



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #792

### **Division of Motor Vehicles Operations Funding (Transportation – Motor Vehicles)**

[LFB 2023-25 Budget Summary: Page 650, #4, and #5]

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#### **CURRENT LAW**

The Department of Transportation's Division of Motor Vehicles (DMV) operates 80 permanent customer service centers and eight satellite service centers around the state. These centers provide essential motor vehicle services, including the registration and titling of motor vehicles, and administration of driving skills and knowledge tests. In addition, the centers provide other critical services to Wisconsin residents, such as issuing driver licenses and identification cards, which are the two most common sources for proof of identification for voting purposes, and providing REAL ID-compliant identification cards, which will be required for federal identification purposes beginning May 7, 2025.

#### **DISCUSSION POINTS**

1. This paper discusses items of Assembly Bill 43/Senate Bill 70 (AB 43/SB 70) that would provide increased funding for DMV operations: (a) purchasing equipment needed to comply with the federal REAL ID Act; and (b) providing funding to cover increased DMV operational costs from postage, data processing, and REAL ID compliance.

##### **A. REAL ID Equipment**

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 federal 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 REAL ID Act was originally scheduled to be enforced on October 1, 2020, but was extended to October 1, 2021, as part of the federal CARES Act in response to the COVID-19 pandemic, then extended again to May 7, 2025 by the Federal Department of Homeland Security in December, 2022. The Department indicates it has produced and distributed approximately 2,786,600 REAL IDs (originals, duplicates, or renewals) from 2013 through April, 2023, 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. DMV 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. The Department currently 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.

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 nationwide billion over ten 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, DOT was provided with 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 one-time funding \$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 the 2009-11 biennial budget).

5. In addition, to help cover the implementation and ongoing costs of the federal REAL ID Act, the 2007-09 budget act created an additional a \$10 federal security verification mandate fee that is added to most existing license and ID fees, and payable upon the issuance, renewal, upgrading, or reinstatement of any license, instruction permit, or identification card. At the time, the fee was intended to cover the implementation and ongoing costs of the federal REAL ID Act. The fee was subsequently renamed the "license issuance fee" under the 2009-11 budget act. However, the Department indicates that revenue from this fee is an unspecified transportation fund revenue and no portion of the fee is dedicated for purchasing REAL ID equipment or any other specific purpose.

6. Subsequently, under the 2013-15 biennial budget, DOT was provided \$280,000 annually to establish a five-year replacement schedule for document processing and issuance equipment corresponding to the federal REAL ID Act. At the time, the funding was provided to allow the Department to replace the equipment at a total cost of \$1,400,000 over a five-year period beginning in 2013-14. The Department indicates that it used this funding to replace REAL ID equipment in the following five years. However, the \$280,000 in ongoing funding authority was retained and has remained available in subsequent years, but the Department no longer dedicates these revenues for the replacement of REAL ID equipment.

7. AB 43/SB 70 provides one-time funding of \$400,000 SEG in 2023-24 to DMV's general operations appropriation to purchase new equipment that is needed for the issuance of REAL IDs, including cameras, scanners, printers, and monitors in order to perform essential functions including taking photographs of applicants, scanning required documents, and providing receipts. The Department indicates that its current inventory of REAL ID equipment has reached the end of its useful life and much of it is no longer functioning. In addition, as mentioned previously, while the federal deadline for state compliance with the federal REAL ID Act was recently delayed to May 7, 2025, the Department has been issuing REAL ID-compliant driver licenses and identification cards for over a decade. The additional funding would allow the Department to replace its current inventory of REAL ID equipment, and provide supplies and services needed to fund the issuance of these special card stock documents with additional security features in the 2023-25 biennium and beyond. [Alternative A1]

8. The Department indicates that it collected \$11,842,100 in revenues from the \$10 federal security verification mandate license issuance fee in 2021-22. Given the availability of these revenues, and that the fee was originally created to cover ongoing costs of the federal REAL ID Act, the Committee could provide the recommended one-time funding of \$400,000 SEG in 2023-24, and also require DOT to dedicate \$0.35 from each \$10 fee to cover costs associated with compliance with the federal REAL ID Act. This would commit approximately \$415,000 per year to cover these costs on an ongoing basis. [Alternative A2]

9. As mentioned earlier, DMV has been provided with ongoing funding for purchasing equipment to comply with the federal REAL ID Act, including: (a) the \$10 license issuance fee in the 2007-09 budget, which generated revenues of \$11.8 million in 2021-22; and (b) \$280,000 annually for a five-year replacement schedule of REAL ID equipment in the 2013-15 budget. The Department has retained both of these revenue sources, but indicates that it does not dedicate these revenues for the ongoing purchase of REAL ID equipment. In addition, in December, 2022, the federal Department of Homeland Security extended the deadline for enforcement of the REAL ID Act to May 7, 2025, which is less than two months before the end of the 2023-25 biennium. Given these considerations, as well as concerns about the limited availability of revenues from the transportation fund, providing additional SEG funding may not be warranted. The Department could still purchase the recommended equipment, but would have to continue to prioritize existing funding authority for DMV REAL ID Act implementation, which could impact other DMV priorities. [Alternative A3]

## **B. Postage, Data Processing, and REAL ID Compliance Costs**

10. The Department indicates that DMV operational costs have increased across several areas in recent years. For example, expenses from Department of Administration (DOA) "assessments", including those for data processing, have grown over the past few biennia. DOA charges assessments to DOT and other state agencies, which reimburse DOA for a variety of services that it provides these agencies, including financial, legal, records management, federal aid management, and information technology (IT) services. The Department indicates that its annual cost for DOA assessments have increased from \$190,500 in 2011-12 to \$1,207,600 in 2021-22. The Department notes that DOA data processing service costs in particular have been driving the recent

rise in DOA assessment charges for servers, storage, networking, and IT security.

11. The Department's utilization of IT services has also grown with customer demand for expansion of online services provided by DMV. For example, the 2021-23 budget introduced a pilot program for renewing driver licenses and identification cards online, as well as a pilot program to provide waivers for driving skills tests. AB 43/SB 70 would make both programs permanent, which would shift additional DMV operations online and could cause DOT's data processing costs to increase further.

12. DMV is also required under current law to issue a variety of documents and notices to customers by mail, including notices to renew annual vehicle registrations, receipts for issuance of identification cards for the purposes of voting, and a variety of notices related to disciplinary actions taken by the Department on customers' driver's licenses. The Department indicates that annual DMV postage costs have increased by \$2.9 million since 2012-13, due to increases in mailing rates charged by the United States Postal Service, as well as an increased volume of transactions corresponding to the growth of registered vehicles and licensed drivers in the state. In addition, the Department indicates that ongoing costs from compliance with the federal REAL ID Act have increased in recent years, such as the cost of procuring special card stock containing internal security features that is used to produce physical driver licenses and identification cards.

13. AB 43/SB 70 would provide \$500,000 annually to the DMV general operations appropriation to cover increased postage, data processing, and REAL ID compliance costs. This would establish an ongoing increase of \$500,000 to the DMV general operations appropriation, which would supply ongoing funding to continue covering these costs in future years. [Alternative B1]

14. Alternatively, recognizing the recent increases in DMV's operational costs while also limiting ongoing expenditures from the transportation fund, \$250,000 annually, or half of the recommended funding level, could be provided to the DMV general operations appropriation. This would establish an ongoing increase in funding to assist DMV in covering these costs. [Alternative B2]

15. The Committee could also choose not to provide additional funding for DMV operational costs. If DMV is not provided with additional funding corresponding to these increased costs, it may be forced to continue funding these costs while cutting expenditures elsewhere within its general operations budget, which could impact the efficiency and quality of DMV operations. [Alternative B3]

## **ALTERNATIVES**

### **A. REAL ID Equipment**

1. Provide one-time funding of \$400,000 in 2023-24 to the Division of Motor Vehicles general operations appropriation to purchase equipment needed to comply with the federal REAL ID Act of 2005.

ALT A1	Change to Base
SEG	\$400,000

2. In addition to Alternative 1, require DOT to dedicate \$0.35 of the \$10 license issuance fee created under 2007 Act 20 to cover costs associated with REAL ID Act compliance. This would require that DOT dedicate approximately \$415,000 annually from the fee to fund REAL ID equipment and other related costs each year.

3. Take no action.

**B. Postage, Data Processing, and REAL ID Compliance Costs**

1. Provide \$500,000 annually to the Division of Motor Vehicles general operations appropriation to cover increased postage, data processing, and REAL ID compliance costs. This would establish an ongoing increase of \$500,000 to the base level of funding for the Division's general operations appropriation.

ALT B1	Change to Base
SEG	\$1,000,000

2. Provide \$250,000 annually to the Division of Motor Vehicles general operations appropriation to cover increased postage, data processing, and REAL ID compliance costs. This would establish an ongoing increase of \$250,000 to the base level of funding for the Division's general operations appropriation.

ALT B2	Change to Base
SEG	\$500,000

3. Take no action.

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