

Department of Transportation
Motor Vehicle

A.R.S. § 28-101

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,665.0	1,688.0	1,730.0 ^{1/}
Personal Services	47,913,100	50,515,900	54,211,200
Employee Related Expenditures	17,705,900	23,004,600	26,656,500
Professional and Outside Services	2,803,300	909,300	1,409,300
Travel - In State	427,000	411,800	433,800
Travel - Out of State	28,500	33,000	33,000
Other Operating Expenditures	18,014,900	16,199,400	16,350,300
Equipment	2,392,600	5,327,400	5,053,000
OPERATING SUBTOTAL	89,285,300	96,401,400	104,147,100
SPECIAL LINE ITEMS			
New Third Party Funding	0	254,600	689,500 ^{2/3/4/5/}
Abandoned Vehicle Administration	676,900	795,100	1,018,800
Attorney General Legal Services	140,200	0	0
Non-Residents Registration Programming	36,000	0	0
PROGRAM TOTAL	90,138,400	97,451,100	105,855,400 ^{6/7/8/9/10/11/12/}
FUND SOURCES			
<u>Other Appropriated Funds</u>			
Air Quality Fund	58,600	62,800	68,600
Driving Under the Influence Abatement Fund	0	442,000	136,800
Highway User Revenue Fund	420,300	637,900	607,300
Motor Vehicle Liability Insurance Enforcement Fund	974,000	1,980,200	4,029,000
Safety Enforcement and Transportation Infrastructure Fund	1,419,700	1,604,400	0
State Highway Fund	86,153,100	91,236,100	99,479,600
Vehicle Inspection and Title Enforcement Fund	1,112,700	1,487,700	1,534,100
SUBTOTAL - Other Appropriated Funds	90,138,400	97,451,100	105,855,400
SUBTOTAL - Appropriated Funds	90,138,400	97,451,100	105,855,400
TOTAL - ALL SOURCES	90,138,400	97,451,100	105,855,400

- 1/ Includes 39 FTE Positions funded from Special Line Items in FY 2007.
- 2/ The New Third Party Funding Special Line Item includes a total of \$689,500 and 16 FTE Positions for Motor Vehicle Division Third Party workload. The amounts include \$335,900 and 8 FTE Positions added in FY 2006, and \$353,600 and 8 FTE Positions added in FY 2007. The FY 2006 amounts added \$113,400 and 3 FTE Positions for title and registration quality assurance and \$222,500 and 5 FTE Positions to allow commercial driver schools and up to 15 motorcycle dealers to become authorized third parties to administer their respective drive license examination. The FY 2007 amounts include \$265,200 and 6 FTE Positions to contract with 145 authorized title and registration third parties and \$88,400 and 2 FTE Positions to eliminate the vehicle identification number inspections waiting list. It is the intent of the Legislature that the new funding of \$265,200 and 6 FTE Positions in FY 2007 will not be continued in FY 2008 if the number of title and registration third parties does not reach 145 by December 31, 2006. It is the intent of the Legislature that the new funding of \$88,400 and 2 FTE Positions in FY 2007 will not be continued in FY 2008 if the waiting list for vehicle identification number inspection third parties is not eliminated by December 31, 2006. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 3/ The department shall submit quarterly progress reports to the Joint Legislative Budget Committee for review of the progress in increasing third party transactions, the status of Motor Vehicle Division third party staffing, workload and quality assurance backlog. The quarterly progress report shall also include the number of existing third parties and the number of entities on the third party waiting lists. The quarterly report shall address title and registration, vehicle identification number inspection, commercial driver license examination, noncommercial driver license examination, commercial driver training school, noncommercial driver training school and traffic survival school. The reports are due within 30 days after the end of each calendar quarter. (General Appropriation Act footnote)
- 4/ It is the intent of the Legislature that the Department of Transportation identify in their FY 2008 budget request the total third party staff resources. (General Appropriation Act footnote)
- 5/ The Department of Transportation shall submit a report to the Joint Legislative Budget Committee for review by November 30, 2006, on whether the percent of reviewed third party transactions can be reduced below 10% and still retain statistical validity. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.

COST CENTER DESCRIPTION — Motor Vehicle regulates vehicular operations within the state through the issuance and control of various permits, registrations and licenses.

PERFORMANCE MEASURES	FY 2003	FY 2004	FY 2005	FY 2007
	Actual	Actual	Actual	Approved
<ul style="list-style-type: none"> Average office wait time from receiving numbered ticket to arriving at counter (minutes) <p>Comments: The increase in average office wait time in FY 2005 appears to be directly related to MVD reducing the number of counter clerks from 866 in FY 2003, 756 in FY 2004, and 725 in FY 2005. The reason for the decrease in counter clerks is unclear. MVD had no budget reductions in either FY 2004 or FY 2005 to account for the staffing decrease. This performance measure does not include time spent waiting outside MVD offices, before customers get a numbered ticket from an MVD employee which starts the current wait time clock ticking.</p>	14.2	15.1	21.6	15.0
<ul style="list-style-type: none"> % of office customers rating service “good” or “excellent” 	79.5	82	77.2	83
<ul style="list-style-type: none"> Average telephone wait time to speak to an MVD employee (minutes) <p>Comments: The average telephone wait time to speak to an MVD employee are calls referred for second level assistance after first being received by MVD call centers.</p>	NA	21.7	16.2	16.2
<ul style="list-style-type: none"> % of alternative vehicle registration renewal methods (mail, internet, third party) 	69	71.8	75.1	78.1

Operating Budget

The budget provides \$104,147,100 for the operating budget in FY 2007. This amount consists of:

	FY 2007
Air Quality Fund	\$ 68,600
Driving Under the Influence Abatement Fund	136,800
Highway User Revenue Fund	384,800

Motor Vehicle Liability Insurance Enforcement Fund	3,827,200
State Highway Fund	98,284,000
Vehicle Inspection and Title Enforcement Fund	1,445,700

These amounts include an increase of \$6,662,600 for statewide adjustments. This amount consists of:

- 7/ The operating lump sum appropriation includes \$500,000 for the study of new Motor Vehicle Division (MVD) computer system planning. Before the expenditure of these monies, the department shall provide the proposed assessment plan to the Joint Legislative Budget Committee for review. With the submission of the plan, the department shall submit comments of the Information Technology Authorization Committee (ITAC) on the proposed plan. The department’s assessment shall include a comprehensive assessment of the scope of the project and evaluation of technology options for a proposed replacement MVD computer system. The proposed new computer system would integrate the databases of the division’s major computer systems, including driver license, commercial driver license and title and registration. ITAC’s approval shall also address whether the department’s proposed assessment addresses the need for adequate project controls and external oversight, the estimated total cost and timeframe for completing all major systems, and evaluation of the department’s ability to manage such a technology project, the estimated cost of any additional department resources needed for the project to succeed and any estimated continuing additional costs to operate the proposed new computer system. (General Appropriation Act footnote)
- 8/ Before its release, ITAC shall review the department’s request for proposals for the assessment of the new computer system. (General Appropriation Act footnote)
- 9/ On completion of the assessment for a proposed replacement MVD computer system, the department shall submit the completed assessment to the Joint Legislative Budget Committee for review. With the submission, the department shall submit comments of ITAC on the completed assessment. (General Appropriation Act footnote)
- 10/ The department shall not transfer any funds to or from the Motor Vehicle Division without the review of the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 11/ The department shall report to the Joint Legislative Budget Committee by July 31, 2006 for review on where funding for MVD counter clerks in customer service offices has been shifted. The average number of MVD counter clerks decreased from 866 in FY 2003, to 756 in FY 2004 and 725 in FY 2005. (General Appropriation Act footnote)
- 12/ The Department of Transportation shall submit quarterly progress reports to the Joint Legislative Budget Committee on their progress in improving Motor Vehicle Division wait times and vehicle registration renewal by mail turnaround times. The reports shall document the monthly averages for the total time customers spent at the office and the reasons for changes in these times for each Motor Vehicle Division field office equipped with electronic customer monitoring devices. The reports shall document the wait time to get a numbered ticket from a Motor Vehicle Division employee, the time between receiving the numbered ticket and arriving at the counter and the transaction time at the counter. The reports shall document the number of customers who arrived at Motor Vehicle Division offices but who did not complete their transaction, and the Motor Vehicle Division’s average turnaround time for vehicle registration renewal by mail. The reports are due within 30 days after the end of each calendar quarter. This new report replaces any prior report requirements. (General Appropriation Act footnote)

Air Quality Fund	5,800
Driving Under the Influence Abatement Fund	5,300
Highway User Revenue Fund	1,500
Motor Vehicle Liability Insurance Enforcement Fund	238,900
Safety Enforcement and Transportation Infrastructure Fund	(19,600)
State Highway Fund	6,352,700
Vehicle Inspection and Title Enforcement Fund	78,000

(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)

The budget includes the following adjustments:

New MVD Computer System Planning

The budget provides an increase of \$500,000 from the State Highway Fund in FY 2007 for a comprehensive assessment of technology options for a proposed replacement MVD computer system. Planning for a new MVD computer system would address:

- Integrating the databases of MVD's major computer systems, including drivers license, commercial drivers license, and title and registration
- The need for adequate project controls and external oversight
- The estimated total cost and timeframe for completing all major systems
- An evaluation of ADOT's ability to manage such a technology project, and
- Any estimated continuing additional costs to operate the proposed new computer system.

The Information Technology Authorization Committee (ITAC) normally reviews information technology projects costing over \$1 million for GITA. However, given the magnitude of the overall MVD computer project, ITAC input is needed on the front end of the project. The budget provides 3 new footnotes to improve oversight of the project as follows:

- Before the expenditure of any monies for ADOT's proposed assessment plan, the JLBC shall review ADOT's proposed assessment plan along with ITAC's comments on the proposed plan.
- ITAC shall review ADOT's request for proposals before it is released, for the assessment of a new MVD computer system.
- The JLBC is to review the completed assessment along with ITAC's comments.

ADOT's computer systems range in age from 1973 to 1992 (title and registration 1973, drivers license 1977, tax and revenue group automated tracking system for revenue accounting 1987, dealers license and register 1990, mandatory insurance compliance 1992). In addition, the

federal REAL ID Act of 2005 requires states to collect additional data and documentation for driver license applicants and share data electronically by May 11, 2008.

ADOT had a preliminary estimate of \$50 million to replace the driver license system. However, the Government Information Technology Agency (GITA) believes that the driver license project alone would be comparable in complexity to the Department of Revenue's Business Re-Engineering/Integrated Tax System (BRITS), which has an original contract cost of \$122.7 million before adding interest charges. GITA supports funding an assessment for a replacement driver license system.

MVD Customer Service

The budget provides an increase of \$1,099,500 and 25 FTE Positions from the State Highway Fund in FY 2007 for MVD customer service staff to reduce customer wait time. The approved amount includes \$48,000 in one-time equipment.

Wait time increased from 15.1 minutes in FY 2004 to 21.6 minutes in FY 2005, a 43% increase. At the same time, the number of in-person customers decreased 6.1%, from 4.6 million customers in FY 2004 to 4.3 million in FY 2005. The 4.3 million customers in FY 2005 was the lowest number of customers in the past 5 fiscal years for which we have data. ADOT's reporting also understates the problem. MVD's reported wait times do not include time spent before customers get a numbered ticket from an MVD employee which starts the current wait time clock ticking.

ADOT reports that the number of clerks who staff MVD office service counter windows decreased from 756 in FY 2004 to 725 in FY 2005, a (4.1)% decrease. The number of clerks decreased a total of (16.3)% in the past 2 years, from 866 in FY 2003 to 725 in FY 2005. The decrease in the number of clerks may account for the increase in customer wait times. It is unclear why ADOT decreased the number of clerks or where they spent the money that was saved. MVD had no budget reductions in either FY 2004 or FY 2005 to account for the staffing decrease.

The time to handle a customer's transaction does not appear to be a factor. The transaction time has averaged 8 1/3 minutes for the past 5 fiscal years. The average transaction time was 7.9 minutes in FY 2004 and 8.2 minutes in FY 2005.

The budget provides 3 new footnotes to increase accountability in MVD customer service as follows:

- Require JLBC review before allowing ADOT to transfer any funds into or out of MVD.
- Require ADOT report to the JLBC on where funding for MVD counter clerks in customer service offices

was shifted by July 31, 2006. The average number of MVD counter clerks decreased from 866 in FY 2003, to 756 in FY 2004 and 725 in FY 2005.

- Require ADOT to submit quarterly progress reports to the JLBC on their progress in improving MVD wait times and vehicle registration renewal by mail turnaround times. The reports shall document total time customers spent at the office and the reasons for changes in these times, including the wait time to get a numbered ticket from a Motor Vehicle Division employee, the time between receiving the numbered ticket and arriving at the counter and the transaction time at the counter. The reports shall document the number of customers who arrived at MVD offices but who did not complete their transaction. The reports are due within 30 days after the end of each calendar quarter.

Call Center Staff

The budget provides an increase of \$166,500 and 4 FTE Positions from the State Highway Fund in FY 2007 for MVD call center staff to reduce telephone wait time to speak to a MVD employee.

One-Time Costs

The budget provides a decrease of \$(422,800) in FY 2007 for one-time training, computer programming and equipment. This amount consists of:

Motor Vehicle Liability Insurance Enforcement Fund	(27,100)
State Highway Fund	(275,700)
Vehicle Inspection and Title Enforcement Fund	(120,000)

Ignition Interlock Drivers Licenses

The budget provides a decrease of \$(310,500) from the Driving Under the Influence Abatement Fund in FY 2007 for one-time computer programming and equipment associated with a special ignition interlock restricted driver license.

Laws 2005, Chapter 312 included \$442,000 and 3 FTE Positions from the Driving Under the Influence Abatement Fund in FY 2006 to implement a special ignition interlock restricted driver license for qualified individuals during a period of suspension or revocation for alcohol related offenses. This amount includes \$310,500 for one-time costs, including \$306,300 for computer programming and \$4,200 for equipment. With the elimination of one-time costs, the operating budget will include \$131,500 on an ongoing basis for this activity.

Mexican Ports-of-Entry Supervisor Staff

The budget provides an increase of \$163,800 and 2 FTE Positions from the Motor Vehicle Liability Insurance Enforcement Fund in FY 2007 to improve supervisor coverage at the Nogales and Lukeville ports-of-entry. The approved amount includes \$48,600 in one-time equipment.

Third Party Funding Transfer

The budget transfers \$(113,400) and (3) FTE Positions from the Motor Vehicle Liability Insurance Enforcement Fund in FY 2007 from the operating budget to the New Third Party Funding special line. The \$113,400 was added in FY 2006 for title and registration quality assurance workload.

MVLIE – SETIF Funding Shift

The budget provides an increase of \$1,584,800 and 22 FTE Positions from the Motor Vehicle Liability Insurance Enforcement Fund (MVLIE) and a corresponding decrease of \$(1,584,800) and (22) FTE Positions from the Safety Enforcement and Transportation Infrastructure Fund (SETIF) in FY 2007.

The FY 2006 budget included a funding shift of \$600,000 and 9 FTE Positions from SETIF to MVLIE to make room for a \$600,000 capital outlay appropriation from SETIF to ADOT in FY 2006 to enter into agreements and provide funding to the Arizona-Mexico Commission, the Department of Homeland Security and the Arizona International Development Authority to improve traffic safety. The FY 2007 budget further shifts all current SETIF positions to the MVLIE Fund.

Prior to FY 2007, MVD used SETIF monies to fund Inspector Positions for Mexican Ports-of-Entry for the enforcement of vehicle safety requirements within 25 miles of the Arizona-Mexico border. However, Laws 2006, Chapter 205 no longer permits the use of SETIF monies for ADOT and Department of Public Safety enforcement of vehicle safety requirements and maintenance of transportation facilities within 25 miles of the Arizona-Mexico border.

As a result of SETIF revenue shortfalls and Chapter 205, monies from the MVLIE Fund have been appropriated in the MVD and DPS operating budgets to backfill what had previously been funded from SETIF. MVLIE monies were used because Port-of-Entry Inspectors enforce mandatory motor vehicle liability insurance laws at the Ports-of-Entry. MVLIE receives funding from fees to reinstate drivers' licenses and vehicle registrations canceled due to lack of insurance. The funding shift also made room for other future uses of SETIF monies.

Chapter 205 authorizes the following 2 new uses for SETIF monies subject to legislative appropriation. No appropriation is provided for the new purposes.

1. Cost to procure or improve electronic equipment or automated systems to relieve vehicle congestion at Arizona-Mexico border ports of entry.
2. A commitment or investment necessary for ADOT or another Arizona state agency to obtain federal monies for SETIF authorized purposes.

Chapter 205 continues to allow SETIF monies to be used subject to legislative appropriation for the following:

1. Construct transportation facilities within 25 miles of the Arizona-Mexico border and in the CANAMEX high priority corridor.
2. ADOT activities including collecting transportation and trade data in the United States and Mexico to construct transportation facilities, improve public safety, improve truck processing time and relieve congestion at Arizona-Mexico border ports of entry. ADOT may provide SETIF funding to the Arizona-Mexico Commission for such purposes.
3. If ADOT determines that Arizona Department of Homeland Security proposed activities may improve traffic safety in this state, ADOT may provide SETIF monies to the Arizona Department of Homeland Security for such purposes.
4. If ADOT determines that Arizona International Development Authority proposed planning, development and construction of transportation facilities on the Arizona-Mexico border may improve traffic safety in this state, ADOT may provide SETIF monies to the Arizona International Development Authority for such purposes.

Chapter 205 will preclude using SETIF monies for operating budget purposes beginning in FY 2008. The ADOT operating budget includes \$558,700 from SETIF in FY 2007 for Highway Maintenance within 25 miles of the Arizona-Mexico border.

Special Line Items

New Third Party Funding

The budget provides \$689,500 and 16 FTE Positions for New Third Party Funding in FY 2007. This amount consists of:

Highway User Revenue Fund	222,500
Motor Vehicle Liability Insurance Enforcement Fund	201,800
State Highway Fund	176,800
Vehicle Inspection and Title Enforcement Fund	88,400

The amount includes an increase of \$13,200 from the Highway User Revenue Fund for statewide adjustments.

The Third Party Section had 37 FTE Positions in FY 2005 and had workload backlogs and waiting lists for third party title and registration entities, third party vehicle identification number inspection entities, commercial and non-commercial driver schools and examiners, and traffic survival schools. The budget includes 53 FTE Positions in FY 2007 for the Third Party Section, an increase of 16 FTE Positions or 43% over FY 2005, to address these issues. The increase of 16 FTE Positions includes

increases of 8 FTE Positions in FY 2006 and 8 FTE Positions in FY 2007 as shown in *Table 1*.

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Administration	5	5	5
Quality Assurance	20	23	29
VIN Inspections	2	2	4
ServiceArizona	4	4	4
Driver Schools	<u>6</u>	<u>11</u>	<u>11</u>
Total	37	45	53

Monies added to this line item in FY 2007 address the third party title and registration waiting list and the vehicle identification number inspection waiting list. Monies added in FY 2006 addressed the third party title and registration quality assurance workload, and allowed commercial driver schools and up to 15 motorcycle dealers to become authorized third parties to administer their respective driver license examination beginning in FY 2006.

The budget provides 4 new footnotes to increase accountability in MVD third parties as follows:

- It is the intent of the Legislature that the new funding of \$265,200 and 6 FTE Positions in FY 2007 will not be continued in FY 2008 if the number of title and registration third parties does not reach 145 by December 31, 2006. It is the intent of the Legislature that the new funding of \$88,400 and 2 FTE Positions in FY 2007 will not be continued in FY 2008 if the waiting list for vehicle identification number inspection third parties is not eliminated by December 31, 2006.
- Require JLBC review of quarterly progress reports of the progress in increasing third party transactions, the status of MVD third party staffing, workload and quality assurance backlog. The quarterly progress report shall also include the number of existing third parties and the number of entities on the third party waiting lists. The quarterly report shall address title and registration, vehicle identification number inspection, commercial driver license examination, noncommercial driver license examination, commercial driver training school, noncommercial driver training school and traffic survival school. The reports are due within 30 days after the end of each calendar quarter.
- Requires JLBC review on whether the percent of reviewed third party transactions can be reduced below 10% and still retain statistical validity by November 30, 2006.
- Requires ADOT identify in their FY 2008 budget request the total third party staff resources.

The budget includes the following adjustments:

Third Party Funding Transfer

The budget transfers \$113,400 and 3 FTE Positions from the Motor Vehicle Liability Insurance Enforcement Fund in FY 2007 to the New Third Party Funding special line from the operating budget. The \$113,400 was added in FY 2006 for title and registration quality assurance workload.

Title and Registration Third Parties

The budget provides an increase of \$265,200 and 6 FTE Positions to contract with 145 authorized title and registration third parties in FY 2007. This amount consists of:

Motor Vehicle Liability Insurance	
Enforcement Fund	88,400
State Highway Fund	176,800

The approved amount includes \$40,200 in one-time equipment. This amount consists of:

Motor Vehicle Liability Insurance	
Enforcement Fund	13,400
State Highway Fund	26,800

Vehicle Identification Number Inspections Third Parties

The budget provides an increase of \$88,400 and 2 FTE Positions from the Vehicle Inspection and Title Enforcement Fund in FY 2007 to eliminate the vehicle identification number inspections waiting list. The approved amount includes \$13,400 in one-time equipment.

One-Time Costs

The budget provides a decrease of \$(45,300) from the Highway User Revenue Fund in FY 2007 for one-time equipment associated with increasing the number of certain authorized third parties.

Abandoned Vehicle Administration

The budget provides \$1,018,800 and 23 FTE Positions from the State Highway Fund for Abandoned Vehicle Administration in FY 2007. The amount includes an increase of \$76,700 from the State Highway Fund for statewide adjustments

The budget also includes the following adjustment:

Abandoned Vehicle Registration Processing

The budget provides an increase of \$147,000 and 3 FTE Positions from the State Highway Fund in FY 2007 for Abandoned Vehicle Registration Processing. The approved amount includes \$20,300 in one-time equipment.

Monies in this line item provide for administrative functions concerning abandoned vehicles including maintaining records, mailing notices, and paying towing fees for vehicles on public land.

Attorney General Legal Services

The budget provides no funding from the State Highway Fund for Attorney General Legal Services in FY 2007 as it was transferred in FY 2006 to the Administration Program.

Non-Residents Registration Programming

The budget provides no funding from the Highway User Revenue Fund for the registration of certain vehicles by non-residents in FY 2007. This amount is unchanged from FY 2006.

The monies spent in FY 2005 were for one-time computer programming implementation costs for issuing special 30-day non-resident registration permits to non-residents who intend to register the vehicle out-of-state.