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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]

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) and 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.

ALT 1	Change to Base
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.

ALT 2	Change to Base
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.

ALT 3	Change to Base Revenue
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.

ALT 4	Change to Base Revenue
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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