

# **Vehicle Divisions Optimization Analysis**

**Texas Department of Transportation  
Vehicle Division Work Group**

**November 2008**

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# Executive Summary

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Texas has approximately 40,000 vehicle related companies doing business in Texas. This total includes almost 22,000 trucking companies, 1400 new and 14,000 independent dealerships, 400 motorcycle dealerships, 350 recreational dealerships and 570 automotive manufacturing establishments. These sectors of the Texas economy are referred to collectively in this report as motor vehicle related industries. Motor vehicle related industries play a vital role in the Texas economy.

The total motor vehicle related industry sector in Texas:

- Employs over one million people,
- Pays \$40 billion annually in wages and benefits,
- Contributes 20% of all retail sales activity,
- Pays 43% of all motorist taxes and fees collected by the state, and
- Generates over \$5 billion in total revenue to the state through the payment of taxes and fees from its business activities.

The motor vehicle related industries in Texas are increasing in size, have a wide range of diverse issues and challenges to address and face a growing number of complex concerns. In the wake of nationwide pressure, if not outright distress on all operational and financial aspects of the motor vehicle related industries, there is a call for more active government involvement and oversight on a national level. As a result, there is a greater need than ever for state oversight to protect and promote consumer and business needs in the state of Texas as far as the motor vehicle related industries are concerned.

- Governor Rick Perry wrote a letter to Texas Transportation Chair Deirdre Delisi on June 20, 2008, directing the Texas Department of Transportation (TxDOT) to evaluate organizational options for dealing with the state's motor vehicle functions. Options were to include consolidating car functions in a single division in TxDOT; re-creating a Motor Vehicle Board; and suggesting a streamlined stand-alone automobile agency. TxDOT was directed to deliver to the Sunset Commission any measures that would improve the state's regulations without hurting Texas consumers.
- In reply, Texas Transportation Chair Delisi created a work group of staff and industry experts to develop a plan, including statutory changes and financial impacts, to accomplish the reorganization. Her instructions included consideration of consolidating Vehicle Divisions within TxDOT, enhancing the recent organizational alignment under the TxDOT Assistant Executive Director for Support Operations and offering support for a stand-alone agency. Included in the consideration for a stand-alone agency for vehicle functions were *all* of TxDOT's regulatory functions such as vehicle and motor carrier operations. The divisions that were included for study were Vehicle Titles and Registration (VTR) Motor Vehicle Division (MVD), Motor Carrier Division (MCD) and Automobile Burglary & Theft Prevention Authority

## Executive Summary

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(ABTPA). Collectively the four divisions are hereinafter referred to as the Vehicle Divisions.

- The Vehicle Divisions Work Group held its initial meeting on August 14, 2008 and has met regularly since that time to gather information, discuss options and prepare its report. The Vehicle Divisions Work Group submits the following findings and options for consideration.

### Findings of Fact

- Vehicle functions, including VTR, MVD, MCD, and ABTPA, do not clearly fit within the core responsibility of TxDOT to plan, construct and maintain the state's transportation system
- TxDOT has received considerable additional authority in recent years to help address the state's serious transportation needs – including bond authority, toll roads, and innovative funding mechanisms like comprehensive development agreements. The challenges and complexities of fully utilizing this additional authority and working with the outside entities that have developed in the sector take additional time and resources within TxDOT to administer, which diminishes time to oversee other non-core functions.
- The majority of TxDOT's creative, administrative and public policy intellect and energy must be utilized in support of finding funding and getting road and highway projects off the ground.
- The core business of the Vehicle Divisions has been on the rise annually. In spite of the recent economic slump that has slowed growth in motor vehicle manufacturing and sales, there has been an increase in the core business. Thus the needs of the Vehicle Divisions to keep pace with this growth will continue.
- The Vehicle Divisions service demands and workload respond to different factors than the road functions.

### Global Resource Issues

- To the extent the needs of the Vehicle Divisions are not met, they can encounter five barriers that negatively affect performance.
  - **Inadequate staffing** – There are not enough employees to provide timely customer service, adequately protect the safety of the motoring public and carry out other statutorily required functions.
  - **Insufficient funding** – The need for roads is driven by population growth and congestion, but the ability to design, construct and maintain roads is constrained by available funds. The demand for Vehicle Divisions services is driven by Texas' population growth and economic health. The Vehicle Divisions' workload is driven by different factors. The Vehicle Divisions are revenue generating and could more than pay for their operations therefore

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- they should be subject to different financial constraints than the road divisions.
- **Inadequate technology** – Technology is the linchpin of efficient operations. Investment in technology systems can help the Vehicle Divisions cope with increasing workloads without corresponding staff increases. It can eliminate human-error mistakes by validating information like addresses or vehicle identification numbers. Technology is also a key to enhancing the quality of customer service. Online processing offers customers the option to conduct their business with the state at their convenience 24 hours a day, 7 days a week. The Internet should also be used to provide real-time access to information for an approved inquiry about a vehicle, motor carrier permits or the status of license applications.
  - **Inefficient technology climate** – The best-designed system cannot process a single transaction if the computer equipment it runs on is not operated in an effective manner. If the Vehicle Divisions' systems go down not only does that inconvenience customers who took time off work to go renew their registration and leave local government employees idle, but companies (auto dealers, motor carriers, etc.) cannot conduct business. The statewide contract requiring consolidated data services is problematic.
  - **Outdated statutes** – In many cases laws have been modified over the years but there has not been a comprehensive review and re-codification of these laws. Outdated statutes that require inefficient business processes limit the efficiency gains possible from new technology systems, do not effectively promote or regulate the industry or protect the public health and the safety of the consumer.

### Recommendations

- To ensure optimal performance level improvements, the needs outlined below should be addressed regardless of whether the Vehicle Divisions remain in TxDOT or become a newly formed independent agency.
  - **Need for partnering** -- The Vehicle Divisions should be supported by an organizational structure that clearly establishes them, and the industries that they oversee, as “partners” versus “employees” in the governmental and operational processes regardless of their placement in TxDOT, another state agency or a newly formed independent agency.
  - **Need to focus on customer service** -- Customer service should be placed as the highest priority of the Vehicle Divisions. The Vehicle Divisions should be held directly accountable for the highest level of customer service possible within reasonable financial means. Resources and technology should be provided accordingly to support this focus.
  - **Need to stand on their merit** -- The Vehicle Divisions should be afforded the opportunity to stand on their own merits in terms of financial, personnel and

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technology needs, having the ability to focus on their functions of providing customer service and protecting public safety.

As much as possible, decisions regarding the Vehicle Divisions should be based on the overriding business need to accommodate the special needs of the affected divisions and the motor vehicle related industries.

If the Vehicle Divisions remain inside TxDOT real operational and cultural conflicts could exist. All of these conflicts should be resolved by deferring to the overriding need to promote the independent and special needs of the motor vehicle related industries as much as possible.

- **Need for more resources** -- The Vehicle Divisions should be provided the tools and resources necessary in terms of personnel, technology and financial support to implement standards and improvements in operational performance regardless of their placement in TxDOT, another state agency or a newly formed independent agency.

The need for increased tools and resources must be substantiated and shown to be of benefit financially and/or operationally and demonstrate improved customer service in a properly constituted review process. This process should be done in accordance with standards necessary to support the motor vehicle related industries and the public at large as opposed to standards that are developed to support the road and engineering functions.

The amount of revenue that the Vehicle Divisions collectively generate should not be diverted to support state agencies other than TxDOT until a full independent review of the needs of each division is completed and proper funding established to support the Vehicle Divisions in their reconstituted form.

- **Need to foster innovation** -- Innovative use of resources, technology and staffing should be encouraged. This should include the review and possible use of outside firms and consultants to improve performance in the short run while planning for staffing needs after technology updates have resulted in increased efficiencies and productivity.

### **Recommendations– Structural Support**

Both the Governor's letter and the Sunset review of TxDOT offer an opportunity to address a number of structural changes necessary to maximize the performance of the Vehicle Divisions.

- The Vehicle Divisions should be supported by the creation of an independent organizational structure regardless of their placement in TxDOT, another state agency or a newly formed independent agency.
- An independent policy and/or advisory board should be established to oversee and guide the operations of the Vehicle Divisions regardless of their placement within TxDOT, another state agency or as an independent agency.

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- A comprehensive review of all statutes affecting the motor vehicle related industries should be undertaken with the goals of achieving increased efficiencies within the operations of each division, structuring the proper balance between support and regulation of the motor vehicle related industries, and best ensuring the protection and promotion of consumer interests, public health and public safety. This review should be under the direction of either executive management or a board within the structure the Vehicle Divisions are ultimately placed in.
- The Vehicle Divisions should be afforded the opportunity to make their respective and collective cases for increased allocations of funding, resources and technology to an independent policy review body.
- The current Board of the Auto Burglary & Theft Prevention Authority (ABTPA) should be maintained in its current form regardless of its placement in TxDOT, another state agency or a newly formed independent agency.
- The Vehicle Divisions should be allowed to manage all aspects of their technology operations in order to better foster the technology upgrades the vehicle industry and the public need. Furthermore, the Vehicle Divisions should be exempted from the Team for Texas (TFT) technology initiative if they are placed outside TxDOT in an independent agency.
- The amount of additional funding that will be necessary to properly promote and enhance the performance of the Vehicle Divisions should not have an adverse impact on the net amount currently dedicated to the State Highway Fund and utilized by TxDOT to design, construct and maintain Texas roads and highways.
- The net amount that is currently being distributed to the State Highway Fund should not be reduced as a result of the relocation of the Vehicle Divisions into a new alignment including a stand-alone, separate state agency.
- The Motor Carrier Division's permit section should remain attached operationally to TxDOT's road divisions, regardless of this division's placement in state government, by whatever means necessary unless and until a better partnership arrangement is in place that will ensure the continued protection of public safety in transporting goods and equipment on Texas highways and roads.

## **Recommendations – Organizational Alternatives**

After reviewing the operations, issues, challenges and barriers of the Vehicle Divisions, the work group concluded that there are three basic organizational alternatives that would improve the operations and services provided by these divisions.

These alternatives include:

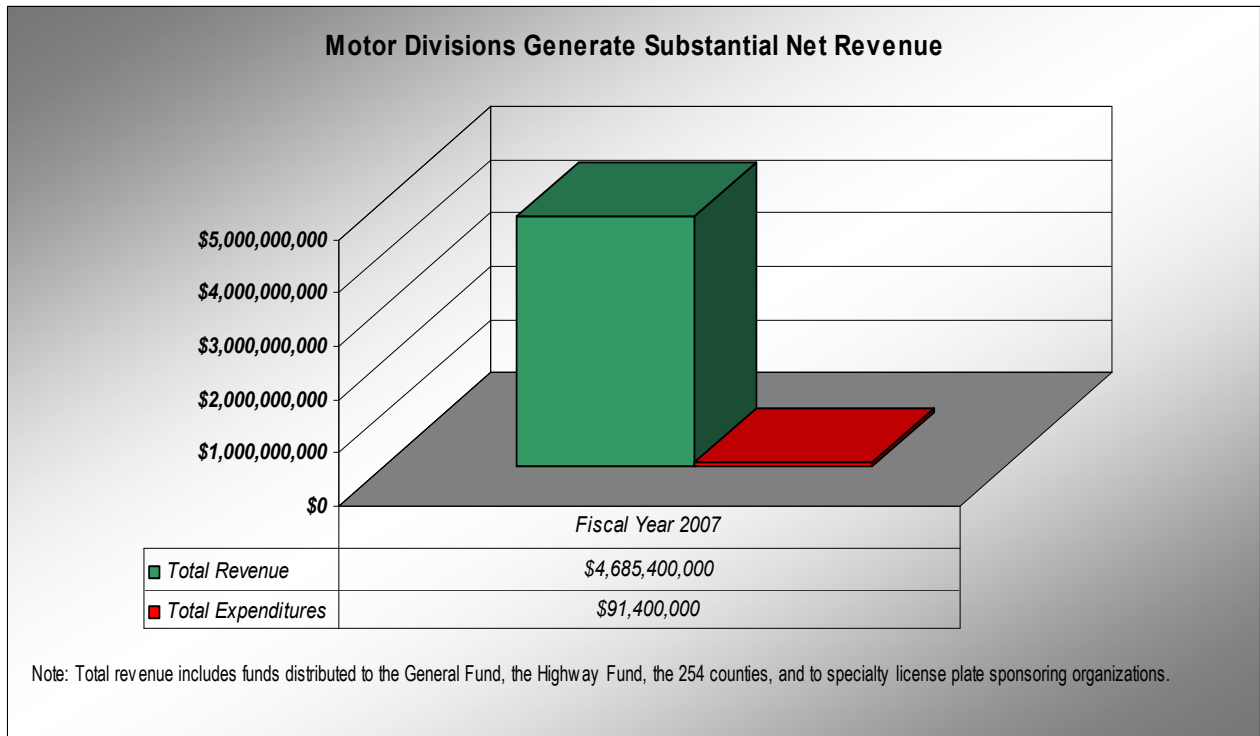
1. **Remain in TxDOT** - Leave the divisions in TxDOT and maintain the current high-level organizational structure, but implement proposed operating improvements (additional resources, FTEs, improved technology, etc.).

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- 2. **Independent Unit in TxDOT** - Leave in TxDOT but structure as an independent organizational unit in TxDOT, implement proposed operating improvements and establish separate oversight.
- 3. **Independent Agency** - Transfer the divisions to a newly created independent agency that reports to either a single Commissioner appointed by the Governor or a board appointed by the Governor

More details describing the advantages, challenges and estimated costs associated with each of the above alternatives are included in the full report.





# Executive Summary

## Costs for Motor Vehicle Divisions' Operating Alternatives

<u>Cost Items</u>	<u>Cost for Baseline Operations</u>		<u>Alternatives 1 &amp; 2 Remain in TxDOT or Independent Unit in TxDOT</u>		<u>Alternative 3 Independent Agency</u>	
	FTEs		FTEs		FTEs	
<u>Direct Costs</u>						
Auto Burglary & Theft Prevention	5	\$15,094,333	7	\$15,444,333	7	\$15,444,333
Motor Carrier Division	145	9,424,385	174	11,310,669	174	11,310,669
Motor Vehicle Division	96	6,863,556	134	9,931,135	134	9,931,135
Vehicle Titles & Registration	403	64,256,853	416	65,242,617	416	65,242,617
Total Direct Costs	649	\$95,639,127 *	731	\$101,928,754 **	731	\$101,928,754 **
<u>Indirect Support Costs</u>						
Accounting/Budgeting	8	\$367,833	8	\$367,833	10	\$537,000
Auditing	1	54,690	1	54,690	3	188,365
Commission/Exec Mgmt	0.4	65,400	0.4	65,400	2	275,000
Facilities	6	1,052,538	6	1,052,538	6	3,363,375
Human Resources	8	377,718	9	425,442	9	425,442
Information Resources	33	9,800,367	33	9,800,367	44	13,879,089
Legal	1	80,000	1	80,000	3	240,000
General Services	6	2,102,003	6	2,102,003	11	2,421,439
Total Indirect Costs	63.4	\$13,900,549 ***	64.4	\$13,948,273 ***	88	\$21,329,710 ***
<b>TOTAL COSTS</b>	<b>712</b>	<b>\$109,539,676</b>	<b>795</b>	<b>\$115,877,027</b>	<b>819</b>	<b>\$123,258,464</b>
<b>Estimated Cost above Baseline Operations</b>				<b>\$6,337,352</b>		<b>\$13,718,789</b>

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\* - Based on average for FY 2007 & 2008

\*\* - Based on average for FY 2007 & 2008 plus additions from affected divisions.

\*\*\* - Based on pro-rated information submitted by TxDOT Support Divisions.

## General Notes:

Projected increases for the Motor Vehicle Divisions for improved operations are preliminary estimates for additional staff, resources and technology improvements. However, the increases do not consider the impact that may result from modifying operations of these divisions.

No attempt was made to quantify staff, facilities or other reductions to TxDOT's support operations as a result of the affected divisions being transferred out of the department.

## History and Impetus for the Work Group

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On June 20, 2008, Governor Perry sent a letter to Texas Department of Transportation (TxDOT) Chair Deirdre Delisi asking her to examine the concept of restructuring the department's motorist related divisions into an independent state agency. In addition, members of the Sunset Commission requested that the Sunset staff examine and report on the viability of creating a Department of Motor Vehicles (DMV) and other members of the Legislature have expressed support for this concept.

In summary, the Governor's instructions to TxDOT were to:

- Consolidate the various car functions within TxDOT into one division.
- Propose the re-creation of a properly balanced appointed motor vehicle board to oversee the new automobile division.
- Suggest to the Sunset Commission the possibility of creating a streamlined stand-alone automobile agency governed by an appointed, balanced board.
- Propose any other measures that would improve and streamline State regulation of the automobile business without harming Texas consumers.

In response to the above, TxDOT convened a work group composed of representatives from the constituent communities of the affected divisions, Automobile Burglary and Theft Prevention Authority (ABTPA), Motor Carrier (MCD), Motor Vehicles (MVD), and Vehicle Titles and Registration (VTR). The work group was composed of a new automobile dealer, a used automobile dealer, an automobile manufacturer, a representative of the motor carrier industry, a member of the Texas Automobile Burglary and Theft Prevention Board and a county tax assessor-collector. In addition, members of the staff from the Sunset Commission and the Senate Committee on Transportation and Homeland Security were invited to, and did, participate. The work group was tasked with:

- Reviewing the operations of the affected division.
- Recommending improvements in the operation of these divisions.
- Providing feedback to TxDOT's Administration and Commission on the organizational structure of these functions.
- Providing feedback to TxDOT's Administration and Commission concerning potential issues involved with the transition of the affected divisions into an independent agency.

The work group met several times in Austin to receive detailed briefings and information from the affected divisions. The information presented and discussed included descriptions of the current operations, the challenges, barriers and opportunities for providing improved services, and the resources required to improve services. The work group also discussed the potential impact to operations if these divisions were transferred from TxDOT to a new state agency dedicated to vehicle operations.

# Work Group Information

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## Work Group Members

Victor T. Vandergriff, Work Group Chairman  
New Vehicle Franchise Dealer  
Vandergriff Auto Group

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Kenneth L. Roche, Jr., Vice President Government Relations and Senior Counsel  
Gulf States Toyota

-----  
Les Findeisen, Director of Policy & Intergovernmental Relations  
Texas Motor Transportation Association

-----  
Keith Hagler  
Independent Used Vehicle Dealer  
Taylor Auto Credit

-----  
Betsy Price  
Tarrant County Tax Assessor-Collector

-----  
Carlos L. Garcia (Chairman Auto Burglary and Theft Prevention Board)  
Chief of Police, Brownsville Police Department

-----  
Brett Bray, Division Director  
Texas Department of Transportation - Motor Vehicle Division

-----  
Charles Caldwell, Interim Division Director  
Texas Department of Transportation - Automobile Burglary and Theft Prevention  
Authority

-----  
Carol Davis, Division Director  
Texas Department of Transportation - Motor Carrier Division

-----  
Rebecca Davio, Division Director  
Texas Department of Transportation - Vehicle Titles and Registration Division

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Edward Serna, Assistant Executive Director Support Operations  
Texas Department of Transportation

## Work Group Information

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### Work Group Members- Ex Officio

Jennifer Jones, Senior Manager  
Sunset Advisory Commission  
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Joe Walraven, Senior Manager  
Sunset Advisory Commission  
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Steven Polunsky, Committee Director  
Senate Committee on Transportation and Homeland Security  
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Angie Cervantes, Policy Analyst  
Senate Committee on Transportation and Homeland Security  
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# Work Group Information

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## Meeting Timeline

### Vehicle Work Group

### Meeting Schedule

<b>Date:</b>	<b>Purpose:</b>
August 27	Overview of VTR and ABTPA
September 5	Overview of MVD and MCD Operations
September 26	Discussion on Report
October 3	Discussion on Report
October 20	Discussion on Report
October 27	Discussion on Report

## Economic Impact

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The motor vehicle related industries and the divisions within the Texas Department of Transportation (TxDOT) that license, permit, regulate and oversee the industries play a vital role in the Texas economy. The “motor vehicles” are imbedded in and vital to all aspects of the business and social fabric of Texas. To illustrate the importance of these industries to the state of Texas this report will refer to numbers from 2007, the most recent fiscal year-end, unless otherwise noted.

For the most part, the motor vehicle related industries do not receive tax abatement or other credits that offset any part of the monetary value that they bring to the state of Texas.

All Texas consumers and businesses are directly touched by motor vehicles. Without the business activity and jobs created by the motor vehicle related industries, the economy of Texas would suffer a severe financial blow. Without the proper support from motor vehicles all aspects of the Texas economy would come to a halt. The motor vehicle related industries provide sales and service for all types of transportation, delivery of almost all goods in Texas, and vital links to the construction, energy, banking, aviation and shipping industries. Without motor vehicles the citizens and businesses of Texas would likely not eat, have clothing, electricity, water, transportation and all other elements necessary to sustain their current quality of life.

The following narrative is divided into two sections. The first section provides statistical highlights on the economic impact and importance of the motor vehicle related industries to the state of Texas. The second section provides statistical highlights of the vehicle divisions in TxDOT, what they oversee and the importance of the revenue that the divisions generate annually for the state of Texas.

### MOTOR VEHICLE INDUSTRIES

#### Trucking Industry

**Employment:** The trucking industry in Texas provides 673,349 jobs, or one out of 14 in the state. Total trucking wages paid in Texas are \$31.8 billion, with an average annual trucking industry salary of \$47,254. The US Bureau of Labor Statistics reports that truck drivers (heavy, tractor-trailer and light, delivery drivers) hold 204,080 jobs with a mean annual salary of \$29,590.

**Small Business Emphasis:** There are 21,931 trucking companies located in Texas; most of them are small, locally owned businesses. These companies are served by a wide range of supporting businesses, both large and small.

**Transportation of Essential Products:** Trucks transport 82% of total manufactured tonnage in the state or 3,202,973 tons per day. Over 82% of communities depend exclusively on trucks to move their goods.

## Economic Impact

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**As an Industry:** The trucking industry in Texas pays approximately \$3.3 billion in federal and state roadway taxes and fees. The industry pays 43% of all taxes and fees owed by Texas motorists, despite trucks representing only 10.4% of vehicle miles traveled in the state.

**Individual Companies:** A typical five-axle tractor-semitrailer combination pays \$5,031 in state highway user fees and taxes in addition to \$8,959 in federal user fees and taxes. These taxes are in addition to the typical taxes paid by businesses in Texas.

**Roadway Use:** Texas has 305,270 miles of public roads over which all motorists traveled 235.2 billion miles. Trucking's use of Texas public roads was 24.5 billion miles.

**Safety Matters:** At the national level, the truck-involved fatal crash rate is at its lowest point since the US Department of Transportation began keeping these records in 1975. The trucking industry in Texas and the United States is committed to sharing the road safely with all vehicles. Safety is put first through improved driver training, investment in advanced safety technologies and active participation in industry safety initiatives.

### Automotive Manufacturers and Distributors

Texas has a well-established and increasing automotive manufacturing marketplace. Texas is nationally top-ranked for automotive employment and establishments. Texas is part of a growing NAFTA-spurred automotive corridor and is home to two major automotive manufacturing assembly plants. General Motors has manufactured vehicles in Arlington for over 50 years and in 2006, a new Toyota plant opened in San Antonio.

According to 2007 third quarter Texas Workforce Commission data, Texas has 570 automotive vehicle, trailer and part manufacturing establishments directly employing 37,151 people at an average annual salary of over \$46,000. The total payroll for all automotive manufacturing jobs in the state of Texas exceeds \$1.7 billion.

### **General Motors**

The 250-acre Arlington plant site has been expanded seven times since launching operations in 1954. Between 1996 and 2006, GM invested \$910 million in the Arlington plant. GM currently employs about 2,500 people in-state and invests over \$300 million annually in wages and benefits.

The economic benefit to the state extends beyond the direct business and employment of the GM plant. Total in-state supplier support companies employ nearly 1,800 people and have a combined payroll in excess of \$84 million.

Arlington is GM's lead-plant for full-size SUVs that have been among the company's most profitable vehicles; including the Chevrolet Suburban which some call "the national car of Texas." GM is also producing hybrid versions of the Tahoe, Yukon and Escalade. The hybrids are being built on the same assembly line as the regular models.



## Economic Impact

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The Arlington plant is one of GM's best in terms of quality and productivity. GM indicates the Arlington plant's future is secure due to these factors.

### Toyota Motor Sales

In November, 2006, Toyota Motor Manufacturing, Texas, Inc. (TMMTX) officially opened its \$1.28 billion dollar plant in San Antonio and began production of the Tundra full-size pickup. The plant's annual capacity is 200,000 trucks. The plant employs approximately 2000 and anticipates an annual payroll of \$100 million. The plant is expected to add \$2.4 billion to the Texas economy over the next decade.

The 2000-acre site also houses 21 on-site suppliers who employ an additional 2,100 people at full production. These suppliers have invested an additional \$300 million in their respective operations and infrastructure. The suppliers provide a myriad of parts, materials and logistic services. Seven of the suppliers are minority-owned firms including six locally-owned minority firms. In 2007 TMMTX purchased over \$1 billion from its suppliers based in Texas.

### Motor Vehicle Dealers

Approximately 5.5 million vehicle sales are made each year. It is estimated that 4 million are dealer sales and 1.5 million are casual sales between individuals. Further estimates suggest that dealer sales are comprised of nearly 1.4 million new vehicle sales and 3.1 million used vehicle sales.<sup>1</sup> The motor vehicle distribution industry brings in over \$3 billion a year in motor vehicle sales and use taxes. Motor vehicle sales and use taxes are one of the largest tax revenue sources, second only to sales tax.<sup>2</sup>

### New Vehicle Industry

**Franchised Dealers in Texas:** At the close of 2007 there were 1,435 franchised car dealerships in 317 Texas cities and towns.

**Employment:** The franchised dealerships provide 86,828 people employment in a wide range of sales, service, parts, accounting and finance positions. The total annual payroll is \$4.34 billion.

**Sales:** In 2007 new vehicle sales totaled 1.4 million, or 8.69% of the national total. Used vehicle sales were estimated to be at 900,000. The total dollar sales for all franchised dealers was \$62.3 billion. This total was 20.2% of all retail sales in Texas.

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<sup>1</sup> Legislative Budget Board, Fiscal Note for SB 1786, 80<sup>th</sup> Legislature, Regular Session. April 20, 2007.

<sup>2</sup> Texas Comptroller of Public Accounts, Window on State Government, "Texas Annual Cash Report, Fiscal 2007." On-line. Available: <https://fm.xcpa.state.tx.us/fm/pubs/cashrpt/07/html/condition.php>. Accessed: October 21, 2008.

## Economic Impact

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**Impact on Texas Business:** The average annual capital investment in the state by franchised dealers is \$400 million. This investment is predominantly in real estate, facilities and equipment. The average annual investment in advertising in the state by franchised dealers is \$850 million. This investment is in all forms of print and electronic media. The average annual insurance premiums that the franchise dealers pay are \$250 million.

**As an Industry:** In 2007 the franchised dealerships paid \$795 million in franchise, property, federal income and state sales tax. The total motor vehicle sales tax collected and paid was \$2.5 billion. The estimated total collected and paid for title fees, registration fees and sales tax on parts was \$450 million.

**Economic Contribution to Texas:** The total economic impact to the state by the franchised dealers in 2007 was \$10.3 billion.

### Used Vehicle Industry

**Independent Dealers in Texas:** There are currently over 14,000 active independent licensed dealers in Texas in 579 towns. There are currently 7,240 Office of Consumer Credit Commissioner active seller-finance licenses in Texas.

**Sales:** In 2007, dealers with an independent license transferred 695,371 automobiles in Texas. The average retail cost of a used vehicle was \$8,995.

The highest selling 100 dealers accounted for 127,626 transfers – 18%

The highest selling 500 dealers accounted for 261,182 transfers – 37%

The highest selling 1000 dealers account for 355,660 transfers – 51%

The highest selling 3000 dealers account for 546,969 transfers – 79%

**Employment:** On average the 3000 highest selling independent dealers each employ five people with an average income of \$25,000, accounting for roughly \$375 million.

**Small Business Investment:** It is estimated that the average buy-here, pay-here dealer who sells 15 cars a month will commit \$1 million of investment capital.

### Motorcycle Industry

The industry last published collective numbers in 2005. The number of new motorcycles sold in Texas in 2005 was 70,290, with an estimated value of just over \$645 million. These motorcycles were sold at approximately 400 dealerships that employed more than 8,500 people whose salaries totaled almost \$270 million dollars. Almost \$19.8

## **Economic Impact**

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million was paid to more than 800 employees at 172 used motorcycle dealerships in Texas.

The total estimated economic value of the retail motorcycle sales industry in Texas for 2005 is estimated to be more than \$1.5 billion. This figure reflects the value of new and used retail sales, parts, accessories, dealer servicing, product advertisement, vehicle finance charges, insurance premiums, salaries, state sales and dealer personal income taxes, as well as vehicle registration fees. This total does not reflect any manufacturer or distributor expenses made in Texas.

There are an estimated 509,000 motorcycles in Texas with more than 394,000 used on-road and more than 170,000 used off-road. There are an estimated 2.3 motorcycles per 100 Texas residents.

### **Recreational Vehicle Industry**

There are over 350 licensed RV dealers in the state of Texas. In 2007 there were 2911 new motorized units and an estimated 6,500 used motorized units sold in Texas. The total sales amount of new motorized units sold in Texas was in excess of \$332 million. There is no reliable estimate on the total sales amount for used motorized units but it has been forecast to exceed the total sales amount for new motorized units.

In 2007 there were 22,751 new towable units and an estimated 50,600 used towable units sold. These include private sales. The total sales amount for new towable units sold in Texas was in excess of \$488 million. There is no reliable estimate on the total sales amount for used towable units but it has been forecast to exceed the total sales amount for new motorized units.

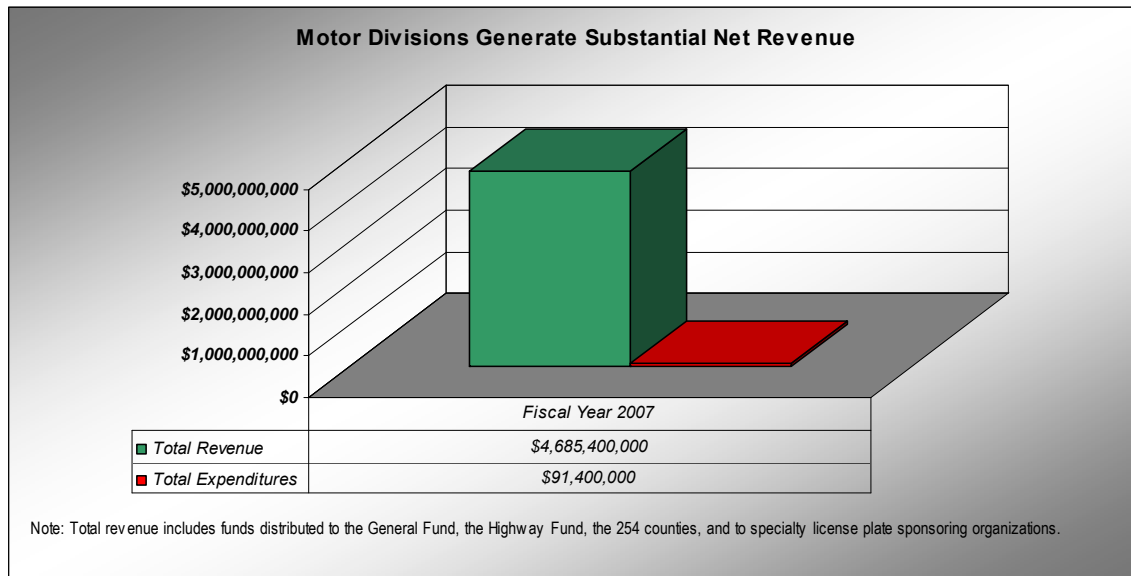
### **Other Industries**

There are a number of other industries that the Vehicle Divisions oversee. These include salvage dealers, trailer dealers, converters, and some manufacturers of engines, axles and transmissions. Time did not permit the Work Group to gather information on these segments but they add support to the position of the overall industries' importance to the Texas economy.

# Economic Impact

## VEHICLE DIVISIONS

All four Vehicle Divisions are revenue positive and generate more revenue than they expend. The industries that the divisions oversee are growing and thus revenue is rising annually at a substantial rate. The affected industries are contributing revenue that not only goes to build and maintain roads but support public education, public safety and health and the state's General Revenue Fund.



	VTR	MCD	MVD	ABTPA	TOTALS
<b>Total Revenue</b>	\$4,600,000,000	\$59,400,000	\$9,400,000	\$16,600,000	\$4,685,400,000
<b>Total Expenditures</b>	\$59,900,000	\$9,400,000	\$6,900,000	\$15,200,000	\$91,400,000
<b>Fiscal Year 2007</b>					
<b>Total Revenue</b>	\$4,685,400,000				
<b>Total Expenditures</b>	\$91,400,000				

## Vehicle Titles and Registration

**Titles:** In fiscal year 2007, Vehicle Titles and Registration (VTR) issued 6 million vehicle titles that generated \$175.5 million in revenue. Of this total amount \$16.6 million, or approximately 10% of the total amount collected, was distributed to the State Highway Fund. \$27.7 million, or approximately 16% of the total amount collected, was distributed to the 254 counties. The remaining balance of \$131 million, or approximately 74% of the total amount collected, was distributed to the General Revenue Fund, including \$103 million for the Texas Emissions Reduction Program (TERP).

## Economic Impact

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The vehicle titling process—administered by VTR—collected \$3 billion in sales tax revenue from motor vehicle sales in fiscal year 2007. All sales tax was distributed to the General Revenue Fund.

**Registration:** In fiscal year 2007, VTR registered 20.9 million vehicles. This was a 4% increase over the previous fiscal year and the second year in a row Texas experienced a 4% increase in registered vehicles. The total amount collected in registration fees in fiscal year 2007 was \$1.4 billion. Of this total amount, \$444.5 million or approximately 31% was distributed to the counties and \$988.6 million, or approximately 69% of the total amount was distributed to the State Highway Fund. Almost 1 million registrations were submitted online in the 148 counties that allowed Internet registration renewals.

These registrations included passenger vehicles, light trucks, and more than 19,000 motor carriers, with over 103,000 power units, which participated in the International Registration Plan—a reciprocal program that simplifies the collection of registration fees for trucks that operate in multiple states. These motor carriers generated more than \$62 million of the total registration fees collected in Texas, as well as almost \$56 million distributed to other states. These vehicles traveled 3.5 billion miles in Texas.

**License Plates:** In fiscal year 2007, VTR issued more than 10 million general issue license plates. VTR also issued 264,774 specialty, personalized, and souvenir license plates. These license plates generated \$8.8 million in revenue. Of this, \$4 million was distributed to the General Revenue Fund; \$2.4 million was credited to TxDOT to cover the cost of mailing and manufacturing the plates and paying the county commissions; and \$2.3 million was distributed to the specialty license plate sponsoring organizations.

**Salvage Dealer Licensing:** VTR licenses over 9,000 salvage dealers/agents annually. In fiscal year 2007, licensing fee collections totaled \$721,334. These revenues were distributed to the General Revenue Fund.

**Total Expenditures and Revenue:** VTR expenditures for fiscal year 2007 were \$59.9 million. VTR generated a total of \$4.6 billion and was net revenue positive in fiscal year 2007 by \$4.1 billion.

**Customer Service:** VTR staff responded to 2 million inquiries from the motoring public. These inquiries were made via written and electronic correspondence, phone calls, and in person. There were an additional 62.3 million law enforcement inquiries made to the motor vehicle database system managed by VTR. This breaks down to more than 170,684 law enforcement inquiries per day, more than 7,000 per hour.

### **Motor Carrier Division**

In fiscal year 2007, the Motor Carrier Division (MCD) issued 554,273 oversize/overweight permits. This represented a 6% increase over fiscal year 2006 and a 33% increase from fiscal year 2003 to 2007. Approximately 64% of all permit

## **Economic Impact**

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applications were submitted online. This compares to 45% that were submitted online in fiscal year 2006.

MCD issued 821 super-heavy weight permits in fiscal year 2007. This represented a 98% increase over fiscal year 2006 and a cumulative 337% increase from fiscal year 2004.

In fiscal year 2007, MCD registered 50,977 motor carriers to do business in the state of Texas and registered 366,663 intrastate vehicles.

MCD collected \$51 million from the issuance of oversize/overweight permits and \$8.4 million from the registration of motor carriers. The total amount collected by MCD for fiscal year 2007 was \$59.4 million. Of this total amount \$23.4 million was distributed to the State Highway Fund and \$36 million was distributed to the General Revenue Fund.

MCD expenditures for fiscal year 2007 were \$9.4 million. MCD was net revenue positive to the state by \$50 million.

### **Motor Vehicle Division**

In fiscal year 2007, the Motor Vehicle Division (MVD) licensed 19,358 motor vehicle distribution participants. The breakdown for the year was 14,154 used vehicle dealers, 2767 franchised vehicle dealers, 1790 manufacturers and distributors, 320 manufacturer representatives, 139 converters, 132 lessors and 56 lease facilitators.

MVD generated \$9.4 million in revenue from license fees, penalties and filing fees. MVD expenditures for fiscal year 2007 were \$6.9 million. MVD was net revenue positive to the state by \$2.5 million.

### **Automobile Burglary and Theft Prevention Authority**

In fiscal year 2007 the Automobile Burglary and Theft Prevention Authority (ABTPA) collected \$16.6 million from a \$1.00 fee for each vehicle per annual insurance policy. This money was deposited in the General Revenue Fund. In fiscal year 2007, ABTPA distributed \$13.8 million in grants, with total expenditures of \$15.2 million. ABTPA was net revenue positive to the state by \$1.4 million.

## **TEXAS TAX ASSESSOR-COLLECTORS**

There are 254 counties in Texas. Each county has a tax assessor-collector office. The county tax assessor-collector's office provides most vehicle title and registration services for the taxpayers of their county. They collect and distribute funds for TxDOT and collect Motor Vehicle Use Tax for the State Comptroller. All fee and tax revenue collected by the county tax assessor-collectors is included in the revenue reported by VTR. They are broken out separately in this section of the report for illustrative purposes only.

## Economic Impact

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**Employment:** There is no data collected or retained on a statewide basis for county tax assessor-collector employment and payroll information. A polling of the 254 counties indicates that approximately 3,800 people work across the state in all the county tax assessor-collector offices. The average annual wage earned by county tax assessor-collector personnel exceeds \$30,000 a year. The total payroll contribution to the Texas economy from county tax assessor-collector personnel exceeds \$1.1 billion.

**Motor Vehicle Registrations Processed:** County offices processed 20.9 million motor vehicle registrations in fiscal year 2007. The county tax-assessor collectors collected \$1.37 billion in registration fees in fiscal year 2007. Of this amount, \$928 million was distributed to the State Highway Fund and \$445 million was retained by the tax assessor-collectors in compensation for their services.

**Motor Vehicle Titles Processed:** In fiscal year 2007 the county tax assessor-collectors processed 5.5 million motor vehicle titles. The tax assessor-collectors collected \$148 million for motor vehicle titles. Of this amount \$103 million was remitted to the General Revenue Fund and earmarked for the Texas Emissions Reduction Plan, \$28 million was distributed to the General Revenue Fund without designation, and \$17 million was distributed to the State Highway Fund.

**Sales Tax Collected:** In fiscal year 2007, the tax assessor-collectors collected \$2.24 billion for sales tax and distributed it to the state.

# Information on the Four Vehicle Divisions

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## Vehicle Titles and Registration Division Opportunities, Barriers and Constraints

### Background

#### Functions

The Vehicle Titles and Registration Division (VTR) has three primary functions:

1. Manage vehicle ownership records (titles)
2. Collect annual road use fees (registrations)
3. Help differentiate one vehicle from another (license plates)

VTR develops and maintains the state's motor vehicle database, which contains more than 45 million records. Law enforcement relies on this data and accesses VTR's records more than 7,000 times per hour to verify vehicle ownership.

VTR oversees the collection of motor vehicle sales tax, the distribution of disabled parking placards, and the International Registration Plan for motor carriers that operate in multiple states. Additionally, VTR processes applications for salvage dealer licenses.

#### Partnerships

We perform this work in partnership with the 254 tax assessor-collectors who provide direct customer service to almost 21 million Texas vehicle owners.

- Local, County, Statewide Law Enforcement
- Homeland Security
- New and Used Car Dealers
- Salvage Dealers
- Trucking Industry
- Lienholders
- Specialty License Plate Sponsors

#### Customer Service

- 20 million registrations – almost 77,000 daily
- 10 million plates – over 38,000 daily
- 6 million titles – over 23,000 each day
- 2 million public inquiries – almost 7,700 daily
- 62 million law enforcement inquiries – over 238,000 per day

VTR and our tax assessor-collector partners provide service to a huge number of Texans. Through vehicle registration and titling functions, we touch over 21 million customers each year -- more than any other state agency. We do this with 403 employees and our partnership with the 254 county tax assessor-collectors offices and their sub-contracted vehicle registration outlets. (The 2 million customer service inquiries – phone calls, emails and other correspondence, and walk in customers and our law enforcement inquiries only reflect direct customer service provided by VTR.)



# Information on the Four Vehicle Divisions

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## Revenue

More than \$4.6 billion is collected annually through the vehicle title and registration process. Approximately \$1 billion is deposited to the State Highway Fund, \$3 billion is deposited to the General Revenue Fund, and \$500 million is distributed to the 254 counties for the construction and maintenance of the state's transportation system. More than \$2 million per year is distributed to charitable license plate sponsoring organizations.

## Staffing and Budget

To perform these activities, VTR was allocated 403 FTEs and an annual budget of \$53.8 million in fiscal year 2007.

## Barriers and Issues

There are three major issues that are impeding VTR's ability to operate as efficiently as possible and provide the world class customer service our customers expect and deserve.

### #1 - Aging Technology

Creation of the Registration and Titling System in use today began in the 1980s. That's eons ago from a technology perspective. Some of the specific problems this old technology system creates:

- Difficult to get information – VTR can't easily do data searches. Providing helpful info to customers requires customized programming.
- Doesn't meet customer needs – Customers demand more from technology w/online banking, online shopping, online almost anything, the convenience of being able to complete their business quickly and easily, whatever hour of the day or night.
- Limited online capabilities – The internet wasn't in use when our current technology system was under development. We don't have a field to capture email addresses of our customers to facilitate quicker, easier, less expensive communication. Adding this field to our current system would be very expensive.
- Software Modifications are difficult – Our ability to implement laws passed is severely constrained by our current technology system. The software code is complex, convoluted, and very expensive and time-consuming to change.

### #2 - Complex Statutes

The statutes that govern title, registration, and license plate operations evolved over 90 years. Vehicle registration was one of the first responsibilities assigned to the Highway Department in 1917. The statutes in their present form are detailed, complex, and in some cases, conflicting. These laws reflect operating conditions in existence decades ago. In many instances, these laws prevent the use of new technology by, for example, requiring customer signatures on paper forms.

## Information on the Four Vehicle Divisions

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### #3 - Demographics

- In 2006, Texas had the nation's fastest growing population, with over 579,000 new residents. Vehicle registrations are directly tied to population. Registrations increased by almost 1 million per year in both FY06 and FY07. As Texas' population and diversity grows, so does the need for multi-language capabilities and communications.

Each of these issues is significant on its own, but there is a synergy created among them that magnifies the complexity and increases the urgency of addressing them quickly.

### Opportunities

#### Vision 21 (V21)

The name V21 actually refers to two different but related items. V21 started out as the name for a new computer system but we soon realized that just using new programming languages to recreate our old system was not enough. There were out-of-date processes, procedures, and statutes that would stop us from achieving our goals. So the second thing that V21 refers to is our effort to step back and totally rethink titling and registration processes in Texas.

V21 provides the opportunity to introduce new business processes and technology with a keen focus on providing exceptional customer service—we call it “Customers First!”

V21 is an opportunity to rethink a significant sector of Texas government. And even though our customers are required by law to transact business with us or our partners on an annual basis, we want to treat them as if we were competing for their business.

V21 accomplishes Sunset recommendations:

- “demand for more transparency, accountability, and responsiveness” pg 1
- “Significant changes are needed to begin this restoration; tweaking the status quo is simply not enough” pg 1
- “...improve TxDOT's public involvement effort” pg 1
- “Require the agency to use technology to increase public awareness.” pg 79

V21 isn't just about what VTR wanted and needed, we asked what our partners needed to operate more efficiently and provide better customer service. We've also gone straight to the motoring public and asked them how they want to transact their titling and registration business.

The two overriding goals for V21 are to provide absolutely superior – sit-up-and-take-notice – customer service and to provide that service in the most efficient way possible. Operating efficiently represents another way of providing great customer service

## Information on the Four Vehicle Divisions

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because it means that more of the fees collected go to their intended purpose of building and maintaining the state's transportation system.

We have a very aggressive timeframe to launch the new V21 computer system and all the other process, procedure, and statute changes by January 2013.

The overall V21 project has five separate components:

1. New technology
2. Streamlined processes
3. Improved data accuracy
4. Simplified fee structure
5. Updated statutes

VTR has already begun to work on the new technology, streamlined processes, and data accuracy components of V21 and they will take us part way to our goals of more efficient operations and better customer service. The last two components of the V21 project--simplified fees and updated statutes--will require legislative assistance.

The independent audits TxDOT had conducted for our Sunset review corroborate the recommended statute changes.

### **Constraints**

Without statute changes during the 81<sup>st</sup> legislative session:

- Keeps us tied to paper, titles, forms, etc.
- Keeps process inconsistent and confusing
- Inconveniences Texans through limited service options
- Won't allow the implementation of identified good business practices
- Requires double payment for programming changes

Part of operating more efficiently is doing business online. This offers customers the convenience of doing their business at a time and place that is convenient for them. A constraint to increasing the number of online transactions is the \$2 online convenience fee charged by Texas Online to renew vehicle registrations. VTR is required to use this e-government portal. Our customers repeatedly point out to us that conducting their business online is not only easier for them but much more efficient for government, requiring less personnel and time to process their transaction. They ask why they must pay a higher fee for online services when it is free to go to a government office. Currently only 7% of registration transactions are processed online. Other states have achieved online transaction rates as high as 50%.

The ability of Team for Texas (TFT) to fully support VTR's systems remains unknown. TFT's service levels have not been consistent and these inconsistencies will not be acceptable for high-production systems that directly interface with the public and industry. Any system downtime results in customer delays and dissatisfaction, impedes the ability to conduct motor vehicle sales, idles county motor vehicle employees, and

## Information on the Four Vehicle Divisions

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reduces the safety of law enforcement personnel who are unable to obtain information about vehicle owners.

V21 represents a complete overhaul of the VTR business model. This approach will enable VTR to provide world class customer service to the motoring public and to our industry partners; as well as engage in efficient, accountable business practices.

# Information on the Four Vehicle Divisions

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## Motor Carrier Division Opportunities, Barriers and Constraints

### Background

TxDOT's Motor Carrier Division (MCD) issues operating credentials to motor carriers, including household goods movers and charter bus operators. In 2007 MCD provided services for over 46,000 carriers operating over 323,000 trucks on Texas' roadways. MCD is also responsible for investigating complaints, and assessing administrative penalties, against carriers and shippers that violate motor carrier registration (including financial responsibility violations), consumer protection, and size/weight rules and regulations.

MCD also routes and issues permits to transport vehicles and equipment that cannot be dismantled and that exceed legal size/weight limits. Oversize/overweight (OS/OW) permit applications increased 33% between fiscal years 2003 and 2007, with over 554,000 permits issued in fiscal year 2007<sup>3</sup>. To meet industry needs MCD's Permit Section processes applications from 6 a.m. to 6 p.m. Monday through Friday, from 6 a.m. to 2 p.m. on Saturdays, and is fully staffed on state holidays. Emergency permits are available 24/7 in cases such as after-hours train derailments or power outages.

Demand for OS/OW permits is related to many factors, including:

- public and private infrastructure investments to support population and economic growth, including new and expanded manufacturing, oil, and natural gas facilities;
- growth of wind energy development and associated manufacturing; and
- support of disaster relief and recovery efforts associated with two major hurricanes ("Rita" and "Ike") and other extreme weather conditions requiring infrastructure repair and redevelopment over the past several years.

Approximately 80% of all OS/OW permits are routed manually using customized paper maps showing roadway attributes such as structure heights, lane widths, roadway curvature, weight limits, construction restrictions, etc. Manual mapping and routing processes carry significant risks of human error with the potential for devastating impacts to the traveling public and the transportation infrastructure. These manual processes will be replaced with an automated mapping and routing system (see "TxPROS" under the "Automated Systems" section of "Issues and Opportunities"), currently scheduled for implementation in late 2009.

Motor carriers play a critical role in supporting our economy and quality of life. For the motor carrier industry, "time" truly is "money," and the quality and efficiency of MCD's services has significant impact on truck freight transport and the overall economy.

MCD focuses on minimizing risks to the public, the transportation infrastructure and transported loads by providing efficient and timely services that facilitate compliance with state rules and regulations. MCD's ability to serve its customers directly impacts TxDOT's ability to accomplish the organization's mission to provide for the safe,

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<sup>3</sup> In fiscal year 2008 MCD issued 580,554 permits, a 5% increase over fiscal year 2007.

## Information on the Four Vehicle Divisions

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effective and efficient movement of people and goods, reduce congestion, enhance safety, expand economic opportunity, improve air quality, and increase the value of our transportation assets.

In fiscal year 2007, MCD had 140 allocated FTEs and an annual budget of \$7.6 million. Fee collections for the same period totaled \$59.4 million<sup>4</sup>, with \$23 million deposited to the State Highway Fund and \$36 million deposited to General Revenue.

Over the past five years, MCD has made significant strides in developing and implementing projects and programs to increase efficiencies and service. Additionally, MCD has several new tools in place from the 80<sup>th</sup> legislative session that will increase the ability to serve the public and customers in the long term (HB 1 and HB 2093).

### Opportunities, Barriers and Constraints

#### Statutory

- While permit fee increases and other statutory changes were effective September 1, 2007, it will take 18 months to two years to fully implement the improvements funded by these fee increases (see “Personnel Resources”).
- TxDOT does not have authority to revoke a motor carrier’s registration in circumstances that could result in “imminent public hazard,” such as cases involving non-compliant charter bus companies or household goods movers.

#### Automated Systems

MCD has systematically improved automated systems over the past five years. However, several of these improvements are not yet fully implemented and it may take several years for full benefits to be realized.

- MCD’s Central Permitting System (CPS) is a decade-old product that has been essentially “reworked” from the ground up during that time period. The additional reworks and patches to meet new and future needs do not seem to be the best use of resources, versus developing and implementing a modern CPS from the ground up. Personnel and budget resources are not currently available for this project, which would take several years to develop and implement. In the meantime, use of the current CPS limits potential efficiencies, the ability to implement new permit product types, and future expansion to meet growing demands and/or legislative directives.
- The Texas Permit Routing Optimization System (TxPROS) will replace MCD’s existing manual processes for mapping roadway attributes and routing OS/OW loads. Full implementation and integration of TxPROS will result in improvements to permit turnaround time, customer service, oversize/overweight load analysis and reporting capabilities, and management of the transportation infrastructure. There are several issues relating to achievement of the highest returns on investment.

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<sup>4</sup> For fiscal year 2008 increased permit fees as well as a 5% growth rate resulted in fee collections of approximately \$107 million, with \$43.8 million deposited to General Revenue and \$63 million deposited to the State Highway Fund. MCD’s fiscal year 2009 operating budget was \$9 million.

## Information on the Four Vehicle Divisions

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- The ability to utilize roadbed and other data from TxDOT legacy systems has proven to be a challenge, and true “routing optimization” will not be fully realized without significant personnel and financial investments in these legacy systems. These resources are not currently budgeted or available.
- While TxPROS has been identified on TxDOT’s Information Technology Detail (ITD) report since 2006 and associated legislative appropriation requests since 2008, the total requested funding is not currently approved for expenditure. Funding for this project has also been identified in TxDOT’s LAR Capital Budget Schedule for fiscal years 2008 thru 2011.
- There may be an opportunity to accelerate this project ahead of the originally anticipated implementation date of December 2009. However, current project funding levels for fiscal year 2009 do not facilitate early implementation.
- Required TxDOT enhancements to CPS that fully maximize the capabilities of TxPROS may not be worth the return on investment versus developing a new CPS. However, personnel and resources are not currently identified or available to develop/implement a new CPS under current budgetary and infrastructure constraints. In order to obtain a new CPS within the TxPROS implementation timeframes, a radically new approach will be required. TxDOT is working with the TxPROS vendor to identify potential solutions to this issue.
- MCD’s online Complaint Management System is currently under development, with internal (staff) use implemented in late-October 2008 and external (customer) availability projected for late 2008. This system will provide carrier complaint and resolution histories to aid the public in making informed choices when choosing a motor carrier, household goods mover, or charter bus company. Populating carrier histories will take significant personnel efforts, and the full benefits will not be realized for several years. Additionally, the publication of complaint data on TxDOT’s web site is expected to place increased demands on MCD investigative and enforcement resources as consumers become more aware of their rights.
- MCD’s online Motor Carrier Credentialing System (MCCS) is an unqualified success, with 80% of motor carrier registrations currently being processed automatically online. Several enhancements/upgrades are still needed to provide the highest levels of service and personnel/budget resources are not currently available to develop and implement these upgrades.
- The ability of Team for Texas (TFT) to fully support MCD’s systems remains unknown. TFT’s service levels have not been consistent with established service level agreements. These inconsistencies will not be acceptable for high-production systems that directly interface with the public and industry. System downtime results in customer delays, increased costs to carriers and shippers, and increased TxDOT overtime costs to make up for lost work capacity during normal business hours.

### **Personnel Resources**

- Even with the additional 25 permit specialist FTEs allocated by the 80<sup>th</sup> legislature, MCD’s ability to make process improvements and meet ever-increasing permit demand is limited in the short-term. There are several contributing factors impacting customer service levels.

## Information on the Four Vehicle Divisions

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- Current classification of permit specialists, with starting pay in the \$25,000/year range, is not adequate to recruit and retain employees for these highly technical, production-oriented positions. TxDOT has made short-term classification adjustments; however, legislative action is needed to develop a job family that adequately reflects these positions. Reclassification is supported by TxDOT and the State Auditor's Office.
- Intensive permit specialist training requirements (6 – 10 weeks of classroom training, plus several more months of mentoring by experienced permit personnel) and a steep learning curve means that it can take up to a full year for a permit specialist to reach maximum accuracy and productivity levels.
- MCD's ability to train and integrate more than 7-10 new permit specialists at any given time is limited by personnel and facilities constraints as well as customer service demands.
- The timeframe for full integration and maturity of TxPROS, and impacts on Permit Section workflow and staffing, will not be fully understood until the future.
- While permit volumes have generally increased across the board for the 27 different permit types issued by MCD, applications for "superload" permits has increased up to 900% over the past five years. These are the most complex and time-consuming types of permits issued by MCD, requiring significant personnel experience and skills. The future volume of these permit types is unknown but is expected to continue growing, particularly with the planned expansion of wind generation capacity and refining facilities in Texas over the next several decades.
- Personnel allocations for complaint handling, consumer protection, investigations, and related enforcement activities are not sufficient to meet current or anticipated customer demands in these areas, particularly given the addition of size and weight enforcement activities and the publication of complaint/consumer information on TxDOT's web site. TxDOT currently has 15 field investigators for a carrier population of over 46,000. This lack of personnel resources is compounded by the need to balance "normal" enforcement activities with "priority" enforcement activities such as charter bus crashes, etc.
- The ability to fully train new employees on existing programs, as well as providing the necessary training to develop and implement new programs such as size and weight enforcement, takes significant personnel resources that could otherwise be used in day-to-day activities.
- The anticipated retirement of numerous MCD staff members makes knowledge transfer and succession planning a top priority, again taking personnel resources away from day-to-day activities.
- Due to the more pressing issues concerning highway funding and construction, MCD has limited access to TxDOT's consumer outreach and education capabilities. Examples include consumer education efforts focused on what to look for when hiring a household goods mover, or selecting a charter bus company for transporting your church group or school band.



# Information on the Four Vehicle Divisions

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## **Facilities**

MCD's current facilities, in six different buildings on two different TxDOT campuses, present barriers to improving MCD's organizational structure, workflow, and communications.

## **Interactions with TxDOT and other Agency Personnel**

- MCD's permitting activities are highly reliant on interactions with other TxDOT divisions (such as Bridge and Construction) as well as district permit coordinators across the state. These subject matter experts are essential to identifying impedances to oversize/overweight traffic flow. It is essential that any changes with regard to whether or not the program remains within TxDOT address these relationships, interoperability of computerized systems, data sharing, etc.
- MCD's investigative and enforcement functions were transferred from the Texas Railroad Commission to TxDOT in 1995 by Senate Bill 3. We believe that the intent of this transfer was to help streamline motor carrier regulatory/permitting activities, gain efficiencies by having these programs and subject matter experts under one "roof," and come closer to providing a "one-stop-shop" for motor carrier regulatory functions (customer service continuity). These issues will need to be addressed if a decision is made to transfer only a portion of these programs outside of TxDOT.
- If MCD programs (either partially or as a whole) remain within TxDOT, while other, similar, "regulatory" or "motor vehicle" functions are transferred to another state agency, the impact on MCD and its customers is unknown.

# Information on the Four Vehicle Divisions

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## Motor Vehicle Division Opportunities, Barriers and Constraints

### Background

The primary function of the Motor Vehicle Division (MVD) is to ensure a sound system of distributing and selling motor vehicles through licensing and regulating manufacturers, distributors, converters, and dealers of those vehicles, and to provide for compliance with manufacturer's warranties, and to prevent frauds, unfair practices, discriminations, impositions, and other abuses of our citizens. The Texas Transportation Commission adopts rules to enforce the statutes. The Division Director, who must be a licensed attorney, serves as final order authority for all cases brought under Occupations Code, Chapter 2301 or Transportation Code, Chapter 503. Providing responsive and effective service to consumers, licensees, and the general public is a critical objective of the agency.

The MVD is currently staffed with 96 FTEs, including 14 attorneys, of which three are assigned administrative law judge duties. The Division generated \$9.5 million in revenue deposited to the State Highway Fund in FY 2008. Division expenditures represent approximately 59.7% of the revenue it generated during the fiscal year (\$5.7 million).

The statutes require licensure of franchised and independent motor vehicle dealers, manufacturers, distributors, converters, representatives, lessors, and lease facilitators to monitor their activity and ensure they meet minimum standards to serve the citizens of Texas.

- Licenses the new motor vehicle related industries in the state by:
  - Administering laws and regulations relating to the licensing of 2,704 new motor vehicle dealers, including towable recreational vehicle dealers, 163 lessors, 54 lease facilitators, 147 converters, 314 manufacturers and distributors, and 1,727 representatives.
- Licenses the independent motor vehicle industry in the state by:
  - Administering laws and regulations relating to the licensing of approximately 14,173 independent motor vehicle dealers.

Complaints are received from the public, licensees and government agencies, and investigations are conducted on alleged violations of statutes and agency rules and orders. When violations occur, sanctions such as civil penalties or license revocation may be imposed.

- Regulates both the new and independent motor vehicle industries in the state by:
  - Enforcing provisions of Occupations Code Chapter 2301, Texas Administrative Code, Title 43, Chapter 8, Motor Vehicle Distribution rules, and the Transportation Code governing license requirements and certain activities of licensees, such as the prohibition against false and deceptive advertising, fraudulent sales practices, odometer fraud, and failure to apply for title.

## Information on the Four Vehicle Divisions

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In fiscal year 2008, the MVD received 3,334 written complaints, 7,252 telephone inquiries, assessed \$1.8 in civil penalties, collected \$711,700 in civil penalties and reimbursed \$426,394 to consumers through enforcement efforts.

Consumer protection hearings are conducted throughout Texas on Lemon Law complaints. Complaints can be resolved through mediation and through formal hearings. Complaint resolution may be in the form of replaced or repurchased vehicles, repair of a vehicle, or some other appropriate relief. Consumer assistance is also available when warranty repair complaints do not meet the requirements of the Lemon Law.

The MVD Administers Texas lemon law, assists consumers with warranty complaints and other problems with new vehicles, and monitors Lemon Law hearings conducted by the State Office of Administrative Hearings (SOAH).

In fiscal year 2008, the MVD received 715 written Lemon Law complaints and 275 Lemon Law hearings were set with SOAH.

### **Opportunities, Barriers and Constraints**

#### **Statutory**

The license application review and approval process is complex. Closer scrutiny of ownership information on license applications is necessary as the Occupations Code prohibits manufacturer ownership of dealerships. Texas has more dealers than any other state in the U.S. The ratio of licensees to investigators is over 1,000 to one, significantly higher than most states. MVD has consistently requested additional licensing and investigative resources (20-25 licensing FTEs and 18-20 investigative FTEs). License applications can wait as long as 30 days before they are examined. Enforcement complaints may wait as long as 18 months before an investigator can review them. The recent allotment of 10 new FTEs is very much appreciated and will be put to good use. However, even with reducing the need for additional FTEs to 38-40, MVD still does not have the resources needed to provide services within a reasonable time frame.

Legislative action during the 80<sup>th</sup> session created a new class of mobility dealer GDN with the passage of HB 2216. This bill created a new class of GDN licenses with special license requirements. HB 2651 authorized the adoption of a multi-year license term by rule of the Commission. SB 11 and SB 1786 created an electronic temporary tag system. HB 3601 moved contested cases brought under Occupations Code, Chapter 2301 and Transportation Code 503 filed after September 1, 2007 to the State Office of Administrative Hearings. While SOAH has the responsibility for hearing cases filed after September 1, 2007, as provided in statute, the MVD Division Director serves as the final order authority for these cases. While the operational impact of any one of these legislative changes is manageable, taken together, they create a significant impact on Division operations and resources.

## **Information on the Four Vehicle Divisions**

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The electronic temporary tag system created by SB 11 and SB 1786 is a component of VTR's V21 system. One key need is to statutorily dedicate the \$5.00 registration fee for a buyer's tag to the Vision 21 program. The Vision 21 program is critical to promoting commerce. It is necessary for the assignment of temporary buyer's tags to vehicles that are sold. While implementation of the \$5.00 registration fee in Transportation Code §503.0632 was well meant, there is nothing to protect those funds from being used for other needs, both by TxDOT and other groups that draw from the State Highway Fund.

### **Automated Systems**

Another factor impacting operations is the increased usage of the Internet and e-commerce by the public and licensees, requiring regulation of an additional medium of advertising and marketing. Technology constraints within the MVD make it difficult to maintain the same level of service to the public and the motor vehicle distribution industry under this additional workload. Automation upgrades are in progress to address these issues. The Motor Vehicle Division's technology infrastructure project, LACE, launched application components to support internal functionality on May 1, 2007. This project provided for the integration of 100+ Dbase databases into one relational database, automated workflows across program areas and provided paperless processing and storage of license files. Phase III, (External functionality), will further enhance MVD's ability to provide good customer service. The external component is in development and will allow licensees and members of the public to access and submit certain data directly to MVD. MVD has a contract business analyst compiling requirements and anticipates at least a year before the external component can be launched. The budget expense for the external component is approximately \$988,000. It is possible that development might be marginally faster if there were more money budgeted. However, as it presently stands, we appear to be satisfactorily funded to meet the existing time frame.

### **Personnel Resources**

Effective September 1, 2008, the MVD's FTE allotment was increased by 10 FTEs. The additional staffing resources were distributed equally between licensing and enforcement activities. In submitting its proposal to the Motor Vehicle Work Group, MVD requested an additional 38 FTEs for its Licensing and Enforcement sections under the internal scenario, and 71 FTEs over and above its FY 2009 allocation of 96 FTEs for the external scenarios.

The additional staffing resources identified for licensing activities are necessary to ensure MVD's ability to achieve and maintain an acceptable receipt to review and receipt to approval time frame (within 5 working days). Additionally, increasing the level of staffing resources in the licensing section would provide for direct customer service and support, such as phone calls to dealers to facilitate the resolution of application deficiencies, timely response to email inquiries and personal assistance for walk-in customers that is not currently possible. As the motor vehicle related industries continue to grow, the number of application submissions will increase proportionately.

## **Information on the Four Vehicle Divisions**

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The additional staffing resources identified for MVD administrative activities under the external scenarios are necessary to support and maintain Scan Center and Call Center activities critical to MVD business operations. Staffing increases in these key areas will be needed to process the increased workload as a result of adding staff in other key operational areas in the Division. Additionally, the demands of support for new LACE application functionality, enhancements and the future support needs of hosting an interactive web application combined with staff support is overwhelming. Additional staff resources are desperately needed to maintain internal customer service levels. MVD has taken an indirect support role in the VTR V21 e-Tag system, which diverts scarce IT resources from Division support functions. Given the relationship between the VTR V21 e-Tag system and the MVD LACE application, the requested levels of IT support will be necessary to support both the internal and external customers of both divisions.

Consumer protection is a key component of MVD's regulatory functions. The timely resolution of consumer complaints is a performance goal for the division and a public expectation. An increase in investigative staffing resources is needed to meet our statutory mandates and ensure consumer protection in our current economy. Without these additional investigative resources, MVD will be forced to choose between alternatives that potentially harm the public or diminish consumer protections.

### **Facilities**

MVD work units are currently located in two buildings on the Riverside campus. The separation of individual work units within the Enforcement section presents barriers to improving MVD's organizational structure, workflow and communications. Additionally, MVD has Enforcement staff located in San Antonio and Lubbock, co-located in existing TxDOT facilities. If MVD is transferred out of TxDOT, office facilities will have to be secured for regionally based staff.

### **Interactions with TxDOT and other Agency Personnel**

MVD is dependent on the support functions provided by TxDOT, specifically with Finance, Human Resources, Technology Services Division and the General Services Division. Significant efforts have been made on the part of MVD over the past several years to improve interactions with these divisions. It is essential that any changes with regard to whether or not MVD activities remain within TxDOT address these relationships, interoperability of computerized systems (BIS, LACE, V21, etc.), data sharing, etc.

# Information on the Four Vehicle Divisions

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## **Automobile Burglary & Theft Prevention Authority Office Opportunities, Barriers and Constraints**

### **Background**

The Automobile Theft Prevention Authority (ATPA) was established by the 72<sup>nd</sup> Texas Legislature to create a statewide effort to reduce auto theft. The 80<sup>th</sup> Legislature amended the ATPA mission to include emphasis on vehicle burglary in addition to theft. The resulting agency, known as the Texas Automobile Burglary and Theft Prevention Authority (ABTPA), is charged with assessing the vehicle burglary, vehicle theft, and economic vehicle theft problems in Texas and supports a statewide law enforcement network through grants, auto burglary and theft reduction initiatives, education and public awareness. The theft prevention authority also provides funding for a statewide vehicle registration program and oversees a uniform program to prevent stolen motor vehicles from entering Mexico. Though an office within TxDOT, this function has an independent oversight board appointed by the Governor. The ABTPA is funded by a legislatively mandated annual assessment fee paid by individual policyholders and collected by the Comptroller of Public Accounts

The staff for the program consists of five full-time employees with an annual budget of \$13.7 million in FY2009. The authority is also involved with the Department of Public Safety (DPS) Homeland Security program, as well as insurance fraud and other law enforcement crimes that involve theft of a motor vehicle.

The significant initiatives of the program with the guidance from the board of directors have been

- Vehicle theft rates in Texas have been reduced by 59%.
- 485 grants totaling \$184.3 million have been awarded.
- FY2009 ATPA funded 29 grants to local law enforcement agencies totaling \$12.8 million.
- These grants fund the efforts of 215 individuals working in law enforcement, prosecution and vehicle burglary and theft prevention across the state.
- Funded programs are currently located in 117 counties that account for 95% of the state's burglary and theft problem.
- In 2007, 94,026 vehicles were stolen in Texas, accounting for an economic loss totaling \$860 million.
- In 2007, 254,758 thefts from motor vehicles including motor vehicle parts offenses occurred in Texas, accounting for an economic loss totaling \$214 million.

One of the significant initiatives of the program was to establish the Border Auto Theft Information Center (BATIC) in 1994 to assist in the recovery of stolen vehicles from Mexico and the US BATIC provides information to Mexican and US law enforcement personnel via a 1-800 toll free number on inquiries regarding stolen vehicles. Since its

# Information on the Four Vehicle Divisions

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inception, BATIC has received 1,343,705 inquiries and identified 60,306 stolen vehicles. Of the stolen vehicles identified by the BATIC center, 20,454 have been recovered by law enforcement agencies along the border. These recovered vehicles total an estimated \$256 million dollars.

## Opportunities, Barriers and Constraints

### **Automated Systems**

- The basic updating of computer needs in order to communicate and continue to produce quality work is essential. The availability of updated software that is faster and allows more options than basic information will keep the program in the 21<sup>st</sup> Century. This is only one of the needs of the ABTPA program. The most glaring technology issue is the need for an online Grant Tracking system.
- Implementation of an online grant tracking system will facilitate quicker reporting and communication between the granting agency and the receiving agency. The need for technology is becoming more prevalent with the call for an online grant application system to better assist with the administration and the oversight of the grant projects across the state. This will be beneficial to reporting on the progress, the financial status and other public education information for the grant projects and the program. This allows staff more time to concentrate on the administrative aspects of providing the state of Texas with quality assurance to carry out the mission of the program.

The program currently uses a Grant Tracking System that is an Access based program that can keep all pertinent information for grant progress. The online system would incorporate the specific information needed and provide the ability to expand and enhance the efficiency and the accuracy of information being recorded.

- In the future ABTPA is planning to utilize the internet more to give faster response times to customers. The automated systems will facilitate faster reporting, reimbursements and application processing. This will be a cost savings application, for the decrease in the maintenance of office equipment and materials.

### **Personnel Resources**

In submitting its proposal to the Motor Vehicle Work Group, ABTPA requested an additional two FTEs over and above its FY 2009 allocation of five FTEs. ABTPA anticipates these additional FTEs will be distributed across work units as follows:

- Additional FTE for Administrative and Support activities 1
- Additional FTE for Grant Project Monitoring 1

## Information on the Four Vehicle Divisions

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The additional staffing will support ABTPA's increased duties specific to auto burglary prevention, including planning, developing and monitoring statewide auto burglary prevention educational programs; assisting grantees in developing their auto burglary prevention plans; grant administration and monitoring activities to ensure grantees are meeting their program goals and objectives and to verify grant funds are expended appropriately.

Responsibility of accurately capturing the statistical information and trends of auto burglary to the scope of the program has made the increase of personnel a necessity. The responsibility would include planning, developing, and monitoring a statewide auto burglary prevention educational program; assisting grantees in development of their auto burglary plans; and administering and monitoring grantees use of funds, monitoring the technical and educational programs in use by grantees', and monitoring grantees performance to ensure their goals and objectives are met.

The additional staff would allow for more oversight, coordination of initiatives and statistical information for the burglary responsibility.

### Resources

- Constraints of funding, short of having a dedicated status to funding, would continue to cap the level of funding to grant projects. This would not allow the grants to add officers to the task forces to combat the rising crime of auto burglary and continue to reduce auto thefts in their respective areas. The constraint does not allow for administrative support for increased public awareness materials and new technology for faster and easier communication and reporting.
- All decisions of funding and the direction of the program are disseminated through the Board, which provides the perspective from the various areas of representation from the members.
- Although ABTPA has its own funding stream, it does not have the additional funding sources or funding strategies the other divisions may have access to. The funding for the program is cut and dry for ABTPA without maintaining rider language to allow use of funds collected over a certain amount designated by the Legislature. This is potentially additional funds but is not a definite aspect of the funding for the program.

### Interactions with TxDOT and other Agency Personnel

- **Motor Vehicle Division (MVD):** ABTPA grantees provide training to investigators concerning vehicle theft, title fraud, and prevention. Task forces are often called to assist with inspections and investigations of new and used car dealerships, repair facilities and salvage yards.
- **Vehicle Titles and Registration (VTR):** Assistance with verification of titles and registration and vehicle history inquiries. Grantees utilize VTR resources to



## Information on the Four Vehicle Divisions

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complete 68A inspections and salvage yard rules and regulations. VTR also provides assistance with inquiries concerning home-made vs. manufactured trailers. The use of registered vehicle data is a component to calculate motor vehicle theft rate in the state. In addition, this data is necessary in reporting performance measures.

- The Human Resources, General Services, contract services and Finance divisions are a tremendous support for the small staff of the program to adequately concentrate on the areas of providing the best services and information to the grant projects and the citizens of Texas. Without these types of services the ABTPA program would definitely have to increase the staff of the program.

# Global Resource Issues

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## Common Barriers to Optimal Service Levels and Productivity

The Work Group was asked to look at the Vehicle Divisions' operations with a fresh perspective in an attempt to accommodate the evolving nature of customer and industry demands for service. Certain resource issues are common to all four Vehicle Divisions. All global resources issues should be addressed regardless of the organizational structure that the Vehicle Divisions are placed in.

All groups in TxDOT compete for resources such as FTE allocations, funding, technology, travel allocations and access to non-division expertise such as human resources support, purchasing support or support in developing public information, marketing and educational campaigns. The Vehicle Divisions should have access to these resources in accordance with their needs.

Each of the four Vehicle Divisions has taken its own approach to addressing global resource issues based upon their primary business needs. What is clear is that the Vehicle Divisions have different needs from those divisions directly involved in the design, construction and maintenance of roads and highways. The workloads of these divisions are directly related to highway letting volumes. Resource needs of the Vehicle Divisions are based on factors such as population growth in addition to private and public infrastructure investments beyond the roads and highways. As the Texas population of both people and business interests continues to increase at a rapid rate, the need for adequate global resources to (a) register and title motor vehicles; (b) regulate the franchised and independent dealers, manufacturers and suppliers; (c) protect and promote public safety; and (d) transport goods by truck also increases. An increase in these activities generates increased consumer complaints, investigations and enforcement actions.

In the analysis, barriers have been identified that prohibit the Vehicle Divisions from operating as efficiently and effectively as desired.

There are five barriers that must be addressed before the magnitude of changes desired by all can be achieved. These barriers include: inadequate staffing, insufficient financial resources, inadequate technology, an inefficient technology climate, and outdated statutes. These barriers are interrelated and the combination of two or more within a division compounds the magnitude of the problems they cause.

### **Inadequate Staffing**

The Vehicle Divisions do not have sufficient employees to provide timely customer service, adequately protect the safety of the motoring public, and carry out other statutorily required functions. This causes problems in all divisions.

Motor carriers with a loaded truck are forced to decide between waiting hours in line for a permit or risk receiving a citation, because to them time is money. If they choose to risk a ticket, the state loses money and the safety of the motoring public may be put at

## **Global Resource Issues**

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risk if that carrier didn't meet the requirements to make the haul or traveled the wrong route.

Franchised dealers are forced to wait weeks and in certain instances months before obtaining a license under which they can conduct business. This delay in obtaining a license can cause an asset transfer to be postponed or a dealer to operate under an expired license.

Investigations into alleged wrongful conduct and enforcement actions to better protect the public are delayed or not pursued at all due to the critical lack of manpower.

Licenses and registrations are not issued in a timely manner, forcing customers to drive unlawfully on Texas roads and highways.

The Vehicle Divisions also do not always have access to staff with the right skills sets. Current guidelines and processes internal to TxDOT limit the options of the Vehicle Divisions to have the proper level of staffing.

The pay scales for certain positions within the Vehicle Divisions do not always correspond to the pay scales that the state or TxDOT's internal process has assigned to them. For example, in the Motor Carrier Division a critical position is that of a permit officer. Essentially, a permit officer functions much like an air traffic controller. The difference is that their "sky" is the roads, highways, bridges and underpasses of Texas. It takes a considerable amount of training and a significant skill set to manage this difficult task yet the pay scale for this position is equivalent to that of an entry-level fast food clerk.

Personnel count mandates imposed on TxDOT generally, either internally or externally, may unfairly penalize the Vehicle Divisions. The workload of the Vehicle Divisions is on the rise now and for the foreseeable future. The arbitrary application of these standards on the Vehicle Divisions has resulted at times in dangerously low levels of staffing in all the divisions.

### **Insufficient Financial Resources**

The need for roads is driven by the number of vehicles, but the ability to design, construct, and maintain roads is constrained by available funds. The demand for Vehicle Division services is driven by population and economic health, but because they are revenue generating—and could more than pay for their operations—they should be subject to different financial constraints than the "road" divisions.

Enforcement effectiveness is constrained in the current climate. It is not enough to provide personnel to get to each case or issue. There must be enough financial support to take care of other physical needs such as technology and operational support as well. The state can and should provide a level playing field with enough resources to protect the public and promote business opportunities in Texas.

# Global Resource Issues

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There will always be emergencies that come up that the Vehicle Divisions will be forced to scramble and deal with by shifting resources. The real danger in today's environment is that there are precious little resources to shift. There must be adequate resources on hand to address spikes in business activity.

## **Outdated Technology**

Improved technology systems that meet the current and future anticipated needs are vital to the efficient and effective operation of the Vehicle Divisions. Currently, the Vehicle Divisions have inadequate technology systems to provide the level of service demanded by their customers or the industries they regulate.

As an example, development of the database that holds the title, registration, and license plate information for every Texas vehicle began in the 1980s. While it was a tremendous improvement over the index card system in use previously, it was developed before the Internet was conceived. It is cumbersome and expensive to modify, slowing down the implementation of legislation and other system enhancements, and programmers are increasingly difficult to find.

The routing of permits for the operation of oversize or overweight vehicles is a painstaking process that takes a great deal of patience and time because the route from the destination to the end point must be plotted manually from paper maps updated daily. Automating this process could reduce required staff and carrier wait time.

Technology is the linchpin of efficient operations. Investment in technology systems can help the Vehicle Divisions cope with increasing workloads without corresponding staff increases. It can help eliminate human-error mistakes by validating information like addresses or vehicle identification numbers.

Technology is also a key to enhancing the quality of customer service. Online processing offers customers the option to conduct their business with the state at their convenience, 24 hours a day, 7 days a week. The Internet can also provide access to information about their vehicles or motor carrier permits or dealer license application status.

## **Inefficient Technology Climate**

The Vehicle Divisions need for efficient technology systems is critically important. The need for an efficient technology climate is important, too. The best-designed system can't process a single transaction if it isn't operational because the servers were rebooted in the wrong order. If the motor vehicle database system goes down, it inconveniences customers who took time off work to go renew their vehicle registration and local government employees are idled. The statewide contract requiring consolidated data services is problematic.

# Global Resource Issues

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## **Outdated Statutes**

Statutes that reflect operating conditions in existence decades ago plague the Vehicle Divisions, particularly the Vehicle Titles and Registration Division since it was created in 1917 as part of the Highway Department. These laws have been modified over the years but there has not been a comprehensive review and re-codification. The laws governing vehicle titling and registration, in many instances, prevent the use of new technology by requiring customer signatures on paper forms. Outdated statutes that require inefficient business processes limit the efficiency gains possible from new technology systems.

These barriers prevent the Vehicle Divisions from running their operations like a business. They cannot provide the level of service their customers or industries demand. They are forced to operate inefficiently, which ultimately increases the cost of providing these government services.

As a result of inadequate staffing, insufficient resources, inadequate technology, the inefficient technology climate, and outdated statutes they are coping with, customer service suffers, response to the public's needs may slip, the economic health of the state may suffer because industries are hampered, and the amount of revenue generated for the state is reduced.

## Findings of Fact

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The motor vehicle related industries play a vital role in the Texas economy. The Vehicle Divisions have a critical role in the oversight of the motor vehicle related industries. The motor vehicle related industries and the divisions that oversee them should have a front and center position in the Texas regulatory system. The Vehicle Divisions should not take a back seat to any other Texas government agency in terms of carrying out their core mission.

The motor vehicle related industries are increasing in both diversity and complexity of issues. In the wake of nationwide pressure, if not outright distress on all operational and financial aspects of the motor vehicle related industries, there is a call for more active government involvement and oversight on a national level. As a result, there is a greater need than ever for state oversight to protect and promote consumer and business needs in the state of Texas as far as the motor vehicle related industries are concerned.

TxDOT has limited financial or operational ability to promote, fund or otherwise advance the Vehicle Divisions beyond current parameters.

TxDOT must spend its time and resources to finding funding for the design, construction and maintenance of Texas' roads and highways. There are simply not enough funds to meet TxDOT's financial needs in this regard. The vast majority of TxDOT's creative, administrative and public policy intellect and energy must be utilized in support of finding funding and getting road and highway projects off the ground.

Given the challenges it faces there is little time on the part of the Department to focus attention on the Vehicle Divisions since the design, construction and maintenance of the Texas State Highway and Road System takes first, middle and last priority. The design, construction and maintenance of roads are now, will always be and should always be the first, middle and last priority of TxDOT.

The core business of the Vehicle Divisions has been on the rise annually. In spite of the recent economic slump that has slowed growth in motor vehicle manufacturing and sales, the increase in the core business, and thus the needs of the Vehicle Divisions to keep pace with this growth, will continue.

Customer service, in terms of the processing of licenses, permits and registrations, is severely deficient. It takes too long to process these documents in the Vehicle Divisions. The resulting negative impact on customer service, public safety and revenue to the state of Texas is severe. The general public is demanding improvement in customer service. The motor vehicle related industries are demanding improvement in customer service as well.

All four Vehicle Divisions are revenue positive to the state of Texas. Average annual revenue collected and distributed into the State Highway Fund and the General Revenue Fund exceeds \$4.5 billion while average expenditures for the same period are less than \$96 million.

## Findings of Fact

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All four Vehicle Divisions are revenue positive to the Texas Department of Transportation (TxDOT). Average annual revenue collected and distributed into the State Highway Fund exceeds \$1.2 billion while average expenditures for the same period are less than \$96 million.

TxDOT needs more revenue to carry out its core mission of designing, building and maintaining roads.

The four Vehicle Divisions provide services and function in a manner that is “unique” within TxDOT. The resource needs and operational issues that face the four Vehicle Divisions, as well as the ways to address them, are also unique to these four divisions within TxDOT.

The four divisions that comprise the Vehicle Divisions are public facing or “active” in terms of customer focus. The Vehicle Divisions are primarily driven by direct vehicle customers and have 100% customer interaction. The road divisions in TxDOT are primarily driven by the need to properly design, build and maintain roads. Their direct interaction with the public is primarily confined to those members of the public who chose to get involved.

There are real conflicts between the culture and needs of the four Vehicle Divisions and the remaining core divisions of TxDOT. These conflicts have resulted in disadvantages to the four Vehicle Divisions and the industry that they oversee.

There is sufficient evidence of the need to improve customer service and better protect the public safety and welfare of the motor vehicle related industries by the Vehicle Divisions.

There is sufficient evidence that the turnaround time for the licensing, permitting and registration of vehicles and the entities involved in the creation, distribution, sale, maintenance and repair of those vehicles is worse than it would be if there was a proper allocation of resources and technology to the Vehicle Divisions.

All of the Vehicle Divisions are in desperate need of technology advances to support the motor vehicle related industries by improving customer service and enhancing public safety. The Team for Texas technology statewide initiative may be detrimental to the ability of the divisions to modernize their operations.

There is sufficient evidence of the operational capacity of the Vehicle Divisions to provide world class support for the motor vehicle related industries, maximize customer service and better protect the public safety and welfare if sufficient capital investment is made in the four Vehicle Divisions to enhance their capacity and performance.

There is sufficient evidence of the operational and financial capacity of the Vehicle Divisions to generate additional productivity resulting from the development and better

## Findings of Fact

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utilization of technology that should improve net revenue to the state of Texas if sufficient capital investment is made in the four Vehicle Divisions to enhance their capacity and performance.

The function of permitting trucks to transport goods and equipment on Texas roads and highways is performed by the Motor Carrier Division. This function is unique in the Vehicle Divisions in that it is more directly tied to a core function of TxDOT in protecting public safety than the other vehicle interests.



## Recommendations

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The charge to the work group was not to make a specific, single recommendation concerning an organizational structure or placement of the affected divisions. Instead, it was charged with reviewing and recommending improvements to the operations of the affected divisions and to provide feedback to TxDOT's Administration and the Texas Transportation Commission on the organizational placement of these divisions.

Based on its review the work group has advanced the following recommendations:

- The Vehicle Divisions should be supported by an organizational structure that clearly establishes them, and the industries that they oversee, as “partners” versus “employees” in the governmental and operational processes regardless of their placement in TxDOT, another state agency or a newly formed independent agency.
- Customer service should be placed as the highest priority of the Vehicle Divisions. The Vehicle Divisions should be held directly accountable for the highest level of customer service possible within reasonable financial means. Resources and technology should be provided accordingly to support this focus.
- The Vehicle Divisions should be afforded the opportunity to stand on their own merits in terms of customer service, public safety, financial, personnel and technology needs.
- The Vehicle Divisions should be supported by the creation of an independent organizational structure regardless of their placement in TxDOT, another state agency or a newly formed independent agency.
- An independent policy and/or advisory board should be established to oversee and guide the operations of the Vehicle Divisions regardless of their placement within TxDOT, another state agency or as an independent agency.
- The current Board of the Auto Burglary & Theft Prevention Authority (ABTPA) should be maintained in its current form regardless of its placement in TxDOT, another state agency or a newly formed independent agency.
- If the Vehicle Divisions remain inside TxDOT consideration should be given to review their needs based on different criteria or standards than the road and engineering operations.
- The Vehicle Divisions should be provided the tools and resources necessary in terms of personnel, technology and financial support to implement standards and improvements in performance in their operations regardless of their placement in TxDOT, another state agency or a newly formed independent agency.

## Recommendations

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- The need for increased tools and resources must be substantiated and shown to be of benefit financially, operationally and in improved customer service under a properly constituted review process. This process should be done in accordance with standards necessary to support the motor vehicle related industries and the public at large.
- The Vehicle Divisions should be afforded the opportunity to make their respective and collective cases for increased allocations of funding, resources and technology to an independent policy review body or person in addition to the legislative budget review process, separate and apart from the internal TxDOT budget review process.
- Innovative use of resources, technology and staffing should be encouraged. This should include the review and possible use of outside firms and consultants to improve performance in the short run, while planning for staffing needs after technology updates have resulted in increased efficiencies and productivity.
- The Vehicle Divisions should be allowed to manage all aspects of their technology operations in order to better foster the technology upgrades the vehicle industry and the public need. Furthermore, the Vehicle Divisions should be exempted from the Team for Texas technology initiative if they are placed in an independent agency.
- Each of the four Vehicle Divisions should have a dedicated revenue stream that is derived from the funds that each division collects.
- The amount of revenue that the Vehicle Divisions collectively generate should not be diverted to support other state agencies until a full independent review of the needs of each division is completed and proper funding established to support the Vehicle Divisions in their reconstituted form.
- The amount of additional funding that will be necessary to properly promote and enhance the performance of the Vehicle Divisions should not have an adverse impact on the net amount currently dedicated to the State Highway Fund and utilized by TxDOT to design, construct and maintain Texas roads and highways.
- The net amount that is currently being distributed to the State Highway Fund today should not be reduced as a result of the relocation of the Vehicle Divisions into a new alignment including a stand-alone, separate state agency.
- The Vehicle Divisions should be afforded the opportunity at their election to conduct independent studies resulting in potential internal reorganization or

## Recommendations

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restructuring either within their respective divisions or across divisional lines regardless of their placement inside TxDOT, another state agency or in a newly formed state agency.

- The Vehicle Divisions restructuring, if any, should not be done all or in part with the road and engineering divisions of TxDOT.
- If the Vehicle Divisions remain inside TxDOT, real operational and cultural conflicts exist. All of these conflicts should be resolved by deferring to the overriding need to promote the independent and special needs of the motor vehicle related industries as much as possible.
- The Motor Carrier Division's permit section should remain attached operationally to TxDOT's road divisions, regardless of this division's placement in state government, by whatever means necessary unless and until a better partnership arrangement is in place that will ensure the continued protection of public safety in transporting goods and equipment on Texas highways and roads.

# Alternatives

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## Alternative #1

### Remain in TxDOT

**Maintain the current high-level organizational structure within TxDOT and implement proposed operating improvements.**

**Outline of Structure:** See attached Organizational Chart

#### **Advantages:**

- Improves customer service to the public and the industry.
- A quick implementation timeframe.
- Least disruptive to the operations of the affected divisions.
- Access to highway condition related information for Motor Carrier Division is less likely to be interrupted.
- No additional executive staff.
- No additional indirect costs are required.

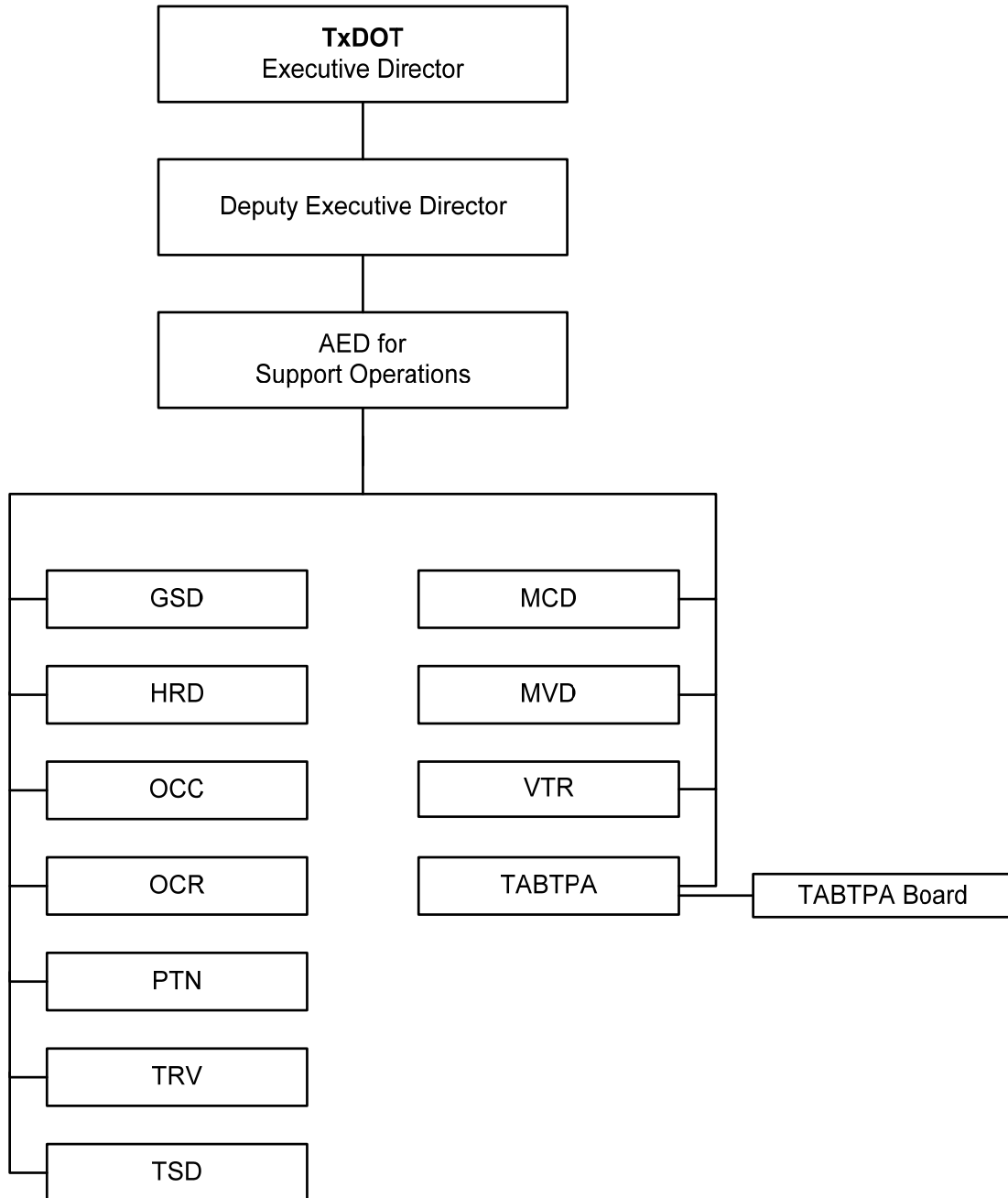
#### **Disadvantages:**

- No additional commission focus or attention for the vehicle functions.
- No additional executive management focus or attention for the divisions.
- No alleviation from undue pressure on divisions from involvement in “highway” related issues that result in budget, staffing and other resource limitations.
- Is not responsive to demonstrated public and industry needs with respect to customer service, rule-making, timeliness of decision-making, staffing, implementation of technology initiatives, the issuance of licenses and permits.

**Cost:** Approximately \$6.3 million of additional funding is required for the four affected divisions. See attached expenditure estimates for details.



## Alternative 1 Remain in TxDOT



# Alternatives

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## Alternative #2

### Independent Unit in TxDOT

#### Structure as an independent organizational unit in TxDOT, implement proposed operating improvements and establish separate oversight.

**Outline of Structure:** See attached Organizational Chart

#### **Advantages:**

- Improves customer service to the public and the industry.
- Potential for less disruption to existing operations of affected divisions than start of new agency.
- The attention paid to the divisions is potentially increased by having the divisions under the oversight of either an independent board or a formal advisory committee.
- Increased insulation from “highway” issues.
- Access to highway condition related information for Motor Carrier Division is less likely to be interrupted.
- No additional indirect costs are required.

#### **Disadvantages:**

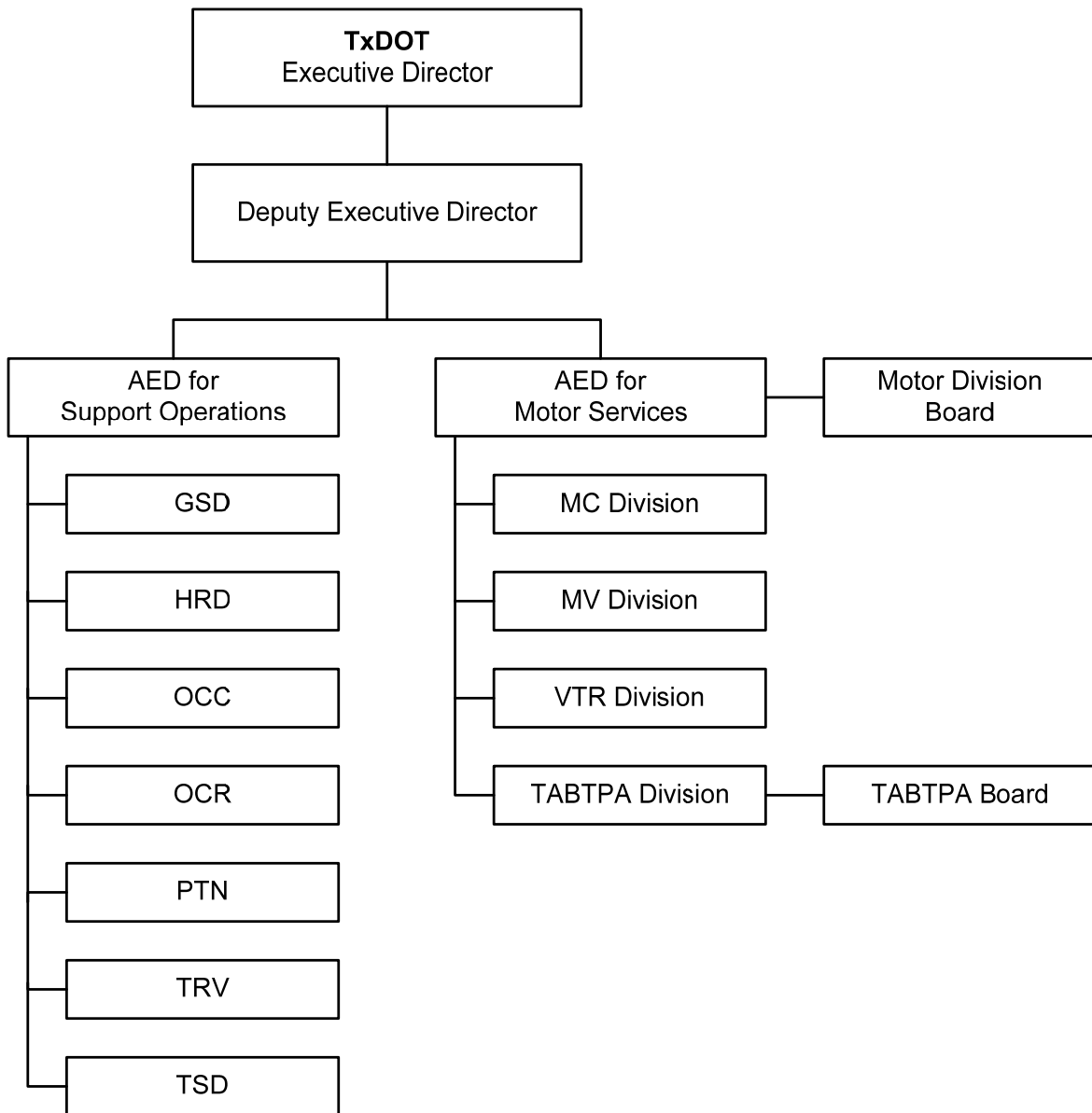
- No additional commission focus or attention for the vehicle functions.
- No additional executive management focus or attention for the divisions.
- No alleviation from undue pressure on divisions from involvement in “highway” related issues that result in budget, staffing and other resource limitations.
- Is not responsive to demonstrated public and industry needs with respect to customer service, rule-making, timeliness of decision-making, staffing, implementation of technology initiatives, the issuance of licenses and permits.
- Potential organizational conflict caused by the staff of the divisions being TxDOT employees while operationally reporting to an independent oversight board.
- Potential for additional overhead to support separate oversight body.

**Cost:** Approximately \$6.3 million of additional funding is required for the four affected divisions. See attached expenditure estimates for details.

Note - TxDOT Executive Management has informed the Work Group that this alternative is not acceptable. TxDOT Executive Management does not believe they can have rules and procedures for the Vehicle Divisions that are different from the road and engineering divisions.



## Alternative 2 Independent Unit in TxDOT



# Alternatives

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## Alternative #3

### Independent Agency

**Transfer the divisions to a newly created independent agency that reports to either a single Commissioner appointed by the Governor or a board appointed by the Governor.**

**Outline of Structure:** See attached Organizational Chart

#### Advantages:

- Improves customer service to the public and the industry.
- TxDOT can focus more on “highway” issues.
- Agency’s leadership is not distracted or directly affected by “highway” issues.
- Provides the most attention to the functions by placing them in an independent agency that has as its core mission the provision of services to the divisions’ constituents.
- Would alleviate undue pressure on divisions from involvement in “highway” related issues that might constrain staffing, technology and other resource needs.
- Divisions are directed by a dedicated, independent board or commissioner and executive management team providing oversight regarding administrative functions.
- A new agency would be most responsive to demonstrated public and industry needs with respect to customer service, rule-making, timeliness of decision making, staffing, technology, the issuance of licenses and permits.

#### Disadvantages:

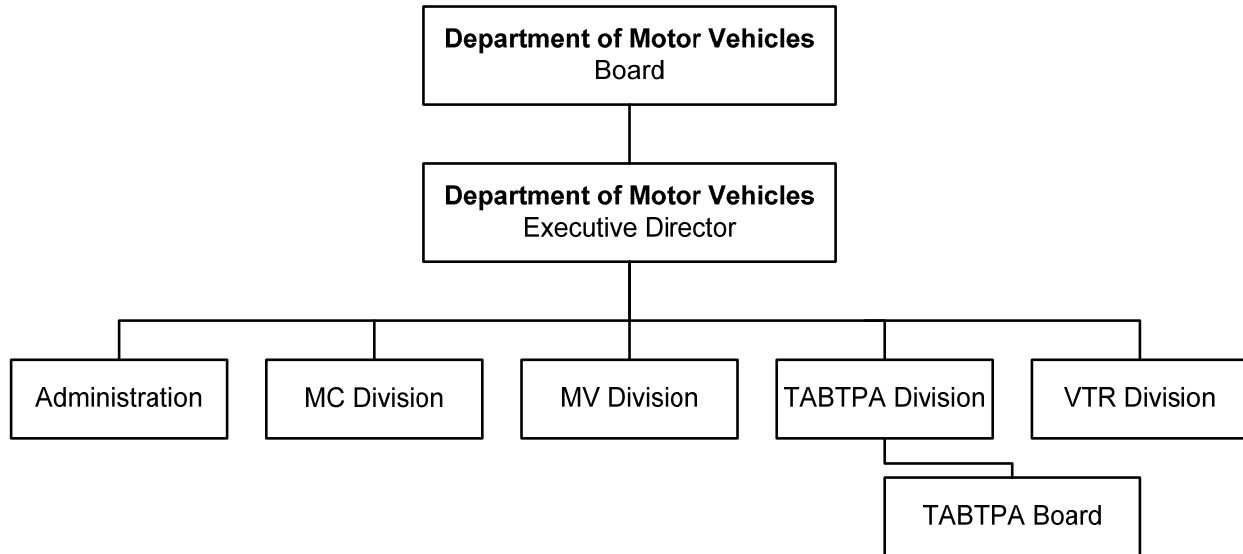
- Added cost associated with the creation and operation of a new state agency.
- Potential problems associated with requiring increased coordination between the new agency and TxDOT regarding the sharing of highway condition related information critical for Motor Carrier Division.
- Potential problems associated with requiring increased coordination between the new agency and TxDOT regarding the sharing of vehicle registration information necessary for tolling operations.
- If a single Commissioner is appointed, power of oversight and operations concentrated in one person versus broader-based board.

**Cost:** An estimated \$9.4 million of funding above current levels would be required to implement this alternative. See attached cost estimates for details.





## Alternative 3 Independent Agency



# Alternatives

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## Baseline Operations Estimated Revenue and Costs

### Total Annual Revenue

Automobile Burglary and Theft Prevention	\$16,600,000
Motor Carrier Division	59,400,000
Motor Vehicle Division	9,400,000
Vehicle Titles and Registration	<u>4,600,000,000</u>
<b>TOTAL</b>	<b><u>\$4,685,400,000</u></b>

(Note - Revenue figures based on information for Fiscal Year 2007)

	FTEs	Average Operating Costs
<b><u>Current Estimated Expenses</u></b>		
<b><u>Direct Costs *</u></b>		
- Automobile Burglary & Theft Prevention	5	\$15,094,333
- Motor Carrier Division	145	9,424,385
- Motor Vehicle Division	96	6,863,556
- Vehicle Titles & Registration	403	<u>64,256,853</u>
Total Direct Costs	649	\$95,639,127
<b><u>Indirect Support Costs **</u></b>		
Accounting/Budgeting	8	\$367,833
Auditing	1	54,690
Commission/Exec Mgmt	0.4	65,400
Facilities	6	1,052,538
Human Resources	8	377,718
Information Resources	33	9,800,367
Legal	1	80,000
General Services	6	<u>2,102,003</u>
Total Indirect Costs	63.4	\$13,900,549
<b>TOTAL COSTS</b>	<b>712.4</b>	<b><u>\$109,539,676</u></b>

\* - Based on average for FY 2007 & 2008

\*\* - Based on pro-rated information submitted by TxDOT Support Divisions.

# Alternatives

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## Alternative #1

### Estimated Revenue and Costs

#### Total Annual Revenue

Automobile Burglary and Theft Prevention	\$16,600,000	
Motor Carrier Division	59,400,000	
Motor Vehicle Division	9,400,000	
Vehicle Titles and Registration	<u>4,600,000,000</u>	
<b>TOTAL</b>		<b><u>\$4,685,400,000</u></b>

(Note - Revenue figures based on information for Fiscal Year 2007)

	FTEs	Average Operating Costs
<b><u>Current Estimated Expenses</u></b>		
<b><u>Direct Costs *</u></b>		
- Automobile Burglary & Theft Prevention	7	\$15,444,333
- Motor Carrier Division	174	11,310,669
- Motor Vehicle Division	134	9,931,135
- Vehicle Titles & Registration	416	<u>65,242,617</u>
Total Direct Costs	731	\$101,928,754
<b><u>Indirect Support Costs **</u></b>		
Accounting/Budgeting	8	\$367,833
Auditing	1	54,690
Commission/Exec Mgmt	0.4	65,400
Facilities	6	1,052,538
Human Resources	9	425,442
Information Resources	33	9,800,367
Legal	1	80,000
General Services	6	<u>2,102,003</u>
Total Indirect Costs	64.4	\$13,948,273
<b>TOTAL COSTS</b>	<b>795.4</b>	<b><u>\$115,877,027</u></b>

\* - Based on average for FY 2007 & 2008 plus additions from affected divisions

\*\* - Based on pro-rated information submitted by TxDOT Support Divisions.

# Alternatives

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## Alternative #2

### Estimated Revenue and Costs

#### Total Annual Revenue

Automobile Burglary and Theft Prevention	\$16,600,000	
Motor Carrier Division	59,400,000	
Motor Vehicle Division	9,400,000	
Vehicle Titles and Registration	<u>4,600,000,000</u>	
<b>TOTAL</b>		<b><u>\$4,685,400,000</u></b>

(Note - Revenue figures based on information for Fiscal Year 2007)

	FTEs	Average Operating Costs
<b><u>Current Estimated Expenses</u></b>		
<b><u>Direct Costs *</u></b>		
- Automobile Burglary & Theft Prevention	7	\$15,444,333
- Motor Carrier Division	174	11,310,669
- Motor Vehicle Division	134	9,931,135
- Vehicle Titles & Registration	416	<u>65,242,617</u>
Total Direct Costs	731	\$101,928,754
<b><u>Indirect Support Costs **</u></b>		
Accounting/Budgeting	8	\$367,833
Auditing	1	54,690
Commission/Exec Mgmt	0.4	65,400
Facilities	6	1,052,538
Human Resources	9	425,442
Information Resources	33	9,800,367
Legal	1	80,000
General Services	6	<u>2,102,003</u>
Total Indirect Costs	64.4	\$13,948,273
<b>TOTAL COSTS</b>	<b>795.4</b>	<b><u>\$115,877,027</u></b>

\* - Based on average for FY 2007 & 2008 plus additions from affected divisions

\*\* - Based on pro-rated information submitted by TxDOT Support Divisions.

# Alternatives

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## Alternative #3

### Estimated Revenue and Costs

#### Average Annual Revenue \*

Automobile Burglary and Theft Prevention	\$1,259,960
Motor Carrier Division	85,046,499
Motor Vehicle Division	9,391,867
Vehicle Titles and Registration	<u>1,114,581,667</u>
<b>TOTAL</b>	<b><u>\$1,210,279,992</u></b>

(Note - Average revenue figures based on information for Fiscal Years 2007 and 2008)

	FTEs	Average Operating Costs
<b><u>Current Estimated Expenses</u></b>		
<b><u>Direct Costs *</u></b>		
- Automobile Burglary & Theft Prevention	7	\$15,444,333
- Motor Carrier Division	174	11,310,669
- Motor Vehicle Division	134	9,931,135
- Vehicle Titles & Registration	416	<u>65,242,617</u>
Total Direct Costs	731	\$101,928,754
 <b><u>Indirect Support Costs **</u></b>		
Accounting/Budgeting	10	\$537,000
Auditing	3	188,365
Commission/Exec Mgmt	2	275,000
Facilities	6	3,363,375
Human Resources	9	425,442
Information Resources	44	13,879,089
Legal	3	240,000
General Services	11	<u>2,421,439</u>
Total Indirect Costs	88	\$21,329,710
<b>TOTAL COSTS</b>	<b>819</b>	<b><u>\$123,258,464</u></b>

\* - Based on average for FY 2007 & 2008 plus additions from affected divisions

\*\* - Based on pro-rated information submitted by TxDOT Support Divisions.

# Appendix A

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OFFICE OF THE GOVERNOR

RECEIVED BY

JUN 24 2008

COMMISSION OFFICE

RICK PERRY  
GOVERNOR

June 20, 2008

Ms. Deirdre Delisi  
Chairman  
Texas Transportation Commission  
Texas Department of Transportation  
125 East 11th Street  
Austin, Texas 78701-2483

Dear Chairman Delisi:

Over the last few months, my staff and I have spoken to several friends in the car business. The combination of the high price of gasoline and the credit crunch is taking a toll on the car business in Texas. Automobile dealers of all makes, as well as the two manufacturers with a strong Texas presence, are hurting.

The Texas Department of Transportation's (TxDOT) Sunset Commission review presents us all an opportunity to reevaluate how Texas state government regulates the business in Texas. In order to streamline and make the most efficient and effective state regulatory structure, I direct you to take the following actions:

- Prepare an agency response to the Sunset Commission staff report that consolidates the various car functions within TxDOT into one division. This division should be focused exclusively on motor vehicles, with the goal of streamlining the many functions to facilitate more effective processes and communications for automobile dealers, manufacturers and consumers.
- Propose the re-creation of a properly balanced appointed motor vehicle board made up equally of dealers, manufacturers and consumers to oversee the new streamlined automobile division.
- Without overstepping your statutory authority as chairman, suggest to the Sunset Commission the possibility of the creation of a streamlined standalone automobile

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# Appendix A

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Ms. Deirdre Delisi  
June 20, 2008  
Page 2

agency governed by an appointed, balanced motor vehicle board made up of dealers, manufacturers and consumers.

- Deliver to the Sunset Commission any other measures you and your staff feel would improve and streamline state regulation of the automobile business without harming Texas consumers.

Thank you for your service to the State of Texas.

Sincerely,

A handwritten signature in black ink that reads "Rick Perry". The signature is written in a cursive, slightly slanted style.

Rick Perry  
Governor

RP:khp

cc: Amadeo Saenz, Jr., P.E., Executive Director, TxDOT



125 E 11TH STREET • AUSTIN, TEXAS 78701-2483

July 14, 2008

The Honorable Rick Perry  
Governor of Texas  
P.O. Box 12428  
Austin, Texas 78711

Dear Governor Perry:

Thank you for your letter outlining opportunities to improve government regulations of motor vehicles in Texas. I share your concerns about this unique industry and agree a different approach is necessary. I have discussed these prospects with the Texas Department of Transportation (TxDOT) staff and feel we have an exclusive opportunity through the Sunset process to improve and streamline state regulation that will benefit the industry and consumers. Since we have submitted our official Sunset response, we will submit an addendum discussing the following opportunities in the near future.

We have recently taken actions to optimize the various functions within TxDOT through organizationally aligning the Motor Carrier Division, Motor Vehicle Division, Vehicle Titles and Registration Division, and the Automobile Theft Prevention Authority Section into a separate and distinct unit under the oversight of our Assistant Executive Director for Support Operations, Ed Serna.

At the Sunset Advisory Commission public hearing on July 15, I will recommend consolidating these divisions further. I will direct staff to work with industry experts to develop a plan, including any statutory changes and financial impacts required to accomplish this reorganization, with plans to implement this task no later than September 1, 2009. I will also discuss the proposal of re-creating the Motor Vehicle Board and recommend that if the division remains under TxDOT, the board serve in an advisory capacity to the Texas Transportation Commission to prevent any question of authority.

As you mention in your letter, the next logical step would be to suggest the establishment of a stand-alone agency for these functions that would report to a balanced motor vehicle board made up of dealers, manufacturers and consumers. If Sunset and the Legislature were to pursue a separate agency, and include all of TxDOT's regulatory functions such as motor vehicle and motor carrier operations, it might be helpful to include additional representation on the board. I will ask staff to work with industry experts and research these details further.

THE TEXAS PLAN  
REDUCE CONGESTION • ENHANCE SAFETY • EXPAND ECONOMIC OPPORTUNITY • IMPROVE AIR QUALITY  
INCREASE THE VALUE OF OUR TRANSPORTATION ASSETS

*An Equal Opportunity Employer*



The Honorable Rick Perry

-2-

July 14, 2008

I assure you, the commissioners and TxDOT staff will work to identify the measures necessary to provide the best possible service to Texans. As always, thank you for your leadership. I look forward to continuing to work closely with you as we move forward.

Sincerely,



Deirdre Delisi  
Chair  
Texas Transportation Commission

cc: Texas Transportation Commission  
Amadeo Saenz, Jr., P.E., Executive Director, TxDOT  
Ed Serna, Assistant Executive Director of Support Operations, TxDOT

# Appendix C

SENATOR JOHN CARONA  
CHAIRMAN

SENATOR KIRK WATSON  
VICE CHAIRMAN

SENATE COMMITTEE ON  
TRANSPORTATION AND HOMELAND SECURITY

MEMBERS:  
SENATOR KIM BRIDGER  
SENATOR RODNEY ELIAS  
SENATOR ROBERT NICHOLS  
SENATOR FLORENCE SHARRO  
SENATOR EDDY SHAPLEIGH  
SENATOR JEFF WENSBORTH  
SENATOR TOMMY WILLIAMS

COPY

July 14, 2008

Sunset Advisory Commission  
1501 North Congress Avenue  
6th Floor, Robert E. Johnson Building  
Austin, TX 78701

Dear Chairman Isett and Commissioners:

The Legislature has over time consolidated many transportation-related agencies and functions into the Texas Department of Transportation (TxDOT) in the belief that scale would yield efficiencies in operation.

Times have changed. Through House Bill 3588 and other measures we have made transportation management more complex than ever. The issues involved in infrastructure funding and implementation at the agency level require careful and deliberate consideration, but the oversight burden we have placed on the Commission makes that impossible. TxDOT now has more employees than any other state agency except for the Department of Criminal Justice. In Fiscal Year 2007, TxDOT far outstripped all agencies in total dollar value of contracts with \$16.3 billion -- more than the next two agencies put together! I now believe we have passed the optimum agency size and reached a point of diminishing return, a point where the demand placed upon the agency's policy board to handle the major infrastructure issues of the day becomes unrealistic. The agency's other regulatory and customer-related functions, while vitally important to our state, now serve to distract the policy board from its critical oversight mission.

I respectfully ask that you and the members of the Sunset Advisory Commission consider recovering the agency's focus by moving the consumer functions - at a minimum vehicle titles and registration, motor vehicle and motor carrier regulation, and auto crime prevention - into a new agency. This action will bring a fresh customer-focused approach to these functions while relieving the Transportation Commission and agency management from needing to address their oversight to the detriment of statewide transportation infrastructure. Thank you for your consideration.

Sincerely,



John Carona, Chairman  
Senate Committee on Transportation and Homeland Security

JJC/SP

cc: The Honorable Deirdre Delisi, Chair, Texas Transportation Commission  
Mr. Joey Longley, Director, Sunset Advisory Commission

P.O. Box 12068 • SAM HOUSTON BUILDING, ROOM 445 • AUSTIN, TEXAS 78711  
512/463-0067 FAX 512/463-0097 DIAL 711 FOR RELAY CALLS

## Appendix D

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### **BACKGROUND INFORMATION – TEXAS DEPARTMENT OF TRANSPORTATION**

(Source: 2007 TxDOT Annual Financial Report)

#### **History**

The Texas Legislature created the State Highway Department in 1917 to grant financial aid to counties for highway construction and maintenance. The 64th Legislature (1975) created the State Department of Highways and Public Transportation by combining the authorities and responsibilities of the Texas Mass Transportation Commission and the State Highway Department. On May 5, 1976, the functions of the Governor's Office of Traffic Safety were transferred to the department by Executive Order D.B. 28. In 1979, another executive order, WBC 12, combined all statewide traffic safety programs into one traffic safety unit in the department.

The 72nd Legislature (1991) formed the Texas Department of Transportation (TxDOT) by merging the State Department of Highways and Public Transportation, the Texas Department of Aviation (effective September 1, 1991) and the Texas Motor Vehicle Commission (effective September 1, 1992). In 1993, the administration and reporting requirements of the TxDOT Oil Overcharge programs were transferred by contract from the General Services Commission's State Energy Conservation Office to TxDOT. In December 1993, through an interagency contract with the Governor's Office, the Texas Automobile Theft Prevention Authority (ATPA) was moved to TxDOT. H.B. 2845, signed June 1995, established the ATPA in TxDOT. Also in 1995, trucking regulation was transferred from the Texas Railroad Commission to TxDOT (effective September 1, 1995). Finally, the Texas Turnpike Authority merged with TxDOT in 1997.

The agency is charged with developing and maintaining a statewide multimodal transportation network, some licensing and regulation of motor vehicles, and other transportation-related duties.

#### **TxDOT mission**

The TxDOT mission is to provide safe, efficient and effective means for the movement of people and goods throughout the state, facilitating trade and economic opportunity.

#### **TxDOT vision**

TxDOT will deliver a 21st century, multimodal transportation system that will improve the quality of life for Texas citizens and increase the competitive position for Texas industry.

#### **TxDOT goals**

TxDOT goals are to reduce congestion, enhance safety, expand economic opportunity, improve air quality and increase the value of transportation assets.

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### **Organization**

(An organizational chart as of October 1, 2008 is attached.)

TxDOT is governed by the five-member Texas Transportation Commission and an executive director selected by the commission. Commission members, serving overlapping six-year terms, are appointed by the governor with the advice and consent of the Texas Senate. The governor designates all members of the Texas Transportation Commission. The executive director is the chief executive officer, assisted by one deputy executive director and two assistant executive directors. An internal audit office performs periodic independent audits of department operations.

The department conducts its primary activities in 25 geographical districts. Varying climate and soil and differing needs of local populations make decentralization of department operations necessary. Each district, managed by a district engineer, is responsible for the design, location, construction and maintenance of its area transportation systems. Local field offices within districts are known as area offices. TxDOT district offices are located in Abilene, Amarillo, Atlanta, Austin, Beaumont, Brownwood, Bryan, Childress, Corpus Christi, Dallas, El Paso, Fort Worth, Houston, Laredo, Lubbock, Lufkin, Odessa, Paris, Pharr, San Angelo, San Antonio, Tyler, Waco, Wichita Falls and Yoakum.

Twenty-two functional divisions and five offices headquartered in Austin provide administrative and technical support to the districts.

### **Headquarters Divisions and Offices**

#### **Aviation Division**

The Aviation Division (AVN) serves as a focal point for statewide air transportation matters. The division's primary day to day activities are directed toward providing engineering, technical and financial assistance to communities for planning, constructing and maintaining airports. The division develops and maintains a long-range statewide aviation facilities plan and programs federal and state assistance for airport development. Aviation education programs are conducted regularly by the division to foster and promote safety and professionalism in all aspects of aviation. The division is actively involved in working with communities to improve scheduled air service opportunities. The division and the department are advised by a six-member Aviation Advisory Committee appointed by the Texas Transportation Commission. In addition, AVN provides aircraft flight services to transport state officials and maintenance support to maintain other state agencies aircraft. In addition, AVN provides air transportation services for state employees for business purposes and aircraft maintenance services for state owned aircraft.

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### Bridge Division

The Bridge Division (BRG) provides direct assistance to TxDOT districts in matters regarding bridge project development, design, plan preparation, plan review, construction, maintenance, and inspection. Bridge project development encompasses elements such as preliminary engineering, programming, and guidance for developing bridge projects across the state. The division is responsible for reviewing preliminary bridge layouts and construction plans, specifications, and estimates for bridges designed by both department personnel and consulting engineering firms. Design and plan preparation responsibilities include bridges, geotechnical structures, and overhead sign bridges and other traffic structures. The division provides assistance with bridge construction and maintenance problems, damaged structures, and construction inspection services involving welded and bolted steel bridges. In addition, BRG manages the federally mandated bridge inspection program for the state's 49,000 bridges and also oversees programs for replacement and rehabilitation of on- and off-system structurally deficient and functionally obsolete bridges. The division develops policies, standards, manuals, and guidelines for project development, design, plan preparation, plan review, construction, maintenance, and inspection of bridges to ensure the safety and mobility of the traveling public.

### Construction Division

The Construction Division (CST) contributes directly to all TxDOT construction contracts administration. The division is responsible for contractor pre-qualification, bid proposal issuance and construction and maintenance contracts letting. The division provides consultation to districts on project management and administration from pre-letting to final project acceptance. The division is also responsible for complying with TxDOT and the Federal Highway Administration (FHWA) requirements by assuring the overall effectiveness of the construction oversight program. The division provides materials quality and testing for construction and maintenance materials as well as a focus in and coordination of pavement design and management.

### Design Division

The Design Division (DES) provides guidance in the development of all highway construction projects on interstate, state, rural and urban highway systems. The division's design responsibilities begin with the preliminary stage of each project, and continue through the detailed design stages to the completion of plans, specifications and estimates up to release for construction bidding. More specifically, this division develops geometric design criteria; prepares design standards; provides federal oversight responsibility for project development; develops landscape design; processes and assembles plans and bid proposals; and advertises construction and maintenance highway projects for letting. The division manages the department's letting schedules and ensures federal funds are used according to regulations. It also provides guidance and oversight of the engineering, architectural and surveying contracting program.

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### **Environmental Affairs Division**

The Environmental Affairs Division (ENV) oversees the department's environmental program. The division is responsible for recommending policies and developing guidance and procedures for overseeing project investigations, public involvement, and environmental, social and economic studies as part of the project development process. ENV is the department's environmental liaison with state and federal resource agencies, environmental and special-interest groups, and the public. The division also provides assistance with hazardous materials and other environmental issues on construction and maintenance projects and on department property. ENV also administers contracts to support projects statewide. The division is responsible for activities associated with TxDOT's role as a member of the Coastal Coordination Council, which oversees the Texas Coastal Management Program.

### **Finance Division**

The Finance Division (FIN) is responsible for TxDOT's accounting, forecasting, budgeting, payment for all goods and services, and processing of all receipts and revenues. The division analyzes financial effects of proposed legislation on TxDOT and policy analysis and review. The division also administers the State Infrastructure Bank, pass-through toll, debt management, investments, and bond programs of the department.

### **General Services Division**

The General Services Division (GSD) is the central purchasing office for the department, operating with the largest state agency purchasing staff in Texas. GSD manages four regional supply centers located in Austin, Athens, Post and Seguin supporting the supply and material needs for the approximately 400 department facilities located throughout the state. GSD oversees the management of TxDOT's personal property, including the equipment fleet, and they coordinate the statewide alternative fuels, recycling, records management, mail, and surplus property functions. The GSD general shops construct customized equipment and furnishings necessary for the districts, divisions and offices. Other statewide support services include electronic publishing, reprographic services and the operation of a full cost recovery offset print shop, which also serves over 40 other state agencies. GSD electronically publishes the department's manuals and highway construction plans on TxDOT's Intranet site. Plans used in the bidding and letting processes are also published on the Internet for the convenience of our external customers.

### **Government and Public Affairs Division**

The Government and Public Affairs Division (GPA) manages TxDOT business before the Texas Legislature and United States Congress, serves as the agency's media spokesperson, analyzes policy questions, studies long-term department challenges and prepares TxDOT's strategic plan. The division focuses on integrating the public and

## Appendix D

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private sectors in the delivery of transportation infrastructure through business development, program marketing, public conferences and internal and external communications. The division includes the International Relations Office, which serves as TxDOT's contact for federal, state and local government entities, foreign governments, public/private businesses and interest groups regarding all matters having an international impact.

### **Human Resources Division**

The Human Resources Division (HRD) provides leadership and strategic direction for statewide compensation and benefits programs. It develops and administers external talent acquisition programs; measures human resource performance objectives through workforce metrics and trend analyses; manages and delivers technical and soft skills training for all employees and offers an extensive distance learning portal through online and video teleconferencing systems across the state; administers a substance abuse and violence prevention program; coordinates employee benefits and employee assistance programs; maintains the business title classification system to ensure compensation equities and career progression. The division also assists in the department's quality initiatives and manages employee awards and recognition at the state and national level.

### **Maintenance Division**

The Maintenance Division (MNT) administers and oversees the statewide maintenance budget, maintenance condition assessment, maintenance contracts, maintenance programs and activities. It is responsible for oversight of the department's ferry operations, development of safety rest areas, vegetation management, department facilities management and leasing, building operations and security services, facilities energy and water conservation, and statewide planning. The division also coordinates the department's disaster emergency management operations and inspects aggregate quarries and pits.

### **Motor Carrier Division**

The Motor Carrier Division (MCD) issues oversize/overweight permits; one-trip, 72-hour and 144-hour vehicle registration permits; processes applications for and issues motor carrier operating authority for intrastate, national, and international carriers; processes motor carrier insurance filings; licenses vehicle storage facilities; and processes transportation broker performance bonding filings. The MCD enforces provisions of Chapter 643 and 645 of the Texas Transportation Code and Chapter 2303 of the Occupation Code by responding to complaints, conducting motor carrier and vehicle storage facility investigations, coordinating consumer protection arbitration mediation for household goods carriers and their customers, and assessing administrative penalties for violations of motor carrier laws and department rules. Efforts are coordinated with local law enforcement and the Texas Department of Public Safety regarding federal motor carrier safety provisions, motor carrier registration, and vehicle storage facility

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registration and with the Texas Attorney General's Office regarding administrative penalties.

### **Motor Vehicle Division**

The Motor Vehicle Division (MVD) regulates the vehicle distribution industry in Texas. The division licenses motor-vehicle dealers and manufacturers doing business in Texas, regulates their advertising and sales practices, and administers the state's "lemon law," which helps owners and lessees of new vehicles who face repeated problems with repairs. MVD also acts as a forum for disputes between new motor-vehicle dealers and manufacturers.

### **Occupational Safety Division**

The Occupational Safety Division (OCC) is responsible for the department's self-insured workers compensation insurance program, the employee safety program and aspects of hazardous materials involvement that affect employee safety and health. OCC also resolves tort and liability claims against the department.

### **Public Transportation Division**

The Public Transportation Division (PTN) is responsible for encouraging, fostering and assisting public transportation in Texas. The division grants state and federal funds for public transportation and, in partnership with the Federal transit Administration, supports and monitors transportation programs which support public transportation for elderly individuals and individuals with disabilities; non-urbanized areas; small urbanized areas; intercity bus; job access and reverse commute; new freedom; and various capital projects including transit vehicle procurement and facility construction. The division sponsors and monitors research and development in public transportation. PTN also provides technical assistance, training and planning support to the transit industry and metropolitan planning organizations, in addition to overseeing transit rail safety. Beginning September 1, 2003, PTN was charged with the responsibility of regional planning for public transportation and as such oversees and assists regions within the state as they proceed to develop local regional plans. Additionally, all health and human service agencies and the Texas Workforce Commission are required to contract with TxDOT for the provision of non-emergency client transportation services to eligible clients. The Public Transportation Advisory Committee (PTAC) advises the Texas Transportation Commission. The members serve staggered three-year terms and represent public transportation providers (four members), transportation users (three members), the general public (three members); plus one member with experience in the administration of health and human services programs.

### **Right of Way Division**

The Right of Way Division (ROW) manages the acquisition of right of way and other real property interests necessary for TxDOT operations. It also coordinates eminent domain



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proceedings with the state attorney general and administers the adjustment and relocation of utilities on right of way acquisition projects. The division administers the Relocation Assistance Program, leasing of TxDOT right of way and also coordinates the disposal of surplus real property. The Right of Way Division performs the regulatory function for control of outdoor advertising and junkyards along interstate and primary highways in accordance with the Federal Highway Beautification Act.

### **Technology Services Division**

The Technology Services Division (TSD) supports the information technology (IT) needs of TxDOT's administrative and engineering activities. TSD provides development and technical support for enterprise administrative and engineering applications, tier two and three level support for all desktop Core Technology applications, management and operation of one of the largest voice and data telecommunications networks in the state, direction and management of the IT security program, photogrammetry services for department design activities, training and end-user support for engineering and surveying applications and ensuring TxDOT compliance with state information resource (IR) requirements.

### **Texas Automobile Burglary and Theft Prevention Authority**

The Texas Automobile Burglary and Theft Prevention Authority (TABTPA) assesses the scope of motor vehicle theft in Texas and supports a statewide law enforcement network through grants, auto theft reduction initiatives, education and public awareness. The theft prevention authority also provides funding for a statewide vehicle registration program and oversees a uniform program to prevent stolen motor vehicles from entering Mexico. The division awards \$12.8 million in grants to 30 city, county and regional governments to help curb vehicle thefts.

### **Texas Turnpike Authority Division**

The Texas Turnpike Authority Division (TTA) is charged with developing and operating a safe, reliable and cost-effective state-owned system of toll roads using alternative financing and delivery methods as well as attracting private sector capital to accelerate projects. The division's responsibilities are divided into five areas: toll feasibility studies/planning and design support, toll operations and TxTag services, comprehensive development agreements and public-private partnerships, regional mobility authorities, and the Trans-Texas Corridor.

Currently, TTA is conducting environmental studies on two elements of the Trans-Texas Corridor: Oklahoma to Mexico/Gulf Coast (TTC-35) and Northeast Texas to Mexico (I-69/TTC). The division is also overseeing work on the master development plan for TTC-35 that has been completed by Cintra Zachry, TxDOT's developer for TTC-35.

### **Traffic Operations Division**

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The Traffic Operations Division (TRF) is responsible for the engineering design of traffic control devices, roadway illumination, radio operations, traffic signals, the review and analysis of speed zone requests, the review of traffic engineering related aspects of construction plans, and the analysis of crash records. The division assists and supports the districts in the research, development, and implementation of Intelligent Transportation Systems, administers the Texas Traffic Safety Program, the Highway Safety Improvement Program, the Safe Routes to School Program and the department's state and federal highway/rail at-grade crossing programs. The division also develops, publishes and distributes the Texas Manual on Uniform Traffic Control Devices.

### **Transportation Planning and Programming Division**

The Transportation Planning and Programming Division (TPP) administers the Texas Transportation Plan, the Statewide Transportation Improvement Program, the Metropolitan Planning Organization planning activities, the Unified Transportation Program consisting of the Statewide Mobility Program and the Statewide Preservation Program, Economically Disadvantaged Counties program, Border Colonia Access Program, Texas State Planning and Research Work Program (Part I) and the Texas Transportation Corporation Act. The division provides data support for planning and design and is responsible for program calls and authorizing preliminary engineering. TPP also is responsible for the federal Highway Performance Monitoring System, corridor feasibility studies, urban transportation planning, road utility districts, international bridges, road inventory, railroad crossing inventory, reference marker locations, mapping and map distribution, traffic volume analysis, traffic forecasting, travel demand modeling, vehicle weight and classification studies and speed and origin-destination studies. The division coordinates multimodal/intermodal transportation issues including bicycle, pedestrian and rail planning, and manages the statewide rail safety inspection program. TPP is also responsible for activities related to fulfilling TxDOT's role as the state's nonfederal sponsor of the Gulf Intracoastal Waterway. The division is the liaison to the Texas Transportation Commission for the Port Authority Advisory Committee, the Border Trade Advisory Committee and the Bicycle Advisory Committee.

### **Travel Information Division**

The Travel Information Division (TRV) conducts the official state tourist information program and is responsible for administering a program to stimulate travel to and within the state. The division manages the Don't Mess with Texas litter prevention campaign and the Adopt-a-Highway program. TRV publishes the Texas Official Travel Map, the Texas State Travel Guide and Texas Highways, the state's official travel magazine, as well as other travel publications; and fulfills inquiries for Texas travel information. TRV operates 12 Texas Travel Information Centers, including one within the Capitol Complex in Austin, and its employees serve as the state's frontline ambassadors providing travel and highway condition information. The division also provides audiovisual support for the department.

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### **Vehicle Titles and Registration Division**

Vehicle Titles and Registration Division (VTR) is responsible for vehicle titles and registration, issuing 6 million titles and 20 million registration stickers, and collecting \$4.5 billion in fees. VTR provides the oversight/administration for production/distribution of 10 million license plates; the licensing of 8,600 salvage dealers/agents; and operation of the International Registration Plan, which includes managing 19,340 apportioned accounts and registering 103,328 power units. VTRs Registration and Title System (RTS) database houses 51 million records from which VTR distributes 20 million registration renewal notices; responds to over 2 million information requests; and processes 62 million inquiries from law enforcement. VTR partners with the state's 254 counties that use the RTS system to process registration and titling transactions.

### **Audit Office**

The Audit Office (AUD) is an independent appraisal function for internal operations (Internal Audit Section) and for negotiated and cost reimbursement contracts and grants with external entities (External Audit Section). As well as TxDOT policy and procedure, AUD is governed by professional auditing standards, and reviewed every three years for compliance with these standards by members of other transportation department audit offices. External Audit's work covers 670 contracts a year by site audits, desk reviews, exception ratios, evaluations and pre-negotiation reports. This includes about \$250million of billed contract costs involving federal, state, and local government funds. Audit exceptions average \$1.5 million per year. Internal Audit assists management by conducting independent and objective reviews of TxDOT operations and procedures to ensure they are functioning as intended. This section also works in concert with Internal Auditors (IAs) in districts and divisions. Based on legislative direction, the district and division IAs submit plans and reports to AUD for summary reporting to the Commission. The district and division IAs have implemented a peer review program internal to TxDOT. This program is intended to provide compliance with professional auditing standards and increased value to management.

### **Office of Civil Rights**

The Office of Civil Rights (OCR) investigates employee grievances alleging discrimination, including the Americans with Disabilities Act (ADA) and Title VII of the Civil Rights Act of 1964, and non-discrimination. OCR administers the Contractor Equal Employment Opportunity (EEO) Compliance Program, including Title VI of the Civil Rights Act of 1964, and conducts compliance audits/reviews. OCR develops and manages the Affirmative Action Plan/EEO Program and workforce diversity initiatives. OCR is responsible for ensuring equal opportunity in employment, promotions, training, benefits, and participation in business activities and services to the public. The OCR director serves as EEO officer and ADA Coordinator.

### **Office of General Counsel**

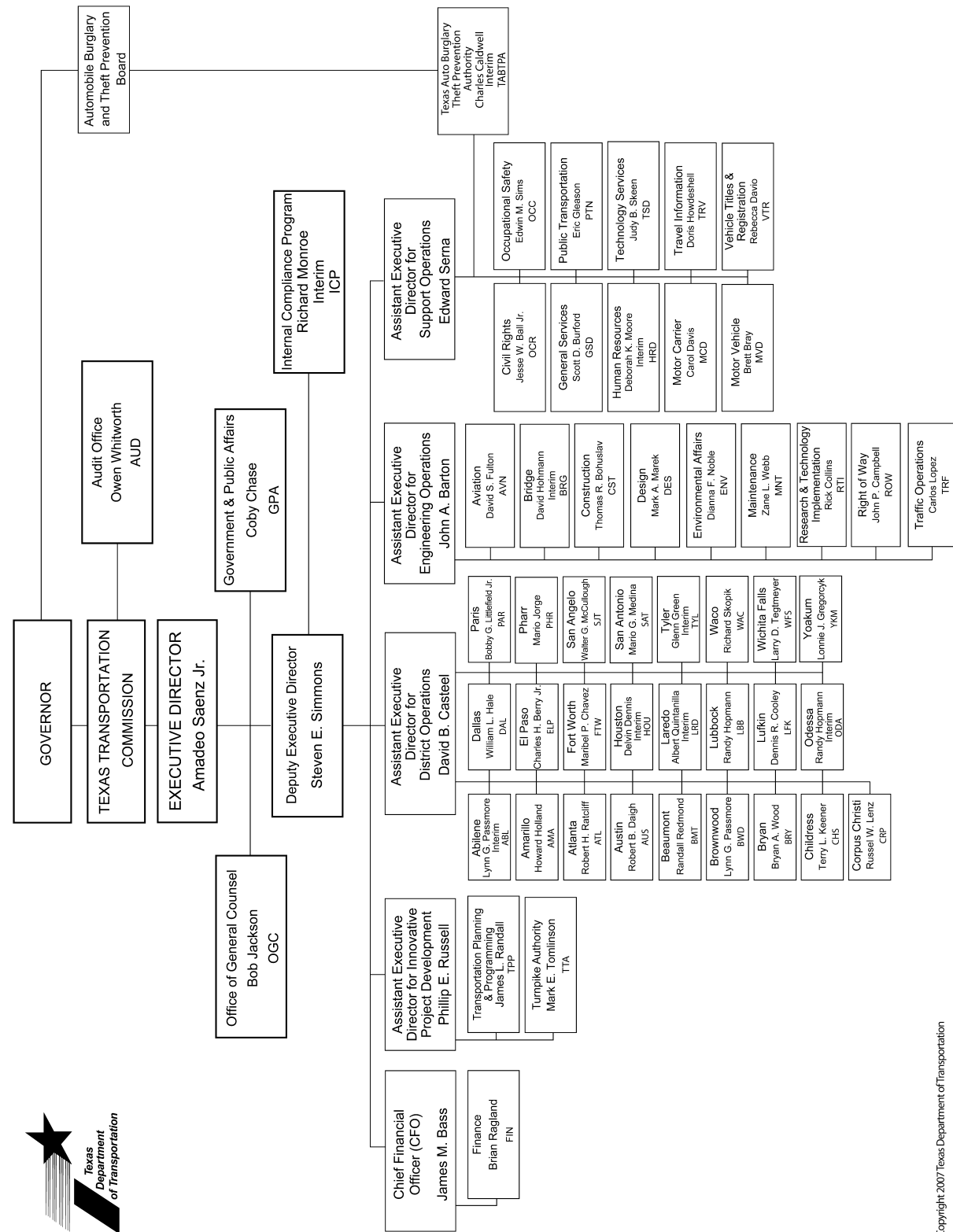
## Appendix D

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The Office of General Counsel (OGC) provides legal counsel to the Texas Transportation Commission and TxDOT administration, districts, divisions and offices. The OGC drafts legislation and administrative rules, testifies before legislative committees, and serves as legal counsel at commission meetings.

### **Research and Technology Implementation Office**

The Research and Technology Implementation Office (RTI) manages the Cooperative Research Program, with the great majority of the research being conducted by state-supported universities. It also coordinates product evaluation for the department and manages the Implementation Program to provide funding for specific innovations output by the Research Program. This office also serves as TxDOT's liaison for national research efforts and results.



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