

TEXAS DEPARTMENT OF MOTOR VEHICLES  
MOTOR VEHICLE INDUSTRY REGULATION ADVISORY COMMITTEE  
(MVIRAC)  
MEETING

OPEN MEETING VIA TELEPHONE CONFERENCE CALL

PUBLIC PHYSICAL LOCATION  
Texas Department of Motor Vehicles  
4000 Jackson Avenue  
Building 1  
Lone Star Room  
Austin, Texas 78731

Tuesday,  
September 14, 2021  
9:02 a.m.

COMMITTEE MEMBERS:

David Blassingame, Presiding Officer  
Michael Bradburn  
Mark Brown  
Christopher Donnelly  
Laird Doran  
Rita Edwards (absent)  
Buddy Ferguson  
Joshua Greenlaw (absent)  
Russell Hayter  
Jeff Martin  
William Murphy  
Steve Prather  
Franklin Sims (absent)  
Trey Sralla  
Scott Stark  
Kalien Thomas (absent)  
Jimmy Vitela (absent)  
Greg Zak

*ON THE RECORD REPORTING*  
*(512) 450-0342*

<u>AGENDA ITEM</u>	<u>I N D E X</u>	<u>PAGE</u>
1. CALL TO ORDER		3
Roll Call and Establishment of Quorum		6
2. DISCUSSION, BRIEFING, AND ACTION ITEMS		
A. Implementation Plan for Advisory Committee Recommendations Regarding House Bill 3927		8
I. Overview and History of Temporary Tags		
ii. Implementation of House Bill 3927; Tag Denial and Maximum Tag Limits		
B. Recommendations of Advisory Committee for Presentation to the Department		96
3. PUBLIC COMMENT		none
4. ADJOURNMENT		109

P R O C E E D I N G S

1  
2 MR. BLASSINGAME: Good morning. My name is  
3 David Blassingame, and I'm pleased to open the second  
4 meeting of the Motor Vehicle Industry Regulation Advisory  
5 Committee. For easy reference, I will refer to this  
6 advisory committee as M-V-I-R-A-C, which is the acronym  
7 for this committee.

8 It is 9:02 a.m., and I'm now calling the MVIRAC  
9 meeting for September 14, 2021 to order. I want to note  
10 for the record that the public notice of this meeting,  
11 containing all the items on the agenda, was filed with the  
12 Office of Secretary of State on September 3, 2021.

13 This meeting is being held by telephone  
14 conference call in accordance with the Texas Government  
15 Code, Chapter 551.125. Members of the public may  
16 physically attend this meeting in person at 4000 Jackson  
17 Avenue, Building 1, Lone Star Room, Austin, Texas, 78731,  
18 or attend this meeting by calling the toll-free telephone  
19 number which is posted in our agenda which was filed with  
20 the Office of Secretary of State on September 3, 2021.

21 We have ten members at least -- pardon me -- I  
22 don't know that we have any members in person. The vast  
23 majority of the committee members, including myself, will  
24 be participating remotely via telephone conference call.

25 At this time will all attendees please mute

1 your phone for the entire duration of this meeting. I am  
2 asking our meeting host to make sure all participants'  
3 phones are muted except for the advisory committee members  
4 and those who are presenting. Callers will be removed for  
5 any disruption, including background noise.

6 I would like to remind all participants that  
7 this is a telephone conference call meeting. Because this  
8 meeting is being held by telephone conference call, there  
9 are a few things that will assist in making the meeting  
10 run smoother and assist the court reporter in getting an  
11 accurate record: please identify yourself before  
12 speaking; speak clearly; remember that there might be a  
13 slight delay due to the telephone conference call meeting,  
14 so please wait a little longer than usual before  
15 responding to participants; do not speak over others; and  
16 please ask the presiding officer to proceed and be sure to  
17 get recognized before speaking.

18 I would to also thank our court reporter who is  
19 transcribing the meeting. To make sure that we have an  
20 accurate recording of this meeting, it is very important  
21 that the board members and anyone presenting today  
22 identify themselves before speaking and speak clearly and  
23 slowly.

24 If you wish to address this advisory committee  
25 or speak to an agenda item during today's meeting, please

1 send an email to GCO\_General@TxDMV.gov. Please identify  
2 in your email the specific item that you are interested in  
3 commenting on, your name and address, and whether you are  
4 representing anyone or speaking for yourself.

5 If your comment does not pertain to a specific  
6 agenda item, we will take your comment during the general  
7 public comment portion of the meeting. Comments should be  
8 pertinent to the issues stated in your email. When  
9 addressing the advisory committee, please state your name  
10 and affiliation on the record.

11 Before we begin today, I'd like to remind all  
12 presenters and those in attendance of the rules of conduct  
13 of our board meetings. In the department's rules under 43  
14 TAC Section 206.22, the presiding officer is given  
15 authority to supervise the conduct of the meeting.

16 This includes the authority to determine  
17 whether a speaker is being disruptive of the meeting or is  
18 otherwise violating the timing or presentation rules I  
19 have just discussed. Disruptive speakers will be muted,  
20 given a warning about disruptive behavior, and then  
21 removed from the meeting for any continued disruption.

22 Advisory committee members, please let us know  
23 immediately if you are no longer able to participate for  
24 any reason. If your phone call drops and you are  
25 disconnected, Texas DMV staff will interrupt the meeting

1 to let us know to get you back on the line before we  
2 proceed with the agenda.

3 And now I'd like to have a roll call for the  
4 advisory committee members. Please respond verbally when  
5 I call your name. Please indicate if you are present.

6 Member Bradburn?

7 MR. BRADBURN: Present.

8 MR. BLASSINGAME: Member Brown?

9 MR. BROWN: Present.

10 MR. BLASSINGAME: Member Donnelly? Member  
11 Donnelly?

12 (No response.)

13 MR. BLASSINGAME: Member Doran?

14 MR. DORAN: Present, and can you confirm that  
15 you can hear me?

16 MR. BLASSINGAME: I can hear you clear.

17 MR. DORAN: Thank you.

18 MR. BLASSINGAME: Member Edwards? Member  
19 Edwards?

20 (No response.)

21 MR. BLASSINGAME: Member Ferguson?

22 MR. FERGUSON: Present.

23 MR. BLASSINGAME: Member Greenlaw? Member  
24 Greenlaw?

25 (No response.)

1 MR. BLASSINGAME: Member Hayter?  
2 MR. HAYTER: Russell Hayter, present.  
3 MR. BLASSINGAME: Member Hayter, present.  
4 Member Martin?  
5 MR. MARTIN: Present.  
6 MR. BLASSINGAME: Member Murphy? Member  
7 Murphy?  
8 (No response.)  
9 MR. BLASSINGAME: Member Prather?  
10 MR. PRATHER: Present.  
11 MR. BLASSINGAME: Member Sims? Member Sims?  
12 (No response.)  
13 MR. BLASSINGAME: Member Sralla?  
14 MR. SRALLA: Present.  
15 MR. BLASSINGAME: Member Stark?  
16 MR. STARK: Present. Good morning.  
17 MR. BLASSINGAME: Good morning.  
18 Member Thomas? Member Thomas?  
19 (No response.)  
20 MR. BLASSINGAME: Member Vitela? Member  
21 Vitela?  
22 (No response.)  
23 MR. BLASSINGAME: Member Zak?  
24 MR. ZAK: Present.  
25 MR. BLASSINGAME: I am present also, so we have

1 a quorum because we have more than ten members present.

2 Members, I will now move on to agenda item 2.A.  
3 Implementation plan for advisory committee recommendations  
4 regarding House Bill 3927. And I will turn the meeting  
5 over to Corrie Thompson, director of the Enforcement  
6 Division, and Monique Johnston, director of the Motor  
7 Vehicle Division, and Roland Luna, director of the Vehicle  
8 Titles and Registration Division, to lead the discussion  
9 the implementation of House Bill 3927.

10 MS. THOMPSON: Good morning, Presiding Officer  
11 Blassingame and members. This is Corrie Thompson,  
12 director of the Enforcement Division.

13 And again, I just wanted to remind everybody  
14 that the purpose of the meeting today is to mainly talk  
15 about implementation of House Bill 3927, which has given  
16 the department authority to deny a dealer's or converter's  
17 access to the temporary tag database if it's found that  
18 tags have been fraudulently obtained from the system. So  
19 again, that is any tags that are accessible to licensed  
20 dealers in the system through eTAG -- and then also to  
21 discuss how we go about setting limits on the maximum  
22 number of tags licensees can issue per calendar year.

23 So during the last meeting I presented a  
24 briefing document concerning the temporary tag access,  
25 denial provisions that the department plans to implement



1 through administrative rulemaking, hoping to present  
2 proposed rule language at the next board meeting that is  
3 happening at the end of October. And I directed everybody  
4 to a document in the packet that last time was on page 12  
5 of the meeting materials.

6 And I just wanted to check with everybody, see  
7 if there was any questions about that information that was  
8 presented in that briefing document before we move on to  
9 the bulk of the discussion today, which will likely  
10 surround the setting of the limits on number of tags  
11 dealers can issue.

12 (No response.)

13 MS. THOMPSON: All right. Well, hearing no  
14 questions, then I am going to go ahead and kick this over  
15 to Motor Vehicle Division Director Monique Johnston.

16 Oh, I do see hands up, so if those are hands,  
17 Officer Blassingame, for caller users I think I see 5 and  
18 13, unless those were hands from roll call that I missed,  
19 there may be questions from call-in users.

20 MR. BLASSINGAME: Okay. So Call-in number 5,  
21 do you have a question for the committee? Call-in number  
22 5?

23 MR. MARTIN: Chairman Blassingame?

24 MR. BLASSINGAME: Yes.

25 MR. MARTIN: This is Member Martin. I don't

1 think that the callers know their number, so when you call  
2 on caller number 5, they don't know who you're calling on.

3 You may just want to ask if someone has unmuted  
4 themselves on the phone and give them the opportunity to  
5 speak.

6 MR. BLASSINGAME: Perfect. Has anyone unmuted  
7 themselves on the phone? Would you like an opportunity to  
8 speak? Has anyone unmuted themselves on the telephone?

9 MR. RICHARDS: Presiding Officer Blassingame, I  
10 believe those hands were up when they were initial roll  
11 call, I don't believe they're wishing to speak right now.

12 MR. BLASSINGAME: Thank you.

13 Then back to you, Director Thompson.

14 MS. THOMPSON: Corrie Thompson, director of the  
15 Enforcement Division. If I may have the floor, Officer  
16 Blassingame?

17 MR. BLASSINGAME: Yes, ma'am.

18 MS. THOMPSON: Yes. General Counsel David  
19 Richards, can we provide any guidance to call-in users on  
20 how to unraise hands.

21 MR. RICHARDS: We're doing it right now. Thank  
22 you.

23 MS. THOMPSON: Okay, awesome. Thank you.

24 And so with that it sounded like there were no  
25 questions on the documentation provided in the briefing

1 concerning tag access denial, so with that, again I will  
2 kick this over to Monique Johnston, director of the Motor  
3 Vehicle Division to open up discussion points for the  
4 setting of temporary tag limits.

5 MS. JOHNSTON: Thank you, Director Thompson.

6 Good morning, Presiding Officer Blassingame and  
7 members. I am Monique Johnston, director of the Motor  
8 Vehicle Division. Again, thank you for your participation  
9 in our second MVIRAC meeting.

10 As a recap from our meeting last week, House  
11 Bill 3927 has authorized TxDMV to establish maximum number  
12 of temporary tags that a dealer or converter may obtain in  
13 a calendar year. The department is currently drafting  
14 rules to implement temporary tag maximum limits based on  
15 the provisions outlined in HB 3927 and is seeking your  
16 input to develop metrics for setting these limits.

17 Just kind of going over a little what we  
18 discussed last week, when considering the metric to set  
19 maximum tag limits we need to consider balancing multiple  
20 needs, including preventing fraud, enabling lawfully  
21 operating dealers and converters to continue operating  
22 efficiently, and minimizing any administrative burden on  
23 both license holders and the TxDMV.

24 As just a background, dealers and converters  
25 issue the following types of temporary tags: dealer tags

1 that are used when transferring vehicles purchased from  
2 other dealers, for test drives, and when vehicles require  
3 servicing; buyer's tags which are used after the purchase  
4 in the interim period between the time a title and metal  
5 plates are provided to the buyer; and preprinted internet  
6 down tags which are temporary tags that can be printed  
7 ahead of time in case of a internet or system outage.

8 HB 3927 specified several factors that could be  
9 used in setting the maximum annual limit, including the  
10 time a dealer is in operation, sales data, expected  
11 growth, expected market changes in the dealer's or  
12 converter's market, temporary conditions that may affect  
13 sales, and any other information the TxDMV considers  
14 relevant.

15 At this time I'm going to turn the floor over  
16 to Clint Thompson, deputy director of Vehicle Titles and  
17 Registration, or VTR Division, to provide an overview of  
18 the data that the department has available and how this  
19 information could be used to create a reasonable metric  
20 for us to set the maximum tag limits.

21 MR. THOMPSON: Thank you, ma'am. Good morning.

22 Clint Thompson, deputy director of Vehicle Titles and  
23 Registration Division.

24 Presiding Officer Blassingame, can I have the  
25 floor, please?

1 MR. BLASSINGAME: You may.

2 MR. THOMPSON: Thank you, sir.

3 As Director Johnston said, I do want to provide  
4 a quick overview of the data we have available and discuss  
5 how it could possibly be used to establish those maximums  
6 in conjunction with the other factors that Director  
7 Johnston just mentioned.

8 We have three data sources available with  
9 storable information, the first being eTAG. Obviously  
10 we've discussed this, it's the web-based application that  
11 licensed dealers and converters use to issue all types of  
12 tags.

13 We have the Registration and Title System which  
14 our county tax assessor-collectors use to process various  
15 transactions, including title transactions. And then we  
16 have eLICENSING, obviously, our eLICENSING application.

17 And so looking at these three data sources, the  
18 distinct data elements that we've identified, starting  
19 with eTAG, we have all tags issued by dealers and the  
20 ability to break down those different tags. So I know  
21 Director Johnston has talked about the various tags, but  
22 even within that, we have the ability to identify buyer  
23 tags issued to Texas residents, so what that should  
24 constitute is a retail sale to a Texas resident.

25 We also have the ability to distinguish between

1 buyer tags issued to out-of-state residents. In addition,  
2 we have the ability to identify the vehicle-specific tags  
3 issued, agent tags issued, things of that nature, as well  
4 as voids, to account for all types of tags issued and all  
5 tag activity within the eTAG application.

6 As far as data from the Registration and Title  
7 System, what we've identified are title transactions  
8 processed by the counties where a particular dealer  
9 number, the P number, has been entered into the title  
10 event. What this does is it provides us a snapshot of all  
11 title applications submitted by licensed dealers in the  
12 State of Texas, and it gives us a validation point to  
13 compare to the buyer tags issued to Texas residents.

14 Now, you should have, in theory, a buyer tag  
15 issued to a Texas resident and a corresponding title  
16 application. We know that that, in fact, is not always a  
17 one for one. Given dealers at times issuing multiple  
18 tags, we have identified administrative issue through  
19 this, but nonetheless, comparing the title applications  
20 from the Registration and Title System to the buyer tags  
21 issued to Texas residents gives us a viable data point  
22 relative to total vehicle sales in the State of Texas.

23 And then also, another comparison that we have  
24 is the sales information available with eLICENSING, which  
25 this is self-reported by franchised dealers at the time of

1 license renewal.

2           And again, these are not absolute data points,  
3 they are being used to compare to each individual data  
4 point for a check on the validity of the various  
5 information that we've received. But again, the thrust  
6 behind this is to identify potential vehicle sales for  
7 individual dealers over a various period of years and to  
8 use that to come up with the maximum that is reasonable  
9 for a dealer to need relative to buyer tags, and then  
10 also, obviously, factoring in the other variables that we  
11 just mentioned.

12           And Director Johnston, I will turn it back over  
13 to you.

14           MS. JOHNSTON: Thank you, Director Thompson.

15           May I have the floor, Presiding Officer  
16 Blassingame?

17           MR. BLASSINGAME: Yes, ma'am.

18           MS. JOHNSTON: Thank you.

19           Our General Counsel's Office emailed committee  
20 members a document on Friday that included some questions  
21 for the committee to consider, as well as the general  
22 proposed process for notifications when a dealer is close  
23 to reaching their max tag limit, and when they should be  
24 able to request additional tags. I hope you've all had an  
25 opportunity to review this document.

1           And Presiding Officer Blassingame, we can  
2 either go over the questions or open it up to the  
3 committee if they have questions about the specific  
4 process or any input they would like to provide on how we  
5 would set our max tag limits.

6           MR. BLASSINGAME: Let's open it up to the  
7 members of the committee that have any questions or  
8 comments on the document that was sent out.

9           Anyone on the committee have any questions  
10 about the document that was sent out by the Texas  
11 Department of Motor Vehicles?

12           MR. DONNELLY: Can you hear me? This is Chris  
13 Donnelly.

14           MR. BLASSINGAME: Chris Donnelly, you have the  
15 floor.

16           MR. DONNELLY: Thank you so much.

17           In trying to come up with limits, I talked to  
18 several dealers. While everybody overwhelmingly agrees  
19 there needs to be limits, especially when you come in  
20 contact with the stories behind this, how quickly would an  
21 approval take place?

22           Say for example, if somebody gets a  
23 notification that says, hey, you're coming close to your  
24 such and such, please provide X information for an  
25 increase, if we can have a fair rapid turnaround, like a



1 five-day turnaround or something like that's a reasonable  
2 time frame, then we could have lower limits. Or do we  
3 need to build in a cushion to have more time because a  
4 review would take longer than that?

5 MS. JOHNSTON: Presiding Officer Blassingame,  
6 this is Director Johnston. May I have the floor, please?

7 MR. BLASSINGAME: Yes, Director Johnston.

8 MS. JOHNSTON: Thank you. Yes, we definitely,  
9 in resetting the max limits, would have a cushion. What  
10 we've been discussing is looking at the range of the data  
11 that Director Thompson provided and then providing maybe a  
12 percentage over that to have a cushion.

13 We also in the process would like to have  
14 notifications issued to the dealers letting them know,  
15 just like when they get their renewal notices, that they  
16 are getting closer to the max tag limit and they would be  
17 able to have sufficient time to contact the department and  
18 request additional tags and provide the information. And  
19 the division will be setting up a process to hopefully  
20 have a very quick turnaround, just like we do with  
21 initially processing our license applications and  
22 renewals, initially processing these requests for  
23 additional tags.

24 But again, the notifications we would hope to  
25 be many notifications, not just right before a dealer is

1 about to reach their limit and also have some sort of kind  
2 of maybe cushion built in with that range of max limits.

3 MR. RICHARDS: Officer Blassingame, may I be  
4 recognized? This is David Richards.

5 MR. BLASSINGAME: Yes.

6 MR. RICHARDS: Members, I just want to remind  
7 you on the meeting invitation you received, the document  
8 that Director Johnston is referring to was attached, so  
9 you can reference that as well if you don't have it in  
10 front of you. Thank you.

11 MR. BLASSINGAME: Thank you.

12 Any further comment?

13 MR. SRALLA: This is Member Sralla. May I have  
14 the floor?

15 MR. BLASSINGAME: Member Sralla, you may have  
16 the floor.

17 MR. SRALLA: What I was looking at, or wonder  
18 if the state should consider like a tiered system when it  
19 comes to notification for temporary tag limits. Once a  
20 tag limit is set, maybe a tiered system starting at like  
21 60 percent to 75 or 90 percent so that the legitimate  
22 dealers can start making plans if they start to see that  
23 something has changed in their business model or in their  
24 local market to increase over what they would expect.

25 And I think that it would even be prudent for

1 the department to maybe have a verbal conversation or a  
2 pretty strong conversation with any dealer that reaches 85  
3 percent of their limit in the first six months of a  
4 calendar year. So there could be a conversation, be a lot  
5 of open dialogue so that we can nip this in the bud with  
6 the non-legitimate people, but make sure the legitimate  
7 people can still stay in business and run their business  
8 properly.

9 MR. BLASSINGAME: Any comments?

10 MR. PRATHER: This is Steve Prather. May I  
11 speak?

12 MR. BLASSINGAME: Steve Prather, you have the  
13 floor.

14 MR. PRATHER: Thank you.

15 Is it the intention to set a number adequate  
16 for the dealer's yearly sales initially with a little  
17 consideration for increased business, or is the idea to  
18 set it down so everybody is going to have to request extra  
19 tags at one point or the other?

20 MR. BLASSINGAME: Staff?

21 MR. THOMPSON: This is Clint Thompson, deputy  
22 director of Vehicle Titles and Registration Division.

23 Presiding Officer Blassingame, may I have the  
24 floor?

25 MR. BLASSINGAME: Yes, you can.

1 MR. THOMPSON: [audio interference].

2 MR. RICHARDS: Officer Blassingame, this is  
3 David Richards. May I be recognized?

4 MR. BLASSINGAME: David Richards, you're  
5 recognized.

6 MR. RICHARDS: Yes, please. Members, when  
7 you're not speaking please turn off your mic. We're  
8 getting a lot of background. Ask your question, make your  
9 comment, and then mute yourself again so we can hear  
10 everybody.

11 I didn't understand what Mr. Thompson said, so  
12 I would ask him to repeat that if he would not mind,  
13 please.

14 Thank you.

15 MR. BLASSINGAME: Assistant Director Thompson,  
16 would you repeat that, please?

17 MR. THOMPSON: Absolutely. And I apologize for  
18 the feedback. Clint Thompson, deputy director of Vehicle  
19 Titles and Registration.

20 I'll give you the short answer. Absolutely we  
21 are looking at actual sales data that we have available  
22 from those various sources that I spoke on, and we are  
23 looking at an increase in expected growth and other  
24 variables which are outlined in the bill.

25 So our intent is not to ratchet this down so

1 tightly as to require folks who are conducting legitimate  
2 business to contact the department just to conduct that  
3 business. We don't want to put a burden on folks that  
4 they have to continually contact us for additional tags,  
5 so we are certainly allowing for continued growth and  
6 other variables there.

7 MR. BLASSINGAME: Any questions about what  
8 Assistant Director Thompson said?

9 MR. PRATHER: This is Steve Prather. I've got  
10 another question or two, if I may.

11 MR. BLASSINGAME: Steve Prather, you may have  
12 the floor.

13 MR. PRATHER: Thank you.

14 In the past, your experience with these, what  
15 we called them the other day, bad actors, or as a couple  
16 of people said criminals. One of the qualifications you  
17 mentioned is length of time in business.

18 Have you found any long-term business person  
19 that's licensed by y'all to be a bad actor or a criminal,  
20 or are they all fairly recent licensees?

21 MS. THOMPSON: Corrie Thompson.

22 MR. BLASSINGAME: Corrie Thompson, you have the  
23 floor.

24 MS. THOMPSON: Thank you. Just to address  
25 that, again, I don't have the data specifically in front

1 of me, but I can tell you over the past two years that 99  
2 percent of the instances, I am comfortable saying, are  
3 newly licensed dealers that are found to be fraudulently  
4 obtaining and issuing tags from the system, not people who  
5 have been licensed for five-plus years, anything like  
6 that. The pattern that we're seeing is people obtain the  
7 license and then immediately start getting into the  
8 excessive issuance.

9 MR. BLASSINGAME: Thank you, Director.

10 MR. BRADBURN: Member Bradburn. I've had my  
11 hand up. Can I speak, please?

12 MR. BLASSINGAME: Member Bradburn, you have the  
13 floor.

14 MR. BRADBURN: Thank you.

15 A couple of comments. One on the letter sent  
16 out, I don't believe on doing a year limit. If we refer  
17 to what Corrie Thompson -- by first name, there's two  
18 Thompsons here -- the 500 tag report, I've ran that for  
19 over a year as well.

20 You're going to have 25 non-franchised dealers  
21 there, a handful are selling tags, the rest are like  
22 CarMax. That gives you an idea. If you fast forward --  
23 I'm lead investigator on this case that's nationwide --  
24 one of the recent dealers that's licensed, they did 17,000  
25 tags in the first week, so if you give them 12,000 tags in

1 a year, they're going to do that the first week.

2 As far as what the other Director Thompson said  
3 earlier, Clint, about eLICENSING, just to prove eLICENSING  
4 cannot show you it's a bad tag, just this morning as part  
5 of my undercover duties I bought a tag online. I used  
6 MVIRAC Trucking as the dealer, I used the DMV address, a  
7 fake VIN, I was given a tag within ten minutes on the  
8 internet. If I were to put that on a big rig vehicle and  
9 go do whatever crime I wanted to do, nobody would know  
10 it's not a bad tag.

11 These are criminals and I just want to make it  
12 clear that we need to shut them off fast and limit the  
13 numbers.

14 Thank you.

15 MR. BLASSINGAME: Thank you.

16 Any comment from staff?

17 MR. THOMPSON: Clint Thompson, deputy director  
18 of Vehicle Titles and Registration Division. If I could  
19 have the floor.

20 MR. BLASSINGAME: You have the floor, Mr.  
21 Thompson.

22 MR. THOMPSON: Member Bradburn, the bill  
23 itself speaks to allowing for tag issuance for a year.  
24 Certainly understand the concerns, but part of this  
25 analysis in looking at this data is doing the comparison

1 of buyer tag issuance, both in state and out of state,  
2 relative to our title transfers that we have in the  
3 Registration and Title System. And what that does for us  
4 is it identifies outliers. It identifies these folks that  
5 are issuing, to your point, 17-, 18,000 tags and have no  
6 corresponding title applications.

7           Once we identify those folks, we're certainly  
8 not going to give them, if they have not been revoked  
9 already through the administrative process, we're not  
10 going to give those folks 17,000 tags. We have some  
11 outliers in addition to newly licensed dealers that are  
12 not going to have that sales data, that we're going to  
13 have to come up with metrics to establish reasonable  
14 maximums for those folks.

15           But in addition to using the various data  
16 points that we have to establish reasonable maximums, both  
17 to allow for business to be conducted but also not to  
18 permit fraud by these folks that are not conducting  
19 legitimate businesses -- I believe it was Member Sralla  
20 earlier asking about indicators -- we envision both  
21 indicators on the dealer side about the percent use of  
22 their annual limit as well as on the department side.

23           So if we have somebody who is using 50 percent  
24 of their annual limit in the first month, we're going to  
25 identify that, and that's the other provision of this bill



1 that gives us the opportunity to look at access denial as  
2 opposed to just letting them hit their maximum.

3 And then relative to the eLICENSING data,  
4 that's just another data point that we can use to validate  
5 the total tag issuance and the title applications relative  
6 to franchised dealers. So again, the intent is to use all  
7 these data elements in conjunction with each other to  
8 establish reasonable tag limits for each individual  
9 dealer.

10 MR. BRADBURN: Member Bradburn. If I can  
11 respond. I totally agree with what you're doing, Mr.  
12 Thompson, the right idea.

13 If we can shut the dealers off and do what  
14 you're doing in combination, it's going to be a win-win.  
15 I just wanted to throw that out there and I appreciate  
16 your comment.

17 MS. THOMPSON: Officer Blassingame, Corrie  
18 Thompson, director of the Enforcement Division. If I may  
19 have the floor for a moment?

20 MR. BLASSINGAME: You may have the floor.

21 MS. THOMPSON: I just wanted to ask for a  
22 clarification from information Mr. Bradburn provided with  
23 regard to obtaining tags. Were you referencing obtaining  
24 a temporary permit, like the 72- or 144-hour permits, or  
25 were you specifically talking about obtaining a buyer tag

1 or a dealer tag from some entity like on Craigslist or  
2 Facebook?

3 MR. BRADBURN: Good question. Member Bradburn.  
4 I bought a tag online this morning via  
5 Facebook. I obtained a buyer tag issued by -- I can't say  
6 the dealer name because of the ongoing investigation, but  
7 it's a licensed dealer from August 26, and it's a buyer  
8 tag.

9 MS. THOMPSON: Corrie Thompson, director of the  
10 Enforcement Division.

11 Thank you for clarifying, Member Bradburn.

12 MR. BLASSINGAME: Questions for the  
13 committee -- staff? Pardon me.

14 MR. PRATHER: This is Steve Prather again. May  
15 I speak?

16 MR. BLASSINGAME: Member Prather, you have the  
17 floor.

18 MR. PRATHER: Thank you.

19 Is it such that the rules that are made -- or  
20 the recommendations by this committee that go to the board  
21 and the rules that are then made, are they going to be  
22 something that's firm? Or if it's a little bit too loose  
23 we can come back and tighten it down at a later time so  
24 that we don't overburden anybody, including the staff at  
25 DMV and also the dealer body?

1           Is it something we can tighten up down the road  
2 if we leave it a little too loose?

3           MR. BLASSINGAME: Thank you, Member Bradburn.

4           MR. BRADBURN: If you're calling for me, Member  
5 Bradburn, I was not commenting, that was Mr. Prather.

6           MR. BLASSINGAME: Thank you, Mr. Prather.

7           MR. THOMPSON: Clint Thompson, deputy director  
8 of Vehicle Titles and Registration Division. If I can  
9 have the floor, Presiding Officer Blassingame?

10          MR. BLASSINGAME: You have the floor.

11          MR. THOMPSON: Member Prather, once we come up  
12 with recommendations from the advisory committee and move  
13 forward in the rulemaking process, I think we touched on  
14 this at the last meeting, it does go to our board for  
15 proposal for public comment, and we have a 30-day comment  
16 period that folks can come and provide that public  
17 comment. The department then has the opportunity to  
18 address those public comments through the rulemaking  
19 process and make any necessary amendments to the rule  
20 before moving forward to a subsequent board meeting for  
21 adoption.

22                 Once those rules are adopted they are in place  
23 and would require board action to change, so that the goal  
24 here would be to get this right the first time, obviously.  
25                 And to consider the various factors involved, like I

1 touched on previously, about coming up with reasonable  
2 limits to allow folks who are conducting legitimate  
3 business to be able to conduct legitimate business and not  
4 bump their heads against this maximum limit every day,  
5 every week, every month. It's really about establishing  
6 those reasonable limits and preventing folks who don't  
7 have legitimate sales from being able to abuse the system.

8 But do we have the opportunity to amend  
9 administrative rule once it's adopted by our board? Yes,  
10 we do. But again, it's a process to come back and open  
11 the rules after a certain time period and address them  
12 again and go back through the public comment period and  
13 adoption process.

14 MR. PRATHER: This is Steve Prather again. May  
15 I speak again?

16 MR. BLASSINGAME: Steve Prather, you have the  
17 floor.

18 MR. PRATHER: Okay. The other day in the visit  
19 we had on the telephone it was a pretty well-identified  
20 fact that the motor vehicle franchised dealers have not  
21 had any violations of this type. Is there any way we can  
22 set different numbers for independent dealers?

23 And I've had independent dealer license myself  
24 and I've had franchised dealer license myself and I  
25 understand the difference in the two. But is there any

1 way we can categorize those as independent dealers and  
2 franchised dealers in separate pools, if you may?

3 And the reason I say that, myself having had  
4 both independent license and franchised dealer license,  
5 the requirements from facilities to capital to  
6 unencumbered capital -- which means you can't owe anybody  
7 the money, it's got to be your cash -- the rules are  
8 completely different in those two license categories.

9 MS. THOMPSON: Officer Blassingame?

10 MR. BLASSINGAME: Yes. Corrie Thompson, you  
11 have the floor.

12 MR. RICHARDS: Steve, please mute your speaker.

13 MS. THOMPSON: Thank you, Officer Blassingame.  
14 Corrie Thompson, director of the Enforcement Division.

15 To answer the question posed, yes, that's what  
16 we're looking to establish right now. And to the question  
17 can it be different for franchised dealers versus  
18 independent dealers, the answer is yes. Can it be  
19 different for -- I heard a tier structure proposed, could  
20 it be different for different volume independent dealers  
21 even so the number be different for the specific sub-  
22 classes of types of dealers. We have motorcycle dealers,  
23 trailer dealers, regular used car/light truck dealers, we  
24 have some dealers that are solely internet dealers that  
25 have very light volume sales.

1           Yes, it could be tiered and distinguished a  
2 number of different ways. That's what we're here to get  
3 feedback from the committee members on about potentially  
4 how you would like to see that broken down.

5           It could be blanket tiers for different groups.  
6           It could be based on potentially actual tag issuance data  
7 that we have in the system, as posed by the Vehicle Titles  
8 and Registration Division when we opened the meeting and  
9 started the discussion. That information was provided to  
10 you to let you know what we have at hand so that we can  
11 start discussing how these different things can and should  
12 be broken down.

13           And we do want to give some leeway so that  
14 people are not having to come to the department on a  
15 routine basis and routinely ask for more tags, because  
16 obviously that would create an administrative burden on  
17 the department to some extent if we ratchet it down too  
18 tight. But could it be different for people who have been  
19 licensed for a period of years versus how newly licensed  
20 dealers start out? Yes, that is all open for discussion.

21           MR. BLASSINGAME: Thank you, Director Thompson.

22           MR. SRALLA: Trey Sralla. May I have the  
23 floor, please?

24           MR. BLASSINGAME: Member Sralla, you have the  
25 floor.

1 MR. SRALLA: Thank you.

2 I do agree on a tier system. Now, just to  
3 clarify, the tier system I was speaking of earlier was  
4 more on the communication with the dealer or the license  
5 holder or you're getting this close to the amount of  
6 licenses you have, the amount of temporary tags you have  
7 available, or whatnot.

8 Also while I have the floor, let me speak to  
9 them on the motorcycle side. Typically on the motorcycle  
10 side, there's not as many test drives as on the car side  
11 of the thing, so generally a motorcycle sale will result  
12 in one tag, one temporary buyer tag per sale. You know,  
13 you do have dealer tags, you have a few dealer tags, but  
14 generally there's just not as many test drives.

15 And the last comment that I have is that the  
16 biggest thing that I think we ought to consider is making  
17 sure we don't ratchet down the buyer tags so much. But  
18 the internet down tags, I do think that those need to be  
19 fairly limited, because if we don't limit that pretty  
20 strongly, then that could just be an easy way for somebody  
21 else to cheat the system.

22 It's 2021, most people have -- if the internet  
23 goes down, most people have a smart phone that they can  
24 put a hotspot on. They have a hotspot in their dealership  
25 or their place of business to where they can turn on the

1 hotspot on one computer to print a temporary buyer tag.

2 Thank you.

3 MR. BLASSINGAME: Thank you, Member Sralla.

4 MR. DORAN: This is Member Doran. May I be  
5 recognized?

6 MR. BLASSINGAME: Member Doran, you have the  
7 floor.

8 MR. DORAN: Thank you.

9 As it relates to the factors that were laid out  
10 in the bill, there's five factors which sound as though  
11 they are non-exclusive, and then the sixth factor is any  
12 information that the DMV may consider relevant. Going  
13 back to a point that was made by one of the other members  
14 earlier about the need to differentiate between franchised  
15 dealers and independent dealer, I think in the case of a  
16 franchised dealer I want to speak to the situation where  
17 you have an open point and at that point in time it's a  
18 new dealership location, and therefore, there's no sales  
19 history in place.

20 And in that instance, I would encourage the  
21 department to work with the distributor or the  
22 manufacturer to obtain what the manufacturer or  
23 distributor has determined is the planning volume for that  
24 dealership location. That is an estimate that has been  
25 reached in coordination and conjunction between the



1 manufacturer, distributor and that dealership on the  
2 anticipated sales volume that they should expect.

3 That is the rule of thumb that they are using  
4 to determine what is the right size facility and really  
5 what is the right size for their investment. So that is a  
6 good reference point, I think, for the DMV to have.

7 The other point I wanted to make is, in terms  
8 of factors, I think the DMV should be able to consider  
9 whether that franchised dealer is a fleet dealer. I think  
10 one of the concerns that I have is -- and this goes back  
11 to some comments that some of the members have been making  
12 about the timing or cadence of the notification coming  
13 from the department to alert the dealer when they're  
14 getting close to exhausting their tags.

15 But I think the biggest fear that we would have  
16 would be, you know, it's 3:00 p.m. on a very busy Saturday  
17 selling day at the end of the month and somebody walks in  
18 and says, you know, I want to order 1,000 pickup trucks  
19 for my plumbing company or for the cable company. And  
20 that spike in the sales volume is going to immediately,  
21 and I would say almost prematurely in comparison to  
22 probably what they'd been tracking, put them in excess of  
23 their threshold, and so we wouldn't want that to happen.

24 And so part of, I think, our concern and our  
25 angst comes around when that notification would come

1 versus when the dealer would exceed their threshold. So  
2 the more frequent the notification that the department can  
3 provide to the dealers, I think the less likely that risk  
4 comes to bear.

5 But I would be a big supporter of the DMV  
6 considering the planning volume as provided by the  
7 manufacturer or distributor as it relates to a franchised  
8 dealership that has not been in operation very long and  
9 therefore has little to no sales history, and also the  
10 consideration of whether or not they are selling  
11 commercial fleet vehicles or government fleet vehicles.

12 Thank you.

13 MR. BLASSINGAME: Thank you.

14 Staff?

15 MR. THOMPSON: Clint Thompson, deputy director  
16 of Vehicle Titles and Registration Division. If I can  
17 have the floor, Presiding Officer Blassingame?

18 MR. BLASSINGAME: You have the floor, Director  
19 Thompson.

20 MR. THOMPSON: Member Doran and Member Sralla,  
21 I appreciate the comments. And certainly that's one of  
22 things, Member Doran, we're looking at for folks who do  
23 not have that sales history, what are the criteria that we  
24 need to consider, so thank you for that.

25 I do want to clarify that's one of the reasons

1 that we have looked at the actual tag issuance and title  
2 applications, things of that nature historically, that way  
3 we can identify by franchised dealer specific to that GDN,  
4 specific to a DBA, so their general distinguishing number,  
5 they're doing business as if they have a separate one.

6 And also for the independents, we know they  
7 have various volumes of independent vehicle sales, and  
8 that's why we were looking at the actual sales volume.  
9 That way we don't have to touch on this franchised dealer,  
10 that their years in business are going to be reflected in  
11 their sales volume, whether they're franchised or whether  
12 they're independent.

13 I just want to go back to a previous comment.  
14 So I just want to make sure we're looking at these tag  
15 maximums separately, so buyer tags are to be issued to a  
16 customer when they make a retail sale, and it's one buyer  
17 tag per retail sale.

18 We understand there are administrative  
19 violations that occur today where dealers do issue  
20 multiple tags. Even though that's an administrative  
21 violation, we are identifying that by comparing it to the  
22 title applications and taking that increased volume into  
23 account as well. That way when it's not fraudulent use  
24 and it's merely an administrative violation, we're not  
25 penalizing folks, if you will, by making them hit that

1 maximum volume.

2           So when you have folks conducting a test drive  
3 we have other tags, vehicle-specific tags, that they can  
4 put on these vehicles. We're monitoring those volumes as  
5 well, like the agent tags and things of that nature, to  
6 make sure that we're identifying based on historical use  
7 the appropriate allotment per dealer. Again, the  
8 historical use should evidence what that dealer does as  
9 far as total volume of sales, test drives, things of that  
10 nature, so we're certainly contemplating that.

11           Going back to both Members Uralla's and Doran's  
12 comments about the alerts, we have the ability to build an  
13 alert in that the dealer can see within the application  
14 that they have 50 percent or 75 percent or whatever the  
15 metric is, but then also, again to combat the fraud issue  
16 that we spoke on earlier, to give the department the same  
17 alerts, if you will, at tag threshold.

18           That way folks have the information that they  
19 need to do business and to make the appropriate contact  
20 with the department if they realize, hey, we do have a  
21 significant sales month or quarter, or whatever the case  
22 may be. And they can proactively reach out to the  
23 department and get those maximums increased based on those  
24 sales rather than having to wait to the last minute in the  
25 event that they do have a large purchase come in.

1 Thank you.

2 MR. BLASSINGAME: Thank you, Director Thompson.

3 Any other comments?

4 MR. BRADBURN: Member Bradburn. Can I speak,  
5 please?

6 MR. BLASSINGAME: Member Bradburn, you have the  
7 floor.

8 MR. BRADBURN: I want to agree with what Clint  
9 Thompson just said there.

10 I also want to talk back to Mr. Prather. I  
11 believe on the franchised side we need to be very, very  
12 generous. They have not been the problem on the criminal  
13 side, period. We need to separate them.

14 On the independent dealers we also need to tier  
15 there because dealers like CarMax, Vroom, they sell a lot  
16 of cars. And I think on the tier system that we should  
17 have one year or newer, make that very restrictive.

18 I have to be careful what I share with this  
19 committee but with the 500 tag report a month, if we made  
20 that 750, divided it by a year, if the DMV could provide  
21 the numbers, it would show most of the new dealers are  
22 selling way below 500 tags. And I would be curious to see  
23 if the DMV has come up with an actual suggested number for  
24 all these tiers.

25 Thank you.

1 MR. BLASSINGAME: Staff?

2 MR. THOMPSON: Clint Thompson, deputy director  
3 of Vehicle Titles and Registration Division. If I could  
4 have the floor, Presiding Officer Blassingame.

5 MR. BLASSINGAME: Director Thompson, you have  
6 the floor.

7 MR. THOMPSON: Thank you.

8 We discussed a variety of methodologies, and  
9 one of those was, we're using the methodology or the term  
10 tiers, I call it buckets. I tend to look at things very  
11 simply, and I engaged staff early talking about creating  
12 buckets for the type of dealer. And we went through that  
13 exercise initially to look at franchised dealers, how many  
14 different buckets do we have for franchised dealers. And  
15 that's part of looking at the data that we have available  
16 in eLICENSING on the sales reported by franchised dealers.

17 We've also considered the higher volume  
18 independent dealers. We know who those folks are, so  
19 we've looked at establishing a separate bucket, separate  
20 tier for the independent motor vehicle dealers who are  
21 selling a large number of vehicles in excess of what our  
22 franchised dealers are selling. We recognize that. We  
23 certainly see the difference in volume.

24 But the easier thing for the department, from  
25 an implementation standpoint, is we have the ability to

1 get the actual data for buyer tags and title applications.

2 Again I go back to -- this tells us historically what  
3 this franchised dealer has done over three and a half,  
4 four years, whatever the case may be. It also tells us  
5 what these different independent dealers, whether they're  
6 a high volume or low volume dealer, and to me that gives  
7 us an actual number to work from. And then we work on  
8 what the cushion is that's reasonable to increase for the  
9 market increase, or Member Doran talked about a large sale  
10 that the dealer didn't anticipate, things of that nature.

11 But it also gives us the ability to recognize,  
12 hey, we've got a new dealer who does not have sales data,  
13 so that's part of this. And maybe we call that a separate  
14 tier, if you will, but part of that to me is identifying  
15 the criteria from those folks who are newly licensed and  
16 don't have that sales data that we're looking at relative  
17 to other dealers and making that determination what's the  
18 reasonable amount.

19 We've got a 500 threshold that we look at for  
20 folks to determine fraud. Well, is that the cap? Maybe  
21 that's not the cap, maybe it needs to be lower.

22 But that's part of the discussion, and for us  
23 to come up with those new folks and obviously existing  
24 dealerships, what's the right mix. What's the right  
25 criteria for these folks to make sure that they can

1 continue to do business, but limit the fraudulent activity  
2 that could potentially occur.

3 MR. BLASSINGAME: Thank you, Director Thompson.  
4 Comments from the floor from members?

5 MR. PRATHER: Member Prather. Can I have the  
6 floor?

7 MR. BLASSINGAME: Member Prather, you have the  
8 floor.

9 MR. PRATHER: If we're going to look at one  
10 year and new franchised or non-franchised dealers, some of  
11 our franchised dealers, like AutoNation and Sonic, have  
12 AutoNation used car lots that are established in large  
13 volume. Sonic has some Echo Park lots, but they're all  
14 independent, as does Vroom, and as does CarMax.

15 If you're going to look at one year and newer  
16 in a different light, is there any provision that you  
17 might be able to make for these existing CarMaxes and  
18 others that have other locations that build a new location  
19 in a different city, and give them some consideration for  
20 the volumes they've done in the past, and somewhat as  
21 they're already an established dealer, not really just a  
22 new dealer, although they will have a new GDN?

23 MR. THOMPSON: Clint Thompson, deputy director  
24 of Vehicle Titles and Registration Division. If I could  
25 have the floor, Presiding Officer Blassingame?



1 MR. BLASSINGAME: You can have the floor,  
2 Director Thompson.

3 MR. THOMPSON: Thank you.

4 Member Prather, absolutely that's something we  
5 can look at. And again, it's about establishing that  
6 reasonable number for that dealership. Use the example of  
7 CarMax, obviously they're a higher volume independent  
8 dealer as opposed to myself if I wanted to open up a  
9 dealership and had not done it before and don't have any  
10 existing history. We certainly recognize the differences  
11 between those dealerships.

12 In addition, as a new franchised dealer opens  
13 up another location, those are certainly factors that we  
14 can consider as we look at the maximum for folks that do  
15 not have sales history. But thank you for that.

16 MR. BLASSINGAME: Thank you, Director Thompson.

17 Member Zak, you have the floor.

18 MR. ZAK: Yes. Thank you.

19 I had several comments and a few suggestions,  
20 and I had one question for the department to start with  
21 that maybe may help me in some of my comments. The  
22 question is how quickly does the department have access to  
23 the sales data?

24 Is this something that you are looking at on a  
25 daily basis? Are you looking at it from a historical

1 standpoint that you're looking at the previous month, a  
2 week or two into the first month from the previous month?

3 How quickly and how often is that data reviewed?

4 MR. THOMPSON: Clint Thompson, deputy director  
5 of Vehicle Titles and Registration Division. If I could  
6 have the floor, Presiding Officer Blassingame?

7 MR. BLASSINGAME: Director Thompson, you have  
8 the floor.

9 MR. THOMPSON: Thank you for the question. So  
10 what we've done thus far is pull historical data. So  
11 we've looked at by calendar year, which we can pull at any  
12 point. We also have the ability to look at the buyer tag  
13 data, for example, on a daily basis.

14 We can run individual reports by date so we  
15 have immediate access to that, as well as the title  
16 applications. Now, understanding that we do not have that  
17 data until a title application has been processed by a  
18 county tax office, but once that has been done, we can run  
19 that by various date ranges and various parameters to  
20 obtain that data.

21 But the goal in looking at the actual data that  
22 I've laid out is getting that historical look over the  
23 course of multiple years. That way we all recognize 2020  
24 with COVID was an anomaly for vehicle sales. Making sure  
25 that we account for that, getting additional years to

1 factor in to an annual average that's reasonable per  
2 dealership. But then again also making sure that we  
3 consider those other variables to ensure that we have  
4 sufficient cushion for those folks to do business.

5 But in short, we have access to data currently  
6 that we can pull by whatever time period it is, annual  
7 basis, whatever the case may be. But we also have access  
8 to reports that are essentially live from a buyer tag  
9 standpoint that we can tell immediately once those tags  
10 have been issued.

11 MR. BLASSINGAME: Thank you, Assistant Director  
12 Thompson.

13 Member Zak, other questions?

14 MR. ZAK: Yes, thank you.

15 Well, thank you for that clarification, and I  
16 think it's the intent of the agency as well as the various  
17 dealers that are on this committee, and I think we don't  
18 want it to be a burden on either party or neither side,  
19 and I appreciate that among everybody. And I certainly  
20 don't want to overburden the agency with added procedures  
21 and just work.

22 But one comment I would like to make. Texas  
23 Independent Automobile Dealers, which I was past president  
24 of -- and I know we have Member Martin here, who is  
25 executive director, is on this call -- that is information

1 that we look at on an ongoing basis for our association  
2 from the standpoint of -- from an independent side who are  
3 the larger bigger dealers in the state.

4 And as has been mentioned on the phone call,  
5 outside of CarMax, Texas Direct/Vroom, perhaps a Carvana  
6 and their model, outside of those dealers you will be hard  
7 pressed to find an independent dealer that's going to sell  
8 more than 300 cars per month. I mean, there may be one or  
9 two out there in the entire state, but the majority of the  
10 dealers, as we have researched in the past, is that most  
11 independent dealers are going to have sales volume of 100  
12 or less.

13 So with that, and taking that into account and  
14 trying to determine tag limit size, I think if we came  
15 up -- or if the department, the agency would come up on  
16 those new dealers to just limit them to no more than -- I  
17 don't know what the adequate number would be, I don't know  
18 if it's 300 a month, 400 a month, or whatever tags per  
19 month on a new dealer, it would seem like you would catch  
20 those criminals, and so to speak, the bad actors.

21 But on a go-forward basis, or really for all  
22 the other dealers who have been in existence for some  
23 period of time, I think if you took their annual sales  
24 according to their VIT report and give an additional  
25 factor, be it 20 percent, 30 percent or 40 percent over

1 and above that, that would pretty much cover most other  
2 existing established dealers and it wouldn't interrupt  
3 their business any.

4 So I don't know if we could incorporate those  
5 type of parameters. I think all the specific factors that  
6 were mentioned, the five, I think should be considered.  
7 So those are just kind of my comments and I don't know how  
8 that can be considered or if that's certainly even  
9 something worth to be considered.

10 Thank you.

11 MR. BLASSINGAME: Thank you, Member Zak.  
12 Staff?

13 MR. THOMPSON: Clint Thompson, deputy director  
14 of Vehicle Titles and Registration Division. If I can  
15 have the floor, Presiding Officer Blassingame?

16 MR. BLASSINGAME: Assistant Director Thompson,  
17 you can have the floor.

18 MR. THOMPSON: Thank you.

19 Member Zak, I appreciate that and thank you for  
20 validating the volume. That can assist us greatly and  
21 that's absolutely what we're looking at, what you spoke to  
22 about identifying the sales volume from the various  
23 metrics that we have available to the department and  
24 establishing that as a base, if you will, and then  
25 identifying what is the appropriate increase to facilitate

1 legitimate businesses continuing to conduct business  
2 without having to unnecessarily contact the department.

3 I know you mentioned VIT. One of the reasons  
4 that we're looking at these data elements that we have is  
5 just that, we have access to it, and as I spoke to you  
6 previously, we have access to it quickly. Rather than  
7 having to collect the vehicle inventory tax statements  
8 from the county tax assessor-collectors, obviously we're  
9 not trying to burden county tax assessor-collectors with  
10 providing us data that we otherwise have a variant  
11 available to us.

12 But relative to the new dealerships coming on,  
13 absolutely we're looking at what the threshold is based on  
14 franchised dealer versus the independents. And I  
15 appreciate you throwing out the 300 max relative to what  
16 the smaller independent motor vehicle dealers are selling  
17 on an annual basis. Thank you for that.

18 That's certainly what we're looking at  
19 capturing with those folks that don't have the sales  
20 history for our data.

21 MR. BLASSINGAME: Thank you, Assistant Director  
22 Thompson.

23 Members?

24 MR. BRADBURN: Member Bradburn. Can I speak,  
25 please?

1 MR. ZAK: Can I make one more comment?

2 MR. BLASSINGAME: Member Zak, you want to make  
3 one more comment?

4 MR. ZAK: Yes. I was going to suggest that if  
5 a dealer reaches their limit of tags of whatever we come  
6 up with a formula, I think an easy way to validate the  
7 need for the dealer to increase their tag limit, the  
8 dealer would have to provide their past three months of  
9 VIT. That wouldn't burden the DMV and the dealership  
10 would readily have that information available, so I don't  
11 know if that would be a burden. If it was on my side, I  
12 can certainly just pull those reports out of the file and  
13 submit it and it wouldn't be that much of a challenge.

14 But going back, as far as the new dealers are  
15 concerned, I would set a low tag limit, whatever that  
16 number may be. And I think that probably could curtail a  
17 lot of our problems that we're talking about here today.

18 Thank you.

19 MR. BLASSINGAME: Thank you, Member Zak.

20 The floor recognizes Member Bradburn.

21 MR. BRADBURN: Thank you, sir.

22 I would agree with member Zak. If we're  
23 talking the 300 number, I would say be generous and every  
24 dealer give them a 600 number. But more importantly, we  
25 need to also implement the other side for the revocation

1 process which, again, is not for a franchise or not for  
2 somebody that makes a mistake.

3 Because whether we give them 600 tags a month,  
4 10,000 tags a month, the criminal side that we're looking  
5 at is going to do that in their first or second week and  
6 with all the safeguards that DMV has in place or looking  
7 at, the two factors together, that's going to fix the  
8 problem, along with vetting the dealers later on, but it's  
9 a different discussion.

10 MS. THOMPSON: Officer Blassingame, Director of  
11 Enforcement Corrie Thompson. If I may have the floor?

12 MR. BLASSINGAME: Director of Enforcement  
13 Thompson, you have the floor.

14 MS. THOMPSON: Yes. I just wanted to address  
15 the comment by I believe it was Member Zak about yes,  
16 potentially when Deputy Director Thompson was mentioning  
17 that we're suggesting reliance more so on the data that we  
18 already have within the department as opposed to the VITs.

19 It's not to say that the VIT information could not be  
20 used as you stated.

21 VIT information is used routinely during the  
22 investigative process when we're confirming whether or not  
23 issuance was valid as compared to those VIT statements.  
24 Yes, it could be used, as you're stating, as a factor to  
25 be considered as a factor when a dealer is requesting a



1 tag increase.

2 And I just want to make sure that we're  
3 distinguishing that could be useful information for  
4 different purposes, investigations or requesting  
5 additional tags, distinguishing that from the initial data  
6 that we could have on each specific dealer and their sales  
7 volume activity to start out the initial limits.

8 MR. BLASSINGAME: Thank you, Director Thompson.  
9 Members?

10 MR. MARTIN: Officer Blassingame, Jeff Martin.

11 MR. BLASSINGAME: Member Martin, please go  
12 ahead.

13 MR. MARTIN: So my question, it feels like the  
14 data is available, particularly as it relates to buyer's  
15 tags. So I'm wondering, Deputy Director Clint Thompson,  
16 if you guys have some suggestions, the data that you're  
17 seeing, I think that's actually going to be an easier  
18 number for us to get our arms around. The dealer tag that  
19 is either vehicle-specific or that is an agent-specific  
20 tag is probably going to be a little bit more of a  
21 challenge, and we'll have to come up with some type of  
22 formula for that.

23 But if you guys have worked on this over the  
24 last week, can you potentially give us some numbers or  
25 some ideas of what you're thinking as it relates to the

1 buyer tag across the multiple licensees that are out  
2 there? And I think that might help us move the  
3 conversation forward.

4 You have all the data on your side, so if you  
5 guys can give us some ideas of the numbers that you're  
6 looking at, maybe we can move the conversation forward  
7 with that.

8 MR. BLASSINGAME: Thank you, Member Martin.

9 Deputy Director Thompson, you have the floor.

10 MR. THOMPSON: Yes, sir, thank you.

11 Member Martin, I appreciate it. We are not  
12 done analyzing the data. We've taken an initial look,  
13 we've taken a look at both, as I said earlier, in-state  
14 buyer tag issuance per dealer, buyer tags issued to  
15 out-of-state residents. We also have data for agent tags,  
16 vehicle-specific tags, things of that nature. And it does  
17 vary based on franchised dealer, and what we have not  
18 looked at yet is the length of time various dealers have  
19 been in business.

20 I'll just give you some quick examples. We  
21 have a franchised dealer that's selling 4,200 vehicles in  
22 a year; we have an independent dealer that's selling  
23 28,000 vehicles in a year. That's the variance. That's  
24 one of your higher ends, if you will, for franchised  
25 dealers versus independent dealers that we know are CarMax

1 or Carvana, things of that nature.

2 And then we've see sales varying from 100 a  
3 year to 25 a year for independents. I mean, it really  
4 depends on the size of the dealership. I think that the  
5 length of licensure is evidenced in their sales, but  
6 that's obviously something that we can factor in and  
7 consider as well, but they really vary based on even  
8 franchised dealers within those particular dealers as well  
9 obviously the independent dealers.

10 We have the top tier, if you will, are dealers  
11 that are selling volume for the independent dealers as  
12 opposed to the smaller dealerships that don't have the  
13 volume, as Member Zak indicated.

14 MR. BLASSINGAME: Thank you, Deputy Director  
15 Thompson.

16 Staff -- I'm sorry -- members?

17 MR. PRATHER: This is Steve Prather.

18 MR. BLASSINGAME: Member Prather, you have the  
19 floor.

20 MR. PRATHER: Thank you.

21 In the agreement that a dealer signs -- and I  
22 signed one of those way back when but I don't remember  
23 what it says -- does it say for me to issue a buyer's tag  
24 I must have ownership of that vehicle and it must be in my  
25 books as a vehicle that I owned and that I sold to

1 someone? That would allow y'all, when you go in to do  
2 enforcement, investigate whether that dealer owned that  
3 vehicle and if he did not, that would be an immediate  
4 violation. And with maybe 10 or 20 of those, enough that  
5 somebody wouldn't just flat out mistake, it would be  
6 something that y'all could immediately terminate his  
7 access to the tag program?

8 MS. THOMPSON: Officer Blassingame, Director of  
9 Enforcement Corrie Thompson. If I may have the floor?

10 MR. BLASSINGAME: Director Thompson, you have  
11 the floor.

12 MS. THOMPSON: Yes. So when you sign the  
13 application to become a licensed dealer you are agreeing  
14 to become familiar with the laws and rules that pertain to  
15 licensees of the department. And so in Texas  
16 Administrative Code, the rules set out requirements for  
17 tag issuance for the different types of tags in Title 43,  
18 Chapter 215 of the Administrative Code.

19 And yes, so buyer's temporary tags are laid out  
20 in 215.155, all the specifications for when it's  
21 appropriate to issue a tag are spelled out there. So that  
22 is something that we do currently look at when we are  
23 conducting investigations. Whether or not a vehicle is in  
24 somebody's inventory is one of the parameters that is  
25 spelled out in the temp tag denial access briefing

1 document as what constitutes fraudulently obtaining a  
2 temporary tag.

3 So we are also adding that in as a factor, but  
4 it is currently something that we already do when  
5 conducting investigations is making that comparison about  
6 whether or not that vehicle was ever in the dealer's  
7 inventory.

8 MR. BRADBURN: Member Bradburn. Can I respond  
9 as well, please?

10 MR. BLASSINGAME: Thank you, Director Thompson.

11 Yes, Member Bradburn, you have the floor.

12 MR. BRADBURN: Thank you.

13 Mr. Prather, another aspect we look at on the  
14 criminal side is to issue a buyer tag, they had to have a  
15 valid vehicle inspection of 180 days preceding. And it's  
16 a monetary issue, not part of this discussion, but the DMV  
17 system does not communicate with TCEQ.

18 If those two systems would communicate, then  
19 that could also be a way to stop these tags from being  
20 issued.

21 MR. BLASSINGAME: Thank you.

22 Staff?

23 MR. RICHARDS: Officer Blassingame, this is  
24 David Richards. May I have the floor?

25 MR. BLASSINGAME: Mr. Richards, you have the

1 floor.

2 MR. RICHARDS: Yes. We need to verify or  
3 confirm who call-in user 22 is. I understand Mr. Donnelly  
4 is one and Mr. Hayter. Need to unmute caller 41 as well.  
5 We've unmuted 22. Can we unmute 41?

6 MR. DONNELLY: This is Member Donnelly. Can  
7 you hear me?

8 MR. RICHARDS: Yes, sir, we can. Thank you.

9 I've got another caller, Member Hayter is one  
10 and I've got another caller. Can you identify yourself,  
11 please? Could you identify yourself, please?

12 (No response.)

13 MR. RICHARDS: Perhaps he's not connected.  
14 Officer Blassingame, please proceed.

15 MR. BLASSINGAME: Thank you, sir.

16 Comments from members?

17 MR. THOMPSON: Presiding Officer Blassingame,  
18 Clint Thompson, deputy director of Vehicle Titles and  
19 Registration Division. If I can answer Member Bradbury's  
20 question or comment about the inspection correlation?

21 MR. BLASSINGAME: Deputy Director Thompson, you  
22 have the floor.

23 MR. THOMPSON: Thank you, sir.

24 Member Bradburn, their current application does  
25 not interface with an inspection database like the

1 Registration and Title System does. There's a variety of  
2 reasons for it. We have provisions in this bill, HB 3927,  
3 that allows for certain vehicles to be issued a buyer tag  
4 without a valid inspection so the buyer tag will be  
5 affixed to the vehicle. That portion was effective  
6 September 1.

7 We also have an existing exemption, which was  
8 clarified in this bill as well, for folks that are out-of-  
9 state residents purchasing vehicles that obviously they  
10 would not have to have a Texas state inspection. But with  
11 those exceptions, is there the possibility to program it?

12 Yes.

13 That also imposes burdens on dealers when they  
14 don't have -- our record for whatever reason hasn't been  
15 uploaded. We've seen since the implementation of single  
16 sticker and interfacing the Registration and Title System  
17 with the inspection database that at times there is a  
18 disconnect between the inspection.

19 And so certainly that is a possibility, but  
20 with that becomes programming -- obviously working with  
21 another state agency to make that happen. We're hoping  
22 that the provisions of this bill relative to access  
23 denial, as well as the maximum tag limits, will be a lot  
24 quicker solution for us.

25 We certainly appreciate the comment.

1 MR. BLASSINGAME: Thank you, Assistant Director  
2 Thompson.

3 Members, questions?

4 MR. HAYTER: This is Russell Hayter.

5 MR. BLASSINGAME: Russell Hayter, you have the  
6 floor.

7 MR. HAYTER: Thank you.

8 Is there any consideration or there's a  
9 question or does department staffing come up in this  
10 anywhere? Or do we have any recommendations or do we need  
11 to make a recommendation about any necessary increase in  
12 staff to handle some of these background investigations?

13 MR. BLASSINGAME: Staff?

14 MS. JOHNSTON: Hi, Officer Blassingame, this is  
15 Monique Johnston, director of the Motor Vehicle Division.

16 May I have the floor, please?

17 MR. BLASSINGAME: Yes, Member Johnston, you  
18 have the floor.

19 MS. JOHNSTON: This specific bill did not have  
20 a fiscal note attached to it so it did not award any  
21 additional FTEs for staff. However, staff is looking at  
22 the best ways for us to review, for instance, any kind of  
23 additional tag requests to make sure there's not  
24 interruption in business and also to make the  
25 administrative burden on staff as less as possible.



1                   So we are looking at ways and how to  
2 incorporate this into the staff that we currently have.

3                   MR. HAYTER: Thank you.

4                   MR. BLASSINGAME: Thank you, Director Johnston.  
5 Call-in user 5, you have the floor.

6                   MR. DONNELLY: I'm assuming that's Chris  
7 Donnelly?

8                   MR. BLASSINGAME: Yeah, Chris, I thought you  
9 were call-in number 5.

10                  MR. DONNELLY: Thank you so much. I'm  
11 struggling with the software.

12                  A question for Enforcement folks. I'm under  
13 the impression that if we put any limit in place, it's  
14 going to curb the financial benefit that these people are  
15 obtaining by having access to the system. I mean, if we  
16 were to put in a scenario where a person has access to 100  
17 a month, would that deter people from doing this because  
18 it really wasn't worth their while?

19                  MS. THOMPSON: Officer Blassingame, Corrie  
20 Thompson, director of Enforcement. If I may have the  
21 floor?

22                  MR. BLASSINGAME: Director Thompson, you have  
23 the floor.

24                  MS. THOMPSON: I do believe that limit-setting  
25 in any reasonable amount that is based on historical sales

1 volume data is going to help curb the problem. Of course,  
2 it will take some catch-up time for the bad actors to  
3 realize that those limits have been set. So we could  
4 still have people pinging the system, attempting to obtain  
5 tags, but hopefully once word gets out, that's the goal  
6 here on the back-end.

7 We've talked about in the prior meeting some  
8 additional things that we're looking at doing on the  
9 front-end in terms of helping the problem as well. But  
10 yes, as far as finding the bad actors on the back-end,  
11 this should definitely go a long way in helping with the  
12 problem that we're seeing.

13 MR. BRADBURN: Member Bradburn. Can I comment,  
14 please?

15 MR. BLASSINGAME: Member Bradburn, you have the  
16 floor.

17 MR. BRADBURN: Thank you.

18 I would absolutely agree with Director  
19 Thompson, what she just said. I have seen already,  
20 working nationwide on this case, the main element that I'm  
21 working to take down, some of them previously did the same  
22 situations with Florida tags. It got too hot there, they  
23 moved to New York. So I do believe once all these  
24 procedures in place, there still will be people selling  
25 low level tags but we will definitely slow the stem.

1 Thank you.

2 MR. BLASSINGAME: Thank you, Member Bradburn.

3 Staff, comment?

4 MR. MARTIN: Officer Blassingame, Jeff Martin.

5 MR. BLASSINGAME: Mr. Martin, you have the  
6 floor.

7 MR. MARTIN: So this question is directed to  
8 staff. Are you looking for the committee to come up with  
9 a determining factor? It doesn't sound like we're really  
10 trying to come up with a number here as much a determining  
11 factor on how we come up with the number.

12 And if that's the case, it sounds like for  
13 established dealers looking at their sales volume seems to  
14 make the most sense from the conversation that I'm hearing  
15 in the committee. The most challenge is going to be the  
16 new licensed dealer and if we need to come up with  
17 criteria on how we identify that number, I think that  
18 potentially we can focus on that.

19 But is that where we're trying to go here,  
20 you're asking us to help you come up with the criteria,  
21 not necessarily the number?

22 MR. BLASSINGAME: Thank you.

23 Staff?

24 MS. JOHNSTON: Presiding Officer Blassingame,  
25 this is Director Johnston. If I could have the floor,

1 please.

2 DR. BROWN: Director Johnston, you have the  
3 floor.

4 MS. JOHNSTON: Yes. Thank you, Member Martin,  
5 that is correct, we would like you to come up and help us  
6 determine what criteria that you feel is the most  
7 important in determining how we set this matrix. As you  
8 know, we've been focusing on sales data but also how long  
9 someone has been in process, what type of license. You  
10 know, it is -- it's your franchised, it's your independent  
11 dealer, is it a new licensee, what factors you feel should  
12 weigh more heavily in us determining these numbers.

13 And I feel like we're getting some of that  
14 feedback here with the tier system, also with those  
15 dealers such as CarMax who might open a new dealership in  
16 another area but they have established dealers in other  
17 cities. And then you have your new independent dealers  
18 who have never held a license before and potentially just  
19 setting a standard limit for those dealers based on that  
20 and they can request additional tags after a certain  
21 amount of time by providing their VIT statements.

22 So I think your giving us that kind of feedback  
23 is what we're looking for so we can establish those  
24 matrix. So yeah, I think you're on track with that for  
25 sure.

1 MS. THOMPSON: Corrie Thompson.

2 MR. BLASSINGAME: Thank you, Director Johnston.  
3 Director Thompson, you have the floor.

4 MS. THOMPSON: Thank you, Officer Blassingame.  
5 Yes, so just to clarify, not necessarily any  
6 determination needed from the committee, but again, those  
7 factors to consider when we're developing the rules around  
8 setting limitations.

9 MR. BLASSINGAME: Thank you, Director Thompson.  
10 Staff -- I'm sorry -- members?

11 MR. MARTIN: Officer Blassingame, Jeff Martin.

12 MR. BLASSINGAME: Member Martin, you have the  
13 floor.

14 MR. MARTIN: Are you looking for a motion --  
15 and I don't know if that question goes to staff -- I think  
16 we could potentially come up with a motion here to give  
17 staff an opportunity to go back and review some data and  
18 then come back with some recommendations to the committee.

19 MR. BLASSINGAME: Staff?

20 MS. JOHNSTON: Officer Blassingame, this is  
21 Director Johnston. May I have the floor, please?

22 MR. BLASSINGAME: Director Johnston, you have  
23 the floor.

24 MS. JOHNSTON: Yes, Member Martin, based on the  
25 timeline in order to bring the proposed rules to the

1 October board meeting, I do not believe we will have time  
2 to have an additional advisory committee meeting. I can  
3 defer to our General Counsel's Office, though, if they  
4 would like to make any additional comment on that. So  
5 there will be a public comment period, of course, once the  
6 rules are proposed by the board for anyone to provide  
7 additional feedback before any of the rules are adopted.

8 MR. BLASSINGAME: Any comment from members?

9 MR. PRATHER: This is Steve Prather. May I  
10 speak?

11 MR. BLASSINGAME: Member Prather, you have the  
12 floor.

13 MR. PRATHER: Thank you.

14 In keeping with what we've discussed about the  
15 new car dealers, it's important that we remember, due to  
16 some of the supply chain problems, such as the chip  
17 manufacturers and things of that nature, a lot of the  
18 manufacturers have had to restrict the number of vehicles  
19 that they can build because of these supply chain issues  
20 through this pandemic.

21 So while you look at some of the historical  
22 data, I think it's important that you realize that there  
23 could be, and hopefully will be, an uptick in sales once  
24 this era that we're going through is over. And you might  
25 want to boost the numbers to avoid that problem, at least

1 initially, to be sure you don't have that problem when  
2 this pandemic is over.

3 Now, on the used car stuff, the biggest thing  
4 everybody seems to believe is the newly appointed  
5 independent dealers is the biggest area that you can have  
6 risk with. We've had a number of independent dealerships  
7 ourselves over the years and I know many people that have  
8 them. There's a lot of them out there that sell 30 and 40  
9 cars a month.

10 I don't know if it would be reasonable to set  
11 an independent dealer, other than a CarMax and something  
12 that has a verifiable track record already, but a newly  
13 independent dealer, if you set him at 50 units a month and  
14 gave him 600 for a year and made him kind of earn his  
15 right to get more tag availability, might not be such a  
16 bad idea. If you give him 600 and you track all the newly  
17 appointed dealers and see if they're reporting sales that  
18 coincide with the 600, or if one of them gets 600 and uses  
19 up his license in two weeks, you know he's got a problem.

20 But you know, if you give him 600 and you say  
21 six months and he's running at 85 units a month and you  
22 notice in five months that he needs to get some more, if  
23 those are the few dealers that you really have to deal  
24 with those newly appointed dealers, I don't think it would  
25 be that huge a burden on the staff to address those if you

1 protect somewhat the established bona fide legitimate  
2 operating businesses.

3 So that might be a way that you avoid having a  
4 whole bunch of people needing adjustments to their  
5 numbers, if you just kind of lock out the new guys, not so  
6 that he can't do business but he can't do fraudulent  
7 business.

8 For whatever that's worth, I think it's  
9 reasonable to consider.

10 MR. SRALLA: This is Member Sralla. May I have  
11 the floor?

12 MR. BLASSINGAME: Member Sralla, you have the  
13 floor.

14 MR. SRALLA: That's one reason why my thought  
15 was to have a tiered system to where it wouldn't be so  
16 much of a burden on staff to go back and say, hey, do you  
17 need more tags. If the dealer was notified -- or the  
18 license holder was notified at 60 percent, 75 percent, 90  
19 percent, whatever the numbers are, I don't really care,  
20 but was notified, if they're legitimate people, if they're  
21 a legitimate licensee, they will go out there and make the  
22 effort to contact DMV staff and say, hey, this is why I  
23 need more availability, and nobody is going to be pushed  
24 up against the wall or at the last minute to make it  
25 happen.



1 Thank you.

2 MR. BLASSINGAME: Thank you, Member Sralla.

3 Staff?

4 MR. THOMPSON: Clint Thompson, deputy director  
5 of Vehicle Titles and Registration Division. If I can  
6 have the floor, Officer Blassingame?

7 MR. BLASSINGAME: Deputy Director Thompson, you  
8 have the floor.

9 MR. THOMPSON: Thank you.

10 And thank you, Members Prather and Sralla, for  
11 those comments. Absolutely that's what we're looking at  
12 relative to the industry and the impacts that COVID has  
13 had and the chips and all of that.

14 We have discussed the sales data that we have  
15 access to as a base, if you will. And the bill absolutely  
16 contemplates expected growth, changes in the market which  
17 would constitute chips being available and increased  
18 production, so those are certainly factors that we're  
19 considering to make sure that we're increasing the maximum  
20 for those folks. That way we account for that. And  
21 again, once the market rights itself, they don't have to  
22 immediately come knock on the door of the department to  
23 continue to conduct business.

24 But then also for the new independent dealers,  
25 thank you for echoing what was said earlier. That's what

1 we're trying to do is, what is that maximum threshold for  
2 those new folks.

3           And then again to Member Sralla's comment,  
4 making sure that we have those mechanisms in place to  
5 alert those folks, hey, we're exceeding our expectations  
6 in sales. We've got an alert within the application that  
7 says we're hitting 50 percent or 60 percent, or whatever  
8 the case may be. That way those folks can proactively  
9 reach out to the department and request those tags, and  
10 again, we're not restricting business for legitimate folks  
11 with these maximums that we've intended for.

12           Thank you.

13           MR. DORAN: This is Member Doran. May I be  
14 recognized for a question to staff?

15           MR. BLASSINGAME: Member Doran, you have the  
16 floor.

17           MR. DORAN: Thank you.

18           Would it be possible for the DMV to be able to  
19 share what that number is for a franchised dealer with the  
20 distributor or manufacturer at the distributor's or  
21 manufacturer's request? And the reason I make that  
22 suggestion is, in the franchised dealer world you've got  
23 representatives, we'll call them field travelers, that  
24 call on the dealers, sometimes once a month, sometimes  
25 once every two months. And they are going over a whole

1 series of performance metrics with that dealer trying to  
2 work with them and track with them what's going on in the  
3 market.

4 So having another set of eyes on that to make  
5 sure that the dealer is aware of the threshold number and  
6 how they're tracking against that number could be  
7 something that helps avoid a situation for a dealer where  
8 they come upon that threshold number quicker than they're  
9 anticipating. Just a suggestion.

10 Thanks.

11 MR. BLASSINGAME: Thank you, sir.

12 Staff?

13 MS. THOMPSON: Corrie Thompson. Officer  
14 Blassingame, if I could have the floor?

15 MR. BLASSINGAME: Director Thompson, you have  
16 the floor.

17 MS. THOMPSON: To address Member Doran's  
18 question -- if OGC wants to mute and cut me off at any  
19 point in time, they're free to do so -- I believe the  
20 question posted by Member Doran would be something that  
21 potentially a manufacturer or distributor could put into  
22 contract language with the franchisees, but that would not  
23 be something that the department would have authority to  
24 pass on from the franchised dealer to the manufacturer or  
25 distributor.

1 MR. DORAN: This is Member Doran. May I just  
2 respond to Ms. Thompson real quick?

3 MR. BLASSINGAME: Member Doran, you have the  
4 floor.

5 MR. DORAN: Thank you.

6 No. Just to clarify, I was not suggesting that  
7 there's any legal implication there or any franchise  
8 obligation or contractual obligation whatsoever. What I  
9 was suggesting was that if it would be a data point that  
10 upon request of the manufacturer or distributor to the  
11 department they could say: Can you please provide me with  
12 what the projected threshold number is for the following  
13 dealers?

14 That way the manufacturer or distributor would  
15 have that information so that when they are visiting that  
16 dealer and working with them on their variety of  
17 performance indicators that that could be a discussion  
18 point like as a diagnostic, oh, hey, by the way, here's a  
19 chart showing you based on your sales where we think  
20 you're tracking against your number. It looks like you  
21 might want to think about notifying the DMV in the next  
22 two to three weeks if you're continuing this sales pace.  
23 Hey, there was a hurricane and it looks like you're  
24 selling a lot more vehicles than you were anticipating  
25 because so many were destroyed in the storm, et cetera, et

1 cetera. That was my suggestion.

2 So if it's already a publicly available piece  
3 of data that the distributor or manufacturer could contact  
4 the DMV about and just get anyway, then okay, maybe that's  
5 not an issue, but if it's not then I'm suggesting that  
6 that be a data point that the department would be willing  
7 to share with the manufacturer or distributor at their  
8 request.

9 MR. BLASSINGAME: Thank you, Member Doran.

10 Staff?

11 MR. THOMPSON: Clint Thompson, deputy director  
12 of Vehicle Titles and Registration Division. If I can  
13 have the floor, Presiding Officer Blassingame?

14 MR. BLASSINGAME: Deputy Director Thompson, you  
15 have the floor.

16 MR. THOMPSON: Thank you.

17 Member Doran, I appreciate the clarification, I  
18 believe I understand what the question is now. When we're  
19 talking about setting those notification thresholds, they  
20 would be standard for every dealer in the State of Texas.

21 It's not like we would say franchised dealer in Dallas,  
22 you get a 50 percent notification, whereas, franchised  
23 dealer in Harris County you get a 60 percent notification.

24 We would have standard notifications built in  
25 at various thresholds, 50, 75, 95, for example. That way

1 those folks know and everybody else would know, hey,  
2 here's the threshold, the alert, if you will, that way  
3 that dealer knows on the front-end when I hit 50 I'm going  
4 to get that notification, when I come to 75, again I'm  
5 going to get that notification. So it would be standard  
6 for each and every one of the dealers.

7 MR. DORAN: This is Member Doran. Thank you,  
8 Mr. Thompson, that's helpful. I think the cadence, of  
9 course, that's helpful to know that's going to be uniform,  
10 but the actual number that's been assigned to that  
11 particular dealer would be helpful.

12 So for example, we might have information that  
13 there's going to be a major highway project that is going  
14 to impede access on the frontage road to that dealership,  
15 and therefore, we're expecting an eight to twelve month  
16 potentially dip in sales, or something of that nature.

17 You know, we think that having visibility to  
18 some other factors would enable us to have some good  
19 discussions with the dealer, which in turn, we think would  
20 help explain or anticipate changes in the data that if DMV  
21 is just regularly reviewing all of this may not be aware  
22 of or be privy to that could put some context around it,  
23 and therefore, would enable us to have conversations with  
24 that dealer to encourage them to bring those data points  
25 forward to the department so that they can have those

1 conversations about changing that number or requesting a  
2 change in that number as these factors arise.

3 That's what I was suggesting. Thank you.

4 MR. BLASSINGAME: Thank you, Member Doran.

5 Comment by staff?

6 MR. DONNELLY: Member Donnelly.

7 MR. BLASSINGAME: Member Donnelly, you have the  
8 floor.

9 MR. DONNELLY: I asked earlier and I don't  
10 recall the answer, do we have any type of forecast on how  
11 long an appeal system or a request for additional tags  
12 would take? Because it seems like that's the question  
13 mark is, hey, I hit 75 percent, I'm probably going to run  
14 out. Is that going to be a month-long process, a week-  
15 long process, or do we have any idea at this point?

16 MR. BLASSINGAME: Question for staff.

17 MS. JOHNSTON: Officer Blassingame, this is  
18 Director Johnston. May I have the floor, please?

19 MR. BLASSINGAME: Director Johnston, you have  
20 the floor.

21 MS. JOHNSTON: Thank you.

22 Yes, as discussed previously, we were hoping  
23 that any kind of requests that come through for additional  
24 tags once you receive notification that you've reached  
25 your 50 percent, 60 percent, 75 percent mark would come

1 through the department and would be reviewed as it would  
2 be an application for a renewal application. We would  
3 look at the request and then pull the information, and  
4 then possibly, depending on what we decide the process  
5 will be, maybe request sales information from that dealer,  
6 and hopefully it would be within a days' turnaround, not a  
7 month.

8 Of course, if there is some questionable  
9 activity that's noted, and say that the request is denied,  
10 that would most likely be going into the fraudulent dealer  
11 area which then that would not usually happen with someone  
12 who is legitimately doing business as a dealer.

13 MR. DONNELLY: Member Donnelly.

14 MR. BLASSINGAME: Member Donnelly, you have the  
15 floor.

16 MR. DONNELLY: I'm under the impression that  
17 the greater majority of independent dealers sell very few  
18 cars, really like 90 percent, I think, sell less than 20  
19 cars a month, I think, something that I've heard. So  
20 we're really talking about if I'm that dealer and I'm  
21 selling 30 cars a month and I'm going to hit my 75 percent  
22 threshold, I probably would be just requesting another  
23 access to maybe 60 or 70 or something like that, as  
24 opposed to somebody coming in and saying, hey, I need  
25 1,000.



1 I feel like it would be pretty obvious if  
2 somebody was a bad actor that's a small independent, and  
3 as best I can tell, it's the independent license that we  
4 really need to curb here. I mean, if you take my scenario  
5 and I'm selling 30 and I feel like I need to request 60  
6 more because it's October and I'm about to run out, do you  
7 think that's a pretty quick transaction in that scenario,  
8 and if I provided VIT forms would that work? I'm just  
9 trying to get a visual here.

10 MR. BLASSINGAME: Thank you, Member Donnelly.  
11 Staff?

12 MS. JOHNSTON: Officer Blassingame, this is  
13 Director Johnston. May I have the floor?

14 MR. BLASSINGAME: Director Johnston, you have  
15 the floor.

16 MS. JOHNSTON: Thank you very much.

17 Yes, we anticipate the process to be a quick  
18 process. We don't want to cause any burden on the dealer  
19 or staff. We want to make sure we have a simple process  
20 that we can review the documentation and then approve  
21 additional tags for that dealer, and that would be  
22 approved in the system and once the approval is reviewed  
23 and granted, it would be instantaneous. We are working  
24 with our IT department, of course, to get all of the IT  
25 requirements set up for that.

1 MR. DONNELLY: Member Donnelly. Member  
2 Donnelly, you have the floor.

3 MR. DONNELLY: Is it possible that the eTAG  
4 system could be made robust enough to where the  
5 notification -- I think I heard somebody say the  
6 notification would come up on eTAG but it could provide a  
7 button that would allow us to do an upload, do an  
8 electronic request and upload supporting documents so that  
9 it just becomes an electronic scenario?

10 MR. BLASSINGAME: Thank you, Member Donnelly.

11 MS. JOHNSTON: Officer Blassingame, this is  
12 Director Johnston. May I have the floor, please?

13 MR. BLASSINGAME: Director Johnston, you have  
14 the floor.

15 MS. JOHNSTON: Thank you.

16 Yes, we're looking to connect this through the  
17 eLICENSING system and where it will be speaking to the  
18 webDEALER system. This is what IT is researching at the  
19 time. So we are hoping that the request would be done  
20 through eLICENSING, just as you would submit your renewal  
21 application, and you would be able to upload the  
22 documentation to the division; it would be reviewed  
23 through your eLICENSING account.

24 MR. DONNELLY: Member Donnelly.

25 MR. BLASSINGAME: Member Donnelly, you have the

1 floor.

2 MR. DONNELLY: Asking other dealers and  
3 explaining to people what the issue is -- in fact, I had a  
4 repo guy said that he pulled a car and the car had a paper  
5 tag on it and the lady that he pulled the car said she  
6 paid 30 bucks for it and she thought it came out of a  
7 foreign country, I think he said Iran or something like  
8 that.

9 Given what you just laid out, Director  
10 Johnston, I would say most of the dealers I talked to said  
11 last year's sales plus 10 percent, last year's sales plus  
12 20 percent. I favor the 20 percent basically until the IT  
13 gets tested and we can get a good cycle on how long it  
14 takes to get a request. My guess is VIT plus 20 percent,  
15 you're probably not going to have a whole lot of requests  
16 anyway.

17 But in that situation, considering most  
18 independent dealers sell less than 20 a month or 30 a  
19 month, whatever number you want to put on it, that seems  
20 like it's pretty much going to put these guys out of  
21 business that are selling these tags, other than the fact  
22 that they could apply for multiple dealership license,  
23 like we spoke in the last meeting. And then the next  
24 topic is, you know, do we allow fingerprinting or  
25 something like that.

1           But it seems to me today VIT plus 20 percent  
2 with an appeal system that allows you to submit proof of  
3 higher sales and a week's turnaround is something that I  
4 feel would be a solution.

5           MR. BLASSINGAME: Thank you, Member Donnelly.  
6           Staff?

7           MS. JOHNSTON: Officer Blassingame, this is  
8 Director Johnston. May I have the floor?

9           MR. BLASSINGAME: Member Johnston, you have the  
10 floor.

11           MR. DONNELLY: Thank you, Member Donnelly.  
12 Yes, I think that would be a fair assumption process by  
13 cutting off the new dealers where it seems to be the  
14 biggest problem or limiting their initial tag use, and  
15 making sure we have a speedy process for those established  
16 dealers who might need to request more tags and are doing  
17 well in business. I think that's everyone's goal here is  
18 to ensure that they can request additional tags by  
19 providing us with the appropriate sales documentation and  
20 also providing a buffer in sales to anticipate growth.

21           And so that's our goal here and that's why we  
22 appreciate the feedback from the committee members.

23           MR. DONNELLY: Member Donnelly. Sorry.

24           MR. BLASSINGAME: Member Donnelly, go ahead,  
25 you have the floor.

1           MR. DONNELLY: So once again going back to the  
2 fact that the overwhelming majority of independent dealers  
3 are going to probably sell less than 300 cars in a year,  
4 it seems to me that that would be a good starting point  
5 for a new dealer for independents and a new dealer. Now,  
6 there's always going to be the exception, but I don't  
7 think we want to manage by the exception, we want to  
8 manage by the norm.

9           And if there's an appeal process that goes,  
10 hey, you know, 300 is the automatic, you'll need to get in  
11 touch with somebody and provide documentation while you'll  
12 need more than that because you're opening up a CarMax  
13 location or something like that. But it seems to me the  
14 sooner we could we just put an arbitrary number in there  
15 and allow the appeal process to work, the better off we'll  
16 all be.

17           MR. BLASSINGAME: Thank you, Member Donnelly.  
18 Staff, any comment?

19           (No response.)

20           MR. BLASSINGAME: Okay. That moves us on to  
21 agenda item 2.A. ii. Implementation of 3927 tag denial and  
22 maximum tag limits, and I'll turn it back over to staff.

23           MR. BLASSINGAME:

24           MS. BEAVER: This is Tracey Beaver, general  
25 Counsel. May I have the floor?

1 MR. BLASSINGAME: Re-identify.

2 MS. BEAVER: This is Tracey Beaver, general  
3 counsel of the Texas Department of Motor Vehicles. May I  
4 have the floor?

5 MR. BLASSINGAME: Yes, ma'am.

6 MS. BEAVER: Thank you.

7 I just wanted to mention that the agenda item  
8 up for discussion now is very similar to the previous  
9 agenda item, and if members do have any additional  
10 recommendations or discussion that they would like to make  
11 regarding either of these agenda items, they're welcome to  
12 do so at any time, and we welcome this input so that we  
13 can consider this in our rulemaking process.

14 Thank you.

15 MR. BLASSINGAME: Thank you, ma'am.

16 I have a call-in from outside caller 8 asking  
17 for the floor.

18 (No response.)

19 MR. BLASSINGAME: Okay. Moving right along,  
20 though, that will take us to the committee discussion or  
21 the committee discuss the implementation of House Bill  
22 3927. I will now entertain a motion -- I'm sorry, I'm  
23 lost for a second.

24 MR. RICHARDS: Officer Blassingame, David  
25 Richards. May I have the floor, please?

1 MR. BLASSINGAME: Sorry, David Richards.

2 MR. RICHARDS: Yes. Thank you.

3 We wanted the members to complete their  
4 discussion on this item and have that take place first,  
5 and I don't know if we've finished the discussion yet or  
6 not. So if you could call on the members to see if  
7 they're completed with that.

8 MR. BLASSINGAME: All right, I'll do that. Any  
9 member wish to comment on the discussion that has taken  
10 place so far?

11 MR. BRADBURN: Member Bradburn.

12 MR. BLASSINGAME: Member Bradburn, you have the  
13 floor.

14 MR. BRADBURN: Thank you.

15 I just find it imperative that we do move this  
16 forward today so that it goes to the next board meeting.  
17 One, with the number of tags, I think we should be  
18 generous there, and allowing DMV to immediately turn off  
19 access when they identify the criminals that are selling  
20 the tags.

21 If we put this off now it's going to take  
22 several additional months and it's going to continue.  
23 Thank you.

24 MR. BLASSINGAME: Thank you, Member  
25 Blassingame.

1 Any other comment?

2 MR. DONNELLY: Member Donnelly.

3 MR. BLASSINGAME: Member Donnelly, you have the  
4 floor.

5 MR. DONNELLY: As an independent dealer, I'm  
6 right there with Mr. Bradburn. Talking about this, doing  
7 research, being enlightened of this, I really hope that we  
8 can come up with something today.

9 I don't know if that's the mission of the  
10 advisory committee but I think the sooner the better. The  
11 more I know about this, the worse it is.

12 MR. BLASSINGAME: Thank you.

13 Member Bradburn, any other comment?

14 MR. BRADBURN: No, I absolutely agree. And  
15 again, this is not about the franchised dealers. On the  
16 franchise side, we should be very, very generous not to  
17 affect their business.

18 MR. BLASSINGAME: Any other comment?

19 MR. DONNELLY: Member Donnelly.

20 MR. BLASSINGAME: Member Donnelly, you have the  
21 floor.

22 MR. DONNELLY: Is it within the scope of this  
23 meeting that we could just establish limits for the  
24 independent dealer right now in the event that we're  
25 unable to come to a decision for franchised, but rather



1 come to a decision or a recommendation for the independent  
2 dealer so that we can move that forward? Because that  
3 seems to be where the abuse is taking place through these  
4 foreign affairs and such.

5 MR. BLASSINGAME: Question for staff.

6 MS. BEAVER: Tracey Beaver, general counsel.  
7 May I have the floor?

8 MR. BLASSINGAME: General Counsel Beaver, you  
9 have the floor.

10 MS. BEAVER: Thank you.

11 Yes, this committee is authorized to make a  
12 recommendation to staff to consider in the rulemaking  
13 process. At this point we're in the early stages of the  
14 rulemaking process for a proposal to hopefully bring to  
15 the board in October. If the committee would like to make  
16 a formal recommendation, we welcome that.

17 I'd also like to just mention that all of the  
18 discussion, deliberation and recommendations that have  
19 been made by members during this committee will also be  
20 considered. So a formal action is not required, but  
21 you're welcome to do so.

22 Thank you.

23 MR. BLASSINGAME: Thank you.

24 Any other comment from committee members?

25 MR. SRALLA: Member Sralla. May I have the

1 floor?

2 MR. BLASSINGAME: Member Sralla, you have the  
3 floor.

4 MR. SRALLA: I don't know that we necessarily  
5 need to come up with a number here in this committee. As  
6 someone said, yes, the committee can come up with a  
7 number, but I think staff has heard all the comments and  
8 will take all the comments into consideration. But in the  
9 end I believe the ultimate decision will be made by the  
10 board and not this committee.

11 Thank you.

12 MR. BLASSINGAME: Thank you, Member Sralla.

13 MR. DONNELLY: Member Donnelly.

14 MR. BLASSINGAME: Member Donnelly, you have the  
15 floor.

16 MR. DONNELLY: The question is if we do not  
17 have a formal recommendation today does the DMV have the  
18 ability to move forward without a recommendation, or do  
19 they need a formal recommendation from us?

20 MR. RICHARDS: Officer Blassingame, David  
21 Richards. May I have the floor, please?

22 MR. BLASSINGAME: David Richards, you have the  
23 floor.

24 MR. RICHARDS: I think there's been a lot of  
25 very good discussion and ideas and issues brought to the

1       forefront for staff. To answer your question, Member  
2       Donnelly, I don't think we need a formal recommendation.  
3       I think we've got a lot of useful information in this good  
4       discussion that we don't need any formal action, so I  
5       think we can move forward as is without a recommendation.

6

7                     Thank you.

8                     MR. BLASSINGAME: Any other comments from  
9       members?

10                    MR. PRATHER: Steve Prather. May I speak?

11                    MR. BLASSINGAME: Member Prather, you have the  
12       floor.

13                    MR. PRATHER: Thank you very much.

14                    Someone mentioned earlier that 20 percent might  
15       be a good number for a boost from what historical sales  
16       have been. I'm not sure with all the supply chain  
17       problems the manufacturers have had 20 percent is going to  
18       be adequate for the new franchised dealers, so I would  
19       hope that would come into consideration as we mentioned  
20       earlier.

21                    Another thing that came up today that also came  
22       up last Thursday, and I somewhat supported it, was the  
23       possibility of fingerprinting dealers. And as I've talked  
24       to a few people, I have learned that the problem is not  
25       the fingerprinting; the problem with fingerprinting is it

1 goes through the FBI and that would delay the issuance of  
2 a license to some great degree.

3 Now, many times new car dealers when they get  
4 ready to sell their franchise, the public knows about it,  
5 the employees know about it. It's hard to keep your staff  
6 together until the new dealer comes into place, and  
7 anything that would delay that transaction from  
8 happening -- which the license does require you to wait --  
9 and if a fingerprinting delayed the license even further,  
10 which it most likely would, that would sure put a heavy  
11 burden on a new car dealer trying to sell out and a new  
12 car dealer trying to buy in, along with all the employees  
13 that would be negatively affected.

14 So before anybody were to consider putting a  
15 fingerprint requirement into the license application, I  
16 think you really need to think long and hard about that.  
17 But I just wanted to bring that up since we talked about  
18 it Thursday and then it was brought up again today.

19 So thank you very much.

20 MR. BLASSINGAME: Thank you, Member Prather.

21 Any other comment from members?

22 MR. DONNELLY: Member Donnelly.

23 MR. BLASSINGAME: Member Donnelly, you have the  
24 floor.

25 MR. DONNELLY: Question for, I guess, the

1 counsel of the DMV. Is it possible to require  
2 fingerprinting just for the independents? I am an  
3 independent dealer so I don't want people to think I'm  
4 here beating up on the independent dealer.

5 But is it possible to require fingerprinting  
6 for the independent dealer similar to the way we went  
7 through with our Triple-C license? Because I believe we  
8 got approved and they said, Okay, you're approved, just go  
9 down to Identogo and pay your money to get fingerprinting  
10 and then we'll issue your license.

11 Is it possible we could just isolate the  
12 independent dealer to have to fingerprint?

13 MR. RICHARDS: Officer Blassingame --

14 MS. BEAVER: Tracey Beaver, general counsel.  
15 May I have the floor?

16 MR. RICHARDS: Go ahead, Tracey.

17 MR. BLASSINGAME: General counsel, you have the  
18 floor.

19 MS. BEAVER: Thank you.

20 Thanks for that question. Yes, that is  
21 something that the department will be looking at for  
22 future policy-making as far as licensing dealers. At this  
23 time the department doesn't have fingerprint authority, so  
24 it would likely require a legislative recommendation in  
25 the future.

1           However, this committee will be tasked in the  
2 future with helping the department look at items such as  
3 dealer licensing. Right now at this time this committee  
4 is considering the temp tag limits and the temp tag denial  
5 which does relate to dealer licensing, as we're discussing  
6 and y'all are deliberating different ideas for how to come  
7 up with those metrics specifically for the temp tag cutoff  
8 in the database.

9           But at this time the department is implementing  
10 this bill and we will be bringing those topics to the  
11 committee in the future, and we very much appreciate your  
12 input.

13           Thank you.

14           MR. BLASSINGAME: Thank you, General Counsel  
15 Beaver.

16           Any other questions from the members or  
17 comments?

18           MR. BRADBURN: Member Bradburn.

19           MR. BLASSINGAME: Member Bradburn, you have the  
20 floor.

21           MR. BRADBURN: When it gets to the time, thank  
22 you, I would like to entertain a motion. I'm just not  
23 sure when the appropriate time is.

24           MR. BLASSINGAME: Is there any further comment  
25 from members having to do with this meeting?

1 MR. RICHARDS: Officer Blassingame, David  
2 Richards, for the record. May I have the floor, please?

3 MR. BLASSINGAME: David Richards, you may have  
4 the floor.

5 MR. RICHARDS: Thank you, sir.

6 I just want to confirm, it's my understanding  
7 we had at least one, maybe two commenters that wanted to  
8 speak on this agenda item. So I would ask the IT  
9 department, do we have them on the line?

10 I think one was Jose Escribano and the other  
11 was David Kohler that wanted to speak on agenda 2.B.

12 MR. BLASSINGAME: Caller number 13, you have  
13 the floor. Caller number 13, are you Escribano? Caller  
14 number 13, are you Kohler?

15 MR. KOHLER: I didn't know which caller was 13.  
16 I'm sorry. Can everybody hear me okay? Hello?

17 MR. BLASSINGAME: We can hear you.

18 MR. KOHLER: Okay. Thank you so much. David  
19 Kohler, Travis County Sheriff's Office. Again, I'm here  
20 representing myself.

21 First, I want to thank Members Zak, Donnelly  
22 and Prather for your impressive questions that you've  
23 asked today. I wanted to take a minute to give you a  
24 refresher of what the intent of 3927 was really about.

25 Over the last several years, law enforcement

1 criminal investigations have discovered fraudulent GDN  
2 holders that have been selling Texas buyer's tags, not  
3 only in Texas but across the United States. Just go log  
4 on to watch the New York mayor and police commissioner  
5 regarding the criminal activity of tags in their state.

6 When this information was brought to the  
7 attention of DMV, law enforcement began requesting they  
8 turn off their eTAG access on the front-end, pending an  
9 emergency hearing, but that could not statutorily be done.

10 There were three codes in the Transportation Code that  
11 were in conflict.

12 3927 was filed by Representative Hefner to help  
13 correct this. 3927 overwhelmingly passed the House and it  
14 wasn't until the bill reached the Senate Transportation  
15 Committee that the euphoria of limiting tags or allowing  
16 an acceptable number of tags was added to the bill. My  
17 figures are about a month behind, but since January 2018  
18 there have been an estimated 1.8 million Texas buyer's  
19 tags that have been fraudulently sold. That's a minimum  
20 of a \$180 million profit to the criminal enterprise that  
21 will never go to the local tax office.

22 I leave you with this example. Member Zak, you  
23 asked about numbers. Last week alone while y'all sat in  
24 committee between 9:00 a.m. and 12:00 p.m., there were two  
25 criminal dealers that sold an estimated 769 tags in three



1 hours. The one dealer that sold 18,000 tags last week  
2 alone was granted their GDN on August 26.

3 Please remember that 3927 is not about  
4 franchised dealers, and it's not about legitimate dealers,  
5 it's about giving DMV the authority to turn off an  
6 identified criminal dealer on the front-end, pending an  
7 emergency hearing. My last challenge to you is, what is  
8 an acceptable number of fraudulent tags that can be sold

9 And I appreciate your time and I'm open for any  
10 questions and I'll try my best to answer.

11 MR. BLASSINGAME: Do the members have any  
12 questions?

13 MR. ZAK: Officer Blassingame, may I have the  
14 floor?

15 MR. BLASSINGAME: Yes.

16 MR. ZAK: This is Member Zak.

17 I wanted to make one clarification from Member  
18 Donnelly and Member Prather from earlier. I do know of  
19 some dealers who as a new dealer started out selling on  
20 average around 50 vehicles a month, so I do know of some  
21 dealers who have done that.

22 I think probably what could be an adequate tag  
23 limitation a month could be 100 tags for a new dealer, and  
24 my suggestion would be that the new dealer would only be  
25 allowed to obtain 100 temporary tags per month, not their

1 annual quota in one month. If we can do that for a couple  
2 of months, two or three months, then we would certainly  
3 limit those who are trying to come in and defraud the  
4 system if you limit to 100 tags per month, buyer's tags  
5 for the first several months.

6 My only comment. Thank you.

7 MR. BLASSINGAME: Thank you, Member Zak.

8 Any other comments?

9 MR. RICHARDS: Officer Blassingame, David  
10 Richards. May I have the floor, please?

11 MR. BLASSINGAME: You have the floor, Mr.  
12 Richards.

13 MR. RICHARDS: Thank you.

14 It's my understanding that Sgt. Jose Escribano  
15 is calling in to this meeting. Sgt. Escribano, can you  
16 raise your hand so the meeting host can unmute you,  
17 please?

18 MR. MARTIN: Officer Blassingame, this is Jeff  
19 Martin. I do have a question for Officer Kohler.

20 MR. BLASSINGAME: Member Martin, you have the  
21 floor.

22 MR. MARTIN: Thank you, Officer Kohler, and  
23 thank you for your testimony today.

24 My question is not the number of tags that a  
25 particular licensee may be issuing; my question is, have

1 you all identified or can you speak to the number of  
2 licensees that we're talking about here, the individuals  
3 who have received a license and who you all have  
4 identified or believe are issuing fraudulent tags? Do you  
5 have any idea what that number might be?

6 MR. KOHLER: David Kohler.

7 MR. BLASSINGAME: Officer Kohler, you have the  
8 floor.

9 MR. KOHLER: Yes, thank you so very much.  
10 Member Martin, great question.

11 I don't have the exact number. I gave y'all an  
12 example last Thursday: Kings Ranch Autoland, Texas Motor  
13 Company, High Intensity of Houston, McKenna of Houston,  
14 Jumping Cars Auto, Freeman Auto Sales. That's about seven  
15 or eight right now. I've got a list; I can give you the  
16 rest of the list if you'd like the rest of them.

17 SGT. ESCRIBANO: This is Sgt. Escribano.

18 MR. BLASSINGAME: Yes, sir, Sergeant, you may  
19 speak, you have the floor.

20 SGT. ESCRIBANO: To answer that question it's  
21 33. Whoever was asking the question of the dealers, I've  
22 got it right in front of me. We can discuss that, but  
23 that's not my comment. I just wanted to answer the  
24 question.

25 MR. MARTIN: Officer Blassingame, this is Jeff

1 Martin.

2 MR. BLASSINGAME: Member Martin, you have the  
3 floor.

4 MR. MARTIN: I appreciate that, Officer  
5 Escribano, for that information. And I think that as a  
6 committee we need to keep that number in mind as we move  
7 forward. We're talking about 33 individuals, and so let's  
8 be mindful of that as we move forward.

9 Thank you again for your testimony.

10 SGT. ESCRIBANO: Can I add something to that?

11 This is Sgt. Escribano.

12 MR. BLASSINGAME: You have the floor.

13 SGT. ESCRIBANO: Thank you, sir.

14 The 33 are the shell companies. Behind those  
15 we have a criminal enterprise that tops about 40-50  
16 individuals, probably even bigger than that.

17 We've only identified those 33, but remember  
18 you have 20,000-plus used car dealers and we believe that  
19 there are more out there that are not necessarily the  
20 shell companies but they're doing pretty much the same  
21 business also. Just so you'll know. So 33 is really,  
22 really a low number for us. We discover them every single  
23 day.

24 MR. BLASSINGAME: Questions from members?

25 MR. PRATHER: This is Steve Prather. May I

1 speak?

2 MR. BLASSINGAME: Member Prather, you have the  
3 floor.

4 MR. PRATHER: Thank you very much.

5 We were talking about used car initial volumes  
6 for these newly appointed dealers. Even if you set the  
7 number to something like 300, 400, 500, 600 a year, even  
8 if somebody jumped out of the box and sold 100 cars off an  
9 independent lot in a month or two, they would still have  
10 enough volume of tags to carry them through several  
11 months. And if the reorder process or the increase  
12 process is a day or a week, that shouldn't really present  
13 them a problem, but it would keep the restricted number  
14 down on these bad actor/criminal folks.

15 It seems reasonable to me as long as the  
16 department is going to respond promptly to it, and it  
17 allows them to only have to deal with a very few number of  
18 people, which to me would be great from a workload  
19 standpoint.

20 Thank you.

21 MR. BLASSINGAME: Thank you, Member Prather.

22 Any comment on that?

23 MR. BRADBURN: Member Bradburn. Can I speak,  
24 please?

25 MR. BLASSINGAME: Member Bradburn, you have the

1 floor.

2 MR. BRADBURN: Thank you.

3 To reiterate a little bit what Sgt. Escribano,  
4 my supervisor, said, on the main federal investigation  
5 you're going to have 30 to 50 GDNs. I also like to use  
6 the term low level players. I'm tracking multiple  
7 dealers, many agencies across the nation that do maybe  
8 1,000 tags a year, we have wholesale dealers that are  
9 selling 50 tags a week in New York.

10 So the scope of it, very small to some dealers,  
11 but then obviously the larger ones. Just don't get  
12 fixated on 30 dealers or 40 dealers, there's more than  
13 that.

14 Thank you.

15 MR. RICHARDS: Officer Blassingame?

16 MR. BLASSINGAME: Yes, sir.

17 MR. RICHARDS: David Richards, for the record.

18 May I have the floor, please?

19 MR. BLASSINGAME: You may have the floor.

20 MR. RICHARDS: Thank you very much.

21 It's my understanding that Sgt. Escribano  
22 wanted to make a comment. I think he's answered a couple  
23 of questions.

24 Sergeant, if you're still on the line, you're  
25 here to make your comment now.

1           SGT. ESCRIBANO: This is Sgt. Escribano. May I  
2 have the floor, sir?

3           MR. BLASSINGAME: You may have the floor.

4           SGT. ESCRIBANO: My comment again is, and I'll  
5 start with Identogo and limits. The limits are fantastic.  
6 I think the committee is on the right track of 3927  
7 definitely, but they go hand-in-hand, if you don't have  
8 one without the other, you really are going to go ahead  
9 and limit us.

10           We have a disconnect because law enforcement  
11 versus the administrator for the Texas DMV are  
12 disconnected somewhat, not disconnected in a bad way but  
13 we have two different jobs, administrative. And of course  
14 the DMV has administrative, we have criminal.

15           We have a wolf among the sheep right now, so to  
16 speak, and we hunt wolves. And the only way that we're  
17 going to be able to hunt this wolf -- and I've been on  
18 this for four years and eight months, and I'm telling you  
19 right now, without Identogo I can't identify the 30-plus  
20 that are out there because I have no idea who they are,  
21 and they can pretty much go into the application process,  
22 so that's a disconnect. If you're going to go ahead and  
23 do the limits, of course that's going to help, but  
24 Identogo definitely has to go attached to umbilical cord  
25 with it.

1                   And that is my comment.

2                   MR. BLASSINGAME: Thanks for your comment,  
3 Sergeant.

4                   Staff?

5                   (No response.)

6                   MR. BLASSINGAME: Any further comment?

7                   (No response.)

8                   MR. BLASSINGAME: Further items to be brought  
9 up that need action at this time?

10                  MR. BRADBURN: Member Bradburn. I would like  
11 to make a motion when it's appropriate.

12                  MR. BLASSINGAME: Member Bradburn, make a  
13 motion.

14                  MR. BRADBURN: Thank you, sir. I would like to  
15 make a motion to require the department to present  
16 proposed rules for all aspects of House Bill 3927 to the  
17 board no later than the next scheduled board meeting.

18                  MR. BLASSINGAME: Is there a second on that  
19 motion? Is there a second on Member Bradbury's motion?

20                  MR. DONNELLY: Can you please repeat the  
21 motion?

22                  MR. BLASSINGAME: Please repeat the motion.

23                  MR. BRADBURN: Yes, sir. Member Bradburn  
24 speaking.

25                  I would like to make a motion to require the



1 department to present proposed rules for all aspects of  
2 House Bill 3927 to the board no later than the next  
3 scheduled board meeting.

4 MR. BLASSINGAME: Do I have a second?

5 MR. DONNELLY: Member Donnelly. Second.

6 MR. BLASSINGAME: Member Donnelly, I have a  
7 second.

8 All in favor -- well, let's do it by the rules.  
9 Members in favor, please say aye after your name.

10 Member Bradburn?

11 MR. BRADBURN: Aye.

12 MR. BLASSINGAME: Member Brown?

13 MR. BROWN: Nay.

14 MR. BLASSINGAME: Nay?

15 MR. BROWN: Nay.

16 MR. BLASSINGAME: Member Donnelly?

17 MR. DONNELLY: Aye.

18 MR. BLASSINGAME: Member Doran? Member Doran?

19 (No response.)

20 MR. BLASSINGAME: Member Edwards? Member  
21 Edwards?

22 (No response.)

23 MR. BLASSINGAME: Member Ferguson?

24 MR. FERGUSON: Aye.

25 MR. BLASSINGAME: Member Greenlaw?

1 (No response.)

2 MR. BLASSINGAME: Member Hayter? Member  
3 Hayter?

4 (No response.)

5 MR. BLASSINGAME: Member Martin?

6 MR. MARTIN: Officer Blassingame, before I vote  
7 on this, is there an opportunity for discussion before we  
8 vote?

9 MR. BLASSINGAME: Certainly.

10 MR. MARTIN: Yes, sir. Thank you.

11 So my question, Officer Bradburn -- and this  
12 may be to Officer Bradburn -- or Member Bradburn -- I'm  
13 sorry -- who made the motion, or potentially to staff, so  
14 my question to staff is is that not already the intent?  
15 And then my question then to Member Bradburn would be is  
16 that just to ensure that we move this forward as quickly  
17 as possible? And those are the two questions I have.

18 MR. BLASSINGAME: Member Bradburn?

19 MR. BRADBURN: Member Bradburn speaking.

20 Yes, I believe we need to require this to move  
21 forward. I do not want to see it stall, and that was my  
22 intention.

23 MR. BLASSINGAME: Any other comment? Someone  
24 wanted the floor?

25 MR. MURPHY: This is Member Murphy. Can you

1 hear me?

2 MR. BLASSINGAME: Member Murphy, you have the  
3 floor.

4 MR. MURPHY: Would it be appropriate to ask  
5 what the scope of what we're asking for is?

6 MR. BLASSINGAME: Members? I'm sorry. Staff  
7 or members?

8 MR. BRADBURN: Member Bradburn.

9 MR. BLASSINGAME: Member Bradburn, you have the  
10 floor.

11 MR. BRADBURN: Thank you.

12 The scope would be to implement recommendations  
13 for 3927, which is not a lot, to the board and just  
14 required the deadline, so this moves forward. From what I  
15 understand, listening to all the department members, they  
16 have numbers and they're going to have an idea as best to  
17 go forward and take our recommendations into  
18 consideration.

19 MR. SRALLA: Member Sralla. May I have the  
20 floor?

21 MR. BLASSINGAME: You may have the floor.

22 MR. SRALLA: My question was to staff. I do  
23 agree with the motion in general that we don't want to see  
24 this stalled. My question to staff is is this a  
25 reasonable request, in your opinion.

1 MS. BEAVER: Tracey Beaver, general counsel.  
2 May I have the floor?

3 MR. BLASSINGAME: General Counsel Beaver, you  
4 have the floor.

5 MS. BEAVER: Thank you.

6 Yes, the department is doing everything in its  
7 power to make sure that these rules move quickly. This is  
8 a very important topic for the department. We understand  
9 that this is a consumer protection issue, a fraud issue,  
10 and a necessary step in order to limit any potential temp  
11 tag abuse. The department intends to bring these rules  
12 before the board at the October board meeting.

13 The advisory committee today is deliberating  
14 discussing those particular elements of policy that the  
15 department would appreciate input on and so we've gotten a  
16 great deal of input, and this has been a very good  
17 discussion deliberation from this meeting today. So we  
18 definitely have information that we needed to move  
19 forward. This advisory committee makes recommendations  
20 and gives advice to the department and so you're  
21 definitely able to make this motion.

22 The requirement that the department adopt rules  
23 by a certain date is not necessarily going to require the  
24 department to do so, but the intent of this motion, I  
25 understand, is that this is how important the advisory

1 committee feels that these rules are and the  
2 implementation is, so the department would definitely take  
3 this motion if it were to pass into consideration as we  
4 develop these rules and consider our timeline.

5 Thank you.

6 MR. BLASSINGAME: Thank you, Counsel Beaver.

7 Any other comment?

8 MR. DORAN: This is Member Doran. I apologize,  
9 I was on mute earlier. I did have a question.

10 Number one, will this committee have an  
11 opportunity to review the rules before they are presented  
12 to the board, and if not, if that opportunity does not  
13 exist, will it be made clear to the board that this  
14 committee has not had that opportunity? I know the board  
15 is aware of the hard work that all of the advisory  
16 committees do, but we wouldn't want the board to get the  
17 impression that we had seen these rules and essentially  
18 endorsed every word of them if we had not had an  
19 opportunity to actually see them beforehand.

20 So just that caveat, I guess, is my concern if  
21 we don't have an opportunity to review them beforehand.

22 Thank you.

23 MR. BROWN: Member Brown. May I have the  
24 floor, please?

25 MR. BLASSINGAME: Member Brown, you have the

1 floor.

2 MR. BROWN: I just had a comment regarding the  
3 abuse of buyer's tag, I just wanted to clarify that.  
4 Right now I'm a dealer in Texas but right now for me to  
5 transfer -- of course, I'm talking about a state  
6 inspection, I have to have a state inspection before I can  
7 transfer with my county tax assessor-collector.

8 But if during the eTAG system on a buyer's tag,  
9 when I go get a vehicle inspected I'm given a sheet of  
10 paper that says that I had it inspected. The other  
11 portion of that is paid at the county tax assessor-  
12 collector, but when I get a state inspection before I sell  
13 a vehicle, if we were to scan that form and attach it to  
14 the buyer's tag, couldn't that possibly eliminate all the  
15 fraud with all the abuse of buyer's tags?

16 Because it's very unrealistic that these people  
17 are -- I mean, are they putting a serial number, a VIN  
18 number on every fraudulent tag? They're printing 6-, 7-,  
19 8,000 tags a week, are they attaching a VIN to that?

20 But if you scan your state inspection that you  
21 get from an inspection station and you attach it to your  
22 request for your buyer's tag, couldn't that possibly  
23 eliminate everything that we're going through here? It's  
24 just a thought; I want them to consider that.

25 MR. BRADBURN: Member Bradburn, may I respond?

1 MR. BLASSINGAME: Member Bradburn, go ahead.

2 MR. BRADBURN: Thank you.

3 That was an excellent question. DMV does have  
4 safeguards that we see everyday. If it's a Texas stolen  
5 or a Texas salvage, the system will not let them issue a  
6 buyer tag, however, currently the DMV system does not vet  
7 a VIN.

8 So the tag I bought earlier I got on  
9 VINgenerator.org. I get a made-up VIN, it doesn't verify  
10 it. I see daily, every day you'll see a 17-character VIN,  
11 two of the letters are replaced with colons or periods to  
12 max whether it's stolen or whatever. So right now they  
13 don't have that capability, and that's a monetary issue  
14 that needs to be fixed later on.

15 MR. BLASSINGAME: Thank you, Member Bradburn.

16 Any other comment?

17 (No response.)

18 MR. THOMPSON: Clint Thompson, deputy director  
19 of Vehicle Titles and Registration Division. If I can  
20 have the floor?

21 MR. BLASSINGAME: Deputy Director Thompson, you  
22 have the floor.

23 MR. THOMPSON: Thank you.

24 Member Brown, I appreciate the comment about  
25 the inspection. That was addressed a little bit earlier

1 as well. Member Bradburn brought it up.

2 I appreciate the comment, if I hear you  
3 correctly, the submission of a vehicle inspection report  
4 before a buyer tag can be issued, that process is  
5 currently automated and buyer tags are not paid for at the  
6 front-end. The constraints, or I guess the balance that  
7 we face, again, looking at the lower volume of actual  
8 number of dealers that are [audio interference] versus the  
9 number of folks that are selling vehicles legitimately,  
10 we're trying to balance business needs versus addressing  
11 fraud so it's creating an additional burden or process, if  
12 you will.

13 For those folks that are conducting a  
14 legitimate business to submit a vehicle inspection report  
15 that would necessitate a review by someone prior to buyer  
16 tag issuance would not necessarily be optimal for those  
17 dealers conducting business legitimately. But we will  
18 certainly continue to look at opportunities that we have  
19 to verifying inspections.

20 Again just briefly, I touched on this earlier,  
21 there are certain vehicle sales, out-of-state in  
22 particular, certain vehicle types that are exempt from  
23 inspection at the time of buyer tag issuance, so that has  
24 to be contemplated as well. A VIN is entered into the  
25 database before these buyer tags are issued, so we do



1 capture that. And as was indicated, we do have certain  
2 hard stops, stolen vehicles, salvage vehicles, to prevent  
3 issuance of those. We do have VIN decoding software that  
4 used in the Registration and Title System that's a  
5 consideration that we could use for the buyer tag.

6 But again, I'll give you this example very  
7 quickly. We have webDEALER that allows folks to submit  
8 title applications. We have constraints within webDEALER,  
9 RTS has additional constraints.

10 We can't put constraints in eTAG in place that  
11 prevent folks from not having a viable option. That is  
12 the only means for folks to issue buyer tags, and that's  
13 certainly something that we have to continue to consider  
14 as we enhance the application to address fraud, which  
15 we're obviously going to continue to do.

16 So again, thank you for your comment.

17 MR. BLASSINGAME: Thank you, Deputy Director  
18 Thompson.

19 Any further comment?

20 MS. BEAVER: This is Tracey Beaver, general  
21 counsel. If I may have the floor?

22 MR. BLASSINGAME: General Counsel Beaver, you  
23 have the floor.

24 MS. BEAVER: Thank you.

25 I wanted to address an earlier question from a

1 member regarding what would be presented to the board and  
2 the ability to see the rule package. I just wanted to  
3 comment that the department will be letting the board know  
4 that this committee was involved early on in the  
5 rulemaking process so that we could obtain feedback before  
6 getting down the road of having formal recommendation for  
7 a proposal.

8 We wanted to get this committee to help us have  
9 factors, consequences and any available ideas to consider  
10 as we're in the drafting stage early on, and the board  
11 will be made aware of the committee discussion. Thank  
12 you.

13 MR. BLASSINGAME: Thank you, General Counsel  
14 Beaver.

15 Any other comment from the floor, members or  
16 staff?

17 (No response.)

18 MR. BLASSINGAME: Member Bradburn, do you wish  
19 to leave your motion in place?

20 MR. BRADBURN: Yes, I do. I'd request that we  
21 do a re-vote as well with the additional discussion and  
22 consideration.

23 MR. BLASSINGAME: Yeah, that's granted.

24 Let's do a yea or nay, yea if you're in favor  
25 of Member Bradburn's motion, nay if you are not in favor

1 of it.

2 Member Bradburn?

3 MR. BRADBURN: Yea.

4 MR. BLASSINGAME: Member Brown?

5 MR. BROWN: Yea.

6 MR. BLASSINGAME: Member Donnelly?

7 MR. DONNELLY: Yea.

8 MR. BLASSINGAME: Member Doran?

9 MR. RICHARDS: Yea.

10 MR. BLASSINGAME: Member Edwards? Member

11 Edwards?

12 (No response.)

13 MR. BLASSINGAME: Member Ferguson.

14 MR. FERGUSON: Yea.

15 MR. BLASSINGAME: Member Greenlaw? Member

16 Greenlaw?

17 (No response.)

18 MR. BLASSINGAME: Member Hayter? Member

19 Hayter? Member Hayter, are you on the call?

20 (No response.)

21 MR. BLASSINGAME: Member Martin?

22 MR. MARTIN: Nay.

23 MR. BLASSINGAME: Nay?

24 MR. MARTIN: Nay.

25 MR. BLASSINGAME: Member Murphy?

1 MR. MURPHY: Yea.

2 MR. BLASSINGAME: Member Prather?

3 MR. PRATHER: Yea, I guess.

4 MR. BLASSINGAME: Member Sims? Member Sims?

5 (No response.)

6 MR. BLASSINGAME: Member Sralla? Member

7 Sralla?

8 Mr. SRALLA: Yea.

9 MR. BLASSINGAME: Member Stark?

10 MR. STARK: Yea.

11 MR. BLASSINGAME: Member Thomas? Member

12 Thomas? Member Thomas, are you on the call?

13 (No response.)

14 MR. BLASSINGAME: Member Vitela? Member

15 Vitela?

16 (No response.)

17 MR. BLASSINGAME: Member Zak?

18 MR. ZAK: Nay.

19 MR. BLASSINGAME: Nay?

20 MR. ZAK: Nay.

21 MR. BLASSINGAME: I, David Blassingame,

22 support.

23 We have ten yeas and three nays, so the motion  
24 as stated will pass.

25 Are there any other comments?

1 MR. RICHARDS: Officer Blassingame?

2 MR. BLASSINGAME: David Richards, you have the  
3 floor.

4 MR. RICHARDS: Thank you, Officer Blassingame.  
5 Our next agenda item is public comment, number  
6 3, and I'm told that we do not have any further public  
7 comments at this time. So you're free to move on to  
8 agenda item 4.

9 MR. BLASSINGAME: Sorry, my mic was off.

10 Unless there's any further business, I would  
11 like to entertain a motion to adjourn. Do I have a motion  
12 from anyone to adjourn this meeting?

13 MR. SRALLA: So moved.

14 MR. BLASSINGAME: Who was that?

15 MR. SRALLA: Sralla.

16 MR. BLASSINGAME: Got it.

17 MR. DONNELLY: Second. Donnelly.

18 MR. STARK: Member Stark, I second it.

19 MR. BLASSINGAME: And Donnelly seconded. All  
20 in favor?

21 (A chorus of ayes.)

22 MR. BLASSINGAME: It is now 11:24 a.m., we are  
23 adjourned.

24 (Whereupon, at 11:24 a.m., the meeting was  
25 adjourned.)

C E R T I F I C A T E

1  
2  
3 MEETING OF: TxDMV Motor Vehicle Industry Regulation  
4 Advisory Committee  
5 LOCATION: Austin, Texas  
6 DATE: September 14, 2021

7 I do hereby certify that the foregoing pages,  
8 numbers 1 through 110, inclusive, are the true, accurate,  
9 and complete transcript prepared from the verbal recording  
10 made by electronic recording by Nancy H. King before the  
11 Texas Department of Motor Vehicles.

12 DATE: September 27, 2021  
13  
14  
15  
16  
17

18 /s/ Nancy H. King  
19 (Transcriber)  
20

21 On the Record Reporting &  
22 Transcription, Inc.  
23 7703 N. Lamar Blvd., Ste 515  
24 Austin, Texas 78752