

# Transportation

## Motor Vehicles

(LFB Budget Summary Document: Page 589)

### LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
1	Establish 10-Year Replacement of Motor Vehicle Registration Plates and Related Fee (Paper #615)
2	Mailed Registration Notice Fee (Paper #616)
3	New Customer Service Centers - Madison and Green Bay (Paper #617)
4	Driving Skills Test Waiver (Paper #618)
5	Online Driver License and Wisconsin Identification Card Renewal (Paper #619)
8 & 13	REAL ID Funding and System Modernization Survey (Paper #620)

### LFB Summary Items Removed From Budget Consideration

<u>Item #</u>	<u>Title</u>
6	Automatic Voter Registration
7	Identification Card Receipts for Voting Purposes - Valid Period
9	REAL ID Non-Compliant Driver Licenses and Identification Cards for Undocumented Persons (For Purposes Other than Voting)
10	Wisconsin Identification Card Information Release Standardization
11	Exemption from Probationary License Requirements - United States Armed Forces
12	Prohibit Arrest and License Suspension for Nonmoving Violations





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June, 2021

Joint Committee on Finance

Paper #615

### **10-Year Replacement of Motor Vehicle Registration Plates and Related Fee (Transportation -- Motor Vehicles)**

[LFB 2021-23 Budget Summary: Page 589, #1]

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#### **CURRENT LAW**

Registration plates can be redesigned at intervals determined to be appropriate by the Department of Transportation (DOT). The required replacement of vehicle registration plates can only occur after the Department redesigns the registration plate. Special group plates issued to the following persons are exempt from the requirement that new plates be issued: (a) persons who have had an immediate family member die while serving in the United States Armed Forces if the immediate family member meets the federal eligibility criteria for a gold star; (b) fire fighters and surviving spouses of fire fighters who die in the line of duty; and (c) emergency medical services practitioners and responders. DOT has statutory authority to assess a \$2 fee per plate replacement, or \$4 for a set of new plates, if an individual voluntarily applies to replace their plate(s) because their existing plates become illegible.

#### **DISCUSSION POINTS**

1. After many years of active use, vehicle license plates may become damaged, illegible, or have reduced reflectivity. This may cause safety issues for other motorists and limit the ability of law enforcement to read license plates. As a result, many states replace license plates on a routine basis. For example, Indiana and Minnesota require license plates to be replaced every seven years while Illinois, Iowa, and Michigan require plates to be replaced every 10 years. States also vary based on the fee they charge to reissue plates. Some states charge a fee that offsets the entire cost to manufacture the plates, some states charge a fee that partially offsets the cost, while other states do not charge a fee.

2. In an attempt to generate savings, the 2009-11 biennial budget act removed the

requirement for the Department to redesign and reissue vehicle license plates every 10 years and replaced the requirement with a provision that DOT may redesign and reissue plates at a time determined by the Department. Since that change, the Department has not had a statutory requirement to redesign or reissue plates on a routine basis. Prior to this law change, the cost of previous plate replacements were covered entirely by the state, at no cost to vehicle owners.

3. Current law requires motorists to replace their plates for a \$4 fee per set when the plates become illegible, although few choose to do so. In 2020, about 49,000 license plates were replaced voluntarily by customers, for reasons that may include illegible or damaged plates, among others. Replacing a set of license plates costs \$6.08, meaning DOT funds \$2.08 of the costs of replacing each set of plates on average.

4. The Governor recommends an increase in funding of \$2,100,000 annually associated with re-instating the requirement that DOT issue and deliver prepaid a new set of two non-specialized registration plates to individuals renewing their registration for which a registration plate has not been issued during the previous 10 years, beginning for registrations initially effective July 1, 2021. Under this provision, new plates would be issued upon receipt of: (a) a completed application to renew the registration of a vehicle for which a registration plate has not been issued during the previous 10 years; and (b) payment of a \$6.25 fee associated with the issuance of the plates. The current law exemptions for specific categories of special group plates would not be affected by this provision and would continue to apply. While the Governor's recommendation did not recognize the additional revenue that would be generated associated with the \$6.25 fee associated with the required replacement of the license plates, the Department estimates that it would generate \$2,100,000 annually and offset the additional Department costs. The Department indicates that there are over 1,700,000 active Wisconsin license plates that are more than 10 years old. In order to systematically replace these license plates on a cycle, the Department would utilize the alphanumeric of plates to control the number being replaced on an annual basis, with a goal of replacing approximately 335,800 each year. Reissuing 335,800 plates would cost the Department approximately \$2,042,000.

5. The Department indicates that it would take up to six months to implement a reissuance plan. Changes would include updates to information technology systems to incorporate the new fee and to identify vehicles that would need their plates reissued. Additional implementation challenges would include cooperating with the Department of Corrections to increase the manufacturing of license plates and updating registration renewal notices to reflect the new provision and fee. Given the time it would take the Department to implement the changes under this provision, it may be appropriate for the Committee to make these changes effective January 1, 2022, rather than July 1, 2021. This could provide the Department sufficient time to adequately implement the changes before they are in effect. A January 1, 2022, effective date would reduce the additional funding needed, and corresponding revenue generated, to half of the amount recommended by the Governor in 2021-22, or \$1,050,000. As a result, \$1,050,000 in 2021-22 and \$2,100,000 in 2022-23 could be provided, with the same amount of revenues from the \$6.25 fee being generated to offset the additional costs. [Alternative 1]

6. If instituting a fee that is greater than the current \$4 per set amount charged to individuals who voluntarily replace their plates is a concern, then requiring that the Department replace 10-year

old license plates but setting the fee at \$4 per set instead of \$6.25 per set could be an alternative. Using the same assumption that the Department would replace approximately 335,800 sets of plates each year, the Department would generate approximately \$1,343,200 annually in revenue from the fee once fully implemented to administer the program. Under this fee structure, the Department would have to fund the costs in excess of \$4 to reissue a set of plates, or \$2.08 per set of plates (\$698,500 annually) with existing resources. If the \$4 fee were first effective January 1, 2022, it would generate \$671,600 in 2021-22 and \$1,343,200 in 2022-23, and the Division of Motor Vehicle's general operations appropriation could be increased by an equivalent amount each year. [Alternative 2]

7. Regardless of the decision as to whether or not to statutorily require plates to be reissued on a 10-year cycle, the existing \$4 for a replacement set of plates could be increased to \$6.25 for those who request to voluntarily replace their license plates. This would allow the Department to fully cover the costs to manufacture and issue a set of plates. Assuming the Department would replace a similar amount of plates annually (49,000) as they did in 2020, the Department would collect approximately \$110,200 annually in additional revenue once fully implemented. Under a January 1, 2022, effective date, the Department would receive additional revenue of \$55,100 in 2021-22 and \$110,200 in 2022-23, and a similar amount of funding could be provided to cover the Department's administrative costs. [Alternative 3]

8. Under current law, DOT has the discretion to redesign vehicle license plates at intervals determined to be appropriate by the Department. However, the required replacement of vehicle registration plates can only occur after the Department redesigns the registration plate (termed "rebasin"). One impediment to redesigning a new license plate may be that Department does not have the ability to recoup the full cost of issuing a set of reissued plates. Given that the DOT has the discretion to redesign the plate, requiring the Department to replace 10-year old plates may not be needed. Alternatively, the Committee could increase the fee for the issuance of registration plates to \$6.25 at this time, which may allow the Department to cover the costs of replacing existing license plates with redesigned plates on a time table the Department deems appropriate. Given that the decision to redesign and require the replacement of the state's vehicle registration plates is at the Department's discretion, no additional funding or revenue to the transportation fund would be provided at this time. If DOT would use its current law authority to redesign and require the replacement of vehicle license plates, additional revenues associated with the fee increase would accrue to the transportation fund and the Department could request additional expenditure authority to cover its costs at a later date. [Alternative 4]

9. DOT has the authority to redesign the state's vehicle registration plate and require the replacement of those plates. If the replacement of older, more damaged plate is a priority of the Department, it could do so using this existing authority. Taking no action, would mean that Wisconsin drivers would not be required to be reissued license plates on a routine basis, and would continue to voluntarily replace plates on an as-needed basis as determined by the driver. The Department would continue to receive \$4 for voluntary license plate replacements, meaning they would continue to expend approximately \$2.08 from other budget resources for each replacement set. [Alternative 5]

## ALTERNATIVES

1. Require DOT to issue two new registration plates to individuals renewing their registration for which a registration plate has not been issued during the previous 10 years for a \$6.25 fee, effective January 1, 2022. Provide \$1,050,000 in 2021-22 and \$2,100,000 in 2022-23, and estimate gross revenues in equal amounts annually.

ALT 1	Change to Base	
	Revenue	Funding
SEG	\$3,150,000	\$3,150,000

2. Require DOT to issue two new registration plates to individuals renewing their registration for which a registration plate has not been issued during the previous 10 years for a \$4 fee, effective January 1, 2022. This would implement the 10-year replacement cycle and set the fee for the mandatory reissued license plates equal to the existing \$4 fee assessed for voluntarily replacement of license plates. Estimate gross revenues of \$671,600 in 2021-22 and \$1,343,200 in 2022-23 and provide an equivalent increase in funding each year to the Division of Motor Vehicle's general operations appropriation to administer these changes.

ALT 2	Change to Base	
	Revenue	Funding
SEG	\$2,014,800	\$2,014,800

3. Effective January 1, 2022, increase the fee from \$4 to \$6.25 charged to Wisconsin drivers who voluntarily choose to replace their set of license plates. Estimate gross revenues of \$55,100 in 2021-22 and 110,200 in 2022-23, and increase DOT expenditure authority by the same amount each year. This would generate revenue to fully offset the cost of issuing these plates.

ALT 3	Change to Base	
	Revenue	Funding
SEG	\$165,300	\$165,300

4. Effective January 1, 2022, provide the Department the authority to assess a \$6.25 fee for the issuance of a set of newly-designed vehicle license plates. Given that current law authority to redesign and then require the replacement of vehicle registration plates would be at the discretion of the Department, no estimate of revenue would be made at this time. The Department would have to request additional expenditure authority to administer this provision.

5. Take no action.

Prepared by: Nick Lardinois



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June, 2021

Joint Committee on Finance

Paper #616

### **Mailed Registration Notice Fee (Transportation -- Motor Vehicles)**

[LFB 2021-23 Budget Summary: Page 590, #2]

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#### **CURRENT LAW**

The Department of Transportation (DOT) typically registers between 4.5 million and 4.9 million vehicles annually. The Department is required to mail a notice of the date upon which a vehicle's registration will expire, at least 30 days prior to that expiration. In addition, the Department is authorized to test and evaluate the effectiveness of alternative methods of processing and distributing vehicle registration renewals. The Department's Division of Motor Vehicles (DMV) has an annual base budget for postage costs of \$6,696,000.

#### **DISCUSSION POINTS**

1. The Department prints and mails nearly 5,000,000 registration renewal notices annually. The average cost of mailing a registration renewal notice is \$0.33. DMV's postage budget, which also covers other postage costs, is currently \$6,696,000 but has grown from \$4,288,000 in 2018-19. The postage budget is set internally, rather than through the legislative budget process, and is a component of DMV's general operations appropriation which has grown from \$73,013,900 in 2018-19 to \$74,150,800 in 2020-21. However, the overall general operations appropriation is set by statute, and any increase to these funds needed for postage reduces the funding available for other DMV operation costs. As a percentage of the total amount in DMV's general operations appropriation, the percentage budgeted for postage costs has increased from 5.9% in 2018-19 to 9.0% in 2020-21.

2. The 2019-21 biennial budget act provided \$476,000 SEG annually to DMV's general operations appropriation for postage, in part due to higher volume and rising postage costs. At that time, DMV projected \$11.7 million in postage costs in the 2019-21 biennium (\$5.85 million per year on average), despite only having budgeted \$8.6 million in the biennium. Again, when the Department has postage costs in excess of its budget, it funds postage costs by reducing expenditures in other

program areas, such as for improvements to its information technology systems.

3. Recognizing the ongoing increase in postage costs, the Governor recommends an increase of \$1,600,000 in 2022-23 and the establishment of a special transaction fee of \$0.33 for each vehicle registration renewal notice that is provided by mail. The recommendation would make the fee effective July 1, 2022. Fee revenue would be deposited to the transportation fund. The Governor's recommendation did not include an estimate of the revenues generated from the proposed fee. The Department indicates the fee would provide revenues to equally offset the recommended funding increase associated with mailing registration notices. Thus, the Department estimates the fee would generate about \$1,600,000 annually which would equate to charging a \$0.33 fee for the estimated 4,800,000 mailed vehicle registration notices to be returned. [Alternative 1]

4. In recent years, the Department has increased its online services to provide convenience for customers and to reduce in-person visits to DMV customer service centers, which could decrease wait times at those centers. This trend was accelerated due to the coronavirus pandemic, which necessitated fewer in-person visits and increased utilization of electronic alternatives. For example, in 2020, of the 4,884,844 registration renewals, 2,358,374 (48.3%) renewed their registrations via electronic means which was a significant increase to the percentage in 2019, which was about 31.3%, due to increased utilization of online technology in response to the coronavirus pandemic.

5. The Department currently allows for individual customers to opt-in to an electronic notification system rather than receiving a mailed registration renewal notice. However, statutes specify "at least 30 days prior to the expiration of a vehicle's registration, the Department shall mail to the last-known address of the registrant a notice of the date upon which the registration must be renewed and an application form for renewal of registration", which appears to require a mailed notice in all cases. Currently, approximately 202,000 customers have enrolled in the electronic notification system, which is about 4% of eligible customers. As noted, almost half of registration renewals in 2020 were conducted electronically. Therefore, it appears that the continued utilization of electronic technology may be a viable option for a substantial portion of DMV customers.

6. The Committee could provide DOT additional authority that would allow the Department to alert individuals of the required notice to renew via electronic means rather than through mailed notices. Doing so would limit the volume of notices the Department would have to mail. Individuals that receive an electronic notice could choose to renew online and avoid the \$0.33 mailing fee. This could provide an incentive for some individuals to utilize the electronic service. However, there may be equity of access concerns with allowing some individuals to opt for an electronic notice and therefore avoiding the \$0.33 fee, in that not all individuals have equal access to online services. [Alternative 2]

7. If the Committee were to allow the Department to use electronic notification for registration renewals, the Committee could still establish the recommended \$0.33 mailed registration fee notice, in order to allow DOT to cover the cost of mailing notices to those who do not choose the electronic renewal notice. Assuming half of the 2.4 million people who renewed their registration electronically in 2020 would choose to receive their registration renewal notices electronically opposed to via mail, the Department would be able to reduce their postage expenditures associated with the registration renewals by approximately 25%. Using these assumptions, the Committee could



still choose to establish the \$0.33 mailed registration notice fee, but provide only \$1,200,000 (a 25% reduction from \$1,600,000) in increased funding in 2022-23. Under this alternative, the increased expenditure authority would again be offset by estimated revenues of \$1,200,000, assuming 25% of customers opt for an electronic notice rather than a mailed notice. [Alternative 3]

8. In recent years, postage costs for DMV have increased. From 2011-12 through 2017-18, DMV postage costs grew by an average of 6.0% annually, outpacing the growth in mail volume which grew 3.2% annually. Given this trend, the Committee could establish the \$0.33 fee but also permit the Department to adjust the mailed registration fee once each biennium to reflect increased postage costs. This would allow the Department to adjust the fee to generate enough revenue to offset the postage costs associated with mailing registration renewals. [Alternative 4]

9. The Committee could alternatively decide to take no action. The Department would continue to pay for the postage costs associated with mailing registration renewal notices with existing resources. Because postage costs associated with these notices have been increasing in recent years, DMV would have to continue to reduce funding for other programs or services in order to be able to fund these costs. [Alternative 5]

## ALTERNATIVES

1. Provide \$1,600,000 SEG in 2022-23, and modify statutes to establish a special transaction fee of \$0.33 for each vehicle registration renewal notice that is provided by mail, effective July 1, 2022. This would provide a \$1,600,000 SEG increase to the Division of Motor Vehicle's general operations appropriation. Estimate gross revenues of \$1,600,000 SEG in 2022-23.

ALT 1	Change to Base	
	Revenue	Funding
SEG	\$1,600,000	\$1,600,000

2. Provide the Department the additional authority to provide the required vehicle registration renewal notices via electronic means rather than through mailed notices.

3. In addition to Alternative 2, establish a special transaction fee of \$0.33 for each vehicle registration renewal notice effective July 1, 2022, and provide \$1,200,000 SEG in 2022-23. This would provide a \$1,200,000 SEG increase to the Division of Motor Vehicle's general operations appropriation. Estimate gross revenues of \$1,200,000 SEG in 2022-23.

ALT 3	Change to Base	
	Revenue	Funding
SEG	\$1,200,000	\$1,200,000

4. In addition to Alternatives 1 or 3, provide the Department the authority to adjust the mailed registration renewal notice fee once each biennium to reflect changes in postage costs.
5. Take no action.

Prepared by: Nick Lardinois



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June, 2021

Joint Committee on Finance

Paper #617

### **New Customer Service Centers - Madison and Green Bay (Transportation -- Motor Vehicles)**

[LFB 2021-23 Budget Summary: Page 590, #3]

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#### **CURRENT LAW**

The Department of Transportation (DOT)'s Division of Motor Vehicles (DMV) operates 80 permanent customer service centers and 11 satellite service centers around the state. These centers provide essential motor vehicle services, including the registration and titling of motor vehicles and administering driving skills and knowledge tests. In addition, these centers provide other critical services to Wisconsin residents, including issuing driver licenses and identification cards which are the two most common sources to provide proof of identification for voting purposes, as well as providing personal identification that is REAL ID compliant which will be required for federal identification purposes beginning May 3, 2023.

#### **DISCUSSION POINTS**

##### **Background**

1. Currently, DOT operates one DMV customer service facility (including satellite facilities) per 63,600 Wisconsin citizens. This ratio ranges from one center for 4,300 residents in Florence County to six centers for 951,200 residents in Milwaukee County (approximately one per 158,500 residents). In 2019, DMV customer centers statewide provided over 107,000 driving skills tests and 161,000 knowledge exams, issued more than 1,250,000 driver licenses and identification cards, and processed applications for more than 4,660,000 registrations, 2,017,000 titles, and 1,232,000 license plates, among other services.

2. Over the past 15 years, additional responsibilities have been placed upon the Department's DMV centers related to federal Real ID requirements and state voter identification

requirements that expanded the number of transactions as well as the time it takes to complete some DMV transactions. The federal REAL ID Act of 2005 created minimum federal standards for driver licenses and identification cards in order to be accepted for official federal purposes. Beginning on May 3, 2023 (this date was extended one year from October 1, 2020, to October 1, 2021, under the federal Coronavirus Aid, Relief, and Economic Security Act and again extended in April, 2021, to May 3, 2023), individuals would need a REAL ID compliant license or card in order to have access to federal buildings, including federally-regulated aircraft. Due to these increased standards, under current law any Wisconsin resident wanting to obtain a REAL ID compliant driver license or identification card would need to visit a DMV customer service center in person.

3. Under 2011 Wisconsin Act 23, changes were made to Wisconsin voter requirements related to voter identification and election administration, including creating a proof of identification requirement for most voters with limited exceptions. Acceptable proof of identification includes, among other items, the following items issued by DOT: (a) a driver license (unexpired or expired after the most recent general election); (b) an unexpired driver license receipt; (c) an identification card (unexpired or expired after the most recent general election); or (d) an unexpired identification card receipt. The Department currently requires identification card applicants to provide proof of identity, name, date of birth, Wisconsin residency, and U.S. citizenship or legal presence. Act 23 also required the DMV to provide minimum service levels in each county. This requirement resulted in an additional 32,000 service hours annually since 2011, according to the Department.

4. On March 4, 2019, the Governor signed 2019 Executive Order #14 relating to the accessibility of DMV facilities and DOT-issued voter identification. The order required DOT to develop and implement a plan for expanding accessibility to DOT facilities that provide identification documents required to vote. This plan could include an increase in the hours of availability and exploring future new or relocated service centers in areas easily accessible by public transit and by citizens with limited mobility.

5. Under the plan that DOT developed in response to 2019 Executive Order #14, the Department plans to expand service hours in weeks during which a Presidential primary, fall primary, or fall general statewide election occurs because there has been an increase in customer service during these election weeks in recent elections. The plan also noted that additional customer service centers could be helpful in high-demand communities. Regarding access to customer service centers, the Department noted that access is a key consideration in the location of all centers and they provide public resources related to transit options to their centers.

### **Additional DMV Centers and Expanded Service -- Dane and Brown Counties**

6. In its 2021-23 budget request, the Department included a proposal to establish an additional DMV customer service center in both Madison and Green Bay. The Governor included the additional DMV centers in his budget recommendations. The proposal would provide \$586,600 in 2021-22 and \$663,400 in 2022-23, and 6.0 positions for the additional Madison center and \$407,400 in 2021-22 and \$452,400 in 2022-23 4.0 positions for the additional Green Bay center. DOT indicates that a service center requires office space, parking, furniture, security, and computer equipment. Of the total funding provided, \$160,600 in 2021-22 and \$321,200 in 2022-23 would be for the cost of leasing space in Madison and Green Bay, while the remaining funding would be used for the costs of

operating the facility.

7. Dane and Brown Counties include Wisconsin's second and third largest cities in terms of population. Dane County is currently served by two customer service centers in the City of Madison, which serve 268,000 County residents each, and Brown County is currently served by one center in the City of Green Bay for the County's 261,400 residents. These two counties currently have the highest ratio of residents per center of all 72 Wisconsin counties. Waukesha County, which has one center per 200,200 residents, is the only other county to have a ratio of more than 200,000 residents served per center. Milwaukee County, the state's most populous county, has approximately one center per 158,500 residents.

8. Dane County and Brown County customer service centers also conduct more annual transactions per center than other urban counties according to 2019 data. Dane County centers conducted 136,600 transaction per center in 2019, while Brown County centers conducted 141,200 per center in that year. By comparison, Milwaukee County DMV centers conducted approximately 94,000 transactions per center.

9. Geographic access to county-wide DMV service centers can also be a concern. The two City of Madison customer service centers are located on the far west side and on the far northeast side of the city. Prior to January, 2018, Madison was served by three customer centers. In January, 2018, the Department consolidated two centers, one on the near west side and the other on the far southwest side of the City, into the single far west side center. DOT indicates that the proposed new center would be located on the City's south side near major City bus routes. If a third center in Madison would be re-instated, the county would have one center per 178,700 residents, and each center would conduct approximately 91,000 transactions each year.

10. In order to assist with customer access and demand during the ongoing pandemic and statewide election, from September to December, 2020, the Department operated a temporary customer service center in Madison. This temporary center was open twice each week from 7:00 AM to 5:00 PM. The temporary center was located on the city's south side and its location was selected due to the population growth in the area and its proximity to transit routes. This center served an average of 45 customers each day.

11. The City of Green Bay is currently served by one customer service center located on the southwest side of the City near the interchange between I-41 and STH-172. DOT indicates that the location of the proposed new center in Green Bay would be chosen based on the location of the current center, population density, rent costs, and transit options. If Green Bay added a second center, Brown County would have approximately one center per 130,700 residents, and each center would conduct approximately 70,600 transactions each year.

12. Dane County DMV centers currently employ 35.76 FTE at the two Madison customer service centers, while the Brown County center employs 16.80 FTE to carry out the operations at the one Green Bay center. Increasing service hours associated with a new service center without an increase in staffing would directly lead to longer wait times, because the same staffing resources must be allocated across a larger time period. This would decrease the amount of staff available at any time to serve customers.

13. When compared to other areas of the state, residents of both Dane and Brown counties appear to have less access to DMV center locations per capita and the existing DMV centers serving residents of these counties conduct more transactions per site than other urban areas of the state. Further, the additional staff time and documentation associated with the imminent federal REAL ID deadline and state voter identification requirements could further diminish the convenience of service from DMV centers for residents of these counties. Therefore, the Committee could decide to approve the funding and staffing for both of the proposed centers under this request [Alternative 1].

14. A recent trend affecting the utilization of DMV customer service centers is the increased use of online services to fulfill necessary transactions that would have previously required in-person visits, particularly since the coronavirus pandemic. The Department has been seeking opportunities to provide online services, such as online vehicle registration or title transfers, to help reduce the workload at customer service centers in recent years. In addition, the Department has explored installing self-service kiosks at the busiest customer service centers as a strategy to reduce the workload of staff and decrease waiting times while also exposing customers to online service opportunities. Further, in response to the pandemic, DOT implemented several pilot programs to reduce in-person visits to customer service centers, including providing the opportunity for online driver license and identification card renewals and providing waivers to the driving skills test. In two separate recommendations, the administration is recommending decreases in staffing and funding associated with the implementation of these two pilot programs on a permanent basis. If the need for less in-person services become feasible and a reality, the need for service from DMV centers would likely decrease.

15. Given a potential changing environment related to the provision of in-person services required at DMV Centers, additional DMV services in both Dane and Brown County may not be necessary in the near future. However, until the need for in-person services decline, the Committee may want to provide some resources to meet some of the demand for one of these counties at this time. In doing so, the Committee could approve \$586,600 in 2021-22 and \$663,400 in 2022-23, and 6.0 positions for the additional Madison DMV center [Alternative 2]. Alternatively, the Committee could just approve \$407,400 in 2021-22 and \$452,400 in 2022-23, and 4.0 positions for the additional Green Bay DMV center. [Alternative 3]

16. In recognition of the potential for this changing environment, the Committee could also require DOT to conduct a review of the adequacy of DMV service centers statewide, including location accessibility and service times. The Committee could specify that the review also include recommendations for the appropriate provision of in-person services at DMV centers versus online services, including the opportunity for self-service kiosks, and provide information on the feasibility as well the potential issues associated with providing services remotely. [Alternative 4]

17. The Department also indicates new customer service centers in Madison and Green Bay are necessary because of increased demand associated with providing identification cards for voting purposes and to comply with the federal REAL ID Act of 2005 identification requirements. Verification of documentation required for these requirements and the processing of additional licenses or identification cards has increased the workload for all customer service centers in recent years. In addition, subsequent requirements have been implemented related to the accessibility of

DMV facilities for these purposes. These requirements have added to the existing workload of the Madison and Green Bay centers that already have the highest ratio of residents per center.

18. DOT has received funding in the past to assist with the implementation of the federal REAL ID requirements. In 2007, the federal Department of Homeland Security estimated the cost of implementation at \$23.1 billion over 10 years, of which \$10 billion to \$14 billion were estimated to be costs to states. DOT received federal grants from the Department of Homeland Security in 2008, 2010, and 2011, totaling \$3,444,800. Under 2007 Act 20, provided DOT received 25.9 FTE positions to support the implementation of REAL ID provisions. Pursuant to an Act 20 provision, through a Joint Committee on Finance action of June, 2008, DOT received \$11,200,000 SEG in 2008-09 for activities directly related to compliance with the REAL ID Act, including \$319,700 to support the 25.9 FTE positions (full funding of these positions was included in 2009-11 biennial budget standard budget adjustments). In addition, to help cover the implementation and ongoing costs of the federal REAL ID Act, 2007 Act 20 also created a \$10 federal security verification mandate fee, with estimated gross revenues of \$13.8 million once fully implemented, payable upon the issuance, renewal, upgrading, or reinstatement of any license, instruction permit, or identification card. Subsequently, under the 2013-15 biennial budget, DOT was provided \$280,000 annually to establish a five-year replacement cycle for document processing and issuance equipment. The Governor also recommends providing \$400,000 in 2022-23 to aid DMV in costs associated with implementing REAL ID. [See Issue Paper #620]

19. Under the base level funding currently included in the substitute amendment to Assembly Bill 68/Senate Bill 111, expenditures from the transportation fund are significantly higher than under the Governor's recommendations. The Governor's recommendations reduced SEG funding to the state highway improvement program and replaced that funding with bonding. Further, while the 2019-21 budget increased revenues to the transportation fund, the coronavirus pandemic has dampened the impact of those revenue increases to the fund, as well as to ongoing base level revenues. The Committee already took action to reduce transportation fund appropriations, including adopting standard budget adjustments and reestimates of sum sufficient debt service appropriations that reduced appropriations by \$46.5 million in 2021-22 and \$31.4 million in 2022-23. Despite these actions and slightly higher estimated revenues, prior to Committee actions on the remainder of the transportation budget the estimated 2022-23 ending balance is -\$32.3 million. Again, this is largely due to higher base level transportation fund appropriations (\$162.1 million over the biennium). Additional reductions to base level funding, and/or the authorization of bonding in lieu of SEG funding for the state highway improvement program may be needed to balance the fund in the 2021-23 biennium under the substitute amendment, especially considering revenues to the transportation fund will likely remain somewhat dampened when compared to pre-pandemic levels.

20. Conversely, if the Committee believes additional customer service centers in Madison and Green Bay are unnecessary at this time given the potential expansion in the use of online fulfillment of DMV services resulting in the need for less in-person service, or has concern about providing SEG funding given the projected transportation fund condition at the end of the 2021-23 biennium prior to further Committee action, it could choose to take no action. [Alternative 5]

## ALTERNATIVES

1. Provide \$994,000 SEG in 2021-22 and \$1,115,800 SEG in 2022-23, and 10.00 FTE SEG positions annually to establish a third customer service center in Madison and a second customer service center in Green Bay.

<b>ALT 1</b>	<b>Change to Base Funding</b>	<b>Positions</b>
SEG	\$2,109,800	10.00

2. Provide \$586,600 SEG in 2021-22 and \$663,400 SEG in 2022-23, and 6.00 FTE SEG positions to establish a third customer service center in Madison.

<b>ALT 2</b>	<b>Change to Base Funding</b>	<b>Positions</b>
SEG	\$1,250,000	6.00

3. Provide \$407,400 SEG in 2021-22 and \$452,400 SEG in 2022-23, and 4.00 FTE SEG positions to establish a second customer service center in Green Bay.

<b>ALT 3</b>	<b>Change to Base Funding</b>	<b>Positions</b>
SEG	\$859,800	4.00

4. Direct the Department to conduct a review of the location and service times of DMV service centers and satellite facilities statewide. Specify that the review also include recommendations for the appropriate provision of in-person versus online services at DMV centers, including the opportunity for self-service kiosks, and provide information on the feasibility and potential issues associated with providing services remotely.

5. Take no action.

Prepared by: Nick Lardinois





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June, 2021

Joint Committee on Finance

Paper #618

### Driving Skills Test Waiver (Transportation -- Motor Vehicles)

[LFB 2021-23 Budget Summary: Page 591, #4]

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#### CURRENT LAW

Applicants for an operator's license in Wisconsin generally must successfully complete a knowledge test and driving skills test in addition to successful completion of driver education. Driver education requires at least 30 hours of classroom instruction, at least six hours of supervised vehicle operation and six hours of in-vehicle observation, and at least 30 hours (10 of which must be at night) of driving while accompanied by an adult. The Department of Transportation (DOT) typically conducts about 107,000 skills tests annually, and charges a \$15 fee per test.

#### DISCUSSION POINTS

1. In response to the coronavirus pandemic, the Department instituted a pilot program to grant waivers to certain individuals for the driving skills test currently required to attain a Wisconsin driver license to help reduce the number of in-person visits to Division of Motor Vehicles (DMV) customer service centers. The Department indicates that from May 11, 2020, through April, 2021, a total of 48,100 drivers obtained a driving skills test waiver through the pilot program, or approximately 85% of eligible candidates. The Department also notes that it will submit a report to the Legislature under s. 15.04 (1)(d), Wis. Stats., on the results of the program by October 15, 2021.

2. The Governor recommends making the necessary statutory and programmatic modifications to allow for this pilot program to become permanent, allowing certain individuals to obtain a waiver of the driving skills test currently required to attain a Wisconsin driver license. This would include specifying that the Department may waive the driving skills test of an individual applying for an operator's license if all of the following apply: (a) the applicant is under the age of 18 (drivers over age 18 rarely take driver education courses because they are only required to have an instructional permit for seven days prior to testing); (b) the application is for authorization for a Class

D (non-commercial) driver license; (c) the applicant has satisfactorily completed driver education or a substantially equivalent course approved by the Department or another state; (d) the applicant has held an instruction permit for at least six-months; (e) the applicant has not had a moving violation resulting in a conviction within the six month period immediately preceding the application; and (f) an adult sponsor (typically parent or guardian) who has signed for the applicant as part of their application (as required by statute for persons under the age of 18) consents to a waiver of the driving skills test. Existing statutory requirements for a driving examination skills test would need to be modified to include a reference to the newly allowed skills test waiver.

3. The Department estimates that 80,250 of the 107,000 who typically take the skills test would utilize the permanent waiver process. That would equal 75% of those required to take the skills test annually, which is slightly less than the 85% who utilized the waiver during the pilot program. The Department indicates that road tests are the most time-intensive transaction provided by its customer service centers. The associated reduction in individuals taking the driving skills test at DMV customer service centers would reduce the workload required at the centers as well as increase access to the tests for individuals who most need them, such as those with medical restrictions or who do not meet the other criteria to qualify for the waiver. In addition, the reduced number of customers to the service centers would allow those centers to provide more efficient service to customers requesting other services.

4. The Department estimates that permanently allowing driving skills test waivers would enable them to reduce expenditures of \$421,300 annually and eliminate 6.20 FTE positions associated with the reduced workload. Currently, the Department charges a \$15 fee for skills tests, but in order to eliminate any financial effect on the transportation fund due to fewer skills tests, the Department would instead institute a \$15 waiver fee if statutory modifications permitted. In order to recognize the cost savings and efficiencies that could be gained by making the driving skills test waiver pilot program permanent, the recommended statutory modifications could be adopted and DMV funding could be reduced by \$421,300 annually associated with the elimination of 6.20 FTE positions. However, the Department may need some time to implement this change in the driver skills test. Thus, if the skills test waiver is authorized, the Committee may want to delay its effective date to January 1, 2022. [Alternative 1]

5. Some safety concerns may exist related to allowing certain individuals to receive a driver license without taking a driving skills test. However some of the criteria the Department would establish under this provision could allay some of the safety concerns. For example, drivers would still have to complete driver education (30 hours of classroom instruction, 30 hours of behind-the-wheel driving experience accompanied by a qualifying adult, including 10 hours of non-daylight driving, and six hours each of supervised vehicle operation and in-vehicle observation). Further, any applicants with a moving violation within the preceding six months could not receive a waiver, as noted. To measure the effect of the pilot program on safety, the Department developed performance measures that compare sample groups that have, and have not, received a driving skills test waiver. Based on collision and citation data from their pilot program, the Department indicates there was no statistically significant difference in crashes or citations for applicants that received waivers. The Department would continue to refine and conduct similar analyses if the driving skills test waiver option is made permanent. The Department notes that more than 98% of Wisconsin's driver education

students passed the skills test on their first or second attempt in 2019, and several states, including Illinois, Iowa, and Nebraska, utilize a similar waiver option for new drivers with no reported adverse effects.

6. As mentioned earlier, DOT indicates it will report on the results of its pilot program to the Legislature by October 15, 2021. If the Committee has safety or other concerns regarding this provision, and would like more information on the pilot program before extending it on permanent basis, the Committee could require the Department to also submit the report to the Committee, along with a request for Committee approval of the permanent program. The Committee could specify that the report provide the staffing and funding reductions that the Department could accomplish under a permanent program. Under this alternative, the Department's statutory authority to administer a permanent waiver option for the driving skills test would be provided, as proposed, but its existence would be contingent on Joint Finance Committee approval. If the Committee approves the permanent program, the Committee would have authority to reduce the affected appropriations and positions as provided in the Department's report. [Alternative 2]

7. Alternatively, if the safety concerns outweigh the convenience and staff savings, the Committee could choose not to approve the modifications to permit waivers to the driving skills test while the Department studies the effects of the pilot program. [Alternative 3]

## ALTERNATIVES

1. Provide the Department the authority to allow waivers to the driving skills test currently required to attain a Wisconsin driver license, with certain exceptions, and to institute a \$15 fee to those receiving a waiver. Make these changes effective January 1, 2022. Decrease funding by \$210,600 in 2021-22 and \$421,300 in 2022-23 and eliminate 6.20 FTE positions associated with the provision of this authority.

ALT 1	Change to Base	
	Funding	Positions
SEG	- \$631,900	- 6.20

2. Provide the Department's the authority to allow waivers to the driving skills test currently required to attain a Wisconsin driver license, with certain exceptions. Require the Department to submit to the Committee the October 15, 2021 report to the Legislature, along with a request for Committee approval of the permanent program. Specify the following: (a) that the report provide the staffing and funding reductions that the Department could accomplish under a permanent program; and (b) if the Committee approves the permanent program, the Committee would have authority to reduce the affected appropriations and positions as provided in the Department's report.

3. No action.

Prepared by: Nick Lardinois





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June, 2021

Joint Committee on Finance

Paper #619

### **Online Driver License and Wisconsin Identification Card Renewal (Transportation -- Motor Vehicles)**

[LFB 2021-23 Budget Summary: Page 591, #5]

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#### **CURRENT LAW**

Driver licenses are generally required to be renewed every eight years, at which time an applicant must pass an eyesight test and have their photograph taken.

#### **DISCUSSION POINTS**

1. On March 4, 2019, the Governor signed 2019 Executive Order #14 relating to the accessibility of Department of Transportation (DOT) Division of Motor Vehicle (DMV) facilities and DOT-issued voter identification. The order required DOT to develop and implement a plan for expanding accessibility to DOT facilities that provide identification documents required to vote. Under the Department's report related to this executive order, they indicated that providing online access to renew licenses and identification cards (IDs) would be the most impactful action to make it easier to obtain identification that can be used for voting purposes.

2. In April, 2020, in reaction to the coronavirus pandemic, the Department created a pilot program to allow for the online renewal of licenses and identification cards to help reduce the number of in-person visits to DMV customer service centers. The program went into effect on May 11, 2020, and through April 2021, more than 108,000 drivers elected to use the online renewal option. The Department indicates it will submit a report under s. 15.04 (1)(d), Wis. Stats., on the results of the pilot program to the Legislature by October 15, 2021.

3. The Governor recommends making this pilot program permanent, which requires statutory and programmatic modifications relating to vision testing and photographing upon driver license renewal in order to allow driver licenses and Wisconsin identification cards to be renewed by electronic means (online).

4. The Attachment to this paper lists the current requirements for a Class D (regular operator's) driver license and ID renewal. Under this proposal, the vision test and the updated photograph would be required only once every 16 years. Another recommendation of the Governor would also allow for the waiver of driving skills test, with certain exceptions (See Issue Paper #618).

5. The recommendation would allow applicants to renew their driver license or identification cards online every other time their renewal is due, which would reduce visits to customer service centers to once every 16 years. The recommendation would create an exception to the current law requirement that that DOT test the eyesight and take digital photographs of applicants renewing their licenses or identification cards every eight years. The recommendation would continue to comply with federal REAL ID requirements, which mandates that identification photos not be more than 16 years old, thus requiring in-person renewals once every 16 years. The Department notes that more than 70% of U.S. citizens live in a state that allows online renewals, including Illinois, Iowa, and Michigan.

6. Under the proposal, to be eligible to renew their license or ID card electronically, applicants must meet all of the following conditions: (a) not be subject to license restrictions based on medical conditions, other than a requirement that the applicant use corrective lenses; (b) not be more than 65 years of age; (c) must verify they are aware their license will be marked REAL ID non-compliant and is not intended to be accepted by any federal agency for federal identification or any other official purpose; (d) must verify their eyesight is sufficient to meet the current standards; and (e) satisfy any additional eligibility criteria established by DOT. The Department estimates that 3.6 million Wisconsin drivers would be eligible under these criteria.

7. DOT indicates that the long-term costs for maintenance of the online renewal system are expected to be low and consistent. They note that only minor alternations to the Department's website would be needed to make the pilot program permanent, which could be absorbed within their existing budget. The current fee structure would remain the same, whether the renewal is in-person or online, and because the number of renewals would not change, annual driver license fees revenues would be unchanged. In-person applicants would continue to obtain a driver license or ID card receipt, while those renewing online would print the receipt at home. The applicant's actual license or ID card would be received in the mail in 5-7 business days. Both the ID card and the receipt are valid to fulfill voter ID requirements for a limited duration.

8. Making the online driver license and identification card renewal pilot program permanent would reduce the number of customers that visit customer service centers, which, in turn, reduces the need for some customer service center positions. Based on data from their pilot program, the Department estimates that 317,500 customers annually would be eligible to renew their licenses and IDs online with an estimated 25% utilization rate and approximately 3.75 minutes saved per renewal. Therefore, the Department it could eliminate 3.80 FTE positions and reduce expenditures by \$240,500 annually. Applicants would be required to pay the same existing fee whether applying in-person or online. [Alternative 1]

9. Some concerns may exist regarding the safety of reducing how frequently drivers need to have their eyesight examined. In establishing the pilot program, the Department reviewed all driver license transactions in February, 2019, for customers that would have been eligible under the program, and found none of the more than 38,000 renewals had a failed vision test. Vision test failure rates are

consistently below 1%, and the most common failure is due to an applicant taking the test without corrective lenses or having forgotten their corrective lenses. To measure the effect of this program on safety, the Department developed performance measures that compare sample groups that have, and have not, renewed their driver licenses online. The number of traffic citations issued to each of the sample groups were compared in order to ascertain if the option to renew a driver license online was impacting safety. Based on data from their pilot program, the Department indicates there was no statistically significant difference in crashes or citations for applicants that renewed in-person compared to through electronic means. The Department would continue to refine and conduct similar analyses if the online renewal program is made permanent.

10. Beyond the safety of drivers, some may have other security and convenience concerns associated with the online renewal of licenses and IDs relating to the ability to identify individuals who have not had photographs taken within 16 years. As noted, the online renewal program would allow for individuals to go 16 years between visits to a DMV customer service center to receive an updated photograph for their license or ID. The appearance of individuals may change significantly over 16 years, which could present challenges to the identification process, without updated photographs, for security or other individuals in verifying the identification of a person. It could also make it inconvenient for persons who may be wrongly denied some privilege or access due to an outdated photograph. However, as noted, federal REAL ID requirements permit up to 16 years between updating photographs.

11. As mentioned earlier, the Department indicates that it will submit a report on the results of its pilot online program to the Legislature by October 15, 2021. Given the safety and other concerns regarding this provision, more information on the pilot program could be beneficial before extending the program on a permanent basis. The Committee could instead require the Department to submit the report due to the Legislature to the Committee as well, along with a request for Committee approval of the permanent online program. It could be specified that the report provide the staffing and funding reductions that the Department could accomplish under a permanent online program. Under this alternative, the Department's statutory authority to administer a permanent online driver license and ID card renewal would be provided, as proposed, but the Department's ability to implement the program would be contingent on Joint Finance Committee approval. If the Committee approves the permanent program, the Committee could reduce the affected appropriations and positions as provided in the Department's report at that time. [Alternative 2]

12. As drafted under Assembly Bill 68/Senate Bill 111, the proposal would not extend this electronic renewal option to applicants for renewal of commercial driver licenses (CDLs) or REAL ID compliant licenses or IDs. However, an April, 2021, errata provided by the Department of Administration (DOA) requested a modification to the proposal to expand the types of licenses or ID cards eligible to be renewed electronically to include CDLs and REAL IDs. If the authority would be extended to these license and ID applicants, the Department would need to specify the eligibility criteria specific to these renewals.

13. If the Committee wanted to extend the online renewal option to allow commercial driver licenses, the Committee could adopt that portion of DOA's errata request. [Alternative 3] However, given the weight of their vehicles in the case of truck operators, or the allowable occupancy of their vehicles in the case of passenger vehicle operators, the Committee may want the Department to

continue examining CDL renewal applicants in-person every eight years. If so, the Committee could choose to only incorporate DOA's errata request to extend the proposed electronic renewal option to REAL ID renewal applicants. [Alternative 4] No additional staffing or funding reductions would be associated with extending the proposed online renewal option to CDL or REAL ID renewal applicants.

14. Alternatively, if the safety and identification concerns outweigh the convenience and staff savings, the Committee could choose not to approve the modifications to permit the online renewal of driver licenses and identification cards while the Department continues to study the results of the pilot program. [Alternative 5]

## ALTERNATIVES

1. Provide the Department the authority to allow driver licenses and Wisconsin identification cards to be renewed by electronic means (online) every other time the renewal is due, with certain exceptions. Decrease funding by \$240,500 annually and eliminate 3.80 FTE positions associated with the provision of this authority.

ALT 1	Change to Base	
	Funding	Positions
SEG	- \$481,000	- 3.80

2. Provide the Department's the authority to allow driver licenses and Wisconsin identification cards to be renewed by electronic means (online) every other time the renewal is due, with certain exceptions. Require the Department to submit the October 15, 2021 report due to the Legislature to the Joint Finance Committee along with a request for Committee approval of the permanent online program. Specify the following: (a) that the report provide the staffing and funding reductions that the Department could accomplish under a permanent online program; and (b) if the Committee approves the permanent program, the Committee would have authority to reduce the affected appropriations and positions as provided in the Department's report.

3. In addition to Alternative 1 or Alternative 2, incorporate DOA's April, 2021, errata to provide the Department the authority to allow commercial driver licenses to be renewed by electronic means (online) every other time the renewal is due, with certain exceptions. Require the Department to specify the eligibility criteria specific to these renewals.

4. In addition to Alternative 1 or Alternative 2, incorporate DOA's April, 2021, errata to provide the Department the authority to allow REAL ID compliant licenses and identification cards to be renewed by electronic means (online) every other time the renewal is due, with certain exceptions. Require the Department to specify the eligibility criteria specific to these renewals.

5. Take no action.

Prepared by: Nick Lardinois  
Attachment



## **ATTACHMENT**

### **Current Requirements for ID Card or License Renewal**

While applying for an original REAL ID compliant driver license or identification card requires additional documentation, there is no difference in the renewal process for a REAL ID compliant or REAL ID noncompliant driver license or identification card. To renew a Class D driver license or identification card in-person, applicants generally must:

1. Provide the following documentation:
  - a. current license or other document for proof of identity;
  - b. proof of name change, if applicable;
  - c. legal status in the U.S., if not a U.S. citizen; and
  - d. social security number, if renewing an identification card.
2. Complete the applicable application:
  - a. Driver license application, which includes a:
    - i. new photograph;
    - ii. vision assessment;
    - iii. medical examination report, if applicable; and
    - iv. written and/or driving exam, if required,.
  - b. Identification Card Application.
3. Pay the applicable renewal fee.





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June, 2021

Joint Committee on Finance

Paper #620

### **Division of Motor Vehicles Services REAL ID Funding and System Modernization Survey (Transportation -- Motor Vehicles)**

[LFB 2021-23 Budget Summary: Page 594, #8 and Page 598, #13]

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#### **CURRENT LAW**

##### **REAL ID**

The federal REAL ID Act of 2005 established minimum security standards for state-issued driver licenses and identification cards and prohibits federal agencies from accepting for official purposes licenses and identification cards from states that do not meet these standards, including accessing federal facilities and boarding federally regulated aircraft. REAL ID is scheduled to be enforced beginning on May 3, 2023.

The Department charges the same for a REAL ID compliant driver license or identification card as is charged for a REAL ID noncompliant driver license or identification card. The cost for an original or renewed driver license is currently \$34, while the cost for a duplicate before the license is due for renewal is \$14. The cost for an original or renewed identification card is currently \$28, while the cost for a duplicate identification card prior to the card being due for a renewal is \$16 (identification cards for voting purposes are free).

##### **System Modernization Survey**

The Division of Motor Vehicles (DMV) in the Department of Transportation (DOT) has several information technology systems in order to provide their services, including issuing driver licenses and identification cards, and processing title transfers and vehicle registrations.

## DISCUSSION POINTS

1. This paper discusses two separate funding items for the Division of Motor Vehicles: (a) \$400,000 in 2022-23 in ongoing funding to assist in the continued implementation of the federal REAL ID requirements; and (b) the issuance of \$400,000 in 2020-21 for a systems modernization survey of the DMV's information technology systems.

2. Establishing federal standards for the issuance of identification documents, such as driver's licenses, was recommended as part of the 9/11 Commission on how the United States can implement security measures to prevent future terrorist attacks. In May, 2005, the REAL ID Act of 2005 was signed into law, which established minimum standards for state-issued driver licenses and identification cards to be accepted by the federal government for "official purposes," which includes entering federal facilities and boarding federally regulated aircraft. The enforcement of the REAL ID is scheduled to begin on May 3, 2023 (this date was extended one year from October 1, 2020, to October 1, 2021, under the federal Coronavirus Aid, Relief, and Economic Security Act and again extended in April, 2021, to May 3, 2023). The Department indicates it produced approximately 3,712,000 REAL IDs (originals, duplicates, or renewals) from 2013 through 2020, although the actual amount produced is higher because pre-2013 data are unavailable.

3. To obtain a REAL ID compliant license or card, applicants must provide their social security number and present an original document or certified copy of proof of: (a) name and date of birth; (b) legal presence in the United States; (c) identity; (d) name changes if applicable; and (e) address, which requires two forms. The Division of Motor Vehicles in the Department of Transportation is the state authority to issue REAL ID compliant products. The Department indicates that in 2019, the federal Department of Homeland Security ruled that Wisconsin had to change how they reviewed proof of address. As of July 1, 2020, the Department requires two forms of address verification when applying for a REAL ID, rather than the previous procedure of one form and a secondary check via credential return through a mailing service request. According to DOT, this change will cost more than \$1,000,000 to fully implement.

4. DOT has received funding in the past to assist with the implementation of the federal REAL ID requirements. In 2007, the federal Department of Homeland Security estimated the cost of implementation at \$23.1 billion over 10 years, of which \$10 billion to \$14 billion were estimated to be costs to states. DOT received federal grants from the Department of Homeland Security in 2008, 2010, and 2011, totaling \$3,444,800. Under 2007 Act 20, provided DOT received 25.9 FTE positions to support the implementation of REAL ID provisions. Pursuant to an Act 20 provision, through a Joint Committee on Finance action of June, 2008, DOT received \$11,200,000 SEG in 2008-09 for activities directly related to compliance with the REAL ID Act, including \$319,700 to support the 25.9 FTE positions (full funding of these positions was included in 2009-11 biennial budget standard budget adjustments). In addition, to help cover the implementation and ongoing costs of the federal REAL ID Act, 2007 Act 20 also added a \$10 federal security verification mandate fee to most existing license and ID fees, with estimated gross revenues of \$13.8 million once fully implemented, payable upon the issuance, renewal, upgrading, or reinstatement of any license, instruction permit, or identification card. Subsequently, under the 2013-15 biennial budget, DOT was provided \$280,000 annually to establish a five-year replacement cycle for document processing and issuance equipment.

5. The Governor recommends providing an additional \$400,000 in 2022-23 to DMV's general operations appropriation to provide ongoing funding for DOT's REAL ID compliance efforts. Of this amount, the Department indicates that \$330,000 would support the purchase of necessary equipment and \$70,000 would be for supplies, services, and materials needed to meet the federal REAL ID requirements. Producing documents compliant with REAL ID standards requires several pieces of equipment, including cameras, scanners, printers, and monitors. The Department indicates that the existing equipment is nearing the end of its useful life. [Alternative 1]

6. Outdated information technology systems may create challenges for DMV to efficiently and effectively administer services for a number of reasons. For example, it may be difficult to find support services for old systems, to train new employees on complicated and counterintuitive systems, to integrate changes in law into the system, or to maintain security.

7. In 2012, DOT hired a consultant to perform a survey of the Department's information technology systems for \$541,800. The survey found that 117 of DOT's 164 applications to be at risk. The Department developed a plan to address these concerns, but a lack of funding limited its implementation according to the Department. The Department indicates that many of these systems remain near or at the end of their useful life, thus requiring planning to ensure future investments are made efficiently given limited resources. The Department identified outdated systems used for registration and titling, verifying documents and information, processing driver licenses and identification cards, document management and workflow, and financial management.

8. The Governor recommends providing \$400,000 in 2021-22 to fund an updated survey of DMV information technology systems and processes to prioritize upgrades, identify liabilities, and expand functionality. The Department indicates it would hire a consultant to help DOT develop a business plan to guide the process of improving and replacing these outdated systems. This would include: (a) mapping the current processes to identify deficiencies, customer service gaps, and unnecessary procedures; (b) researching best practices and customer preferences to integrate the Department's business processes to improve the efficiency and effectiveness when serving customers; (c) researching best practices and technological advances by entities that provide products and services comparable to DOT; and (d) researching best practices to ensure systems are reliable for the long-term, easily upgradeable, and meet or exceed established business practices. The results from the survey would be used for future budget requests to upgrade the necessary information technology systems. [Alternative 2]

9. The additional funding may be necessary to support the implementation of federal REAL ID requirements, including administering the related documents. Further, with regard to the system modernization funding, the results of the consultant's 2012 information technology system survey are nearing a decade old, and the information technology needs for DMV have likely changed. However, delaying the amelioration of system issues may lead to significant challenges in delivering efficient services in the near future, and may increase the cost to upgrade these systems later. Nonetheless, there may some concern with providing ongoing SEG funding from the transportation fund at this time given the adverse impacts the coronavirus pandemic has had on motor vehicle fuel and title fee revenues to the transportation fund.

10. If it is determined that both requests have merit, one possible alternative would be to

increase the existing fee from \$34 to \$35 for an original or renewal of a regular class "D" driver license. By increasing the fee by \$1 effective January 1, 2022, the Department could collect an estimated \$252,000 in 2021-22 and \$504,000 in 2022-23. This would provide additional revenues for both initiatives, and would provide ongoing funding that would more than cover the cost of the additional \$400,000 recommended to support DOT's ongoing REAL ID efforts. [Alternative 3]

11. Conversely, if only the funding for DMV's REAL ID implementation efforts is deemed necessary at this time, making a \$1 fee increase on original and duplicate regular driver licenses effective July 1, 2022, would provide ongoing revenues in excess of the amount recommended by the Governor to support REAL ID administration. Such an increase would generate estimated gross revenues of \$504,000 in 2022-23. [Alternative 4]

12. Under the base level funding currently included in the substitute amendment to Assembly Bill 68/Senate Bill 111, expenditures from the transportation fund are significantly higher than under the Governor's recommendations. The Governor's recommendations reduced SEG funding to the state highway improvement program and replaced that funding with bonding. Further, while the 2019-21 budget increased revenues to the transportation fund, the coronavirus pandemic has dampened the impact of those revenue increases to the fund, as well as to ongoing base level revenues. The Committee already took action to reduce transportation fund appropriations, including adopting standard budget adjustments and reestimates of sum sufficient debt service appropriations that reduced appropriations by \$46.5 million in 2021-22 and \$31.4 million in 2022-23. Despite these actions and slightly higher estimated revenues, prior to Committee actions on the remainder of the transportation budget the estimated 2022-23 ending balance is -\$32.3 million. Again, this is largely due to higher base level transportation fund appropriations (\$162.1 million over the biennium). Additional reductions to base level funding, and/or the authorization of bonding in lieu of SEG funding for the state highway improvement program may be needed to balance the fund in the 2021-23 biennium under the substitute amendment, especially considering revenues to the transportation fund will likely remain somewhat dampened when compared to pre-pandemic levels.

13. The Department did not include a request for funding for an updated survey of DMV's information technology systems or the additional funding for the implementation of REAL ID as part of the agency's 2021-23 biennial budget request. While the 2012 survey may be somewhat out-of-date, had it been an imminent need to study DMV's systems for improvements and security concerns, DOT likely would have made it a priority and included it in their budget request to the Governor. Further, as noted, DOT has been provided past funding to implement REAL ID, including staff funding, as well as a \$280,000 increase to the base funding for DMV's general operations appropriation included specifically to replace document processing and issuance equipment. Thus, providing an additional \$400,000 increase to the base for similar items may not be necessary given the ongoing funding that continues to be provided to fund these efforts and concerns may exist regarding the projected transportation fund condition at the end of the 2021-23 biennium prior to further Committee action. [Alternative 5]

## **ALTERNATIVES**

1. Provide \$400,000 in 2022-23 in ongoing supplies and services funding to the Division

of Motor Vehicles general operations appropriation to support REAL ID compliance.

<b>ALT 1</b>	<b>Change to Base</b>
SEG	\$400,000

2. Provide \$400,000 in 2021-22 for a survey of DMV information technology systems and processes for potential improvements in security and functionality.

<b>ALT 2</b>	<b>Change to Base</b>
SEG	\$400,000

3. In addition to Alternatives 1 and 2, which would provide the requested funding for both the REAL ID implementation support and the DMV system modernization survey, effective January 1, 2022, increase the fee for issuing original or renewal of a regular driver licenses by \$1, from \$34 to \$35. Estimate the additional revenues from the fee increase at \$252,000 in 2021-22 and \$504,000 in 2022-23. This would provide additional ongoing revenue sufficient to fund Alternatives 1 and 2.

<b>ALT 3</b>	<b>Change to Base Revenue</b>
SEG	\$756,000

4. In addition to Alternative 1, which would provide ongoing funding to support REAL ID compliance, effective July 1, 2022, increase the fee for issuing original or renewal regular driver licenses by \$1, from \$34 to \$35. Estimate the additional revenues from the fee increase at \$504,000 in 2022-23, which provide additional revenue sufficient to provide the REAL ID implementation support under Alternative 1.

<b>ALT 4</b>	<b>Change to Base Revenue</b>
SEG	\$504,000

5. Take no action. Neither the system modernization survey nor additional REAL ID implementation funding provisions would be funded.

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