

**To: Finance and Audit Committee**

**From: Linda M. Flores, CPA, Chief Financial Officer**

**Agenda Item: 2.A.3 REVISED**

**Subject: FY 2017 Recommended Operating Budget and Contracts for American Association of Motor Vehicle Administrators (AAMVA) and Southwest Research Institute (SwRI)**

**RECOMMENDATION**

Approval of the FY 2017 Recommended Operating Budget.

Approval for the Executive Director to negotiate and execute the routine and required contracts contained in Part II of the document and specific approval of the following two contracts:

- Southwest Research Institute (SwRI) - These funds will be used to increase the current contract with SwRI, a staff-recommended contractor that provides specialized assistance and consulting services, to modify the Texas Commercial Vehicle Information Exchange Window (TxCVIEW).
- American Association of Motor Vehicle Administrators (AAMVA) National Motor Vehicle Title Information System (NMVTIS) - To allow the agency to maintain access to the AAMVA National Motor Vehicle Title Information System (NMVTIS) for September 1, 2016-August 31, 2017.

**PURPOSE AND EXECUTIVE SUMMARY**

**2017 Recommended Operating Budget**

The Texas Department of Motor Vehicles (TxDMV) develops annual operating budgets based on approved biennial appropriations. The recommended operating budget implements Year 2 of the biennium. The recommended operating budget reflects the establishment of the TxDMV Fund and is structurally balanced to support recurring expenses. The budget allocates **\$192 million** through the agency's organization. The budget includes the following major initiatives:

- Implementation of the processing and handling (P&H) fee
- Relocation of three regional service centers and Bull Creek staff
- Establishment of the TxDMV fund
- Implementation of the eLICENSING project and the refresh of county technology equipment

**Contracts**

The purpose of the contract with SwRI is to make modifications to the TxCVIEW as Federal Motor Carrier Safety Administration (FMCSA) moves their data to a cloud environment, modifies some of their web services, changes databases or requirements for TxCVIEW, and FMCSA's rolling out a new Unified Carrier Registration application.

The purpose of the contract with AAMVA is to provide online access to meet the TxDMV's obligation to receive and report information to the National Motor Vehicle Title Information System (NMVTIS) as required by federal statute. NMVTIS serves as a repository of information related to vehicles that have been in the possession of auto recyclers, junk yards and salvage yards. States and consumers use the information to ensure that junk or salvage vehicles are not later resold and ensures that VINS from destroyed vehicles are never used for stolen vehicles.

## **FINANCIAL IMPACT**

### **2017 Recommended Operating Budget**

TxDMV is a net revenue-generating agency for the state. Effective September 1, 2016, TxDMV will begin depositing revenue into a new agency fund recreated by the 84th Legislature, the TxDMV Fund (0010). The agency's budget request is supported by collections. The staff estimates that TxDMV will collect approximately \$3.86 billion for the State while retaining \$139.2 million for baseline agency operations in the next fiscal year. The remainder of the agency's budget is funded by a combination of General Revenue, the State Highway Fund (for Automation) and Federal reimbursements.

### **Contracts**

SwRI – The Motor Carrier Division (MCD) requests to increase the SwRI contract by \$310,000. Of that amount MCD projects that \$130,000 will be received from the Federal Motor Carrier Safety Administration (FMCSA) 2016 CVISN grant when the grant is awarded (late August/early September) as part of a Memorandum of Understanding with the Texas Department of Public Safety (TxDPS). MCD will use \$180,000 in currently budgeted funds for state match.

AAMVA - States are required to pay user fees approved by the U.S. Department of Justice and assessed by AAMVA as the system operator. AAMVA with state approval, has established a system of user fees for the states that is based on the number of vehicles titled in each state and, using a tier-based system, bills each state. The estimated amount of the contract is \$336,192.96. Texas receives a credit from a portion of the fee paid by consumers conducting a vehicle title history inquiry (Title Check), where Texas is the current state of record.

## **BACKGROUND AND DISCUSSION**

### **2017 Recommended Budget**

The FY 2017 Recommended Operating Budget is **\$192 million**. This budget includes \$52.5 million for capital projects which will provide funding for TxDMV Automation, AMSIT, Data Center Services (DCS), County Technology Replacement, Agency Growth and Enhancement, and RSC/Bull Creek facility relocations. The budget also reflects an allocation of 763 FTEs approved as part of the 2016/17 state budget passed by the Legislature and signed by the Governor. \$139.2 million of the total budget is funded by the TxDMV Fund, with the remainder of the budget funded by a combination of General Revenue, the State Highway Fund (for Automation) and Federal reimbursements.

### **Contracts**

The agency executes contracts that are statutorily required and also executes contracts that are not required by law but enable it to perform its duties and operations. The Board's approval of the operating budget constitutes approval of contracts listed in the operating budget.

The agency will execute approximately **195** new contracts and renewals of existing contracts that are not statutorily required but assist the agency in performing its operations.

There are two contracts that require Board approval for the award and/or renewal and proposed contract amounts for Fiscal Year 2017.

SwRI for TxCVIEW - The TxDMV provides a one-stop shop for needed permits and registrations through its Motor Carrier Division (MCD). TxDMV is also the lead agency responsible for maintaining the Texas Commercial Vehicle Information Exchange Window (TxCVIEW), which increases Motor Carrier Safety in the state and aims to reduce fraud.

TxCVIEW currently provides the tools used to share safety and other data between TxDMV, other state agencies as well as all other states. Administration is handled by TxDMV and through a Working Group and a separate Executive Steering Committee. Voting members are TxDMV and the other state partner agencies include: the Texas Department of Transportation (TxDOT), Texas Department of Public Safety (TxDPS), and the Texas Comptroller of Public Accounts (TxCPA). Industry participates in decision making through the Texas Trucking Association (TxTA). Federal funds are available through the Federal Motor Carrier Safety Administration (FMCSA).

AAMVA for NMVTIS - The purpose of NMVTIS is to assist in efforts to prevent the introduction or reintroduction of stolen motor vehicles into interstate commerce, protect states and individual and commercial consumers from fraud, reduce the use of stolen vehicles for illicit purposes, including fundraising for criminal enterprises, and provide consumer protection from unsafe vehicles. State participation as of January 1, 2010, in the NMVTIS is mandatory.

Access allows the TxDMV Vehicle Titles and Registration (VTR) Division to seamlessly query the NMVTIS system to verify the accuracy of titles presented to them and improve the quality and method in which information is provided to the NMVTIS system.