

ECONOMIC DEVELOPMENT, TRANSPORTATION, AND NATURAL RESOURCES SUBCOMMITTEE MEETING

Wednesday, January 23, 2019

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AGENDA

South Carolina House of Representatives



Legislative Oversight Committee

ECONOMIC DEVELOPMENT, TRANSPORTATION, AND NATURAL RESOURCES SUBCOMMITTEE

The Honorable William M. "Bill" Hixon, Chair

The Honorable Lee Hewitt

The Honorable Mandy Powers Norrell

The Honorable Marvin R. Pendarvis

Wednesday January 23, 2019

10:00 a.m.

427 - Blatt Building

Pursuant to Committee Rule 6.8, S.C. ETV shall be allowed access for internet streaming whenever technologically feasible.

AGENDA

- I. Approval of Minutes
- II. Discussion of the study of the Department of Motor Vehicles
- III. Adjournment

MINUTES FROM PREVIOUS MEETING

Chair Wm. Weston J. Newton

*First Vice-Chair:
Laurie Slade Funderburk*

Legislative Oversight Committee

*Katherine E. (Katie) Arrington
William K. (Bill) Bowers
Neal A. Collins
MaryGail K. Douglas
William M. (Bill) Hixon
Jeffrey E. (Jeff) Johnson
Robert L. Ridgeway, III
Bill Taylor
John Taliaferro (Jay) West, IV*



South Carolina House of Representatives

*Bruce W. Bannister
Gary E. Clary
Chandra E. Dillard
Phyllis J. Henderson
Joseph H. Jefferson, Jr.
Mandy Powers Norrell
Tommy M. Stringer
Edward R. Tallon, Sr.
Robert Q. Williams*

*Jennifer L. Dobson
Research Director*

*Cathy A. Greer
Administration Coordinator*

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Columbia, South Carolina 29211
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Room 228 Blatt Building**

*Charles L. Appleby, IV
Legal Counsel*

*Carmen J. McCutcheon Simon
Research Analyst/Auditor*

*Kendra H. Wilkerson
Fiscal/Research Analyst*

Economic Development, Transportation, and Natural Resources Subcommittee

Thursday, November 1, 2018

10:00 a.m.

Blatt Room 321

Archived Video Available

- I. Pursuant to House Legislative Oversight Committee Rule 6.8, South Carolina ETV was allowed access for streaming the meeting. You may access an archived video of this meeting by visiting the South Carolina General Assembly's website (<http://www.scstatehouse.gov>) and clicking on *Committee Postings and Reports*, then under *House Standing Committees* click on *Legislative Oversight*. Then, click on *Video Archives* for a listing of archived videos for the Committee.

Attendance

- I. The Economic Development, Transportation, and Natural Resources Subcommittee meeting was called to order by Chair Bruce W. Bannister on Thursday, November 1, 2018, in Room 321 of the Blatt Building. The following other members of the Subcommittee were present for either all or a portion of the meeting: Representative Neal A. Collins and Representative Robert L. Ridgeway, III.

Minutes

- I. House Rule 4.5 requires standing committees to prepare and make available to the public the minutes of committee meetings, but the minutes do not have to be verbatim accounts of meetings. It is the practice of the Legislative Oversight Committee to provide minutes for its subcommittee meetings.

- II. After discussion of LLR’s Legal Services offices (see below), Representative Ridgeway moves to approve the minutes from the October 3, 2018, meeting. A roll call vote is held, and the motion passes.

Rep. Ridgeway’s motion to approve the minutes from the October 3, 2018, meeting:	Yea	Nay	Not Voting
Rep. Collins			✓ (present)
Rep. Norrell			✓ (absent)
Rep. Ridgeway	✓		
Rep. Bannister	✓		

Discussion of the Department of Labor, Licensing and Regulation (LLR)

- I. Chair Bannister swears in the following LLR representatives:
 - a. Mr. Matt Faile, Chief Information Officer;
 - b. Ms. Melina Mann, General Counsel;
 - c. Ms. Kathryn Britt, Director of Human Resources; and
 - d. Ms. Holly Beeson, Counsel to Communications and Governmental Affairs.
- II. Ms. Mann provides an overview of the Legal Services offices. She also presents a number of the agency’s law change recommendations related to the Professional and Occupational Licensing division. Members ask questions, which Ms. Mann and Director Farr answer.
- III. Director Farr provides an overview of the Administration division’s employees and expenditures, then Ms. Beeson provides an overview of the Office of Communications and Governmental Affairs. Ms. Beeson presents two agency law change recommendations, then answers questions from Subcommittee members.
- IV. Mr. Faile provides an overview of the Department of Technology and Security. Members ask questions, which Mr. Faile and Director Farr answer.
- V. Ms. Britt provides an overview of the Office of Human Resources and presents data about agency recruitment and turnover. Members ask questions, which Ms. Britt and Director Farr answer.
- VI. The Subcommittee members discuss potential recommendations to the General Assembly, the agency, and other entities. Director Farr and other agency representatives respond to member questions about those recommendations. Subcommittee members make several motions, and each receives a roll call vote. All motions pass, as detailed below.

Rep. Collins' motion to adopt LLR's law change recommendations #2, 5-9, 11, 12, 14, 17, 19, 22-24, 27, 36-38, and 46:	Yea	Nay	Not Voting
Rep. Collins	✓		
Rep. Norrell			✓ (absent)
Rep. Ridgeway	✓		
Rep. Bannister	✓		

Rep. Ridgeway's motion to:			
<ul style="list-style-type: none"> • Recommend the General Assembly ensure LLR's ability to maximize federal funding by codifying Proviso 81.7; • Recommend LLR's OSHA division partner with insurance companies to increase opportunities to educate employers about health and safety and encourage voluntary compliance; • Adopt agency law recs 30, 33-34, and 31-32: 	Yea	Nay	Not Voting
Rep. Collins	✓		
Rep. Norrell			✓ (absent)
Rep. Ridgeway	✓		
Rep. Bannister	✓		

Rep. Collins' motion to adopt agency law change recommendation #39:	Yea	Nay	Not Voting
Rep. Collins	✓		
Rep. Norrell			✓ (absent)
Rep. Ridgeway	✓		
Rep. Bannister	✓		

Rep. Ridgeway's motion to adopt LLR's law change recommendations #40-44, 13, 10, 15, 16, and the V-SAFE grant recommendation:	Yea	Nay	Not Voting
Rep. Collins	✓		
Rep. Norrell			✓ (absent)
Rep. Ridgeway	✓		
Rep. Bannister	✓		

Rep. Ridgeway's motion to recommend the General Assembly authorize the State Fire Marshal to issue fines up to \$1,000 for repeated code violations (i.e., notice provided and an opportunity to cure) that create life or safety issues for the public:	Yea	Nay	Not Voting
Rep. Collins	✓		
Rep. Norrell			✓ (absent)
Rep. Ridgeway	✓		
Rep. Bannister	✓		

Rep. Collins' motion to adopt LLR's law change recommendations #3a (hiring of staff), 3b (requirement to recommend professions for deregulation), 4, 18, 20, 25, 26, and 21:	Yea	Nay	Not Voting
Rep. Collins	✓		
Rep. Norrell			✓ (absent)
Rep. Ridgeway	✓		
Rep. Bannister	✓		

Rep. Bannister's motion to recommend that LLR and DHEC jointly make a recommendation as to which agency should administer the Commission of Hearing Aid Specialists:	Yea	Nay	Not Voting
Rep. Collins	✓		
Rep. Norrell			✓ (absent)
Rep. Ridgeway	✓		
Rep. Bannister	✓		

Rep. Bannister's motion to recommend that the General Assembly require the LAC to assess, every 10 years, the need for continued regulation of each of the professions and occupations licensed by the boards administered by LLR:	Yea	Nay	Not Voting
Rep. Collins	✓		
Rep. Norrell			✓ (absent)
Rep. Ridgeway	✓		
Rep. Bannister	✓		

Rep. Collins' motion to direct staff to prepare the report of the study of LLR:	Yea	Nay	Not Voting
Rep. Collins	✓		
Rep. Norrell			✓ (absent)
Rep. Ridgeway	✓		
Rep. Bannister	✓		

VII. Chair Bannister announces that the draft report of the study of LLR will be distributed on Monday, November 5, 2018. He requests any member statements be submitted by Friday, November 9, 2018, and announces that if no Subcommittee member requests an additional meeting by that date, he will give notice to the full Committee that the report is available for consideration.

VIII. There being no further business, the meeting is adjourned.

STUDY TIMELINE: DEPARTMENT OF MOTOR VEHICLES

Legislative Oversight Committee Actions

- May 3, 2018 - Prioritizes the agency for study
- May 9, 2018 - Provides the agency with notice about the oversight process
- July 17 – August 20, 2018 - Solicits input from the public about the agency in the form of an online survey
- January 14, 2019 - Holds **Meeting 1** to **obtain public input** about the agency

Economic Development, Transportation, and Natural Resources Subcommittee Actions

- January 23, 2019 (TODAY) - Holds **Meeting 2** with the agency to discuss an overview of its **mission, history, resources, major programs, successes, challenges, and emerging issues**

Department of Labor, Licensing and Regulation Actions

- March 31, 2015- Submits its **Annual Restructuring and Seven-Year Plan Report**
- January 12, 2016- Submits its **2016 Annual Restructuring Report**
- September 2016- Submits its **FY 2015-16 Accountability Report/Annual Restructuring Report**
- September 2017- Submits its **FY 2016-17 Accountability Report/Annual Restructuring Report**
- September 2018 – Submits its **FY 2017-18 Accountability Report/Annual Restructuring Report**
- November 16, 2018 - Submits its **Program Evaluation Report**
- January 2019-present- Meets with and **responds to Subcommittee**

Public's Actions

- July 17 – August 20, 2018- Provides input about the agency via an **online public survey**
- January 14, 2019- Provides **testimony** about the agency to the full Committee
- Ongoing - **Submits written comments on the Oversight Committee's webpage** on the General Assembly's website (www.scstatehouse.gov)

DMV SNAPSHOT

Department of Motor Vehicles

Agency Mission

To administer the state's motor vehicle licensing and titling laws by maintaining strict controls to deliver secure and valid identification, licenses, property records, while accurately accounting for the receipt and timely distribution of all revenue collected in order to best serve our citizens.

Successes *Identified by the agency*

- Partnering with external entities to deliver services and products with fewer errors and higher customer satisfaction
- Implementing the S.C. Uniform Traffic Ticket Information Exchange System
- Rolling out Real ID

History

The Department of Motor Vehicles began as a division of the State Highway Commission in 1917. After spending time with both the Department of Revenue and the Department of Public Safety, it became a cabinet agency in 2003.

Organizational Units

Administration
Customer Service Delivery (Vehicle Services)
Office of Inspector General
Procedures and Compliance (Driver Services)
Technology and Product Development
Customer Service Centers

Resources *(FY 18-19)*

Employees
1,220
filled FTE positions
at the start of the year

Funding
\$114,055,506
appropriated and authorized

Challenges *Identified by the agency*

Current:

- Meeting dynamic needs with existing infrastructure
- Rising cost of goods, services, and contracts
- Modernizing the agency's 17-year-old operating system
- Retaining talented employees

Emerging:

- Autonomous vehicle regulation
- Mobile driver's license / ID card
- Mobile integration in all aspects of customer service
- Taking advantage of technology while protecting citizens' information

Source: Agency Program Evaluation Report

South Carolina Department of Motor Vehicles

House Oversight Committee
January 23, 2019

Economic Development,
Transportation, and Natural Resources
Subcommittee Meeting



Agenda

- Mission & Vision
- Agency History
- Legal Directives
- Organization
 - Internal Audit
 - Information Technology /Security
 - Organizational Structure
- Chief of Staff/Director of Operations
- Administration
- Driver Services
- Vehicle Services
- General Counsel
- Inspector General
- Agency Goals

Mission, Vision, and Values

Mission Statement

The South Carolina Department of Motor Vehicles administers the state’s **motor vehicle licensing and titling laws** by maintain strict controls to deliver secure and valid identification, licenses, and property records while accurately accounting for the **receipt and timely distribution of all revenue** collected in order to best serve our citizens.

Vision Statement

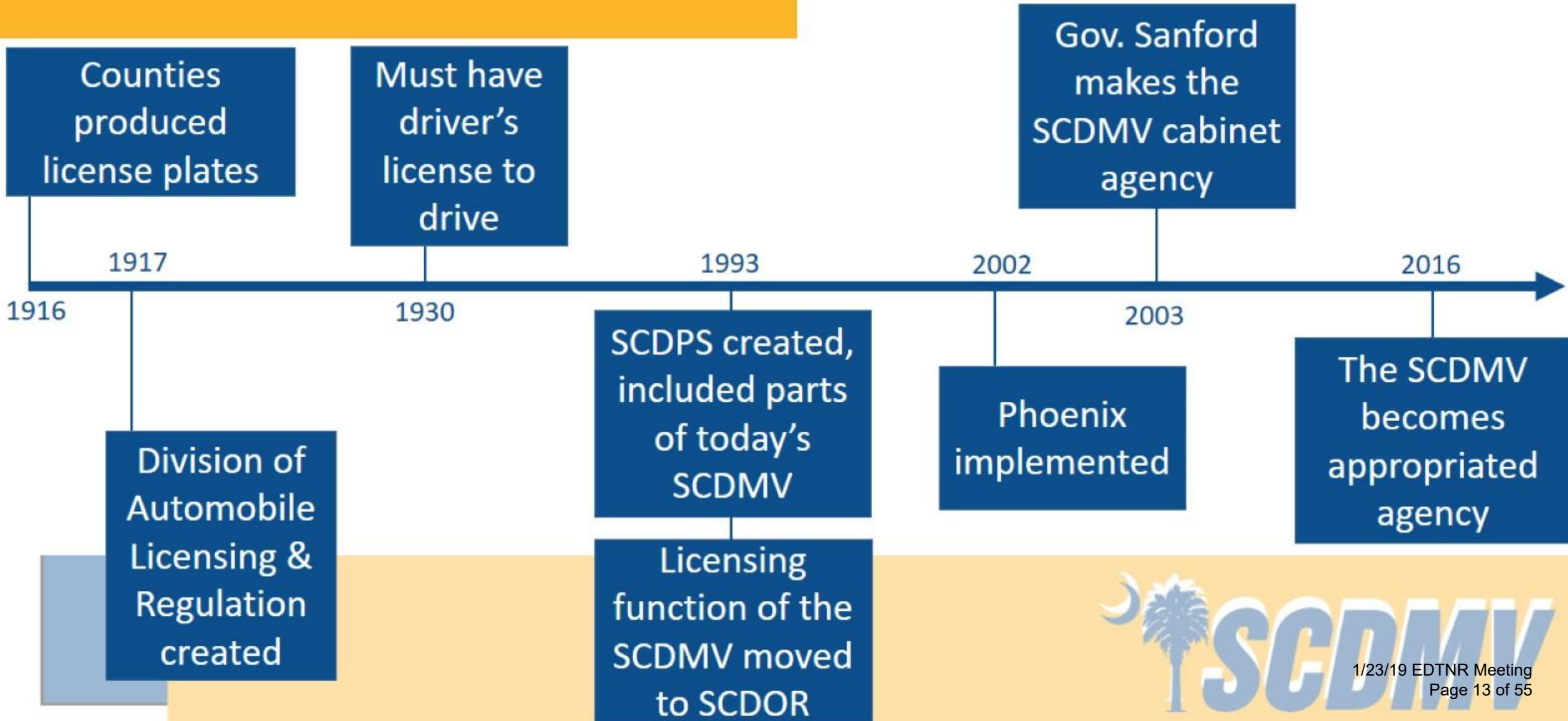
The SCDMV is a model state agency delivering exceptional customer service and promoting effective and efficient business processes, professional employees, innovative technology, and strategic partnerships.

Values

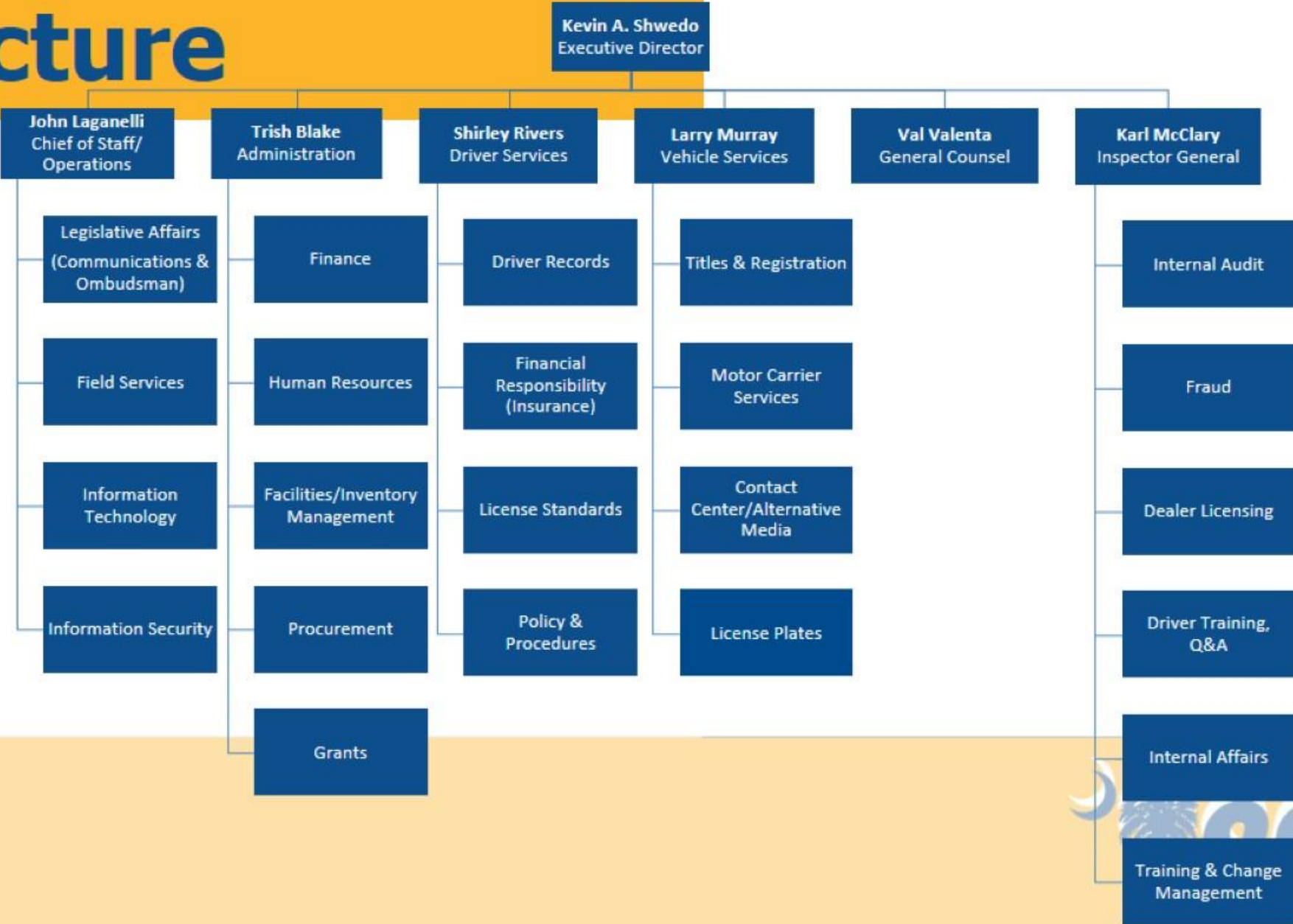
Competent, Committed, and Courteous



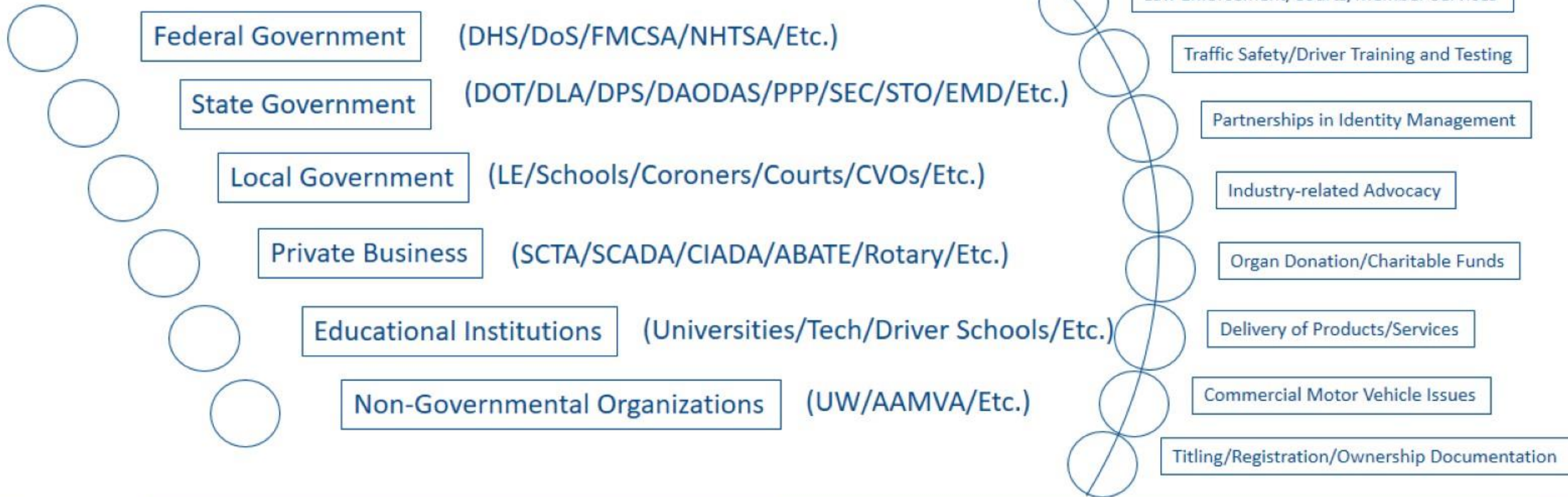
Agency History



Organizational Structure



Agency Partnerships

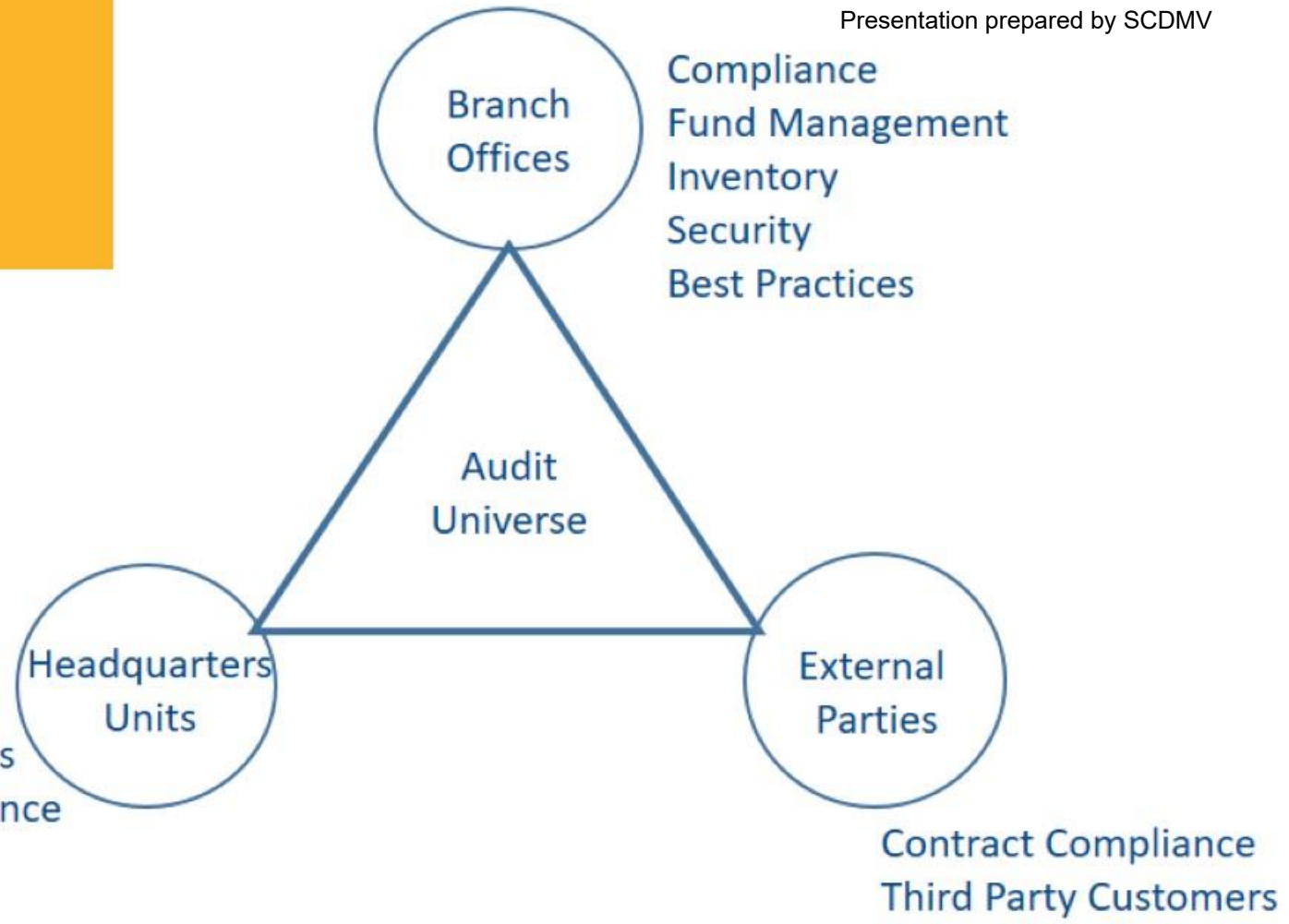


- More than 450 partnerships
- Stakeholders meeting
- E-Citation (three branches of government)

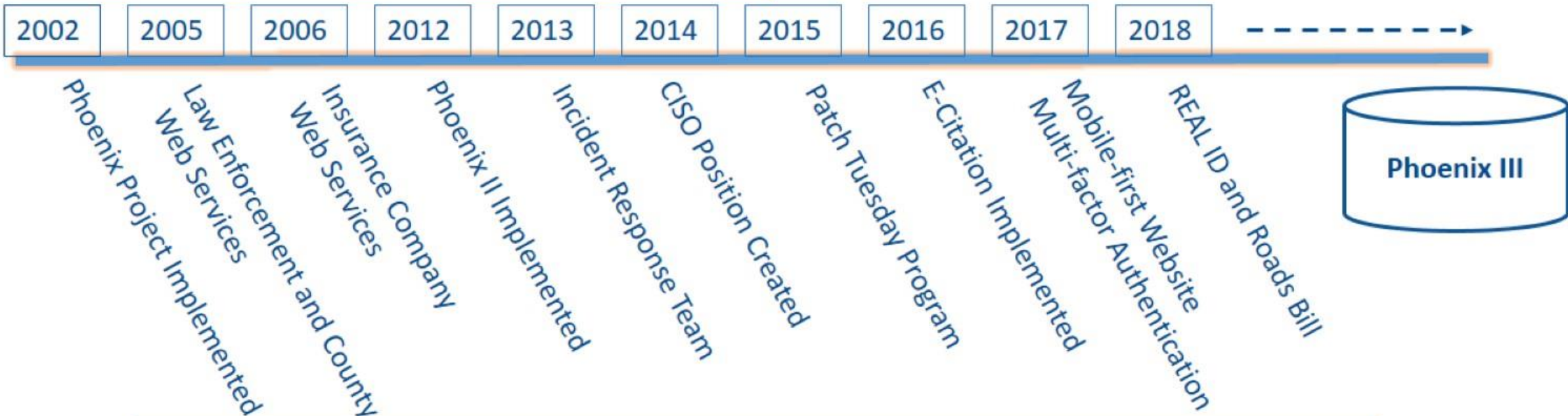
Internal Audits



Consultative Services
Investigation Assistance
Compliance
Fund Management
Inventory
Security



Information Technology / Security Modernization and Risk Mitigation



Administrative Controls (Information Security Policies and Procedures)

Technical Controls (Multifactor Authentication/Encryption/24x7 Network Operation Center)

Operational Controls (ISO and Security Analysts/Incident Response Team/Security Awareness)

Center of Gravity

Security – Stability – Capability - Recovery

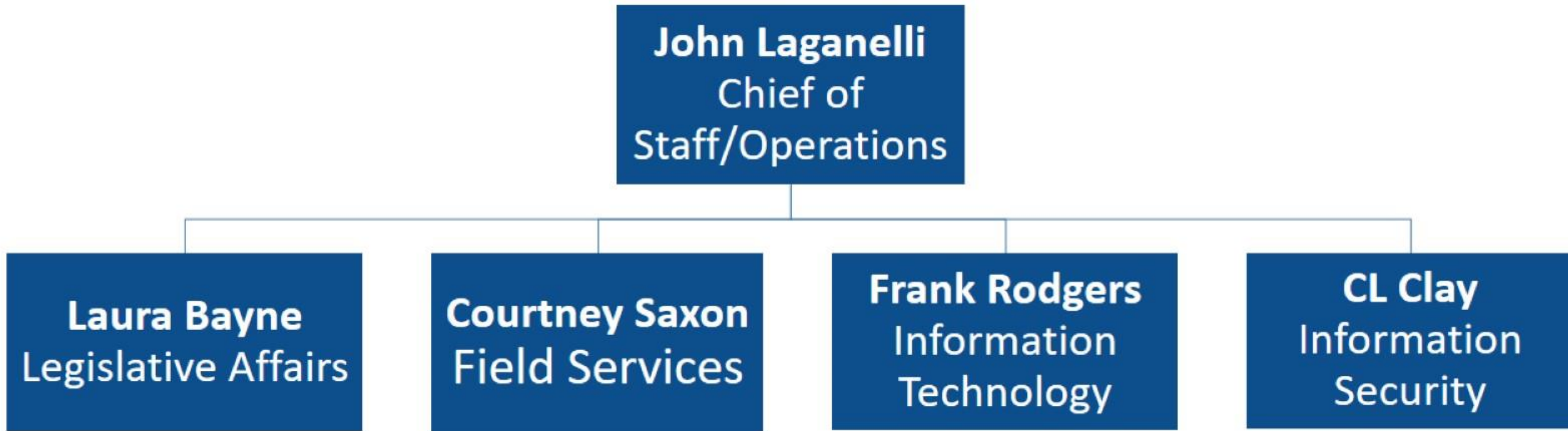


Chief of Staff/Operations

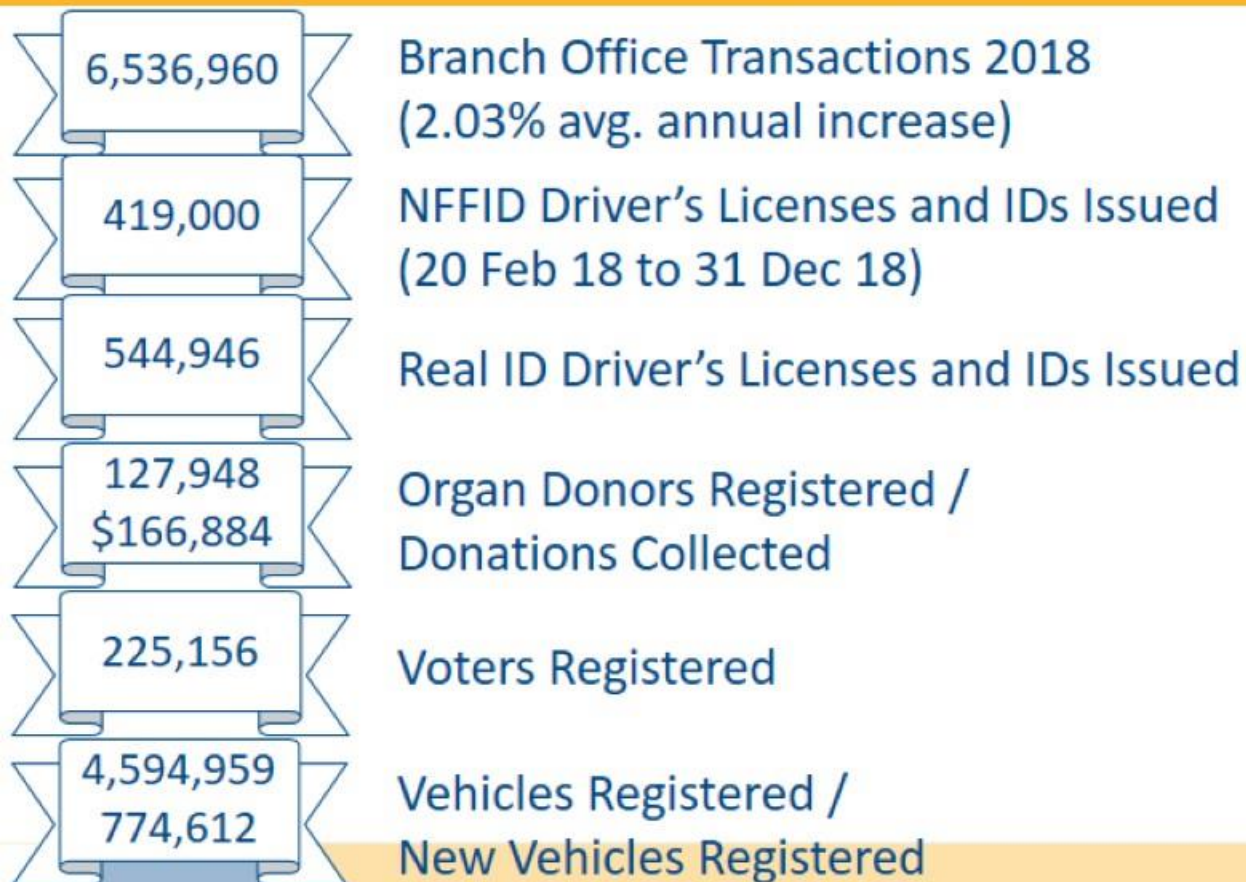
John Laganelli



Organization



Actions & Products



- Issues driver's licenses, ID cards, and medical placards
- Titles and registers vehicles for on-road use
- Issues license plates
- Registers voters and organ Donors
- Collects revenues
- Suspends driver's licenses
- Supports motor carrier operations and regulation
- Shares information – Public, Law Enforcement, State and Federal Agencies

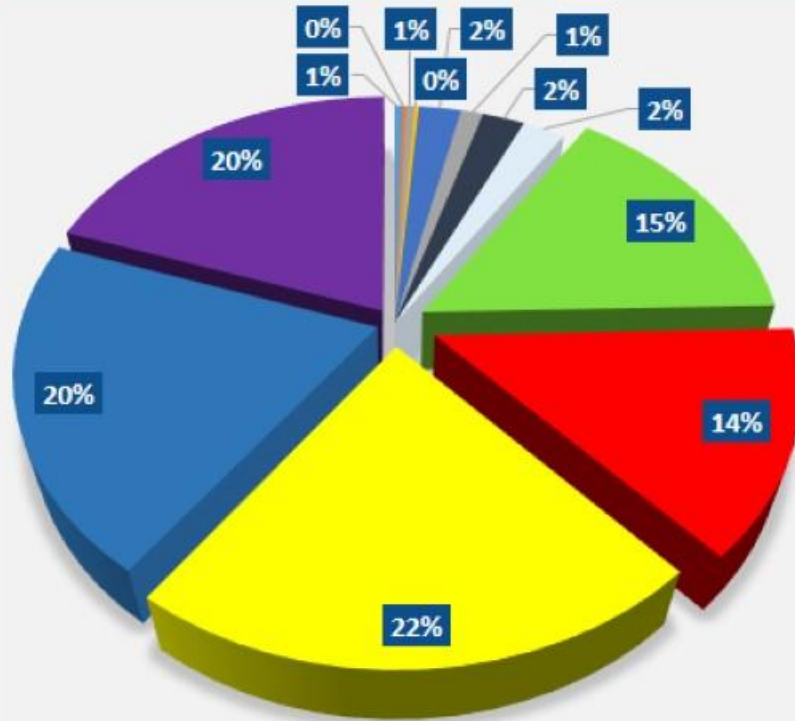
Potential Harms



Resources

- 940 total employees
- 91% work in Field Services
- Total FY18 Budget: \$59,535,677

- Administration
- Legislative Affairs
- Constituent Services
- Strategic Communications
- IT Administration
- Applied Shared Services
- System Shared Services
- Field Services Administration
- Region 1 Branches
- Region 2 Branches
- Region 3 Branches
- Region 4 Branches
- Region 5 Branches



Administration

Trish Blake

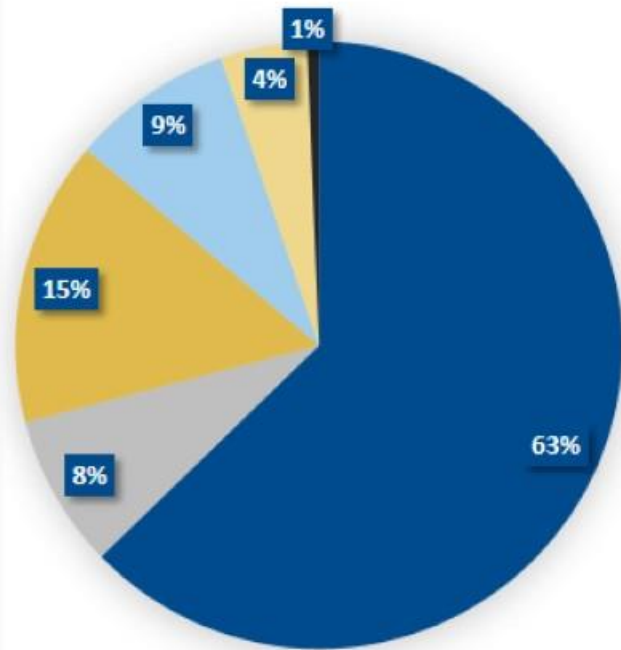
Organization



Agency Resources Overview

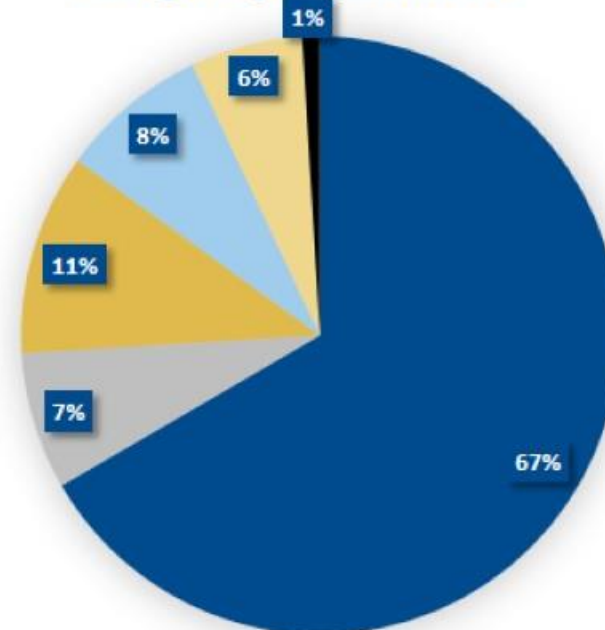
FY18 Total Budget by Department

- Operations
- Administration
- Vehicle Services
- Driver Services
- Inspector General
- General Counsel



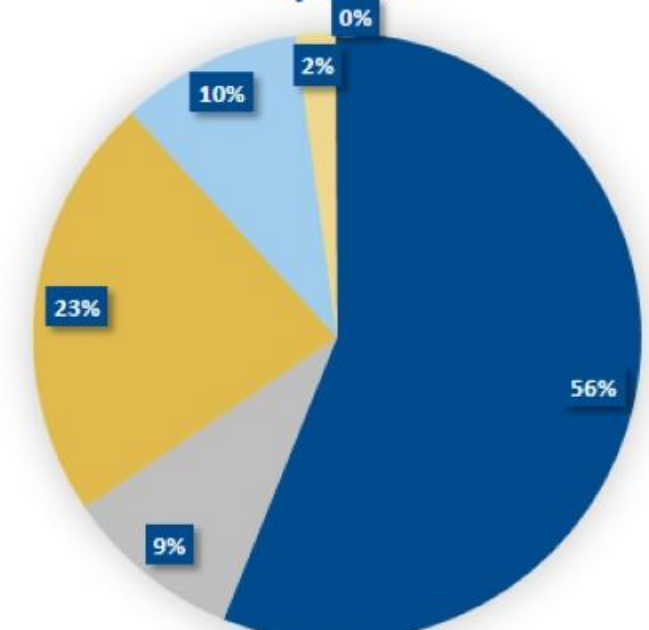
\$94,872,820

FY18 Total Personnel & Fringe Budget by Department



\$60,017,972

FY18 Total Operating Budget by Area



\$34,854,848

- Distribution of funding to other state agencies, high schools, colleges and universities, third-party organizations, and county and local governments
- Agency procurements and contracts
- 66 branches statewide – maintenance/upkeep
- Payroll, benefits, employee relations, and recruitment of approximately 1,300 FTEs and 100 temporary employees
- Manages agency's \$98M budget (includes federal funding)

- Other agencies/outside entities' financial obligations
- Meeting the demands of state citizens for needed services if facilities are not maintained
- Organizational ability to meet the needs of the public if necessary resources and oversight are not maintained

Budget Overview

\$593M in Collections
Registration fees
Titles
Fees: Late/Reinstatement/ Uninsured Motorists
Sale of Information
Vehicle Plates
Licenses
Knowledge Tests
Manuals



Department of Motor Vehicles	\$5,719,546
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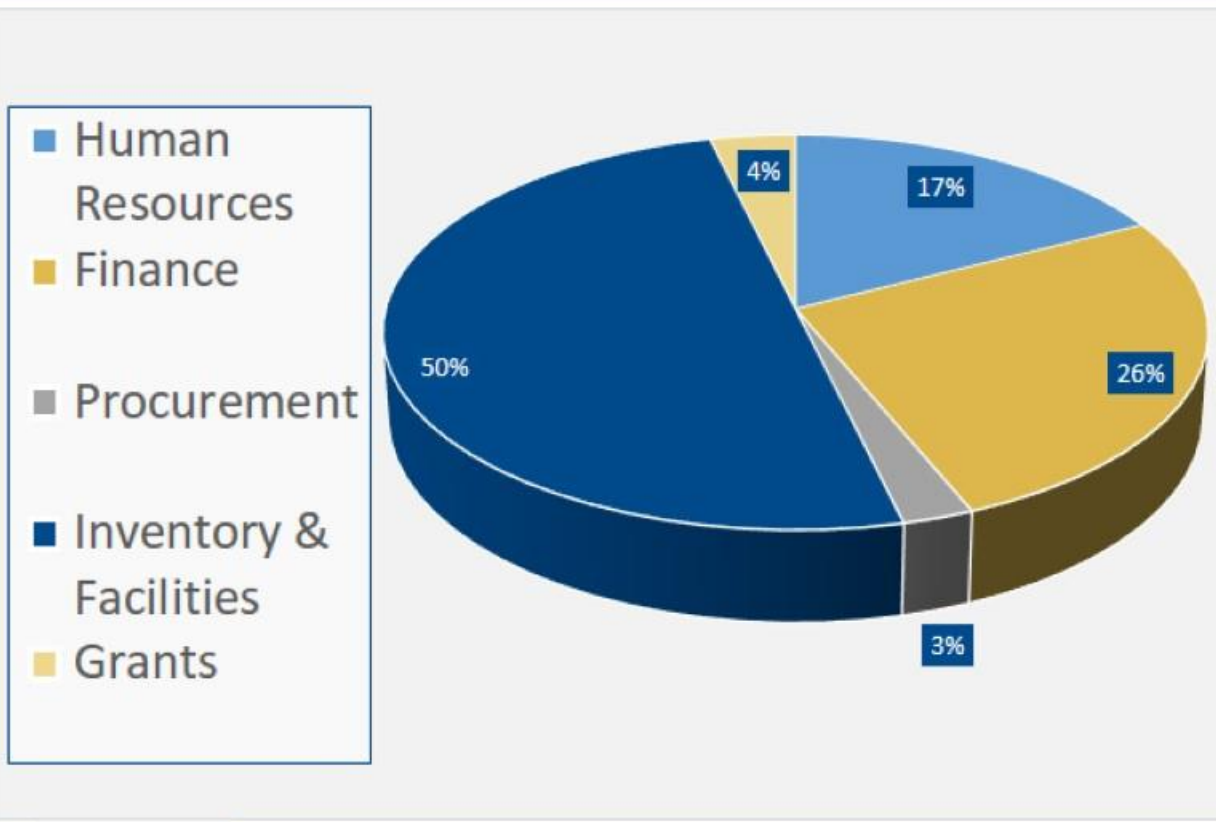
Other state agencies which receive DMV revenues	
State Infrastructure Bank	\$119,036,677
Department of Transportation	\$353,489,701
Department of Education	\$34,167,362
Department of Public Safety	\$18,414,196
State Treasurer's Office	\$17,152,436
Department of Revenue	\$15,839,002
State General Fund	\$11,555,656
Department of Insurance	\$2,175,391
Dept. of Natural Resources	\$126,600
Parks, Recreation and Tourism	\$43,933
Department of Agriculture	\$40,298
DHEC	\$10,815
Total to Other State Agencies	\$572,052,066

\$98.1M SCDMV's ceiling/spending authority
\$104.8 ceiling with REAL ID
\$5,719,546 – SCDMV retained in revenues; (\$1.7M after deducting \$4M for <i>plate replacement</i>)
\$57.8M Payroll/fringe
*\$30.1M SCDMV Operations-- \$34.2 w/REAL ID (\$26.1M left to conduct SCDMV operations after deducting for <i>plate replacement</i>) (\$30.2 left after plate w/REAL ID)

Non-State agencies which receive SCDMV revenues	
IFTA & Customer Refunds	\$9,174,644
Counties	\$4,596,659
Special Interest Groups (66)	\$745,009
South Carolina Colleges and Universities (31)	\$570,675
Out of State Colleges and Universities (11)	\$106,455
Fraternities and Sororities (8)	\$51,048
Total to Non-State agencies	\$15,244,490

Resources

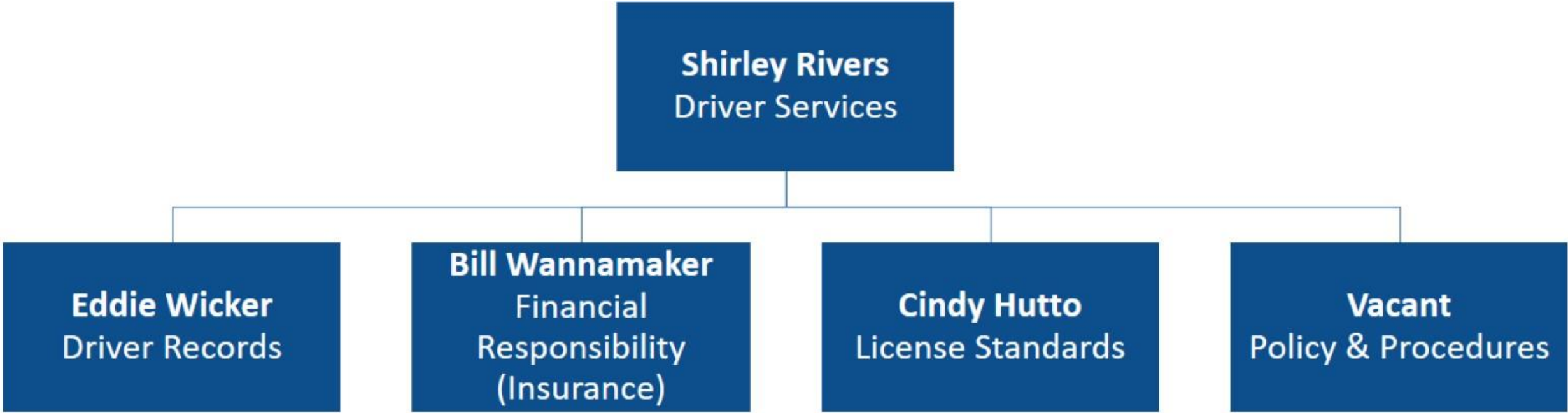
- 80 total employees
- 50% FTEs in Inventory & Facilities Management
- Total FY18 Budget: \$7,748,288



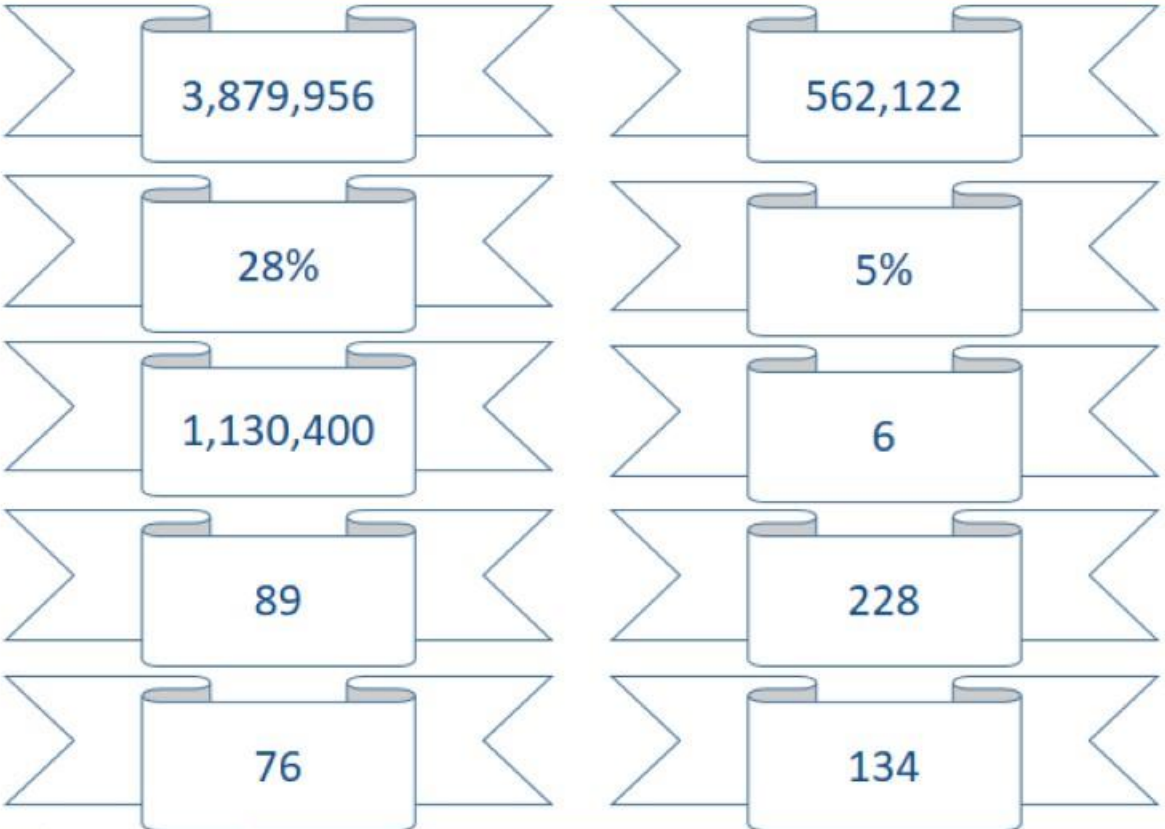
Driver Services

Shirley Rivers
Eddie Wicker

Organization



Actions & Products



- Set standards for issuing each type of driver’s license and identification card
- Ensures the proper sanctions are taken for convicted drivers
- Maintains vehicle insurance information thus reducing the uninsured rate
- Partners with FMCSA to remain compliant with federal regulations
- Handles e-citation process used for receiving conviction from courts
- Works with IT to implement changes to computer system
- Will implement State-to-State as part of REAL ID compliance
- Updates, maintains, stores all agency policies and procedures

Potential Harms

- Drivers would be out of compliance with state laws and improperly licensed
- Increase in insurance rates, uninsured rate
- Agency non-compliance with state and federal laws and regulations
- State loss of \$24 million in first-year and \$48 million in second and subsequent years of federal road funding



- 109 total employees
- 66% work in Driver Records
- Total FY18 Budget: \$8,177,831



Vehicle Services

Larry Murray

Organization

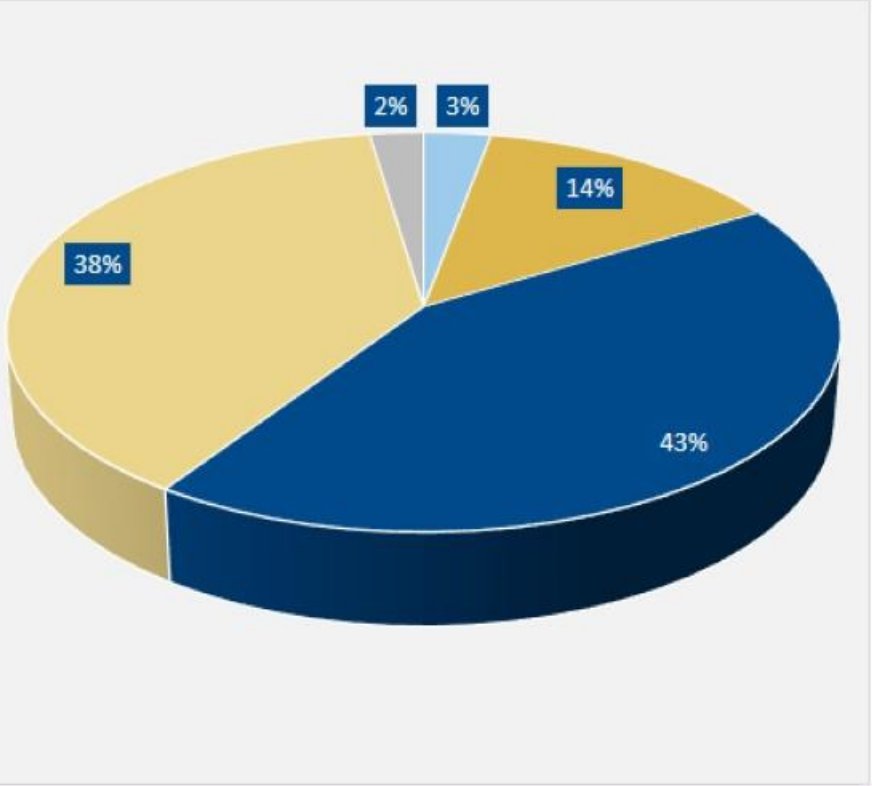
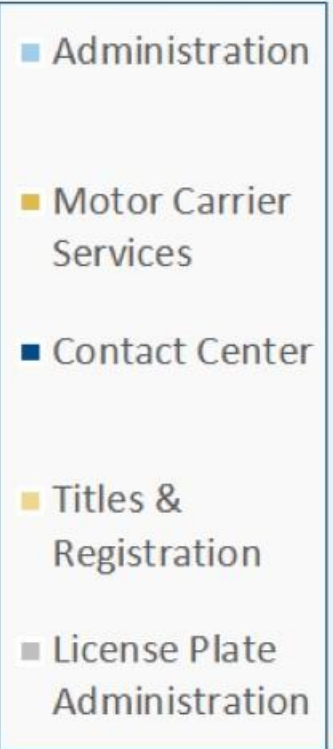


- Issues titles reflective of any lien information or brands
- Registers vehicles for on road use
- Issues every type of license plate
- Ensures state and federal provisions relating to Motor Carriers, including IFTA & IRP, are enforced
- Collects and reconciles Infrastructure Maintenance Fees
- Operates/manages customer Contact Center

- Lienholder financial risks, consumer risk of undetermined ownership
- Law enforcement ability to identify vehicles/drivers
- Fewer funds for state agencies or specialty groups
- Plate processing time, dealership inventory and revenue
- Unregulated vehicle use, increased pressure on law enforcement
- Clarifying customer questions

Resources

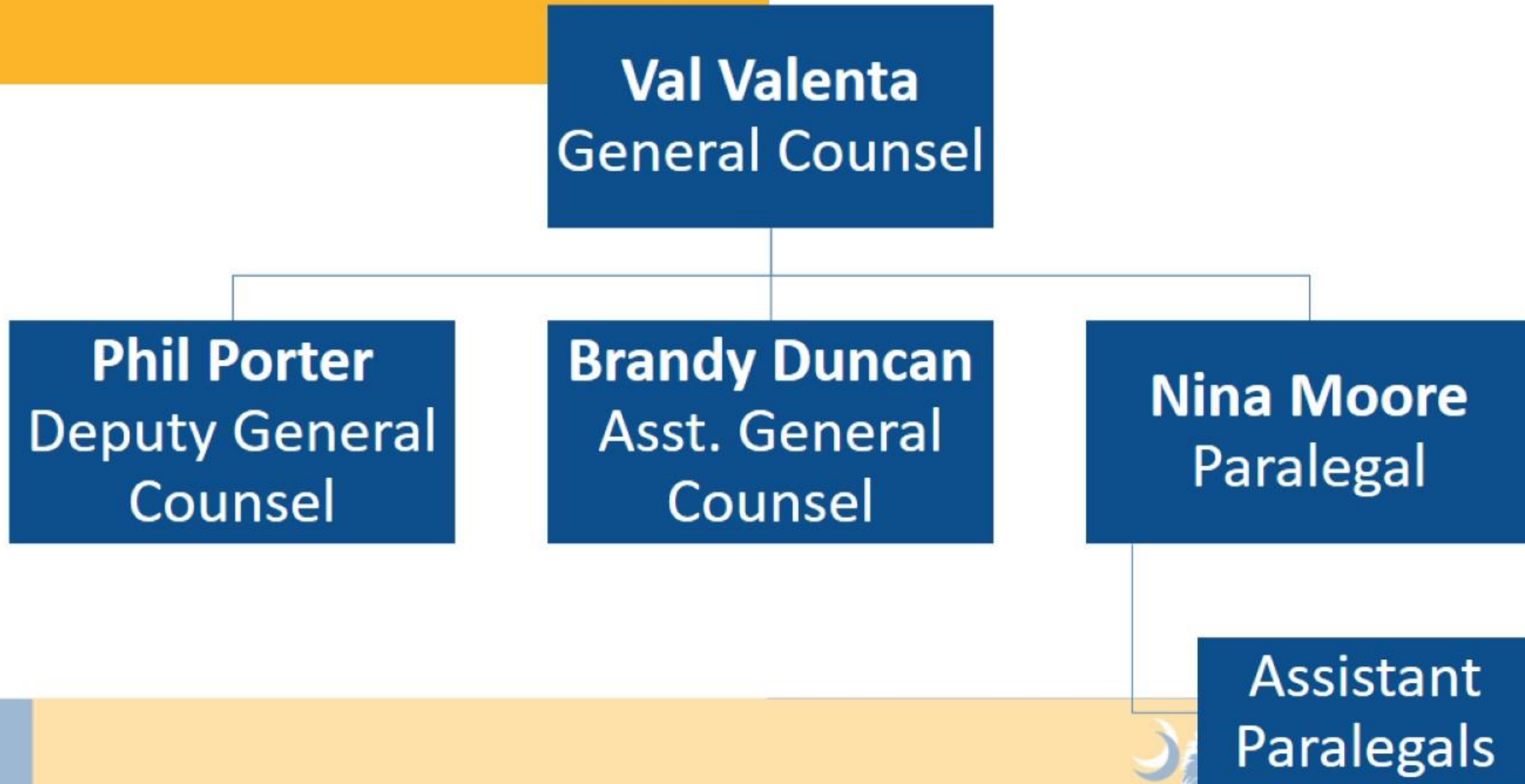
- 170 total employees
- 43% work in the Contact Center/Alternative Media
- Total FY18 Budget: \$14,437,173



General Counsel

Val Valenta

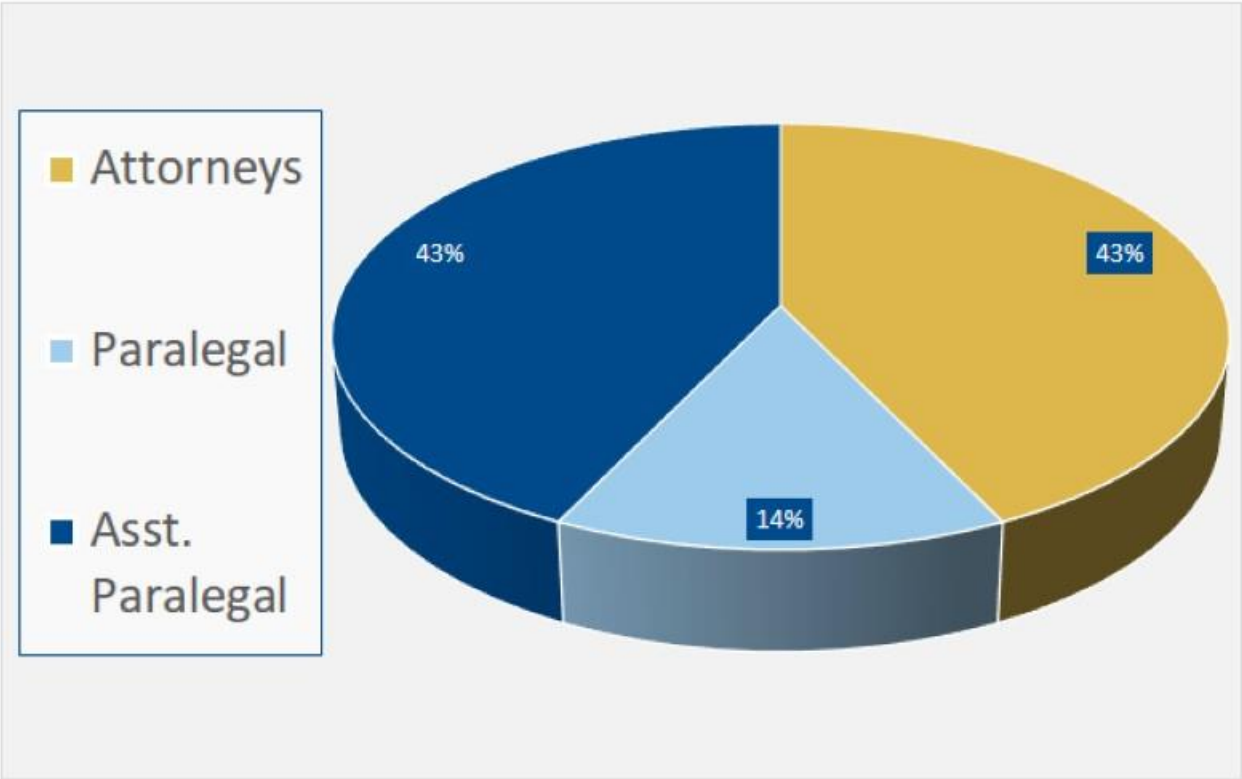
Organization



- Legal advice and interpretation for the SCDMV, other agencies, prosecutors, and defense attorneys
- Defends lawsuits against agencies
- Drafts/reviews all contracts for agency, with emphasis on privacy of personal information
- Handles 6,000-8,000 administrative cases annually

Resources

- 7 total employees
- 3 attorneys
- Total FY18 Budget: \$596,058

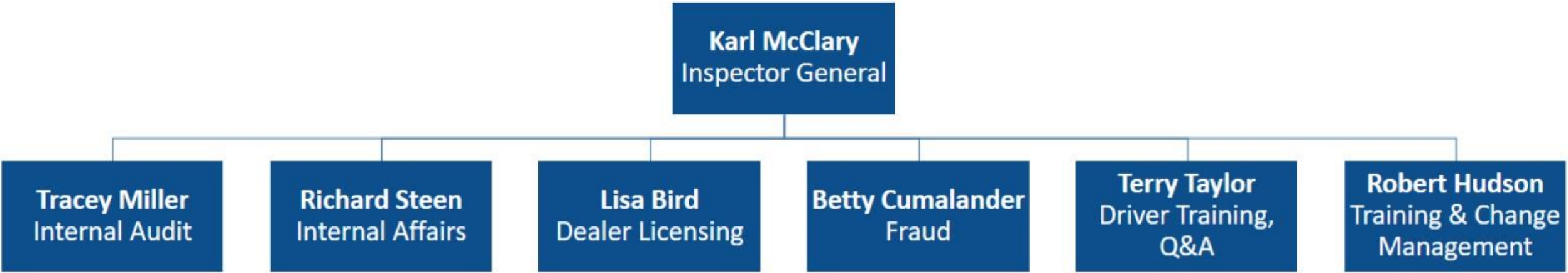


Inspector General

Karl McClary



Organization



Actions & Products

Regulations

License & Regulate Driver Training Schools

21,000

- Train and Regulate 3rd Party Testing (2018)
- Class D, Commercial Motor Vehicles and Motorcycles

>500 customer

License & Regulate Vehicle Dealers (2018)

- Internal Investigations
- Internal Audits
- Fraud (2018)
- Assist Law Enforcement (2018)
- Training & Change Management

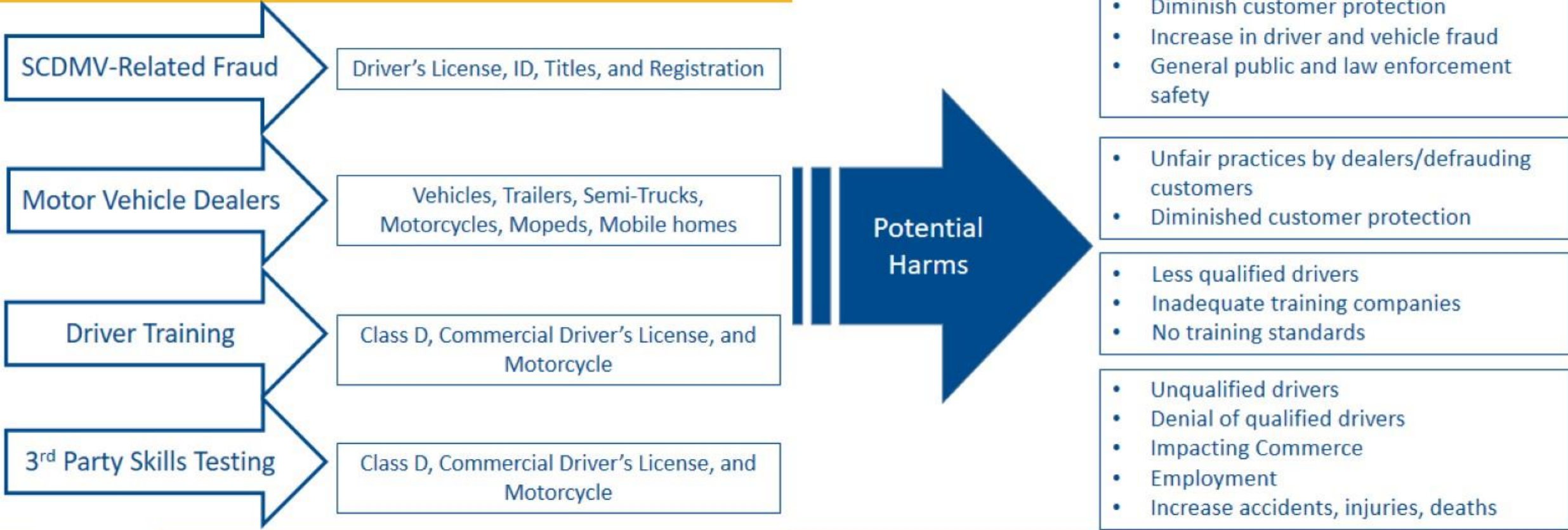
62 Cases

93

430 Cases

2,130 Investigations

Potential Harms



- Integrity of data
- Identity theft
- Diminish customer protection
- Increase in driver and vehicle fraud
- General public and law enforcement safety

- Unfair practices by dealers/defrauding customers
- Diminished customer protection

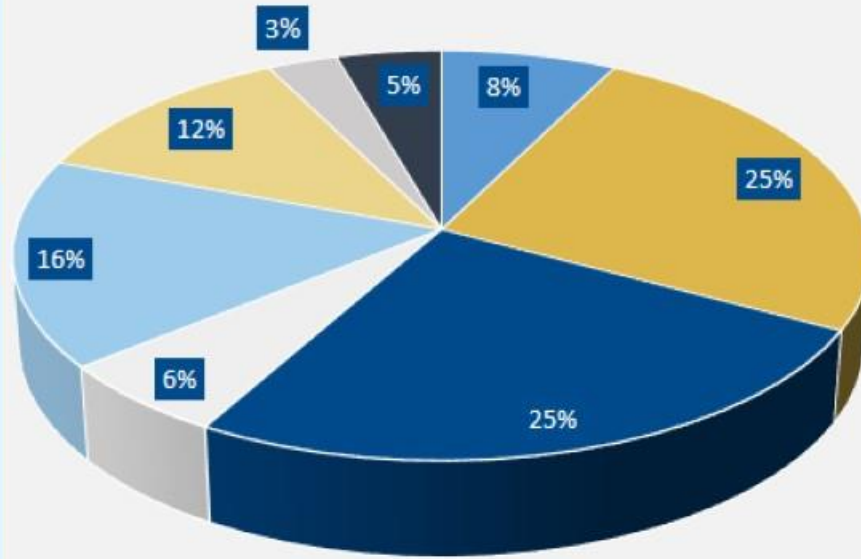
- Less qualified drivers
- Inadequate training companies
- No training standards

- Unqualified drivers
- Denial of qualified drivers
- Impacting Commerce
- Employment
- Increase accidents, injuries, deaths

- Increase highway safety
- Reduce fraud

Resources

- Administration
- Training & Change Mgmt.
- Dealer Licensing
- Dealer Licensing Admin.
- CDL & Class D Compliance
- Fraud Unit
- Investigations
- Internal Audit



- 67 total employees
- 25% work in TCM; 25% in Dealer Licensing
- Total FY18 Budget: \$4,377,791

Agency Goals

Goal #1:

Deliver an excellent customer service experience

- Ensure the average initial wait time for a customer stays below 20 minutes
- Ensure the average initial wait time for a customer calling the SCDMV Contact Center stays below 15 minutes
- Ensure collected revenues are distributed in order to provide financial support to outside organizations
- Reduce backlogs to ensure a five-business day turnaround standard (dealer work, titles, products ordered from scdmvonline.com)

Goal #2:

Modernize customer service delivery methods

- Increase the number of services available online
- Secure legislative support for modernization and efficiency efforts
- Leverage partnerships for deliverability of products and services

Goal #3:

Minimize the risk of fraud and security breaches

- Increase the SCDMV's security posture of its network infrastructure for third party web services transactions to better protect citizens' data
- Number of third party external penetration tests on network infrastructure
- Keep effective measures to reduce fraud and introduce new measures when appropriate

Goal #4:

Invest in employees through development and recognition

- Emphasize career development and employee retention with the agency
- Continue to request funding for employee salary increases and educational opportunities
- Continue existing recognition programs



Legislative Oversight Committee



South Carolina House of Representatives

Committee Mission

Determine if agency laws and programs are being implemented and carried out in accordance with the intent of the General Assembly and whether they should be continued, curtailed or eliminated. Inform the public about state agencies.

Website: [http://www.scstatehouse.gov/CommitteeInfo/
HouseLegislativeOversightCommittee.php](http://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee.php)

Phone Number: 803-212-6810

Email Address: HCommLegOv@schouse.gov

Location: Blatt Building, Room 228