

MINUTES

JOINT TRANSPORTATION OVERSIGHT COMMITTEE

Wednesday, February 27, 2008
10:00 a.m.
Room 1228, Legislative Building

The Joint Transportation Oversight Committee met on Wednesday, February 27, 2008, at 10:00 a.m. in Room 1228 of the Legislative Building. Senators Jenkins, P. Berger, Hunt, Kerr, Rand, Snow and Stevens; Representatives Cole, Allred, Carney, Coates, Crawford, Gillespie, Harrell, Mc Comas, Saunders, Allen and Jones attended.

Senator Clark Jenkins, Chair, called the meeting to order at 10:00a.m.

Senator Jenkins recognized and introduced Bill Gore, Commissioner; Division of Motor Vehicles. He stated that on behalf of DMV I'd like to thank you for your invitation to come today. Many of you I have not met on a one to one basis prior to this time. I come here today after 27 years. It has been my privilege to serve the citizens of this state as a trial judge on the District and Superior Courts of North Carolina. I think I bring a little bit of a different perspective to you because seven months ago, I was like most North Carolinians, I didn't really think a wit about DMV except when I had to go get my drivers license or when I had to get my tag renewed. If I was lucky I could do the tag registration by mail, but when it came time to get my license renewed, I'd have to make that dreaded visit out to DMV. I would prepare myself for the tedium at the DMV office, a little bit of anxiety about whether I could pass the appropriate vision and sign tests. Finally, I would have that unhappy confrontation with the camera that would record my ageing for all to see. We all love the DMV portraits. I know how 99% of the people in North Carolina feel about the DMV and what that perception is. All of this is to say that when I arrived at DMV last August I saw DMV as all of you folks in your non-legislative roles see DMV and that is a general pain that must be dealt with if you want to legally drive a vehicle in this state. I would tell you that my experience at DMV since that time has not included a eureka moment when everything became clear to me. I will tell you that substantial scales have fallen from my eyes and that I've expanded my mind without the help of any substances. There has been a golly gee whiz factor for me when I actually realized what a big machine DMV is and all the moving parts and how it affects North Carolinians on a daily basis. I'd like to tell you folks this morning some of what I have learned and some of it you already know. I think it will be beneficial to pull it together and to look at it in the context in which I'd like to present it. The Division of Motor Vehicles is a mammoth of state enterprise. It brings close to a billion dollars a year into the state coffers. It does that on an operating budget of \$134 million per year. DMV operates on about 13% of the gross receipts. The DMV touches the lives of 6.3 million licensed drivers across North Carolina. It licenses drivers with a small band of

508 driver license examiners and 114 offices. It registers the state's 8 ½ million vehicles at 120 license plate agencies. It oversees the safety and emissions inspections at almost 7,000 stations. In just two months of 2008, the Division's License and Theft Bureaus have processed reports of almost 7,000 unclaimed vehicles in storage and it has ceased 446 vehicles for DWI violations. By year's end we will have processed around 26,000 stolen vehicles. I was amazed at that; I had no idea that we had so many stolen vehicles that had to be processed through DMV in a year's time. DMV does not just stay busy dealing with records and cars, it stays busy dealing with people. Amazingly, DMV records about 40,000 customer contacts each day. We see as many, if not more, customers on a daily basis than any other state agency. For the last two months I have initiated a new program where we invite custom feedback about our service, response and efficiency. We've done that by putting signs up in all of the LPA offices and the drivers' license offices with a web sight address and a phone number inviting folks to let us know about their experience at DMV. We receive an average of about 40 calls or emails per day which is really a very small percentage of the 40,000 customer contacts we have. It has been very educational for us. I know that not all customers are going to take time to provide feedback for us, but I will tell you that the folks that have the worst experiences are the ones who are more likely to take the time to let us know how they feel. I must tell you that all of the feedback we have received has not been bad or negative. We have mixed in with the complaints, we have had some at DMV. It is our mission to improve and enhance our customer service. We have found out a lot from those folks who are letting us know about how we do business, the good, the bad and the ugly. A chief among the complaints we receive are those concerning private license plate agencies that provide tags and title services; these are what we call LPA's. We have several of them here today to be able to answer possible questions. Many of them do an outstanding job. They have competent staff and provide a convenience, and do it at some savings to the state. DMV contracts with about 120 of these LPA's. Some of these offices are operated by counties or municipalities, but the majority are owned and operated as independent contractors for profit. They are not in state offices. LPA employees are not state employees and are not subject to state employee protections or discipline. In accordance with their DMV contracts, these LPA's are required to operate in keeping with local, state and federal laws relating to civil rights and access for the disabled or handicapped. In addition, DMV supervisors visit each of these agencies on a monthly basis to audit their activity and their service levels to the public. The distinction between the private operation of these agencies and the public's understanding of a very public DMV is lost on most. Since LPA's profits depend on low overhead and personnel costs, waits at many license plate agencies are ready fodder for citizen complaints. We receive complaints about the size and the state of disrepair of these offices. We have addressed these concerns in our new LPA contracts, we hear about the provision of too few chairs and non-existent restrooms. We also hear problems about DMV drivers' license offices. The problem with customer service at these offices is generally not due to laziness or ineptitude. Like any large bureaucracy, DMV has some employees who can do a better job. They may need more training, more information or more motivation and accountability to do their jobs. We are taking steps to see that that happens. I will tell you that I am somewhat concerned about being able to assure that we hire young, enthusiastic customer oriented examiners; due to the promotional priorities and

preferences that are currently imbedded in state law. I hope at some point to have a dialogue with the Legislature about ways that we can change that. We have found that people who come to us from service industries, such as hair dressers, waitresses and food service folks, make some of the very best examiners because of their customer service orientation. That is in contrast with someone who may come over to us as a lateral transfer after being 15 or 20 years in another state agency. Certainly that is a generalization; we get great employees from all walks and from other places in state government. I think it takes a very special type of person to sit there day after day to have the body of knowledge that is necessary to do the job and still be able to be friendly and to be personable, particularly when folks have been in line for a long time and are not always in the best of moods by the time they get to the desk. The truth is, that North Carolina is a great place to live and work and that is why we have the 10th most popular state in the Union. The influx of people and would-be drivers is happening faster than DMV can expand. Everyone here recognizes the red brick buildings that DMV so often shares with the Highway Patrol. We have about 25 driver license offices that are completely inadequate under current demands. That is, they are either too small or they are in extremely disrepair and we cannot add additional examiners and equipment. As an example, we just recently lost our office in Fort Bragg. The military is now tearing down the building that we were in because of it is obsolete. They did offer us an old horse barn to move into, but we declined; we do have our standard at DMV. Again, the manner whereby we are required to procure offices, while insuring fairness to the public; to those folks who would like to provide a building to the state, make it so that it is nearly impossible for us to get the buildings in the places we need, when we need them at an appropriate price because of the bidding process. That is something we can't do in any commercially reasonable fashion. In Cumberland County right now, we are seeking diligently another building close to Fort Bragg in that are of the County. We have been unsuccessful in finding anything that is big enough, in the right location or for a reasonable price. I do want to say that the Department of Administration and the State Property Office have been very accommodating to us. They have bent over backwards to try to help us with these situations and I did want to mention that. In this context, comes a new requirement; House Bill 1779. This law will call for even more resources from license plate agencies over the next few years. Under this law, as you know, the LPA's are charged with collecting motor vehicle property taxes on behalf of all North Carolina counties. The bill will require the payment of taxes and registration fees at the same time. We are anticipating yet longer lines because of lengthier transactions. It is fair to say that the amounts of money that the LPA's will be handling, will be at least doubled or tripled; because folks will be paying not only the title and registration fees, but they will be paying their taxes. Already, some of the license plate agents are telling us about some of the reasons for the extremely long wait lines. When I go through this litany, all of you are aware of it, but I think it is surprising when you think of all of it at one time. A registration can be stopped for non-payment of property taxes. It can be stopped, sometimes multiple times, for expired insurance. It can be stopped because you didn't get your emissions inspection, stopped because you were convicted of DWI charged, stopped because you didn't pay your child support. In the future it may be stopped if you don't pay your fees for using toll roads, if the initiatives and plans of the Turnpike Commission come to fruition. All of these things already increase the contact time

between the tag agents and customers. The public policies that are encouraged by these stops are certainly laudable, and we all acknowledge that. The reality is that on a daily basis in the license plate agencies, that they cause a great deal of public irritation when folks have been in the waiting area without a place to sit, no bathroom to use and they find out they have one of these stops. If we implement the requirements of House Bill 1779, tag agencies will be the sight of a perfect storm, if you will, of citizen frustration. A storm which promises to erupt right in the middle of license plate agencies where the DMV has the least control to demand additional space, accommodations and personnel. Add to that, our concern for security. Who will be responsible if these greater amounts of money are stolen? Will these private contractors be bonded to handle additional public funds? This past Friday in Forsythe County, a license plate agent was robbed at gun point. The customers were lined against the wall; the employees were ordered down on the floor and over \$10,000 was stolen. This happened in broad daylight. The Sheriff's Department responded in three minutes and the thief had already made his getaway. These are very real concerns that we are dealing with now and I believe as we talk about increased money, they will be more real everyday. Can we expect these license plate agents to handle additional tasks without increased funding to employ additional help and to secure larger buildings? Right now we pay about \$14,000,000 per year to our license plate agents to provide the service they provide. That is exclusion of the notary fees which they collect, for which they do not make an accounting to us. The question is, are we paying them enough to provide the level of service that our people expect and demand? I think that is a fair question this body will have to take up at some point. The DMV is seeking alternatives, or at least looking at alternatives, ways to avert this perfect storm I have described. Some of these ideas are not new, but we think they are needed now more than ever. Let me ask these rhetorical questions, if I can. Should we seriously explore the creation of one stop shops where DMV provides drivers' licenses and license plate services together? Should we bring license plate issuance in house? Should we leave county tax collection where it is, and mandate that county clerks become tag agents instead of visa versa? In addition to these concerns, remember that House Bill 1779 is projected to cost more than \$100,000,000 in expenses. Whatever we do respectfully, we should rethink this plan. Neither DMV nor the citizens of North Carolina can reasonably be expected to weather a plan that two years and \$100,000,000 later, will bring only more customer dissatisfaction. Will the anticipated funding actually be sufficient? How will ongoing expenses be negotiated? I will tell you that this bill requires us to erect a sky scraper on a mobile home foundation. I would respectfully ask that this body seriously consider the practical implications of this policy. Despite the obstacles, DMV works everyday to stay ahead of the curve. With your help, we are initiating security rich programs such as central issuance of driver licenses along with the other states. We are requesting extensions to comply with the Federal Real Id Act. This week the nations' governors, by a unanimous vote, agreed not to move forward on Real Id until substantial federal funding becomes available. Deputy Commissioner, Wayne Hurder will talk to you in some detail about this act in a few minutes and what it may mean for North Carolina and DMV. Portia Manly from DMV, as the Director of Vehicle Registration, discuss with you some of the details of House Bill 1779. DMV is an agency where the only constant is change. We continually look for better ways to perform our work. We relocate offices to better serve real needs. We upgrade technology to better

serve our customers. We invent programs and change policies to address oversights. We have more than 100 ongoing projects at DMV at this time; as we constantly reevaluate and attempt to implement best practices. As part of this, Brian Bozard who is here from our License and Theft Bureau will tell you about the new registration of antique and kit cars, which has been some area of interest in the last couple of months. We can point to changes and successes in many other programs. For instance, we have a first class emissions program which is recognized by the EPA as being a national leader in best practices. With the ?? initiative, which you have approved, we expect to make it even better. We have just completed a vigorous audit by the Federal Motor Carriers Safety Administration. This audit is carried out every three years and it deals with every detail of our commercial vehicle operation. We are proud to report to you that we passed the audit with flying colors and North Carolina has been labeled by the auditor as a model program for the nation. This is a very complex program administered by Will Williamson of our staff who is here today. At your invitation we would like to come back on another day and tell you the details of that because we are very proud of it. We are also undergoing a reorganization that includes bringing DMV hearing officers directly under the commissioner's office to address efficiency and ethical considerations. We are getting the word out to drivers about the least crowded times to visit DMV. We would ask you to tell your friends; they are on Tuesdays, Wednesdays and Thursdays in the morning. If they will come during those times, it will help us to even out the customer demand for DMV services, thereby decreasing the wait time and increasing customer satisfaction. We have also obtained a grant from the Federal Motor Carriers Safety Administration that will enable us to establish a commercial driver license testing center. It will be in Lumberton and will serve all of eastern North Carolina. It will be the first of its kind in the nation. We expect it to serve as a national model. It will handle testing for commercial trucks and buses, decrease commercial traffic around our driver license offices and enable our examiners to better assist other customers. We hope it will be operational within six months. We have notified about 4,500 people that their social security information in our system does not match information from the Social Security Administration. These are far fewer records than the 27,000 that was initially identified by the state auditor in the spring of 2007. We have almost completed staffing the new Bladen County Call Center. We have found other available positions for the Raleigh Call Center employees who chose not to relocate. This is a group of employees that takes more than 5,000 calls from customers everyday. We believe it is a model call center and we are very proud of it and of the people who work there. We invite you, in that part of the state, to take a look at it. We began offering recently online access to driving records last October. So far, we have provided more than 5,000 certified records and 15,700 non-certified records. This is very popular with employers and with attorneys who are able to pull up their clients' records right there on their desk top. Our facial recognition and document verification technologies are assisting local, state and federal law enforcement agencies in their investigations, and they have lead directly to the apprehension of criminals. Twenty seven years ago, if you went to your drivers license office, and had an issue to come up about whether or not you could get your license renewed, that protocol was that the examiner would ask you Senator Rand for your home telephone number so they could charge the call to Raleigh to your home number. They would call your number and one of six people sitting in a room at DMV would look up your record in the

paper work, and would talk to the examiner reciting your record. That is where we were in this state twenty seven years ago. Twenty years ago we had black computer screens with green letters and digits. Now, DMV, I can tell you that we are building systems and programs using 21 century technology. It is not easy and painless and as you know it is certainly is not inexpensive. This is the progressive way that North Carolina does things. As North Carolina grows, DMV must keep up. We think it is important to do that with dignity, with professional service and with straight forward preparation. Finally, let me close by emphasizing the importance of balancing our citizens' security with their convenience. The citizens of North Carolina have been vocal in demanding that only North Carolinians and those legally present in our state; be granted the privilege to drive with the issuance of an operators' license by North Carolina DMV. We understand and respect that. You have in fact made it law; however, the trade off for increased security is increased time spent processing documents and verifying information. Our hope at DMV, with the help of you and the rest of the General Assembly, is to protect our citizens while providing a high level of customer service. As I have outlined today, we have taken many steps toward this goal already. I know that we will continue to make progress. On a personal note, when you think about the fact that you may have to stand in line for an hour or two to get your drivers' license, it is an inconvenience and it is a pain. When you think of the sacrifices some of our other folks are making for our security and our freedom; in the overall course of events, I ask you if that too much to spend, maybe twice a decade, for us to have appropriate security? I want to thank you for your time, courtesy and your invitation to be here today.

Commissioner Gore recognized Deputy Commissioner, Wayne Hurder.

Senator Jenkins stated that he preferred all the presenters make their presentations, and then open up the floor to questions from the members.

Wayne Hurder, Assistant Commissioner-Read ID Act, Central Issuance of Driver Licenses was the next speaker. Please see attached presentation "Central Issuance of Driver Licenses & Implementation of U. S. Real ID Act".

Senator Jenkins recognized and introduced Brian Bozard, Supervisor – Vehicle Theft/ Special Investigations/I.D. Theft. Please see attached presentation "Impact of U.S.Real ID, Central Issuance of Driver Licenses, Replica Vehicle Policy, Collect Vehicle Property Tax".

Commissioner Hurder, recognized and introduced Portia Manley, Assistant Director – Vehicle Registration. Please see attached presentation "Report of HB 1779".

Senator Jenkins thanked Assistant Director Manley. As far as HB 1779 is concerned in the funds, in the last session, we instructed you that you could come before Transportation Appropriations and request the use of those funds; that would be the venue you go to, not Transportation Oversight. When we come into session, you can talk to Transportation Appropriations Committee about your request. Commissioner, I listened to your possible concerns about the local tag agents and security as it relates to

HB 1779. I'd say at this point, and I say this before we take any questions, we'll take your concerns into consideration; but we will take no action on this until we've had time for the local tag agencies to present their case in front of this forum and be notified that they've time to do so. There are certain aspects within the Real ID Act that legislation is being prepared right now for us to look at to see if, we as a committee; would like to recommend it moved forward. Eighteen states have opted out of certain parts of it. The cost of certain parts of it in excess of \$20,000,000; so, you might want to wait until we have this draft legislation before us, to see if it is something we want to take an issue with. Last thing, on the replica cars, one issue that I'm not sure was addressed under the street rod, and that is, if a car meeting the antique classification by age, but is replaced with a newer motor, is that considered a street rod or is that an okay change?

Supervisor Bozard stated that there was a separate statute in chapter 20 that states, when a consumer changes the engine in their motor vehicle, they must notify the Division. That is still on the law books, because 1954 and older vehicles were registered using their engine number. When you change an engine and you notify the Division, the Division puts a code on your title known as "M"; which is the motor change and that is the only designation that would come about.

Senator Jenkins opened the floor to questions.

Representative McComas asked how that would apply to motorcycles?

Supervisor Bozard stated that as a consumer comes forward with a motorcycle, where the frame had been replaced but everything else comes from an existing one, we would call that a 2008 custom built. Let me give you two different scenarios. Some of the manufacturers will sell you a replacement frame. Let's say that you in fact wrecked a Harley Davidson and you came forward with a brand new Harley Davidson frame; took your existing body parts, engine, transmission and put it back, then we are going to say that you have a Harley Davidson. It truly is, because they sold you the replacement parts. By the same token, if you go to an after market manufacturer and buy a frame that is not ? by the manufacturer, then we are going to say you have a 2008 custom build vehicle; even though the engine may genuinely be a Harley Davidson.

Representative McComas asked if the frame is from the same manufacturer as the original motorcycle, will the year model change?

Supervisor Bozard stated that the year model would not change. The fact is that they sell you a replacement frame for that year model.

Senator Jenkins asked if there were any other questions.

Representative Allred asked if a person has a vehicle that has a body and chassis from a 1937 Ford, they can't get an original engine; they have to put a 350 Chevrolet engine in it and a Ford Mustang front end then the majority of the car, and they have a title for it, is a

37 Ford. What are you going to make them do? Will they have to register that as a custom vehicle?

Supervisor Bozard stated that the material alteration really comes in when you describe a Mustang front end being put onto an older era car. That is a quite popular thing to do. It is because people won't have modern safety features, like late model brake systems and steering systems. We would simply say that that is a Ford street rod; because it has been materially altered. Under our old system, we would have seen that as a 2008 custom built vehicle. We would have taken the word Ford off of it. Now, we are going to continue to recognize it for its true year, its true make and we are just going to add that word street rod to it; so that if the consumer sells it, the next consumer will be aware.

Representative Allred asked why shouldn't a motorcycle qualify? If you've got the frame and the engine from a 1974 Honda, and have to buy other stuff to go along with it, if the engine and the frame qualify why shouldn't you be able to get the 1974 designation?

Supervisor Bozard stated that there research has shown that none of the other states recognizes it that way. We also feel that when we start recognizing after market frames as the true manufacturer, then the motorcycle manufacturers themselves become involved in the litigation against us. If we had an after market company build a frame, and we put the true engine in it and call it that manufactures name, when in fact it is not, because the frame was built by someone else. We feel like we would be opening ourselves up for liability.

Representative Allred said that he believed in protecting the integrity of the year it was manufactured, because if you allow replicas to be classified as the same year, then it devalues the vehicles out there that are the real thing.

Senator Rand stated that he wanted to ask Mr. Hurder a question. Mr. Hurder we talked about when someone comes with an out of state license and they want to get a North Carolina license, pending the receipt of that North Carolina license, are they allowed to keep their out of state license? What happens when they get their North Carolina license?

Mr. Hurder said that at that point, we would document your old license in our system. When we issue you a North Carolina license, the previous license should be voided out.

Senator Rand asked if they would retain possession of that out of state license?

Mr. Hurder answered yes sir.

Senator Rand asked if Michigan would be notified? I'm worried about someone walking around with two valid licenses, is what concerns me. I don't know why that is a problem, but it seems to me, knowing the nature of man that it could be.

Mr. Hurder said yes. That is one of the points with the Real ID Act , what we call the national drivers system.

Senator Rand asked if Michigan would then cancel that license.

Mr. Hurder said yes sir. Actually, North Carolina is one the few states that transmits that information to other states. It is not an on-line process, but when you come from another state we send a report to your home state that we issued you a North Carolina license and for them to mark you as inactive in your original state.

Senator Rand asked if they would cancel your original license.

Mr. Hurder said that some states honor it and some don't. Ultimately, with the national network, it will be like a commercial driver license where it's overnight when you change from one state to another.

Senator Rand stated that all of us will be required to establish our identity. Would you be able to establish your identity with a passport?

Mr. Hurder said that you'd be able to come in with a passport and use that as your proof of identity.

Senator Rand asked if one would have to get a birth certificate, in that you've got a birth certificate in order to get your passport. You will be able to use your passport as ID.

Mr. Hurder said yes sir.

Representative Jones stated that with face recognition technology; if you had plastic surgery would it compromise the accuracy of the identification.

Mr. Hurder said that he would love for Representative Jones to come over to the building to show him some of what they do. Face recognition technology we used is based on certain key facial features that plastic surgery, unless it is massive change; no typical plastic surgery does not affect face recognition technology.

Representative Jones asked if it would be the same with identical twins.

Mr. Hurder stated that they had a very interesting case a couple of years ago. Our investigators flagged something as being suspicious and there was a lot of debate. It actually turned out to be a case of triplets; three sisters. One of the sisters moved in from Virginia and failed the test, so the sister that is already here went and took the test for the other sister; had her picture on the license and our system picked up that it was a different person.

Senator Snow stated there is an issue with Mack trucks. There are those that are 35 years old and when time to qualify for tags for those trucks and for a hauler that hauls more

than one, putting some on a trailer, and the amount you pay for a tag for a truck like that is a whole lot different from a regular old antique car. Is there any consideration from DMV where something can be done about it?

Mr. Bozard stated that he didn't know that that issue has even come up.

Representative Saunders had a comment about Commissioner Gore's comment. I know that any large organization that can afford to be able to recruit hiring and retain; we mentioned something about state law. We do have state laws that impact that. We also have federal laws that the state law pretty much mirrors; one of those is age. I would caution you on using the term young when you state talking about recruiting people.

Commissioner Gore stated that what he should have said were folks who come in with a clean slate and who don't come in the first day demanding things because they have been conditioned in other jobs. We don't care what age folks are, as long as they can learn what is necessary and that they can do the job. I think that all of us will recognize that we have probably dealt with some DMV employees in the field who are not the most customer friendly folks in the world. All I'm saying is that if you've been in line for a long time and you get up there, it is nice to have someone who is temperamentally and psychologically of such a mind that they are able to put up with those aggravations and still be customer friendly and polite. I think that our customers are entitled to that.

Representative Saunders stated that he would caution you on how you state that.

Representative Carney had a question on the issuance. You were talking that there were 150,000 people potentially that cannot have mail delivered. Does the legislation say that you would be prevented from going back and picking your driver's license up?

Mr. Hurder said no. That would be one possible option we could look at. One of our concerns is making sure we treat everybody the same.

Representative Carney asked that for everybody else you have to have them mail to you. You cannot go back and pick it up.

Mr. Hurder said yes. Particularly for the target problem persons that would give us bad addresses in the past; that would give them a way to work around, if they could just go back to the office and pick it up.

Representative Allen asked if you could get a P.O. Box without verification of an address.

Mr. Hurder said yes.

Representative Allen asked why one would be able to come back and get your license without you having sent it to resident's address for verification. Louisburg is a small

town with postal delivery to residences, but a lot of folks have P.O. Boxes. They are concerned about that.

Mr. Hurder stated that for those folks who would have to go to their resident's address. With street delivery in Louisburg, it would be delivered to the resident's address.

Representative Allen asked is they would still be able to have a P.O. Box.

Mr. Hurder stated that after the first time, once you have established that, you can use a post office. address for correspondence from us. Our reading of the Real ID Act, is that it would require subsequent issuances go to the resident's address.

Representative Allen asked if they would work with our post offices who will not currently deliver. If you have a P.O. Box, they won't send it to your house. They only accept one address.

Representative Coates stated that she had a town, Spencer, that has no resident addresses. They only have a post office. Your going to work with those since they can't go to the P.O. Box.

Mr. Hurder stated that was an example where we have to come up with a solution, either statutory language change or the alternative service would debate whether UPS or FedEx could deliver.

Representative Allred stated that this does not fix the problem for senior citizens who live in towns that do have postal delivery. We need some legislation to fix that so they can get theirs delivered by FedEx. I brought this issue up at the last meeting and I think that is the reason it is on the agenda now with regard to the Real ID Act. I also, tongue and cheek, say that this is a great opportunity for the states to shut down the federal government. If we all opt out of the Real ID Act, then our congressmen cannot get a driver's license that satisfies the federal government, they will not be able to get into the congressional chambers. The federal judges will not be able to get into the federal courts.

Senator Berger stated that my understanding is that a lot of people that have P.O. Boxes just don't have a mail box at their house. The postal service will not deliver to a resident's address if there is not a mail receptacle. Have you addressed that and how?

Mr. Hurder stated that was part of what we are working through. There are two issues. One is any delivery in that town and the other is you've got to put a mail box up. We're trying to work with the postal service on that.

Senator Jenkins stated he happened to be one of those people.

Representative Gillespie stated he had a question for Mr. Hurder on the material compliance, as far as establishing identity. When someone comes into your office to get his license and it is one day before his license expires and then he finds out that he has to

have a birth certificate or passport to get that, how are you going to handle that when there is no way he can get back in one day before his license expires, especially with the CDLs? When that expires and you have to go through the testing again how are you going to handle those types of things?

Mr. Hurder stated that part of what we know we have to do is educate the public to come in earlier. Under current statute, you can come in six months in advance. We can not issue without meeting the requirements of the law. We would have to turn him away. We'd do as much business as we could with him, but we would not be able to issue until they met the full requirements. We intend to do a major outreach to customers to encourage them to come in starting 90 days in advance.

Representative Gillespie asked of the two Chairs, what type of bill do you think you'll be bringing back before this committee on the Real ID Act. Would it be a bill that would prohibit the state from participating or would it be just a resolution? Have you gotten to that point yet as to which type bill it will be?

Senator Jenkins stated that Chairman Cole had some comments to make about this and a few other issues. At the end of that, we've agreed to let Representative Allred make some very brief observations about an issue or two. That will take no questions and answers, just simply for his brief comments.

Representative Cole stated he wanted to ask a question of Supervisor Bozard. On slide ten, you spoke of replica vehicles and in that verbiage the model will be listed as a replica. All replica vehicle titles would be branded as reconstructed vehicles. My current understanding is reconstructed is flipped vehicles. When you take half of one and half on another and put it together it is called reconstructed. I think we ought to look at some different language there as a possibility.

Mr. Bozard stated that we were going to ask for a new brand called "specially constructed" that would be applied.

Representative Cole stated that he'd like to work with you on any of this legislation. I'm going to give to the Commissioner a list of questions that have been asked by my local hot rod club called Easy Street Cruisers. I had them go through my book, the Commissioner was kind enough to give me, and these are the questions. If you can get a reply to those I certainly would appreciate it.

Senator Rand asked that Chairman Cole get the questions and answers to the members, as it might assist us.

Representative Cole commented that one of the things that hadn't been discussed is the replica vehicle insurance. There are very few companies throughout the United States that write this kind of insurance. They are very costly vehicles and the insurance is relatively inexpensive; but it is with the understanding the vehicles are driven for short periods of time. I was talking to one of those insurers and happened to share with him

this legislation and he had been shared it before from many of those owners. He represents about 28,000 vehicles that are insured with Grundy.

Mr. Kevin Ferris, with Ferris Insurance in Valdese, NC stated that if we adopt the ? definition of hot rods or highly modified, 1937 would fit. The problem with that is this 1950 model, that is highly modified, would not fit. If I understand the classification correctly, I show, from car show, an out of state, bring in a title of a 1950 Chevrolet Belair, that has been highly modified; I've got a different motor, maybe I've got electronics there, digital read outs, that the DMV is going to classify that as a 2008.

Mr. Bozard stated that under the old system, yes that is correct. This is not the entire legislative package. Vehicles that are 1949 and newer, we're going to ask the General Assembly to give us the authority to put the word "modified" on the title and also specially constructed vehicles the new brand for consumer protection purposes.

Mr. Ferris stated that North Carolina Insurance Commission has a filing that is 25 years or older. DMV has a 35 year filing. Grundy, Haggerty and Classic Collections, these companies are using this 25 year old designation to affectively write these policies at a decreased value because of usage. For example, you've got the replica cobra at \$55,000, you've got the original at \$150,000. The issue is when you change the title and the year then that makes that 1967 a 2008 and under that filing in North Carolina, that is not insurable any longer. That is where my customers and his constituents are coming to me as their only source asking not to affectively change that to the 2008 because it makes it uninsurable for us now.

Senator Rand stated that if you've got a 1967 Shelby worth \$150,000; is there any problem insuring that?

Mr. Ferris said no.

Senator Rand stated that if you've got a 1967 Shelby Cobra replica, brand new 2008, is there any problem insuring that?

Mr. Ferris said no, because it is going under the replica category. It looks like a model that existed in 1967.

Senator Rand stated that he understood that, but it is titled the year it is made.

Mr. Ferris said yes, correct.

Senator Rand asked what the problem was.

Mr. Ferris stated that if it is a 1950 model and I have to title it a 2008 because it has been highly modified, then it is not insurable under the current classifications.

Senator Rand asked why not.

Mr. Ferris stated there is a law in North Carolina has an insurance definition that an antique collectible vehicle is 25 years or older.

Senator Rand stated that if it is a 1950 that has been highly modified, it is not an antique.

Mr. Ferris stated that technically it is a collector vehicle. It has an appreciated value because of the investment of its modification. The value has appreciated from the standard stock model 1950 Belair, which may be worth \$20,000. It may be worth \$50,000 and put electronics, digital, auto door openers. It is retitled and redesignated as a 2008.

Senator Rand stated it wouldn't be titled as a 2008 if it is a 1952 Chevrolet and the motor has been modified. I thought you said that would be titled as a 1952 Chevrolet modified.

Mr. Bozard stated that if it were just an engine change, we would just put the engine change code on it. If it is materially modified.

Senator Rand asked him to define materially modified.

Mr. Bozard stated that if the frame has been cut and a late model frame ?? power steering, modern steering system.

Representative Jones asked if the standards of antique collectors were comparable.

Mr. Bozard stated that we try to mold our standards to comply with what state law says. Our laws model state law. The issue we are dealing with here is he is saying if you take a vehicle and materially alter a 1950 model and you now want to call it a 2008 custom built, it is uninsurable. Our position under our current rules and laws; is exactly what we would do. We would say that his 1950 model vehicle is a 2008 custom, but under the proposed legislation we will be moving forward this year, we would ask you to give us the ability to say that this is a 1952 Chevrolet that has been materially modified. Those words would appear on the registration card and on the certificate of title for consumer protection. If he materially modifies the vehicle and you come along two years later and want to buy it, when you look at the title you are going to see that.

Representative Cole stated that they would cease with those questions because you can see we can't write the legislation here today, but it is a work in progress. Mr. Ferris, I do thank you for being in the committee and expressing your concerns. I think that DMV now realizes the necessity of everybody coming together, including the insurance department to make sure that what we do is right for our consumers here in North Carolina. One other issue I'd like to share with you; you probably saw in the News & Observer today that a letter has been issued by the Attorney General's office interpreting the 53' trailer debacle that we've gone through. They have determined that those are now legal and if you have any questions about it, I'd be more than happy to share with you the letter that came from the Attorney's General's office. With regards to that, I don't have

anymore questions. Representative Allred had requested to be given three minutes to speak.

Representative Allred apologized to Senator Jenkins for the fact that my voice carries so much and that I interrupted the committee earlier. When I was in the Senate, we did that all the time. We need to simplify the property taxes on vehicles. We should not be collecting the property taxes on vehicles under proposed legislation that is going into effect. We should not be collecting the property taxes for counties. We have not solved the problem for the license plate agents. We have not solved the problem for the tax payers. There are 11,000,000 vehicles in this state that are not getting a tax bill because they do not buy a license plate for those vehicles. There are a lot of people who have vehicles they do not buy a license plate and they do not voluntarily register their vehicle in January of each year. We've got 19,000,000 vehicles in the state; only 8,000,000 are the ones getting license plates and getting property tax bills. The other issue is that there are many people in this state that are buying off road vehicles from other states, such as Tennessee, which does not make its retailers make an out of state person pay the sales tax. Tennessee's sales tax is higher than North Carolina's. We've got tremendous numbers of people going over to Tennessee. One manufacturer sold 5,000 vehicles to people who live in this state who did not pay sales tax. We are losing tremendous sales tax revenue or registration value. We need to decide to register off road vehicles. We are probably losing \$25,000,000 a year in property taxes, income taxes and sales taxes because we do not go after the people who are going and buying off road vehicles in other states and coming back into our state. They are hurting the dealers here. We are losing the income taxes that the dealership would be paying. We are losing the sales taxes. The Department of Revenue could subpoena the records of every off road vehicle manufacture, water skies, jet skies and ATV's, dirt bikes and know who in the state purchased the vehicle from out of state and didn't pay the sales tax. Who in this state purchased the vehicle out of state and didn't pay the sales tax and send them a bill. We need to do that to protect our tax base and do what is fair constitutionally and help people in North Carolina make money so they can pay income taxes. Does everybody understand what I am saying?

Representative Cole thanked Representative Allred.

Representative Cole asked Ms. Manley if she had come up with a cost for House Bill 1779.

Senator Jenkins commented on the 53' trailers. I'm not sure that reading the New & Observer this morning, I'm familiar with the issue, that the reporter made it very clear that it wasn't just a decision made by some group of people to start using these trailers on some routes that they thought would be fine. It had to do with the interpretation of what a designated federal highway is; and a specific type of highway. The Attorney General's office rendered an opinion which basically stated that the Highway Patrol was in error issuing citations for these particular size trailers on these particular designated routes. Although it sounded like they just decided to go do what they wanted to, that is not the case. I suggest you read the opinion before you read the News & Observer.

Senator Jenkins adjourned the meeting at 12:00 p.m.

Senator Clark Jenkins
Co-Chair

Representative Nelson Cole,
Co-Chair

Pattie Johnson,
Committee Assistant