the rule.

MR. KUNTZ: Not amend it from the proposed, so we'll leave it as proposed.

MR. INGRAM: Okay. Now I understand. You're saying amendment from the proposed rule. I understand. I was very confused for a second.

MR. KUNTZ: I apologize for the confusion there.

The net issue has to do with even trades. We received comments from some tax assessor-collectors as well as from some other individuals that this may be a burdensome process and that they did not believe that it was warranted. While we do not necessarily agree with the comments that were received on even trades, we do recognize that this is an issue that we could go back and reevaluate as well as look at some potential statutory
changes relating to this, and so we are recommending removing this from the rule package at this time for further evaluation and consideration.

MR. WALKER: What was the motivation that we put that in the rule?

MR. KUNTZ: Fraud. We have seen fraud.

MR. WALKER: Did you get a directive from the legislature on that?

MR. KUNTZ: Did we get a directive? No.

MR. WALKER: That was just internally?

MR. KUNTZ: Yes. We have seen this process used in order for people to avoid paying sales tax. We've seen in numerous transactions where only one side of the transaction is perfected and the other vehicle is never actually transferred on title, and so we know that there are issues going on where people are just using this in order to avoid paying sales tax.

MR. WALKER: And so why do we want to delay this? Tell me what the real reason to delay is.

MS. BREWSTER: This was a topic that was brought up in the House Transportation Committee hearing on May 25. There were several legislators that were interested in this particular topic and suggested that maybe the agency continue to research this and work with the legislature on a potential legislative solution that
would not be as impactful on those that are legally trying
to pursue an even trade. This is certainly something that
is still on the agency's radar and we'll continue to work
on, we're just going to look at a different way of
addressing the issue.

MS. RYAN: I think I also read, and in a lot of
the comments and live discussions too, this also was going
to bring people in, two parties in to tax offices, hence
also additionally increasing bodies in tax offices and
slowing down lines. Correct?

MS. BREWSTER: I'd like to point out that half
a percent of all registration transactions -- or title
transactions -- I'm sorry -- are even trades so it's a
very small number.

MS. RYAN: So that's not an issue.

MS. BREWSTER: Yes, .5 percent statewide, so
it's a very small number. The way that the rules were
contemplated, it requires both parties to come in to
perfect the even trade, however, we do believe that there
are other ways that we can resolve this issue that would
be less burdensome on, like I said, a customer that's
really trying to legally do an even trade.

MR. WALKER: So you have a 2010 Chevy pickup
truck, I have a 2017 Ford and we go in and say I'm going
to trade you mine for yours, no tax consequences, even
trade, but then on a sidebar you and I exchange cash, and
that's what the state is concerned with is that there's
some sidebar stuff going on?

MR. KUNTZ: Yes, sir. There's about 46,000
even trades a year. While it's a small percentage, it is
quite a few number of them.

MR. WALKER: So let's just say we went forward
with the current process -- and I don't even know what the
current process is. How do you do it today, just say I'm
trading my pickup for her pickup?

MR. KUNTZ: Yes, sir.

MR. WALKER: And so does Luanne have to go out
in the parking lot and say, Oh, wait a minute, that's not
an even trade.

MS. CARAWAY: No.

MR. WALKER: So she just okays it.

MR. KUNTZ: Takes it as its face.

MR. WALKER: So now we're trying to say how do
we clean this up?

MR. INGRAM: Well, you do have presumptive
value in there.

MR. KUNTZ: Not on even trades.

MR. INGRAM: Not on even trades?

MR. KUNTZ: That's one of the things that we're
looking at potentially doing.
MR. INGRAM: That would be a pretty good solution.

MR. WALKER: So there's no presumptive, we don't look at Blue Book value or anything?

MR. KUNTZ: No.

MR. TREVIÑO: But the idea right now is just not to inconvenience the people who are using this legitimately and just to try and figure out a better way to skin this cat. Right?

MR. KUNTZ: Yes, sir.

MR. WALKER: So the recommendation right now is let's table this until we come up with a better solution.

MR. KUNTZ: Yes, sir.

MS. RYAN: Thank you.

MR. KUNTZ: The next issue relates to Texas IRP transactions. One of the comments that we received specifically asked how IRP transactions would be handled. We noted that we had not specifically addressed those in the rule and so we have added some additional language to the rules specifically address International Registration Plan transactions. This will require that the credit card fees paid for these transactions be paid in addition to the processing and handling fee. These transactions have a very high dollar value potentially with them, and currently we are assessed a 2-1/4 percent plus a quarter
transaction fee for processing these, and on many of these transactions the processing and handling fee would not be sufficient to cover that. So these will be handled differently than the rest of the registration transactions and have the motor carriers pay what they're paying today for their credit card processing.

The next set of comments that we received were relating to the deputy rules. These are the number of comments that were received. This rule received the highest number of comments of any of the four rules that are before you, as you can see by the numbers that we received. We tried to group these so you can see generally the types of groups that were commenting on the rule.

So the first comment that we received that we are addressing, most of the comments to these rules came from the full service deputies and their customers. The commenters felt that such entities should be compensated more than $5 for registration and more than $15 for a title, and we heard a lot about driving those businesses out of business. We want to make sure that we are noting we were not intending to drive any of these entities out of business. We did receive financials from eleven of the full service deputies. We did review those financial statements, and we are recommending a change to the rule.
as it was proposed to increase the registration amount on $10 on a registration and $20 on a title. Based on the information we evaluated in their financials, this would maintain profitability for those entities that we received financial statements for.

MR. PALACIOS: Jeremiah, I have a question on those financials. Were all of the entities that you looked at, were they all negatively impacted by the first recommendation?

MR. KUNTZ: Not all of them were negatively impacted. There were some that were negatively impacted and some that were positively impacted by the first recommendation.

MR. PALACIOS: So you received eleven financial statements. Do we have an idea how many full service deputies operate in Texas?

MR. KUNTZ: I believe there's close to 30 or so in the state.

MR. WALKER: Thirty is all?

MR. KUNTZ: I believe so, yes, sir.

MR. INGRAM: Well, 30 but they all have multiple offices, some of them have multiple offices.

MR. KUNTZ: I believe that's the number of offices.

MR. INGRAM: That's the number of offices.
MS. BREWSTER: There are currently four counties that utilize full service deputies. There were six. Cameron County is not utilizing full service deputies because those have been shut down due to the criminal investigation in Cameron County. Wilson County was the other. They are not utilizing their full service deputy any longer due to WebDealer. WebDealer has assisted that county and they no longer are utilizing that full service deputy office. So right now there are four that we are aware of that are utilizing full service deputies.

MR. WALKER: El Paso, Bexar, Travis and?

MS. BREWSTER: Hidalgo.

MR. PALACIOS: Did we get a good cross-section of the financial statements from deputies throughout these four counties, or was it limited to a couple of counties?

MR. KUNTZ: It was from Travis and Bexar.

MR. INGRAM: So I may be jumping ahead. I apologize. Just tell me if it's out of line. I know that we specifically spelled it out in the rule that this only applies to the registration and the titling. They can still charge for other aspects of what they're doing. Correct?

MR. KUNTZ: Yes, sir.

MR. INGRAM: So my question is as a dealer, if
a dealer came to a full service deputy and said I need you
to do my transfers, here's my titles, but they're not
filled out, in other words, I'm just going to give you the
forms, would you please fill it all out and then get it
transferred, could they charge extra for doing the work or
actually filling out the titles? I'm just thinking ahead.

MR. KUNTZ: I'm going to hazard to answer this.
I would say no because that is a critical function of
processing that transaction. It is central to the
application itself.

MR. WALKER: But they could charge ancillary
charges of courier service to go pick up those or to hand
deliver them back to the dealership.

MR. KUNTZ: Yes, sir.

MR. WALKER: There's all those kind of charges.

MR. KUNTZ: Notary services, courier services,
charging to make copies.

MR. WALKER: Notary charges, you could say each
one has to be notarized and I charge $25 for a notary.

MR. INGRAM: I guess you could go back to say
the same thing, dealers are supposed to maintain copies so
I guess they could charge for the copies.

MS. RYAN: Those are things that are not under
our authority or purview. Right?

MR. KUNTZ: Correct.
MR. WALKER: Where lies the policing and the accountability of those charges? Is it with the tax offices or is it going to be DMV going in and doing an audit? Because actually, the deputies are deputized by the TAC, so does the DMV have authority to come in and do audit functions to say what are you charging for the transaction?

MR. KUNTZ: I think we're going to answer that in the next slide. So unless there are any other questions, I'll move to that.

MS. RYAN: Johnny, are you okay if he covers that and then we'll come back to it?

MR. WALKER: He's going to answer right now because it's the next step.

MS. RYAN: And if it's not answered, we'll come back to the question.

MR. KUNTZ: So the original rules as proposed would have had the DMV as a third party to a three-party agreement to deputize the full service deputies, that being the DMV, the county and the deputy themselves. Staff is recommending that the DMV not be a third party to the contract, that instead we have an addendum that is required of their contracts with a user agreement for the use of the registration and titling system, making that use contingent upon adherence to laws and regulations.
relating to titling and registering of vehicles. That
would be the limit of our authority and the limit of what
we would be looking at is are they using the registration
and titling system the way it is intended to be used.

MR. WALKER: So in a nutshell, what I think I
heard you say is there's no real accountability as to
internally auditing to see that the process is being
maintained.

MR. DUNCAN: We would anticipate that the
counties would maintain their role as the overseers of
that contract, subject to these rules.

MR. WALKER: You think the TACs have that kind
of funding that they're going to provide an auditor to go
out and do an audit of a deputy?

MR. DUNCAN: They have told us that they visit
these deputies with great regularity, especially to check
their inventory and their transaction processing.

MS. RYAN: David, would you give the board a
little insight into what you would foresee that agreement
covering?

MR. DUNCAN: It's primarily that the -- we've
got it spelled out -- we're going to limit the use of the
system, basically we're going to tell people you have to
comply with all requirements, we're going to tell people
that you have to identify your users.
MS. RYAN: Who I'm assuming would be the full service deputies?

MR. DUNCAN: The deputies, yes, ma'am.

I might as well bring it up. I've got the proposal handy but I don't have the adoption package yet because it won't open. In the draft preamble what we stated is the addendum will include some but not all of the original terms proposed for the three-party agreement: identify the owners, identify the personnel who will be given access to the system; agree to cooperate with investigations by law enforcement; access may be terminated if a deputy is subject to a criminal investigation involving a crime of moral turpitude, but we will provide an appeal process for that; reject any transaction that appears irregular on its face; conduct an inventory of assets and provide that to the county and the DMV; and the department may conduct an audit of the full service deputy's operations that are governed by our rules, so we could go in and check and see if they were charging the appropriate fee.

That's an outline of what we would propose.

Again, this would just be a single sheet of paper that we would provide to the county and say make this an addendum to your contract.

MS. RYAN: I also believe the rules require
that the fees are clearly posted.

MR. DUNCAN: Yes, ma'am.

MS. RYAN: So we're not necessarily auditing, we're asking for that transparency that the agency asks for to be carried forward for the consumer.

MR. INGRAM: So the DMV, though, is not going to actually send an auditors to ensure that that transparency is being shown as desired. Correct? Is that going to be the tax assessor-collector responsibility?

MR. KUNTZ: Currently we have field service reps that go out and do inventory in the counties as well as the deputies to check on the inventory of license plates, sticker paper, any of the controlled forms that we have, and so they're out there doing those inventories as we speak.

MR. INGRAM: So they could be not necessarily trained but instructed to look for these additional items.

MR. DUNCAN: Yes, sir.

MR. KUNTZ: The other thing that we're looking at in the programming with the processing and handling fee is to add specific line items in RTS for those fees to be captured and printed on the receipt that the customer receives, and those are currently not done today. So the fees that are assessed do not currently print on the registration receipt and we are looking to add those so
that those are printed on the receipt for the customer for their transparency.

MR. WALKER: So if a person walks up to the tax assessor-collector's office and pays a hypothetical fee of $5, $3, whatever amount, to do a transaction today for a title or for a registration, he makes the $3 or the five bucks. If the same person now goes to the deputy and gets the $10 or the $15 or the $20, whatever it might be, what does the TAC get for the transaction?

MR. KUNTZ: We will cover that in the next.

MR. WALKER: But it's relevant to right now because the TAC is still going to make money off of the deputy transaction. Correct?

MR. KUNTZ: Yes. So the deputy would retain a dollar from the processing and handling fee, they would assess a $9 charge on a registration above that, and they would keep -- and I say that $9, it's up to that amount -- they would keep that amount to themselves and the county would receive $1.30 for those transactions.

MS. RYAN: Go ahead.

MR. WALKER: My concern becomes we hear all these grumblings from the TACs that we need more money, you're not giving us enough in your processing and handling fee, and so now instead of them saying we're going to live with this, what precludes them from saying
let's go to the deputy model and go out here and force the
citizenry to pay your $10 out there instead of going for
$5 to the county offices. The county TACs are still going
to make more money than actually processing the
transaction, and so you've really cost the taxpayer more
money by forcing them to go to the deputy.

MS. BREWSTER: May I? Member Walker, currently
counties get compensated at the full $1.90 regardless of
where the transaction is completed, so right now I would
say that there's more of an incentive to adopt a full
service deputy model than under this scenario because
under this scenario the counties do not get paid as much
for the transactions that are done by full service
deputies. Like Mr. Kuntz indicated, it's $1.30, whereas,
right now they receive $1.90 at the county for a customer
to go into a full service deputy office.

MS. RYAN: And I believe the discussions are
excellent, but I might suggest we get through the full
staff recommendation so that we have all the information
on the table, and then allow continued discussion and
dialogue and debate, also get to the comments. We have
all the information on the table and then allow the board
good deliberation, which it sounds like we're going to
have.

MR. PALACIOS: Jeremiah, I know we've talked
about this but I just want to make clear that this RTS agreement that we have now would give us assurances that there would be no violations in the fees that these full service deputies are charging right now. So that if we adopt what you're recommending that we have the means to not only verify that the fees are being charged in accordance with what we've agreed upon, and that if they're violated we have remedial action that we can take.

MR. KUNTZ: Access to the system is what differentiates these entities from a title service company and proper use of that system is what we would be looking at, including adherence to all statutes and rules.

MR. PALACIOS: Thank you.

MR. KUNTZ: The next comment that we received, we received a comment relating to the bond amounts. Currently there is an entity that commented, it was Enterprise Rental Car, that has a bond that exceeds the $2 million cap that was in the proposed rules. They currently are having a $4 million bond in one of the counties and they requested that we increase the bond amount. The way that that county sets that bond is $1,000 in value per license plate for the bond, so they would need that additional headroom, if you will, on that bond top end in order to do what they're doing today.

We also received one comment that the $100,000
minimum bond for dealer deputies was too high. We've discussed that extensively and we've gone back and looked at that and believe that that is adequate to ensure the protection of the inventory that's maintained by those dealers in case of a loss.

The next comment we received on dealer deputies related to the compensation that was listed in the proposed rules at $15 for a title. There were some comments that that was too high given that the dealers have the ability to assess a documentary fee. We've evaluated that and lowered that amount to $10. There are some additional requirements that a dealer would have over their normal course of business if they were to be deputized in that they do have to maintain an inventory of license plates and stickers, they would have to post a bond with the county, and so there are some additional costs that that dealer would incur in being deputized, and so we do see value in them having some amount to charge a fee for the title work.

MR. WALKER: This recommendation comes actually from TADA, their membership?

MR. KUNTZ: To have a dealer deputy?

MR. WALKER: No. The reduction in this fee.

MR. KUNTZ: No. I believe it came at the request of one of the tax assessor-collectors that it was
too high.

MR. WALKER: Do we have a comment from TADA?

MR. KUNTZ: I would have to go back and look at that one; I'm not remembering a comment from TADA on that.

MS. RYAN: I don't recall anything, Johnny.

MR. BARNWELL: So based on the tax assessor-collector's opinion that $15 is too high, staff says, okay, without any evidence that is too high, I mean, without anything else?

MS. BREWSTER: Right now they don't have the authority to necessarily charge anything because right now there is not a dealer deputy classification.

MR. BARNWELL: I understand that. What I'm talking about is we just decided that $15 is too high so $10 becomes reasonable. Why not $12.50 or $8?

MS. BREWSTER: We measured it against what dealers are able to charge for a documentary fee. Like Mr. Kuntz indicated, because there is still a cost to maintaining inventory through a bond, we thought it was reasonable to lower it to $10 and still cover it.

MR. BARNWELL: [INAUDIBLE - MIC NOT ON].

MR. KUNTZ: Fifteen was the original request during the working group that we had talked about.

MR. BARNWELL: I don't want to beat it to death but a lot of the fees we're imposing on people and a lot
of changes we're doing, I'm just interested in how the vetting process works, that we're not just throwing stuff at a wall to see what sticks. And the $15 versus $10 thing, I don't know what's a reasonable number. I know that some car dealers charge an $80 doc fee and some of them charge $40. There's other fees, new car prep, and dah-dah-dah, there's a lot of fees that aren't statutorily set which makes all of this a little bit of an exercise in kidding ourselves anyway because the charges are the charges.

MS. BREWSTER: Member Barnwell, I know that there is some question as to whether or not dealers can even charge this $10. I know OCCC is looking at that right now. We would like to kind of work with them and see what their interpretation is of this, and we can certainly revisit it in the future, but there is some question out there that can dealers charge even $10. So we will continue to work through that with OCCC and develop a recommendation to the board once that has been determined.

MR. WALKER: This is staff's recommendation to go to the $10 charge, but you got through saying we need to work with them to see if they can charge even a $10 fee. Well, why wouldn't we just say we need to table this until we come back with a better recommendation if we're
saying we don't know?

MS. RYAN: The rules say up to, so from an individual dealer perspective -- and Raymond can weigh in too, and Karen is here, she can help too -- but individual dealers have the ability to charge a doc fee which they can charge up to a certain amount. So every dealership has the ability to set that for themselves, so they will do what they want on this. They may charge zero. Still it's up to, so some dealers may not charge anything. Right? So even when they go back and look into certain things, there's been comments, though not written, that have been shared verbally on is $15 high, should it be at zero. And so when Whitney says they're going to go do some additional due diligence, they may weigh in, they may not.

I'm not going to speak for them, but some dealers may not set anything on this on that point. Unlike other deputies, they already have the ability that's already set with a fee. Does that help with that background? That was the background on the doc fee.

MR. WALKER: The question I guess I would have, and maybe Karen can answer this or maybe Raymond can --

MS. RYAN: Maybe we can get her to come up here on public comment.

MR. WALKER: -- under OCCC is there a maximum
document fee that you can charge?

MR. PALACIOS: Yes. That fee, Board Member Walker, was raised as of June 1 to $150. I guess the question at hand now is whether or not this $10, or whatever is recommended, can be charged above and beyond the $150 or should the cost for these services provided be included in the $150. That's where we're at right now.

Although, I would say I do concur with you regarding staff's recommendation to change based on one TAC's opinion. It would be my impression that we leave it as is and address it. This is more of an OCCC issue than anything at this point.

MS. RYAN: So I would say we let the staff continue their presentation and put that on the parking lot for discussion when the board deliberates.

MR. WALKER: I've got to remember that one.

MS. RYAN: That's what the post-it notes are for.

MR. KUNTZ: Just as a note on this, we did not receive financials from any dealers or any financial information in order to evaluate that fee, so we have nothing to go off.

MS. RYAN: Thank you.

MR. KUNTZ: We did receive quite a bit of comments regarding the inspection deputy that was
contemplated being created through the proposed rules. We have heard from legislators as well as tax assessor-collectors and others that they did not see value in having an inspection deputy because it can be covered through a limited service deputy as well. It is duplicative in its nature in that an inspection station could be deputized as a limited service deputy, and so therefore, we are recommending that this be removed from the rule package and not pursued.

MS. BREWSTER: Madam Chair, members of the board, I would like to point out that Chairman Joe Pickett in his public comments submitted requested that this be removed, and we certainly believe that we can get to the spirit of what we were attempting to do here and can proceed with removing it.

MS. RYAN: Thank you.

MR. KUNTZ: That concludes the deputies and brings us to the performance quality recognition program comments.

We did not receive as many on this one but we did receive approximately 15 comments, mostly from tax assessor-collectors. The recommendation that was made by the commenters, there was a provision for a tax assessor-collector who has had their designation revoked, the proposed rules would have required that tax assessor-
collector to wait until they are reelected before reapplying for that recognition through the process.

They made a recommendation in their comments to change that from being until they are reelected until they have served for the next full fiscal year. We agree with that and suggest making that change that they be allowed to reapply if their recognition is ever revoked after they have completed an additional full fiscal year to be evaluated upon.

That was the extent of the recommendations on that. We'll now move into the processing and handling fee.

MS. FLORES: We've received approximately 144 comments related to the processing and handling rule comments. As you can see up at the top, we did receive a letter from the office of Governor Greg Abbott.

Some of the activities that have occurred since our April 7 board presentation are identified in front of you. There was a House Transportation hearing held on May 25. There was a meeting held with the Conference of Urban Counties. We also internally identified additional funding that would be deposited into the TxDMV Fund of approximately $6.8 million which leads to a 25 cent reduction in registration transactions. Staff participated at the TACA conference held in Waco in June.
We also had various briefings with the lieutenant governor, speaker and other appropriation offices. And finally, we held a briefing with the governor's staff about a week ago, I believe it was.

MR. KUNTZ: As you can see, we've talked about the governor's letter and the briefing. In the governor's letter, he requested that we ensure that any savings, as Linda has pointed out we've identified, be passed on to the fee paying customers in the form of a further fee reduction from the current proposal. As you are well aware, the original proposal for the processing and handling fee was $5 on a registration transaction.

Based on the comments that we received and the identification of the additional revenue for the department, we believe that that revenue relates to approximately 25 cents and are recommending that the $5 be decreased to $4.75, therefore, passing the savings on to the customer. That is currently where the staff's recommendation lies for the overall processing and handling fee.

I'll now go into how that breaks down for both the counties as well as the DMV. I'm sure you're familiar with this as we've presented this before. There are three columns to draw your attention to. The current compensation that the counties receive, what was proposed...
April 7 and then today's staff recommendation. This shows the county's compensation and we'll cover the DMV's compensation on the next slide.

As you can see, for a walk-in transaction the county currently gets $1.90 and it would go up to $2.30 under the staff recommendation. Online transactions, the county receives $1.90 plus the customer pays $1 mail return fee. That would go to 25 cents under the centralized fulfillment for registrations that are done online. Mail, the counties currently receive $1.90 with a $1 mail return fee. That would go to $2.30 with no additional mail return fee.

The limited service deputies are currently compensated at $1, and the tax assessor-collectors receive $1.90 when that transaction is processed at a limited service deputy. I believe this goes to the question that you asked previously, Member Walker. The counties do receive compensation when a deputy does the transaction, and so as you can see here, they would receive compensation of $1.30 for those transactions and the deputy would receive $1. As you can see, that totals up to $2.30, therefore the counties and the deputies are splitting the $2.30 side of the equation.

Full service deputies, this one gets a little bit more complicated in that a full service deputy,
currently the county receives $1.90 out of the registration, the customer pays an additional $5. The recommendation on April 7 was to take that county compensation to $1.30 with the full service deputies retaining that $5 in compensation. The recommendation, as we discussed earlier, would move the counties to $1.30 and the full service deputies to $10.

The dealer deputies, obviously this is a new deputy class that has not been done before and so there is no compensation listed for the counties or the deputy. The proposal had the dealer deputies at $1.30 with them retaining $1 out of that processing and handling fee. This relates specifically to registration transactions. What we were discussing earlier, the $15 going to $10 was on a title. This is their compensation on a registration transaction.

As you can see, inspection deputies have been removed.

The last change relates to temporary permits. This is a change in compensation for the counties in that they currently get $1.90 for those transactions. They would under the April 7 have gone to $5, now that the overall processing and handling fee has been reduced, their compensation would be at $4.75, thus they're keeping 100 percent of that permit that they issue. We note that
those permits are issued online in the county offices as well as the regional office. Whoever is issuing that temporary permit would retain the full 100 percent of that processing and handling fee, therefore, if it's done in a deputy's office, like a full service deputy, the deputy would be entitled to retain the full $4.75, just as the county would be able to retain that as well.

MS. RYAN: Do you know how many of those are done? Do we have an idea of the volume?

MR. KUNTZ: I did not bring it. We do know how much that volume is, I just don't have it with me right now but we can get it.

MS. RYAN: I don't think any of those were calculated in any of the revenue calculations on comments that we received. Correct?

MR. KUNTZ: When we did our financials, we did account for those. We did notice that in some of the comments that we received that they were not taken into consideration. I know one county counted it in their current compensation and then had zero after the rule passed, and therefore, did not account for any of that revenue.

MS. RYAN: So maybe there was a misunderstanding.

MR. WALKER: Under temporary permits, why did
we reduce that from the $5 to $4.75?

MR. KUNTZ: Because the processing and handling fee, the recommendation is that the processing and handling fee go from the $5 that was originally proposed to the $4.75. That is the processing and handling fee. That is in addition to the temporary permit fee itself. So this is not changing the temporary permit fee, this is just changing the processing and handling fee.

MR. WALKER: And whoever handles the processing fee keeps it.

MR. KUNTZ: Correct. Yes, sir.

The next slide shows the compensation that the DMV would retain for transactions. As you can see, for walk-in, mail, limited service, full service, dealer deputies, the DMV would be retaining $1.95. Fifty cents would be set aside on all transactions for the automation fund and that's the set-aside to help fund the automation of all of our registration and titling systems.

As you can see, in the online scenario we have a print/mail vendor that would need to be compensated. We have received estimates from them that it would be somewhere less than 50 cents, so we have gone ahead and put in 50 cents for that. It is very close to that 50 cents. That includes postage, it includes the printing of
the sticker itself, the folding, as well as the envelope for mailing that back.

Texas.gov would continue to receive their compensation for processing the credit card and handling the online transaction. That is statutorily mandated that we use them and that is the current negotiated fee for processing through Texas.gov.

As you can see on the bottom, the temporary permits, if those are issued in our regional offices or if they are issued online, the DMV would receive $4.25 with 50 cents going to the automation fund.

MR. WALKER: So the online processing and handling fee is $3.75 now?

MR. KUNTZ: Yes, sir.

MR. WALKER: That's the only fee that's not consistent with the $4.75?

MR. KUNTZ: Correct. And the customers are to receive a $1 discount from the $4.75 to the $3.75.

MS. BREWSTER: And we're able to do that due to centralizing the mailing process; we're able to pass along that savings to the customer because of that centralization of mailing and printing.

In closing, we want to share with you a quote from the Office of Governor Greg Abbott that we received, and it says, "Our primary interest is in keeping this fee
structure as low for customers as possible and rewarding customers who utilize the most cost-efficient vehicle registration method offered, online renewals."

And the agency certainly agrees with that. We are a customer service agency, and as such, when we found that additional 25 cents that Ms. Flores indicated that we found, instead of it flowing into the TxDMV Fund, we reduced our portion by that 25 cents and passed it along to the customer. I believe that the actions of the agency fits very well with exactly what we have tried to do through these rules and I believe it is in alignment with Governor Abbott's vision that we create efficiencies, drive down costs, utilize more modernized processes, and most importantly, provide better service to the citizens of Texas.

With that, members, we're happy to answer any other questions that you have, but that is the conclusion of our presentation.

MS. RYAN: Thank you.

I think it may be a question, when you reference found, can you clarify for us the 25 cents?

MS. FLORES: Yes, ma'am. For the record, during our internal review of our fees that were going to be deposited into the TxDMV Fund which will be established September 1, there were several fees that we knew about.
Specifically we have title fees, various registration fees, but there was one particular account which is deposited currently into general revenue today. The revenue is supposed to support the payment to the third party vendor for specialty plates. We had the expense on the expense side of the pro forma, we did not have it in the revenue side, so once we dropped that in, it helped offset the cost of that particular program. So with that, we are better off $6.8 million, that equated to about 25 cents less than what we would need to run the operations of registration services.

MS. RYAN: Okay. Thank you.

MS. BREWSTER: May I just add one other thing?

MS. RYAN: Absolutely.

MS. BREWSTER: It was never the intent of the sponsor of this legislation, going back and reading the legislative intent from HB 2202, that anyone would accumulate a large balance off of this processing and handling fee, that it was to be as revenue-neutral as possible, and so the agency certainly when we identified this additional funding were in complete agreement that that should be passed along and not be accumulated in the TxDMV Fund.

MS. RYAN: Okay. Thank you.

Any additional questions before we move to the
on the comment portion of our agenda?

(No response.)

MS. RYAN: Okay. Well, with that, we will keep things moving. Thank you very much.

I'd like to remind everyone who has signed up to speak that you'll have three minutes. I'll timekeeper will remind each of the speakers when they have one minute left, and I'm going to let David give a little more detail on that in just a minute. I will call everyone up. We have 14 comments, actually, at this point. If you have not filled out a speaker card and would like to still, they are out in the lobby. We do have one that will be read into the record which will be read by David Duncan.

If you'll, please, again, state your name and association, and any comments or questions by the board and dialogue with the board will not be part of your time, so you'll have three minutes for your full time. And I don't need to call anyone up by group. So at that point we will move to comments.

MR. DUNCAN: If I may, Madam Chair. To expand on what you were saying, our chief legal assistant, Ms. Nelson, is going to hold up a yellow card when speakers have one minute left. We got some comments from our speakers that the little visual device that's on the podium is not very visible because it's out of your line.
of sight. We're going to try not to be too obtrusive about that. We've also added a feature on the device that will give a general reminder, it's a tone at the end of the three minutes. If you're going to go beyond the three minutes, you can ask the chair for more time, and as she mentioned, we're going to stop the clock if a board member asks you a question and you're answering the question. Individuals can't accumulate time from other speakers or reserve time.

The only other item I'd like to mention is that, members, you were provided with a letter that we received today from the County Judges and Commissioners Association of Texas, and as well -- Stacy, if you'd help me out -- Representative Workman has provided us a letter as well that he wanted given to the board members, and so we've got copies, we've had ten copies of that made.

And with that, we have also received a comment to be read into the record from Victor Vandergriff, who is a board member of TxDOT and the former chair of this board. It is dated over the weekend and it's addressed to Chair Ryan. It begins:

"It is my understanding that the Board of the Texas Department of Motor Vehicles will take up for discussion and possible decision at its meeting tomorrow morning a topic that I bear a significant measure of
responsibility for. The concept of vehicle registration processing and handling was conceived, proposed and passed by the Texas Legislature under my tenure as a member of the board and chair of the Texas Department of Motor Vehicles. It is a concept that I am both familiar with and supportive of. It was the last of a noteworthy list of accomplishments by the TxDMV and its board during my tenure.

"It is also the accomplishment for which I have the most profound regret. My regret is not based upon the work that went into making the processing and handling fee concept a reality in 2013, nor is this sense of regret based on wanting to have any role in spelling out the exact details of the decisions you will make tomorrow. I remain confident and proud of the rigorous discussions and debate that takes place at TxDMV Board meetings. My regret is based solely on the timing of my departure from the TxDMV Board. It might have proved helpful to the TxDMV and all of its stakeholders had I remained on the TxDMV Board through the end of the 2013 legislative session. In other words, I left behind some loose ends.

"The dedicated account necessary to implement the P&H fee should have been created and protected in the 2013 budget. Instead it was not and it fell to the 2015 legislature to handle this task. Perhaps more
importantly, if the revenue from the P&H fee had been properly documented in 2013, the board might very well have been able to take care of the creation and the initial implementation of the P&H fee before the start of the 2015 session.

"Time and circumstances also have a way of altering memory. This is particularly true when it comes to a remembrance about monetary discussions now over three years old. Throughout 2012 and 2013 I discussed both publicly and privately the opportunities that the creation of the P&H fee presented. Most of these were opportunities to benefit Texans. The fee itself will be above the line and transparent to the Texas consumer. The true costs of the counties and the state to process vehicle titles and registrations would be readily available for Texans to pass informed judgment on, whether or not the services collectively provided to them were worth the cost. Our responsibility to do more with less or the same would be greater.

"A second greater opportunity was to provide the DMV with its own dedicated and independent funding stream, true and complete separation from the Texas Department of Transportation, the agency from which TxDMV was spun out from, best ensured its future. TxDMV would be able to continue its extraordinary performance up to
that time in reducing costs, creating operating efficiencies and implementing the most technological improvements available.

"I promised the tax assessor-collectors that the TxDMV would provide a process by which they would have the opportunity to recoup their true transactional costs per registration. Neither I nor the TxDMV staff at the time had any idea whether or not the fee that each TAC was allowed by law at that time to charge was sufficient to recoup their costs. No promises were ever made by me or anyone else during my tenure at the TxDMV that the TACs would receive a blanket fee increase, be it individually or as a body. All we ever promised was a process by which the TACs could make their case.

"I remain steadfast in my faith in the board and the TACs to successfully navigate past the concerns that have bubbled up in the early stages of the development and implementation of the P&H fee. I know the TxDMV and its stakeholders will continue to work on improving a solid process that will deliver to the citizens of Texas exceptional service and benefits in the titling and registration of their vehicles.

"Sincerely, Victor Vandergriff."

MS. RYAN: Thank you. Were there any others to read into the record?
MR. DUNCAN: No, ma'am.

MS. RYAN: Okay. Thank you.

With that, I would like to call Bill Aleshire, and calling Kevin Kieschnick up next.

MR. ALESHIRE: Good morning, Madam Chair, members of the board. I do appreciate the opportunity to visit with you. Three minutes isn't going to be enough to tell you everything I would like to visit with you about on the rule, but I'll try to hit the high points.

MS. RYAN: If you'll please state your name and association.

MR. ALESHIRE: My name is Bill Aleshire. I'm an attorney for full service deputy companies in Travis County and Bexar County.

MS. RYAN: Thank you, sir.

MR. ALESHIRE: Voters are very angry these days about government insensitivity. They don't think government is working well, and there's a lot of frustration about this rule. We've had a process over the last couple of years where invalid, theoretical, hypothetical, academic, mathematical models have been tried to be used to determine what the price ought to be for full service deputies to provide service to their customers. Insufficient attention and gravity has been given to the fact that the free market enterprise has set
the prices that are out there now.

And the financials that we provided to you --
it was my eleven clients who provided the financials to
you -- help demonstrate that those prices are necessary
for each of these businesses to survive. You have the
right to set rules but there are limitations on your right
cannot use a rule to have an adverse impact on small
businesses.

Now, staff recommendation is helpful, but what
they've done is gone back and now taken those financials
and run another invalid, unrealistic, mathematical
calculation as to what the prices ought to be without
realizing the prices that are set now are what's necessary
for those businesses to survive. Will some of the survive
under the staff proposal? They might. I only found out
about the staff proposal last Thursday afternoon, and I
haven't had an opportunity to visit with all of my clients
about it. Some may be okay. I know some will not, and
they're here today to let you know that. The original
calculation was that there would be a 42 percent decrease
in revenue to these companies.

And I would just say that the response that we
got to the comment about Chapter 2006 and asking for your
attention to not having an adverse impact said: A private
company's business model does not provide the legal justification for adopting a rule one way or another in light of the specific statutory authority granted to the department. That suggests that you can adopt a rule and expect businesses to change their business model even if it has an adverse impact. That's not what Chapter 2006 says. I don't want to end up in court over this. I'd be glad to spend today discussing with you anything that we can to be helpful to this process. We've made some progress but we're not there yet, and you're still going to destroy some of these businesses.

Customers stood up for them in this rulemaking process and said they don't mind paying these fees. Nobody for the government is coming to help them if you destroy these businesses that they've become customers of voluntarily, paying those fees.

I'll be glad to answer any questions that you have for me.

MR. PALACIOS: I do have a question, Mr. Aleshire. I want to thank you for testifying as well. I just would like some clarity here. As Mr. Kuntz stated earlier, staff took a look at eleven different sets of financial statements that you provided -- I assume they're all your clients. In some cases there was an increase in their, I guess, revenues based on the recommendations that
staff gave going from $10 to $20 now.

I just want some clarity from you. Am I hearing that it is this board's obligation, DMV's obligation now to subsidize any private entity that we do business with to ensure that no matter what their cost structure is that it's our -- I guess what I'm hearing from you it's our legal obligation to make sure, however inefficient they may be, to cover their cost structure just because according to you it's, I guess, law is what you're telling me. Is that what I'm understanding?

MR. ALESHIRE: You can read Chapter 2006 and the words are very clear. It does not allow a state agency to adopt a rule that has an adverse impact the small businesses. And each of these is a small business.

I hear this word efficiency thrown around very loosely and very quickly. You know, Mr. Palacios, you're in private business. You can't be very inefficient and keep your customers, keep the prices where you are, and my clients are in the same position. They've been out here competing.

What is not going on is to give due weight to the fact that their customers -- and these men and women have been in business for decades doing this and have adjusted their prices where they meet the market. The financial statements do not show that they are making
excessively large profits where they are now. You're not
increasing their revenue with the staff recommendation,
you're still decreasing their revenue.

And so I think that the statute doesn't allow a
state agency by rule. It's another thing for the
legislature but not a state agency by rule to have an
adverse impact on these small businesses. And we've made
positive suggestions to you about how to deal with the
dilemma that you have: either grandfather the prices that
are set now, they can't increase them but at least they
would be able to keep what they've got. You could do that
under Chapter 2006.

Show some respect for the local elected
officials who deputize these and who take personal
responsibility for these, your local tax assessor-
collectors and the county commissioners court, and let
them have some local involvement in what the fee ought to
be. That's how it's been regulated in the past. If the
county tax collector thought the fee was too high, they
can un-deputize them, and they know that. Those are
positive suggestions that were rejected so far in this
rulemaking process.

But no, sir, I think the statute does not allow
a state agency to adopt a rule that has an adverse impact
on small businesses where you can mitigate that damage.
MS. RYAN: Two questions. You obviously have that rule far more memorized than I do.

MR. ALESHIRE: It's a statute.

MS. RYAN: Does that statute address rules to small businesses that have built up business around a government function that has built that, where that's what they're doing, and that's what these full service entities are doing. And that's one question.

And then two, I believe that we are required per statute to set these fees, and otherwise, this board may or may not be addressing that, we probably would not. So I think that had we not been required to take on and look at these fees, so we are setting these by rule per statute.

So those are two things that I think are not being contemplated. So I don't think we are doing this to adversely affect small businesses. I think we're taking that very seriously. I think you heard the board say in April that our desire is not put small business out or adversely affect small businesses in any way, shape or form. A lot of folks on this board are small business owners and everyone on this board recognizes business, and so I do think that we take that seriously and I think the agency has taken that into consideration.

So those are two things that I guess are
questions in my mind.

MR. ALESHIRE: I'll do my best with both of them. First of all, whether you try to put small businesses out of business doesn't matter as much as whether or not that's the effect, and we've been trying to tell your staff and you all that that's the effect.

Question number one about Chapter 2006 of the Government Code. It doesn't exempt government rules applying to any kind of small business. It defines what a small business is, and our clients, each of them meets that definition. So it applies to any small business. Our clients are not the only private enterprise businesses that are engaged in what constitutes government work. People prepare IRS tax returns, court reporters are performing a government function as well, we've got taxation, all kinds of people that do that. So that statute applies in this circumstance.

Second, your second question was about?

MS. RYAN: That statutorily we must address this.

MR. ALESHIRE: That you're required to set the fee. You have discretion in how you go about doing that, and I'm not suggesting to you that the legislature hasn't put you in a bad spot. One of the recommendations that you have that apparently won't be followed is from the
sponsor suggesting to you that you postpone enacting this
rule. That's the other thing we suggested. You're not
making the full service deputy rule effective until
January of next year in terms of these regulations and so
forth. Extend it to the end of the fiscal year next year,
till September 1, 2017, and give us a chance to get the
legislature -- many legislators have commented in our
favor on this -- a chance to do something.

You've got to adopt rules and it says you would
do it, but you could incorporate the local involvement of
the county tax assessor-collector, as I suggested in
there, without violating that statute, just like you did
in giving the tax collectors some local discretion to
customize the appropriate bond level for each business.
Instead of having one bond amount where everybody had to
get $5 million worth of bonding, you recognized that
that's a good thing to do, customize on a local level.
Pricing is the same way.

MS. RYAN: You've answered my question. Thank
you.

Are there any other questions?

MR. WALKER: What mechanism is in place in
Travis County in order if I want to be a deputy and I want
to charge less than Bob Jones does down the street, how do
I get to be a deputy? I have to go to a TAC. Right?
MR. ALESHIRE: You would have to be deputized by the county tax assessor-collector.

MR. WALKER: And is there a process in place where the TACs go out and take a bid on this so that it is free market so that anybody could enter that marketplace?

MR. ALESHIRE: Well, I wasn't TAC in 1960 when the first business started and there were two other tax collectors before that, and then me, and then two others before Bruce Elfant, and I'm not aware of any process in any county where that is the way it worked. And it's not a bid. Individuals have come forward and said, I found a location, I think I can make a personal investment in getting a site, and I think I've got a customer base and we can advertise and try to get customers to come to us and start those businesses.

There's four businesses in Travis County, one north, one east, one west, one south. They have been there for decades in operation. I'm not aware of anyone else that's come forward that's indicated they were qualified to the tax collector's satisfaction to be deputized that's been turned down. They don't charge the same price because they don't have the same expenses, even in Travis County. That south location on South Lamar is one of the most expensive real estate places in Austin, whereas, the overhead in other places might not be as
much. Not coincidentally, that's the highest priced title service in the county.

So could they have more deputies? Nobody has asked. They're there because they have competition.

By the way, I've got to mention, there is no way, based on just looking at those financial statements and even the total number of registrations and titles, that you can estimate what the actual revenue would be without each of these businesspeople knowing their business as to how much of it is discounted work from car dealers and high volume folks. There's no way the staff knows that. And if you've assumed that you're going to charge $10 or $20 for every single transaction, that's not realistic.

MS. RYAN: Mr. Aleshire, those are choices the individual businesses make, though. Whether they discount the fees that we set are choices they make as individual businesspeople.

MR. ALESHIRE: Actually, it's not. It's the market choice for them. The car dealers and these high volume folks are not going to pay the same as a walk-in customer is going to pay.

MS. RYAN: So those are choices they make.

MR. ALESHIRE: Then the estimate ought to recognize the reality is my point.
Did that answer your question, Mr. Walker?

MR. WALKER: Took too long to answer it. The simple answer was no, there's not a vetting process.

MR. ALESHIRE: There's not a vetting process.

No one has been excluded.

MS. RYAN: Thank you.

Are there any other questions?

(No response.)

MS. RYAN: Thank you for your time. Thank you.

Kevin Kieschnick. Thank you.

MR. KIESCHNICK: Thank you. Kevin Kieschnick,

Nueces County tax assessor-collector.

The standardized fees actually I see as a huge positive, at least in terms of getting the customers to do what we really want them to do, and that's to utilize the online transaction. As silly as it seems, I've seen people in line saying I don't want to pay the extra $3 to go online. I'm thinking why would you want to drive down to the courthouse, wait 30 minutes or 40 minutes and stand in line to save three bucks. It makes no sense in my mind, but unfortunately, that's reality.

I think the other piece of that also is people need that registration sticker right then and now. As most of us experience on our registration stickers, most of our volume hits at the end of the month and during that
theoretical five-day grace period they have and that's when we really get busiest and that's when our lines actually back up to sometimes outside the door. People ask why the line is so long, and I tell them, well, if you came a week earlier you would have waited ten minutes instead of forty-five.

One of my concerns, though, is that when we look at our online process, currently in Nueces County we turn around our online registrations the day we receive them. The day we receive them from TxDMV, they're downloaded in our system every night. We process those and get those out in the mail the same day. We don't wait. Our rejections are fairly low, and when we do get a rejection, we send a letter as per state statute out, and with a nice little letter from the sheriff's office, and most of the time we get those fees recovered. I'd say we might four or five that we don't recover in a year, and we may have maybe 20 rejections a month out of 3,000 transactions. So we just send those out automatically and don't wait for that five-day period for those credit cards to clear. It's a rewards benefit type of thing.

But one of the biggest concerns I've got too, though, we talked about turnaround time, I have a dilemma with charging a customer for something they've already paid for. Let's say if under the current system the
sticker is not received and it gets lost in the mail. They've shut down a processing center in Corpus Christi, and so our mail, even though we send it out, it goes down to the Rio Grande Valley or it goes to San Antonio where it gets processed and sent back to Corpus Christi. So that's an increase in extra delays and it's also an extra opportunity for mail to get lost.

But I have a very difficult time, whether it's in my hands or whether it's in the hands of Xerox, for example, of charging somebody for something they've already paid for. And there really needs to be something set up in these rules or adjusted legislatively for us to reprint these stickers without charging. I'm elected and I have a responsibility to those constituents, and it's not easy for me to tell them that I've got to charge you for something you've already paid for.

And can I have just a couple more minutes?

MS. RYAN: if you're almost done.

MR. KIESCHNICK: I have a couple more notes. And lastly, the other concern I have with the Xerox issue is the fact that we're dealing with the Department of Information Resources purchase order versus a contract. I don't know what the vetting system is but I hope maybe somebody has asked the question: what is going to stabilize that fee for the long haul since you don't have
a contractual obligation there? What's the guarantee that they're not going to raise that fee down the road?

I don't know if maybe you guys have seen some information on that that might dictate that that stays stable, but when you're purchasing this thing off of a purchase order, you don't have a contractual obligation, nor was an RFP sent out for proposals on this particular issue. So by foregoing that process, you don't really have a firm contractual date for how long that fee is going to remain in place, and if Xerox turns around and increases that fee, I think it's a question that needs to be asked by the board is how stable is this rate and how long is it going to last. It's just something I think you guys might ought to consider.

Thank you.

MS. RYAN: Thank you. If you'll stay in case there's any questions.

MR. INGRAM: I guess my question would be back to Jeremiah. We've been using Xerox for some time. How long have we been using them, approximately? You don't have to tell me exactly.

MR. KUNTZ: I don't have an exact date on it, but I'm looking at our CIO to see if he's got any indication on how long that contract has been in place. It's been in place for a little while at least, I know.
MR. OBERMIER: For the record, Eric Obermier, COO for the DMV.

I don't have the actual contract execution date, however, we do have print volumes back to the year 2012.

MR. INGRAM: And it's been fairly consistent during this time period over the last four years?

MR. OBERMIER: I would say so, yes. We actually account for about 5 to 6 percent of their total print volume.

MS. RYAN: Thank you.

Any other questions for Kevin?

MR. TREVIÑO: I have one for staff. Are you fairly comfortable with the costs going forward? Have there been any discussions about the possibility of escalating costs with the contract over time?

MR. KUNTZ: There is always a possibility that there could be escalating costs on that. We're confident that we're going to be within that 50 cent range.

MR. INGRAM: The 50 cents is actually an overestimate now. Correct?

MR. KUNTZ: Yes, sir.

MS. RYAN: By how much?

MR. KUNTZ: Currently we're paying 48 cents for our renewal notices and that's the same price that they've
quoted for the sticker printing.

MR. DUNCAN: If I may add one more

clarification. That contract was actually bid out by the
Department of Information Resources for all of the print
mail functionality that comes through the DCS program.

MR. INGRAM: So it's a really large RFP.

MR. DUNCAN: That was competitively bid. And
I'd also like to point out to the extent the price does go
up, that comes out of DMV's allotment. So we've allotted
50 cents to that; if it goes over 50 cents, it hits our
budget.

MR. INGRAM: And I was confused a little bit.
You were talking about the fact that you turn your online
around instantaneously, and we have this proposed stopgap
setting at zero to five days, and your concern is that it
was going to be slower. Did I catch that right?

MR. KIESCHNICK: Yes. Are we going to have
that zero day option or is it going to be a five-day.
Kind of conflicting information in what I was hearing.

MR. INGRAM: Is that set by the county how long
they want that to be that stop?

MR. KUNTZ: I was actually just exchanging with
Eric about that. What we were looking at is a uniform
zero to five days across all counties. We're evaluating
whether or not that could be customized by county. I do
not know what that level of effort would entail or what it would look like, but we will evaluate it and see what can be done on that.

MR. INGRAM: And then going back to your question about the instantaneous, and I know why you're asking that because everybody waiting until the last possible day to come in and get their renewals. If we got the statute changed and they were able to print off a receipt that would be valid.

MR. KIESCHNICK: That would be great. Or the other option would be maybe the department might want to look into investing some kiosk type locations.

MR. INGRAM: We're definitely looking into that too.

MR. KIESCHNICK: If we could put some kiosks in some high volume areas, it would really drop the number of people waiting in our lines. I can think of about ten locations right now I could put them in, and it would significantly drop the number of people coming into the courthouse.

MR. INGRAM: We know who to start the beta test with.

MR. KIESCHNICK: I would love to start the beta test. I gladly would volunteer to do so.

MR. INGRAM: Thank you very much.
MR. KIESCHNICK: And also one last thing. I want to thank you guys for moving the regional headquarters right next to my office. I'm all for that.

MR. KUNTZ: That was one of the determining factors.

MS. RYAN: Thank you very much.

MR. KIESCHNICK: Thank you very much.

MR. INGRAM: Thank you.

MS. RYAN: Thank you.

Next we have Mike Sullivan, please. Welcome.

MR. SULLIVAN: Thank you. I'm Mike Sullivan, Harris County tax assessor-collector, and my comments are my own. Good morning, and thank you.

My comments are specific to the P&H rule that is proposed. Anticipating that the proposed rules might change today -- and I don't mean that in a bad way -- I proactively signed up to speak but I'll be brief. I refer the board members and the staff to the written comments that my office previously submitted. Nothing has changed since then, so I'll stand by those.

And I'd like to close with this. My comments and allegations about mismanagement of the organization have not come from me or my office. I have made public comments about the proposed rule. That's something I hold very dear and will continue to do as I see fit. Thank you
for your attention.

MS. RYAN: Thank you very much.

Are there questions?

MR. BARNWELL: That happened so fast, I kind of missed it. Would you go over that again?

MR. SULLIVAN: I've got two minutes and 17 seconds. I want to be the politician that didn't use all his time.

MR. BARNWELL: I've never seen that before. You're a rare bird. Thank you.

MR. SULLIVAN: In a lot of respects, yes, sir. Thank you very much.

MS. RYAN: Any questions?

(No response.)

MS. RYAN: Thank you so much.

Next is Donald Lee. Mr. Lee, welcome. Good afternoon.

MR. LEE: Good afternoon. Thank you very much for having us. My name is Donald Lee. I'm the executive director of the Texas Conference of Urban Counties. We are 38 counties in the state that have about 85 percent of the state's population residing with them. We appreciate the opportunity to visit with you today. We appreciate the time that your staff has spent with us over the last month or so to discuss this, and we regret that we didn't
have the opportunity to have a follow-up meeting last week, and so this is our opportunity to come back to you on the revised rules and what you're considering today.

We still remain with two significant concerns about the proposed rules in the deputy section. It is still what we are hearing from our tax assessor-collectors who I think are the expert managers in the field regarding the full service deputy program that the current proposed cap is going to have a negative impact on those full service deputies, potentially put the out of business, and therefore, have a negative impact on taxpayers. We do not think whatever potential benefits there are from the current proposed cap are worth that risk, and we think you ought to increase that cap to a level that our tax assessor-collectors, these elected experts on this, tell us is not going to have that risk. I understand that to be $15 and $40 for title. We think that is the safe way to go and a direction you should go in this regard and not risk that negative impact on taxpayers.

Second, on the processing and handling fee. We understand your desire to find efficiencies and we can see how you are grabbing some efficiencies and economies of scale efficiencies and bringing them to Austin, but you have to recognize in our opinion that you are destroying economies of scale efficiencies out in the counties at the
same time, and that the balance needs to be weighed
regarding the system as a whole, regarding your entire
registration process.

And you are undoubtedly going to increase the
cost to taxpayers or decrease the services to those who
are coming in and having their registration in the tax
office, and all those efforts that are going on in the tax
office, which even in the best of scenarios, we
understand, is still leaving 40 to 50 percent of
registrations going on, 40 percent, maybe a little less,
one-third of those going on five or six years from now in
the tax office while we've moved some to online.

We've got to find the right way to balance
that, and you have to recognize in our opinion, we ask you
to recognize the destruction of economies of scale that is
taking place in the counties by centralizing this. We
think there has to be a way to get this done without
having that negative effect. We believe you can apply
modern tracking technologies to a federated fulfillment
system. W think Amazon, that's been referenced before, is
doing that. You can be a fulfillment processor in your
home and have your fulfillment tracked by Amazon. So
certainly we can do that from our 254 counties.

Thank you very much for listening to us. Our
request is that you put this off, meet us back at the
worktable, and let's get a proposal together that will not have especially the long term negative impact on quality of service or property taxes.

MR. INGRAM: Mr. Lee, you said you're the executive director but I missed of what.

MR. LEE: Texas Conference of Urban Counties.

MR. INGRAM: Okay. And then just looking at your comments, one of the first things -- I'm trying to go through my head how you're coming up with this and the fact that you feel like the cap is too low on the deputies that we're setting and how that would have a negative impact on consumers. So your belief then is that these vendors that are currently out there could no longer maintain service and that that service would fall back to the tax assessor-collector?

MR. LEE: Yes, sir. That is the information we have from our tax assessor-collectors in these counties, and if you want to get into the detail of that, they're the experts on that. What we are hearing in our association from these experts, the tax assessor-collectors in the counties that have these full service deputies, is that still in several of them the proposed $10-$20 cap will put some of their partners out of business.

MR. INGRAM: So curiously, I'm going through it
in my head and I'm trying to just understand it. Right now the rates have currently been increased to -- what's the new rate -- so $20, so that's an impact on the consumer even at that much money, so $20 extra to go use these vendors is an impact on the consumers. Would you agree?

MR. LEE: So my understanding does not follow your analysis. My understanding is that you are establishing a cap on what the free market can trade in the way of a fee and that currently there are folks who do this business for up to $30 or $40, and when you say $10 and $20, I understand that's $10 for registration services, $20 for title services. So there are rates somewhere in this range and they're established by citizens exercising their economic freedom to go in and make a deal with another citizen to go do some work for them, and you're putting a cap on that. So you're not increasing a fee, from my understanding -- maybe someone can correct me -- my understanding is you're not increasing a fee that is being charged, you're putting a cap on what people are agreeing to exchange services and fees for.

MR. INGRAM: So I guess maybe it's just that we're talking about different things, perhaps, and I'm not talking about the impact on the full service deputies, I'm
talking about just the consumer, the people that live in the different counties. And currently if they use a full service deputy they pay a fee, whatever the fee is, and they're all over the board, so it could be $40, it could be $10, they pay a fee. That is a cost imposed to the consumer and it's basically, in effect, sort of a tax.

MR. LEE: So the consumer has the ability to go down to the courthouse and pay the $5 transaction fee and the 40-whatever dollar vehicle registration fee, or he has the option of saying to his neighbor who has established a business, I'll do it for you if you give me an additional $25. I don't see the decision to do that business with his neighbor and have his neighbor take care of it for him as a tax.

MR. INGRAM: I guess that's where we're having a disconnect is that he's performing a government activity, he's performing something that is a government regulation, we're doing the registration of titles and we're doing renewals, that is a government activity, and he's charging extra for it. So I guess you can call it whatever you want to, but it kind of turns out to be sort of a tax. But that's just my opinion. I guess it's just semantics.

Let me move on to something else. I'm trying to understand the other comment, destroying the economies
of scale in the rural counties. Is that your thought that
because the rural counties are dealing with fewer staff
that that staff is multitasking. I guess I'm trying to
understand economies of scale, how it would affect
negatively.

MR. LEE: I think you'll find that multitasking
is taking place in almost all the counties, if not all the
counties, not just the rural counties. The economies of
scale are that there are 15,000 -- according to the
statistics that I've seen from the department, there are
about 15,000 vehicle -- I'm sorry -- all of the vehicle
registrations are being fulfilled through the counties
right now, and that you're going to take, projected in ten
years, 10,000 of those and fulfill them through Xerox.

And you're especially going to take the funding
for that out of the counties, and that is what I'm talking
about and that the counties are not going to be able to
simply say, okay, you've reduced the number of things
we're doing fulfillment on by 40 percent, we can just cut
our budgets by 40 percent. It's not organized that way and
has been organized in a more efficient way where there is
multitasking going on. So you're taking some folks who
would now be doing six things and have them do five
things, but they still have to be there to do those five
things.
So I think you're going to find that the counties are going to have to either increase property taxpayer subsidy in the process or close down sub courthouses, close down service windows, go to longer lines.

MS. RYAN: Mr. Lee, may I ask a question. Blake, if I may.

MR. INGRAM: Please.

MS. RYAN: On the comment on destroying economies, is it fair to say that some of that multitasking might not be registration services?

MR. LEE: I think you'll find multitasking within registration services.

MS. RYAN: Completely, 100 percent?

MR. LEE: Especially when you get to a smaller courthouse, of course not.

MS. RYAN: Okay. So as we set a fee, our responsibility and our task is only to reimburse and set a fee for registration services, and that's the challenge that we have. And it's a challenge. Right? Out of fairness, it is a challenge. So when you talk to us about destroying economies of scale, as we focus on trying to set a fee on the challenge just for registration services when we have ranges of a study that go from $2.30 up to $20, and you then address that multitasking in some
counties covers things that aren't even focusing on what this agency and this board is tasked to do, how are we to then address comments of -- how do we cover those things?

MR. LEE: In a very small county you'll agree with me that the registration fee is not covering all those expenses.

MS. RYAN: But this board and this agency is responsible to set a fee that covers registration services, and the rest of that between the tax office and the county is to address the budget of that office for all those other services, and how they structure that is up to them. And that's what we have to focus on.

MR. LEE: I agree. But currently the registration process is to a certain degree -- we don't have any evidence and I don't believe I've seen any evidence from the department that shows that this is moneymaking enterprise where counties are subsidizing other work in the tax office. And it was our understanding in 2013 that there would be a study that would go in and identify the various costs for delivering these services and that's what would drive the fees. Now, you got a study done by TTI and I understand that there's problems with that study.

MS. RYAN: What problems, sir?

MR. LEE: Well, I understand that's why it's
not being -- that study came back and showed that there
was greater expenses than were being compensated under the
$1.90. So maybe I'm wrong on that.

MS. RYAN: I'm just curious. I just didn't
know what you were referring to.

MR. LEE: My understanding is that TTI study
has been discounted and I'm saying where is the additional
study, where is the additional work that shows what you're
suggesting to us that the registration revenues are
subsidizing other aspects of our tax departments, because
that's not the impression that we have.

MS. RYAN: We all have that study so we
actually are referencing it. It's sitting here so we're
all using it.

MR. WALKER: So here's the comment that I have
is that it is a tax, this fee is a tax. It's a tax
because you have to pay it to register your car or to
title your car, and how can it be fair to the taxpayers in
Travis County or Bexar County or Hidalgo County or El Paso
County to have to go and pay $40 for a title transaction
in one of those counties -- which is what you're
proposing -- and I can go to Mike Sullivan's office and
get it done for $10? How can you tell me that that's not
an unfair tax? And I think that's the directive that we
were given by the legislature is they want standardized
statewide the fees across the state so that it's not just
the people in certain counties being discriminated against
and charged higher fees.

And I know that you can go back and tell me and
Albert will tell me that yeah, you can come down to my
office and we'll still do it for the state fee that you've
got out there, but we only have two ladies that do it, or
there may be only ten ladies out there, or men, or
whatever it might be. Whereas, in Mike Sullivan's office
in Harris County he may have 200 people processing those
transactions at a fee that is less cumbersome on the
public than to go out here and require the people, the
citizenry to go out here and pay a higher fee. And I
think that's the task that the legislators gave us in the
session two sessions ago in the 83rd Legislature.

MR. LEE: I's a simple response and so you
probably anticipate it and understand it that we simply
see this as local variance and local communities making a
decision on how they want to do this, and that the citizen
always, always, in Hidalgo County or Harris County has the
option of going down to the courthouse and paying the same
fee. We rely upon that.

MR. WALKER: But standing in line for three
hours at the courthouse or going to the deputy and getting
it done for $40 and getting it done in five minutes. My
time is worth more than 30 bucks, I would agree with you on that. But we were tasked with standardizing the fees statewide, and I think that's the direction that this board is going to take and go.

MR. TREVIÑO: Can staff comment on the reliability or accuracy of the TTI study?

MR. KUNTZ: When the agency contracted with A&M University and TTI, Texas Transportation Institute, we asked them to go out and evaluate a number of counties. They did not look at all 254, they took a sampling of large, small and medium size counties, so it is not a 100 percent view of every county, but it is the basis by which we start the discussion to talk about it. The reference to the fees, as you will see in what is proposed, it is a blended rate fee that is being proposed, so the cost for doing the online and the mail-in are lower in the study than what is being proposed, the walk-in is higher, so it is a blended rate of those in order to come up with a consistent fee structure rather than varying it.

We also received additional information through the comments. One of the counties commented on what it cost them to do a mail-in transaction, and it was substantially lower than what TTI had indicated. They indicated they process mail-in transactions for 52 cents a transaction; I believe TTI had it somewhere around $1.97.
So again, there's going to be variance but we've also got evidence that indicates that it can be done much cheaper, so it was the basis by which we used to help evaluate where to set that.

MS. BREWSTER: The TTI study also did not include any of the proposals in these rules. For instance, the centralized printing and mailing and the counties no longer bearing the costs of doing that, as well as sending out license plates to the customer. Those costs aren't borne by the counties anymore. So it was a snapshot in time and that was well before these changes that you have before you were contemplated as well.

MS. RYAN: It did not have a lot of detail on the full service deputies. Is that correct where it probably has the most lacking information?

MR. KUNTZ: Originally when they went out, they had only looked at, I believe, one or two. We instructed them to go back out and they added additional full service deputies to evaluate further, so we got a better sampling the second time they went out on what those full service deputies are charging.

MR. PALACIOS: Mr. Lee, I have a couple of questions for you. I'm going to make an assumption, do you actually cover the whole state of Texas, every county?

MR. LEE: Thirty-eight counties, sir.
MR. PALACIOS: Only 38.

MR. LEE: Thirty-eight counties.

MR. PALACIOS: I thought it was the Texas Conference of Urban Counties, but you only cover 38.

MS. RYAN: The larger ones.

MR. PALACIOS: Just the larger ones.

MR. LEE: It's urban counties.

MR. PALACIOS: Again, as you know, there are 254 counties in the state. As of recently, only four of those actually utilize these full service deputies, and I just kind of want to get back to your comments regarding free market. I guess you're committed to the free market and efficiencies and so forth.

Looking at the counties that do use these full service deputies, it's a very, very small fraction, as you know, again four that constitute roughly 2 percent of all the transactions that come through DMV, so it means that 98 percent of the transactions are done by counties that have found a way, efficiencies and so forth to do it in-house rather than, to Mr. Walker's point, have to use these third parties where consumers are charged an additional tax or fee, whatever you want to call it.

I guess my question, when you came up with your $15 and $40 recommendation, did you take a look at the other 30 counties to see what they actually charge? Do
you know what the others are charging, these full service
deputies, and how did you get to that $40 fee?

MR. LEE: That is a number that we've received
from our tax assessor-collectors that utilize full service
deputies. So in the spirit of wanting to come to a
suggestion here, we asked them for input on what would be
a good number to suggest, what would be something that we
could live with and not be opposed to, and that's what I
was provided. You have 30 counties, of course, that don't
have full service deputies.

MR. PALACIOS: 250 counties don't have full
service deputies.

MR. LEE: That's right. I'm sorry. Other
counties beyond those four don't have full service
deputies.

And I note that the cost of real estate and the
cost of labor in all four of those counties vary greatly,
and that's why I think you see some variance, you see a
lot of variance there in those rates that each of those
counties experience.

Those are numbers that were developed by our
tax assessor-collectors in those counties and we met with
them about this. I told them that the association
continues to share their concerns and to express it we
want to bring a positive response to you on what we could
live with.

MR. TREVIÑO: Could counsel or staff comment on the statute or rule that says we cannot make decisions that would affect the viability of small businesses?

MR. DUNCAN: What Mr. Aleshire was referring to is a statute in the Government Code, Chapter 2006 that requires an analysis of potential impacts on small businesses before an agency adopts rules. It doesn't say that an agency can't adopt a rule that has an impact on small business. Regardless, the applicability of that statute is limited to situations where the agency's rulemaking is what is making a change.

In this case, it's our position, and has been our position since day one, that current statutes have and always have limited what full service deputies can charge on a registration. It has said $5 as far back as we can find in statute, that full service deputies may charge and retain a fee not to exceed $5 for performing a registration transaction. The amount they can charge for titles has never been covered. The best we can say on that is that the attorney general's office has opined that where the legislature doesn't set a fee for something, you may not charge a fee. That was an attorney general opinion that was directed to a county.

The premise that these businesses are operating
in a totally free market, or that they're like court
reporters or people who fill out taxes, is misplaced.
These businesses exist only because the legislature that
passed a law the governor signed that says they can exist.
There's a statute that says full service deputies may be
deputized by county if. So these business would not exist
and have direct access to our RTS system if the
legislature didn't direct it.

They are not like any other business. Of the
business models that were given, none of those, tax
preparers don't get direct access to the IRS system to go
in and change your tax information. These people can go
into our system on a day-to-day basis and change the
ownership of a motor vehicle, they can move it from this
person to this person, they can change it, just like we
do, just like the counties do. It's a very unique
business model, granted, but it has been regulated since
it was created and the prices have been limited since it
was created. To say that we created a rule that limited
their prices for the first time is inaccurate.

MR. INGRAM: So in fact, let me try and
paraphrase what you said and see if I got it right. So
Chapter 2006 doesn't apply since the rates that we're
setting are higher than the rates that have been in place
currently.
MR. DUNCAN: That's correct.

MS. RYAN: Thank you.

Any other questions or comments for Mr. Lee?

(No response.)

MR. LEE: Thank you for your time.

MS. RYAN: Thank you for your time.

We are going to take 30 minutes if that's okay with everybody. So we will be back at 1:10 and reconvene.

Thank you very much. We are in recess. Thank you.

(Whereupon, at 12:40 p.m., a brief lunch recess was taken.)

MS. RYAN: All right. It is 1:15 and we are back in session.

I'd like to call Albert Uresti. Thank you.

MR. URESTI: Good afternoon, Madam Chairman and distinguished board and DMV staff.

I just want to first of all say that I appreciate the time that you have invested and I know that you have invested literally hundreds of hours into these changes.

I do want to say that I am not in favor of changing any of the fees and ask that we leave everything as it was, including the full service title companies. I also want to say that I am against any TxDMV registration fee increase, and that I believe that the TxDMV should be
funded out of the state's general fund as it always has been. The funding being proposed is a hidden tax; it was never voted on by the legislature. Having said that, because I don't believe at this time that there's really much that we can do about stopping a rate increase, we have a couple of plans that we'd like to submit.

Four issues that I'd like to cover quickly. First one is the full service deputies. I do want to say that I know it's been alluded to that there's three-hour waits in the county tax offices. I can tell you that's not true, there's not an hour wait. On our worst days in Bexar County we have a 30-minute wait, and I think that's statewide which is usually the end of the month on the payments and what-have-you. So when you come to Bexar County, you don't have more than a 30-minute wait. So I think that's part of the misconception here that it's being called a tax for the full service deputies, in our county, at least, it's not like that.

I also do want to say that the claim of the full service title company owners that the $10 and $20 is not sufficient -- and I know you've heard some of this before -- they are asking for the prices to be market-driven with a cap of $15 and $40.

The other thing that we're unique about is we have 21 full service title companies in Bexar County that
if they close, we're going to have to open at least three new county locations. A lot has been made about brick and mortar. Well, we have 21 locations right now that doesn't cost the county a cent. Now, it does cost us a lot of time but it doesn't cost us a cent and these are free for us. If we close the full service title companies, we're going to have a $3- to 4-1/2 million startup to open three more locations and a $3- to $4 million annual operation cost. This means that property taxes are going to be required to subsidize the TxDMV operation.

Third party signatures and amendments by DMV. We don't feel that there's a need for third party signatures or amendments. As an elected official whose name is on the paperwork of full service title companies, no one cares more about their performance than I do. My name is on everything that they do. As an elected official, my contracts are written very strongly. I have with me the district attorney’s office, I have 150 attorneys at my disposal to do these contracts, we're able to close them down within 24 hours. We have a strong oversight. We check every single transaction that they do.

On the centralization -- and I know that there's a difference of opinion on this -- we don't feel that DMV has the statutory authority to do this. The Texas Association of Counties has also said they, they've
rendered their legal opinion. We've checked with our
district attorney, I know Travis County has checked with
their county attorney, and they're also for the agreement
that there is not a statutory authority for you to take
that away. We believe customer service will suffer. We
have a big concern of loss of local control. Just in
Bexar County alone, we're going to lose 221,000
transactions per year.

I spoke with the Governor's Office on Friday at
length. We believe there's a way to keep the online with
Bexar County, and in my conversation with the Governor's
Office -- and we spoke for about 20 minutes and I spoke
with the same people that met with him the other day --
they told me -- and I asked them if I could say this --
the Governor's Office told me that they don't care who
does the online as long as they can get to that price.
And I'm going to give you two plans, we have two plans
that will allow us to get at that price. The Governor's
Office does not care, so the fact that it has to go to
Xerox is not a requirement.

The other thing that is of concern is that
there's a question is this a vendor bill, and that's
something that's not very popular in the halls of the
Capitol, and in my opinion I believe it is a vendor bill
because DMV has told us that the only one who can do this
work is Xerox. And they've already been talking to them, and when we asked them if they've gone out for bids, they told us no because they were the only ones who could do it. That sounds like a vendor bill.

Householing, somebody mentioned about that, we're already doing that. And there is no $1 discount, it's a 25-dollar decrease. Discount is because they're bumping up their fees, that's what they're saying, it is not a $1 discount, it's 25 cents, and they need to make sure that you understand that.

Again, the fees are not sufficient, it's over a $7 million loss for counties statewide, almost a million for Bexar County. If you saw a week ago where they gave us an extra quarter and Thursday they took it away. We submitted two plans to DMV, have received no feedback, and today we're going to present two more. So those are our plans and we believe they can work.

MS. RYAN: Thank you.

MR. URESTI: Does anybody have any questions?

MR. INGRAM: Mr. Uresti, on the online sourcing, and you feel like the customer service would suffer, could you kind of flesh that out a little bit more why do you think that.

MR. URESTI: Well, I can only use what's happened so far. For instance, the Two Step One Sticker.
For us that has been a disaster. I mean, we have had so many problems with that, we still continue to have problems. We were told it was going to be a big public relations thing to educate the public. We have people still coming in so irate because they had to get a sticker and then find out they had gotten it more than 90 days ago so they came in. And my staff is here, they can tell you that.

I see this, you know, nobody has been able to guarantee that there's not going to be any problems with this. They're going to come to our office, they're going got come to Luanne's office, to all the tax assessors' offices, they're going to deal with us. So again, I just don't see that they can provide the same customer service that we're providing.

MR. INGRAM: But basically you're generalizing from the Two Steps One Sticker which is a really radically, radically different option than what we're trying to do which is basically just push online renewals.

MR. URESTI: I don't think that I'm generalizing. I can tell you what our performance is, I can tell you how much I care about the customer service.

MR. INGRAM: Oh, I don't doubt that you do, I'm not saying that.

MR. URESTI: And when you ask me if there's
going to be a drop in customer service, the answer is
definitely yes because there's no way that Xerox can do
better than what we're doing right now.

MR. INGRAM: And I guess going back to staff on
the Xerox question, it was my understanding there are
multiple vendors that could -- I guess let's go back to
previous RFPs, I know we didn't do them, which agency did
them, DIR?

MS. BREWSTER: Yes, Member Ingram. This is a
competitively bid contract through Department of
Information Resources. We are required to use the
selected vendor who was the successful bidder. If they
cannot provide the service, we can then look outside at
other vendors, but Xerox clearly provides this service,
printing services already, and therefore, we are required
to use them. I want to just emphatically state this is
not a vendor proposal.

MR. URESTI: I will say, because I checked with
my staff because I wanted to make sure I wasn't going to
say anything that was wrong, and asked them if they
remembered when I specifically asked Jeremiah if they had
gone out for bids and Jeremiah told me no, because they
were the only ones that could do that. And I have all my
staff here that I double checked with them.

MS. RYAN: Mr. Uresti, I'm sorry. Did we just
answer, though, why?

MR. URESTI: I'm just telling you the way the question was answered.

MS. RYAN: Understand, understand. So again, as we stated earlier, it seems there's just a lot of misinformation because there's been so much information over so much time. We can clearly understand the misinformation and how it can get out there, so hopefully, the information that was just provided helped. Understand that we have some requirements that we have to follow, too, as an agency, so hopefully that helped.

MR. KUNTZ: And Madam Chair, if I can. There is nothing in this rule that is specific to Xerox, that Xerox would be the only vendor that could potentially provide this service. Generally when you hear people refer to a vendor bill or a vendor rule, those rules are drafted in a way that there's only one vendor that can provide that service in that specific manner. There are many other vendors that provide printing and mailing services. If this was to go back out for bid by DIR, other vendors would bid on this and be fully able and capable of fulfilling the obligations of this rule.

MS. RYAN: I did have one question. You made a comment, and I understand that you're not in favor of any change and that you would like to see the agency continue
to be funded out of general revenue. I just want for clarification, it's my understanding that the rule -- so correct me if I'm wrong -- the rule originally was put in place and adopted to help us break away as a stand-alone agency from TxDOT and that the funding for registration services would take our appropriations out of Fund 6 from the Highway which TxDOT is funded out of. Is that correct? So this portion of it takes us out of Fund 6, not GR. Is that correct?

MS. FLORES: It's the county compensation that's removed from Fund 6. So when the bill was passed, yes, we were in the Highway Fund, and there was a lot of discussion during that session about diversions. In the 84th Legislative Session, they appropriated the agency out of general revenue, but the county compensation is still being drawn out of the Fund 6.

MS. RYAN: But since the TxDMV Fund was reenacted and is in place September 1 of this year, that is in place.

MS. FLORES: So we will be funded out of general revenue in 2017 until the processing and handling fee is established.

MS. RYAN: Okay. So we have been taken already completely out of Fund 6.

MS. FLORES: Yes, ma'am.
MS. RYAN: Okay. Got it. Thank you.

MR. URESTI: And just one last thing. One of the things that we'd like you to consider is on this centralization is one of the things that's been brought up that we thought was a good suggestion was to allow the counties to opt in or opt out, and so that may be an alternative to help the counties that prefer to do their own online.

MS. RYAN: I think that kills the efficiency aspect of the cost, though. I think, I believe.

I think there's other questions, though, if you wouldn't mind giving us a another couple of minutes.

MR. PALACIOS: Mr. Uresti, I do have a question for you. Your comment regarding your objection to the third party signatures, as you know, staff earlier made a recommendation to modify that requirement. Instead there's a recommendation that these deputies, I guess, sign a separate agreement regarding the use of the RTS system with DMV. Are you opposed to that?

MR. URESTI: Well, because I haven't seen it, I can't tell you that I am or I'm not. But what I am opposed to is the fact that we already have it in our contracts that the district attorney's office has written up where we have the ability to pull their ability to use RTS within 24 hours, so we already have that ability, and
we just don't see the need for additional oversight or additional signatures from another state agency when we've already got everything under control.

MR. INGRAM: So a quick question on just that, it's not really an additional signature, it's just an addendum to the current contract that the current TAC uses. Correct?

MR. KUNTZ: The recommendation is that an addendum be required in the county's contract that has access requirements for the use of the RTS system. We would not be signing the contract.

MR. URESTI: Whether it's an addendum or a signature, it's still the same thing. I mean, you're controlling the contract that we already have, you're taking away local control. We have contracts right now that you have the ability to go in and audit, you have all that ability right now, there's nothing that prohibits you from doing that.

MS. RYAN: Mr. Uresti, without this contract, it's my understanding -- and Mr. Duncan can clarify this -- without this addendum right now, without your permission we can't turn that system off.

MR. URESTI: We'd have to defer to Bruce Elfant on that.

MR. DUNCAN: We have turned deputies off.
MS. RYAN: With reason.

MR. DUNCAN: Right. We're hoping to bring some structure to that process, that's the whole point. And to Mr. Uresti's point, yes, it's an addendum. It does not affect your ability to contract or your contract with the deputies as you choose to write it.

If we wanted to, and we can absolutely do this, we can make this what's called a block screen on RTS, we can apply it to certain control points in RTS which means specific work stations. We could just put up a thing that says I agree to these terms, and it would be a required you have to click and agree every time you log on. We could do that because we control the system. We didn't want to do that because it takes time and it takes programming. But that's the alternative, we could do away with the addendum and we'll put it as a block screen on RTS, absolutely.

MS. RYAN: I have one last question, if I may on that. Change of subject, Mr. Uresti. $15 and $40 seems to be a consistent recommendation with regard to the deputies. We've heard that twice now. As I understand it, the agency took information from the financial information -- and we do appreciate greatly the financial information that was provided to the agency -- and took the previous recommendations on that information. And I
understand financial statements, profit and loss is pretty simple, it's revenue and expenses out and you get a profit. Right?

And we took that revenue registration stream against the dollar amount and on proposed rules previous there was a few that were going to lose money, so then they took a dollar amount on what they're proposing and none of them were going to lose money. So if they're not going to lose money, and some of them are actually getting an increase, from what I understand, they were going to make more money. So I guess I'm struggling to understand how on the proposed rules that the agency is proposing to the board how that's not enough, and where did the $15 and the $40 come up.

And I guess the question I have is maybe there seems to be, again, a misunderstanding of what -- and Mr. Lee maybe alluded to it -- what this fee is for. And so where did you base the $15 and $40 from?

MR. URESTI: In Bexar County they do $15 and $30, and the reason for the $15 and $40 is because since we're trying to come up with one fee, we know that Travis County has a $40 that they charge a lot, again, trying to get to a consistent fee that you are looking, that's why we went with $15 and $40. But as far as Bexar County, $15 and $30, we checked with the owners and that would be
sufficient.

As to your point about the financials -- and Jeremiah, you can correct me if I'm wrong -- my understanding when they used the overhead and different facets for the study, they didn't use theirs, they used the county's, and so therefore, there is a difference there.

MS. RYAN: We used the recent information that was brought to us.

MR. URESTI: I haven't seen the financials.

MS. RYAN: I understand. I didn't either. The agency gave us a roll-up.

I appreciate that. Thank you. Any other questions?

MR. WALKER: You said something about it was your understanding that the counties would be able to opt in or opt out. I'm not aware of any opting in or opting out.

MR. URESTI: What my understanding is that -- I don't remember who it was that brought it up, I think it was Kevin maybe brought it up -- that there is with the state comptroller and with the elections department there's an opt in and opt out on certain programs. What we're suggesting is if there's a way to do it that we be allowed to opt in or opt out. That is what our suggestion
MR. WALKER: So you're making a suggestion that you be able to opt in to this plan or say that we don't want to do it the way you want to do it, we're going to do it the old way.

MR. URESTI: Correct. As far as the centralization of handling the online transactions, we're like to do it, because we're still going to wind up -- I think the other misconception, we're still going to be winding up doing most of the work, all they're doing is folding and mailing, we've still got to do the processing, so there's still a lot of work for us to be done. So the fact that we're going to be compensated a quarter doesn't affect the amount of work that we're going to be doing.

Additionally, there's this misconception that we're going to save 20 employees. We're not going to save 20 employees; in Bexar County we're going to save 1-1/2 employees. So it's not the huge savings that everybody is talking about.

MR. INGRAM: I was confused. You said that if we take over the online portion of it that you would still be doing -- what did you say that you would still be doing?

MR. URESTI: We'd still be doing a lot of the processing on it, because on the online, from my
understanding, Xerox is going to be folding and mailing
the registrations out. We still have to do the
processing. I have David, David can explain it better
than I can, but we're still going to be doing a large
amount of the work. It's not as simple as everybody is
thinking it's going to be where Xerox is taking everything
over. That's not the way it's going to work.

MR. WALKER: I thought we had automated all of
this with RTS.

MS. RYAN: What work do you think you're doing
for online? Maybe this will help.

MR. INGRAM: That's what's confusing.

MS. RYAN: What do you think you'll be doing?

MR. URESTI: Let me refer to David, he can
explain it better.

MS. RYAN: Okay.

MR. DeLEON: For the record, my name is David
DeLeon. I'm the director of motor vehicles.

MS. RYAN: Welcome.

MR. DeLEON: What asked the DMV what the
processing was, the definition wasn't given, but what
we're actually doing right now is the customer actually
goes in, keys in information on the internet, they key in
the name, their insurance and credit card number.

Basically that information comes to our computer, we
review it, we process it, and then from there the transaction is completed. Our understanding is we will still do the processing but Xerox will just, once it's either declined or approved, that information will go to Xerox.

MS. RYAN: Define processing in your office. What do you think you'll do as far as processing?

MR. DeLEON: Okay. I'm sorry. Processing basically what that is we are going to actually review all the work, make sure all the information is correct, confirm that the customer's name, address, insurance is valid, even though it's verified by the system. And then from there, once that is approved or declined it is -- once it's processed, then we'll send it.

MS. RYAN: So when you send it, what does that look like in your office? Do you physically mail something or do you push a button?

MR. DeLEON: I'm sorry. Once we process it, we hit a button, the sticker is printed and then we get the sticker, and then we actually right now the current process right now, we mail it off, but we have to hold the money.

MS. RYAN: I think that's maybe where there's a misunderstanding. You won't print or mail anything.

MR. DeLEON: Right. I'm sorry. We understand
that. But what I'm trying to say is we still have to review the work.

MS. RYAN: And that's on the screen. Right?

MR. DeLEON: That's on the screen, yes, ma'am.

MS. RYAN: And the system automatically verifies insurance now

MR. DeLEON: Yes, ma'am, it does.

MS. RYAN: Do you do any additional verification on top of the automatic verification?

MR. DeLEON: Yes, we do. The board member was asking about those that can't be verified, like fleets, those can't be verified in the system. So there are some vehicles, like TexasSure can't verify the insurance for some customers because sometimes they have multiple vehicles, so what we have to do, we have to manually verify and call those insurance companies. At least that's what we do in Bexar County.

MS. RYAN: Okay. Thank you.

It's my understanding the system stopped that. Jeremiah, is that not correct?

MR. KUNTZ: Going forward, the system is not going to allow somebody that does not have an insurance that can be verified to be processed online.

MS. RYAN: They'd actually come into your office or mail it then. So that would actually save you a
little bit of work moving forward.

MR. DeLEON: What basically happens is when it is declined, electronic notification is sent to the customer, and then at that time the customer contacts our office either by walk-in or by phone or sometimes they'll try to send an email back to us, but of course, they can't.

MS. RYAN: So now actually the benefit would be they'd come in physically or they'd mail in which would give you additional revenue.

MR. DeLEON: Yes, but the problem with that is customers are real upset because they have to make a trip. I know one of the board members says that his time is more valuable than going to the office and actually standing in line.

MS. RYAN: Johnny is actually pleasant when he comes in.

(General laughter.)

MR. DeLEON: I'm not saying that. Time is valuable, I know all of your time is valuable, so that's what we're trying to prevent from customers being upset. Like we said earlier, they're elected officials and they have to field the complaints and things like that.

MR. URESTI: Are we handling the money?

MR. DeLEON: Right. And right now, like I
said, once a credit card is processed, that money is sent into the county fund and we have to hold on to it for several days till it gets paid over to the account, and then from there we mail off the registration.

MS. RYAN: But that's current. Correct?

MR. DeLEON: Yes, ma'am. Current.

MS. RYAN: And what I think the agency is trying to explain is that moving forward, should these rules be adopted, you'll no longer mail anything.

MR. DeLEON: Yes.

MS. RYAN: So there's no additional expense at that point.

MR. DeLEON: But I guess what we're trying to say is it's still going to take the same time period to review the information that's being sent to our office, and then from there once it's approved, it's going to still go to them.

MR. WALKER: So I have a question for you.

MR. DeLEON: Yes, sir.

MR. WALKER: You keep saying this review. I'm as lost as I can be, because, Jeremiah, what reviewing does he need to do?

MR. KUNTZ: What we've explained and what we've shown in the chart, today they're reviewing 100 percent of the transactions and they're approving them. Tomorrow we
will be dealing with exception based denials. So if the funds don't come in, in other words, they get their bank account and the bank account does not balance what it should, they would identify the one transaction or two transactions that did not fund and they would decline those transactions. Nothing else would have to be done on their behalf. It would automatically approve.

MR. WALKER: The system will say serial number over here matches serial number over here, insurance matches. Nobody needs to look at that to see if this serial number matches this, the system does all that automatically.

MR. KUNTZ: Correct. The system is going to electronically verify. If it cannot, the customer would not receive it.

MR. WALKER: The only thing that needs to be done in my world that I live in is you get an exception report.

MR. KUNTZ: Correct.

MR. WALKER: The exception report says this is a problem here that we may need to correct, one out of 500.

MR. KUNTZ: And that is the additional reporting that Luanne was asking about. We would be looking at those requirements to create those exception reporting.
reports for them to identify what needs to be declined or
gone over.

Now, if they have a scofflaw program which is
to collect their county fees that are unpaid, they may go
in and review all of those transactions but that's for the
benefit of the county to collect on those scoffs.

MR. WALKER: And the county should pay for
that.

MS. BREWSTER: And that's for those counties
that use a scofflaw system outside of RTS.

MS. RYAN: And David, do you believe that you
have a fairly efficient office?

MR. DeLEON: Yes, ma'am, I do.

Can I ask one quick question, please, ma'am?

MS. RYAN: Yes, sir.

MR. DeLEON: I know we asked early on or
another county asked about the definition of processing,
and I'm kind of confused like you, sir. At that time we
were not giving a definition. So my understanding now,
what I'm hearing then is when that transaction is
processed that means we're not going to review it at all,
it's going to go directly to Xerox.

MS. RYAN: You'll have an opportunity in
whatever delay time the agency works out, I believe, to
review it and then stop it should you choose, as I
understand it.

MR. DeLEON: So we're still going to require an individual staff member to sit there in front of the computer. Right?

MS. RYAN: And that's one of the reasons I asked if you feel you have an efficient process because the agency actually took some time. And I'm going to let them go through, they actually went to a county office, a fairly large one, to understand what that looked like, to make sure we were looking at it right.

Do you want to share what it looked like to make sure we understood?

MR. KUNTZ: We did visit Travis County and watched a clerk process the transactions. Their clerk processed approximately 950 transactions a day, on average it was about 1,000 transactions per day. We watched the screen pops up, she sees the screen and basically would hit enter, I believe it was three times to get through the transaction. There was very little actual review. It was hitting the enter key multiple times in order to get that sticker to print. It would just sit there and print on the printer. Once she was done printing all those, approving them, she would go to the stack, take it to the folding machine, have them folded and stuffed in an envelope and mailed out.
There are exceptions that would pop up when an address did not match what was on the record, and she would go through that screen but did not actually do anything with it. We've heard in some counties that they will look at those in greater detail. That's part of the reason why we're putting that piece of software on the front end to cut down on those addresses that may be bad that got entered. So we're doing as much as we can to take all of the errors out of the system so that the system can just run automatically without any human intervention.

MS. RYAN: So Jeremiah, now, with the exception of reviewing the exception report, like Johnny discussed, and stopping the ones that they can't fix within whatever time frame needs to be done, everything else is going to be handled --

MR. KUNTZ: Automatically approved.

MS. RYAN: -- automatically approved and handled at Xerox.

MR. KUNTZ: Yes.

MS. RYAN: Does that help clarify?

MR. DeLEON: Yes, it does. Yes, ma'am.

MR. BARNWELL: Well, just out of curiosity -- and this is not directed at you but at Jeremiah -- Jeremiah, how does somebody online register? How do you
envision this working? Just kind of go through the steps with me. I go online to TxDMV, I want to register my car, what do I enter in order to get into the system?

MR. KUNTZ: You enter your license plate number and the last four digits of the VIN number.

MR. BARNWELL: And then it populates the field.

MR. KUNTZ: It calculates the fees, populates the vehicle and its class, it gives you some information about that vehicle so that you can validate that you have the right vehicle in front of you. You then go to a screen that will ask you to select the county if your county is different than what is presented to you. So it's going to automatically pull up your county. For example, I'm in Williamson County. It would say is Williamson County still your county? I would say yes. That would then take me to the screen where I would enter my address information.

MR. BARNWELL: Now, entering the address information, we all know how squirrelly computers are about that because they require you to be so precise. In my case, 1488, FM 1488 Road, R-O-A-D, R-D period, or nothing, and you never know who is going to do what. So I enter it R-D period and it comes up and says you don't exist that way.

MR. KUNTZ: So the piece of software that we're
looking at, it's called SmartyStreets.

MR. BARNWELL: I'm familiar with it, we use it.

MR. KUNTZ: And so what would happen is you would enter your address the way that you would normally type it, let's say you type R-D period, SmartyStreets would go out and validate that address and make the appropriate changes, maybe change R-D to Road.

MR. BARNWELL: So it gives you the options.

MR. KUNTZ: Yes.

MR. BARNWELL: And it does that while you're in the system.

MR. KUNTZ: Yes, sir.

MR. BARNWELL: And okay. And after you do that, after you select R-O-A-D, or whatever it likes, then you're basically through with the transaction other than entering your credit card data?

MR. KUNTZ: Yes, sir. And then you'd submit it and that's it.

MR. BARNWELL: And at that point, is that where our zero to five days comes in?

MR. KUNTZ: Yes, from the time that you submit the transaction, that would then start that clock to automatically release unless somebody intervenes and stops the transaction on the county side.

MR. BARNWELL: Okay. And what we're working on
that we don't have right now, just to get myself fixed in space where we are, is that at this juncture we would need legislative changes in order to have a receipt good for, say, 30 days while the person waits on the printed registration.

MR. KUNTZ: Currently the receipt that is printed says this receipt does not serve as proof of registration. We are looking to change that so that that receipt can serve as proof of registration.

MR. BARNWELL: And that's a legislative initiative there.

MR. KUNTZ: Yes, sir.

MR. BARNWELL: Okay. Thank you. I appreciate you taking time to explain that to me.

MR. DeLEON: I do have one quick question for Mr. Kuntz. I know that in Bexar County at times we have individuals -- like you said, sir, you live in Magnolia, Texas or you have a P.O. Box there -- and I know that we have individuals accidentally key in the wrong county but we still receive it. Will there be something in the system to correct that problem where we have to send the customer a decline? Like you said we can decline and say it's the wrong county, we can't register it, and so we send it off.

MR. KUNTZ: One of the things that
SmartyStreets does is it does present a county, and the system would auto populate the county. That is a change from the way it is currently today. Today the very first screen you start in is you select your county, but we are looking to change that to where the county is keyed off of the address that's entered and then it's presented to the customer for them to verify that that is the correct county for them. They would then change it if it was incorrect based on their knowledge.

MR. BARNWELL: Is that zip code driven?

MR. KUNTZ: I'm sure that it is but I would have to look at the actual program to see.

MR. TREVIÑO: Can staff on the suggestion to opt in or opt out?

MR. KUNTZ: An option like that is going to be a pretty heavy lift as far as programming is concerned, and as the chair has alluded to, it would significantly diminish the centralization process. It is something that we could look at but it is not something that I believe would be cost-effective at this time to have some in and some out.

I will say that the statute used to allow counties to opt in to the online system. In fact, some of the statutory references that have been made as to the requirement for counties to process online transactions

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were actually changed in order to ensure that all counties participated in the online system because there were a number of counties that refused to go onto the online system and allow their citizens to use the online system for their county. So that legislative change was made mandating that all counties accept transactions that are processed online.

MS. RYAN: I also think, Mr. Uresti, your proposal to opt in is based on -- is it not based on a change in other compensation structures. Correct? Based on what you've provided us.

MR. URESTI: The plan that we're submitting is for the entire state. The opt in would be if you were not to adopt any of our plans and we would like an opportunity to be able to opt in or opt out. What I have give you is two plans that I feel can work for the entire state and it will show you the decrease in this $7-1/2 million loss that is occurring.

MS. RYAN: Correct. But the proposal to opt in would be based on the structure that we have, and the P&H fee basically states that the P&H fee covers everything. So I think what you're proposing is suggesting that the counties have an opportunity to opt in or opt out, but all you're asking for is that we would pass on the 50 cents, and we'd have to cover all expenses.
MR. URESTI: Exactly. We're asking for the 50 cents.

MS. RYAN: But it costs almost that much to mail.

MR. URESTI: Well, it's going to cost Xerox the same amount. But if you look at the other changes on the five transactions, those take into consideration, in one of the plans I think Bexar County loses $487,000 which we're not too keen on, the other plan we'd lose $110,000. We don't want to lose any money but what we're trying to do is keep the online transactions.

MS. RYAN: For 75 cents.

MR. URESTI: Yes, ma'am.

MS. RYAN: Okay. Understand. Thank you.

Any other questions?

(No response.)

MS. RYAN: Okay. Thank you so much.

MR. DUNCAN: Madam Chair, if I might. It took me a while to dig out this comment, and I apologize, but you had asked a question about where the $40 and $15 came from, and I recalled that one of the commenters had submitted specific amounts that are currently charged by full service deputies. That's Bruce Elfant, the Travis County tax assessor-collector had submitted for the four full service deputies that he covered which are Oak Hill
Title Service, Auto Title Cesar Chavez, Universal Title Service and Fry.

And if you look at what they're charging for a title and a registration, there are three instances where the $10 and $20 would not cover what they are currently charging, and those three are Oak Hill charges $21 for a member of the public to do a title, Auto Title Cesar Chavez charges $20 to $30 for a title, a salvage title based on the number of transactions presented, and they also charge $10.75 for a reg. And then the last example is Fry Title Service which says $40 for title transfers, includes the reg renewal, so under the staff's proposal, that would be $30 instead of $40, so they could charge $10 for the reg and $20 for the title.

So there are some instances where the rule would reduce, but there are very few, and there's one where it's 75 cents, one where it's a dollar, and then all of the others they are charging either what we're proposing or less in every instance.

MS. RYAN: Okay. Thank you.

MR. WALKER: Can I get clarification, Jeremiah?

Earlier in some of your comments you said that there were 31 locations of full service deputies, locations, not companies, 31 locations. Correct?

MR. KUNTZ: I believe it's approximately 30
statewide.

MR. WALKER: Locations.

MR. KUNTZ: Believe that it's locations.

MR. WALKER: Mr. Uresti just cited that he has 21 of those locations, there are four in Travis County, according to the prior testimony, so that leaves two other counties, so there's only like five left between two other counties?

MR. KUNTZ: I know in Hidalgo County -- and he is here -- he's got two, and then El Paso.

MR. WALKER: So the 30 is wrong, obviously.

MS. RYAN: No. That still could be. Well, that's a great segue because we're going to call Bruce Elfant next so maybe he can tell us.

MR. WALKER: You've got eleven, eleven, 21, we're already at 40-something.

MS. RYAN: Well, then there's more that we're unaware of.

MR. WALKER: So there's somewhere we've got some misinformation.

MS. RYAN: Sounds like it.

Well, don't we have to have systems there?

MR. KUNTZ: yes.

MS. RYAN: We'll have to go recount our contracts.
MR. KUNTZ: We can go pull them.

MR. WALKER: It may not even be important, it's just that I was putting it on the record.

MS. RYAN: All right. We'd like to call Bruce Elfant, please. Good afternoon. How are you?

MR. ELFANT: I'm surviving, I'm still here. I'm Bruce Elfant, Travis County tax assessor-collector, and I'm here to speak about the full service deputy fees.

Thank you for hosting this hearing. It's actually been very interesting. My preference would be that the conversation about the consolidation, the vast majority of tax assessors haven't had the opportunity to have that conversation. That's one of the big frustrations with the centralization is that that popped in April and very few have really been able to have a forum with a lot of give and take and the specific questions that have been asked and answered here, and I think this was good. I just wish that you would take it on the road and share it more with the other tax assessors.

On the full service deputies, I want to start with the third party contracts. I'm pleased that the proposed rules have backed off on the third party contracts. We have not seen language for this addendum, and it may be great, it may not be great, as we know the
devil's in the details, and my county attorney would like to see the language before we said that we like or we didn't like it. And for that I would urge you to kind of hold off and let the counties that are impacted take a look at the language because if my county attorney says don't sign that, I can't sign it. And I'd like to know that before we go into this rather than after it's a done deal.

On the due process, I'm glad that we're looking at due process. Again, the devil's in the details, we don't know what that due process would look like. China says that they have really great due process. We don't agree with that. So we would like to know what the due process really looks like, what rights do they have, where can they go, how can they express then, and what kind of time frame and from whom would they get a response to their contest of having the RTS being shut down. So that's the due process issue.

On the full service deputies, there's been a lot of talk about customers being forced and a tax and all that. The customers aren't forced to do anything. Travis County has our office on Airport, a couple of miles from here, we have four satellite offices, and we have the full service deputies. Two-thirds of the titles are done by the tax office, at our main office or at our substations,
and that will continue. That's been the case, that's been pretty steady for years and years, the market share hasn't gone up or down, and they absolutely have a choice.

I would argue that we're giving our consumers more choice, not less choice because they have the option to go to another private sector company and have it done that way. You know, when I go buy a car -- and I'm about to, so if any of you have some deals -- when I go buy a car, I look for the price, I look for the economy, the price, but I also mix that with the kind of service that I'm going to get from that dealership, and maybe you're not the cheapest but you're going to give me better service, I'm going to get my car in to repairs quicker, I'm going to get the service checks quicker. That matters. And that matters to our customers and they want to be able to continue that choice.

You haven't received any complaints against our title companies. We're offering more customer choice. Really the amount is at issue here. Our title companies say that this is going to put them out of business, the DMV staff says not, I'm caught in the middle. All I know is if we make the wrong decision here it's going to have really bad effects on Travis County and these other counties, and I just want to get this right.

The $40 and $15, not that everybody is going to
go up, I don't expect any of the title companies to
increase their prices when you put in the cap, I think
they're going to stay where they are, but it gives them
breathing room. What you haven't done here is you haven't
given them the opportunity to adjust their fees over time
when they have increased rent, when they have increased
health care costs, when they'd like to give their
employees a raise. This is set, and Jeremiah has said in
a work session that we had that he doesn't think the board
is interested in looking at this for a very long time.

So if you set these fees in and even if some of
them can barely make profit, what's that going to look
like next year or the year after? And that's why we
recommended setting the caps high enough to where we have
a few years before we have to look at that again. It
doesn't mean the title companies are all going to go to
$40, I don't expect that they would. They're competing
against each other and they're competing against the tax
office, frankly, because we don't charge that.

So I think we need to trust the free market
system. If these companies do go out of business, it's
not going to be because of a private decision that's been
discussed, it's not going to be because of supply and
demand issues, if they go out of business it's going to be
because government regulation put them out of business.

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I'm done and I'm happy to answer any questions.

Actually, I'm beyond done.

MS. RYAN: We appreciate your comments.

MR. ELFANT: Thank you.

MR. PALACIOS: Mr. Elfant, I have a question.

How many full service deputies do you have in your county?

MR. ELFANT: We have four offices.

MR. PALACIOS: And how often do you, I guess, back to an earlier question, put out bids for renewal to bring in new full service deputies?

MR. ELFANT: I'm in my first term. During that time we haven't had any requests, and what my staff, who's been there a lot longer than I have been, has told me that they haven't had any requests from anybody in years and years. And we talked about this a little bit at the last board meeting because I would love to expand because we have areas of the county that aren't well served or as well served as they should be, northwest, for example. If some entity came to us, we would get with the county attorney and the auditor and create a process and take a look at that. We would do that with anybody wanting to contract with us for any reason.

So we're certainly open to adding more companies. There hasn't been interest; if there is, we'll create a process to evaluate them and make sure that the
county is comfortable with who we're contracting with. We're happy to do that. I think under what the staff proposal is that I don't know that any companies would be interested in this business if the staff proposals pass.

MR. PALACIOS: Why is that?

MR. ELFANT: Because what you're hearing from the title companies is they're either right on the edge or not going to be able to make a profit, and most private businesses like to make a profit.

MR. PALACIOS: I understand. I guess I just want to hit on some of your comments regarding free market. You made an analogy to the car business. I guess there's a big difference. Obviously, we are private companies, we're not necessarily appointed by a gentleman as yourself so that independent car dealers you can open up a car dealership wherever and we're not subject to the discretion of a county official.

I just, again, want to get back to the model. In your county you've got four and from other discussions that we've heard, the high fee of $15/$40 pretty much came from, I guess, your recommendation. And I still struggle a little bit looking at the fees that are being proposed by you. The $15/$40 came from, as I understand.

MR. ELFANT: Caps, not fees.

MR. PALACIOS: Okay. Well, the cap. Other
counties charge significantly less. Those few that do -- again, I've got to put this all in perspective, we're only talking about four counties -- El Paso County is significantly less than yours, and yes, you can argue real estate is higher in Travis County. I just want to again get back to the question I asked Mr. Ale shire. What is the responsibility of this board, I guess. Do we not have a duty to our consumers to make sure that if a government service is performed that they not be overcharged, I should say? And what you're asking us to do now is to set a fee based on what looks to be the highest cost provider in the state.

MR. ELFANT: That is your responsibility, and you have done that. These title companies are required to post signs in their offices saying that you don't have to come here, you can to go the tax office. You've done that. You're required tax offices to make sure that our doors are open, that we can't decide this is a really good deal, we're going to shut down and not do any titles and we'll let all of them do titles.

In Travis County we still do two-thirds of all the titles, and so our doors are open, our infrastructure is there and we're able to accommodate customers who come in to have their title work done. This is just an extra choice for customers, they don't have to do it. They
don't have to go to Fry. If they want to go somewhere cheaper, they can go to another title company. If they don't like that, they can come to the Travis County tax office. Absolutely.

I think that the protections are there for the consumer. I don't want to see consumers gouged either, and that's what the free market is about because if anybody gets out of whack, I'm going to get complaints and they're going to lose business and then we'll know that they've hit a threshold where it's too high.

MR. PALACIOS: But again, I argue this isn't free market. Free market allows the consumer to go to one of various locations. Here you've got four deputies that you singlehandedly appoint. That's not free market. You want to talk about regulation, that is regulation.

MR. ELFANT: It's as free market as the number of people who want to be auto dealers. This is the number of people in Travis County who have signed up to become title service companies, and it could be ten, it could be twelve, but that's not who's come to us.

MS. RYAN: To that point, you heard Mr. Duncan address -- Member Treviño asked kind of to the point of one, legislatively we were asked to set these fees by rule, and then Mr. Duncan gave a legal opinion on what small business is, and he can certainly kind of recap that
quickly. Yet your comments seem to ignore that. As an elected official, and you say you're caught in the middle, how do you address that? And Mr. Duncan can certainly recap both the statute that he referenced earlier and the statutory requirement that this board has to address also, yet that doesn't seem to come into play with any of your comments. So help us understand that.

MR. ELFANT: Well, the first thing I would tell you is that Mr. Duncan said that there's always been a structure there. I'm a first term tax assessor, but what I would tell you is that I didn't know that there wasn't any authority for these title companies to charge fees. That's the argument.

The other thing that I would tell you is that in 50 years, DMV has never come in to enforce anything, and so we didn't know, there's been no enforcement. They never told us until very recent times when we were going through this process that that's been an issue. And like I said, in Travis County we've been doing it for 50 years.

MS. RYAN: But you know now, and now we have to all address it together.

MR. ELFANT: Yes, I know now. And I'm not an attorney, but I would tell you our attorneys disagree with that position.

MS. RYAN: Okay.
MR. ELFANT: But having said that, the board has said that we don't want to put these companies out of business. I think we're all in agreement we don't want to put the companies out of business, so the question is where is the sweet spot where we're going to allow these companies to stay in business and allow them to adjust their cost of doing business over time without having to come back here and hope that you will be inclined to look at fees again in the next couple of years. So I think we're all pretty close, we've just got to get the numbers right, and the $40/$15 was suggested so they wouldn't have to come back here anytime soon, to give them some breathing room, and so they can go up with the cost of living, and you know, five-ten years.

And between you and me, and everybody else listening, I think that the WebDealer and I think that the technology is going to render these title companies less and less relevant over time, but it's not going to be tomorrow, it's going to be five or ten years, and I think that's going to happen. And I don't have any problem with that happening if people decide that they're going to go online, they're going to do it differently, and they're not going to go to the title companies. If people choose to do that over time and the title companies cease to exist that way, I don't have an issue with it. But right
now, if they close tomorrow, I've got 100,000 titles I'm looking at, and staff says they're right, my title companies tell me what their situation is, and I don't want us to get this wrong.

MS. RYAN: Did you get a copy of the study at all?

MR. ELFANT: Yes, I've seen the study.

MS. RYAN: That said the cost was roughly $12.88 with the full service deputies, on average.

MR. ELFANT: And the first thing I would say is it's three years old now, that study. And I don't know if any of you pay attention to the cost of doing business in Travis County, but we're not growing as fast as Williamson County but we're close. The property values, rents are outrageous, and the dirt that Fry Title Company is a lot more expensive than the dirt that another title company sits on, and we have to have something that accounts for those differences.

MS. RYAN: In Travis County it would almost double at $20. I that not fair?

MR. ELFANT: I'm sorry?

MS. RYAN: So in Travis County it would almost double from the study in three years because it was twelve bucks.

MR. ELFANT: You know, these people are doing
business, customers are voluntarily going to them, they're not being pushed. We don't do any marketing for any of the customer, so it's not like we say go to Fry, go to this one. We don't do any of that, and they, on their own and through their advertising, I guess, they find their way to these businesses. And if they found their way to our office or somewhere else, that's fine too. I just don't want the giant change that Travis County would have to deal with very abruptly and in a very costly way.

MS. RYAN: Thank you.

MR. BARNWELL: So it's your feeling that upon the adoption of the proposed rules that these people would shut down at the end of that month, basically.

MR. ELFANT: Well, we're talking January 1st, I believe, and my conversations with them have indicated that they won't have their doors open January 1st.

MR. BARNWELL: What's the average of what they charge now? Or out of the four, what's the minimum registration and the maximum registration and the minimum title and maximum title charge?

MR. ELFANT: I don't have all those in my head. I know there's one company that charges about $40. I think David talked about these just a minute ago. You have a couple that are about $20 which would be the cap already, so they wouldn't have any room to grow, and I
think there's one that charges a little bit under $20, but
you have three of the four that are at $20 or more right
now, and so maybe for the two the $20 is good for this
year, what about next year when their rent goes up, what
about the year after when their health insurance goes up,
what about when they want to give them a pay raise?

MR. BARNWELL: I understand where you're coming
from on that, and I'm not an advocate of price controls
except in certain monopolistic situations where there is
no economic market power on the part of the consumer, but
that's another argument. Right now without any
regulation, or at least any enforced regulation, these
people are charging, plus or minus, but about what our
proposed rates are. Is that right?

MR. ELFANT: Three or four are right about at
the maximum and the fourth one is above.

MS. RYAN: By how much?

MR. ELFANT: The fourth one? I think the
fourth one is, I think David said about $40.

MR. DUNCAN: Forty, but that's a reg and a
title, so $30 by comparison of the new rule.

MR. BARNWELL: He had some other costs rolled
into his $40. Is that what you're saying?

MR. DUNCAN: Yes, $40 for a title transfer, and
then parenthetically it says it includes registration
renewal or transfer.

MR. BARNWELL: Well, the point that I'm making is that today without any regulation we have a situation where the fees are about what we're proposing anyway. And this supports what you're saying is that market forces do have an impact. There's a need to do appropriate regulation but there's a tendency on all of our parts to over-regulate. I would refer you to my wife in that regard. She disagrees, but the proof is there, years and years of proof.

(General laughter.)

MR. BARNWELL: So the thing is that what we have is a situation where what we're all trying to achieve here is some semblance of fairness and appropriate control, and it's a hell of a thing to try to do. So we've been wrestling with this for months, you're wrestling with it today, your deputies are wrestling with it. And I want to tell you we don't take it lightly. However this votes come down today, I would bet you that it's not going to be five years before we revisit it because there's no way to get it exactly right on day one.

Now, having said that, that's not much of a sop to help you feel better about it, and it sure doesn't make me feel better about it because I wish we'd never see it again, but that's not going to happen, we're going to be
visiting this again.

MR. ELFANT: I do appreciate that, because that's not what we've been hearing from staff.

MS. RYAN: Well, and I would also think -- and I won't speak for all the board but I think we can speak for ourselves -- I think this board would be happy, and I think maybe we could agree and I wrote down as a parking lot when would we like to see this in the future. I think if there's a need and the market feels there is a need for anything that is decided on today that the board has the ability to re-look at things. And I think that this board would welcome that and that's part of what we do. Do we want to see it back in a month? I think a month is probably too soon, whatever we do. Right?

But absolutely if there is a reason and that reason can be justified, I think the board would welcome seeing it back on any rule that we make a decision on, not just this one. If somebody disagrees with me, please speak up.

MR. ELFANT: We certainly appreciate that.

MR. WALKER: I need a clarification. He keeps speaking in the tone of the fee is a maximum fee, I'm reading that the fee is a fixed fee in our literature. He's saying it's up to, so if you wanted to charge 50 cents for a transaction for a registration, you could. Is
MR. DUNCAN: Yes.

MR. WALKER: It's a variable up to. Because that's not what our literature is stating. It says the fee would go to, it says to.

MS. RYAN: Up to.

MR. TREVIÑO: Has there been any discussion with these vendors about other fees that they can tack on to supplement their income with the change?

MR. ELFANT: I think you're going to hear some testimony from some owners about that later. They're more of an expert on that than I am.

MR. TREVIÑO: And does Counsel have some comments on the applicability of the third party agreement? Is there anything in there that might be problematic, or would there be able to be adjustments if a county attorney had an issue with it?

MR. DUNCAN: Since we haven't drafted it fully, we'd like to talk to all of the affected counties, certainly. And I've worked with Mr. Escamilla closely; I know the county attorney here, I've known him for years. So we'd be glad to work with the county attorneys and makes sure there's not something in there that they're just going to reject out of hand and create an issue for us.
MS. RYAN: Any other questions, discussion?

(No response.)

MS. RYAN: Thank you very much for your time.

MR. ELFANT: Thank you.

MS. RYAN: Mr. Ruben Gonzalez, please.

Mr. Gonzalez, good afternoon.

MR. GONZALEZ: Good afternoon, Madam Chair and distinguished board members. My name is Ruben Gonzalez and I'm from El Paso County.

We've been doing the numbers since we got back from Waco and by using the new calculations, forthcoming this next fiscal year we're going to be short at least a little over $94,000 in our budget in our calculations for revenue coming in from vehicle registrations.

But the purpose of me being here today to visit with you is I'm concerned about the internet registration program, the online internet registration program that affects El Paso County because we feel that we have one of the most effective and efficient scofflaw programs in the state and we've been in this business since 2001. And right now what I understand, other than centralized printing and mailing of the mail-in registrations, there will be an opportunity for the tax collectors to kind of screen and approve some of those transactions.

Under the internet program that's online we
enforce the scofflaw program where we have a system in place that we don't use the VIN number to determine whether somebody owes money, we use the vehicle owner's driver's license number and date of birth to identify the offender who actually owes a fine to the courts, and we use that information to determine whether we can renew a vehicle registration. And it's been working very effectively in El Paso County for quite some time, and we've collected millions of dollars because of that.

And I just want to let the board know, make the board aware that I would sure like to be able to meet staff halfway or somehow or another connect the dots so that we can continue using our program to enforce our scofflaw program in El Paso. And if it can't be done through the staff, I would be prepared to try and seek legislation if possible to do this because we do have an effective program in place. I want to do it the nice way, the easy way, convenient way. It's been effective for us, it's worked. So I just am concerned about that because going through the internet process, the way it's described, unless I'm given an opportunity to be able to confirm that the person owes money, it's going to hurt us, because we're collecting millions of dollars right now from scofflaw offenders that are identified right now through the courts.
Come September 1, as I understand it, the attorney general is going to have a program that's going to include us, to do the scofflaw program, for lack of a better expression, deadbeat dads or moms, so we're going to be doing this additional service, like we did the Two Step One Sticker program, verification of insurance, and we're not really getting compensated. And I understand in the statute there's a provision in the state that would allow DMV to get $5 out of that transaction. We're going to go through the verification process, and the first time that somebody gets hurt because we can't renew their vehicle registration, it's because of this program and we're not getting any compensation for it.

So that's my comments. I thank you very much for the opportunity to visit with you, but that's my situation in El Paso.

MS. RYAN: Thank you.

MR. PALACIOS: I had a question. First off, I'd like to congratulate Mr. Gonzalez on his election victory last month. Mr. Gonzalez is no longer an appointed tax assessor, he's elected. So congratulations.

MS. RYAN: Congratulations.

MR. GONZALEZ: Thank you very much.

MR. PALACIOS: Jeremiah, can you give us some clarification on Mr. Gonzalez's points? I think you
touched on this earlier, but will the centralization process now that we're looking at interfere with what Mr. Gonzalez is currently doing with his scofflaw verification?

MR. KUNTZ: No. Currently there is not a requirement for a customer to provide a driver's license at the time of registration renewal. Statute does contemplate it and it is permissive but there's been no action to require a driver's license for somebody that is renewing a registration. In order for his system to work the way that he's wanting it to for online, there would have to be a requirement for that person to give their driver's license through the online process. That will not change for him. Today currently all those online transactions do not have a driver's license, they just have a name, and so that's the only way to verify those today. This will not have an impact on that, there would have to be an action to require that driver's license in order to make that happen.

MR. GONZALEZ: I offer this as a rebuttal, in a way. We do require driver's license numbers in the majority of cases when a person files an application for title, so why can't that be carry forward through this screen that's going through the internet process now? Again, some of that information is available and it would
help our program. Also, on these courtesy notices that are mailed out to invite dual ownership, to indicate on the courtesy notice to show a driver's license or date of birth to make it much easier to enforce. But on our internet screen, working together if you had space to show the owner's driver's license number because in the majority of cases we do record it as part of the identification process, it could work. If we want it to work, it can work.

MS. RYAN: Go ahead, Blake.

MR. INGRAM: Mr. Gonzalez, I realize that on an application for title that driver's license is recorded, but we're talking about registration renewals, we're talking about a renewal of a registration, and currently under your current system today if somebody files online, you don't have that database that you can get the driver's license now, do you?

MR. GONZALEZ: That's the purpose of my concern and bringing this to your attention. It's going to hurt our program to be able to collect those delinquent fees that are due to the county and the City of El Paso.

MR. INGRAM: But you currently don't have the ability now, so once it became adopted and it didn't change, it would just be the same. In other words, you wouldn't have any decrease or increase in the ability.
MR. GONZALEZ: That's correct. But right now we are enforcing it. When people come to our office, we have a system in place where we do check the person's ID.

MR. INGRAM: That's if they come to your office, not online.

MR. GONZALEZ: When they come in. And that's one of the loopholes that circumvents this process that hurts us, and that's why I'm bringing it to your attention.

MR. INGRAM: It would be better for all parties, I'm sure, if we had it in there, but it's not there for either one of us currently.

MR. WALKER: We did have this, Blake, if you'll recall, with the matricula cards for title transfers with the legislature.

MR. INGRAM: Yes, but not for registration renewals.

MR. TREVIÑO: Jeremiah, if this was legislatively mandated, this could be accommodated. Correct?

MR. KUNTZ: It is permissive under statute today, so there's already statutory authority. If the board so chose that it wanted to require a driver's license at the time of registration or registration renewal, there is authority for the board to require it,
but this board has not taken action to require it at this time.

MR. WALKER: But we went down this road already once and it was a bloodbath because people screamed and yelled. You have to show proof of American citizenship is what you have to prove today, and so there was questions about matricula cards being proof, and it wasn't just a driver's license, valid ID is what the law said.

MS. RYAN: This would just be a driver's license number, so if you didn't have a driver's license number, then you would just not put one in.

MR. KUNTZ: So currently our rule for titling allows for a governmental issued ID to be used as proof of identification. That can include a Texas driver's license, a driver's license from another state, a passport, and so you're not required to be a U.S. citizen, you can be an international citizen that has a passport that is applying for title in Texas.

MS. RYAN: I'm referring to renewal.

So this is something, Mr. Gonzalez -- I hear to Blake's point and that was going to be my question -- you are addressing a concern that if the online increases it could hurt your current program and that you're providing us a suggestion that you'd like to see this board be very aware of and take up in the future. Because it sounds
like we have the ability to, which we can take under
advisement, it doesn't need to be a statutory requirement.

MR. GONZALEZ: That's correct. I'm bringing it
to your attention because we have done test runs on all
these folks that are coming directly to Austin today and
we've already lost over $222,000 potential revenue loss
from these scofflaw folks that are out there. So it's
hurting us and it would hurt more online, and that's why I
bring it to your attention. If you can give it
consideration, I'd really appreciate that.

MS. RYAN: I'm keeping notes on some things for
us to follow up on and I have written it down, so I do
appreciate that.

Are there any other questions or comments?

(No response.)

MR. GONZALEZ: Thank you very much.

MS. RYAN: Thank you very much for your time.

Thank you.

I'd like to bring up Julie Burke.

MS. BURKE: Good afternoon.

MS. RYAN: Good afternoon.

MS. BURKE: Madam Chair, distinguished board
members, and DMV staff. Thank you for the opportunity
this afternoon to provide just a brief few comments to the
license plate replacement rulemaking.
Again, I'm Julie Burke, and I'm with the 3M Company and at our Brownwood, Texas plant we manufacture the retroreflective sheeting for the license plates and have done so for many years. So we're very familiar with the performance of plates internationally, but specifically to the State of Texas.

I appreciate Mr. Kuntz's mention of the retroreflectivity of license plates, because as the state is looking at making some changes to the replacement cycle, I think it's important to look at how the plates degrade. The warranty on a license plate is five years, and at the end of five years the retroreflectivity can degrade up to 50 percent and about 9 percent a year after that, doesn't happen to every plate but in general. So again, we'd like the board to understand the degradation.

License plates are used by many stakeholders. Obviously they're used to collect revenue, they're used for branding of the state. When the state changed their plate in 2012, it was because the State of Texas wanted a specific image, so many states do that as well. Parking facilities use license plates. Tolling uses open tolling so no more booths, they rely on the license plates to read and to collect revenue based on that. So again, the performance of the plate to understand the degradation is quite important.
The International Association of Chiefs of Police have stated that 70 percent of crimes use vehicles, so again, in solving some of those crimes they use the license plates. License plates are used for Silver and Amber alerts as well, so again, very important.

International Association of Chiefs of Police actually support and recommend a regular reissue.

My last brief comment will just be to the effect of perhaps an unintended consequence of asking a motorist to determine whether the plate is performing. In the past folks would probably look at the plate during the day, but because of its viewing at night, the retroreflectivity has to be in good standing as well. And of course, many associations, organizations, departments are using IR cameras, infrared cameras, to view the plate, so the performance of the plate in that regard is very important. And I would suspect that most people other than myself don't look at plates at night under retro nor under specific cameras. So to ask the motorist to determine whether their plate is functioning may be a burden.

So again, appreciate your time this afternoon, and thank you.

MS. RYAN: Thank you very much.

Any questions?
MR. BARNWELL: Yes, ma'am. What's the average life of a Texas license plate?

MS. BURKE: The state right now uses a seven-year reissue.

MR. BARNWELL: But what's the average life of a Texas license plate?

MS. BURKE: That's all I would know.

MR. BARNWELL: Does it go three years or four years?

MS. BURKE: I would say a warranty is five, but seven years it's fine.

MR. BARNWELL: I understand that's fine, but when I buy a car from Mr. Palacios here and -- did I say that correctly?

MR. PALACIOS: I'm still waiting.

(General talking and laughter.)

MR. BARNWELL: I'm going to buy two cars and I'm hoping to get them to fight each other on the price, that's how I would win. Don't I get a new license plate?

MR. KUNTZ: Yes, sir.

MR. BARNWELL: That's enough, that's enough.

Thank you.

So what I'm saying is that the average life of a license plate in the State of Texas is a lot less than seven years. In fact, the number of license plates that
makes it to seven years is about half a million, so it's just not a whole lot of license plates. Now, I understand where you're coming from on reflectivity and that sort of thing, but how much business does 3M stand to lose if we do away with this seven-year rule?

MS. BURKE: I have not calculated that, and I appreciate that comment.

MR. BARNWELL: Well, I didn't mean it snarkily.

MS. BURKE: I don't. I think the one comment I just wanted to make was perhaps giving a specific reissue cycle only because that is a way you can assure the performance of the plate.

MR. BARNWELL: Okay. Thank you.

MS. RYAN: Thank you.

MR. WALKER: So I have a lot of your 3M tape. I own a trucking company, and every one of my trailers has got reflective tape down the sides and on the rear. That tapes lasts on our trucks, that 3M tape does, for 10 to 15 years, and you can see it from a mile away when they cross an intersection. So why is the reflectivity different on the license plates than it is on the conspicuity taping that you're selling me?

MS. BURKE: That's a good question. That particular tape is a prismatic, the conspicuity. The license plate sheeting is a beaded technology that's been
around for 70-80 years. Back then we made that to last five years. Now I think Texas has done a great job to say, you know what, we're good with seven because the warranty of a vehicle, those can go bad the day after a warranty is over. So that was a good mix. We have just done testing, and again, the warranty actually stated that 50 percent of the reflectivity can be lost after five years.

MR. WALKER: So what we need to look at, you're saying then maybe, we need to look at conspicuity tape in lieu of the tape that we currently use because the reflectivity is better, lasts longer?

MS. BURKE: That's a great question. Prismatic sheeting actually is moving towards your signs are prismatic, your highway signs. License plate sheeting is not just 3M, there are other manufacturers. The only sheeting right now that is available is beaded, but that technology is changing and we're doing tests to see about the increased warranty on that. It's a great comment.

Thank you.

MS. RYAN: Any other questions?

MS. BURKE: Thank you for your time.

MS. RYAN: Thank you very much. Thank you for being here.

Robin Garrett, please.
MS. GARRETT: I'm Robin Garrett. I think the lady prior to me and I, we were the first two people to sign in this morning.

MS. RYAN: Well, good morning. I didn't get times on the comment cards.

MS. GARRETT: That's all right. I'm glad we got here.

MS. RYAN: We can make note of that for future comment times.

MS. GARRETT: I am Robin Garrett. I am the Brazoria County tax assessor, and I'm a past president of the Tax Assessor-Collectors Association, and that is the association that represents the 254 elected county TACs in the state. I've been requested to be here today to represent the association officially by our president, Ronnie Keister, the TAC of Lubbock County, who could not be here today. You've had many individual TACs speak here today, but I've been asked to be the voice for all 254 in my comments.

I want to thank you for your service, board members, especially Luanne, who represents us quite admirably on your board, and for the opportunity to make these comments.

Our concerns are related to the centralized collection of funds and printing of renewal stickers for
online registration. We do online registration, we're not against online registration, we are thankful to have an opportunity to get people out of line and online. That's a great thing. We understand the department feels it's on legal ground in establishing this process, but we disagree.

Our main concern, though, is the personal liability placed on each of the 254 of us by the constitution, the statutes upheld by the courts and opined by the attorney general is not being able to be transferred regarding all funds and processes that are statutorily required to be performed by our offices. A centralized vendor receiving funds initially and issuing accountable inventory leaves us all personally vulnerable, and I cannot express that to you any stronger. As I said, constitution, statute, courts and the attorney general have all upheld that liability cannot be transferred.

We are not hired, county tax assessor-collectors are elected in the counties where we reside. We have earned the public trust in order for them to elect us to this office, and every four years we have to ask them again to continue to trust us. The first of January all of us, some for the first time, as a matter of fact, 20 percent of us, will take the oath for the first time in January. We will swear to protect, defend and uphold the
constitution and the laws of this state and the United States. We are people and we are flawed, but we will strive to uphold that oath on a daily basis, and regardless of the rules adopted today, regardless of what changes the legislature may make in the future, we will do what we have always done, and we want to do it as your partner for another 100 years. We will take what is given us and we will do the best job that we can possibly do because that is what we're elected to do.

And I thank you.

MS. RYAN: Thank you.

I do have two comments that I think your comments have created which I think are great because I think that's where the dialogue is wonderful. But if I heard you correctly, I think it may have identified of misunderstandings again, which I think what all the dialogue is great about. Did I hear you say that you believed that there was a central vendor receiving funds?

MS. GARRETT: It is my understanding a central vendor will receive the funds and then allocate them out to where they belong. And I was concerned that Jeremiah said there would be no mention of the individual county tax offices in the online system.

MS. RYAN: So two great points, and again, I think this is where dialogue and communication is great.
There's definitely a misunderstanding, and I think again I'm going to let the agency assist here. The front end of the system does not change. The consumer will see no difference, they still will select their county, just like they see no change in the system, they'll select their county, they'll go in, they'll go through all the same processes as they do now, and the funds -- as the agency has presented, and I actually sat in on that meeting with the TACA board on a conference call -- gets deposited to the county. The county TAC office gets to deposit those funds and verify those funds; hence, that's part of delay to make sure the funds clear.

MS. GARRETT: In other words, it does come straight through us in the same manner that it has been directly from the credit card companies.

MS. RYAN: Correct.

MS. GARRETT: That's a misunderstanding.

Absolutely.

MR. KUNTZ: This rule provides no change whatsoever in the processing of the credit card payment. The funds would still be deposited into the county treasury and they would still hold them, as they do, for 30 or 35 days, depending on their situation.

MS. GARRETT: We had great concern about that.

MS. RYAN: And again, as I stated in the
opening, there has been a lot of misunderstanding, and unfortunately, I believe that's been the cause of a lot of the frustration, but that has been consistent from day one. And I sat in that meeting so I know that we were trying to be real clear. And if that is the concern about liability, we would certainly understand the concern, however, I believe that there's been no attempt by the agency in any way, shape or form to remove that part.

The only piece then, as it was explained earlier, then there will be a time frame where the counties have the ability to stop the approval, otherwise, it then goes and the vendor, Xerox, will then only fulfill which means they then print the label, stuff it in an envelope. So the liability of funds remains. That's kind of where the partnership has stayed, it's always been intended to be that way, and there's been never a suggestion or an intent to remove that in any way, shape or form by this agency.

MS. GARRETT: I'm glad you cleared that up because it's not been made clear to the general that that process has not changed as far as how the funds go. But I did note earlier that Jeremiah did say if there was a problem with an internet transaction that customers will be routed immediately back to the state, that there would be no mention of county tax assessors or
counties, et cetera, to fix a problem that might have been with the online transaction, which that's not where the money is going so the customer will be confused as well.

MS. RYAN: So let me try to clarify exactly because I don't to create any more misunderstanding. So let me try to clarify exactly.

MS. GARRETT: I'm going to replay it when I get home.

(General laughter.)

MS. RYAN: Well, then let me be really sure we're clear where exactly in the discussion are you referring to? Are you sure where she's at?

MR. KUNTZ: Yes. One of the concerns that we have heard over and over again from the counties is that they are going to take all of these phone calls and that they're not going to know how to answer the questions that are coming in. Currently today on IVTRS in the header of IVTRS it says: Contact your county if there's any issues. And it directs all questions to the county that if there's a problem in processing that sticker through the online system to contact the county in order to get an answer. What we've heard consistently is that the counties don't want to take those phone calls, that if the vendor is doing the sticker printing and mailing, that they should be contacting us.
And so what we have done is we've gone in and the requirements for IVTRS to change the system are to remove those references to contact a county if there is an issue and to instead put the 1-800 number for the DMV so that we can triage those calls and answer any questions if there is a problem with a customer getting the sticker. Now, there's nothing that we can do to stop a customer from calling who they're going to call. If they know who their county offices, it's very possible that they will continue to call anyway. And so that's the reason that we're going to have the tracking system is so that the customers, as well as the counties, can access that record and find out where it is in the process.

MS. RYAN: Does that answer your question?

MS. GARRETT: It answers my question exactly, and people know that they have sent their money to us.

MS. RYAN: And does Jeremiah's question answer, does that help, or is this part of it?

MS. GARRETT: This is part of it. None of us do not want to deal with our customers. These are our local folks that we see at the grocery store every day. If one of them has a problem, I think it's a misunderstanding that we don't want to deal with them. We said if there's a problem we're going to get a large volume of calls. So it's not like we would have some
extra work, but I don't think any of us ever not want to
deal with our customers, the people that keep us elected.
And I would appreciate contact DMV or your local county
tax office. That's what I would appreciate rather than
move us completely off of it. Because eventually, they
vote for me, they are going to come see if they can't get
it fixed.

MS. CARAWAY: And I think, Robin, part of that
came up from prior to the conference and the fees going
out, the 25 cents and that being referred to as not being
enough for all the additional phone calls, and I think
that's probably where some of this comes from.

MS. GARRETT: We don't ever want to not help
our constituents.

MS. CARAWAY: I personally would want them to
call my office.

MS. RYAN: So I wrote that down on our parking
lot too. I think that's certainly one that the agency can
continue to work with. I think the plan -- I know the
plan is to continue to work together to find the areas and
streamline and tighten up the areas that benefit everybody
and continue to stay close and tweak, so I think that's
definitely one that I think we can work through,
absolutely.

MR. KUNTZ: Be more than happy to work with the
association. If the association wants to send that to us stating that.

MS. GARRETT: It's on record.

MR. KUNTZ: Okay. Then we will make the changes to the system.

MS. CARAWAY: And I appreciate Robin clearing up that liability issue because I wasn't even understanding where some of my colleagues were coming from. I guess I understood that the money was coming straight to us.

MS. GARRETT: I guarantee there's a large part of the community who understood exactly just like I understood it and that's why I brought it up, because if I need to be corrected, I'm glad to be corrected.

MS. RYAN: That's why this process is always a good part of the process. So again, I appreciate you being here and your patience with us. Thank you very much, appreciate it.

MS. GARRETT: Thank you.

MS. RYAN: Any other questions for Robin?

MR. TREVIÑO: No. But I would like to thank you for your service to the State of Texas and all the citizens, and your association as well.

MS. GARRETT: Thank you.

MS. RYAN: Any other questions?
(No response.)

MS. RYAN: Thank you so much.

Tony Lazzeri.

(No response.)

MS. RYAN: Okay. And we are done with comments.

(General talking and laughter.)

MS. RYAN: With that, we will move to agenda 2.D.2, Subchapter H, Deputies.

MR. BARNWELL: Well, I have a motion I want to make, and I'm making this motion with a great deal of concern and a great deal of weight, and I hope that we'll continue to discuss it and vet this matter, because it's obviously of great import to the DMV and to the people who constitute our stakeholders. So anyway, here's my motion:

I move that the board approve the adoption of amendments to Section 217.161, New Sections 217.162, through 217.164, and Sections 217.166 through 217.168, and the withdrawal of Section 217.165 to Chapter 217 regarding Deputies, with any changes to the draft documents presented by the staff necessary to reflect the board's deliberations today, or any technical corrections and revisions approved by the general counsel necessary for compliance with state or federal law, or for acceptance by the secretary of state for filing and publication in the
Texas Register regarding adoption of rules.

MS. RYAN: We have a motion by Member Barnwell.

MR. INGRAM: I'll second it.

MS. RYAN: And a second by Member Ingram.

Discussion?

MR. WALKER: Yes. So your proposal is to increase the fee from the $5 and the $15 to $10 and to $20 from the posting that we originally did. Is that correct? With everything else staying the same.

MR. BARNWELL: The motion is drafted in accordance with staff's recommendations that we've gone over before.

MR. WALKER: And staff's recommendation is no different other than the fact that we're changing the fee structure from $5 to $10 on registration and $15 to $20 on title processing. Correct?

MR. KUNTZ: It also would remove inspection deputies from the rule package and it would change the three party agreement to an addendum to the contract.

MR. BARNWELL: And we're also withdrawing --

MR. INGRAM: Decrease the bond.

MR. WALKER: The bond is in there also?

MR. KUNTZ: The bond issue is raised for dealer deputies as well as the compensation for dealer deputies.

MR. WALKER: That's a no issue there.
I mean, I'm going to go on the line a bit that I'm opposed to increasing the fee. I don't have any problems with any of the other things in there, but I think we posted, we did studies that we came up with hard numbers, I think. I'm absolutely not opposed to these businesses and them being profitable, however, I am concerned about taking and allowing certain people that use deputies to be charged more than what the general public is being charged in other counties. It's almost like we had a knee jerk reaction to increasing the fee because, oh, that's not enough.

Well, they came in here today again and said, well, it's still not enough and let's go to $40. And yet we've looked at financial data and the financial data has told us that we looked at people that are making a profit today at today's level, at the $5 and the $10 fee, and we've looked at it that says where it was proposed they were making money, certain people at that, and certain people were not making money, and there's certain people that are not going to make money at $40 a transaction. So there's all kind of limits out here.

We've heard today from Albert saying that all his people need is $20 and Elfant is saying they need $40, it's a hard deal to hit, and I think that what Mr. Elfant said is absolutely correct -- no disrespect to the
deputies -- I think that technology is eventually going to
take and do away with a lot of that because I think you're
going to see people going online.

MS. RYAN: I think what I heard Albert say was
his folks are currently at $30.

MR. TREVIÑO: Staff, could you discuss the
timeline for implementing these rules?

MR. DUNCAN: The fee implementation would go
along with the P&H fee, so it would be in January.
There's a lot of programming that goes in with IT, we have
to program the RTS, and actually, obviously we're going to
be looking into some other issues that we heard about
today in terms of programming. The agreements, we had
always anticipated January for the agreements. What am I
missing? The effective date is not going to be next month
or September 1, it's going to be a while. And if you have
questions about any particular aspect, I could look at
that, but it's mostly January 1 is the effective date.

MS. BREWSTER: The effective date for the fees,
as well as the addendum contractual language is January 1,
which I think are the big ones for our stakeholder groups.
However, to what Mr. Duncan indicates, there are
effective dates earlier to allow the agency to start some
of the programming that is necessary to be able to
implement.
MR. BARNWELL: Mr. Duncan, just to revisit it for a moment, what's the immediacy mandate, if you will, from the legislature regarding setting fees for deputies? Do we have a mandate? Are we required to do so? And I'm not interested in chapter and verse as much as I'm interested in the summary.

MR. DUNCAN: In the bill that was adopted in the 23rd and 2202, the combination, the board by rule shall subscribe the classification, types of deputies performing titling and registration services, the duties and obligations of deputies, the type and amount of any bonds that may be required by a tax assessor-collector for a deputy to perform titling and registration duties, and the fees that may be charged or retained by deputies. That's the statute, it's 520.0071 of the Transportation Code. But it says we shall prescribe by rule the fees that may be charged or retained by deputies.

MR. BARNWELL: All right. I just wanted to go back over that again because I want to be on firm ground because I have problems with the deputy fees as much as the deputies do and many on the board do, the staff does. We all have our concerns about the implementation of these fees and how they work. I like a free market and I like no regulation, that's sort of hard to come by these days, and there is a basis to have some reasonable
regulation of potential fees to prevent gouging.

I'm looking at these deputies out there and it appears to me that competition has enabled them to keep fairly stable charges for a while and I want to say that, assuming the board approves this today, that I want to have the opportunity to look at it again at some point within a reasonable time. That's just my own personal view on that. No requirement to do it next week but sometime within the year. I'd love to get some feedback from people and understand where we are on this, because it's not my intention to hurt the people of Texas or to hurt these private businessmen, and what a balancing act we've been handed.

MR. TREVIÑO: And talking about a balancing act, these businesses are going concerns. Would there be any real problems with if this passed delaying this some amount of time, an extra six months or so, to allow them some time to make adjustments to their business model? Does staff have any thoughts on that?

MR. KUNTZ: The issue that we have really relates to the compensation as it relates to the registration processing and handling fee. The way that the rules are currently drafted, those two things are very much intertwined with one another and it becomes very difficult to try and break those two issues apart.
MR. TREVIÑO: So both of those would have to be linked for this to give them any more time. Is that correct?

MR. KUNTZ: Yes, sir.

MR. TREVIÑO: And this agency is going to run out of money. Is that correct?

MR. KUNTZ: We will have our own fund starting September 1 of this year, 2017 fiscal year.

MR. TREVIÑO: When we run out of money.

MS. FLORES: Without a processing and handling fee, we're estimating to be in the red probably the last month of the fiscal year in August.

MR. TREVIÑO: August of 2017?

MS. FLORES: Seventeen.

MR. TREVIÑO: That's pretty close giving it an additional six months.

MR. KUNTZ: I don't want to speak for the CFO, but I will add something to that. The way that our current appropriation is laid out is that we were handed a $23 million front load into the account from the automation fees. What we're referring to of being $4 million short by the end of fiscal year is exhausting all of that and it would have downstream impacts on the agency's financial stability in future fiscal years. If it is delayed, because those revenues weren't coming in
now, we would have detrimental impacts going downstream from that.

MS. RYAN: David, question with regard to the free market comment, I'm going to ask this question in a different way. What services, based on what you've see with the full service deputies and charges and the types of business that's run, does this agency not oversee and regulate that if these rules were passed are they still free to do with whatever they choose?

MR. DUNCAN: The best way to define it is by exclusion, not inclusion -- actually, the other way around. So the way we think of it is any work that they do, any transaction that they do, anything that they charge for that doesn't require the use of the agency's system, so if it doesn't require the use of RTS, they don't have to enter it in RTS or the forms -- I mean, you fill out the form and then you go enter it in RTS -- if it's a transaction that they would not be able to do but for the fact that they have direct access to RTS. If there's some transactions where it's beneficial for them to do the work and then take it to the county office rather than do it through RTS, then they're not using RTS for that. But essentially, if it is their access to RTS that enables them to do that transaction, then it's regulated through these rules.
MS. RYAN: So if I hear you correctly, and there's been a lot of discussions on free market and a lot of discussions on customer service, that these are independent businesses that a portion of their business has been established because of their access to the RTS system.

MR. DUNCAN: Correct.

MS. RYAN: And we are only setting fees on that portion of the business that has direct impact and relation, association to the RTS system. And the only fee we are setting is the service directed to that RTS system. Any other revenue that free market business chooses to generate that is not touching or has anything to do with that RTS system transaction, they're free to set and charge whatever fee or activity they choose to charge under that rooftop. Is that correct?

MR. DUNCAN: Yes.

MS. RYAN: Because that's fairly limiting. Correct? It's a fairly limiting process in that it's just that one piece that we're setting, registration renewal and titles. They do stuff for dealers and customers, but we're not regulating anything else. Right?

MR. DUNCAN: Right.

MR. BARNWELL: Let me say with respect to the free market thing just quickly that in referring to free
market I'm talking about a philosophical approach to
governing, I'm not talking about anything specifically
here today. But I want to always go back to my basic
beliefs and my basic approach to governance. I start out
with the least amount of required regulation to allow our
citizens to enjoy the freedoms and efficiencies and
economies of scale that we can provide them. That's where
I want to be. And one of the things that we find today is
that legislatures -- not necessarily ours but a lot of
them -- a lot of governmental agencies and other things,
other entities of that sort are much more concerned with
creating regulation than they are with doing anything
substantive, anything good for the people. So that was
just personal about starting out with the minimum amount
of regulation, but that's where I want to be.

But I also recognize that there's an
appropriate level of regulation for things like this, and
these deputies who serve at the behest of the TACs are a
unique creature and it's not easy to get a handle on the
correct approach here. I just appreciate the staff's hard
work in trying to wrestle this steer down to the ground
because this thing is pretty hard to get. And I just want
to say thank you for doing what you could do to try to get
it done. I don't think we're there, frankly, I think it's
a work in progress, but I appreciate what you've done.
Thank you.

MR. INGRAM: I'd just like to tack on that we as a board have made the statement that we're not trying to run these businesses completely out of business, and when you look at the rates that are being proposed, it pretty much encompasses every full service deputy out there except for one. So I think we're hitting a nice soft spot and I think it's definitely something we look at in the future, so I don't necessarily want to say put it away for five years or six years, we can look at it next year. I mean, it just depends on how all of it turns out.

We're making a lot of changes at one time. They might not all go exactly as planned; if they don't, then we look at it again anyway. So personally I think that it's a good intermediate solution, and I think that's what Barney was trying to say.

MR. BARNWELL: Thank you.

MS. RYAN: I like your concept of time. Should this go forward, I think a six-month review, I'd ask the agency to commit to a six-month review, if the board is acceptable, so that we don't ask them to have to come to us.

MS. BREWSTER: Absolutely.

MS. RYAN: I think we should reach and ask for the same information. I mean, as a stakeholder I think
that's our responsibility.

MR. WALKER: Six months from implementation or six months from implementation?

MS. RYAN: No, no. Implementation, because there's nothing to review six months from today. I mean, I don't know what you all feel, but Barney, I think and Memo, I think that's kind of your intent of the time. Right?

MR. BARNWELL: Exactly. And I don't want to get into a constant review of this thing, we're not going to do anything but review this.

MS. RYAN: Not to us but the agency.

MR. BARNWELL: We should take a look at it at some point in the future, if it's six months then fine, if it's a year then fine, but we should definitely set a time to start a little study, and over a 90-day period of time see where we're at.

MS. RYAN: Agreed.

MR. TREVIÑO: Well, my comments on time revolve largely around giving the affected parties as much as they possibly can to make the changes that they're going to have to make -- because these are very complicated changes, we all agree to that -- without affecting the operational efficiency of this agency. So that was kind of what I was driving at. If we can buy a month, two
months, three months, I think that makes a difference in
terms of the ability of these guys to be able to operate
going forward. So that was really the question I had is
that it's a balancing point. Nobody asked for this, the
legislature mandated it, we have to find a way to fund
this agency, and this is a very difficult process. And
again, I'd like to commend the staff for all the work that
they've done and all the help we've gotten from all the
other affected parties.

But as much time as we can possibly give, I
think that's an important thing, if it's a month, if it's
two months, if it's three months, but again, we have to
fund this agency, we have to make decisions going forward
that affect a lot of contracts and everything else,
completely understand that. But as much time as possible
to implement these decisions I think is the best thing --
well, is what we owe the citizens of Texas. So that was
really what my comments around time revolve around, Chair
Ryan. It's a difficult process and as much time as
possible to make the drastic changes that are going to be
made across the state.

MS. RYAN: Understand.

MR. INGRAM: Madam Chair, do we want to take a
vote?

MS. RYAN: Yes. I was just going to ask if
there's any additional discussion. I'll take that as a no. All in favor raise your right hand.

(A show of hands: Members Barnwell, Caraway, Ingram, Palacios, Ryan, Treviño.)

MS. RYAN: Johnny, are you withholding?
MR. WALKER: I didn't raise it.
MS. RYAN: I'm just checking, wasn't sure.
Members Palacios, Ryan, Caraway, Treviño, Barnwell and Ingram in favor.

MS. RYAN: All opposed?
(A show of hands: Member Walker.)
MS. RYAN: Member Walker.
Motion carries. Thank you very much.

With that, we will move to item 2.D.3, and 2.D.3 is new Subchapter I, which is Fees, 217.181 through 217.185. And I think what I would ask quickly before we get into discussion and/or a motion just to quickly give us a quick recap. Whitney, if you would. I have staff's recommendations, but give us a brief recap. I understand it is the TAC compensation and also the agency change in compensation, but real quick if you could give us just a rundown of what this rule package proposes.

MS. BREWSTER: Thank you, Madam Chair.

The changes that you'll see in this rule package are you'll see a decrease in the processing and
handling fee from $5 to $4.75, you'll see a discount for
the online transactions. Because the overall P&H fee has
gone from $5 to $4.75, you'll also see the discount for
online transactions to be reduced from $1.25 to $1. You
will also see added in the TAC's ability to reject or
decline online registration transactions, that is
clarified. And you will also see the TxDMV/TAC revenue
split and payment of credit card, ACHP's address for IRP
registrations and related transactions. You will see the
agency's compensation go from $2.70 to $2.45 under staff's
recommendations. Those are the differences from the April
7 proposal.

MS. RYAN: Thank you.

MR. WALKER: Can I ask a question before we
call for a motion?

MS. RYAN: Yes, absolutely.

MR. WALKER: So this is the $10 dealer fee in
there, correct, at this time?

MS. BREWSTER: No, sir. That was under the
deputy rule that was just voted on.

MR. WALKER: So we voted on the dealer fee in
there?

MS. BREWSTER: Yes, sir.

MR. KUNTZ: The compensation here would be $1
out of the processing and handling fee for a deputy that
is processing a transaction. Whether that be a limited, full or dealer deputy, they would get $1 out of the registration for their processing of that registration transaction.

MR. PALACIOS: Chairwoman Ryan, I'd move that the board approve the adoption of amendments to Sections 217.23, .24, .29, .32, .52, .53 and 217.72, repeal of 217.31 and new Subchapter 1, Sections 217.181 through 217.185 to Chapter 217 regarding Fees, with any changes to draft documents presented by staff necessary to reflect the board's deliberations today, or any technical corrections or revisions approved by general counsel necessary for compliance with state or federal law, or for acceptance by the secretary of state for filing and publication in the Texas Register regarding adoption of rules.

MS. RYAN: Motion by Vice Chair Palacios. Do we have a second?

MR. INGRAM: Second.

MS. RYAN: Second by Member Ingram. Discussion?

(No response.)

MR. INGRAM: Okay, let's vote. Not that I'm in a hurry.

MS. RYAN: Call for the question. All in favor
raise your right hand.

   (A show of hands: Members Barnwell, Ingram, Palacios, Ryan, Treviño and Walker.)

   MS. RYAN: All in favor Members Palacios, Ingram, Ryan, Barnwell, Walker and Treviño.

   Opposed?

   (A show of hands: Member Caraway..)

   MS. RYAN: Member Caraway.

   The motion carries. Thank you.

   We will move on to item 2.D.4, New Subchapter J, Performance Quality Recognition Program. If you would, please give us a quick overview on that program, it would be appreciated. I think it was minor, it was just one item recommendation change.

   MR. KUNTZ: The change is for those recognitions where their recognition was revoked, instead of a TAC having to wait until they're reelected for reapplying, they would be able to reapply the next full fiscal year.

   MS. RYAN: Okay. Great. Thank you.

   MS. CARAWAY: Chair, I move that the board approve adoption of new Subchapter J, Sections 217.201 through 217.207 to Chapter 217 regarding the Performance Quality Recognition Program, with any changes to the draft documents presented by staff necessary to reflect the
board's deliberations today, or any technical corrections
and revisions approved by the general counsel necessary
for compliance with state or federal law, or for
acceptance by the secretary of state for filing and
publication in the Texas Register regarding adoption of
rules.

MS. RYAN: Thank you. We have a motion by
Member Caraway. And a second?

MR. BARNWELL: Second. And I have a comment.

MS. RYAN: We have a second by Member Barnwell.

MR. BARNWELL: I have a question for Jeremiah.

Jeremiah, we're changing the rule or the proposed rule so
that instead of waiting until the next election where he
was elected again to be reinstated, now it's the start of
the next fiscal year. Is there any possibility that that
could be longer than the election? In other words, could
somebody be elected and then have to wait another eight
months, nine months before he could reapply?

MR. KUNTZ: The way that we are viewing the
recognition program is that the evaluation period would be
a fiscal year, and so what this is contemplating is that
if recognition is revoked -- in other words, they used to
be a gold standard and for some reason, due to some action
that the county took, the recognition was taken away from
them and they were no longer a gold standard, the next
full fiscal year that they are serving they would be able to be reevaluated for recognition to be reinstated at that time. So the issue that you brought up, if it was right at their reelection cycle and they were revoked, they would have to wait until they have served for a full fiscal year for the evaluation to take place on that full fiscal year. That way we have one clean full fiscal year, if you will, to do the evaluation upon.

MR. BARNWELL: What is the advantage of this recognition?

MR. KUNTZ: The recognition is just that, it is recognizing the tax assessor-collectors for outstanding performance. It would be something that they would get an award for, just like you're seeing here.

MR. BARNWELL: So it's essentially meaningless.

(General talking and laughter.)

MR. KUNTZ: I would not go that far, sir.

MR. BARNWELL: I mean it has no economic effect on anybody.

MR. KUNTZ: There is not an economic effect. What it will allow the agency to do is put out best practices for those counties to try and meet.

MR. BARNWELL: I understand. And the reason that I brought up the election part of it was if there was an economic effect or some other effect that could affect
somebody's reelection chances. Because I didn't know what the gold standard really was, and now I do.

MR. KUNTZ: There is no economic benefit or cash prize.

MR. BARNWELL: Sort of a gold-plated standard.

MR. KUNTZ: We're withholding gold-plated.

MS. BREWSTER: It depends on what motivates you, Member Barnwell.

MR. BARNWELL: Well, the crankiness is wearing off on me. I'm sorry. Thank you. I really didn't understand what that was and I appreciate the clarification.

MR. KUNTZ: You're welcome.

MS. RYAN: Any other discussion?

(No response.)

MS. RYAN: All in favor raise your right hand.

(A show of hands.)

MS. RYAN: Motion carries unanimously. Thank you.

Okay. We will move to 2.D.5, Subchapter A, Motor Vehicle Titles, B, Motor Vehicle Registration. I'll entertain discussion or a motion.

MR. DUNCAN: Madam Chair, if you'd like, you've been asking us for the changes between proposal and adoption, so I'll go ahead and summarize those for this
one just to remind.

    MS. RYAN:  Okay.

    MR. DUNCAN:  The one major change, the one that we highlighted in the presentation was the removal of the even trade limitation. There's a very minor one, Insurance Auto Auctions commented on eliminating limitations on sales by insurance companies and e-Titling and out-of-state documents. It's a very technical one but we agreed with them. They cited a different section of statute that we compared and said, you know, you're right, we should probably clarify that. So I wanted to point out that there was another small change that we made based on a statutory discussion between us and a commenter.

    MR. INGRAM:  Madam Chair, I move that the board approve the adoption of amendments to Chapter 217 regarding Motor Vehicle Titles and Motor Vehicle Registration, Non-repairable and Salvage Motor Vehicles, and Motor Vehicle Record Information, with any changes to the draft documents presented by staff necessary to reflect the board's deliberations today, or any technical corrections or revisions approved by the general counsel necessary for compliance with state or federal law, or for acceptance by the secretary of state for filing and publication in the Texas Register regarding adoption of rules.
MS. RYAN: Motion by Member Ingram. Second?

MR. BARNWELL: Second.

MS. RYAN: And a second by Member Barnwell.

MR. WALKER: How do I get to the concealed handgun comments being used today on this one?

MS. RYAN: How do you get to it?

MR. WALKER: [INAUDIBLE].

MS. RYAN: Put your mic on.

MR. WALKER: My literature says this is for the use of concealed handgun licenses as an acceptable form of Ids.

MR. KUNTZ: That is one of the provisions that was in the proposed rule that is unchanged between proposal and final adoption. During the last legislative session the statute changed that required a concealed handgun license to be used as a form of identification and we are merely conforming this to statute.

MR. DUNCAN: To be frank, we're already doing this. We've instructed our regional offices to accept and we're just making the rule comport with our practice.

MR. BARNWELL: Is that any state CHL or just Texas?

MR. DUNCAN: Just Texas, because the Texas CHL has your driver's license number.

MR. BARNWELL: Oh, okay. But we accept other
state's driver's licenses.

   MR. DUNCAN: But that's a form of ID that's
universally accepted.

   MR. BARNWELL: That's why I asked the question.

   MR. DUNCAN: The CHL, the statute change that
Jeremiah is referring to referred to the provisions of
state statute that are the Texas CHL.

   MR. BARNWELL: Oh, okay.

   MS. RYAN: Further discussion?

   (No response.)

   MS. RYAN: We have a motion and a second. All
in favor raise your right hand.

   (A show of hands.)

   MS. RYAN: Motion carries unanimously.

   MR. WALKER: Do we still call it a concealed
handgun license now? You can just open carry now.

   MR. DUNCAN: It's called a license to carry a
concealed handgun.

   MR. WALKER: It's called a license to carry
now.

   MR. DUNCAN: Or a license to carry openly.

   MS. RYAN: With that, I will move to item 5.

   MR. WALKER: I move that we adjourn.

   MS. RYAN: We have a motion from Member Walker
to adjourn. I will take a second.
MS. CARAWAY: Second.

MS. RYAN: Second from Member Caraway. All in favor raise your right hand.

(A show of hands.)

MS. RYAN: Motion carries unanimously. Thank you everybody for being here. We appreciate your patience.

(Whereupon, at 3:23 p.m., the meeting was adjourned.)
MEETING OF:       TxDMV Board
LOCATION:        Austin, Texas
DATE:            June 27, 2016

I do hereby certify that the foregoing pages, numbers 1 through 247, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Motor Vehicles.

/s/ Nancy H. King       7/8/2016
(Transcriber)          (Date)

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