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Transportation and Telecommunications Committee
August 13, 2007

[LR90 LR180]

The Committee on Transportation and Telecommunications met at 1:30 p.m. on Monday, August 13, 2007, at the Atkinson Community Center, Atkinson, Nebraska, for the purpose of conducting a public hearing on LR90 and LR180. Senators present: Deb Fischer, Chairperson; Arnie Stuthman, Vice Chairperson; DiAnna Schimek. Senators absent: Ray Aguilar, Carol Hudkins, LeRoy Louden, Mick Mines, and Dwite Pedersen. Also present: Senator Rich Pahls. []

SENATOR FISCHER: Good afternoon and welcome to a hearing for the Transportation and Telecommunications Committee. I'm Deb Fischer. I'm the Chairman of the committee and I'm from Valentine, 43rd District, and I would like to welcome my fellow senators, folks from Lincoln who traveled up, and local people. This is a hot day, but I still welcome you to Atkinson, to Holt County, and to the 43rd District, and appreciate that you've taken the time to travel out here. I think it's always very important that as senators we travel to our colleagues' districts. It gives us a broader understanding of the diversity in this state and the different needs in different parts of the state. So thank you all for coming today. With that, I would like to introduce the committee. To my far right is Senator Arnie Stuthman. He is the Vice Chair of the committee and he is from Platte Center. To my immediate right is our committee counsel, Mr. Dustin Vaughan. To my left is Ms. Pauline Bulgrin, and she is the committee clerk. Next to her is Senator DiAnna Schimek from Lincoln. And another senator who is not on the committee but who has joined us today is Senator Rich Pahls, and he is from Millard. Senator Pahls has the distinction of teaching in Atkinson in a previous lifetime, and I understand he taught here four years, and I am very pleased and he is happy to be here today. So I hope you will all welcome my colleagues to the 43rd district. The order in which we will take up these legislative resolutions is posted on the agenda. The first one will be LR90, then the next one will be LR180. There is a green sign-in sheet at this table here. I would ask that you please fill out the form only if you actually testify before the committee. Please sign your name, complete address, and indicate who you represent

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regarding the LR on which you wish to testify. And please hand the green sign-in sheet to the clerk, Mrs. Bulgrin, before you testify. That will be the on-deck table, and this table here will be the table you will sit at if you wish to testify. There is also a yellow sign-in sheet for those who wish to indicate their presence regarding a particular legislative resolution without publicly testifying. This will be labeled as an exhibit and will be part of the official record of the committee. If you have a prepared statement, I ask that you please make it available so we can follow along and have it inserted into the record. Written materials may be distributed at the hearing to committee members only as exhibits while testimony is being offered. And if you are following other testifiers, please listen to their comments and try not to be repetitive. I would also ask that you turn off your cell phones. And it is my pleasure to introduce my administrative assistant, Pat Martin, who is here today too. She wanted to travel out to the 43rd District, so she traveled with Dusty and Pauline, and we'll be spending the night in Valentine and have a hearing tomorrow morning on these same resolutions in Valentine. So welcome, Pat. Appreciate you being here. So nobody is at the office today. I'm sorry you won't be able to find anybody at the office, but I think it's really important that my staff comes out and gets a better understanding of who I am and where we live. So with that, I will open the hearing on LR90 and, Senator Pahls, this is his resolution, and I see you are ready to introduce it. []

SENATOR PAHLS: I am. Thank you. And do I yell, or can this (inaudible) without me yelling? [LR90]

SENATOR FISCHER: I think we can hear you. [LR90]

SENATOR STUTHMAN: Yeah. [LR90]

SENATOR PAHLS: Okay. Good afternoon, and I do welcome you to Atkinson, Nebraska. Just going to do a few other words before we get into the actual resolution. I did teach here a number of years ago. In fact, about an hour and a half ago I visited one

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of the schools that I was involved in. There were two in Atkinson--the Atkinson elementary and the middle school. And I was one of the first teachers hired when Atkinson lost their high school and became West Holt. So that was a very interesting year because of all of the, you know, the changes made here. And again, I was talking to the principal today at Atkinson elementary and she said that they were no longer a Class I, now they're a Class III. And I said, well, that option may be yours. She says, no, we've moved along, we feel good; there are still some questions, but we feel good about it. And then I asked her a really tough question. I said, who's your senator? Deb Fischer!--just like that, and so you must be making some impact here. [LR90]

SENATOR FISCHER: I'm here a lot. [LR90]

SENATOR PAHLS: And here's another scary thing about this. Friday I'm at a function and John Cedar (phonetic) came up to me and he says, oh, I hear you're going to be in Atkinson next week. I says, how do you know that? Well, he's from Spencer and this was in the Spencer newspaper, and he (inaudible) Deb Fischer. See, so it's really interesting how this...how this world moves. And not only that, today as I'm driving up, I stopped at O'Neill because I think that I'm going to be in a very peaceful, quiet...be lost in the crowd. Then all of a sudden, as I'm reading some of my material--oh, you're starting to read it for a change, huh, Pahls? And that's when your staff was up there at the same restaurant. I had my long-range glasses on, so I'm over squinting like this. So they even gave me a bad time. But also to show you how small the world is, a couple of weeks ago there's a restaurant in Pilger, an old restaurant called Shirley's, and somebody came...they have tables like this in there. I guess you guys didn't realize you were going to get a little history lesson (inaudible). [LR90]

SENATOR FISCHER: Senator Pahls likes to give history lessons. (Laugh) [LR90]

SENATOR PAHLS: Well, I'm just showing you how the world is so interconnected. And this restaurant there, a lot of times you put all these tables together and there was a

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couple people sitting down there. This one guy looked at me and apparently he picked up something from my voice and he said, were you...did you teach at one time? And said, well, I taught a short period of time, I was an administrator for quite a while. He said, well, were you ever in Atkinson, Nebraska? And I said, yes. And he said, what subjects did you teach? I said, at that time you had to teacher a number of them because it was a smaller system. He said, well, do you remember Ron Krysl? And I said, sure I did. Because this kid was really a brain, you know? I mean, that was him, he was there, you know, 30-some years later. Now he's an optometrist. So the world is an interesting (inaudible) how we all are interconnected. Well, let me get on to the reason why we're here today. I must commend your staff because I think they did do some good prep work to give us at least (inaudible) some idea of what I hope to accomplish. Resolution 90, it all came about because I was approached by some of my constituents who had moved to Nebraska from other states. They told me how simple it was to purchase and pay all the necessary taxes and fees in the states that they were from compared to Nebraska. And that's what I'm interested in, is simplifying that process. Because I think so many people say when you deal with government you're always dealing with red tape. I'm not saying (inaudible) red tape, but I think if we can make things simpler and more friendly, it would be to our advantage. As most of you know, in Nebraska, when you buy a care, when you license it here, the dealer gives you a document that includes the purchasing price and the dealer calculates the amount of the state and local taxes that will be due when the new owner registers and licenses the vehicle at the county treasurer's office. The dealer also issues an in-transit sticker to use until the new owner gets the vehicle properly registered and licensed. Of course, again, after the vehicle is purchased, the next stop is the county (inaudible) office to pay all the necessary taxes, registration and fees. This is the stop that I'm proposing to simplify (inaudible) or make it simpler or to eliminate. The county treasurer collects the fees for the state and the county. Both the county and the state disperse the funds (inaudible) as specified by law. I'm not proposing any changes at that level. I would continue to let the county level to collect the fees and to be first level of distribution. According to the information I have obtained from NCSL, Nebraska has one of the most Draconian

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methods of vehicle registration. Many states allow renewals in a variety of settings, including on-line, telephone, mail, state kiosk, and other methods. One that I just read is that, in one of the states, you have your ID number and you have your license and you registrations, and you just go up to a machine that looks like an ATM and then you can do all the work right there. I'm just saying that's just one example. On renewals in Nebraska, we have only two methods: in person at the treasurer's office, or mail. You mail in your renewal. Only about five or six other states do it that way. To be honest with you, they are the ones that surround us. Now here's an interesting factor. The Douglas County Treasurer recently announced he is investigating offering renewal services on line. That was in the paper about a couple weeks ago. I am proposing that we offer on-line or mail-in tags, license, title, registration services for new purchases. I am not proposing how we accomplish the task. I hope to learn how we can begin this process. Right now we have around 1,600 licensed automobile deals across the state, 93 county treasurers, plus the Department of Motor Vehicles and the Department of Revenue, who all have an interest in this process. I think we will be hearing from them shortly. I believe we need some kind of a form for this. I think the Transportation Committee is the place to begin. I am not interested at all in mandating an expensive or cumbersome change. I simply hope we can simplify it. Other states are doing it and I'm hoping that we will not be last. In Resolution 90, I include the dealers because they are the (inaudible) currently. I can imagine that an on-line method of determining the correct fees and paying would involve the dealer at some level. If we increase the duties of the dealer, we need to allow them a fair collection fee for those services, but (inaudible) we can devise a system flexible and simple enough to allow some options. If the buyer (inaudible) process and the dealer was to set this up, that would be the first step. Other buyers may feel comfortable enough to do it on-line themselves, for instance. I hope we can get started on some way of changing this system that is (inaudible) compared to other states, and I do have a list of what all the other states do and it's amazing the variety. As I say, only a handful do the...do it the way we do it. Most of them have moved on to other strategies. I thank you. [LR90]

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SENATOR FISCHER: Thank you, Senator Pahls. Are there questions? Senator Stuthman. [LR90]

SENATOR STUTHMAN: Thank you, Senator Fischer. Senator Pahls, do you feel if, with the on-line registering or re-registering, there's a possibility of more fraud? [LR90]

SENATOR PAHLS: Right, that is a concern, but there are steps that they have pointed out in some of the readings to counteract that, you know, because...but that is a concern. That is one of the things that (inaudible) if you do that, you have to be very on guard on setting up (inaudible) firewalls (inaudible). [LR90]

SENATOR STUTHMAN: Okay. Okay. [LR90]

SENATOR PAHLS: That's not the correct word, but... [LR90]

SENATOR STUTHMAN: Yeah. [LR90]

SENATOR PAHLS: ...that is (inaudible) that's one of the things that we need to be concerned about. [LR90]

SENATOR STUTHMAN: Okay. Thank you. [LR90]

SENATOR FISCHER: Other questions? Senator Pahls, do you know, I was going to ask a question on fraud, too. Do you know specifically what other states do that have on-line registration to protect...really to protect the owner of the vehicle? [LR90]

SENATOR PAHLS: (Inaudible.) Right, the information is there. I do not have it with me, but the information is there and that's why we would take a look at all these. We'd have to pick probably the best way of doing that, you know, the process (inaudible) so we wouldn't cause additional...because that is an issue. But, again, like I'm saying, I mean

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talking about there are in some states (inaudible) and believe it or not it's in Arkansas, and this will probably tell you why, at Wal-Mart you can go right in there and do all your work right there. There are some states that in the shopping centers there are little kiosks that you can just go to. The one that intrigues me is the states, though, where you just go up to, like, an ATM and you do it all. And how they protect...it just dawned on me now. How they protect you on some of these things, they give you a PIN number that would access you to the on-line. If you would choose to do it, you would have a PIN number. That's just...it just all of a sudden clicked with me. Nobody else would have your PIN number. So if you wanted to do it, that's one of the ways that they could stop the fraud. [LR90]

SENATOR FISCHER: At the kiosks in, say, in Wal-Mart, who mans those? [LR90]

SENATOR PAHLS: Well, they would be... [LR90]

SENATOR FISCHER: Are those DMV employees then? [LR90]

SENATOR PAHLS: Right. Yes. Yeah, that would be. But again, you could make that choice. I would assume it would be a government employee. And I don't have all the information about that, but if you would choose to do that...and I was...and we both understand, like in Holt County, that probably wouldn't be as a necessity as it would be, like, in Douglas or Lancaster. I mean I think there would be...that's why mandating some of these things (inaudible). [LR90]

SENATOR FISCHER: Would it...I assume they'd be a state employee, then, with the DMV. Do you see an increase in employees then, state employees, if we would allow options like this? [LR90]

SENATOR PAHLS: Well, maybe the best thing would be...here again, I'm just talking, would be the (inaudible) Douglas County would do that, that would be a Douglas County

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employee. And I would see that would take (inaudible) some of that time from the office. You know, they'd have to rearrange some of those. It wouldn't be an all-day, every day. I'm sure they would (inaudible). And if nothing else, you know, (inaudible) incentive for the people at the shopping center (inaudible). Just to give you an idea, just so you understand, within the last...I had two kids of driving age and within the last two and a half years I have purchased at least (inaudible) seven cars, so I understand (inaudible). [LR90]

SENATOR FISCHER: You've purchased seven cars for two kids? (Laugh) [LR90]

SENATOR PAHLS: Well, my son is 18 years old. I purchased four. An then again, (inaudible)... [LR90]

SENATOR FISCHER: Okay, we won't get into their driving records then, right? (Laughter) [LR90]

SENATOR PAHLS: No, no, no, there's no wrecks, no wrecks. They're just (inaudible) one of those things. These were not wrecks to be wrecked. These were decent cars. They just (inaudible). [LR90]

SENATOR FISCHER: Senator Schimek. [LR90]

SENATOR SCHIMEK: Thank you, Senator Fischer. Senator Pahls, you talked about a PIN number. [LR90]

SENATOR PAHLS: That PIN number would come from the department. [LR90]

SENATOR SCHIMEK: And that would be for just renewals then, right? [LR90]

SENATOR PAHLS: That would, yes. [LR90]

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SENATOR SCHIMEK: Okay. You had mentioned to me earlier, when we were just sitting up here talking, something about maybe the last four numbers of a Social Security number or something like that, and then that's the way you would access it. [LR90]

SENATOR PAHLS: Before we would even do anything, we'd have (inaudible) because (inaudible) a majority of the states are doing it. [LR90]

SENATOR SCHIMEK: Yeah. [LR90]

SENATOR PAHLS: Thirty of them are doing it on-line, so I'm sure by now they have figured that part out. [LR90]

SENATOR SCHIMEK: Well, if I have to remember one more PIN number or one more password (laugh), I don't know how other people are feeling, but I'm feeling like we've got so many numbers in our lives now, we'd have to find a way to make it so people could remember it. [LR90]

SENATOR PAHLS: To be honest with you, (inaudible) if you'd find my code number, you could take everything I had because only have one number that I choose. So once you find it, guys, you have access to millions of dollars of...(laughter) But I do agree with you. And I think (inaudible) questions you're asking now, I think if you'd have the Motor Vehicle Department, maybe dealers (inaudible) talk, we might be able to find something. Get away from the idea government is always (inaudible) hard thing to work through. [LR90]

SENATOR FISCHER: Other questions? Thank you very much, Senator Pahls. Since this is a hearing on a legislative resolution, we don't have proponents, and we don't have opponents. We are just here to gather information on this topic. And as you can

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see, this is how the legislative process works and how we gather information for possible bills in the future. So next testifier up, please. Welcome. [LR90]

BEVERLY NETH: (Exhibit 1) Thank you, Chairman Fischer, members of the committee, Senator Pahls. I'm Beverly Neth, director of the Department of Motor Vehicles. I'm happy to be here with you today to provide information pertaining to the department's existing titling and registration system, what we call VTR, as well as other matters related to how Nebraska titles and registers motor vehicles. When Senator Pahls was speaking, I thought, oh great, did he just say the Department of Motor Vehicles has the most acclaimed vehicle registration system in the country? [LR90]

SENATOR FISCHER: No, you're Draconian, I believe is what he said. [LR90]

BEVERLY NETH: (Laugh) Couldn't quite hear very well, so...but then I realized that's not what he said. But let me give you a little background on how we got to where we are today and some of the things the department has been looking at for some time, quite frankly. During the mid-1980s, it was recognized that there was a need to automate the business processes associated with the titling and registering of motor vehicles. You may remember that that was done (inaudible) typewriter with clerks and treasurers and assessors at one time. In 1989, legislation was passed that required the development of VTR, the vehicle titling and registration system. Deployment of the system began in the early 1990s in those counties that volunteered to use the system. During 1993, legislation was passed that mandated all county clerks and treasurers utilize VTR by January 1, 1996. The last county to implement VTR was Douglas County in 1997. VTR is an AS400 system. AS400 are the servers that reside in each county on which local data is stored. So the counties have their own vehicle-specific information stored in their county on their AS400. At the time of document issuance, title and registration data is transmitted to the state's mainframe system; fee data remains at the local AS400 with the local county treasurer and clerk. The mainframe system is the source of vehicle information for law enforcement, other governmental agencies, citizens, and

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miscellaneous businesses that interact with the department. VTR integrates packaged manufactured suggested retail price, or MSRP, data. The DMV purchases this data from two different vendors. MSRP data is used in the calculation process and the source for the manufacturer-supplied vehicle identification number, or VIN, data that's used for title issuance. Even before the system was in use statewide, enhancements were being deployed. In 1992, a one-stop process was incorporated. This allowed counties to move titling, assessment, and registration process into one county office; namely, the county treasurer. In 1997 the Legislature added motor boat titling to VTR. In '98, the Legislature moved Nebraska from an ad valorem taxing of motor vehicles to the current taxing methodology, which uses the manufacturer's suggested retail price to determine the tax base and then multiplying the tax base times the fraction that corresponds with the vehicle's age, sort of like calculus. This current taxing method removed the county assessor from the VTR process. There are currently 61 counties in which the clerk titles the vehicle and the treasurer registers the vehicle. A list of counties is attached as Attachment A, and it shows both the counties where it's done by clerk and treasurer, and the counties where one-stop, true one-stop, has been implemented. In those counties, a resident goes through the following process--this would be where the clerk and treasurer are involved--to register and title a new vehicle. A current resident who purchases a vehicle applies to the local county clerk for a Nebraska certificate of title. After approval of the presented paperwork and the payment of a \$10 fee, the title is issued. Lien notion is an addition \$7 fee. The county clerk enters the data and issues the title using VTR. The title is either provided to the customer or, if there is a lien, it is mailed to the lienholder. The customer is then required to appear before the county treasurer and pay the sales tax and register the vehicle. The county treasurer enters the title number into VTR; the vehicle information, essentially it's the vehicle information that was entered by the clerk, is retrieved in VTR; and the treasurer assesses the vehicle to determine the motor vehicle tax and fees. After assessment is complete, the treasurer proceeds to the registration process, where the registration fee is determined based on license plate type--there are approximately 50 plate types in Nebraska--and weights, if applicable, if it's a pickup or some kind of vehicle that you're

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placing weight on pulling a trailer. The treasurer collects the sales and motor vehicles tax, registration and motor vehicle fees, license plate fees, assigns a plate number, and issues the registration. With the integration of the motor vehicle insurance database in 2004, the treasurer verifies the insurance during registration process. It is a seamless process that does not require any intervention by the treasurer or the staff. In 32 counties we have implemented one-stop. This is the process: A current resident who purchases a vehicle applies to a local county treasurer for a Nebraska certificate of title. After approval of the presented paperwork and payment of a \$10 fee, \$17 if there's a lien, the title is issued. The county clerk then enters the data and issues title, using VTR. Once again, they collect all the registration fees and taxes associated with the vehicle and, again, either give the title to the customer or mail it to the lienholder. At the same time, as a general rule, the customer does pay the motor vehicle tax and register the vehicle, but they can also go away and hopefully come back later to pay those taxes and fees and sales tax. And usually VTR does the assessment process as well in the one-stop county, at which time we print the registration and the title document. I just kind of (inaudible) if you were reading along, I just reworded the paragraph to shorten it up a little bit. In addition to the above described process, county clerks and treasurers in one-stop counties are also responsible for the issuance of duplicate titles, titles for ATVs, minibikes, and motorboat titles. County treasurers create, print, and mail renewal notice postcards to all registered vehicle owners annually on the registration's expiration date. They also calculate and provide refunds and credits to vehicle owners that sell or trade in their vehicles, or move out of state. County clerks and treasurers collect all refund fees...collect and refund all fees required as a part of the title and registration process. VTR, the system, contains all of this functionality. None of it is done by hand anymore or outside the system. In addition, the month end distribution of fees to the appropriate entity is required. There are approximately 25 state funds that receive money through the titling and registering of motor vehicles. Statewide, there are over 1,680 county and local funds that receive monies from the titling and registering of motor vehicles and the collection of sales tax. That fee distribution is also part of VTR. Once again, it's not done outside of VTR. Generally, the VTR just creates a report at the

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end of the month and says where those fees should go. Approximately 2.1 million vehicle registrations and 675,000 titles were issued in 2006. In addition, 213,000 liens were noted and 172,000 liens were released during 2006. During '06, \$480,769,364.69 was collected through VTR. I have a spreadsheet of additional information as Attachment B that kind of tells you the fees, what are collected. It's not an overall number, but it tells you statutorily where those fees go. That might be helpful. The DMV pays for terminals and printers used in motor vehicle titling and registration in both the clerks' and treasurers' offices. Treasurers currently have 361 printers, 262 terminals used in VTR. The clerks have 70 printers and 92 terminals. The DMV pays a monthly leasing fee for all equipment to the DAS chief information officer's office. The annual budget for that equipment alone is \$300,000. Additionally, we pay \$630,000 annually for the support, maintenance, and replacement of the AS400 system associated with VTR. The DMV's communications charges associated with VTR are approximately \$200,000 a year. Our data processing costs are \$65,000 a year, and we pay nearly \$100,000 per year to the CIO's office for VTR programmers. Overall, our essential budget with VTR is about \$2 million annually. DMV provides all applications, certificate of title, registration and renewal notice postcard forms used by the counties. There are approximately 60 different forms that are used during the titling and registration process. The annual cost to the department is \$165,000. Sales tax forms are provided by the Department of Revenue. In house, the DMV supports a VTR administration support and help desk staff of nine, and an IT staff of three. And once again, our total budget is roughly \$2 million. Since VTR's inception, significant changes in titling and registration process have been layered onto the existing system, and there is a list of those here. There are 14 of them, some of them being one-stop capability--the addition of motorboats, additional registration fees. That happens quite often; the most recent one the EMS fee. We added the alphanumeric license plate program and ATV titling recently. We created the insurance database in 2004 and in 2005 we began, instead of a three-year plate reissuance, we began a six-year plate reissuance cycle. All of those things require programming to VTR. They require VTR to be modified so that we can make it do what it is the statute requires us to do, which is why, whenever I come to you, there's

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generally a fiscal note attached and programmers, and it's an issue, but it's the way the system is built and much like every system, every computer system we have. VTR is now 14 years old and the current application is rapidly reaching the end of its useful life. The DMV continues to assess the needs of our many customers to determine the enhancements that could be incorporated into the VTR process. Some of the enhancements we have looked at include the National Motor Vehicle Title Information System, which allows jurisdictions to verify the validity of titles prior to the issuance of a new title. This inhibits title fraud and auto theft by making it harder to title stolen vehicles. In addition, NMVTIS, which is the acronym, would allow for the elimination of manual data entry process used today to mark records when a Nebraska title transfers to another state. We've looked at enhancing VTR to develop a business process for the immediate inclusion of vehicles into VTR at the time of purchase--dealer and/or private sale purchases. We've looked at enhancing the ability to ensure collection of sales tax, that all sales tax monies are due; the inclusion of bar code technology and all documents generated by the VTR system; the inclusion of PC technology to create a user-friendly interface and provide for future flexibility. And speaking to Senator Pahls's point, providing the Nebraska taxpayer direct access to government services using on-line technologies. I'm going to go a little bit away from my testimony because I didn't speak to that very much and I'd like to take a little time now and talk about what the department has done...tried to do in the area of on-line motor vehicle registrations. As early as probably 2000, we identified that on-line renewals was something we wanted to do in Nebraska. We had a number of stumbling blocks along the way, one of them being--it really isn't a stumbling block, it's very good policy--the mandatory insurance that's required at the time of titling and registering a vehicle. Because we have mandatory insurance, one of the first things we had to do was build a motor vehicle insurance database. We got that accomplished in 2004 where we now have most of...the information for most of the vehicles in Nebraska, passenger vehicles, those kinds of things. There are some exclusions. Vehicles registered as fleets, we do not get that insurance information. There are reasons why. Generally, the insurance industry doesn't...they don't collect the VIN of those vehicles; they just insure a fleet for the

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owners who don't have VIN-specific information, and that's key in the insurance database. So we have that and that is working very well. It's available to the treasurers when they register a vehicle. As I said, it's seamless. They don't really know it's happening, but if insurance doesn't exist then they get a notice that says you might want to look for a card or you might want to inquire further about this person's motor vehicle insurance. It's also available for law enforcement for roadside checks. The other stumbling block that only very recently has been resolved was the collection of fees via credit card. Because Nebraska has a master contract that the State Treasurer signs with First National Bank for Visa services, all state agencies are subject to that master contract and it would take four days for me to explain the craziness behind the contract, but (inaudible) in a nutshell this is it. Visa has guidelines concerning its merchant fee, that a merchant using or taking the credit card, how you can recoup those fees, essentially. You go into Dillard's; you pay for a blouse; you pay a price, but what you don't realize is Dillard's is paying Visa 2.5 percent, or more, or maybe less, on each one of those transactions as its merchant fee. That exists across the board, so any merchant that's using Visa has a merchant fee. Nebraska's is 2.5 percent, that's what has been negotiated. If we were to accept credit cards, the county treasurers or clerks, in VTR, using VTR, this is a DMV system, we'd be subject to collecting that merchant fee. Because 2.5 percent of \$480,000 is a lot of money--it is significantly more than Department of Motor Vehicles gets out of VTR, which is \$1.50 per transaction--we couldn't stand the cost of that and I doubt that many counties would want to stand the cost of financing on-line transactions. Now you may say, why worry; why not just take MasterCard instead of Visa? Visa has, my understanding, some 80-plus, maybe even almost 90 percent of the credit card business. They are the gorilla in the credit card industry and to not take them, I think, would seriously hamper your services to the public. You do have other options. There's MasterCard and there's also ACH, or an automatic clearinghouse transaction, where you could take checks, essentially, on-line checks. Those things do exist; they work. Finally, I think we've worked out the wrinkles in the contract and so our last little hurdle to get over to provide on-line service is really gone, except for building the on-line system is still there. You may find within the next

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couple of months that you will see the DMV is rolling out some on-line services using credit cards. We intend to roll out an on-line driver license reinstatement process, so if your license is suspended or revoked we're going to have an on-line system that you're going to go in and you're going to be able to figure out what you need to do to get reinstated, and we're going to collect your fee from you via credit card. We're also going to allow people to begin ordering specialty plates on-line. So we're sticking our toe in the water, essentially, to see how well credit cards work in our environment because we are, quite frankly, years behind other states. But this is our first foray into credit card acceptance and I would not want to begin with something as big as on-line motor vehicle renewals. That would be pretty risky. Nonetheless, how you build it, it's pretty simple. You build an on-line system that essentially would allow you to transact business. Now this would be for renewals only. You cannot title a vehicle on-line because you need to present the paperwork; otherwise, your fraud is wide open. You have to still see the certificate of title for the transfer of the ownership, so that environment, I don't believe there's any state titling...where the state is engaged in titling on-line. (Inaudible) going to talk about a service that is available in some states at the dealer, but even when the dealer is doing that, the dealer is still seeing and retaining the paperwork associated with the title transaction. So getting past paperwork is still something we can't do. However, as we talk about it on a national level, we talk about a pure electronic titling. In this day and age, where you can buy stocks and never see a piece of paper, why can't you transfer a motor vehicle without ever seeing a piece of paper? I mean, there are real questions being asked and, quite frankly, I think we'll see it in all of our lifetimes that we won't be transferring vehicles by paper anymore. It will be done electronically, much as we do everything else in our lives these days. So the fraud issue, really you do issue a PIN number, unfortunately. Those would come to the person on their annual...not a postcard anymore, obviously. You're going to have to put it on the mail (inaudible) envelope. But you give them that information: your vehicle is up for renewal; here's your PIN number if you care to go on-line. The web site would look something like, enter your PIN, enter your name, enter your address. It wouldn't just be your PIN; you'd have to have other information as well, a number of edits to get you to

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the next page which would essentially be what vehicle are you trying to register, or maybe you asked for that vehicle-specific information on the first page as well. So you want to ask enough information on the first page of contact with the customer so that you have a high degree of confidence that that's the vehicle's owner; that somebody else isn't...quite frankly, if someone was to go on-line and pay my motor vehicle fees and taxes, I'm all for it. But I think that probably what they'd be doing there would be for nefarious purposes, not to pay my fees and taxes. So there are ways to do it and, as Senator Pahls said, we certainly wouldn't be reinventing wheel here in Nebraska. It's been done and it's been utilized for a long time in other states and we would, as we do with many things, just look at best practices, how other states built their systems and how we could accomplish that. There was some discussion, I think, Senator Schimek, you asked about the Social Security number. The problem with that in our vehicle registration system is we do not collect Social Security numbers in that program. Some states do. South Dakota, Iowa, they ask. You give the Social Security number at the time you're registering the vehicle. We have never done that. We don't have those numbers in that system and so that would not be an option for us unless at some point we started collecting those numbers. And so those are kind of some of the things that we've been looking at. As I said, an on-line system has been a priority of the agency for a number of years. It remains a priority and we intend to move that direction, and I'm glad to hear that there is interest from the Legislature in again moving that way. I definitely think that's the way to provide services in this day and age. Other things that we've looked at inside VTR for enhancements short of on-line services are things like electronic lien and titling. Senator Fischer that is on Select File, I believe, that speaks to that issue. Some of the things we've done is to implement on-stop processing at the county level and that would be a benefit for customers in that you're only going to one county office instead of multiple county offices. Currently, that's a voluntary process. As I said, we have about 32 counties that are doing that. Within those 32 counties, though, we have about 60 percent of the registered motor vehicles in Nebraska, so they make up the lion's share of the vehicles. And then there is no stop processing, and that would be dealer-initiated transactions. There are currently 21 states that allow motor vehicle

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dealers to conduct some part of the titling and registration process. Three other states are scheduled to begin the process this year. This practice is commonly referred to as automated registration, titling and/or inquiry services. It's not...the process is not a state-developed system. It does not replace VTR, nor does it remove the process from the counties. It is not mandatory for the customer or for the dealers in those states that have implemented it. There are two companies, that I know of, anyway, that provide this service to dealers across the country. One is VINTEK. The other is Computerized Vehicle Registration, or CVR, and CVR has about 95 percent of the business nationwide, so they're the big player. VINTEK is really getting into the business. VINTEK has been more in the area of electronic liens and titling, but they're certainly moving into this arena as well. I've attached Attachment C that includes information on how these states are using their new automated transaction process, and it's really...you'll see there seems to be a high level of adoption in the states where they're using it. I did have an opportunity to speak to the administrator in Massachusetts who was the IT administrator, as well as the deputy director in Massachusetts, at the time the automated dealer transaction was implemented there and he said to me that he thought it was probably, when it began, the most frightening thing that Massachusetts would ever do, and he was extremely worried about it. And he said, honestly, it turned out to be our crown jewel. It is a fantastic program that customers like, the dealers like, and that other entities like as well. So it spoke highly of...he spoke highly of the system. On a high level, this is how it works. The dealer can offer the automated titling and registration process to the customer as an additional service. Using the automated system, the dealer can directly input owner and vehicle information into the DMV system, or it integrates to VTR. Ultimately, a title, a set of license plates, a temporary registration document is issued at the dealership. The customer pays a fee for this service and, as many of you know, if you've purchased a new vehicle recently, dealers already charge...many dealers charge a documentation fee to customers so, in some sense, you pay some service for the handling of your paperwork. This would be an additional fee on top of that. The system vendor is responsible for the electronic transfer of funds from the dealer to the state accounts for final distribution to state and local

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accounts. In this model, and as I understood it in all of the states, the dealers are collecting the motor vehicle tax, the motor vehicle fees, and the sales tax associated with the transaction, and if you're going to allow them to issue a title and issue a registration and issue a license plate I suspect you're going to want them to collect the fees, to have it paid for. I don't think you want someone driving out of a dealership with valid documents without having paid the bill. So that would be something certainly you'd want to integrate into the system. There are a number of potential benefits for really kind of everyone. Electronic funds transfer, as I understood in talking with an individual, it's really a nightly transfer of funds. You reduce the dealer traffic in county offices. Senator Pahls spoke about the Douglas County Treasurer, we had an opportunity meet recently, and he's thinking of a couple of his branches, or at least one, being a dedicated dealer branch where that's where the dealers go to do their transactions because their volume is high, and...or maybe dedicated dealer windows. However, he certainly recognized it pretty early on. One benefit of this type of system is you would have immediate inclusion of the vehicle information in the VTR database. Essentially, the dealer would eliminate the in-transit period so you don't have all these vehicles running around there with in-transits or whatever the thing is on them, a homemade sticker or whatever the case would be. They're there for law enforcement. They're there for purposes of...well, they've already collected the fees and taxes on them, so that's certainly a benefit. You've got a customer service to citizens and the fact that it's optional is probably a benefit. You've also got training for the dealer titling clerks because, quite frankly, some of them could use it. They've been around for years, many of them, and they have turnover in their offices as well and the titling transactions are not easy and we change the laws quite often on these people. And so training helps all of us, I think, in the long run. You can tailor the implementation of dealer-automated transactions in nearly any fashion you want. I mean, you can have them do a piece of it or all of it. Because there are so many states that have already implemented the process, there's a ready source for best practices and pitfalls. I've had a couple of discussions, as I said, and each of them provided me the "things I wish I had known" list, and they include: developing strict user participation criteria; an proactive deterrence approach to the inevitable predatory

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fee practices that you might see, the dealers charging an exorbitant fee for the service they're providing; making the vendors strictly accountable for the dealer training; developing clear and concise enforcement policies that would include internal and external controls, auditing of dealers, and punitive enforcement standards for violators; and adequate staffing in the DMV for new oversight and audit responsibilities. Key stakeholders, readily apparent ones, would be: DMV; NACO representatives, county officials; the dealer associations, new and independent; insurance industry representatives; the Motor Vehicle Industry Licensing Board; State Treasurer; law enforcement; and I'm sure there are others who would be interested in participating in this type of a discussion. There are some challenges to the implementation of this type of a system in Nebraska; certainly would be something you'd want to talk about at great length. One that comes immediately to my mind has to do with our county-specific license plate numbering. If you're talking about having an inventory of plates at the dealership, because we are very mobile, we don't purchase our vehicles just in Holt County. We may purchase our vehicle in Sarpy County or Lancaster County or Hall County. It would be...I'm sure the dealers would not be thrilled about having an inventory of 90-some different county plates. That takes up a lot of space and the plate costs...the inventory costs to the state would be astronomical. So that is just one of the things we need to think about as you're talking about plating at the dealership. There are lots of complexities behind it and...as I'm sure there were in other states. It's just not a Nebraska-specific issue. Earlier I did comment that our existing VTR system is 14 years old and nearing the end of its useful life cycle. The department has begun a very preliminary, internal review of the VTR application and options for meeting the current and future needs of the state, its users and customers. The reality is that the state is faced with two choices, either a DMV led rewrite/redesign project utilizing internal business processes and technical resources, or we would create and issue an RFP to find a vendor-provided VTR application. The first approach would extend the life of the VTR application, but would not be much of a step into the future. The very real challenges of this option would include technical resources that are neither currently available inside the agency nor readily available to the market, and the financial

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resources to hire and retrain technical resources are restricted by both rule and appropriation. The second approach, the integration of a vendor solution, could provide an opportunity to move to cutting-edge technology with a new system platform, PC technologies, and easy adoption of barcode and encryption technologies. It would improve usability and flexibility of the application, improve customer service, and provide an Internet-friendly environment for direct customer access via the web. The drawback to this option is, it is expensive. Included in your packet is a survey that we conducted earlier this year. It is Attachment D. Of the 51 jurisdictions--states, including District of Columbia--we polled, 23 responded to us. As you'll see from the survey results, quite a few states have either recently replaced or are in the process of replacing their current motor vehicle registration system. You will also see that there is no standard solution. States are doing it all kinds of different ways, from doing it in-house to working with a vendor. I have contacted my counterparts in Iowa, South Dakota, and Kansas, and each one of them are in some state of implementation of a new system. Iowa has just implemented really a state-of-the-art system. South Dakota has a system that they're finishing up on, and I think Kansas is just getting a pretty good start. But I hope to visit these states and take a look firsthand at their systems with some of my staff. I think that's always helpful for us to see how it really works. I appreciate your attention today. I know I've inundated you with information, I guess as I normally do, but I hope it's been helpful. And I'd be happy to answer any questions.
[LR90]

SENATOR FISCHER: Thank you, Director Neth. As always, you were very thorough in providing us with information. Are there questions for the director? Senator Stuthman.
[LR90]

SENATOR STUTHMAN: Thank you, Senator Fischer. Director Neth, as you know, dealers, when vehicles get traded in or they sell used vehicles and there's liens against these vehicles, how will that be handled if it's the one-stop or the dealer issues the plate? Because the lienholder, you know, has to have ten working days before they'll

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release things like that. Has anything been...any research been done on that part of it?
[LR90]

BEVERLY NETH: Well, there are really a couple things that play into that. Just to speak to the process side of it, I think now when dealers conduct a sales transaction, they do that...I hope they're doing it, and I think they hope, as well, that they're doing it with full knowledge that a lien might exist on the vehicle that's being traded in. As long as the customer is being truthful with them, they would know that. There are some tools available to them to check that. We have web access to motor vehicle information. It's kind of cumbersome and it's pretty expensive for the dealers to really access it on a per transaction basis, but I suspect if they think there might be something suspicious with the transaction they might check that record. But as a general rule, I think they...unless the person has the title there, ready to sign it over, I think the understanding is there's a lien and the dealer takes that vehicle, subject to that lien. I can't really tell you exactly how that...because I always get lost in that transaction (inaudible). But they do it knowing that they're going to have to work with the financial institution to release that lien so that they can obtain title to it. And many times that's where the dealership gets caught and sometimes the consumer gets caught waiting for a title to come from a financial institution, especially as larger banks continue to consolidate and as you see larger and larger...the GMACs, the Ford Motor Credit Companies of this world, sometimes they're not as responsive getting those titles back. So one way to take a look at that to try to make that process a little better really is the electronic lien system that Senator Fischer has proposed where you allow the financial institutions to just on-line, both, note liens that could be put to a title, and release liens. It allows for a much quicker process as long as the financial institutions are responsive to that, I believe it would work very well. One of the things that happens with a dealer transaction is it changes the dealer environment some, and specifically I'm talking about the CVR solution, because that's who I talked with, where the dealer really has access to much...much broader access to information. It's not that they can change records or do anything inside VTR, but they could query VTR and find does Deb Fischer own this

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vehicle and, if so, is there a lien or what is it. And I believe also this system would incorporate an electronic lien process into it as well. So it has some very good functionality that could be...that could be used to help the dealers through those kinds of things that are problematic now and probably would continue to be into the future as long as, you know, a paper title is what we're relying on. [LR90]

SENATOR STUTHMAN: Thank you, Senator Fischer. I mean, Senator... [LR90]

SENATOR FISCHER: You're demoting her. (Laugh) [LR90]

SENATOR STUTHMAN: ...Director Neth. (Laugh) Another question I have is, you know, if a dealer has to have all these license plates, like you say, from 93 counties, I see that to be a major problem. The other question that I have is that I know of individuals that have a residence in one county; have three vehicles and licensed in three different counties. [LR90]

BEVERLY NETH: Uh-huh. Uh-huh. [LR90]

SENATOR STUTHMAN: How...how...is that legal? [LR90]

BEVERLY NETH: Well, it is because the registration of a motor vehicle really is the situs of the vehicle--where the vehicle, as I like to call it, sleeps overnight. That's my easy definition of what "situs" is. But...so if their vehicles really are in Holt County but they live in Cherry County, it's not unreasonable for them to register them here in Holt County. As a matter of fact, I'm sure Holt County would probably like them to be registered here because the taxes would stay where the vehicles are located, so...the problem is when they register those vehicles in South Dakota instead of Nebraska, which is a problem, but is happening. And I have some additional information I can give you about that. [LR90]

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SENATOR FISCHER: Thank you. [LR90]

BEVERLY NETH: But your first point about the license plates, you know, it could...there are a number of ways to handle that. One could be that the dealer just doesn't plate the vehicle. They could do just the titling piece of it and then the rest of that could be done still at the county. You're not really streamlining the process much for the customer because they're still going to the county to get it. The ultimate streamline is really to let that entire transaction happen at the dealership and let the people drive out. If that is the goal, then really the only way that I can see it now, except for I'm sure other people might have other ways, would be an alphanumeric system across the state, instead of county-specific. We could try the stickers again that would be county-specific. I think those would work if they actually used the right outdoor material for outdoor stickers. I think we would have been a lot better off. But there are ways we could overcome that county-specific information on a plate. [LR90]

SENATOR STUTHMAN: Okay. Thank you. [LR90]

SENATOR FISCHER: Other questions? [LR90]

SENATOR PAHLS: Yes. [LR90]

SENATOR FISCHER: Senator Pahls. [LR90]

SENATOR PAHLS: Thank you, Senator Fischer. I did like...because I think...I don't think we're as far apart that some people may think we are. The private CVR, you seem to be, if we can work out the kinks, that doesn't...that has some potential. [LR90]

BEVERLY NETH: CVR I think has potential. There are, I would say, on the record, I think the dealer...you would really want that to be very well controlled. The dealer regulatory environment would probably have to change some, and that onus, I suspect,

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would fall...either it would fall on the Department of Motor Vehicles or on the Dealer Licensing Board. We have to have an audit process... [LR90]

SENATOR PAHLS: Right. [LR90]

BEVERLY NETH: ...and you have to make sure (inaudible) internal and external controls, that people are controlling your title inventory, your plate inventory. I mean, if you're not doing that with the dealership then the whole thing is just ripe for fraud... [LR90]

SENATOR PAHLS: Okay. Yeah. [LR90]

BEVERLY NETH: ...and opportunities to steal plates and all kinds of things. [LR90]

SENATOR PAHLS: You know, and I understand having a stockpile in 93 counties, that probably wouldn't work, but I also...and I know most people do not want to lose their county number because they weren't very happy when Douglas County lost number one, so when I go further west they see...they want to see where I'm from. I mean, I've heard that from some of my fellow senators. They don't trust me past the Douglas County line. [LR90]

SENATOR FISCHER: That doesn't have to do with your license plate, though.
(Laughter) [LR90]

BEVERLY NETH: You have to learn the wave. Then (inaudible). [LR90]

SENATOR PAHLS: I know that, because my...from a small town myself. Where I've read on some of this, because you talked about the cost of using credit cards,... [LR90]

BEVERLY NETH: Uh-huh. [LR90]

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SENATOR PAHLS: ...some states have used, what they said, if you want to use this, you pay a convenience fee, you know what I mean, up front. [LR90]

BEVERLY NETH: Absolutely. [LR90]

SENATOR PAHLS: For you to want this extra gift of time, you'll have to pay for it. [LR90]

BEVERLY NETH: And that is...the bugaboo with Visa (inaudible) words or semantics, however you want to put it, Visa won't let you use the words, or you're not supposed to use the word, "convenience fee." So portal fee sounds like a good thing to charge. And so we have kind of worked out with the Records Board because we would be looking to Nebraska.gov, who is the portal for on-line transactions and for web for the state. "Answers To" (phonetic) has a master contract with Nebraska.gov, and so any time a state agency wants to access a service from them, you go to the State Records Board and you get a blessing. We've had some tie-up in that process. We've been working with the State Records Board and with Nebraska.gov for about 18 months trying to get this thing resolved, and we've finally, I think, come to a resolution that we will charge a portal fee on these smaller transactions where the fee is very close together, it's not that difficult. For instance, in driver license reinstatement--and this isn't even really that close together--you either pay, as a general rule, you pay a \$50 fee if you're suspended, and you pay \$125 fee if you're revoked. So what we did was find a cost average and say, for on-line transactions, it's a \$3 across-the-board fee and that covers the 2.5 percent we expect to generate, the revenues we expect to generate in that program. The challenge comes in areas like on-line motor vehicle registration where you could have a fee anywhere from \$100 to \$1,000. Finding your cost average in that scenario is a little bit more difficult, and so states I think go to a tiered approach where, if your registration fee falls within \$100 to \$399, you pay X amount, and it goes on up. Apparently Visa really doesn't like that either, so I don't know how states are doing this. I suspect what's

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happening is that Visa is just not doing anything about it. They know there are guidelines being violated all of the time, but I don't know why they would care because is generating revenue for them. So I don't think that they're big on enforcing the guideline. But the state of Nebraska is attempting to do it correctly under the guidelines promulgated by Visa. There is some discussion that Visa is going to suspend its rule at some point, but we'll see. MasterCard doesn't have the same issue. MasterCard allows for state government or local government entities, they waive their...the merchant fee (inaudible) not maybe waive their merchant fee but they don't care if you have charge a convenience fee or a portal fee, something along those lines. So they gave that up a long time ago. Visa just doesn't want to do that. [LR90]

SENATOR PAHLS: And another thing that caught my attention, because I can remember when I was a young kid, when I bought stock I wanted to see that certificate. Now when I buy it I don't want to have that paper hanging around because now I have to put it in a safety deposit. That's where we have to do on some of these things; we have to get away from the idea of...that you actually have to see it, I mean, if you don't...you know. [LR90]

BEVERLY NETH: Yeah. I mean right now, I mean, our law really is you're transferring that ownership fee and that certificate of title. That's how we do it. (Inaudible) title (inaudible) state. You've got to have the title to transfer the ownership, so that we're tied pretty strongly to that piece of paper. But it doesn't mean...I mean there are some...and I don't even think it's, you know, it's not even (inaudible) technology. If you just talk about a new...the birth of a new car and a manufacturer, instead of issuing a paper manufacturer's certificate or origin, they issue an electronic ownership document to the dealership where the vehicle is going. I mean you just start the electronic change at the very beginning--the manufacturing of the vehicle; then you run it down the chain the entire way, (inaudible) electronically. So it's certainly been conceptualized. We're a few years away from that. Canada has not used paper titles to...for vehicles for years. They have a pure electronic system. They have no transfer of ownership via paper in

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Canada. [LR90]

SENATOR PAHLS: So I hear you're willing to follow Canada. [LR90]

BEVERLY NETH: I am probably one of the people on a national level who say, why don't we do this? Why don't we move away from paper into...I mean, there are other states that you just can't...you know, there are lots of pitfalls, so don't get me wrong. It is not easy. It would be a...and it would really take a national effort to move that way. (Inaudible) only state unless every (inaudible) hold documents electronically, and that's kind of what we're discussing in the electronic lien and titling program, to hold an electronic record of ownership of the title in Nebraska until such time as you want to transfer the ownership, or the lien has been released and now you want your piece of paper. You know, there are steps you can take to get to that (inaudible) system but it's certainly change. [LR90]

SENATOR PAHLS: Okay, one final...I hear a lot, in your discussion you brought up the word "cost," so you see most of our changes, they're going to be pretty costly? [LR90]

BEVERLY NETH: Well, a new titling and registration system can be costly. CVR, the CVR process, the dealer...and I'm sure the VINTek process is the same way, doesn't cost the state anything. [LR90]

SENATOR PAHLS: Okay. [LR90]

BEVERLY NETH: They do their integration based upon...I'm not sure if they charge dealers to enroll in the program or how they do it, but they do it on a per transaction. They're recouping their money per transaction, but it would be the customers paying. If I understand correctly, \$24 seems to be kind of the average fee that would be charged, your service fee for doing this entire service for you--titling, registration, putting your plate on the vehicle--which sounds pretty reasonable overall. [LR90]

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SENATOR PAHLS: Well, right now there's a processing fee of, what, \$170-some?
[LR90]

BEVERLY NETH: Yeah, it's getting pretty high. [LR90]

SENATOR PAHLS: That's why I've noticed it. Since I've been looking at those figures so often, it seems like a pretty standard number. [LR90]

BEVERLY NETH: I think, yes, \$180, somewhere in that range, yeah, uh-huh. [LR90]

SENATOR PAHLS: Okay. I thank you. I appreciate it. [LR90]

BEVERLY NETH: Thank you. [LR90]

SENATOR FISCHER: Senator Schimek. [LR90]

SENATOR SCHIMEK: Thank you, Madam Chair. Director Neth, does this have any kind of implication--I don't think it does--but any kind of implication for Real ID? No tie-in at all, is there? [LR90]

BEVERLY NETH: No. No, we don't...we don't...in Nebraska, our motor vehicle database is not tied to our driving license database. We have no common identifier between the two because we don't...the common identifier between the two, most logically, would be your Social Security number, but we don't collect your Social Security number in the motor vehicle program. So we have your, you know, very personal, specific information in our driver database, driver licensing database, but it doesn't tie to the motor vehicle database. Some states there is that cross over. Some states have really integrated a customer-specific approach to DMV services, which is I don't care what you're doing, I want your number and then I'll bring up all of your records here; I have it all tied together

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so I can do whatever you want to do with the state of Nebraska, whether you want to register a vehicle or license your motor carrier in IFTA or IRP or whatever service the DMV might offer; give them one number, which might be good, but all your data would be there. [LR90]

SENATOR SCHIMEK: Okay. Thank you. [LR90]

SENATOR FISCHER: I just have a few short questions, Director Neth. [LR90]

BEVERLY NETH: I'll try to give you short answers. [LR90]

SENATOR FISCHER: That was going to be my next comment. (Laughter) You've been at my hearings, haven't you, where I said, and I would like a short response. Do other states title on-line, or do they just do renewals? [LR90]

BEVERLY NETH: I don't know of any state that titles on-line. [LR90]

SENATOR FISCHER: Okay. In Attachment C that you handed out to us, I notice that, to me, it looks like dealers really aren't jumping on board on a lot of...in a lot of other states on this licensing. You know, Maryland, 115 dealers; Massachusetts, I assume that's 700 dealers where it says 700 clients; Wisconsin, 742, and I think in each of these states that's a very small number of transactions that have taken place on-line. Is it worth the money to implement this system and have limited participation? [LR90]

BEVERLY NETH: Well, not being able to speak to how many dealers reside in these states, I mean, it could be that the numbers are a bigger percentage of the dealers, but I would agree with you that in Maryland, where 460,000 electronic transactions are taking place, I think there are a few more vehicles there than that; several million probably in the Maryland/D.C. area. So how broad adoption there is in states could depend on a couple of things. One, it could depend upon the--and I'll just continue to use CVR

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because these are CVR states--it could depend upon CVR's certification program. Because I believe...although that was the word I used and the vice president of sales said, we don't call it a certification program; we call it something else. They enroll dealers into the program, so the dealer has to have a minimum level of...you know, you have to have a pretty high degree of confidence that they're going to follow the rules; that they're going to do everything. Because they are...although they're not...the funds are really being transferred electronically, so I don't think those funds are really accessible to dealers, but you still have a lot of...there's really no oversight over the paperwork because the paperwork is being done by the dealer. So it could be that their certification program is fairly onerous so that some dealers aren't interested in it, or maybe they don't do enough motor vehicle transactions, new car transactions. It seems to me that this would be...this would be more of a market where you'd probably be speaking to the new car dealers, or larger used car or independent dealers, most logically. So I (inaudible) and I don't know how many new car dealers there are. I think...I don't know. I know Loy is here. He probably can give you that (inaudible). I'm sure he can. [LR90]

SENATOR FISCHER: Okay. If somebody...if this dealer thing would take place, and if someone purchases a car in Sarpy County, from Holt County they're going to Sarpy County, they buy their car, the dealer can take care of the transaction, we'll work out the plate deal, does Holt County receive the revenue, or does the revenue go to Sarpy County? [LR90]

BEVERLY NETH: Holt County gets the revenue because that's the county of residence for the person, that's where the vehicle situs would rest. So definitely the revenue comes back to Holt County. [LR90]

SENATOR FISCHER: We don't want to lose any more revenue out here. [LR90]

BEVERLY NETH: No, (inaudible) revenues. [LR90]

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SENATOR FISCHER: We don't want to sent it down to Senator Pahls. I thought maybe he had an ulterior motive here. (Laugh) I just wanted to clarify that. [LR90]

BEVERLY NETH: Can I just say one thing about the alphanumeric thing? I don't want anyone in the audience to think that I'm advocating for doing away with county-specific plates. That is not what I was saying. I merely was raising it as an issue because I've from Webster County, county 45, so I know exactly what number-specific plates mean. So I'm not saying that. Sometimes I say things and then somebody calls the Governor's Office and says your Department of Motor Vehicles is advocating for something, and I'm not. So I just want to be clear about that. [LR90]

SENATOR FISCHER: We have our local newspaper man here so I'm having... [LR90]

BEVERLY NETH: (Inaudible). [LR90]

SENATOR FISCHER: Don't put that in the paper. We don't want to lose 36 here for Holt County. Speaking of counties, Attachment A,... [LR90]

BEVERLY NETH: Yes. [LR90]

SENATOR FISCHER: ...I did a quick glance through on where the 13 counties in the 43rd District are on this. Pretty evenly split, but I don't see Blaine County on here at all. [LR90]

BEVERLY NETH: Oh, is it missing? (Inaudible) [LR90]

SENATOR FISCHER: Oh, yeah, I think it is. [LR90]

BEVERLY NETH: Well, then I'll have to fire whoever put this attachment together

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(inaudible). I does (inaudible). [LR90]

SENATOR FISCHER: I would assume it would be a non-one-stop because... [LR90]

BEVERLY NETH: You know... [LR90]

SENATOR FISCHER: ...we have...it's a very small courthouse with two full-time employees, so... [LR90]

SENATOR SCHIMEK: Banner County is one-stop. [LR90]

BEVERLY NETH: It could be. It could be a one-stop, or it could be that Blaine (inaudible). [LR90]

SENATOR FISCHER: I guess Hooker is a one-stop, but I... [LR90]

BEVERLY NETH: Some of the small counties actually are, some of the smallest counties are, because of (inaudible). It could be. [LR90]

SENATOR FISCHER: I see Hooker and Keya Paha and McPherson. [LR90]

BEVERLY NETH: We have a couple that are just now going to one-stop and it could be that they're in that... [LR90]

SENATOR FISCHER: Transition. [LR90]

BEVERLY NETH: I hope that's where they are. [LR90]

SENATOR FISCHER: They're in the middle. Okay. [LR90]

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BEVERLY NETH: But I'll make sure I get them included and update this list to you.
[LR90]

SENATOR FISCHER: Thank you. Don't worry about it. Any other questions? I see none. Thank you, Director Neth. [LR90]

BEVERLY NETH: Thank you. [LR90]

SENATOR FISCHER: Next person who would like to address this resolution. Oh, you need to bring that up, please. [LR90]

LOY TODD: Just like in the big city. [LR90]

SENATOR FISCHER: That's right. Good afternoon. [LR90]

LOY TODD: Good afternoon, Senator Fischer, members of the committee...of the hearing, I guess. My name is Loy Todd, it's L-o-y T-o-d-d. I'm the president of the Nebraska New Car and Truck Dealers Association. I appreciate this opportunity to come and testify regarding this legislative resolution. First of all, just let me say that we are certainly supportive of the concept of a voluntary system that allows consumers to utilize a service offered by our dealers to save them the trip to the courthouse and maybe some of the nuisance portions of titling and registration. That being said, I have to join in with many of the other comments that were made regarding some of the complications that will exist in such a system. One that comes to mind maybe that hasn't been mentioned, when you talk about a state system that calls for verifying insurance and looking for a certificate of insurance, we have some real concerns about any liability my dealers might have in that regard. Because while we are certainly willing to look at some piece of paper that someone hands us and crosscheck numbers, the responsibility for that being legitimate document, you know, with computers being what they are these days, I can assure you that every 15-year-old in Nebraska could create a

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certificate of insurance that could fool me, given it's the right computer (inaudible). So we would want to take into account some of those kinds of things. When the word "Draconian" was used earlier, I thought maybe you were talking about the taxes, because if you look at some of the "complicators" about our system and about doing this, a huge part of it is our enormous taxes in the state of Nebraska versus the rest of the country, and certainly the surrounding states. And I know this is no surprise to you, Senator Fischer. Any time you get next to the South Dakota border, you'll be amazed at how many people you know have South Dakota plates on their cars or...because it's a real simple process. In fact, as an experiment, one of my dealers called up South Dakota. A Valentine dealer called South Dakota; said, you know, I live in Nebraska, but our taxes are just too darn high; I'd rather register my car in South Dakota; what do I have to do? And they said, show up, bring us...bring the money. That's pretty much it. They didn't care. And they certainly didn't care who (inaudible) Nebraska law driving their car around in Nebraska because they (inaudible) money (inaudible) South Dakota is a fraction of what it costs in Nebraska. Iowa is about half. Kansas is certainly a lot cheaper, Colorado is, Wyoming is much cheaper. (Inaudible) South Dakota and we're talking about thousands of dollars (inaudible). Any time you're talking about when our combination of taxes, both the motor vehicle fee and the sales tax on a new car, you're talking about anywhere from 11 to 13-14 percent of the purchase price of a new vehicle and having to come up with that up front, which is why we have the 30-day delay that we have (inaudible) just to give people a chance to get the money together to finish the rest of the purchase, and it does have a chilling effect on a lot of things, including paying taxes. Any system that you build would certainly have to have access. The dealer is going to have to see that, be able to get the information, especially of a lien and title information, to make sure the people they're dealing with are (inaudible). Right now, it's a very expensive access. We can get it (inaudible) circumstances, but it's very expensive. So there are some...there's some great opportunities. And I have also been in contact with some of the private vendors and this, it looks like a terrific program. I did a national survey of my counterparts and I got a lot of very encouraging responses, very positive. I agree that the fees will have to be controlled. Twenty-four, twenty-five dollars

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is pretty typical of what they charge for this service and there will have to be some controls on that. It appears that it costs the dealer about--this is just from a very general survey--about \$3,000 up-front costs to get involved in the program, and so when you've heard there's some 1,600 dealers in the state, licensed dealers, that's all dealers, new and used. My membership, which we have virtually 100 percent membership penetration in the state, I have about 218 members who are franchised new car and truck dealers. We sell, my association's membership, sells about half the cars, just short of half the cars, so there's opportunity there for my people. From estimates I've gotten from other places, it looks (inaudible) as long as it's a voluntary system. And I think Wisconsin is just going to mandatory; I think everybody else, it's voluntary. I think you can expect that most dealers, there will be about 60 to 70 percent of my dealers that would be likely to be involved in this program on a voluntary basis. Because, quite frankly, it's like everything else we do that's customer service; we're going to try to turn it into some money. We'll probably make...be able to make money off of the whole structure, even at those figures, because obviously nobody is giving anything away and we're not going to either. But we think it's a great service at that kind of price. It's a real convenience for those who want it. For a person who can walk into a dealership, write the checks, it's very good. And it's very (inaudible), even if my dealers offer that service as a convenience right now, sometimes it's very awkward to do. Let's say I were the dealer and one of you came in, purchased a new car, had already either took the money out of your sock drawer or you got it already from the bank or whatever, no liens involved, nothing like that, but you just didn't want the hassle and you wanted my dealer to make the trip to the courthouse and do those kinds of things. Some of the courthouses won't take a check from you for the taxes if we deliver it. So (inaudible) we don't have 93 counties; we have 93 (inaudible). So everybody does it a little bit different and it's just the way it is. And when Senator Fischer introduced her electronic lien release (inaudible), it was kind of amusing because some of the counties contacted us and said, you know, we already do that. Well, there's no statutory scheme for doing it. It's just they're doing it because they know the people, they trust the people, they trust the documents. There's nothing wrong with it being done that way. It's just they're doing

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it and so...because we have different counties doing things different ways. There's also a theory out there that my dealer can't even collect that sales tax, can't even take that check. There's certainly a legal theory that we can't finance that sales tax (inaudible). I'm confident that theory is wrong, but I can, as an attorney, I can sit there and walk you through the statutes and tell you why that theory exists. And for many years I had to fight that presumption that we couldn't even finance it, because if you look at the installment sales law, it doesn't laundry list taxes as one of those things that can be financed. We certainly finance taxes, but (inaudible) laundry list (inaudible) somebody was nervous about that. So it's not easy. Every time I've tried to change any of these laws to make it, quote, easier, I've run into the same kind of hurdles we've run into with the electronic release and filing liens. It's not ever enough. In my simple mind, I'm thinking, okay, we just set up a (inaudible), people get registered, it's just electronic signature, it's no big deal, you just set up a system. They're doing it on everything. They're doing it on stock purchases. They're doing it on everything you can think of. Why can't we do it on something as basic as a lien? Well, all of a sudden now we're having meetings about paperless titles, (inaudible) critical of that. I'm just saying it's not easy. And I will tell you one other thing. The term "paperless title" is just a wonderful term. [LR90]

SENATOR PAHLS: Yeah, right. [LR90]

LOY TODD: Don't believe it. There's no such thing, okay? There are systems that don't utilize a (inaudible) holds on to a title. They aren't held in a drawer somewhere. They aren't given to everybody that wants one and those kinds of things. But if you're going to have a system of transferring ownership of personal property, there are going to be documents involved. (Inaudible) change the name from title to bill of sale, we haven't done anything except fool ourselves, and it's still going to have to be a secure document. It's still going to (inaudible), so we're never going to get away from paper when we're talking about motor vehicles. And so, you know, it's great and I'm all for it. I'm with the director that the more we can get this thing electronic the more we can

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make it simple, quick, because it's a nightmare for my dealers who are sitting there, waiting for these lien releases. (Inaudible) statute (inaudible). It's a criminal penalty against the lender if they don't release the lien in a timely fashion. Well, go to a county attorney and say, I'd like you to charge the banker for not releasing the lien within ten days. It's not going to happen, and we don't want it to happen, they don't want it to happen. And so it's going to be interesting. I will say this. When I heard the director's numbers, and I'm hoping I can get a copy of the testimony because some of the numbers are really (inaudible) 213,000 liens, that's how many times...that's how much we can take advantage of an electronic lien release system. What a wonderful opportunity to save time and energy for my dealers. As far as the other kinds of opportunities that are there, once we start changing the system, one of the things we would like to see is...and I know the state computer system already has the capability and if they get a new one or do whatever, (inaudible) capability. If someone does go to the courthouse and gets a title, and then does not return within 30 days, that computer ought to kick that name out. It already knows if you came in because you've already gone through the titling process. We've already sent a Form 6 to the state of Nebraska. Everybody knows. And if somebody is worried about whether the person comes back or not, the computer will tell you; you just have to ask it. For years we've urged them to ask it, but nobody wants to because then there's a responsibility to go chase somebody, which nobody wants to do either. So, you know, there are a lot of things that we can improve without having to spend the millions do to a whole new system for all those different kind of things. And I would urge you, especially the committee, to consider whatever funding they need to (inaudible) if that means another \$1 on registrations or that means another \$5 on dealer licenses or sales persons' licenses to accomplish that, we'll be supportive. We don't expect the state to run with no money, or the system to work with no money. We just want it to work as efficiently and well as possible for the citizens of the state. And if that means we pay a little more, that's a cost of doing business (inaudible). So I thought she was going to tell you (inaudible) I was (inaudible) anxious to write that one down, too, about how much, and I don't want to hear the Real ID ever, but the rest (inaudible). Whatever they say is fine. We'll be supportive because

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it has to get done. We have to be moving toward a better system. And if you ever decide to lower the taxes and the fees, that will be even better because they're too high. That's reality and (inaudible). Don't think I wrote about anything else to whine about. [LR90]

SENATOR FISCHER: Well, you're on a roll, so... [LR90]

LOY TODD: I understand. (Inaudible) [LR90]

SENATOR FISCHER: Good. Thank you, Mr. Todd. Are there questions? Senator Stuthman. [LR90]

SENATOR STUTHMAN: Thank you, Senator Fischer. Mr. Todd, you talk about, you know, Nebraska is the high state of taxes and everything like that, and then you want to offer another service that's going to cost another \$25 or something like that, so that's going to make it higher yet. Is that going to be something that people are going to drive to the other state for sure to get them? [LR90]

LOY TODD: Sure. [LR90]

SENATOR STUTHMAN: But they don't have to, you know, utilize your technology. They can go right to the courthouse if they don't want to pay that fee. Or is this going to be kind of a mandatory thing that that's all just tacked into it already and they'll take care of the whole ball of wax for you? [LR90]

LOY TODD: Well, there's really two parts to your question. One is our taxes are high, okay, but, you know, our fees aren't disproportionate to any...to other states in the kinds of things that we charge for doing those kinds of things. It's just your basic tax, your sales tax rate and your motor vehicle tax rate, those are quite high. (Inaudible) a dollar isn't going to chase somebody across the border, or a \$5 charge in a salesman's

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license isn't going to do it. I would like to see some more safeguards built into the system so those leaks that may exist now...which I don't think there are a lot of. What you're getting is people simply not doing it and just simply...they're just not ever going to the courthouse or they're going to another state and (inaudible). And your likelihood of getting caught in some places is pretty small compared to other places. But as far as the dollar or two that we're talking about here, I don't see that changing much. But, you know, if we were...and you don't have to match California. What you have to do is try to be competitive with the border states at the point where you can save half by going and telling a lie, or you can (inaudible) pay \$70 to South Dakota versus \$2,000 in Nebraska, you've got some (inaudible). And so those kinds of (inaudible). But not the kinds of things we're talking about here. [LR90]

SENATOR STUTHMAN: Okay. One other question that I have is the fact of dealer license plates. Those vehicles that have the dealer plate on them, there's no taxes ever paid on those? Is that true? [LR90]

LOY TODD: No, that's not true at all. There's...what you have on a dealer plated vehicle, first of all, the dealer has to pay a license fee, bond, and those kinds of things (inaudible) work with the state to be in the process, all right? The second thing that has to happen, any time that dealer uses that vehicle within the dealership, they owe...there's two kinds of taxes generated depending on who is using that, but a use tax is always generated and that use tax is based upon the value of that usage. So that if a vehicle is put into service as a loaner vehicle or the salesperson driving it or the dealer driving it, whenever that vehicle is being used, the use tax is owed and paid to the state based upon the exact same tax rate as a sales tax rate. It's just...it isn't just as seen by the public. [LR90]

SENATOR STUTHMAN: How is that monitored? [LR90]

LOY TODD: Through, well, it's like all other taxes in the state, it's a voluntary system but

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audited all the time, and so my dealers get audited constantly by the Department of Revenue. And one of the very first things they target is to make sure that we're paying use taxes on the vehicles used within the dealership, for example, to shuttle people back and forth from places, service loaners that they might let you use while you're having your vehicle repaired, also if sales people are allowed to drive those vehicles or if the owners are driving those vehicles, you owe a use tax on those at the same tax rate as a sales tax rate. [LR90]

SENATOR STUTHMAN: So an individual that's driving a Lexus with a dealer's license plate on for a family vehicle for months, there is a use tax on that vehicle? [LR90]

LOY TODD: It's based upon the value of that...the value...usually it's like the lease value of that type of vehicle. So if you're driving an expensive vehicle, it's higher than if you're driving a cheap one, which is why some of my dealers have implemented a policy that sales people or (inaudible) or service loaners must be at least so old or they must be of a certain class or category in order to hold down those kinds of expenses, because it can be quite expensive. But, see, the problem is we don't go through a registration process and so it's not visible. Now there is one other kind of plate. There's a dealer personal use plate that was implemented by the Legislature several years ago so that if a dealer is using that for a legitimate purpose they can go and actually get a plate on that and pay an additional fee for that, so they don't have to transfer those plates and do all kinds of busy work (inaudible), and they still owe the other taxes in addition to that. [LR90]

SENATOR STUTHMAN: Is there a sales tax on it, or does that come in proportion with that use tax? [LR90]

LOY TODD: It's exactly...it's the use tax. And the use tax rate is exactly the same rate as the sales tax rate and it's generated in the same way. They could have called it a sales tax, but since there's not a sale it's not correct to call it a sales tax, because the

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sales tax (inaudible) a transaction, whereas the use tax taxes a use. But it's the same value, the same tax rate. [LR90]

SENATOR STUTHMAN: Okay. Thank you. [LR90]

SENATOR FISCHER: Other questions? I see none. Thank you, Mr. Todd. Anyone else wishing to speak to this? Good afternoon. [LR90]

BETH BAZYN FERRELL: For the record, my name is Beth Bazyn, B-a-z-y-n, Ferrell, F-e-r-r-e-l-l. I'm assistant legal counsel for the Nebraska Association of County Officials. [LR90]

SENATOR FISCHER: You might have to speak up a little, please. [LR90]

BETH BAZYN FERRELL: Okay. I don't really have a lot to add to the discussion today. I would just like to note that we do have a Motor Vehicle Committee that is part of our association. It's composed of county clerks, county treasurers, and they work with these issues specifically. They've met with the director and meet with the department on a fairly regular basis. They'll be meeting again in a couple of weeks and taking a look at different drafts and so on, different ideas, and we would offer the support and the cooperation of our committee to look at any of these issues that you talk about today. [LR90]

SENATOR FISCHER: Thank you, Beth. Are there questions? [LR90]

SENATOR PAHLS: I liked the testimony. (Inaudible) (Laugh) [LR90]

SENATOR FISCHER: Beth is a former resident of my hometown, Valentine, so you're back home for a couple days now. [LR90]

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BETH BAZYN FERRELL: I am. I'm enjoying it. [LR90]

SENATOR FISCHER: So thank you very much. Anyone else wishing to offer any information on this resolution? (See also Exhibit 2.) seeing none, I will close the hearing on our first resolution, LR90, and I will open the hearing on LR180. Mr. Vaughan, would you like to give an introduction for us, please. [LR90]

DUSTY VAUGHAN: Good afternoon, Senator Fischer, members of the committee, Senator Pahls. For the record, my name is Dusty Vaughan, spelled V-a-u-g-h-a-n, and I'm the counsel for the committee. (Inaudible) switch gears here, that's a bad pun, but we're talking about off-road vehicles now, and that's a general term, "off-road vehicles." We're talking about ATVs (inaudible), the most common (inaudible) off-road vehicles (inaudible), but also includes minibikes, mini trucks, side-by-sides, neighborhood electric vehicles, and motorized scooters. And I submitted a memo to each of your offices and hopefully you got a chance to take a look at that and read it. I'll try to give you a background on what we have in Nebraska statutes. Our statutes currently are pretty scant. There's a lot of vehicles that we don't have covered. Obviously, (inaudible) on LB307, Senator Stuthman's bill, and that pertained to (inaudible) ATVs, that basically we leave it up to the municipalities on how to control ATVs within their corporate limits. It did not change the agriculture exception outside of the municipal limits, so that's still in statute. LB307 really only covers the ATV, it doesn't cover any other off-road vehicle. Mopeds, we have a definition of "moped" in statute. Now mopeds re pretty much obsolete, it seems like. I went and visited, in Lincoln, Star City Motor Sports. It's the biggest dealer we have here in Nebraska for off-road vehicles and mopeds, but basically it's a scooter. Moped actually, in the definition, calls for a fully operated pedals, which you don't see very much anymore. Most of these vehicles that you would think (inaudible) a moped is more of a scooter, like a motorcycle (inaudible) control. Moped definition really doesn't cover anything that we see on the road today. Minibikes: I talked with Mr. Robert Kay, who was at our hearing dates back in January on the ATV bill, and he expressed concern about the limitations in our statutes and how they needed to be

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updated. After touring what he has, though, I kind of agree with him. The minibikes, we have a very (inaudible) specific definition of what a minibike is. It places a limitation on the size of the wheel, the horsepower (inaudible) engines. He had minibikes that were...I guess what the industry (inaudible) minibike is a mini motorcycle that you'd see a 10-year-old, a 12-year-old ride; about the size for a 10- or 12-year-old. But under our statutes, I assume minibike is meant to cover anything that we consider a dirt bike, an off-road motorcycle. Basically, that would (inaudible) any of the minibikes that he had. The minibikes under our Nebraska statutes don't fit that definition. These minibikes were bigger than motorcycles. I mean they were very large, very heavy, and their wheels were very big. So I believe that definition would need to be updated. We did have a definition in our large DMV bill, LB287, this year for most of these vehicles. That's the only place I found in our statutes that mentions off-road or the low-speed vehicles. That's a federal definition. We put it in there as part of the titling and registration statutes. It doesn't discern the use of these...those vehicles in the Rules of the Road. We're starting to see these low-speed vehicles a lot more. They're becoming quite prevalent in other areas. It seems that other states are starting to mention them in their statutes, as well. And this is where these new off-road vehicles come in (inaudible). From the basic research I did, there seems like three that are more prevalent for Nebraska. It's these Japanese mini trucks, it's these side-by-sides, and these neighborhood electric vehicles, or NEVs. The Japanese mini trucks, I tried to give each of you a specific example so you can see what it looks like, the basic dimensions of what it is. These Japanese mini trucks are new to the U.S., but obviously come from Japan. They're used for their basic traffic over there, but they are quite small. My wife and I took our kids to the Omaha Zoo last week and the zoo uses these mini trucks and they also use these side-by-sides. They're for private purposes like that, you'll see, but you will not see them on the road because obviously in Nebraska they're illegal. The side-by-sides are...they're kind of what we consider in-between a common ATV that you would think of and a small, small vehicle. They're unique because of their size. Their characteristics are a large ATV, though, with bucket seats such that two--that's where the name comes from--side-by-side--sitting one next to each other. They're controls are

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similar to a golf cart, though, with an on/off switch and a pedal, with (inaudible) steering wheel. These side-by-sides do not fit our ATV definition that we have in our statutes right now. That definition requires straddling the seat and handlebars with a weight (inaudible) 900 pounds, which these side-by-sides are approximately (inaudible) hundred pounds (inaudible) definition. The neighborhood electric vehicle is the last new off-road vehicle that we're talking about. These are these...they're similar to golf carts but a little bit more (inaudible). They have headlights, stoplights, turn signals, parking brakes, rear view mirrors, windshield, seat belts. They have all these things because they are considered low-speed vehicles under the federal statutes. We know approximately 35 states that have allowed these neighborhood electric vehicles on the streets, usually on the slower speed (inaudible) limit roads, no more than 35 miles per hour. I guess I could tell you that most states, besides the NEVs, do not allow these mini trucks or side-by-sides on the roads. Most of them have similar statutes with ATVs that allow (inaudible) exceptions, like our ag exception. I know Iowa has the ag exception that we do. South Dakota is a little bit more liberal in their approach. They allow any all-terrain vehicle with four or more wheels to be licensed as a motorcycle, registered and licensed, and used upon a public highway, not the Interstate, but any other state highway. South Dakota is the only state I found that allows this. I don't know whether that would include a side-by-side. It is considered an all-terrain vehicle, but I don't believe that (inaudible) their definition if an ATV (inaudible). So I didn't have a chance to call up to the DMV and see whether they allow those on the road. Whether Nebraska would like to see these on the roads is a policy question which should be left up to the Legislature. I talked to Mr. Robert Kay, the president of Star City Motor Sports. He felt that most of these vehicles do not belong on the road. They are obviously not as safe as a typical motor vehicle. Especially with our cars and trucks becoming so much bigger these days, it's just not safe. I would say that these side-by-sides are a little bit safer than are ATVs. They do have seat belts. They're a little bigger and they offer a little bit more protection, so that is a question for the Legislature, whether you would like to see these side-by-sides on the roads or treated as an ATV, which would take some altering of our statutes for the definitional purposes. As for the Japanese mini trucks and

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the NEVs, it would be another policy question whether the Legislature would like to see these on low-speed (inaudible) low-speed roads. I do know we have a dealer in the 45th District who contacted our office who sells these Japanese mini trucks (inaudible) being allowed, for limited purposes, on the roads. Whether or not that should be allowed is up to this committee. So (inaudible) study a little bit (inaudible) faster time than last one. But if you have any questions, I'll try to answer them. [LR180]

SENATOR FISCHER: Okay. Thank you, Mr. Vaughan. Are there questions? I have a question. I don't know if you can answer it. Maybe I should ask, is anybody else going to come forward on this? Okay. I will save my question then. Thank you, Dusty. Next person, please. [LR180]

BEVERLY NETH: (Exhibit 1) Chairwoman Fischer, members of the committee, I am Beverly Neth, director of the Department of Motor Vehicles. I'm here today to provide information relating to off-road vehicles, and I'm sure you'll be pleased this testimony is much more brief than the previous one. [LR180]

SENATOR FISCHER: We appreciate that. Thank you. [LR180]

BEVERLY NETH: In the last several years, there has been a study introduction of alternate or off-road vehicles into the market. It seems that just as we finish trying to figure out how to deal with one, another one comes along. The higher the gas prices, the more all-terrain vehicles we see. And, not surprisingly, the higher the gas prices, the smaller the vehicle. As a general statement, most of these vehicles are not eligible for titling and registration in Nebraska. There's a very simple explanation for this. The Department of Motor Vehicles is governed by the statutory definition of motor vehicle found at Section 60-123 for titling and 60-339 for registration purposes. Currently, the definition of a motor vehicle in both sections is as follows: "Motor vehicle means any vehicle propelled by any power other than muscular power except," and then there's a laundry list of things. One is moped; two, farm tractors; I skipped a bunch and then item

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six, which is off-road vehicles, including but not limited to, golf carts, go-carts, riding lawn mowers, garden tractors, all-terrain vehicles, snowmobiles registered or exempt from registration under Section 60-3,207 to 60-3,219, and minibikes; eight, self-propelled chairs used by persons who are disabled; and nine, electric personal assistive mobility devices, otherwise known as the Segway. The Driver and Vehicle Records Division of DMV drafted a manual of sorts for use by county clerks and treasurers. I've included that information for your review, and it's the two attached sheets to the testimony. Determining if a vehicle in this category is eligible for titling and registration is challenging for the counties, as well as the DMV. Sometimes the paperwork is not overly indicative of the type of vehicle. It is easy to make a mistake. I have spoken with a number of people who have purchased one of these vehicles with the understanding that it could be titled and registered in Nebraska. However, they are told quite another thing by the counties and the DMV. They often call us too. It is upsetting and frustrating for the customer. Additionally, I've spoken with an individual who is importing and selling the vehicles--I think he's your constituent probably, Senator Fischer--especially the...specifically, that would be the Japanese mini truck. For them, it is just as frustrating. The issue is made only more complicated by the fact that our neighboring state to the north, South Dakota, titles off-road vehicles under its extremely broad all-terrain vehicle definition. Many of the vehicles simply are not adequate for use on the public roads. They lack standard safety equipment and many times are so small that mixing in regular traffic is truly a safety hazard. Others appear to be a good candidate for titling and registration. Whatever the case, under the current law, if the documents states the vehicle is off-road, then it does not comport with Nebraska's definition of a motor vehicle and it cannot be titled and/or registered. I'd be happy to answer any questions the committee might have. [LR180]

SENATOR FISCHER: Thank you, Director Neth. Are there questions? Senator Stuthman. [LR180]

SENATOR STUTHMAN: Thank you, Senator Fischer. Director Neth, last year we

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passed, LB307,... [LR180]

BEVERLY NETH: Uh-huh. [LR180]

SENATOR STUTHMAN: ...dealing with ATVs, giving communities jurisdiction over how they were supposed to be handled,... [LR180]

BEVERLY NETH: Uh-huh. [LR180]

SENATOR STUTHMAN: ...and that only has to deal with the ATVs, right? [LR180]

BEVERLY NETH: Correct. [LR180]

SENATOR STUTHMAN: Could we make it at some time that have the same law, that they would have the jurisdiction over the go-carts or the lawn mowers or anything like that? All we'd have to do would be add... [LR180]

BEVERLY NETH: Well, you could. [LR180]

SENATOR STUTHMAN: ...add those words to it. In my opinion, I don't ever want to see four-wheelers going down the highway three abreast. [LR180]

BEVERLY NETH: Yeah. It really...certainly, Senator Stuthman, you can pass any law that you want to pass in Nebraska. The real danger is, you know, I think Dusty did a very good job of talking about the different types of vehicles we see, and I have some pictures on that handout as well. I think when you look at something like the Japanese mini truck, you know, it looked...that picture makes it look like it's a pretty good-sized vehicle, but in all honesty it's not much bigger than an ATV. I mean they're not big vehicles. And then the side-by-side, and Dusty referred to them, those are the things--Gators, Kawasaki mules--they use a lot at golf courses, those kinds of things.

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The Japanese mini truck is one that is probably one that could be titled and registered. It, as Dusty said, they're used in Japan. They're a Japanese vehicle. I don't know if it's Daihatsu or Hyundai that makes them. My understanding is in Japan is they have very strict EPA rules and so when a motor vehicle reaches a certain age I think you pay this enormous usage fee for an older vehicle, because of the air quality control issues. And so, quite frankly, it's cheaper to go purchase a new vehicle than it is to pay the usage fee. So we're seeing a glut of these on the market and they're ending up in the United States and they're being used in all kinds of arenas and they're being used and I can see why people would want to use them, particularly for agricultural purposes. They have essentially a flatbed in the back. You could throw all kinds of small things in there. They'd be great for a short trip to town rather than firing up your big pickup truck and driving into town and there's lots of uses for it. The problem with that vehicle is, as they're being imported now, they're imported as off-road vehicles. So they say very clear on their paperwork that that's what they are. So that's our biggest restriction. That seems like one vehicle where you could find some definition. I don't know. It's very difficult to find a definition of vehicles that's narrow enough but still broad enough. Others, like the Smart Car, it has much of the safety stuff you need and everything you would need, it seems to me. There's a lot of paperwork you have to present to get a title document to that. They're all over the place. Trying to do one definition for these types of vehicles is just...you end up in a situation, quite frankly, like South Dakota, where they have this hugely broad definition of an ATV up there that all of these things fall under, and they get titles and they get registered, on the roadway and then you've got problems because, quite frankly, in some cases they look like toys. They look like something that, you know, a little kid would want to drive around. And, you know, ATVs are used on the farm; kids drive them all the time. The death rate continues to go up, but that's how they're used. So there's danger to it. [LR180]

SENATOR STUTHMAN: Thank you. [LR180]

SENATOR FISCHER: Thank you, Senator Stuthman. Other questions? I have a short

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one. Can these vehicles from South Dakota cross state lines if they're licensed?
[LR180]

BEVERLY NETH: Now that question was posed to me and, honestly, I think, I said, first of all, I don't know. The question was, can I get ticketed, can I get a citation for it? And my response was you can get cited for anything. Whether the county attorney will prosecute you for it is another question. I suspect that they, under Nebraska Rules of the Road, they would not meet the definition of a vehicle and couldn't travel on our roadways and you'd probably end up with a citation and potentially a fine. [LR180]

SENATOR FISCHER: Okay. Thank you. [LR180]

BEVERLY NETH: Uh-huh. [LR180]

SENATOR FISCHER: Welcome. [LR180]

LOY TODD: Thank you. Senator Fischer, legislators, my name is Loy Todd, L-o-y T-o-d-d, the president of the Nebraska New Car and Truck Dealers Association. I just have a couple very brief comments regarding this study. There have...many of my members also deal in ATVs or are motorcycle dealers and they've made a couple of attempts in the past to address their main concern in this arena, and that is simply that they are at a competitive disadvantage with the temporary sellers, the fly-by-night people who sell these items, and also the border bleeding that goes on because of the sales tax (inaudible). In Nebraska, some of these vehicles can end up with titles; some don't. It's optional for many of them. If they're not a motor vehicle, there's not necessarily going to be a title document, or maybe you can get a title document. It's just all over the place. But since there is no registration process, there is no actual check and balance regarding the collection of sales tax. So if you go to a different state and buy a motor vehicle and bring it to Nebraska to register it, you'll get assessed a sales tax when you come in and register the vehicle. If you go buy an ATV in another state

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and you bring it home, you're finished. And so if you don't pay the sales tax someplace else, you don't have to pay it in Nebraska. And if you buy one off the back of a truck in a parking lot of Wal-Mart, you're not going to (inaudible) or the abandoned lot that people seem to find, or an abandoned gas station where people sell those things, or all of the myriad of other places that people buy them. But my dealers, my legitimate, licensed dealers who are audited by the state of Nebraska on a regular basis, have to charge a sales tax. And so we are at that competitive disadvantage right off the bat in trying to do legitimate business in the state of Nebraska. They've made a couple of attempts through the years to address this. One is to mirror what happened in the ag equipment area and that was, once the Legislature really looked at it, found out that people were going outside of the state of Nebraska to buy their tractors and their combines and their (inaudible) equipment, they gave up and we said, well, you know, if nothing else, we're going to allow our ag equipment industry to survive in state and we'll just simply have to give up on the notion of collecting sales tax on that stuff. And so that's what we did in that arena. We exempted those things that couldn't be taxed, (inaudible) the tax couldn't be collected on it (inaudible) to preserve an industry, and I think wisely so. And so the motorcycle dealers and the ATV dealers got together and approached the Legislature several years ago and said, let's exempt these vehicles also. At least we'll keep the industries in (inaudible) keep the employment in Nebraska, keep us (inaudible) so we can compete, so the Valentine dealer can compete and the South Sioux City dealer can compete and the Omaha dealer can compete. The Legislature rejected that attempt and so this last year we approached Senator Fischer and asked to have LB163 introduced that did something else and, again, my simplistic approach to life, and simply said, okay, let's do it this way; that if you go to get a title on one of these things you have to demonstrate that you paid the sales tax somewhere, either to the dealer or at the courthouse when you go. So when you show up at the courthouse to get a title, when you want to transfer it later or do whatever you want to do, the treasurer says let's see your sales tax receipt. And you say, well, I don't have one. They say, well, you owe the sales tax; pay that and we'll give you the title--pretty simple. We're still in committee, so it must not be as simple as I thought. But, you know, that's really the basis for LB163.

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Now ag will still be exempt because the bill provides that there would still be an exemption, so you have to go in and say either I paid the sales tax or I'm exempt, and if these are used on the farm or on the ranch or in agriculture or by a school or by the city or all the other exempt entities, then all you do is show your exemption--piece of cake. So it seems to us, still, simple as it might be, that if you pass LB163 you'd solve at least one part of the problem, and that is that my dealers wouldn't be at such a competitive disadvantage. You're not going to stop people from sneaking around. You're not going to make people (inaudible). You're not going to (inaudible) wear one out on your ranch, it's just going to be worn out on the ranch. But if you ever go to sell it and you need a title to do that, then you'll collect sales tax. And so maybe (inaudible) I'm hoping this hearing has some solution to part of our problem, because we don't know what to do otherwise. As far as who wants to drive one on what street and how fast, we're not...I haven't got any directions from my people to get involved with that at this time, although safety is a huge concern. And I will say one other thing regarding safety. Legitimate dealers, when they sell these things they give safety instructions. They're required by the manufacturers. We make people buy helmets. We do all those other kinds of things. When you buy one at a checkout lane in the grocery store, or you buy one at an abandoned gas station or any of those other kinds of things, I can assure you there's no safety concerns, there's no restrictions, there's no helmets, there's nothing but (inaudible). So we really think that, in the interest of safety, we ought to be kept in business (inaudible). Thank you. [LR180]

SENATOR FISCHER: Are there questions for Mr. Todd? Senator Stuthman. [LR180]

SENATOR STUTHMAN: Thank you, Senator Fischer. Mr. Todd, you stated that four-wheelers are ag exempt. [LR180]

LOY TODD: If they're used in ag, yes. [LR180]

SENATOR STUTHMAN: I'll have to check back. I think I paid sales tax on the one I

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bought. [LR180]

LOY TODD: Sorry. I'm sure you're owed a refund. You want me to help you get it?
[LR180]

SENATOR STUTHMAN: Yeah. (Laughter) Thank you. [LR180]

SENATOR FISCHER: Other questions? Senator Pahls. [LR180]

SENATOR PAHLS: I don't know why it's being held up in the committee, but as the
Chairman of Banking, I think it's a good idea. [LR180]

LOY TODD: Thank you very much, Senator. (Laugh) [LR180]

SENATOR FISCHER: Other questions? Thank you for the endorsement there. We're
always out to get any tax money we can, so thank you. [LR180]

LOY TODD: Thank you. [LR180]

SENATOR FISCHER: Anyone else? I do have an e-mail that I received yesterday
evening from Senator Rogert. His staff person sent it to me and it...his name is typed in
on that, in regard to both of the resolutions we had today, LR180 and LR90. I would like
this entered into the record for Senator Rogert and we will get copies to the members of
the committee. (Exhibit 2) As I said, I received it late last night and we will get that out to
the members of the committee. Seeing no other comments, I will close the hearing on
LR180, and close the hearing for today. Thank you all very much for being here.
[LR180]