

STATE OF CALIFORNIA  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 08/15)

Fiscal Year 2016/17	Business Unit 2740	Department Motor Vehicles	Priority No. 2
Budget Request Name 2740-102-BCP-DP-2016-GB		Program <b>2130 VEHICLE/VESSEL IDENTIFICATION AND COMPLIANCE</b>	Subprogram

Budget Request Description  
 Self Service Terminal Expansion Project

Budget Request Summary

The Department of Motor Vehicles (DMV) requests a total of \$8 million in FY 2016/17 to expand its existing statewide self-service terminal (SST) network used by department customers. Currently, there are 50 self-service terminals located throughout the state that provide registration renewal customers, a self-service option. The department's goal is to expand the self-service terminals program to process approximately 2 million transactions. The exact number of machines will be determined after discussions with the vendor and taking implementation considerations into account. Once the BCP is approved the DMV will request that the SST vendor start discussions with appropriate California businesses for floor space to place the SSTs.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance. <input checked="" type="checkbox"/> FSR <input type="checkbox"/> SPR      Project No. 2740-115      Date: PENDING		

If proposal affects another department, does other department concur with proposal?  Yes  No  
 Attach comments of affected department, signed and dated by the department director or designee.

Prepared By <b>JASON BARTON</b>	Date 12/31/2015	Reviewed By <i>[Signature]</i>	Date 12/29/15
Department Director <i>[Signature]</i>	Date 12/31/2015	Agency Secretary <i>[Signature]</i>	Date 12/31/15

**Department of Finance Use Only**

Additional Review:  Capital Outlay  ITCU  FSCU  OSAE  CALSTARS  Dept. of Technology

BCP Type:  Policy  Workload Budget per Government Code 13308.05

PPBA <i>[Signature]</i>	Date submitted to the Legislature 1/7/2016
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## Analysis of Problem

### A. Budget Request Summary

The Department of Motor Vehicles (DMV) requests a total of \$8 million in FY 2016/17 and ongoing to expand its existing statewide self-service terminal (SST) network used by department customers. Currently, there are 50 self-service terminals located throughout the state that provide registration renewal customers a self-service option. The department's goal is to expand the self-service terminals program to process approximately 2 million transactions.

#### Self-Service Terminal Program Costs

Expansion Self-Service Terminal Project	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Ongoing: Contract	\$7,913,000	\$7,968,000	\$8,000,000	\$8,000,000
Onetime: Training, Travel, DGS, Telecom	\$87,000	\$32,000	\$0	\$0
<b>Total Expansion Costs:</b>	<b>\$8,000,000</b>	<b>\$8,000,000</b>	<b>\$8,000,000</b>	<b>\$8,000,000</b>

The self-service terminal program has been internally funded since October 2011, costing the department approximately \$3.3 million dollars annually. DMV currently provides payment in arrears for ongoing operation of the terminals on a successful transaction basis. The vendor charges \$3.75 for each successfully completed transaction, which includes the ongoing maintenance of the terminals and cash handling requirements. Currently, the self-service terminal system only provides Vehicle Registration as an option to the customers. With the self-service terminal expansion project, new transactions will be added to the self-service terminals units which include field office appointments, Driver's License/Identification card renewal, and the vehicle registration suspension program. Also the self-service terminal machines currently only operate in English and Spanish, which does not address many of DMV's customers who speak other languages, so 9 additional languages may be added and supported.

The self-service terminal network has the potential to expand to include other applications. Use of the self-service terminals will redirect customers from field office (FO) counters by offering ATM-like devices that require only a few minutes to complete a transaction and provide the appropriate inventory product (registration card, registration sticker, receipt, etc.) at the completion of the transaction.

In addition to offering multiple languages, additional transactions, and a variety of payment options, self-service terminals may be available in some locations 24 hours, 7 days a week. Selected offsite locations will be identified through collaboration with the vendor. The vendor will be required to fully support the daily operations of the terminal network, including the following: providing all inventory products, performing necessary maintenance, ensuring proper security of the machines, deposit functions, providing customer support and problem resolution. The vendor will be responsible for all costs associated with this project, including the design, development, installation, and maintenance of the terminals.

### B. Background/History

Every year in California, over 32 million or more vehicle registrations are renewed by the following five DMV service channels: Internet, Renewal-by Mail, Interactive Voice Response (telephone), in person at the field office, or in person using Self Service Terminals (SST).

Through a competitive bid process the Department began using 25 freestanding self-service terminals inside select field offices as a pilot for vehicle registration renewal in October 2010. Due to the overwhelming success and customer acceptance of the program, the department expanded the self-service terminal program twice; in 2011 the Department added an additional 10 terminals and in 2014 added an additional 15 for a total of 50 terminals located inside field offices throughout the state. Expanding the self-service terminal program also helps with unbanked customers. According to the 2013 report conducted by the Federal Deposit Insurance Corporation (FDIC), the United States

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unbanked population is at 7.7 percent (1 in 13 households).<sup>1</sup> CNN reports that California is at 7.8 percent unbanked.<sup>2</sup> DMV on average collects over \$700 million in cash transactions in our field offices.

The Department is committed to expanding its self-service offerings; therefore the self-service terminal is a natural extension of that strategy. The Department has a strategic technical direction that embraces Web technologies. The self-service terminal network interfaces with the existing Vehicle Registration Internet Renewal programs, so this proposal is consistent with existing Web initiatives.

Internet and Interactive Voice Response transactions are available as an additional means for customers to process their own transactions. However, not everyone has internet access or the ability to pay registration fees by check, credit card or VISA/MasterCard-type debit card. Self-service terminals offer these customers another alternative for processing their transaction, including the option to pay in cash.

The customers who wait in line at a field office for a technician to process their transactions are using cash, debit, or check for payment and typically receive their product from the technician upon the completion of the transaction. Some of these customers go to the office because they wait until the last day of their vehicle registration renewal cycle and have an urgent need for stickers and registration documents. The self-service terminal accepts multiple payment methods, including cash, and provides a registration card and sticker at the completion of the vehicle registration renewal transaction, thus allowing field office technicians to complete more complex transactions.

Other states such as Nevada, Maryland, Virginia, Ohio, Georgia, South Dakota, New York, and Indiana have also successfully implemented self-service terminals offering vehicle registration services. A few of those states also offer the following: licensing services, insurance reinstatement, driver history, voter registration, vehicle registration duplicates, change of address, and vessel and off highway registration. Nevada and Ohio have recently expanded their self-service terminal program to locations other than their field offices due to the high levels of customer acceptance.

### Annual Vehicle Registration (VR) Renewal Volume Processed Using Self-Service Terminals Resource/Workload History

Workload Measure	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
Total VR Renewals Processed via SST	123,942	749,748	799,555	875,956	1,052,489	1,169,237
Contract Expenditures at \$3.75 per transaction	\$ 464,783	\$ 2,811,555	\$ 2,998,331	\$ 3,284,835	\$ 3,946,834	\$ 4,384,639
Revenues	\$ 10,391,680	\$ 57,274,099	\$ 58,560,154	\$ 61,950,025	\$ 75,073,394	\$ -

\* FY 2010/11 25 SST units deployed and in FY 2011/12 there were an additional 10 units deployed

The chart above shows a steady growth of transactions, as more customers continue to use self-service terminals since they offer lower wait times, instant product delivery, and do not require an appointment. Deployment of the self-service terminal program began on October 27, 2010. Therefore, FY 10/11 was not a full fiscal year.

#### C. State Level Considerations

Expansion of the current self-service terminal network will help the Department continue its mission of serving the public by providing quality motor vehicle-related services. The Department's Service Strategy seeks to redefine the customer experience by offering convenient, innovative, and virtual service options. The current self-service terminal program and the expansion of the self-service terminals align with this service strategy and also one of DMV's Core Values, which is a commitment to serve the public.

<sup>1</sup> "2013 FDIC National Survey of Unbanked and Underbanked Households" Federal Deposit Insurance Corporation, October 28, 2014. <https://www.fdic.gov/householdsurvey/>

<sup>2</sup> "Who are the unbanked?" CNN, September 14, 2012. <http://money.cnn.com/interactive/news/economy/where-unbanked-live/?iid=EL>  
The Department has a focus on efforts that rigorously address innovative ways of increasing productivity, improving customer, satisfaction, and services ensuring that we are more responsive to

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the needs of the customer. While self-service terminal usage is not mandated, it does improve customer service by offering customers a convenient, alternative way to conduct business with the department.

In addition, this proposal aligns directly with the Service Goal of DMV's Strategic Plan, which focuses on enhancing and promoting effective external customer communication, and aligning DMV products, services, and resources with current and evolving customer needs. Since the self-service terminal is one of the only self-service options that allows customers to pay with cash and receive indicia on the spot, these terminals help enhance the customer experience. Potentially allowing customers 24/7 access to self-service terminals will further increase the convenience of this service channel. Offering additional transactions on the self-service terminals will also allow customers to conduct their DMV business in a relatively short timeframe, all without having to wait in line for a technician.

The Service Goal of the DMV Strategic Plan also seeks to research and assess the diverse needs of DMV's customers. DMV has a commitment to providing quality services to Limited English Proficient and non-English speaking customers by eliminating language barriers that would preclude them from receiving services.

### D. Justification

Currently self-service terminals are used by customers who wish to complete their vehicle registration or file a Planned Non-Operation. They essentially serve as additional workstations and reduce foot traffic at the field office counters. Self-service terminals are the only self-service channel in which a customer is able to pay with cash and obtain indicia at the point of sale. Since its inception, the self-service terminal program has provided flexibility in managing the field office workload. As more customers begin to use automated services, the Department would like to leverage the existing infrastructure and add additional services and transactions to the machines. The true business value of the self-service terminal is that it encourages customers to take advantage of new technologies that DMV has to offer, which in turn builds trust with the Department's customer base and promotes use of alternative service channels.

Although the business model is working with great success, there are opportunities DMV seeks to address:

**Limited Access** – self-service terminals are available to customers who wish to complete their registration or file a planned non-operation between the hours that the Department operates. This is due to the fact that self-service terminals are currently inside a field office lobby. This presents a problem for those customers who are unable to visit the field office during normal business hours. If machines were placed outside of the field offices or in different locations other than DMV field offices, they would be more accessible for customers to complete their transactions at a time most convenient for them.

**Limited Menu Options** – Only two transactions (vehicle registration renewal and planned non-operation) are currently offered on the self-service terminals. DMV is looking at adding potentially new transactions to self-service terminals which include field office appointments, DL/ID card renewal, and the vehicle registration suspension program. Having the ability to mirror the online platform will redirect customers to a self-service option and decrease the number of simple transactions being completed at the field office counters. Also the self-service terminal machines currently only operate in English and Spanish, which does not address many of DMV's customers who speak other languages. As a result, these customers are forced to wait in line to see a technician to complete their vehicle registration.

**Footprint** – The footprint of the existing terminal is relatively large, which can be a problem because there is limited space in many field offices. Many of the offices are leased space and not owned by the Department. In order to follow Americans with Disabilities Act (ADA) regulation for space planning, there are many offices that are unable to accommodate a self-service terminal with the current footprint. A smaller footprint increases the number of locations to house a self-service terminal.

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The self-service terminal program has been so well received that approximately 37.9% of the users of the self-service terminals are return customers.

### E. Outcomes and Accountability

The self-service terminal expansion project is expected to save 8 PYs used in the field office business function. These PYs will be redirected to other public service business functions in the DMV Field Offices resulting in the ability to focus on and process the more difficult transactions.

#### Projected Outcomes

Workload Measure	Baseline	FY 15/16	FY 16/17
Vehicle Registration Renewals Via SST	880,000	1,169,237	2,017,333
Cost at \$3.75 per transaction	\$ 3,300,000	\$ 4,384,639	\$ 7,564,999

Workload Measure	FY 17/18	FY 18/19	FY 19/20
Vehicle Registration Renewals Via SST	2,090,667	2,133,333	2,133,333
Cost at \$3.75 per transaction	\$ 7,840,001	\$ 7,999,999	\$ 7,999,999

\* Baseline figure was determined by taking the average of the 2011/12, 2012/13, 2013/14, and 2014/15 actual transaction totals.

In order to expand and enhance the self-service terminal network, the DMV plans to place approximately 30-50 additional SSTs in locations external to the field offices. The exact number of machines will be determined after discussions with the vendor and taking implementation considerations into account. Once the BCP is approved the DMV will request that the SST vendor start discussions with appropriate California businesses for floor space to place the SSTs. The department will actively plan to expand this service if the program is successful in redirecting customers from visiting a field office.

### F. Analysis of All Feasible Alternatives

**Alternative #1:** Expand the vendor operated/maintained self-service terminal network at field office and remote locations to try to achieve 2 million transactions at the self-service terminals adding additional languages, transaction types and the ability to accept multiple payment types.

**Costs: Total project will cost \$8 million annually.**

#### Pros:

- Provides customers with an additional self-service alternative.
- Increased availability of DMV services.
- Provides a variety of payment options.
- Prints and issues the inventory product at the terminal.
- Costs associated with the network would be based on terminal usage, rather than purchasing or leasing equipment. Specifically, payment to the vendor would be based solely on the number of transactions completed at the self-service terminals.
- Vendor would be responsible for all equipment, inventory, maintenance, Internet connectivity, security and customer support costs be incurred by the vendor.
- Less costly than an in-person transaction.
- Redirect staff to other departmental priorities.
- Expediency in data generation.
- Vendor maintains data repository.
- Proven acceptance by the public.
- Will not increase transaction costs.

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### Cons:

- Although a vendor supported solution, customers look to DMV personnel for problem resolution with terminals deployed in proximity to a field office.
- Limits opportunities for state staff.
- Reliance on external resources for reconciliation of data.
- Field office workload would increase based on the transactions that would be processed on a self-service terminal.
- A vendor will control large elements of the customer experience.

**Alternative #2:** DMV owns, operates and maintains a 100 self-service terminal network at field offices and remote locations adding additional languages, transaction types and will accept cash, checks, debit and credit cards. This alternative will require an additional 53 PYs.

**Costs: Total project will cost \$15.8 million annually.**

### Pros:

- DMV would control all programming and future enhancements.
- No outsourcing will be needed.
- A cost per transaction would not apply.

### Cons:

- Additional continuing resources (53 PYs) from field office would be required to balance the terminals and supply the daily change fund.
- Additional development costs would be incurred by the department.
- On-going maintenance and operational costs would be incurred by the department.
- One-time fees for a consultant would be incurred to develop front end processing.
- On-going costs for the terminals, paper, stickers and hardware (including replacement parts).
- Data repository would need to be developed and maintained by DMV staff.
- DMV would be responsible for ensuring Payment Card Industry compliance.
- Field office personnel may have to direct customers when there is an issue with the terminal.
- DMV may not have the skill set in house to create the interface with the self-service terminal. A contract would be required to assist DMV developers to write a front end application to interface with the self-service terminal hardware including; credit card reader, cash acceptor, barcode scanner, custom registration card printer, custom sticker dispenser and touch screen. This would be a significant effort and DMV may not have the skills in house to create something like this.

**Alternative #3:** Mobile version of a DMV owned, operated and maintained self-service terminal. Conversion of a fleet of 100 shuttle vans offering additional languages, transaction types and will accept cash, checks, debit and credit cards.

**Costs: Total project will cost \$40.4 million annually.**

### Pros:

- DMV would control all programming and future enhancements.
- Ability to move to busy offices, locations, or events on demand.
- Use of Social Media platform to advertise where DMV mobile will be located during the day.
- Can be used for outreach.
- A cost per transaction would not apply.

## Analysis of Problem

### Cons:

- Additional continuing resources (53 PYs) from field office would be required to balance the terminals and supply the daily change fund.
- Additional continuing resources (200 PYs) would be needed to drive the shuttles.
- A limited amount of customers will be served with a mobile terminal.
- Additional liability insurance may be required for the shuttle.
- Additional development costs would be incurred by the department.
- One-time costs to purchase the shuttles and on-going maintenance and operational costs would be incurred for the vehicles and self-service terminal machines by the department.
- One-time fees for a consultant would be incurred to develop front end processing.
- On-going costs for the terminals, paper, stickers and hardware.
- On-going costs for terminal replacement parts.
- Data repository would need to be developed and maintained by DMV staff.
- Will not serve as many customers as the proposed self-service terminal solution as customers may not be prepared with paper work to conduct a transaction.
- DMV would need security personnel for all shuttles.

### G. Implementation Plan

If approved with the budget, the department will work with the existing vendor to develop a deployment plan to implement self-service terminals to field offices and host sites outside of the DMV offices.

### H. Supplemental Information

One time funding is being requested for training, travel, telecom, and Department of General Services (DGS) charges that the department will incur to expand the self-service terminal program. See the attached table.

### I. Recommendation

**Alternative #1.** Expand the vendor operated/maintained self-service terminal network at field office and remote locations to try to achieve 2 million transactions at the self-service terminals adding additional languages, transaction types and the ability to accept multiple payment types. Total Cost: \$8 million annually.

# BCP Fiscal Detail Sheet

BCP Title: Self Service Terminal Expansion Project

DP Name: 2740-102-BCP-DP-2016-GB

## Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Operating Expenses and Equipment						
5304 - Communications	0	0	4	0	0	0
5320 - Travel: In-State	0	4	18	0	0	0
5322 - Training	0	3	0	0	0	0
5340 - Consulting and Professional Services -	0	80	7	0	0	0
5340 - Consulting and Professional Services -	0	7,913	7,968	8,000	8,000	8,000
5368 - Non-Capital Asset Purchases - Equipment	0	0	3	0	0	0
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$8,000</b>	<b>\$8,000</b>	<b>\$8,000</b>	<b>\$8,000</b>	<b>\$8,000</b>
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$8,000</b>	<b>\$8,000</b>	<b>\$8,000</b>	<b>\$8,000</b>	<b>\$8,000</b>

## Fund Summary

Fund Source - State Operations						
0044 - Motor Vehicle Account, State	0	8,000	8,000	8,000	8,000	8,000
<b>Total State Operations Expenditures</b>	<b>\$0</b>	<b>\$8,000</b>	<b>\$8,000</b>	<b>\$8,000</b>	<b>\$8,000</b>	<b>\$8,000</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$8,000</b>	<b>\$8,000</b>	<b>\$8,000</b>	<b>\$8,000</b>	<b>\$8,000</b>

## Program Summary

Program Funding						
2130 - Vehicle/Vessel Identification and	0	8,000	8,000	8,000	8,000	8,000
<b>Total All Programs</b>	<b>\$0</b>	<b>\$8,000</b>	<b>\$8,000</b>	<b>\$8,000</b>	<b>\$8,000</b>	<b>\$8,000</b>