

ANALYSIS

Item 41: Department of Transportation DMV Customer Service

Analyst: Michelle Deister

Request: Include an increase of \$5,248,462 Other Funds and the extension of 46 limited duration positions (34.50 FTE) for the Oregon Department of Transportation in a budget reconciliation bill during the 2022 legislative session, to support demand for driver and vehicle services and credentials through the 2021-23 biennium.

Analysis: The 2021-23 legislatively adopted budget for the Oregon Department of Transportation (ODOT) included \$3.99 million in Other Funds expenditure limitation and 84 limited duration positions (25.25 FTE) to accommodate demand for Driver and Motor Vehicle (DMV) services that accumulated during pandemic-related site closures. These positions are a subset of 50 limited duration positions first approved during the 2019-21 biennium to meet customer service demands for Real ID and driver credentials. Recently, federal legislation has delayed the deadline requiring enhanced identification for certain federal purposes, meaning that a portion of an expected surge in demand will likely not be felt until closer to the new deadline (May 3, 2023). Despite the delay, DMV reports that it is seeing transaction volumes sufficient to support the maintenance of these positions. Limited operations during the COVID-19 pandemic have contributed to a backlog of work, and as field offices take on more regular hours and lose capacity limitations, transaction volume is expected to exceed 2019 levels.

The positions being extended are Transportation Services Representative 1 positions. Positions are supported by fee revenue related to DMV transactions, which is anticipated to be sufficient to support the request. An estimated 814,000 Real ID transactions are anticipated between now and June 30, 2023.

In absence of an extension, the positions will expire in February 2022, resulting in a loss of expertise and capacity in an extremely tight labor market, and would result in additional agency recruitment and development costs to meet workload. DMV will evaluate ongoing staffing needs and its fee structure and use findings to inform the ODOT's budget request for the 2021-23 biennium.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$5,248,462 in the Other Funds expenditure limitation and authorizing the extension of 46 limited duration positions (34.50 FTE) for the Department of Transportation in a budget reconciliation bill during the 2022 legislative session, to support demand for driver and vehicle services and credentials through the 2021-23 biennium.

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Oregon Department of Transportation
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Request: Increase Other Funds expenditure limitation by \$5,248,462 and extend 46 full-time limited duration positions from January 1, 2022 through June 30, 2023 (34.50 FTE) to support issuance of Real ID credentials as well as to support customer service activities within the Driver and Motor Vehicle Services field offices.

Recommendation: Approve the request during the February 2022 Legislative Session.

Discussion: The Oregon Department of Transportation (ODOT), Driver and Motor Vehicle Services (DMV) is responsible for administering the federal Real ID Act. By May 3, 2023, individuals are required to have a Real ID driver license, ID card, or other acceptable document of identification to pass through airport security or for entrance into some federal facilities. The Real ID deadline was changed from October 2021 to May 3, 2023 by the Biden Administration in April 2021. The change in the deadline was due to the Coronavirus pandemic.

The 2021-23 Legislative Adopted Budget (LAB) extended 50 full-time limited duration positions (25.25 FTE), initially approved during the 2019-21 biennium, through December 31, 2021. The extension of the limited duration positions was to address the Real ID program and other DMV vehicle and driver transactions that accumulated, due to office closures from the pandemic. The DMV did not see the number of Real ID transactions as anticipated for 2021, due to a lack of consumers urgency with the deadline extension. The DMV made good use of the additional positions, which increased field office capacity by 17% and assisted with addressing the vehicle and driver transaction backlog. The current backlog is predominately in vehicle titling. The DMV believes they will be able to process more than 1.8 million driver transactions in 2021, which is projected to be a 62% increase from 2019 and nearly double the number of driver transactions from 2020.

To date, the DMV has issued approximately 395,000 Real ID credentials. They are projecting 2.5 million licensees and IDs will expire after the May 3, 2023 deadline and it is believed that many consumers will choose to visit a DMV office to secure a Real ID credential. Oregon's Real ID law requires the DMV to cover the costs for the program, which is accomplished currently by a \$30 fee for each Real ID transaction. Based on past transactions and current outreach efforts to encourage Oregonians to consider getting a Real ID sooner rather than later, the DMV estimates processing over 800,000 transactions over the next 18 months, generating over \$24 million in revenue. Based on the projections, the revenue generated will support this additional staffing request of \$5.2 million Other Funds.

Legal Reference: Increase Other Funds expenditure limitation established by chapter 442, section 2(9) Oregon laws 2021, for the Department of Transportation, Driver and Motor Vehicle Services by \$5,248,462 for the 2021-23 biennium.



Oregon

Kate Brown, Governor

Department of Transportation

Office of the Director

355 Capitol St NE

Salem, OR 97301

December 6, 2021

The Honorable Senator Elizabeth Steiner Hayward, Co-Chair
The Honorable Representative Dan Rayfield, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons:

NATURE OF THE REQUEST

The Oregon Department of Transportation requests an 18-month extension of 46 Limited Duration positions that the Legislature approved for the first six months of the 2021-2023 biennium, and an increase of \$5.2 million in Other Fund limitation, to support issuance of Real ID credentials and effective customer service.

AGENCY ACTION

Under the federal Real ID Act, individuals will be required to have a Real ID compliant license or ID card or other acceptable document like a passport for certain federal purposes, including passing through airport security and entering some federal facilities. In the 2021-2023 biennial budget the Legislature approved 50 limited duration positions (12.5 FTE) in DMV field offices through December 31, 2021 to manage increased transaction volumes as Oregonians seek Real IDs, as well as to address DMV's significant backlog of transactions that accumulated due to office closures and limited capacity in 2020. These additional staff increased DMV field office capacity by about 17%. They have helped DMV process a significant number of customer transactions and helped significantly reduce the backlog of both vehicle and driver transactions. DMV is on track to process more than 1.8 million driver transactions in 2021, a 62% increase over 2019 and nearly double the number of driver transactions processed in 2020. Vehicle transactions are on track to grow by 35% over 2020 levels and to slightly exceed 2019 levels. Even with these high transaction volumes in 2021, DMV still has a backlog of transactions, particularly in vehicle titles.

At the end of April the Biden Administration extended the Real ID enforcement deadline to May 3, 2023. As a result, fewer people came in to get a Real ID in 2021 due to a lack of urgency, but transactions are expected to increase as the deadline approaches. To date, DMV has issued approximately 395,000 Real ID credentials. Approximately 30% of people renewing, replacing, or getting first issuance of licenses and ID cards have chosen to get a Real ID credential. DMV anticipates that 2.5 million licenses and IDs will expire after the Real ID deadline, and many of these people will choose to visit a DMV office for a standalone transaction to secure a Real ID

compliant credential. This will significantly increase the volume of customers needing to access DMV field offices.

Based on past transactions, the number of licenses and ID cards that will be expiring over the next 18-months, and increasing efforts to encourage Oregonians to consider a Real ID, we anticipate needing to process approximately 800,000 transactions that add Real ID to a new, renewal, or replacement base credential. This equates to nearly double the monthly Real ID transaction volume. DMV estimates serving these customers through the end of the biennium will require approximately 46 continued limited duration staff in addition to the 24 permanent staff granted by the 2019 Legislature for workload increase when the state's Real ID law passed.

Oregon's Real ID law requires that DMV recover the costs for the program from additional fees on the credentials, so DMV anticipates funding this extension predominately through Real ID fees, which are currently set at \$30 for each credential. These transactions will generate approximately \$24 million to cover both the cost of these positions and to pay back start-up costs for this program.

Funding the extension ensures that we retain key trained staff to meet Real ID demands and provides field offices with increased capacity to better serve Oregonians. Not funding this request will result in lay-offs of trained staff and reductions in DMV field office service levels, reversing gains in customer service and creating increased backlogs and wait times for customers. Limited staff will also reduce the number of transactions DMV can process and reduce revenue to the State Highway Fund.

Increasing numbers of transactions for a growing population necessitate that DMV complete a more systemic look at ongoing staffing needs and the fee structure to ensure fees cover the cost of services. ODOT anticipates continuing this conversation during the 2023-2025 Legislative budget development process.

ACTION REQUESTED

The Oregon Department of Transportation requests an 18-month extension of 46 Limited Duration positions (34.5 FTE) and an increase of \$5,248,462 in Other Fund limitation to support issuance of Real ID credentials within DMV field offices.

LEGISLATION AFFECTED

Increase Chapter 442 section 2(9) Oregon laws 2021, by \$5,248,462 Other Fund limitation for the 2021-23 biennium.

Sincerely,



Kristopher W. Strickler
Director