

Discussion Points

Motor Vehicle Commission (MVC)

A. Recently Enacted Legislation

46. The MVC has the authority to increase certain fees and surcharges without legislative approval.

- **Question:** Please identify any new fees or fee changes that have taken place in FY 2018 or are planned for FY 2019, and identify the amount of revenue expected to be generated by each change in each fiscal year.

Answer: In FY18, MVC implemented and collected the Transportation Network Company (TNC) initial permit fee of \$25,000 per operator. MVC has collected a total of \$50,000 in TNC initial fees from Uber and Lyft. There are no fee changes planned for FY19.

47. The "Transportation Network Company Safety and Regulatory Act," P.L.2017, c.26, was enacted to regulate transportation network companies (TNCs), such as Uber and Lyft, that operate in the State. The law requires the MVC to issue a permit to a TNC to allow for lawful operation of the TNC in the State and to revoke a permit if a TNC fails to comply with the provisions of P.L.2017, c.26. In order to receive a permit from the MVC, a TNC is to submit certain information and payment of an initial and annual permit fee of \$25,000. A TNC that operates in the State without a permit as required by P.L.2017, c.26 is subject to a penalty of \$500, and each day that a TNC operates without a permit constitutes an additional, separate, and distinct offense. The law also requires the MVC to receive information about a TNC's agent for service of process in the State and to record a TNC's identifying marker, which is to be displayed when a TNC driver logs on to the TNC's digital network or is providing a prearranged ride. The MVC is to enter into a memorandum of understanding with the Division of Consumer Affairs (division) in the Department of Law and Public Safety to effectuate the authority granted to the MVC and division concerning the inspection of TNC records. In response to an OLS discussion point on the FY 2018 Budget, the MVC informed the Legislature that the MVC staffing levels would be determined after the completion of the memorandum of understanding and the delineation of responsibilities between the agencies.

- **Question:** Please comment on the MVC's progress in implementing the relevant provisions of P.L.2017, c.26. Have the MVC and Division of Consumer Affairs entered into a memorandum of understanding concerning the inspection of TNC records? If so, when did they enter into the memorandum of understanding and what does it entail?

Answer: The MVC and Consumer Affairs entered into an MOU as the statute directed on November 8, 2017. It sets forth the responsibilities of each entity with regard to both entities inspecting the records and investigating a TNC to determine compliance with the Act's requirements. MVC investigates issues with permitting requirements, and DCA investigates issues when complaints are filed against a TNC. The parties mutually agreed to inform the other when a matter is opened and to exercise authority in coordination with each other.

- **Question:** What additional staffing and computer system changes were or will be implemented to comply with the provisions of P.L.2017, c.26? How much has the

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MVC spent on additional staffing and computer changes and how much does the MVC anticipate it will spend on additional staffing and computer system changes in FY 2019? What is the projected annualized cost in FY 2019 to implement the provisions of P.L.2017, c.26?

Answer: We have not yet identified a need for additional staffing. Currently there are only two TNCs operating in New Jersey. A manual process is currently utilized by staff however, an automated system scope is currently under review.

- **Question:** How much revenue has the MVC received from the \$25,000 initial and annual TNC permit fee and \$500 penalty for a TNC that operates in the State without a valid permit? Is the revenue from this fee retained as MVC revenue or collected on behalf of the State as General Fund revenue?

Answer: In FY18, the MVC has received two permit fees for a total of \$50,000. The MVC has not collected any fines for TNC companies operating without a valid permit. The \$25,000 annual permit fee is subject to the proportional split with MVC retaining 37.4% or \$9,350 and the General Fund retaining 62.6% or \$15,650.

B. Staffing

48. In response to an OLS discussion point on the FY 2018 Budget, the MVC informed the Legislature that the MVC will operate two mobile agencies five days per week with seven additional staff members each at an annual regular salary cost of \$334,000, not including fringe benefits. The MVC also informed the Legislature that the MVC anticipated full roll-out of the mobile agencies to take place by August of 2017 and that the mobile units would provide the following services: driver license transactions, non-driver ID, registrations, and miscellaneous transactions such as disabled placards and license plate surrenders.

- **Question:** Please provide an update on the roll out of mobile units. How many mobile units are currently operating? How much does it cost to staff these mobile units, and how does the productivity of these units compare to physical MVC locations in terms of business transactions per employee? Does the MVC anticipate further expanding the utilization of mobile units in the future?

Answer: In FY18, the MVC deployed Mobile Agency Unit 1 on September 9, 2017 and Mobile Agency Unit 2 on December 18, 2017 each staffed with eight employees. The FY18 estimated annual regular salary costs, not including fringe benefits, for Mobile 1 and Mobile 2 is \$356,364 and \$364,076 respectively. The current productivity data reflects agency staff employees handle 725 transactions per month and Mobile agency unit staff handle 478 transactions per month. MVC has deployed the two mobile agency units to alleviate increases in customer volume at the Edison and Rahway agencies that resulted when we were forced to close the South Plainfield agency in May of 2017. A new South Plainfield agency is scheduled to open soon which should result in reductions in customer volume at both the Edison and Rahway agencies. As soon as we see the effect on customer volume with the new South Plainfield agency, we will begin to look to schedule the mobile agencies for deployment to other areas, other events, and, if/when necessary, to respond to emergency situations.

Discussion Points (Cont'd)

49. The MVC evaluation data for personnel (Budget pg. D-358) shows an increase in staffing by 51 employees from 2,061 in FY 2017 to 2,112 in FY 2018. That number remains stable for FY 2019

- **Question:** Please discuss the need for additional MVC staffing, and a description of the positions added. How will this change in employment impact MVC's operating expenditures for FY 2018 and FY 2019?

Answer: The evaluation data for personnel captures the number of filled FTE by funding source not the number of funded positions. In FY18, MVC absorbed 33 OIT software developer employees on to its payroll in accordance with Executive Order 225. The remaining 18 of the 51 positions were backfills due to retirement and employee turnover.

C. Appropriation Levels and Language

50. In previous years, MVC annual reports were issued in September of the most recently completed fiscal year. In 2014 the MVC changed its annual reporting schedule, and now provides fiscal year data on a delay. The most current annual report on the MVC website is the 2016 annual report. A revised budget display is provided for FY 2017 with actuals for 2016. Current State budget data includes actual budget information for FY 2017, and adjusted appropriations for FY 2018.

- **Question:** Please provide a financial statement in the same format used for previous annual reports which describes the MVC budget request for FY 2019, the budget as adopted for FY 2018, and final results for FY 2017.

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NEW JERSEY MOTOR VEHICLE COMMISSION			
FY 2017 through FY 2019			
	FY 2017 ACTUALS	FY 2018 REVISED BUDGET	FY 2019 REQUEST
RESOURCES			
Reappropriation			
Surplus/(Deficit) Adjustment	\$ 89,210	\$ 56,135	\$ 14,831
Transfer Adjustments In/(Out)	\$ 8,018	\$ 7,596	\$ 7,596
Operating Resources			
MVC Base Budget	\$ 314,901	\$ 316,056	\$ 321,287
Security Surcharge (\$7)	44,167	43,146	43,577
Digital Driver License Fee (\$6)	15,619	14,606	14,752
Sub-Total Operating Resources	\$ 374,687	\$ 373,808	\$ 379,616
Dedicated Resources			
Commercial Vehicle Enforcement Fund	\$ 14,394	\$ 14,320	\$ 14,463
Commercial Bus Inspections	1,154	1,005	1,015
School Bus Inspections	1,658	2,602	1,647
Motorcycle Safety Education Fund	545	483	487
Security Responsibility	18,761	20,900	20,900
Texting While Driving Campaign	2,607	2,655	2,682
Other Various Dedicated Revenues	2,130	2,188	696
Sub-Total Dedicated Resources	\$ 41,249	\$ 44,153	\$ 41,890
Bond Fund			
Bond Fund Reappropriation	\$ 21,210	\$ 4,665	\$ 2,251
Sub-Total Bond Fund	\$ 21,210	\$ 4,665	\$ 2,251
Grant Funds			
Prior Year Grant Award Balances	\$ 2,019	\$ 1,582	\$ 2,366
Grant Awards	\$ 1,609	\$ 1,722	\$ 1,906
Sub-Total Grant Funds	\$ 3,628	\$ 3,304	\$ 4,272
TOTAL RESOURCES	\$ 538,002	\$ 489,661	\$ 450,456

Discussion Points (Cont'd)

NEW JERSEY MOTOR VEHICLE COMMISSION			
FY 2017 through FY 2019			
	FY 2017 ACTUALS	FY 2018 REVISED BUDGET	FY 2019 REQUEST
EXPENDITURES			
Operating Expenditures			
Salaries & Fringe	\$ 158,483	\$ 172,951	\$ 178,659
Materials and Supplies	15,560	16,141	17,151
Services Other Than Personal	56,731	64,005	64,285
Parsons Inspection Contract	34,792	34,782	38,182
Maintenance and Fixed Charges	6,019	6,301	6,581
Claims and Indirect	7	885	507
Additions, Improvements, Equipment	4,940	6,157	7,929
Sub-Total Operating Expenditures	\$ 276,532	\$ 301,222	\$ 313,294
Dedicated Fund Supported Expenditures			
Commercial Vehicle Enforcement Fund	\$ 4,919	\$ 5,601	\$ 5,512
Commercial Bus Inspections	2,153	3,255	3,310
School Bus Inspections	8,506	8,997	9,400
Motorcycle Safety Education Fund	196	137	564
Texting While Driving Campaign	435	1,000	1,000
Omnibus	64	20	15
Security Responsibility	18,761	20,900	20,900
Sub-Total Dedicated Expenditures	\$ 35,034	\$ 39,910	\$ 40,701
Bond Fund	\$ 16,545	\$ 2,414	\$ 2,251
Grant Award Expenditures	\$ 1,393	\$ 937	\$ 1,543
State Budget Contributions	\$ 149,213	\$ 125,729	\$ 76,821
TOTAL EXPENDITURES	\$ 478,717	\$ 470,212	\$ 434,610
TOTAL RESOURCES: ALL FUNDS	\$ 538,002	\$ 489,661	\$ 450,456
TOTAL EXPENDITURES: ALL FUNDS	\$ 478,717	\$ 470,212	\$ 434,610
SURPLUS/(DEFICIT): ALL FUNDS	\$ 59,285	\$ 19,449	\$ 15,846
LESS: BOND & GRANT BALANCES	\$ (6,900)	\$ (4,618)	\$ (2,729)
SURPLUS/(DEFICIT): MVC OPERATING & DEDICATED	\$ 52,385	\$ 14,831	\$ 13,117

- **Question:** Please explain any major differences in operating expenses impacting the MVC in FY 2018 and FY 2019. What is the MVC's FY 2017 year end surplus and estimated FY 2018 year end surplus?

Answer: The major difference between the Commission's Operating Expenditures between FY 18 and FY 19, exclusive of Bond and Grant Awards, includes \$5.7 million in overall salary/fringe expenses (\$3.3 million for regular salaries; \$2.9 million for fringe whereas \$1.9 million if due to a fringe rate increase, while the remaining \$1.0 million is due to increased salary costs. This is offset slightly by \$500,000 in reduced overtime); \$6.1 million increase to the operational

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account for the inspection contract (\$2.7 million is due to the Vehicle Information Database build & rental; \$3.4 million worth in increased inspection charges); \$2.8 million increase due to REAL ID; and \$800,000 in dedicated program expenses. This is offset by \$2.5 million in renovation reductions.

The FY 2017 year-end operating surplus (exclusive of bond and grant awards) was \$52.4 million.

The FY 2018 year-end operating surplus (exclusive of bond and grant awards) is projected to be \$14.8 million.

- **Question:** Please provide a copy of the MVC's current BB104 document which is cited as the source of data for the MVC Fast Fact table in the 2016 Annual Report.

Answer: The MVC BB104 document is too large to insert in the Discussion Points. The MVC will submit the BB104 as an attachment.

- **Question:** While the MVC may report non-financial information on a calendar year basis in its annual report, the budget report continues to be reported on a fiscal year basis. Is it possible for the MVC to post the budget report to the MVC website separately from the rest of the annual report by February of each year so that current MVC budget data is available?

Answer: The MVC will comply with the request to post the budget report to its website separately from the rest of the annual report by February of each year.

51. The MVC collects a variety of revenues for the State General Fund, itself, and other departments. In prior responses to OLS discussion points, the MVC provided information listing a breakdown in MVC revenues between amounts collected for other State departments, amounts collected for MVC operations, and amounts collected from MVC based fees, but directed to the General Fund.

- **Question:** Please provide a display similar to the ones provided in response to questions in the FY 2017 and FY 2018 OLS discussion points which updates the FY 2018 projections and for FY 2019 detailing total MVC revenues.

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NEW JERSEY MOTOR VEHICLE COMMISSION REVENUE COLLECTIONS <i>(Dollars in Millions)</i>		
	FY 2018 Projection	FY 2019 Estimated Budget
Collections for Other State Departments	\$ 783.2	\$ 789.8
Environmental Protection	3.6	3.7
Health	15.0	15.1
Law and Public Safety	38.7	39.1
Special Cause Plates - Organizations	2.5	2.6
Transportation	81.6	82.4
Treasury - Dedicated	133.6	135.2
Treasury - General Fund	162.3	163.9
Treasury - Proportional Split	345.9	347.8
MVC Base Revenues	\$ 316.1	\$ 321.2
Registrations	94.8	96.4
Registration Add-On-Fees	38.1	39.1
Driver Licenses	14.8	15.6
Titles	115.1	116.1
Abstracts	1.3	1.3
Customer Service Information	1.6	1.6
Information System Sales	21.9	22.1
Standard Sales	1.1	1.1
License Plates	0.2	0.2
Business Licensing	1.0	1.2
Inspections: Salvage	0.5	0.5
Fines - MVC & AOC	12.5	12.7
GDL Stickers	0.4	0.4
International Registration Plan	10.9	11.1
Reflectorized / Cause Plates	0.5	0.4
Refunds / Returned Checks	(0.3)	(0.3)
Other Revenues	1.7	1.7
MVC Dedicated Revenues	\$ 109.6	\$ 108.0
Security Surcharge - Registrations	43.1	43.6
Driver License Photo Fee	14.6	14.8
Security Responsibility Fund	20.9	20.9
Commercial Vehicle Enforcement Fund	14.3	14.5
Commercial Bus Program	1.0	1.0
School Bus Program	2.6	1.6
Motorcycle Safety Education Fund	0.5	0.5
Market Transition Facility	1.5	-
Texting	2.7	2.7
Omnibus Safety Enforcement	0.0	0.0
Other Dedicated Revenue	8.4	8.4
Total Revenue Collections	\$ 1,208.9	\$ 1,219.0

D. Commission Activities

Discussion Points (Cont'd)

52. In response to an OLS discussion point on the FY 2018 Budget, the MVC informed the Legislature that its enhanced inspection/maintenance program contract with Parsons Environment & Infrastructure Group Inc., is due to expire on November 5, 2017 following a 6 month and a 12 month temporary extension. The existing RFP issued prior to the 12 month renewal of the Parsons contract on November 5, 2016 remains active. A new contract was to be awarded in time for the November 2017 expiration. Under the contract, the vendor will take over operations of the centralized lanes within 90 days of the award at the new contract price. Further, because the new contract will simplify emissions testing, the MVC estimated that the contract rate will be at a lower per inspection cost performed at the Central Inspection Facilities (CIFs).

Under the new contract, the next inspection/maintenance program will remain a hybrid program with inspections performed at CIFs and private inspection facilities (PIFs) but will differ from the previous program as follows:

- Expensive and time consuming tailpipe testing will be eliminated; the gas cap test will be replaced with a visual gas cap check, resulting in a cost savings for the purchase and maintenance of testing equipment and providing for greater throughput; up to 200,000 pre-1996 and older vehicles to be removed starting May 1, 2016;
- All re-inspections and all commercial inspections will be directed to the PIFs, eliminating approximately 300,000 inspections from the CIFs, resulting in both a cost savings and reduced wait-times;
- Vehicles model year 1995 and older will be exempt from an inspection.

Budget evaluation data (pg. D-358) reports no significant change in private facility inspection volume, and more centralized inspections and reinspections from FY 2017 through FY 2019.

- **Question:** Please provide an update on the award of the I/M program contract? Who was awarded the contract beginning in November 2017, and what is the average cost per inspection under the new contract and what was it under the prior extension with Parsons?

Answer: The new contract has not been awarded yet. (Division of Purchase and Property is in control of the bidding process.) MVC is currently operating under a contract extension through November 5, 2018.

- **Question:** Why does the MVC estimate no decrease in the number of private inspections? Were reinspections and all commercial inspections directed to PIFs under the Parson's renewal as provided for under the RFP for the next program?

Answer: We see no significant change in PIF volume based on budget evaluation data. No, reinspections and all commercial inspections directed to PIFs are not part of the Parsons contract.

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- **Question:** Has the MVC achieved the goals it sought under the next I/M contract of decreasing per inspection costs, achieving operational efficiencies, and realizing cost savings on testing equipment?

Answer: The next I/M contract has not been awarded yet.

53. In its response to an OLS discussion point on the FY 2018 Budget, the MVC described its Transformation Project, which is to be the successor to and improvement upon the MATRX project. The MATRX project was developed to produce a series of critical information technology upgrades that were essential for the modernization of the MVC and ultimately replace its legacy data processing systems, but terminated after the vendor withdrew from the project.

The MVC advised the Legislature that the Transformation Project would address five immediate needs, of the Commission. The update provided last year noted that the commercial driver's license information system (CDLIS) component has been completed and the subsequent four projects had updated cost projections as follows:

1. **Securing MVC Processes & Scanning (SMPAS)** - \$12.77 million total estimated cost
 - a. \$258,502 actual for FY 2016
 - b. Currently budgeted at \$9.424 for FY 2017
 - c. Preliminary FY 2018 Budget need of \$3.086 million
 2. **Agency System Replacement** - \$5.53 million estimated cost
 - a. \$339,110 actual for FY 2016
 - b. Currently budgeted at \$3.03 million FY 2017
 - c. Preliminary FY 2018 Budget need of \$2.16 million
 3. **Customer Abstract Information Retrieval (CAIR)** - \$5.47 million estimated cost
 - a. \$441,027 actual for FY 2016
 - b. Currently budgeted at \$2.56 million FY 2017
 - c. Preliminary FY 2018 Budget need of \$2.468 million
 4. **Multi-Scheduling** - \$3.87 million estimated cost
 - a. \$262,883 actual for FY 2016
 - b. Currently budgeted at \$1.75 million FY 2017
 - c. Preliminary FY 2018 Budget need of \$1.85 million
- **Question:** Please provide an update on each remaining component of the Transformation Project, including total estimated cost, actual FY 2016 and 2017 expenditures, estimated FY 2018 and FY 2019 costs, and the expected completion date. If any cost estimates have been significantly revised, please explain the circumstances that caused the revision.

REAL ID - \$35.39 million total estimated cost

- a. \$8.44 million actual expenditures for FY 2017
- b. Currently budgeted at \$14.42 for FY18
- c. FY 2019 estimated budget \$12.53 million

Securing MVC Processes & Scanning (SMPAS) - \$258,502 expended to date

- a. \$258,502 actual expenditures for FY 2016
- b. \$0 actual expenditures for FY 2017
- c. Currently expended \$0 for FY18
- d. FY 2019 estimated budget of \$1.77 million was added to the REAL ID budget

Discussion Points (Cont'd)

Agency System Replacement - \$1.91 million expended to date

- a. \$632,577 actual expenditures for FY 2016
- b. \$1.157 million actual expenditures for FY 2017
- c. Currently budgeted at \$120,450 for FY18
- d. FY 2019 estimated budget of \$1.77 million was added to the REAL ID budget

Customer Abstract Information Retrieval (CAIR) - \$1.65 million expended to date

- a. \$803,464 actual expenditures for FY 2016
- b. \$695,634 actual expenditures for FY 2017
- c. Currently expended \$152,576 for FY18
- d. FY 2019 estimated budget of \$1.77 million was added to the REAL ID budget

Multi-Scheduling - \$1.45 million expended to date

- a. \$435,808 actual for FY 2016
- b. \$794,872 actual expenditures for FY 2017
- c. Currently expended \$219,502 for FY18
- d. FY 2019 estimated budget of \$1.77 million was added to the REAL ID budget

Answer: In May 2017, MVC was given an executive mandate to prioritize REAL ID. MVC reallocated all Transformation Project resources to the REAL ID project in order to satisfy the executive mandate and federal compliance requirements. In anticipation of continuing REAL ID, MVC has allocated FY19 funding to the REAL ID project. Upon completion of REAL ID, the Transformation Project system upgrades will be reevaluated and funding reallocated as appropriate.

E. Performance Budgeting

54. The MVC evaluation data for licensed drivers and registered vehicles (Budget pg. D-357) provides numbers significantly different than those provided in the evaluation data in the FY 2018 proposed budget. The number of drivers and vehicles for all years in both categories, including the actual data for FY 2016, is approximately 1 million to 1.5 million higher in the FY 2019 budget document than in the FY 2018 budget document.

- **Question:** Please explain the reason for this discrepancy in numbers. Has the MVC's methodology for calculating licensed drivers and registered vehicles in the State changed in the last year?

Answer: There was a data discrepancy in the calculation for deceased drivers which reduced the estimated number of licensed drivers. The estimated number of registered vehicles did not capture all vehicle types. The MVC has revised its evaluation data estimates based upon COMP System reports to reflect the increase in the number of eligible licensed drivers and total number of all registered vehicles.

F. Federal Funding and Regulation

55. The Federal REAL ID Act requires states to implement more stringent standards and processes in the issuance of driver's licenses and identification. Non-compliant REAL ID

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identification will eventually be excluded from use as proof of identification for admission into federal facilities and to board domestic aircraft. New Jersey is not yet compliant with REAL ID, but has received an extension until October 2018. As of October 1, 2020, all domestic air travelers will be required to present a REAL ID-compliant identification to board a flight.

- **Question:** Please provide information about the State's progress in meeting the standards required under the REAL ID Act. Will the State be compliant by October 2018? If not, when does the MVC expect the State to be compliant with REAL ID?

Answer: The REAL ID Act establishes minimum security standards for license issuance and production and prohibits Federal agencies from accepting for certain purposes driver's licenses and identification cards from states not meeting the Act's minimum standards. The purposes covered by the Act are for: accessing Federal facilities, entering nuclear power plants, and identification for domestic air travel.

- Starting October 1, 2020, every state and territory resident will need to present a REAL ID compliant license/ID, or another acceptable form of identification, for accessing Federal facilities, entering nuclear power plants, and boarding domestic aircraft. This is what we call "card-based" enforcement. The card, itself, must be REAL ID compliant unless the resident is using an alternative acceptable document such as a passport. The Act does not require individuals to present identification where it is not currently required to access a Federal facility (such as to enter the public areas of the Smithsonian) nor does it prohibit an agency from accepting other forms of identity documents other than documents from non-compliant states (such as a U.S. passport or passport card).
- New Jersey is currently under an extension for REAL ID enforcement, allowing Federal agencies to accept driver's licenses and identification cards from New Jersey at Federal facilities, nuclear power plants and for domestic commercial air travel. The current extension expires October 10, 2018. The MVC has tentatively agreed with the United States Department of Homeland Security (DHS) to file an additional extension.
- Upon NJ MVC issuing the first REAL ID / DL New Jersey will submit a request for Compliance Certification. Once DHS determines that the state meets the full requirements of the Act and implementing regulation, DHS will issue a Final Determination of Compliance to the state.