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Transportation and Telecommunications Committee
September 10, 2010

[LR419 LR516]

The Committee on Transportation and Telecommunications met at 1:30 p.m., Friday, September 10, 2010, in Room 1113 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LR419 and LR516. Senators present: Deb Fischer, Chairperson; Arnie Stuthman, Vice Chairperson; Kathy Campbell; Galen Hadley; and LeRoy Louden. Senators absent: Tim Gay; Charlie Janssen; Scott Lautenbaugh. []

SENATOR FISCHER: Good afternoon and welcome to the Transportation and Telecommunications Committee. My name is Deb Fischer, I'm the senator representing the 43rd District here in the Unicameral and I am Chair of the committee. At this time I'd like to introduce my committee members to you. On my far right is Senator Arnie Stuthman, he is from Columbus, he is Vice Chair of the committee. On my immediate right is our legal counsel, Dusty Vaughan. Just entering right now is Senator Kathy Campbell, she is the senator from Lincoln. On my immediate left is our committee clerk, Laurie Vollertsen. Next we have Senator Galen Hadley from Kearney. And on the far left, my far left, is Senator LeRoy Louden from Ellsworth. And we welcome you today to our interim study hearing on two resolutions that we have presented before the committee. I do need to go through a few housekeeping details before we get started. We will be hearing the interim study resolutions in the order that they are listed on the agenda. Those wishing to bring us information on this...any of these studies need to come to the front of the room and be ready to testify as soon as someone finishes testifying in order to keep the hearing moving. I ask that you do complete the yellow sign-in sheet at the on-deck table and hand that to our clerk right here when you come forward to testify. For the record at the beginning of your testimony, please spell your last name and also your first name if it can be spelled in several different ways. I ask that you keep your testimony concise and you try not to repeat what someone else has covered. If you don't want to testify, you can provide us with any written information that may be relevant to either one of these studies. At this time I would ask that you turn off

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your cell phones. Even though we are the Transportation and Telecommunications Committee, I don't like texting or phones going off in my committee, so please turn those off. I think that's the polite thing to do. During interim studies when we have these we don't have proponents or opponents to these resolutions because these are just information gathering proceedings and so you may come up in any order. We do have the introducers go first though. So with that taken care of, I will open our hearing on LR419 and welcome Senator Pankonin. Welcome to the committee. []

SENATOR PANKONIN: (Exhibit 1) Good afternoon, Chairman Fischer and members of the Transportation and Telecommunications Committee. I am Dave Pankonin, P-a-n-k-o-n-i-n, and I represent the 2nd Legislative District. I'm here to introduce LR419, a study of the potential need for a boat dealer licensing process in Nebraska. LR419 was prompted by information brought to me by Cathy Brink, a boat dealer and marina owner in my district. Cathy described the difficulties that she and her husband face when they try to operate their business in a professional manner. The state of Nebraska does not require boat dealers to be licensed. Unlike other states that have statutory licensing requirements which must be met by persons who wish to operate as boat dealers, Nebraska allows anyone with state sales tax and federal employer ID numbers to register as a boat dealer. Legitimate boat dealers in this state, like the Brinks, face challenges that can be both inconvenient and costly. When doing business with customers from other states or attending boat auctions, they are often delayed or prevented from closing sales because they do not have a dealer license. Cathy contacted my office to ask if this inequity could be changed. She recently noted the irony of the state's requirement that their business, and others like it, be licensed to sell alcohol and fish bait, but not to sell motorboats and personal watercraft. After LR419 was introduced, I was asked by a second constituent why a title and bill of sale are required to register a boat, but proof of insurance is not. The same individual asked if boats used on private lakes are subject to the same rules as those that are operated on public waterways. I did not have a good answer for either question. While these issues are not named in LR419, they, too, might be worthy of discussion as they relate to our

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state policies regarding the sale, purchase and safe operation of motorboats and personal watercraft. The first document passed out are e-mails we received on that particular issue on the insurance from constituents in my district. The media coverage of this issue has focused on the Legislature's duty to ensure that our tax laws are fair. This means the current practice of allowing anyone to claim to be a boat dealer and thus avoid the need to pay sales tax on the purchase of a motorboat or personal watercraft may need to be changed. I believe we need to change this practice and start collecting sales tax that is legitimately owed to the state. But I'm also interested in creating a new policy that will support boat dealers like the Brinks in their desire for a more businesslike environment in which to operate. At my request, the Legislative Research Office gathered information about licensing of boat dealers and boat registration from six Midwestern states. This information has been provided to the committee's counsel with the hope that the existing provisions from other states might serve as good models on which to base new statutory language for Nebraska. I provided you a summary of the research findings for your review today. For the record, I have two letters that offer information about and support for LR419. One letter is from my constituent, Cathy Brink. The other letter was submitted by Mr. Herb Angell who is the boating law administrator with the Nebraska Game and Parks Commission. I believe these letters will be of value in considering these issues. After reviewing the information that is presented today in support of LR419, I respectfully request that the Transportation and Telecommunications Committee be open to the policy changes suggested by this study. It is time for our state to address the issues raised in LR419. Thank you. [LR419]

SENATOR FISCHER: Thank you, Senator Pankonin. Are there questions? Senator Stuthman. [LR419]

SENATOR STUTHMAN: Thank you, Senator Fischer. Senator Pankonin, thank you for bringing this. I think this is very important and I haven't gone through the whole information here from that Herb Angell. But to become a boat dealer, what do you have to do or is there any regulations or can you just say, well, I'm a boat dealer? [LR419]

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SENATOR PANKONIN: You're pretty much correct there. If you can get yourself a state sales tax number and basically you can go to these auctions or go to any boat place and say I'm a dealer. Other states, as you'll notice, Senator Stuthman, if you'll look at the material, have a license...they have a registration license number to be a boat dealer. And my constituents, the Brinks, have talked about even...they even had trouble in neighboring counties, they'll sell a boat from Cass County into Douglas County and they'll say, well where's your license number and they'll have to say, well, you know, the state doesn't require it. You don't have any, there's no requirement for this. And as you'll see when we compared to other states, I think the information from Colorado didn't come in, but the other states have that requirement. [LR419]

SENATOR STUTHMAN: Okay, thank you. [LR419]

SENATOR FISCHER: Other questions? Senator Louden. [LR419]

SENATOR LOUDEN: Yeah, well thank you, Senator Pankonin, for bringing this up. What do you...do you have any idea what it costs to be a licensed dealer for an auto dealership, car dealership, or used car? I mean, is that substantial amount of money to buy a license to sell cars? [LR419]

SENATOR PANKONIN: You know, I'm not fully aware of that, Senator Louden, so I wouldn't want to answer because I don't know. And you can see from some of these other states there are fees that are fairly moderate. But I think the better policy question is, we're not doing it and I think there's issues with, obviously, sales tax, but also issues just...you know, this personal motor craft and boat market is a big market and some of those are very expensive and to not have that regulated in any fashion is a little bit of a concern, I think, for all of us of, you know, who's involved in it. There's the issue of the taxes, but also just regulation as far as you look at some of these other states they require background checks and information. So, I think there's several policy questions

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about who do we want involved in this business; how loose it's regulated, which right now it's pretty much no regulation. [LR419]

SENATOR LOUDEN: Well, I agree that we got to have something done. Now I guess where I was going on that line of question of car dealers, I've known people that got their dealership license and they got two or three dealer plates and they would buy a car and not pay the sales tax on it. I mean, this is very common in the car and I was wondering if both of these issues need to be addressed at the same time because they were using it as a way to not pay the sales tax on a car as long as they drove with those dealer plates on there. I've known people that were ranchers that called themselves car dealers and had a couple cars and as far as I know it still happens. The same way with boat dealers, if you don't have some type of system like this, I guess you could steal a boat and nobody would know the difference. [LR419]

SENATOR PANKONIN: That could be one of the potential pitfalls of not having proper registration and regulation of boat dealers. I can't answer your questions on the automobile side because there may have been changes here recently that I'm just not aware of, but I...so I can't help you there. But I think this issue is one that we know there's some problems because we just haven't had that requirement whatsoever. [LR419]

SENATOR LOUDEN: As I noticed in one of your e-mails here, they mentioned insurance and on privately-owned lakes and you don't have to particularly buy that tag from the Game and Parks if you keep that boat on your own privately-owned lake is my understanding. So I suppose that issue would follow on through the same as it is on cars or trucks or something like that. Out there on that ranch country, if you don't want to license that truck or car, you don't have to as long as you drive it on that ranch. You just have to show it as personal property on your personal property tax return, but you don't necessarily have a license. I'm wondering if this is some avenue we follow that same avenue as it is on cars and trucks nowadays with the licensing. [LR419]

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SENATOR PANKONIN: Senator Louden, it could be. One of the things you'll note when you compare to other states; the other states that were surveyed for this information don't require the property liability insurance as well. That would be a new policy issue. The thing in the Omaha area, there's been some fairly horrific boat accidents in the last couple of years. Unfortunately, alcohol involved in most of them where there was either death or personal injury and I think these are powerful machines that can cause havoc in the wrong types of situations and I think it is somewhat a concern and that would be a new policy direction to see if those folks do have proper insurance. I mean, there can be very serious accidents on the waterways as well. [LR419]

SENATOR LOUDEN: Well, we just went through...we had to put liability insurance on 4-wheelers in order to drive them on the highway, so I don't have a problem with people driving on these public lakes to have some type of liability insurance with it. [LR419]

SENATOR PANKONIN: Proof of insurance. [LR419]

SENATOR LOUDEN: Because, yeah, we had a huge accident out there in western Nebraska. They...a guy hit a...well, it wasn't a boat, but he was driving a Jet Ski and she was water-skiing behind and he hit her with that Jet Ski, you know, out there trying to jump over the bow waves or whatever he was doing. And there wasn't an ounce of liability insurance anyplace. The thing had to go clear into court. So it...yeah, I thank you for bringing this forward. I agree something needs to be done. [LR419]

SENATOR FISCHER: Senator Hadley. [LR419]

SENATOR HADLEY: Senator Fischer, thank you. Senator Pankonin, if one of the concerns is people saying they're boat dealers and taking a boat and basically keeping it for a number of years and saying it's for sale and not paying the sales tax, I look at the other states and Iowa is \$15 for an application...for licensing. So I don't think we solved

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that problem because all I have to do is pay \$15 and get a dealer's license, get my one boat and say it's for sale for three years and never pay sales tax on it. Do you think that could happen? [LR419]

SENATOR PANKONIN: Obviously, Senator Hadley, it would depend how the statute was framed and how regulation would be proposed. I think you could do it in different ways that would tighten that. So I...the main reason I brought this issue forward is the constituents in my area and I think that letter from Cathy Brink is very illustrative of some of the issues they have by trying to be professional businesspeople in this area. [LR419]

SENATOR HADLEY: Sure. [LR419]

SENATOR PANKONIN: And so it's really multifaceted as far as the issues that need to, potentially, be looked into. And as many, as all of you know, legislative studies, legislative resolutions are the start of a process to try to get the dialogue going, to look at the different issues, to have the industries that are affected, whether it be the boating industry, the insurance industry, the Game and Parks involvement. This is why we brought it to get that discussion started and I think it can go a lot of different directions. But I just thought it was an important topic to at least be raised for your committee's consideration. [LR419]

SENATOR HADLEY: I would entirely agree, because if I was a "boat dealer" who was in it for my livelihood, it would upset me if someone who is "gaming" the system by not paying the appropriate taxes that they should be paying. And I would like to follow up on what Senator Loudon mentioned; I did have a constituent call me with the same concern that Senator Loudon had of people having dealer auto plates and basically keeping it as the family car and not doing that. So maybe that's something that I don't know...I don't know enough to be...to say that maybe...Mr. Vaughan or somebody could enlighten us later as to what requirements are there for auto dealers and auto dealer

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plates. [LR419]

SENATOR FISCHER: Other questions? I see none. Thank you, Senator Pankonin.
[LR419]

SENATOR PANKONIN: Thank you. [LR419]

SENATOR FISCHER: Anyone wishing to provide the committee with information on this? Oh, right up here please, Jack. Thank you. Good afternoon. [LR419]

JACK GOULD: Good afternoon, Senator Fischer. Members of the committee, my name is Jack Gould, that's G-o-u-l-d. I represent Common Cause Nebraska. I want to thank Senator Fischer and Senator Pankonin for having this hearing. I mean, I appreciate it being public and I also appreciate the fact that the issue is being addressed. I wanted to just touch on a couple of things that concern Common Cause, and I think the general public. And you've already mentioned to a certain extent, I think we got particularly concerned when we realized that there were individuals capable of registering as boat dealers and avoiding paying the sales tax. Most Nebraskans are good citizens who pay their taxes and don't try to avoid this kind of thing. So our concern was that this loophole or whatever would be filled and that we would have a fair system for everybody. There was some interesting things that came out in our efforts to gather information about this situation. One was it was difficult to know where to start as to try to find out how many boat dealers there were in the state and who they were. And so initially we talked with Game and Parks and there was an understanding that there probably was a list, but no one was quite sure how we would get that list. And then we were referred to Motor Vehicles and we talked with Motor Vehicles about the possibility of a list existing, and I think there was a general feeling at the clerical level that there should be a list because people were filling out a form identifying themselves as boat dealers. And then I talked with the Department of Revenue about exactly where we would get this list because it all starts with the county treasurer. That's where the work begins, that's where the

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registration is done. It got confusing. I mean, it was difficult as to who was responsible for the list if the list existed. And so we finally filed a public records request and cross-referenced it between the Department of Motor Vehicles and the Game and Parks. And I must say, they were very prompt. I mean once we filed that form with both agencies, they were in contact with each other and Beverly Neth, particularly, went out of her way to get that list to us right away. And I appreciated that. But the list itself presented some real problems. Because when we looked at the list, we found that there were legitimate boat dealers, obviously, advertised in the Yellow Pages. But then there were automobile dealers; there was a plumber; there were some painters; there were private citizens' addresses; 154, I believe, registered boat dealers. But we couldn't determine how many were legitimate and how many were not legitimate. And upon request from the press, we turned that list over to those who asked for it. And there was some follow-up by the press to indicate that perhaps 50 percent of the people on the list were not actually boat dealers. It's difficult to prove that. You have to explain what is a boat dealer. If someone sells their own boat, are they a boat dealer? You know, where does it begin? But it's obvious that those people were not paying the sales tax. So, our concern was, you know, there needs to be something done here. There's some interesting things that we learned about boat dealers, too, that may be helpful to you. When boat dealers register, they're given a temporary plate, much like automobile dealers, as he mentioned. The plate is meant to be temporarily put on the vehicle so that it can be demonstrated or so the vehicle can be shown to other people and taken out, but it's not supposed to be permanently put on the boat. And we had some indication that this was happening, that people were using the temporary plate number as a permanent plate painted on the boat. And we found out that it's fairly easy to identify a boat dealer's number because in essence their...start out NE, Nebraska, and then there are three digits and the third digit, if it's a nine, is a boat dealer. And then there's three letters that follow that. And I provided the list of boat dealers to Senator Fischer and I think...I believe Senator Pankonin also has a copy of the boat dealer list so it's available to you. So it...there are some serious concerns and I think that, you know, I would hope the committee would look at all these things I have mentioned and

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try to address it so that all Nebraskans have confidence in the system and that the system operates smoothly. [LR419]

SENATOR FISCHER: Thank you, Mr. Gould. Are there questions? Senator Campbell. [LR419]

SENATOR CAMPBELL: Thank you, Senator Fischer. Mr. Gould, in your research, as you were looking at this, do you have any idea when the last time was that the Legislature looked at any of these laws? [LR419]

JACK GOULD: Well, I know that there...prior to Senator Fischer being the Chair here, there have been attempts to try to address this problem. I don't know why they were defeated. I have no idea. But I know there have been several attempts to address the problem. [LR419]

SENATOR CAMPBELL: Thank you. [LR419]

SENATOR FISCHER: Other questions? I see none. And thank you for the information that you did bring to the office, I appreciate that. [LR419]

JACK GOULD: You bet. Thank you. [LR419]

SENATOR FISCHER: Thank you. Are there others wishing to bring information to the committee on this issue? Anyone else? Good afternoon. [LR419]

WILLIAM JACKSON: Good afternoon, Senator Fischer, members of the Transportation Committee. My name is William Jackson. I'm the executive director with the Motor Vehicle Industry Licensing Board. We license and regulate car dealers, truck dealers and possibly in the future, boat dealers. I've had conversations with counsel and some other folks about this particular issue. I'm fairly neutral as to...it's basically up to the

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Legislature what they think is necessary in these matters. Our agency can handle the licensing issues. There would be a lot of questions on how that would be structured. Someone asked how much is a dealer's license, \$250. You have to have a surety bond, \$50,000. That's for consumer protection. That would work also with a boat dealer. You have to have what we call an established place of business. That means you have to have bricks and mortar; it's properly zoned for business wherever you're at. Now I understand there's marinas and there's boat dealers on lakes. I don't know what the zoning is, but I assume that there's probably some kind of a business zoning around lakes that would allow this. I don't believe there would be any real hardship. But that would prevent the guy in his house from becoming a boat dealer. For years, occasionally, I'd get a call in my office someone inquiring, wanted to be a boat dealer and wanted to know if there was a license. And kind of jokingly I would ask him, over the phone, to stand up and raise his right hand and I'd say, I'm a boat dealer. And once he said that, I'd say congratulations, you're a boat dealer now, because that's all there was to it. There was absolutely no regulatory...anybody could walk into the Department of Motor Vehicles and get a dealer plate for boat trailers. All they would have to do is sign an affidavit that they're a boat dealer. Likewise with the Game and Parks Commission, they would get a registration number to be hung over the side of a boat that they're demonstrating for legitimate purposes. But again, all these things...all these things are subject to fraud and misuse and that's what our agency...that's what we do. We regulate the industry. Now again I don't think this would be any real undue hardship to us. If there is approximately, to best we could even think of, maybe a hundred legitimate boat dealers. There would be a spike, of course, at first with inspections that are required before licensing. You talk about the liability issue on insurance. We do require that all car dealers provide proof of liability insurance on all owned vehicles. I'm sure that the statutory language could require boat dealers to carry liability insurance on their inventory of boats. How big a boat? Do we go all the way down to canoes and inflatable watercraft? Do we go with an engine requirement? Although, you can put an engine on inflatable watercraft too. Those things would have to be worked out and spelled out in proposed legislation. I would be happy to work with whoever wants to put

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that together. There's lots of questions and lots of things that we could do. And again, I'm neutral. It wouldn't cost us that much money. We'd have to tweak our computer program a little bit, create a new license. But it would be doable. [LR419]

SENATOR FISCHER: Thank you, Mr. Jackson. You went through, at the beginning of your testimony, what's required of car dealers. [LR419]

WILLIAM JACKSON: Basic...just, yeah, just basic. [LR419]

SENATOR FISCHER: The basics, right, the basics. Senator Pankonin in the information he passed out, in South Dakota to license a boat dealer it sounds very similar: application to a county treasurer, approval by the DMV, dealer location and display lot must be approved, \$250 annual fee the first year--\$100 after that, and the dealer may sell only in a county where registered. Also there is the \$20,000 surety bond. So in looking at this information that Senator Pankonin gave, South Dakota seems the most involved when it comes to licensing. Would you think Nebraska needs, in your opinion, does Nebraska need to look at similar requirements that we now have for car dealers on boat dealers? [LR419]

WILLIAM JACKSON: Yes. Simple answer. [LR419]

SENATOR FISCHER: I mean, the first thought that came to my mind, too, was the size of the motor, do you license...do you have to have licensed dealers for canoes, for paddle boats, for things like that? Do you have them for Jet Skis or just Jet Skis that are going to pull a skier, or again does it depend on the size of the motor? How...what would be just off the top of your head some suggestions for us on that? And I know we'll be meeting in my office to discuss some too. [LR419]

WILLIAM JACKSON: Yes, I understand that too. Currently, we license motorcycle dealers, but the motorcycle has to be the type that has to be registered and driven on

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the streets or highways. We do not regulate ATVs, 4-wheelers, 3-wheelers, things that are for off-road. And so that kind of goes back to the Jet Skis, those type of watercraft. Even though I believe it was mentioned that those things are getting up there, \$10,000, \$12,000 or more, and they are...the liability issue was talked about, the dangers and those things. Again, this is all things that can be discussed and put together in the bill. I would prefer that boat dealers be licensed and regulated just like any other dealer. All the requirements that we have signage, phone, business hours, you know, have to be open 40 hours a week. They have to be available to my investigators if we handle consumer complaints which I'm sure that's what we would do also. So you've got consumer protection in there. You've got liability issues protected with certain things. You have a surety bond. These people are going to be at...you know where they're going to be. That's huge sometimes knowing who you're dealing with and that they're going to be there. [LR419]

SENATOR FISCHER: Right. Right. Thank you. Other questions? Senator Hadley. [LR419]

SENATOR HADLEY: Thank you, Senator Fischer. Just a quick question and you may not know the answer. Do we license aircraft dealers? [LR419]

WILLIAM JACKSON: (laughter) I don't know. [LR419]

SENATOR HADLEY: Okay. I was just curious whether a person could...you know, you go out and buy a Learjet, you say I'm an aircraft dealer and this is for resale and I fly it for two years... [LR419]

WILLIAM JACKSON: I would imagine the federal government going... [LR419]

SENATOR HADLEY: ...and never have to pay sales tax. I just wondered. [LR419]

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WILLIAM JACKSON: Yeah, I don't know. [LR419]

SENATOR HADLEY: Oh devious mind. [LR419]

WILLIAM JACKSON: Yeah, I know. I know how that works. [LR419]

SENATOR FISCHER: Thank you, Senator Hadley. Senator Louden. [LR419]

SENATOR LOUDEN: Yes, thank you, Senator Fischer. Mr. Jackson, I was wondering, I thought I heard you say that they don't license boat trailers, that you don't... [LR419]

WILLIAM JACKSON: You can get a dealer plate by just saying you're a boat dealer. [LR419]

SENATOR LOUDEN: And get a dealer plate. [LR419]

WILLIAM JACKSON: And put it on the boat trailer so you can haul that around. [LR419]

SENATOR LOUDEN: Okay and then...and not do sales tax on it. [LR419]

WILLIAM JACKSON: Right. [LR419]

SENATOR LOUDEN: Yeah. What about other trailers? What about your horse trailers and all those, can you do the same thing? [LR419]

WILLIAM JACKSON: We regulate those. [LR419]

SENATOR LOUDEN: Okay. You do have regulations. [LR419]

WILLIAM JACKSON: And there is dealer-trailer plate that will be allowed. [LR419]

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SENATOR LOUDEN: Then how come boat trailers couldn't be folded right into that other trailer...? [LR419]

WILLIAM JACKSON: There's definitions that they would have to meet; the 8,000 pounds or 9,000 pounds GVW,... [LR419]

SENATOR LOUDEN: I see. [LR419]

WILLIAM JACKSON: ...things like that, for trailers that we regulate. [LR419]

SENATOR LOUDEN: Okay, okay. [LR419]

WILLIAM JACKSON: And we regulate the plates for those uses. [LR419]

SENATOR LOUDEN: Okay. Thank you. [LR419]

WILLIAM JACKSON: Um-hum. [LR419]

SENATOR FISCHER: Mr. Jackson, in looking through the information that Mr. Gould gave us on the names of different people who are registered as boat dealers, a lot of them are car dealers. Do you envision that they'd have to go through a separate process to become a boat dealer? [LR419]

WILLIAM JACKSON: No. No. [LR419]

SENATOR FISCHER: It could just be folded in? I think that's what Senator Louden was kind of asking there too: If they're selling trailers, can that be folded in with that too? Just expand the definition. I don't want too much regulation to go through here. [LR419]

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WILLIAM JACKSON: No, no, they don't need additional license because they've already met all the requirements... [LR419]

SENATOR FISCHER: Right. [LR419]

WILLIAM JACKSON: ...as far as place of business. Currently, what the license that we issue, 90 percent is called a combination license. That license allows a dealer to sell anything from a semi to manufactured home to a motorcycle to a trailer. All things that require title and registration fall under that license. We also have a trailer-dealer license. And that's for people, primarily like stock trailers that deal only in trailers. The only difference in that, it's the same fees, the same requirements, but they don't have to have liability insurance for all owned autos because they're not dealing with motorized vehicles. We have a separate motorcycle license. That also requires all the same things; the only difference is they don't have to have a larger display area because they can get ten motorcycles in pretty much any storefront building. We would have a separate boat dealer license for people who only deal in boat dealers, but we would allow anybody with a combination license to then also handle boats. [lr419]

SENATOR FISCHER: Okay. I think, you know, what we're looking at here, as Senator Pankonin said, is trying to be professional about it and have registration and requirements so the public is safe on this too. [LR419]

WILLIAM JACKSON: Um-hum. [LR419]

SENATOR FISCHER: So thank you. And are there any other questions? I see none. Thank you very much. [LR419]

WILLIAM JACKSON: Thank you, Senator. [LR419]

SENATOR FISCHER: Anyone else wishing to testify on this? Anyone else wishing to

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testify on LR419? Senator Pankonin, did you want to close? [LR419]

SENATOR PANKONIN: I would very briefly. [LR419]

SENATOR FISCHER: Okay. [LR419]

SENATOR PANKONIN: I want to thank the committee's interest and I know my (inaudible) guy enjoyed working with your counsel, Dusty Vaughan, on this. And to answer kind of the question for Senator Hadley, that summary is just what it is, Senator Hadley. Your legal counsel for your committee has the statutes from these other states; has the full suite of information so there may be more to it than what's in that summary sheet. But I think Senator Fischer hit on something that's important too. You know, we don't have to reinvent the wheel here. We can look at the neighboring states. I think your counsel has the statutes involved to try to make...from what you heard from Mr. Jackson, I don't know that this will be an insurmountable goal to try to have something and to be reasonable in the regulation part, but also to have a better overall feel and protection for the public. So, I think it's a valid issue. Appreciate your interest. Thank you. [LR419]

SENATOR FISCHER: Thank you. Thank you for bringing this study. With that I will close the hearing on LR419; open the hearing on LR516 and, Mr. Vaughan, would you give the short opening please. Good afternoon. [LR419]

DUSTY VAUGHAN: Good afternoon, Senator Fischer, members of the committee. For the record my name is Dusty Vaughan, spelled V-a-u-g-h-a-n, and I'm the legal counsel for the committee. LR516 was introduced on behalf of the Department of Motor Vehicles and what we're talking about here is their Vehicle Registration and Titling System also known as the VTR System. This system handles quite a bit for the state. It collects multiple taxes for multiple political subdivisions across the state. So it's actually a pretty important system that we have in place. It was implemented in the early '90s, so

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it's...according to an IT system, it's ancient, it's pretty old. So we have Director Beverly Neth here from the DMV to testify on the system, kind of its capabilities and limitations, what we would get out of a new system and what it would take to get there. So with that, Senator Fischer, I will turn it over to Director Neth. [LR516]

SENATOR FISCHER: Okay. Thank you, Mr. Vaughan. Director Neth. Good afternoon. [LR516]

BEVERLY NETH: (Exhibit 2) Good afternoon. I have handouts for the committee. Senator Fischer, members of the committee, I'm Beverly Neth, Director of the Department of Motor Vehicles, here today to offer information regarding the Nebraska Department of Motor Vehicles Titling and Registration System, known to the department as VTR. What I hope to do today is...I've handed out an overview, a briefing document really, along with several attachments that delve into the issues regarding VTR itself, what it is, how it came into existence, what it does for the department, and what replacement of such an existing system might entail. Before we get into that, Senator, I thought it might be interesting and I know you don't exactly like props, but I did bring a book. And this book is a book titled... [LR516]

SENATOR FISCHER: I'm just hopeful, Director Neth, that you're not going to read this whole thing here. (laughter) [LR516]

BEVERLY NETH: (laughter) I'm not going to read that. I'm going to take... [LR516]

SENATOR FISCHER: Props are okay, then. Props are okay. (laughter) [LR516]

BEVERLY NETH: I'm going to take some excerpts out of it and read some, I think, bullet points from it, but I thought you all could read that at your leisure and study it. But what I wanted to show you today is this book titled Motor Vehicle Registry. This is a book from 1905 which is the first year that Nebraska started tracking and registering motor

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vehicles in the state. I believe this book originally was housed in the Secretary of State's office. It used to be if you had a vehicle you brought that vehicle in and along with a leather plate that had some numbers riveted to it. This shows in 1905, at the end of the year, they started in June of 1905 and by the end of the year they had, I believe, 571 vehicles registered in Nebraska. Through 1907 there were roughly 1,488 vehicles are registered in Nebraska. Today, we don't do it this way anymore, because we have 2.2-plus million vehicles registered and titled in Nebraska. That's why we have a system. So to give you an idea what our system does, the Vehicle Titling and Registration System issues all motor vehicle titles; it notes all liens; collects motor vehicle sales tax; registers vehicles; collects all motor vehicle taxes and registration fees for the state. The V...what we...vehicle title and registration we shortened with an acronym called VTR. The VTR processes nearly 3 million transactions annually, or just over 12,000-daily transactions and collects and accounts for over \$500 million in state and local revenues annually. The VTR has six mainframe interfaces, five mainframe data share points, six AS400 interfaces, and 16 mainframe data users. There's a tab in your handout, Tab 1, gives you an overview of those individuals who are either interfaced with the VTR. I think that's down the first column. That is what you would think it would be. It's NLETS, which is the Nebraska Law Enforcement System; it's NCJIS, which is the Nebraska Criminal Justice Information; Nebraska.gov which is our web hosting service through which we do a number of online transactions pertaining to motor vehicles. And then as you go across the page you see that we share data with a number of individuals and processes, mostly which we use, and then interfaces with other agencies outside of the DMV. Most of that is used for parking citations and those kinds of things. So how did VTR come into be? During the late 1980s and early '90s, VTR application was developed to mirror the business processes performed by the county clerks who did title issuance; the county assessors who did vehicle valuation and taxation; and the county treasurer who did the vehicle registration and tax collection. I think as my staff has talked with me about how VTR came into existence is really there was a group of individuals who came together to say there's got to be a better way to do this. The workload is just becoming too large. In the early '90s there were probably

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about 1.5 million vehicles in Nebraska. All of those titles would have been issued with a typewriter; registrations would have been issued with a typewriter; tax collection would have been outside of any kind of accounting package that would be automated, maybe some of the larger counties may have had something, but the smaller counties certainly had...didn't have that kind of thing. So a group of individuals came together to say we need to put this together into a system. And ultimately there was a group who was created called the Intergovernmental Data...I'm going to miss all the names, but it was really kind of one of the first technology groups put together in Nebraska, focused on DMV processes. Originally the system was built, as I said, there were three separate entities involved in motor vehicle registration and titling: clerk, assessor, treasurer. So the system was really envisioned as building three separate business processes and that's how it was built. There was a team who built the assessor piece; a team who built the clerk piece; and a team who built the treasurer's piece. Ultimately when that was all done it was linked together. So you have three separate silos. Over the years those silos have gone away through legislative changes. In the late '90s the state moved from a mill levy, property tax assessment on vehicles into the ad valorem or MSRP taxing of vehicles and so the assessors were taken out of the piece and that piece was put into VTR, reprogrammed in VTR. Last year we took the clerks out of the process by adopting the one-stop titling and registration. So now, with the exception of Sarpy County, every county does a one-stop process; the treasurer does both the title issuance and the collection of all fees and taxes and Sarpy County will be moving to that process in November of this year. So by January of next year all counties will be doing that. So how does VTR work? VTR really resides in a distributed processing network. The network consists of physical communications networks which ties more than 97 midrange computers, really, which are a variation of an IBM AS400 which acts as a server and the state mainframe together as a single system. This network concept allowed each county to maintain its own data, processing power, and consolidated a portion of each of the county's information into the state mainframe. So, in other words, what happens on a real-time basis is when a title and registration is issued in, let's say Webster County, that information, the titling information and the registration information

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comes in real-time data up to the state mainframe where it sits. The mainframe really is, if you think about it, a large filing cabinet where we house all the information pertaining to all the vehicles excluding the taxing data. And I'll talk about that a little bit later. Since the implementation in 1992, the DMV has modified VTR to accommodate 49 initiatives of varying significance and complexity that have dramatically influenced the business process performed by county officials. And you can see those projects listed under Tab 2 and we have categorized those both...in three separate categories: an extensive project, significant project, or a moderate project. And we started tracking those in 1995. The system, I believe, completed its statewide implementation in 1994 with Douglas County being the last county to come on. It was rolled out over the state. So you can see right a way we started enhancing the system. And, as you see, every year since then we have done something to VTR. So despite the modification, the VTR application continues to utilize old application code and architecture to issue titles, register vehicle, and collect taxes. Limitations within the architecture have restricted the DMV's ability to modernize the application as process has changed. Embedded within the VTR application is redundant code and processes that if removed present a very significant risk to the stability of the overall application. When I asked my staff what does that mean in English, they say to me, think of a plate of spaghetti--a very large plate of very long pieces of spaghetti all mixed together and mingled together. And when you start cutting one or pulling one, it affects the whole other...a lot of other pieces of spaghetti. That is really how they tell me the code sits within our VTR System. Our challenge is, we have one programmer within VTR right now, within the DMV whose full-time job it is is to, for lack of a better word, really baby-sit VTR. He does programming within VTR; he is responsible for helping a county if a county has an issue; he's our go-to guy if there's some record that appears to be strange or if taxing data is not coming across correctly, he's the person who goes into the system and tries to figure out what it's doing, why it's doing it and get the information correct. Really on a daily basis he's in there doing something. Currently, he is in VTR working our electronic lien and titling project, a big project as well, that we will have done this fall. So each year since its development, legislative changes have required additional ties and bridges between the

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original silos. These continued modifications through the functionality of the VTR application add additional risk and stability to the application. VTR is programmed in COBOL language. And while COBOL is still a widely-used language, fewer and fewer colleges are teaching COBOL. My understanding is that there are hundreds of millions of lines of code, of COBOL code. The problem is that as the number of programmers with COBOL training continues to decrease each year, we're challenged in finding individuals who can really work within our system because it just is becoming, kind of, a language that is not taught by schools anymore. The VTR updates the vehicle and titling registration information to our mainframe computer, as I said, really on a daily basis, titling information, registration information is coming up to us, but taxing information is not. One of the larger tabs that you have is pieces of information, under Tab 3 in your book, and it is a very large spreadsheet. It's really four pages of spreadsheet that show you every tax and fee that is collected and accounted for within the VTR System in all 93 counties across the state. So you really get a breakdown and a feel for the number of business processes really incorporated into VTR. The first across the line is we have all the boat fees and sales tax fees associated with boat. We have then all of the registration fees. We have grain permits and it kind of gives you an idea, as well, as to where that money ultimately is distributed using VTR as kind of the distributive method for doing that. Ultimately, you see the total at the very bottom of the last page of really just over \$501 million in total fees and taxes collected. And this would be the 1999 data. That's illustrative of the fees and taxes, but it also is illustrative of a problem with VTR. This report takes over a month for us to put together, primarily because that taxing data does sit out in the counties, resides on each county's AS400. Our programmer has to go on and log into each county's AS400 and pull taxing data from that system. Ultimately then we have to take that data and manipulate it into our own spreadsheets. One of the challenges that we have is at the county level that motor vehicle tax is distributed to over 1600 different taxing entities. So it's a lot of data for us to manipulate into a usable spreadsheet and I'm not even sure that's really usable. The size of that spreadsheet is kind of overwhelming. So we look at VTR being a system that is 25, 20 years old, depending upon when you put the start date into a system. That's a lot of years in terms

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of technology. It is a really, still, a system...even though we now use PCs to run the system, it's still what you would call a green screen system. It's not the kind of system that you use like if any of you do Turbo Tax or anything like that on-line kinds of systems. It's very...it's a methodical kind of system where you move from field to field to field and it just...it is really older type of technology. Not that it doesn't...it's still working. That is not an issue. The system is not broken. The issue with the system is, is that it is becoming more and more unstable. And there are anomalies that occur within the system that require manual intervention by our programmer. And as we continue to add more functionality and more enhancements to the system, we run a risk that one of these days one of those is going to cause a meltdown. Knock on wood that hasn't happened. We're about to go live with our Electronic Lien and Titling System. We will test that system extensively before we put it out there so we will know if there's some bugs, but nonetheless, you never know what's going to be the tipping point. When you talk about a VTR replacement, it is truly a multiyear project. It is, what I would term to be an enterprise system for the state of Nebraska. It goes throughout the state; there are statewide implications. I believe in my conversations with the Office of CIO that we would most likely involve the Nebraska Information Technology Commission or the NITC in their technology review project. I don't know exactly how long that project takes, but I'm guessing probably six months. Once the project would be approved as a major technology project for the state, we'd be looking at drafting the specifications for a new system that ultimately would become a request for a proposal or an RFP that would be put out in the street for vendors to respond to. I anticipate that the specifications for a system of this size and RFP would probably take two years for us to write. The DMV would be involved in that; there would be county involvement and no doubt there would dealer involvement and all kinds of stakeholders who would want to have some seat at the table to talk about how they use VTR and how they use the data coming out of VTR. Particularly one of the things that's most troubling with the current VTR really is the reporting mechanism and how long it takes to get reports out of the system. I think there are a lot of people who would prefer us to have a newer system where you could get reports in a much more timely fashion. So you have 2 years to write an RFP and then

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you put that RFP out on the street, about 6 months to review to put all the things together to get a vendor on-board, and probably from 18 months to 2 years to implement a new system. So we're looking at anywhere from a three and a half to a four and a half year project overall for a new VTR system. But there certainly are opportunities for us to enhance our business practices with a new system. When you look at what's going in other jurisdictions who are replacing their motor vehicle systems, you'll see that the investment in a new VTR would be a sizeable investment. I think that...I give you a couple of examples in the handout. Iowa spent about \$20 million replacing its motor vehicle system. Montana is building a system, it looks like their price tag is somewhere around \$28 million to \$29 million. And Missouri recently announced a \$50 million overhaul to its vehicle and driver systems. That's really two systems together. So it is tens of millions of dollars, but there is an opportunity to enhance our existing business processes that hopefully could help us increase some revenues and incorporate some stand-alone interfaces we currently have and improve customer service. On page 6 of your handout, I list some of the things that I think would be predominant things we would want to look at; things like incorporating the in-transit process into VTR. Currently, in-transits and all vehicles that are within their 30-day period just after purchase, sit outside of VTR. There really is no tracking mechanism for that vehicle. If we were to have a new VTR in which we could incorporate that in-transit process, we'd look at something like maybe a dealer issuing the in-transit at the dealership. That information being uploaded into a VTR system, it would be there from the first day the vehicle is purchased or sold, however you want to look at it. We then could track that vehicle once it's reached its 30-day limit. If it hasn't come in to be titled, for sales tax to be paid, to be registered, we would certainly notify the owner. We know you had this vehicle, you've had it beyond the statutory limitations, now you need to get in here. We can't do any of those kinds of things. The other benefit would be that that vehicle would be inside VTR's database for access by law enforcement. And law enforcement would have some idea about who owns that vehicle. Right now you can see two different types of vehicles going down the road; one with an in-transit issued by a dealership, or if you're purchasing a vehicle in a private sale, you're really not

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supposed to use an in-transit. You see from time to time people with homemade in-transit in there, but that's really not allowed under the statute. You simply shouldn't be driving that vehicle without a plate or without anything which I think from time to time could be concerning to law enforcement in approaching that kind of an individual vehicle. You're supposed to keep your ownership documents with you. But so that, I think, could be a huge enhancement to the system. We could look at things like providing for electronic Form-6 which is the sales tax form used by the state of Nebraska; that information coming electronically from a dealership rather than flowing in a paper form to the county. We could even talk about mandatory electronic titling in Nebraska, quite frankly. There are some jurisdictions that are moving that direction, Florida being one of them where they simply don't issue paper titles anymore. The information stays within VTR...within their VTR and there's a process for selling that vehicle. There's all kinds of enhancements you could talk about, as well as taking some of our interfaces that we have sitting outside VTR that are automated processes that we've developed over the years, but that in reality would be very well placed within VTR: the uploading of the tax data, as I've talked about; the specialty plate management system which sits outside VTR; our license plate management system; the insurance data base; our handicap permitting system; and the National Motor Vehicle Titling Information System, which is a new system we're using as of January of this year. So there's really no end to the types of business enhancements you could put into place. I think I've also mentioned the opportunity for increased revenue. You may recall, I think it was about 2007 when the DMV, the State Patrol, and the Department of Revenue did a project where we tried to ensure a higher level of motor vehicle registration compliance with those individuals who appeared to have purchased vehicles and license those either in Iowa or South Dakota. That was a very big and time-consuming project. I think ultimately we ended up with about \$1.9 million in additional revenue collected just from that one project. That really comes...the types of things that I talked about, the in-transit piece in VTR, I think can help enhance those revenues, get people into the system in a more timely manner. I think the other piece of the puzzle is, how often people are not registering their vehicles in a timely manner. You have, essentially, one month's grace

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period to register your vehicle. Recently the city of Omaha instituted a late penalty on its wheel tax, that if you were late, I think they give you a 6-day grace period, 6 days after the 30 days, if you were late on the sixth day, you come into register your vehicle, they're going to charge you an additional \$25 late fee for late payment of wheel tax. They instituted that tax in May. Since May they have collected \$715,000 in \$25 late tax penalties. That is a lot of late payment of registrations, a lot of revenue that is not being deposited into state and local coffers in a timely manner. So, there's really... [LR516]

SENATOR FISCHER: Could I interrupt you, could I interrupt you there, is that \$25 a day or \$25 total? [LR516]

BEVERLY NETH: \$25 total. There's a lot of vehicles. Granted, Douglas County has the most vehicles; they have 428,000 vehicles in Douglas County. But that's a fairly high percentage of those people who are paying their registration late. So, I think there will be value in the replacement of VTR. And I think I've hit on this that the stated goal of any VTR or new VTR should not be merely replacement, that if we're looking at spending tens of millions of dollars, we should have an emphasis placed on reviewing our existing statutory constraints and our deeply entrenched business practices to identify those items that if modified could maximize the technology and create efficiency and saving for Nebraska. Now I've said all this and I know that, you know, I've spent the better part of this year putting together biennium budget and know what the budgetary challenges are that are facing the state of Nebraska. As much as I believe that we could benefit from a new VTR, I'm not sure that the timing is right for us to go forward with a new VTR at this time even given the scope of the project. I'm not sure and certainly that's a question for the policymakers. When is it time to move forward? Is the time now given our budget issues? It is a multiyear project and, as I said, we do have a system that's certainly not broken at this point, but it could be better and the question is, when do you start and how do you pay for such a system? So with that, Senator, I do want to point out that the tabs 4, 5, 6, 7 have a lot of statistical information in it. Kind of gives the committee an idea of the kind of workload that VTR carries. I thought you might be

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interested in the number of plates we issue and the types of plates we issue. I think we issue either 38 or 39 different types of plates. I have a sample of each one of those in the back. The only one that's currently not in there is the Gold Star plate. This hasn't quite been updated yet. So, with that, Senator, I'll be happy to answer any questions that the committee might have. [LR516]

SENATOR FISCHER: Thank you, Director Neth. Are there questions? Senator Campbell. [LR516]

SENATOR CAMPBELL: Thank you, Senator Fischer. Director Neth, you talked about Douglas County collecting the late fees. Any other counties looking at that? [LR516]

BEVERLY NETH: Not to my knowledge. I really haven't heard any rumblings whether Lancaster County...there are only, I believe, five cities and counties that collect a wheel tax within the VTR process, Douglas County, Lancaster County, Adams County, Arlington and Farnam, I think, are the other two that collect some type of wheel tax. But it's not a small number. I think Douglas County collects nearly \$15 million in wheel tax. I believe that their city just decided to raise their wheel tax recently and I think Lancaster County collects some \$10 million wheel tax through the state VTR system. [LR516]

SENATOR CAMPBELL: So in other words that enabling for the late fee is because it's a local wheel tax. [LR516]

BEVERLY NETH: That's right. [LR516]

SENATOR FISCHER: Does the state receive a percentage? Since we are collecting their wheel tax and their late fees, do we collect their wheel tax, first of all? Does that run through, just the late... [LR516]

BEVERLY NETH: No, we do collect the wheel tax. We don't collect the late fee through

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VTR. We were approached by the city of Omaha to incorporate that into VTR and we advised them that that was not an easy incorporation, a late fee kind of field, into VTR that it would take a considerable sum in programming and would require us to reconsider our priorities at which point I was not willing to reconsider those priorities because one of those priorities is Electronic Lien and Titling, as well as organizational plates that are coming online, the programming necessary for the organizational plates that will be out. [LR516]

SENATOR FISCHER: But for those five jurisdictions, the state is performing a service and not collecting anything, is that correct? [LR516]

BEVERLY NETH: That is correct. [LR516]

SENATOR FISCHER: Kind of like the county assessor duties that the state did before we changed that last year for a few counties in the state and no other counties. [LR516]

BEVERLY NETH: I think that's probably a correct statement. [LR516]

SENATOR FISCHER: Okay. Thank you. Did you want to...did you have other questions, Senator Campbell? [LR516]

SENATOR CAMPBELL: No, thank you. [LR516]

SENATOR FISCHER: Okay. Senator Stuthman. [LR516]

SENATOR STUTHMAN: Thank you, Senator Fischer. Director Neth, you weren't here at the beginning of the other resolution that we discussed and could you give me some information as far as dealer plates; how they're supposed to be used; what are the regulations as far as dealer plates? We had that in the discussion of the boat licensing. [LR516]

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BEVERLY NETH: Yeah, dealer plates and I didn't exactly bone-up on that process...
[LR516]

SENATOR STUTHMAN: That's okay. [LR516]

BEVERLY NETH: ...but I'll give you my answer as I understand it to be. Dealer plates are issued, of course, to licensed motor vehicle dealers and they're issued in conjunction with the motor vehicle dealer...Motor Vehicle Industry Licensing Board. We really look at, kind of, the sales associated with particular dealership and what's the need, how many plates does that dealership need in order to conduct its business to allow for test drives or whatever the purpose for which dealer plates are to be used. I did hear the comment about dealers driving on dealer plates. That is prohibited by statute. There are a number of dealers who use a dealer tax-paid dealer plate that show that they paid the appropriate taxes associated with that vehicle and there's a sticker that goes on that dealer plate so they do think they're not required to pay sales tax because it's still in its...but they can...they pay the registration fees associated with it. But it is based upon the sales and volume of sales. And from time to time we take plates away from dealers or we take some plates or all the plates away from a dealership if we're told they're abusing those or if they're not selling as many vehicles as they may have once been. So it is monitored and it is regulated in conjunction with the dealer board. [LR516]

SENATOR STUTHMAN: Because I have personally noticed and seen where a dealer will put a dealer plate on his personal vehicle. I mean, he uses that vehicle for...throughout the year and that plate stays on that vehicle. It's their...they sell very few vehicles, but they just utilize a dealer plate. [LR516]

BEVERLY NETH: Yeah, I think...I would not say it's not happening. I hope it's happening not very often. But like any other time when a citizen understands someone

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may or may not be breaking a law, there's a way to alert the authorities to that. Anyone who thinks that's happening should either contact the Dealer Board because the Dealer Board does have investigators or the DMV; we have fraud investigators, or the State Patrol to do an investigation as to whether or not that dealer plate is being used appropriately. [LR516]

SENATOR STUTHMAN: But you stated that there is a sticker put on there if they paid a tax and also they can utilize it then. [LR516]

BEVERLY NETH: Yes. Yes, there is a sticker that goes on the plate that says "dealer tax paid" so that you know that is a dealer vehicle owned by the dealership, but they are using it for personal use, but have paid the appropriate taxes associated with that personal use. [LR516]

SENATOR STUTHMAN: But the sales tax isn't paid on it. [LR516]

BEVERLY NETH: No, I think not because the sales tax would be collected at the time; they haven't purchased it from the dealership. It is still dealership inventory. The sales tax would be paid at the time that that vehicle is ultimately sold to a consumer. [LR516]

SENATOR STUTHMAN: Thank you. [LR516]

BEVERLY NETH: Um-hum. [LR516]

SENATOR FISCHER: Other questions? Senator Hadley. [LR516]

SENATOR HADLEY: Senator Fisher. Director Neth, thank you for coming. You said that a few states have undergone this and you gave us some costs, do you know how they funded...the other states, how they funded their particular upgrades? [LR516]

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BEVERLY NETH: Senator, it is really all over the board. In my communications with some of my counterparts across the country, the Nebraska DMV, I think, is in what I think is an enviable position from many other jurisdictions in that we're a cash-funded agency. So we rely upon many of the fees and taxes that we collect to help us maintain our operations. Other states rely upon General Fund revenue. Iowa, the Department of Motor Vehicles is a part of the DOT and so they use some of their highway funds to fund their DOT...their department of motor vehicles and they use the highway funds to replace systems. Missouri is an entity of the Department of Revenue so they use some revenue funds to do those kinds of things. It really is all over the board. In recent conversations I had with a number of vendors; I was at a...just at our annual conference, and I spoke to some of the vendors there about how are states paying for it. More and more it seems as though states are going to a transactional fee, much like we do in our driver's licensing arena where we pay our vendor a set amount for each document we produce out of this system. Before states usually just paid the vendor a large sum; here's the new system, it's yours now. Now those vendors of motor vehicle systems are looking at a contract-based kind of the same way driver licensing contracts have historically been based on a transactional fee--so much for a title issuance and so much for a lien notation, so much for a motor vehicle registration. What those numbers are, I'm sure are different in every jurisdiction as well. But that is one way that vendors are now looking at trying to, I think, accommodate some of the budgetary challenges that states are seeing. But that fee, ultimately, will be passed along to the consumer. [LR516]

SENATOR HADLEY: I guess the only comment I would have is that I know from experience in other governmental units such as that, if it's going to be a four-year or five-year type of process, it's sure a lot easier to collect a little each of four or five years than it is to wait for one year and put a fairly large fee on so, you know, if we do some good planning and have a good planning horizon, we could minimize the impact per year. If it's \$10 per plate and you do it over four years, it's \$2.50 which may be much more saleable to the general public than a one-time \$10 fee or something like that.

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[LR516]

BEVERLY NETH: We certainly have a number of vehicles within the system with 2.2 million vehicles, you can generate a lot of money with even 50 cents. So it's a question of, if there would be a fee that would be passed on to the consumers that would be for the Legislature to determine, and determine when you'd start that and how you would preserve that for use when the system...when the bill comes due for the system.

[LR516]

SENATOR FISCHER: Other questions? I see none. Thank you very much, Director.

[LR516]

BEVERLY NETH: Thank you. [LR516]

SENATOR FISCHER: Next testifier, please. Good afternoon. [LR516]

LARRY DIX: Good afternoon. Good afternoon, Senator Fischer and members of the committee. My name is Larry Dix, L-a-r-r-y, last name is Dix, D-i-x. I'm so used to saying, and appearing here in such and such a position, but certainly not today. [LR516]

SENATOR FISCHER: I notice you have a purple folder. [LR516]

LARRY DIX: I do. [LR516]

SENATOR FISCHER: Are you going to continue on with... [LR516]

LARRY DIX: I'm just...yeah...Director Neth said just... [LR516]

SENATOR FISCHER: I'm sorry, Mr. Dix. [LR516]

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LARRY DIX: ...just fill in the blank spots and so, no. One of the things that may be unique, certainly when I look around the room, probably, I know Director Neth referred to, I think, on one of these pages about COBOL being old and I would tell you back in the years I was a programmer who programmed in COBOL. I forgot everything I've known about COBOL. But to fill in a little bit of the blanks, I was one of the people that were around when the LB814 was passed and when the VTR System was actually implemented. And Director Neth is right, it used to be that all these motor vehicle registrations were typed. And I would say that was in the '70s. In the '80s it was surprising there were a number of counties that actually had a VTR System, they had their own system, so to speak. There were a number of vendors out there that had vehicle titling and registering systems. And in the early '90s when this...everything started getting to talk about VTR and when the VTR System, as we know it today, was developed, certainly I sat on the committee that Director Neth was talking about. It was referred to as NIDCAC and I, too, can't remember all the acronyms but it was the NIDCAC Committee. And there were a number of county clerks, county treasurers, county assessors, county officials on that committee. When the programming actually started on the current VTR System, some of the programmers that were on the NACO staff actually assisted in that programming of that computer system. And fortunately some of those programmers are still around. But that's sort of, you know, taking you back a little bit to the history of where that came about where it states in here it was written by contract labors, I think we were one of the contractors. I know that Douglas County participated and I even think some of the programmers from Sarpy County were contracted to do that labor. So it was a pooling of resources at that point in time at the state level and the county level. So there was a lot of expertise from a programming point of view because a number of these programmers had already written the application for some of their specific counties. So there was a tremendous pool of resources that was there. I certainly would agree with the statement about we're finding fewer and fewer COBOL programmers. That language is just simply not taught anymore. From our point of view, we have COBOL programs running in a number of counties, but again, when we hire programmers it's...you just don't find those; those

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folks aren't there. One of the statements I would like to get on record is certainly if we move forward with the VTR I would tell you, I want to make sure everyone is aware that NACO is here to participate in that process. We want to make sure that we have involvement. We want to, at this point in time it would probably just be treasurers looking at it, because as Director Neth said, we no longer have that process in the clerk or the assessor's office. Certainly, you know, from a viewpoint of knowing sort of how the old system was designed, I personally would make myself available to help however that we want to look forward. One of the things I think we...one of the hurdles we have to overcome though is how do we pay for it? The idea of starting now and putting a small fee into a fund I think is probably knowledgeable because this is a great system. It's ran for 15 years. But I don't think we can sit here and think it's going to run for another 15. So we've got to start planning now. The other one that sort has intrigued me and, Senator Fischer, I believe I sent you a copy of an article, maybe I did and maybe I didn't, but it talks about this penalty for late...folks that are registering their vehicles late. And I know in Nebraska the only way to do that is on ones that have wheel tax. But it really is a change of the law to change it, to make it that for everyone across the state. And that could be a great way to pool...to start a pool or start a funding source for those of us who do not pay our registrations on time. The state of Colorado has done that. It's phenomenal the amount of money that has gone into the fund in the state of Colorado. So I would challenge you to look at some other states, because I think that is a funding source that...if you're paying on time, you're not paying for it. But it is a funding source we don't have now that could be allocated, that could go into a fund that could start allocating some money to be able to pay for this if and when it comes down the road. So, just a couple of ideas there. Certainly happy to answer any questions. I know nobody wants to talk about the old system; we're looking for the new system. But I would be happy to answer anything anybody would have. [LR516]

SENATOR FISCHER: Thank you, Mr. Dix. Are there questions? I see none. Thank you very much. Anyone else wishing to testify on this resolution? Anybody else? I see none, so with that I will close the hearing on LR516 and that closes the hearings for the day.

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Thank you all for coming. [LR516]