

**MINUTES OF THE
SENATE COMMITTEE ON TRANSPORTATION**

**Seventy-Eighth Session
March 31, 2015**

The Senate Committee on Transportation was called to order by Chair Scott Hammond at 8:05 a.m. on Tuesday, March 31, 2015, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412E of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Scott Hammond, Chair
Senator Don Gustavson, Vice Chair
Senator Patricia Farley
Senator Mark A. Manendo
Senator Moises (Mo) Denis

STAFF MEMBERS PRESENT:

Megan Comlossy, Policy Analyst
Darcy Johnson, Counsel
Tammy Lubich, Committee Secretary

OTHERS PRESENT:

Sean McDonald, Administrator, Division of Central Services and Records,
Department of Motor Vehicles
Greg McKay, Chair, Nevada Off-Highway Vehicle Commission
Andrew Zaninovich, Nevada Conservation League
Will Adler, Capitol Partners
Troy L. Dillard, Director, Department of Motor Vehicles
Paul J. Enos, CEO, Nevada Trucking Association
Jeanette K. Belz, Association of General Contractors, Nevada Chapter

Chair Hammond:

We will begin the work session with Senate Bill (S.B.) 206. Ms. Comlossy, please proceed with S.B. 206.

SENATE BILL 206: Revises provisions relating to organ donation. (BDR 43-215)

Megan Comlossy (Policy Analyst):

Senate Bill 206 was heard by the Committee on March 10. I will read the work session document ([Exhibit C](#)). Senate Bill 206 makes various changes to the process for indicating on a driver's license, driver authorization card, or identification (ID) card whether a person wishes to be an organ donor. Upon issuance of a driver's license or other ID card, the bill requires the Department of Motor Vehicles (DMV) to provide a person an opportunity to indicate that he or she "does not at that time wish" to be an organ donor, rather than "refuses" to be a donor. The bill also provides that if a person opts to be a donor upon issuance of a driver's license or ID card, the indication will remain on his or her driver's license or ID card at the time of renewal, unless, upon notice by the DMV, the person indicates otherwise. If a person initially indicates he or she does not wish to be a donor, the DMV must provide the opportunity to change the indication upon renewal of a license or card.

Senate Bill 206 also revises the definitions of "eye bank" and "tissue bank" for the purposes of the Revised Uniform Anatomical Gift Act.

There was one proposed amendment ([Exhibit D](#)) by Senator Ben Kieckhefer to remove sections 3 and 4 of the bill, which revises the definitions of eye bank and tissue bank.

Chair Hammond:

Removing sections 3 and 4 opens the process to any group that wants to collect the tissue, not just one particular group. Is there any discussion on the amendment?

SENATOR MANENDO MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 206.

SENATOR GUSTAVSON SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Hammond:

We will now move to S.B. 376.

SENATE BILL 376: Revises provisions relating to motor carriers. (BDR 58-632)

Ms. Comlossy:

The Committee heard S.B. 376 on March 26. I will read the work session document ([Exhibit E](#)). Senate Bill 376 provides that any decision or action by the Nevada Transportation Authority (NTA) which has the effect of substantially impairing, restricting or rescinding the ability or authorization of a fully regulated carrier to operate in Nevada or which refuses an applicant the ability or authorization to operate in this State as a fully regulated carrier, is a final decision and may be appealed directly to a court of competent jurisdiction for judicial review.

In addition, any person who is aggrieved by a final decision of the Taxicab Authority is entitled to a judicial review, rather than requiring the aggrieved person to appeal to the NTA.

Chair Hammond:

All the provisions are still applicable. An applicant can still ask for reconsideration or redetermination from the NTA when a determination is made. This would enable an applicant to take an action directly to a court and bypass the process that is in place by the NTA. There was no opposition to the bill. Are there any questions on S.B. 376?

Senator Denis:

The NTA was neutral on S.B. 376. I am not sure this will make a difference due to the number of people who were and were not approved.

Chair Hammond:

Senate Bill 376 gives another mechanism of due process. I do not believe it will really impact the system, but S.B. 376 will give another mechanism to go straight to court.

SENATOR GUSTAVSON MOVED TO DO PASS S.B. 376.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Hammond:

We will now open the hearing on S.B. 492.

SENATE BILL 492: Revises provisions governing the financial administration of off-highway vehicle titling and registration. (BDR 43-1175)

Sean McDonald (Administrator, Division of Central Services and Records, Department of Motor Vehicles):

Senate Bill 492 relates to the off-highway vehicle (OHV) program. There are two areas of primary focus within the bill. The first is the OHV dealer plates and the second is a new funding proposal the DMV is bringing forward on how financing is processed through the DMV OHV program.

Similar to an automotive dealership, OHV dealers, long- and short-term lessors and manufacturers would have use of a dealer plate. Senate Bill 492 will allow the DMV to charge the OHV dealers \$12 for the dealer plate, matching what is required of the automobile dealerships.

The DMV is also requesting a change to the funding mechanism used to operate the OHV program. This is relative to revenues received from registrations and titles. Senate Bill 492 proposes a new funding model reallocating revenues to meet program obligations prior to disbursement of funds. The funding proposal resembles a business enterprise fund. This fund will enable the DMV to cover costs incurred in the program operation while simultaneously allowing all the funds to flow directly to the Nevada Commission on Off-Highway Vehicles (NCOHV). The new funding mechanism would account for all revenue streams, including titles, which are outside of the scope at this time.

Senate Bill 492 would remove the 85 percent commission portion and the 15 percent DMV portion revenue split as it is outlined in *Nevada Revised Statute* 490.084.

Under the new plan, revenues generated from the processing of registrations and titles would be reviewed quarterly. A flexible reserve of \$150,000 would be established and maintained in a separate account and permitted to “balance forward” should the future revenues be insufficient to cover program expenses.

The DMV’s proposed funding model is recently supported in a report issued by the Department of Administration’s Division of Internal Audits. This report was presented to the Executive Branch Audit Committee on December 10, 2014. This new model may ultimately result in higher revenues flowing to the NCOHV. The DMV will also ensure the department’s program obligations are met should revenues be insufficient to cover costs.

As registrations within the program for DMV OHVs increase, there will be a subsequent increase in revenue. The way the DMV is structured at this time, the revenues would be held in an account and not serving any purpose. The new funding model will allow the DMV to flow the revenues to the NCOHV so the monies can be applied to their programs.

Chair Hammond:

Would you please give a summary of the NCOHV and what it does?

Mr. McDonald:

The NCOHV chair, Greg McKay, is here today and would be able to provide answers to your question.

Chair Hammond:

Would you please explain what the NCOHV is going to do with the funds received?

Greg McKay (Chair, Nevada Commission on Off-Highway Vehicles):

The statute lays out the goals as far as how the grant program would be allocated. Sixty percent is connected to building trails, rehabilitating trails, signage, facilities and various environmental studies; 20 percent goes to law enforcement; 15 percent goes to public education and outreach, and 5 percent goes to the administration of the NCOHV.

Chair Hammond:

Therefore, the funding going to the NCOHV is turned around and goes back into the activities of the NCOHV.

Under the new funding formula, the registration fees that go into the DMV will go into an account for the NCOHV. When the account grows to more than \$150,000, there will be a sweep of any dollars over the \$150,000 to the NCOHV once a quarter. By doing the funding this way, the account will now have an "x" amount of dollars more than before using the old formula. Will the new formula produce more funds than the old formula?

Mr. McDonald:

Yes, that is correct. The intent of the DMV, under the new funding proposal and while the program is starting, is for the DMV to meet its obligations and make sure the DMV is able to operate and retain solvency in the program. As the registrations grow and the program increases in size, it was determined there would be revenues held unutilized. This money should be applied to the NCOHV to help them move forward with their projects. The new proposal will make sure the program remains in operation. As the fund continues to grow and more off-highway vehicles are registered, it will ensure that the NCOHV is able to expend more revenue and apply it accordingly.

Senator Denis:

Does the actual titling and registration go through the NCOHV or does it go through the DMV?

Mr. McDonald:

Registration and titling are a DMV function. The DMV retains all titling revenues at this time. Under the new proposal, the additional revenues will also be looked at for disbursement to the NCOHV. The DMV would pay their expense for the OHV program and then the revenues would be applied as needed.

Senator Denis:

Will the DMV continue to maintain the database of the owners and the titles?

Mr. McDonald:

Yes, that is correct. The DMV will continue to handle all registration and titling.

Senator Denis:

Is the 15 percent what the DMV keeps to handle the administrative portion?

Mr. McDonald:

Yes. When the OHV program was organized, a percentage was decided to get the program off the ground. At that time the 85 percent, 15 percent split was logical. Based on potential growth of OHVs and having data available, it makes sense to come forward with a new funding proposal.

Senator Denis:

Will the funding be sufficient to cover the costs of the DMV?

Mr. McDonald:

Yes.

Senator Gustavson:

How much money is coming in quarterly now from the fees?

Mr. McDonald:

The revenue figure for this fiscal year, as of February 28, was \$753,383. For the DMV there was \$301,641 and \$451,741 went to the NCOHV.

Senator Manendo:

How many off-highway vehicles are actually licensed?

Mr. McDonald:

As of March 1, 2015, there were 40,276 off-highway vehicles registered within the State.

Senator Manendo:

What happens to the \$451,741?

Mr. McDonald:

The \$451,741 is disbursed from the DMV to the OHV program twice a month.

Chair Hammond:

Are the funds then spent as Mr. McKay already explained?

Mr. McKay:

Yes, they will be. The NCOHV is waiting for the regulations to come back from the Legislative Counsel Bureau. As soon as the NCOHV has the public adoption hearing, we will have the authority to disperse the funds.

Senator Manendo:

Are the funds being held in a separate account until you are able to disburse them?

Mr. McKay:

Yes, the funds have been held in an account, and we are not distributing those funds at this time.

Senator Manendo:

Is the amount being held in the account \$451,741, or is there more?

Mr. McKay:

Actually, there is \$1.1 million in the account.

Chair Hammond:

Is there anyone else in support of S.B. 492?

Andrew Zaninovich (Nevada Conservation League):

The Nevada Conservation League supports S.B. 492. We believe S.B. 492 will allow the NCOHV to grant more funds to various projects such as the restoration of trails and other habitat work.

Will Adler (Capitol Partners):

The Off-Highway Vehicle Commission and Capitol Partners support S.B. 492.

Mr. McKay:

In December 2014, the Department of Administration, Division of Internal Audits completed Audit Report No. 15-01. The audit recommended that the NCOHV should revise the current funding structure to maximize funds for NCOHV projects by seeking legislation that would allow the DMV to transfer program fees in excess of DMV program administrative expenses to the NCOHV.

Per statute, funds in the DMV's OHV operating account may only be used for paying administrative expenses related to titling and registration of OHVs. Any amount of money remaining in the account is carried forward to the next year. This creates a reserve of idle OHV funds not permitted by statute to be used for any other purpose, including NCOHV projects.

At the current level of compliance and based on fiscal year 2014 data, funds available to the DMV exceed its OHV program administrative expenses by almost \$100,000. As much of DMV's OHV program administrative expenses are fixed, expenses are not expected to increase proportionally as compliance levels increase. Over the long term, at higher levels of compliance, the accumulated funds will almost match the NCOHV annual apportionment. This is but one area where the NCOHV is working well with the DMV.

The audit also recommended that the NCOHV work with the DMV to obtain a better program for revenue and expense data. This was recommended to verify the accuracy of their revenue for increased transparency. The NCOHV and the DMV have agreed to the funds that will be provided to the NCOHV on the first Monday of each month.

The NCOHV is also working with the DMV on how to administer programs making it easier for residents and out-of-state residents to obtain vehicle inspections and registration decals. We have found the DMV a good partner that is genuinely interested in our success.

The NCOHV is working hard and is close to meeting the program goals. We appreciate your support and urge the passage of S.B. 492.

Senator Manendo:

Is there any money that goes to the State Highway Fund from the fees?

Mr. McKay:

No, no money goes to the Highway Fund from the NCOHV fees.

Senator Manendo:

Are the OHVs allowed on the road?

Mr. McKay:

Most of the vehicles are off-highway vehicles. Some may travel on county dirt roads, but not on paved roads.

Senator Manendo:

Not at all?

Mr. McKay:

Some municipalities allow them to drive on the shoulder, but they are generally off-highway vehicles more than on-highway vehicles.

Chair Hammond:

The hearing on S.B. 492 is closed. I will open the hearing on S.B. 502.

SENATE BILL 502: Makes an appropriation to the Department of Motor Vehicles for the modernization of its current platform of information technology and authorizes the Department to collect a technology fee. (BDR 43-1177)

Troy L. Dillard (Director, Department of Motor Vehicles):

Imagine a place and a DMV experience that does not exist today. Imagine conducting your DMV business from the comfort of your home with direct assistance from a DMV technician, surrendering expired or no longer needed license plates at our local supermarket and receiving an instant receipt via email or text.

Imagine conducting your driver's license renewal with a new photo and eye test from your home or local supermarket and not waiting to receive service for a first-time driver test and license issuance. Imagine transferring registrations to new vehicles, securing title transfers from home and a government that is responsive and cognizant to the needs of its residents. Imagine receiving information about motor vehicle requirements in the manner in which you would like: email, text, traditional mail, voice, fax or secure delivery without waiting on hold for the next available operator. Imagine taking a written driver exam from your home computer, communicating with DMV staff and receiving the same information from one technician to the next. Imagine a DMV that does not exist today.

Chair Hammond and members of the Committee, system modernization offers you, DMV and our residents something not possible today. Modernization offers more than the descriptions outlined and offers the future for government business service delivery in Nevada.

The DMVs across the Country are loathed and ridiculed for their inability to efficiently transact business with their customers. Why is there not a better way to do business with the DMV, which is known as "The front door of state

government?" There is, and the answer is contained in S.B. 502 and the Governor's budget. This is a long-term solution for both business and information technology processes.

The existing DMV system has been in use for the past 16 years. Within the design are a COBOL back end and a PowerBuilder front end that are archaic and do not offer agile application development that modern technologies provide. In addition, our Web applications are developed using NET.

The existence of two front end applications requires the DMV to do redundant programming in different languages. As NET is a newer and more modern language, customers using our Web transactions are able to complete transactions more rapidly and in fewer screens than our trained technicians at DMV counters are.

The existing system is fragmented and the pieces do not work together in a unified approach. Rather than an integrated financial system, Excel spreadsheets are responsible for distributing roughly \$1.2 billion in revenue collected by the DMV annually.

Changes to the existing system require extensive and often redundant programming in linear fashion, as opposed to the object-oriented programming and business-rules, engine-driven systems of today. What takes years of programming in our current system is reduced to months in a modern system and what takes months is reduced to days and days to hours.

The design for the new system is Commercial Off-The-Shelf (COTS) based which allows for an evergreen technology system that can remain current and flexible, ending the cycles of future system replacements.

The core principles contained in this initiative are to build the system correctly the first time by ensuring adequate controls and testing, to provide for future maintenance, upgrades and flexibility of integrations and to ensure the system remains current in future years without the need for another system replacement. With only more growth forecasted in the future, the DMV has reached the point it will no longer be able to function as a department in the current environment.

Slide 3 of my presentation ([Exhibit F](#)) shows the 10-year customer count in the five metropolitan offices in Las Vegas; slide 4 shows only Las Vegas for the 3 months during 2013, 2014, and 2015 year-to-date, and slide 5 shows the increase in alternative services.

The DMV has outstretched saturation points with customer volumes and needed changes to the system architecture and design to meet our current business demands. Programmers with the necessary skill sets to maintain, develop and modify our current systems are few because of the antiquated technologies. The ones who do possess the skill sets are able to demand higher salaries for their talents due to the dwindling demand. This has resulted in greater efforts being spent on recruiting programmers with little success and significant vacancies in State positions. This has resulted in the obligation to hire master service agreement (MSA) contractors who are paid at significantly higher rates, roughly \$100 per hour, compared to their State counterparts.

All of these factors have an effect on our “return on investment.” So what will be our return on investment? There are numerous factors that play into the equation. Some of them include the increased efficiencies gained from reduced data entry requirements and more intuitive application screens reducing average transaction times and speeding up customer flows with reduced wait times; changing from the hard coding system languages to the business rules engine-driven change management; automation of many functions that are manual in nature, and integrating document management and financial systems infrastructures. Also included are updating mobile and social platforms for communicating and transacting business with customers; enhancing online and kiosk services with expansion of the available transaction types; creating data analytics to monitor, analyze and design solutions to address bottlenecks in business flow; reducing the workforce needs due to automation of manual processes and significantly increasing the ability to respond to policy, legislative and federal changes and requirements, and eliminating the need to wait at a DMV office with virtual office capabilities.

While we are unable to say exactly when the investment made in the modernization effort will be financially recovered, it is quite easy to say that without the investment, the DMV will continue to waste investment resources on a system that is doomed in the environment of the modern world. Without the investment, we will not be able to take advantage of efficiency savings that are significant in the field services division alone. One of the technology vendors

that conducted an analysis on our current system indicated it would be able to achieve a minimum of 30 percent efficiency savings in transaction times alone, as shown on slide 6 of [Exhibit F](#).

When you look at the impact with the service capacity levels alone, it provides the ability to process 1.3 million more transactions per year with no additional resources. The equivalent investment to provide resources to handle that increase relates to roughly an additional \$29 million each biennium in the field services budget alone and does not account for the additional support resources that would also be required.

In addition, maintaining the security of identity data belonging to nearly the entire adult population of Nevada and the protection of billions of dollars in State revenue is at risk and increases daily without the modernization that is required.

So, how will we manage this project and ensure its success? The DMV has done extensive research in this arena, learning from both successful and unsuccessful deployments of large-scale systems. We have combined these findings into a plan that includes the following elements.

The DMV will manage and lead the project and the vendor. All project expectations, timelines, milestones and deliverables will be mutually agreed upon and met, as required by the contract.

The DMV will have its own project management team consisting of DMV subject matter experts (SMEs) and experienced consultants that will oversee the entire project. This team will manage both State and vendor resources. The project management team will report directly to the DMV's executive committee to address any issues at a moment's notice, ensuring project oversight, and quick resolution to issues.

The project management team will monitor the required monthly project forecasting. This will include financial, resource and project deliverable forecasting. The variance forecasting will require that all system modernization subprojects meet the minimum projections. Significant emphasis will be placed on knowing exactly where the project is from a resource, time line, deliverable and financial view on a monthly basis.

As part of contract negotiations, the DMV will include financial holdbacks, ensuring the DMV has received an approved function prior to final payment for each function.

Contract negotiations will include a service level agreement. This will ensure project and business continuity with penalties if issues are not resolved in an agreed time frame.

In Years 3 and 5 of the project, the DMV will hire independent verification and validation consultants. Their role will be to assess the health of the project. This will include the time line, financial, deliverable milestones, security components and system design validation. The consultants will report their findings and analyses to the director and deputy director of the DMV. Corrective action will be taken by the project team based on any findings. The requirements for this role will be expertise in large-scale system implementations, project management, system security and systems.

The project will consist of concurrent project implementations. Concurrent function subprojects will be managed and implemented based on their own time lines, milestones and assigned resources. The DMV will not implement all functions at the same time. The DMV will not implement sequential implementation, where one function is implemented prior to starting another project function. We will work in cooperation with the vendor to ensure a smooth phase-in rollout.

The project and all subproject planning will be completed prior to any line of code being started. This effort will include the DMV SMEs, DMV executive management, project management team and the awarded approved vendor. The proposed systems, processes, functions, hardware, software, architecture and all other project-related items will be discussed, planned and documented. A clear road map of who, what, when and where for each component to be implemented will be planned. Therefore, when the concurrent subprojects are initiated as part of the project life cycle, every allocated resource will understand its project, role and required deliverables.

The request for proposal (RFP) attributes significant importance to ensure there are adequate computing, network and storage capacities available. In addition, there is adequate statistical information to estimate capacity needs.

The current RFP includes the requirement for software development, testing and project management tools that will significantly increase system-testing capabilities of the DMV. The modern software development practice is more agile and the system will be developed in incremental fashion, allowing users to be more involved in the process instead of waiting months before testing can occur.

The current RFP requires the vendor to include integrated context-sensitive help; training software that allows users to try, practice and learn; and user interfaces that are intuitive and easy to follow.

As with any endeavor for a project of this scope, risks do exist. The modern software development has evolved, potential risks are documented and standards exist to handle risks. We have evaluated potential risks and have plans to mitigate or eliminate them.

The plan calls for existing department SMEs to be part of the planning and development teams. The MSA contractors will be hired and trained to maintain the existing system while the SMEs are fully dedicated to the success, planning, development and testing of the new system components.

A technology fee of \$1 will be assessed on all fee-based transactions. The \$1 fee has two purposes: to offset the cost of development and deployment of the new system during the initial phases and to provide ongoing support and maintenance of the system. The system will be kept current with updates to all software releases and interfaces. This is a significant drain on resources today, with programmers often spending years on required updates to federal interfaces and program update requirements. The technology fee will replace the manpower needs of today with a vendor-supported solution to maintain an evergreen system.

The project will be given priority status and the existing system will be maintained with only required updates and modifications. All policy-driven changes will be developed within the new application and not the existing system. We will work with State and federal partners to implement policy changes within the new system and delay unnecessary duplication of efforts by programming in outdated and inefficient system models.

Mr. Chair, I know this has been a lengthy overview of S.B. 502 and this project. However, I must reiterate just how important this project is to the future of the department and the public. There is no option for the status quo to remain. The DMV must move forward today to ensure the ability to conduct business tomorrow. In doing so, the DMV must think with vision and leadership accounting for future opportunities that will benefit all Nevadans.

Chair Hammond and members of the Committee, I challenge you to imagine.

Imagine a future that is anything but today's reality as shown on slide 7 of [Exhibit F](#). Imagine a future that is within reach. Imagine our new reality.

There are also two amendments proposed for S.B. 502 ([Exhibit G](#)). One is in section 3, which modifies the wording for the technology fee being applied as specified by regulation of the director, changing it to a statutory fee that applies to any transaction for which there is a current fee being charged.

Chair Hammond:

When you are talking about any type of fee, are you talking about any transaction that is done at the DMV?

Mr. Dillard:

Yes, that is correct. If you conduct a transaction with the DMV today and a fee is charged for that transaction, the \$1 technology fee would be added. If you go to the Website and look up your tax information, there is no fee charged and there would not be a fee charged in the future.

Chair Hammond:

The \$1 fee is not only to implement the new system, is it to continue forward for maintenance as well?

Mr. Dillard:

Yes, that is correct and it is a very important point. The DMV intends to use the \$1 fee to be sure that people 20 years from now are not having the same discussion again and the DMV is able to maintain the systems into the future without investing large amounts of money to replace archaic systems. The modernization system needs to be maintained and kept current so it can be used far into the future.

The additional amendments are found in sections 7 and 8 to change the effective date from the hard deadline of July 1 to the act being effective upon notification of the Governor and the director of the Legislative Counsel Bureau, and after notice is posted for the public on the DMV Website. We are asking for flexibility in case an issue arises causing a delay. It is the intent of the DMV to begin collecting on July 1, 2015.

Senator Gustavson:

Is this system being used and tested in any other states?

Mr. Dillard:

Every state is unique in the DMV functions based upon the requirements and laws of that state. The COTS is not a system that is bought off the shelf and is plugged in. A COTS-based system provides all the necessary information to configure a system for any state instead of the programming that has to be done today in a hard-code fashion. The underground programming is what the vendor does to set up the system for operation within each state.

With the old system, when changes are required, it is done by hard coding and is labor intensive. The new system is configurable and can be modified quickly. The base is already designed and is modified to adapt to the policy changes. The new system also does not require the same level of special knowledge in the amount and detail needed today when hiring programmers with languages that are no longer used.

Senator Gustavson:

My concerns are that the new system be completed and implemented properly. Is this going to reduce the DMV staff or will the staff remain the same once the new system is in place?

Mr. Dillard:

The new system will automate several processes that are performed manually at this time. The staff allocation will definitely change. I cannot testify as to how it will affect the staffing at DMV. I can tell you that the new system will automate many of the manual processes. In our current projects when systems become automated, the DMV shifts the resources to areas where need exists.

This is a completely different dynamic with the DMV in the future over what we think of today. While the core business functions will remain the same, the

method of getting and conducting them will change. There will still be technicians with computers who assist people due to the specialized training and knowledge. The DMV will be able to provide a person with the ability to gain the information without a technician's help. The entire dynamic of how the DMV is structured today will completely change in the future with the new system.

Senator Gustavson:

How many transactions do you process now to which the \$1 fee will apply?

Mr. Dillard:

The DMV has projected \$5 million in revenue in the budget per year or \$10 million over the biennium.

Senator Denis:

Are all the state DMVs going to be using COTS-based systems and customizing them for each state?

Mr. Dillard:

Yes, many DMVs are still running on legacy mainframe systems. The states going through system modifications are using COTS-based platforms.

Senator Denis:

Will this be the same platform 20 years from now?

Mr. Dillard:

The DMV does not know what the platform will be 20 years from now. The COTS base has the two largest players in the information technology world and they are the ones driving where technology is moving. The DMV fully expects it will either be a Microsoft- or Oracle-based platform. This is why it is important to keep current with the system so the DMV does not have to come back in 20 years and have this same discussion.

Senator Denis:

Is there a fee the DMV will pay to maintain this platform?

Mr. Dillard:

Yes, there will be licensing fees for the software.

Senator Denis:

Is this an annual fee and not a onetime fee?

Mr. Dillard:

This is part of how the RFP structure is going to be developed. I cannot give you a direct answer as to whether it will be annual or not. There are several methodologies for the licensing structure. The DMV is looking for the best methodology that will benefit the State.

Senator Manendo:

Is the \$40 million separate from the \$1 fee, and is the \$40 million going to the current system?

Mr. Dillard:

In the budget this year, there is approximately \$37 million in the State Highway Fund allocation that would go into the development of the new system. This includes the methodology as the DMV moves forward with how to maintain today's system and use the current experts as part of the new project management team.

There was quite an issue 16 years ago when Genesis was deployed in the State. Genesis did not work, and there were several reasons for this. One main reason was the DMV was not involved. Genesis was developed by a vendor that was provided to the DMV. The DMV has since analyzed the Genesis and the Health Link issues to determine the problems with those projects and to make sure the same mistakes are not repeated. The DMV is not only looking at the issues in Nevada, we are looking at the issues throughout the United States and Canada also.

There are 54 jurisdictions within the United States that have DMVs as well as Canada and Mexico. The DMVs belong to an association where this information is shared between jurisdictions and governments to determine what has and what has not worked to ensure that projects are successful.

The old methodology will not be contained in this project. Another problem with Genesis was time line. There was a lot of pressure to get the system out by a certain date and they did, but the system did not work.

Part of the project plan with the new system is to be sure we have the ability to be on the ground floor with the design and testing. This way the DMV technicians will be able to test the system and point out what does and does not work. When the system is then deployed, it will not only work, it will completely change the dynamic of a DMV experience for our residents.

Senator Manendo:

Is the appropriation cost of \$40 million, with the \$1 transaction fee, going to bring in \$5 million annually forever?

Mr. Dillard:

It will bring in \$1 per transaction. So as Nevada grows, the amount will also grow with the number of transactions that are conducted. The \$37 million Highway Fund is over this biennium, and the current biennium is \$5 million per year for 10 years, so this is the \$47 million that is contained in this biennium's budget.

Senator Denis:

Am I correct that there will be a \$40 million upfront cost which will maintain the current system and then go to the new system?

Mr. Dillard:

The \$37 million in this biennium is the Highway Fund investment for the purposes of securing the necessary hardware for the system integrator piece to begin the program and deliverable turnovers, and that will continue into the next biennium as well. The \$5 million from the \$1 technology fee will be the ongoing costs.

In the initial years, it will offset the Highway Fund investment that is necessary to accommodate the programming and deployment of the system. Once the system is deployed, the \$1 fee will continue to take care of the maintenance, support and the adaptability for the future interfaces. There are constant changes from the federal government and other partners for interfaces. The commercial driver's licensing is constantly being updated and changed and a great deal of our programming efforts are spent on keeping up with the mandates. This will give the DMV a vendor-supported solution to the mandates as required. The vendor that supports them will be handling the updates and changes and will be paid out of the \$1 technology fee. The resources that are allocated within the State can handle the changes to the system due to

legislative mandates, policy mandates and other mandates of that nature and will not work on the interfaces any longer.

Senator Denis:

Do you anticipate that this is a jump start to get it going, and then the ongoing \$1 fee is what will keep the system up to avoid having the huge expenses every 10 years or so?

Mr. Dillard:

Yes, that is correct.

Paul Enos (CEO, Nevada Trucking Association):

The Nevada Trucking Association is in support of S.B. 502. The modernization of the DMV will help the member businesses and drivers. The commercial driver's license modernization will help our drivers so they will no longer have to carry a medical card. The Trucking Association sees this as part of the process that will go to making it easier to comply with the law. Instead of carrying medical cards in their wallets, the information will be in a database.

In 2009, the trucking companies wanted to be able to manage their own plates. They would get a box of plates and be able to go into the DMV system and take vehicles in and out of the system. The Trucking Association found that it would have cost the DMV \$105,000 in programming changes, which was \$50 an hour. Today the cost of programming would increase from \$50 an hour to \$106 an hour to have the COBOL system reprogrammed. The bill passed in 2009, but has never been implemented due to the cost. There would be 2,100 hours of programming, which would cost \$222,000 today.

The same issue came up last year when the Trucking Association wanted to create a refund mechanism for trucking companies that were being charged a local fuel tax in Clark County and using the fuel elsewhere. During negotiations, the Nevada Trucking Association found that it would take 12,000 hours of programming, at a cost of \$1.32 million due to the current system the DMV is using. Therefore, the refunds are being done manually at this time.

The technology fee of \$1 is a very important investment to pay for modernization at the DMV and to pay for the ongoing technology costs. Senate Bill 502 is very important for the DMV to move forward and will have a great impact on both the Nevada Trucking Association members and drivers.

Jeanette K. Belz (Association of General Contractors, Nevada Chapter):

Imagine the future, imagine the Highway Fund is adequately funded, imagine it has evolved to accommodate all the new technologies and we no longer rely on the gas tax. Imagine a future when we no longer have to come to the Legislature in opposition to these types of bills.

This is the real issue, Mr. Chair, and we do not get to spend a lot of time in this Committee talking with you about the dollars that are coming out of the Highway Fund. I have a list of the Nevada Department of Transportation projects that could begin within the next 10 years, but funding sources have not been identified, excluding the DMV system modernization.

The cost to widen Summerlin Parkway to eight lanes from the Interstate 215 western beltway to U.S. Highway 95 is \$37,303,000, just exactly the number, almost to the penny, that Mr. Dillard mentioned. The Association of General Contractors (AGC) is not against the modernization of the DMV. The AGC is opposed to S.B. 502 due to the funds that would come immediately out of the Highway Fund.

Senator Denis:

I understand the Highway Fund portion. Is the AGC opposed to the \$1 fee?

Ms. Belz:

The AGC is not opposed to the \$1 fee. In fact, we think it should be higher. We at the AGC believe for functions like this there should be a user-based system where the users pay. Many years ago, there was a proposal by the DMV not to pass on the cost of improving the technology for the photos—I believe it was in the neighborhood of \$700,000. The AGC was in opposition to that because it is a privilege to drive. If it costs more for your license to be produced, you should bear that cost. I am sure people would be perfectly willing to pay more than \$1 not to stand in line. They are probably losing more than that missing work.

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Chair Hammond:

We will close the hearing of S.B. 502. There being no public comment, the meeting is adjourned at 9:12 a.m.

RESPECTFULLY SUBMITTED:

Tammy Lubich,
Committee Secretary

APPROVED BY:

Senator Scott Hammond, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit		Witness or Agency	Description
	A	1		Agenda
	B	5		Attendance Roster
S.B. 206	C	1	Megan Comlossy	Work Session
S.B. 206	D	1	Senator Ben Kieckhefer	Conceptual Amendment
S.B. 376	E	1	Megan Comlossy	Work Session
S.B. 502	F	9	Troy Dillard	Slide Presentation
S.B. 502	G	2	Troy Dillard	Proposed Amendment