



Consolidation Study for Motor Carrier Services

FINAL REPORT

April 17, 2013

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EXECUTIVE SUMMARY

This study aims to facilitate the consolidation of motor carrier services and the enforcement of the laws which assist in the final implementation of functions by the state in order to achieve core Commercial Vehicle Information Systems and Networks (CVISN) compliance. The West Virginia State Legislature found that it is very cumbersome and onerous for motor carrier business entities to obtain the necessary permits, licenses and file the necessary returns, reports and other documents through numerous state agencies, whose offices are scattered both geographically and administratively throughout state government. The lack of centralization of these various state agencies also results in the redundancy of information provided by motor carrier entities to those agencies. The Legislature finds the lack of centralization of these government functions does not encourage the growth and success of this industry in the State.

As a result, the West Virginia Legislature passed House Bill No. 4103 during the 2012 Regular Session, which designated the West Virginia Division of Motor Vehicles (DMV) as the lead agency to develop a plan for the consolidation of motor carrier regulation and taxation responsibilities in the State of West Virginia. The Legislature also found that it would be more cost effective and efficient to all the state agencies and the motor carrier industry to provide these services through consolidated facilities, licensing and permitting processes and electronic information and communication technologies. The legislation also notes the suitability of the DMV because of its role as the lead agency of the West Virginia CVISN project and other interagency motor carrier-related projects. The agents conducting this study have examined the state agencies, divisions, and departments responsible for the delivery of government services and the enforcement of laws pertaining to the commercial vehicle or motor carrier industry, and have provided a report detailing the best options available for consolidation as mandated by H.B. 4103 (2012).

DIVISION OF MOTOR VEHICLES

Under the current organizational structure, the Vehicle Services Section is the desired organizational location for most of the services the DMV would house should the functions be

transferred into the agency. Those transitioned programs are listed below, with the current host agency in parentheses:

- Uniform Carrier Registration – Public Service Commission (PSC)
- Oversize-Overweight Permitting – Division of Highways (Highways)
- Solid Waste Disposal – Public Service Commission (PSC)
- Hazardous Materials Registration – Public Service Commission (PSC)
- International Fuel Tax Agreement (IFTA) Tax – Tax Department (Tax)
- IFTA Audit – Tax Department (Tax)
- International Registration Plan (IRP) Audit (Tax)
- Operating Authority and other applicable assessments – Public Service Commission (PSC)
- Insurance Fees – Public Service Commission (PSC)
- Extended Weight Permits – Public Service Commission (PSC)
- Dyed Fuel – Tax Department (Tax)
- Commercial Vehicle Enforcement – Public Service Commission (PSC)
- Coal Resource Transportation System – Public Service Commission (PSC)

Consolidating employees from various agencies can create a multitude of difficulties. Employees currently working in other agencies are generally uncomfortable with the idea of consolidation and concerned about their own careers and future in state government. As a result, there will be some resistance to a major reorganization. There are issues with personnel compensation as well. Further, there are legacies of previous reorganization efforts that must be addressed in terms of funding mechanisms and pay differentials. Although all agencies are governed by the pay grades set by the Division of Personnel, these pay grades provide a range of appropriate compensation, not a finite amount. For example, a pay grade 7 (or PG-7) has a minimum salary of \$20,472, a “market rate” of \$33,372, and a maximum rate of \$37,884. Some agencies will be on the lower end of these ranges, and others on the higher end. Some agencies have been allowed to create higher pay grades for positions which are essentially equivalent to positions at lower pay grades in other agencies. DMV Commissioner Joe Miller has reiterated that he wishes to keep every affected employee and his or her current salary should services be transitioned to his agency or any other consolidated organization; however, position reclassification may potentially impact pay grade status, as there is overlap between pay grades. This may impact an employee’s future salary by placing them closer to the maximum allowable under a lower pay grade.

Another component of difficulty with regard to consolidation is the cost of migrating employees to new spaces. The DMV estimates each new employee will need a 6x6 workspace (on average) and about \$1,500 worth of office equipment (desk, chair, computer, and phone). The DMV, which currently leases about 72,000 square feet in the Kanawha Mall in Charleston, may option another 5,000 square feet in the storefront properties next to the IRP/IFTA office. The proprietor of this property has increased his offering price for the remaining space, which should be factored into the overall cost estimate.

Information technology (IT) presents formidable challenges as well, as the DMV will have to incorporate information systems and processes from other agencies about which they know very little. There are also legal restrictions, particularly federal and state privacy laws and regulations, which prevent tax agencies from sharing tax information with other government agencies. For example, the electronic GenTax[®] system maintained by the State Tax Department tracks several types of tax information – not just taxes owed by motor carriers. These separate tax categories are not firewalled by the GenTax[®] system. As a result, the Tax Department cannot easily grant access to outside agencies, as personal income tax, business tax (for non-motor carrier enterprises), excise taxes, etc. cannot be shared with the DMV. Finding a workaround to this solution could be very difficult. DMV officials have suggested retrofitting the old Affiliated Computer Services (ACS) system used prior to GenTax[®] implementation to share tax data between the State Tax Department and DMV. Such an undertaking would require more investigation. More generally, combining components of the IT systems would require consultation with IT experts in all four agencies, additional space in order to move and store equipment, a new system architecture and implementation plan, and ample funding to ensure the project is complete so that consolidated service to motor carriers throughout the state can be delivered in the spirit of the H.B. 4103.

Additional employees may be needed for administrative and technical support. These administrative assistants and information technology specialists represent an additional cost to the state, but are necessary in order to provide the DMV with the functionality and capacity to handle all of the programs it would oversee. The IT requirements would be significantly enhanced. Given that most IT employees in other agencies have multiple duties, it would be

difficult to relocate them to the DMV without hampering or disrupting unrelated operations in those agencies.

OTHER AGENCIES

There are additional consolidation challenges related to each of the other agencies responsible for administering other motor carrier programs:

- Tax Privacy Laws (State Tax Department)
- GenTax® Compatibility Issues (State Tax Department)
- Auditing Capacity (State Tax Department)
- Reorganization Costs (State Tax Department)
- Unified Carrier Registration (UCR) Funding Issue (Public Service Commission)
- Weight Enforcement Funding Issue (Public Service Commission)
- Coordination with PSC Officials (Public Service Commission)
- Information Technology Issues (Public Service Commission)
- Superloads Analysis (Highways)
- Concerns of Other Agency Officials (All)

More detailed information about these challenges can be viewed in Chapter 2.

OTHER STATES

Kentucky, Indiana, and Oregon have all undergone a similar consolidation process for motor carrier regulation, taxation and credentialing programs. Each state has taken a somewhat different approach. Kentucky's reorganization was somewhat organic and occurred very gradually over the course of several years and reorganization efforts. Indiana's process was purposive but also gradual, occurring over a period of roughly four years. Oregon's reorganization process was simultaneous. Officials in each state have expressed satisfaction with the reorganization process. Kentucky officials noted the significant benefits realized with cross-training and the Motor Carrier Advisory Committee. Indiana officials saw streamlined workflow processes and increased performance in its various motor carrier programs. Oregon officials experienced improved relations with industry through its own motor carrier council, employment efficiencies (realized largely through attrition) and improved performance through a more synergized and better organized work force.

The State of Maryland realized economic development incentives through the implementation of policies unrelated to motor carrier program consolidation. A variety of tax credits applicable to businesses in particular economic development areas, as well as credits targeting the trucking and warehousing industries, may partially explain the development of distribution centers in the Maryland panhandle.

TRUCKING INDUSTRY

Members of the West Virginia Trucking Association were interviewed and surveyed to assess industry opinion concerning the current system of motor carrier regulation, taxation and credentialing. The motor carrier industry finds the West Virginia state government's handling of such programs to be inefficient, confusing and therefore costly to them.

The West Virginia Trucking Association made several recommendations concerning potential improvements to motor carrier services:

- Provide as many online services as possible
- Provide a centralized customer account management system
- Allow operators to print their own permits
- Provide consistently accepted forms of payment
- Provide all physical services at one location
- Provide a guide that helps owner-operators understand state and federal requirements
- Provide a step-by-step procedural guide for all necessary credentials, permits, tax forms, etc.
- Keep merchant rates and swipe fees as low as possible for electronic forms of payment
- Install kiosks at regional offices for walk-ins

It should be noted the industry representatives were not interested in full-service centers at regional offices. They would prefer resources be maximized toward development of web applications and services. Industry representatives want a more centralized system of electronic account management which allows all eligibility issues and questions to be addressed simultaneously and either online or with the assistance of a single representative. **Essentially, industry representatives want a One Stop Shop setup with better e-government services that allow them to operate more efficiently, with fewer administrative hassles.** Additional information from industry representatives is pending the return of surveys administered at the WVTA's annual convention.

RECOMMENDATIONS

As a result of all documented research assembled for this report, there are several recommendations that will be made to the West Virginia Legislature. These are mostly generalized recommendations, the details of which await further investigation and deliberation on the part of officials at all affected agencies, as well as members of the Legislature and executive branch. Some of these recommendations will require extensive problem-solving and cooperation between all affected parties if they are to be effective. Without such an approach, the reorganization could exacerbate the current challenges of improving motor carrier services for the people of West Virginia and the motor carrier industry.

Agency Consolidation

To achieve more effective administration of motor carrier services in the state, it is recommended that all legal authority, functionality, personnel, equipment, and requisite funding for motor carrier services currently residing in the Public Service Commission, Division of Highways and State Tax Department be moved into the Motor Carrier Services section of the Division of Motor Vehicles. Specifically, this would mean operating authority, hazardous materials registration, solid waste disposal, Unified Carrier Registration (UCR), Commercial Vehicle Enforcement, extended weight permits, and the Coal Resource Transportation System from the Public Service Commission; IFTA tax processing, IFTA audits, IRP audits and dyed fuel from the State Tax Department; and oversize-overweight (OS/OW) permits from the Division of Highways. Excepted from this move would be superload analysis, which would still need to be conducted by the State Highway Engineer.

Consolidation Plan Development

The Division of Motor Vehicles will need additional time to work through many of the logistical issues involved in such a move, and will need to decide upon a strategic plan and vision consistent with its goals and the goals of West Virginia. The State Legislature should give the agency time to develop a plan that will address physical relocation, personnel, information technology implementation, legal issues, funding issues, and any other unforeseen logistical issues that may arise. This plan will need to be quite detailed and contain several components:

Consolidation Timeline

This plan should address the timing and the consolidation process, and whether it should be done incrementally (on an agency-by-agency basis) or simultaneously. This report provides examples of states with both experiences: Indiana's was incremental, while Oregon's was simultaneous. There are benefits and detriments to both processes. Incremental change takes longer but is generally smoother and creates fewer problems along the way. Simultaneous consolidation may take less time but is apt to be more error-prone. Information technology limitations and facilities/personnel planning will ultimately be quite consequential for these decisions.

Federal Statutory and Regulatory Compliance Review

Recommended changes to state laws and regulations will be made in this report, but there are potential issues with federal statutes and regulations, particularly in the area of tax law. The DMV needs to investigate and come to a complete understanding of these issues to ensure tax privacy laws are not violated. Cooperation and coordination with Federal Motor Carrier Safety Administration (FMCSA) to ensure all migrated services comply with motor carrier law and regulation is also recommended.

Addressing Challenges to Consolidation

Further investigation should specify how the DMV intends to address all of the consolidation challenges we have identified, such as funding problems at the scales and the computer systems at the Tax Department. Any further investigation needs to take on all of these issues. In some cases, the assistance of the West Virginia Legislature may be required, particularly in working out funding issues.

Personnel Plan

A comprehensive personnel plan needs to be assembled to address the transition process. The plan needs to specify a process for personnel selection and how the DMV would coordinate this process with other agencies. The plan should include a standardized interview process, and criteria for selection of employees. Additional administrative and information technology staff will probably be required. The plan should specify personnel numbers, projected salary costs,

new office equipment, relocation costs, etc. The report will need to review the pay grade/classification status of each employee and attempt to resolve incongruities wherever possible. This may require new classifications established with the guidance of the Division of Personnel or smoothing of current pay differentials. A new Motor Carrier Services organization chart should be created as well, specifying job titles, administrative roles and any support staff.

Budget Plan

The agency's new budget plan will need to take into account new projected expenditures and identify the appropriate revenue streams to cover costs. Unresolved funding issues resulting from a previous reorganization of commercial vehicle enforcement will have to be addressed. One possible solution would be to allow the DMV to keep a percentage of revenue it brings in from a particular program, such as OS/OW permits, trip permits, UCR, etc. Another would be a statutorily dedicated funding stream. This budget plan will have to be worked out in consultation with the Legislature and the State Budget Office. The budget plan will have to include personnel costs, operating costs, new furniture and equipment (including network equipment), maintenance contracts for IT systems, facilities costs and any other transition costs.

Facilities Plan

A plan for acquiring additional space for offices, cubicles, storage, networking equipment and additional customer waiting/service areas should be included. The additional space at the Kanawha Mall in Charleston, WV for lease would be the ideal location for such offices, but DMV administrators will need to assess all possibilities and enter into the appropriate lease or contractual agreement on the basis of the prepared plan.

Motor Carrier Advisory Committee

It is recommended the Legislature create a Motor Carrier Advisory Committee, which will initially consist of all current motor carrier service agencies, as well as key industry representatives. Officials should consult with the West Virginia Trucking Association (WVTA) and other affected trade groups regarding the creation of this committee. Elected officials should be included as well, with members including the Transportation Secretary, Revenue Secretary, Speaker of the House, and President of the Senate or their designated representatives. Initially, this committee should consist of all four motor carrier agencies to help provide a smooth

transition to a consolidated administrative apparatus. However, once an agency's responsibilities are wound down they would no longer be on the committee. This committee should meet at least quarterly, perhaps monthly throughout the consolidation process.

IT Strategic Plan

A strategic IT plan will be absolutely necessary and will have to answer several key questions. The first component will need to be a plan to achieve CVISN Core Compliance. This process is already well under way, and it appears West Virginia is close to achieving this, but an accounting of the remaining steps is critical. The sooner CVISN Core Compliance is achieved, the more grant money the state can get through FMCSA to fund these technological improvements. IT logistics will need to be issued. In other words, does DMV plan to tackle this by enhancing its own IT personnel or by strengthening its ties with West Virginia, Interactive? Either way, hiring additional IT staff will be necessary, whether they work internally for the DMV, or are contracted to work with the DMV full-time. Who will design the new motor carrier portal, host the system, maintain the system, and integrate all of the modules from DMV and other agencies? How much space will be needed to maintain all the current network equipment, which is housed in various locations, as well as future IT systems? There should be an overall strategic plan with specific timetables. Another consideration should be the order at which existing systems in other agencies should be migrated to the DMV. Will the standalone systems (like UCR, Hazmat, or Bentley) be incorporated first, while the more difficult (in-house PSC and Tax) systems wait until later? How does this all dovetail with the \$5 million modernization project the DMV plans to pursue?

Motor Carrier Portal

The DMV should work with West Virginia Interactive and other partners to develop a motor carrier portal that combines each of the electronic applications created for various motor carrier regulation, credentialing and taxation programs. This portal should include a single sign-on mechanism so that all motor carrier records are kept in a single, easily accessible online location.

Cross-Training Curriculum

The DMV should develop a training program to train both current and new employees how to administer other programs to be consolidated under DMV administration. The process should enable the agency to compensate when regular program administrators are sick, on vacation or leave. The amount of time and effort needed to train the initial wave of employees is likely to be greater than in future situations. The guide should be specific about how best to cross-train, which programs should be included, and how to prioritize training resources. The strategic focus should be finding efficiencies in the work processes that may enable the agency to save money in the future.

Work Flow Issues

There are still some processes that will require coordination with other agencies. For example, business registration with the Secretary of State's office and superload analysis by the engineers in the Division of Highways will require action not under agency jurisdiction. Efforts should be made to sit down with those agencies and devise efficient ways to handle work flow when coordination between those entities is required.

Exploration of State Financing and Tax Incentive Options

Maryland has several programs that provide loans, investments, technology transfers and tax incentives to encourage businesses to locate or grow in the state. In some cases, these programs target specific economic development zones; others are geared toward specific industries, including the trucking and warehousing sectors. DMV officials should evaluate West Virginia's current incentives to see whether any of Maryland's programs, or programs in surrounding states, may be emulated to attract more trucking and warehousing businesses to the state.

Legislation

This report includes components for proposed legislation to consolidate the authority and function for all motor carrier programs in the DMV, potentially identify funding mechanisms for unfunded agency functions, and address any tax statutes which may preclude DMV usage of tax account information. The report includes a basic legislative package, but additional legislation

may be required at a later date as the process develops and in response to previously unforeseen circumstances. Further investigation may unearth other statutes, as well as potential obstacles via federal law. Sections and components of §11-6, §11-14, §17A and §24A of the West Virginia Code have been identified as laws to be amended in order to implement the consolidation process. A full description of changes and draft legislative elements are provided in Chapter 6. H.B. 4103 (2012), the authorizing legislation for this study is provided in Appendix 2.

CHAPTER 1. BACKGROUND

This study was commissioned to facilitate the consolidation of motor carrier services and the enforcement of the laws which implement those services, and to assist with identifying improvements which are crucial to the state's achieving Core Commercial Vehicle Information Systems and Networks (CVISN) compliance. The West Virginia State Legislature found that it is very cumbersome and onerous for motor carrier business entities to obtain the necessary permits, licenses and file the necessary returns, reports and other documents through numerous state agencies, whose offices are scattered both geographically and administratively throughout state government. The lack of centralization of these various state agencies also results in the redundancy of information provided by motor carrier entities to those agencies. The Legislature finds the lack of centralization of these government functions does not encourage the growth and success of the trucking industry in the State. As a result, in 2012 it passed House Bill No. 4103, which designated the West Virginia Division of Motor Vehicles (DMV) as the lead agency to coordinate the consolidation of motor carrier regulation and taxation responsibilities in the State of West Virginia. The Legislature also found that it would be more cost-effective and efficient to all the state agencies and the motor carrier industry to provide these services through consolidated facilities, licensing and permitting processes, and electronic information and communication technologies. The legislation also notes the suitability of the DMV because of its role as the lead agency of the West Virginia CVISN project and other interagency motor carrier-related projects. The agents conducting this study have examined the state agencies, divisions, and departments responsible for the delivery of government services and the enforcement of laws pertaining to the commercial vehicle or motor carrier industry, and have provided this report detailing the best options available for consolidation as mandated by H.B. 4103.

House Bill No. 4103 states:

“The Legislature finds that responsibility for delivery of government services and the enforcement of laws pertaining to the motor carrier industry currently resides in several state agencies, divisions and departments including the Division of Motor Vehicles, Public Service Commission, Division of Highways and, State Tax Department. The Division of Motor Vehicles currently administers numerous provisions of this code relating to the regulation of the motor carrier industry in this state, including chapter seventeen-a of this code, which prescribes the process for titling and registration of all motor vehicles, the provisions for commercial driver licenses set forth in chapter

seventeen-b of this code, and has numerous other responsibilities relating to the motor carrier industry. The Division of Motor Vehicles also has significant interaction with the various federal agencies and other state agencies responsible for the administration of government functions relative to the industry. It further appears to the Legislature that a significant portion of the responsibility, in terms of volume of transactions and its database, routine contact with the industry and assignment of staff pertaining to regulating the motor carrier industry, is currently vested in the Division of Motor Vehicles. Therefore, the Legislature finds that the Division of Motor Vehicles is the appropriate agency to plan the consolidation of the administration and enforcement of the various state laws pertaining to the motor carrier industry. ... Therefore, it is the purpose of this article to facilitate the consolidation of the administration of government services pertaining to the motor carrier industry and to designate the division as the lead agency in planning the consolidation of state government services and enforcement of laws pertaining to the regulation and taxation of the motor carrier industry. ... The division shall consult with these agencies and shall solicit and use any applicable experience and expertise that can be beneficial to the development of the plan of consolidation. ... The Division of Motor Vehicles shall submit to the Joint Committee on Government and Finance on or before December 1, 2012, a report setting forth the plan for the consolidation of state government services and of enforcement of laws pertaining to the regulation and taxation of the motor carrier industry. ... The report shall make recommendations pertaining to changes in laws, administration, personnel and procedure in the provision of government services applicable to the motor carrier industry and shall include drafts of recommended legislation necessary to implement the proposed consolidation.”

West Virginia Interactive has been engaged to provide the state’s data exchange system, or Commercial Vehicle Information Exchange Window (CVIEW), and its primary focus will be to exchange commercial vehicle data among multiple state systems as well as with the Safety and Fitness Electronic Records (SAFER) and Performance and Registration Information Systems Management (PRISM) national systems administered by the FMCSA. This interface will provide a centralized resource for authorized agencies to access safety and other credential status information prior to credentials being issued. After a credential has been issued the data relevant to the credential will be passed to CVIEW from where it will be accessible to all other systems. CVIEW will pass the data to SAFER/PRISM so it can be shared with other jurisdictions. CVIEW also will support PRISM requirements. One update process from CVIEW will provide IRP data to SAFER/PRISM for CVISN and PRISM purposes. West Virginia will coordinate closely with FMCSA technical support to ensure that both CVISN and PRISM requirements are addressed in the development and testing of the State’s CVIEW. The study also made recommendations for improvements to the state’s existing CVISN architecture.

CHAPTER 2. WEST VIRGINIA MOTOR CARRIER AGENCIES

This chapter details the four agencies charged with administration of motor carrier taxation, regulation, and credentialing: Division of Motor Vehicles, State Tax Department, Public Service Commission and Division of Highways. Each agency's function, structure and personnel is described. Budget and personnel numbers are relayed, and information technology systems are described. The challenges of consolidating each particular agency are also denoted.

2.1 Division of Motor Vehicles

Organizational Function, Structure and Personnel

The West Virginia Division of Motor Carriers (DMV) is nested within the state's Department of Transportation. The DMV has various responsibilities, including driver licensing, vehicle licensing and oversight of some motor carrier programs. Pertaining to motor carrier taxation, regulation and administration, the DMV oversees motor vehicle titling and registration, and administers the state's International Registration Plan (IRP) and International Fuel Tax Agreement (IFTA) programs (although the Tax Department handles IFTA tax processing, as well as IRP and IFTA audits).

IRP was created in 1973 by an American Association of Motor Vehicle Administrators (AAMVA) subcommittee consisting of motor vehicle administrators and transportation industry representatives. The primary objective of the committee was to develop a registration plan that would effectively incorporate all of the contiguous American states and Canadian provinces, and specify an apportionment or reciprocity plan agreeable to both the trucking industry and participating jurisdictions. Currently, the 48 contiguous U.S. states, the District of Columbia and ten Canadian provinces comprise the 59 IRP member jurisdictions. More than two million commercial vehicles are registered with IRP – a number that may swell if Mexico decides to join the agreement. In 2010, the IRP generated more than \$1 billion in total revenue across all 59 jurisdictions. New motor carriers are registered with a base jurisdiction, paying all registration fees directly to that jurisdiction. The current plan allows new registrants to submit their own estimated distances for each jurisdiction or to adopt a basic estimate derived by IRP officials. Registration renewals are similar in that registrants declare jurisdictions in which they intend to travel, but the mileage estimates are based on miles logged by the registrant in that particular

jurisdiction in the previous year, unless the renewing registrant has never declared that particular jurisdiction. A registrant may incur fees in excess of the amount charged if registration fees were calculated based on miles logged in the previous year instead of mileage estimates for the forthcoming year. A trucking company may begin operating in a jurisdiction where it is not registered, and in order to legally operate, the company must either add that jurisdiction as a supplemental registration or purchase a trip permit.

IFTA, Inc. is a not-for-profit corporation formed to administer the International Fuel Tax Agreement. The agreement was formed between the continental United States and Canadian provinces in order to provide an equitable system for sharing fuel tax revenues between jurisdictions. The program is similar to IRP in this sense, although the object is to process fuel taxes instead of registration fees. These calculations are made by determining how many miles each motor carrier has logged in each jurisdiction and charging the carrier based on the rate in each jurisdiction. Typically, motor carriers get credits in jurisdictions where they purchase fuel, offsetting some if not all taxes owed to a particular jurisdiction. In some cases, there is even a credit if the estimated fuel purchases exceed the miles logged in the state. These returns are filed quarterly with the West Virginia State Tax Division, which processes the returns and coordinates with other agencies that need information about IFTA taxes. The State Tax Division also audits IRP and IFTA returns. However, the DMV registers IRP and IFTA carriers with West Virginia as the base jurisdiction, and provides the necessary decals and documentation to allow those carriers to legally operate in West Virginia and other jurisdictions. IFTA licenses and decals must be renewed annually, as well as IRP registration, meaning the DMV handles both first-time registrants as well as renewals. Issuance of IFTA licenses and IRP registrations are made pending a screening check to ensure carriers have met all agency requirements for operation.

The DMV issues titles for new vehicles, including all vehicles purchased by motor carriers. The DMV issues plate to intrastate carriers doing business solely in the confines of West Virginia. The Division also issues IFTA decals and IRP plates to interstate motor carriers. West Virginia's CVISN program, which is administered via a partnership with West Virginia Interactive, is also under DMV supervision. The DMV also operates 23 regional offices and a call center. The regional offices do not currently handle the licensing and permitting programs. Those are all exclusively the province of the DMV's central office in Charleston, WV.

Figure 1. DMV - Motor Carrier Services Organization Chart

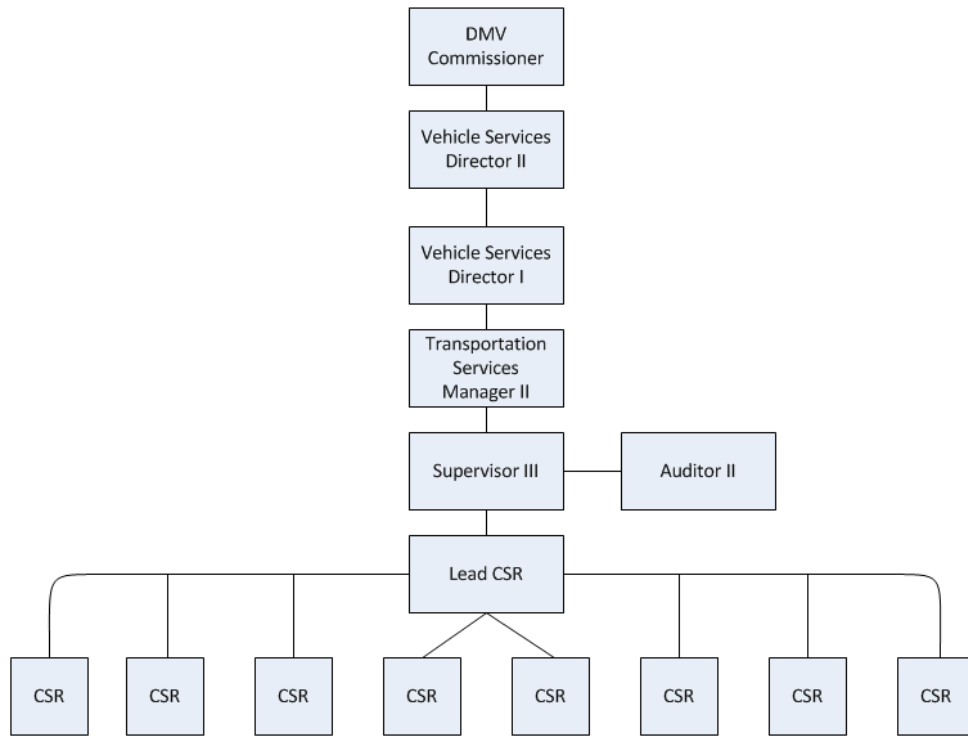


Figure 1 shows the organization of the Motor Carriers Service Section, which administers the IRP and IFTA program. The Commissioner, Director II and Director I positions are administrative positions with other responsibilities than the motor carrier-specific programs managed by this agency. The Transportation Services Manager II is the highest-ranking employee whose primary focus is running the DMV's IRP and IFTA programs. Under this individual is a supervisor, auditor, and eight customer service representatives (or CSRs). CSRs assist customers on the phone or at in-office visits. One of these individuals is the lead CSR, who takes on a leadership role with quasi-supervisory responsibilities.

The West Virginia Division of Personnel provides administration of the state's merit system for executive agencies. Created in 1989 by legislative statute, the division is managed by a Director of Personnel and contains six functional areas: Communications and Administration, Employee Information/Transaction Processing, Classification and Compensation, Employee Relations, Organization and Human Resource Development and Staffing Services. The Division of Personnel released a schedule of salary grades effective February 1, 2009 for pay grades 2-26. The chart specifies monthly and annual rates for each pay grade, with a range moving from a

minimum rate, to a market rate, and finally to a maximum rate.¹ These rates are used to provide structure and continuity in state workers' pay across agencies. The precise cost of a state worker is difficult to assess without detailed personnel information.

Table 1 provides an estimate of personnel costs for DMV employees exclusively assigned to perform tasks associated with IRP and IFTA administration. Currently, labor costs associated with administration of those programs costs the state more than \$421,000. This figure does not include operating costs, maintenance costs, mailing costs or overhead costs. Nor does it include the salaries of administrators at higher levels within the organization, who have responsibilities for other programs and sections. These calculations include salary increment, fees, social security withholding, public employees' insurance agency (PEIA), retirement, and other post-employment benefits (which go toward health care coverage for state retirees). This amount is slightly lower than the estimated market cost of these employees.

The budget for each section in the DMV is prepared in Management Services with the feedback of management in each section. In order to prepare a budgetary supplement, Management Services will need personnel information for all new personnel being integrated into the agency, along with discretionary costs, equipment costs, the costs of moving or gaining access to any information systems necessary for credentialing and tax programs, existing contracts which may have to be maintained, and costs for space. The DMV, which currently leases about 72,000 square feet with the Kanawha Mall, may option another 5,000 square feet in the storefront properties next to the IRP/IFTA office. The purchase of office furniture, computers and other equipment is handled internally and it would be preferable to purchase new equipment rather than transfer equipment from current agencies if possible. Servers or information system architecture may be an exception to this rule.

¹ West Virginia Division of Personnel. 1 February 2009. "Schedule of Salary Grades 2-26." Accessed 23 October 2012 at: <http://www.state.wv.us/admin/personnel/clascomp/payplan/grades2-26.pdf>

Table 1. Salary Costs for IRP/IFTA Section

Cost	Amount
Salary	\$ 284,216.76
Increment	\$ 8,160.00
Fees	\$ 2,530.00
SS	\$ 20,238.72
PEIA	\$ 45,072.00
RETIRE	\$ 39,790.20
OPEB	\$ 21,360.00
Total	\$ 421,367.68

Table 2 shows the overall budget for the DMV. The first column shows the actual budget for FY 2011, the budgeted amount for FY 2012 and the total requested amount for FY 2013. The chart shows that the DMV receives none of its budget from the General Fund. Most funding comes from the Appropriated Special Fund, or Road Fund, followed by federal funding. A small but non-trivial amount of money comes from the Non-Appropriated Special Fund. The totals in the agency budget were projected to rise sharply in FY 2012, but this may be overstated as the actuals are not yet available from the West Virginia State Budget Office. The DMV does not require any General Fund allocation because it collects a large amount of money from vehicle registration, taxes and other programs it administers. However, most revenue is initially deposited into the Road Fund account before being funneled back to the DMV to fund its operations. The Road Fund accounted for nearly 82 percent of funding in FY 2011. Federal funding (such as funding from CVISN, as well as other sources) accounted for about 17 percent of funding, with the balance coming from the Non-Appropriated Special Fund.

Table 2. DMV Budget

Fund Type	Actual FY 2011	Budgeted FY 2012	Requested FY 2013
General Fund	-	-	-
Federal Fund	7,697,736	18,173,534	18,173,534
Appropriated Special Fund	37,129,493	47,320,236	47,320,236
Non-appropriated Special Fund	547,205	548,713	548,713
Totals	\$45,374,434	\$66,042,483	\$66,042,483

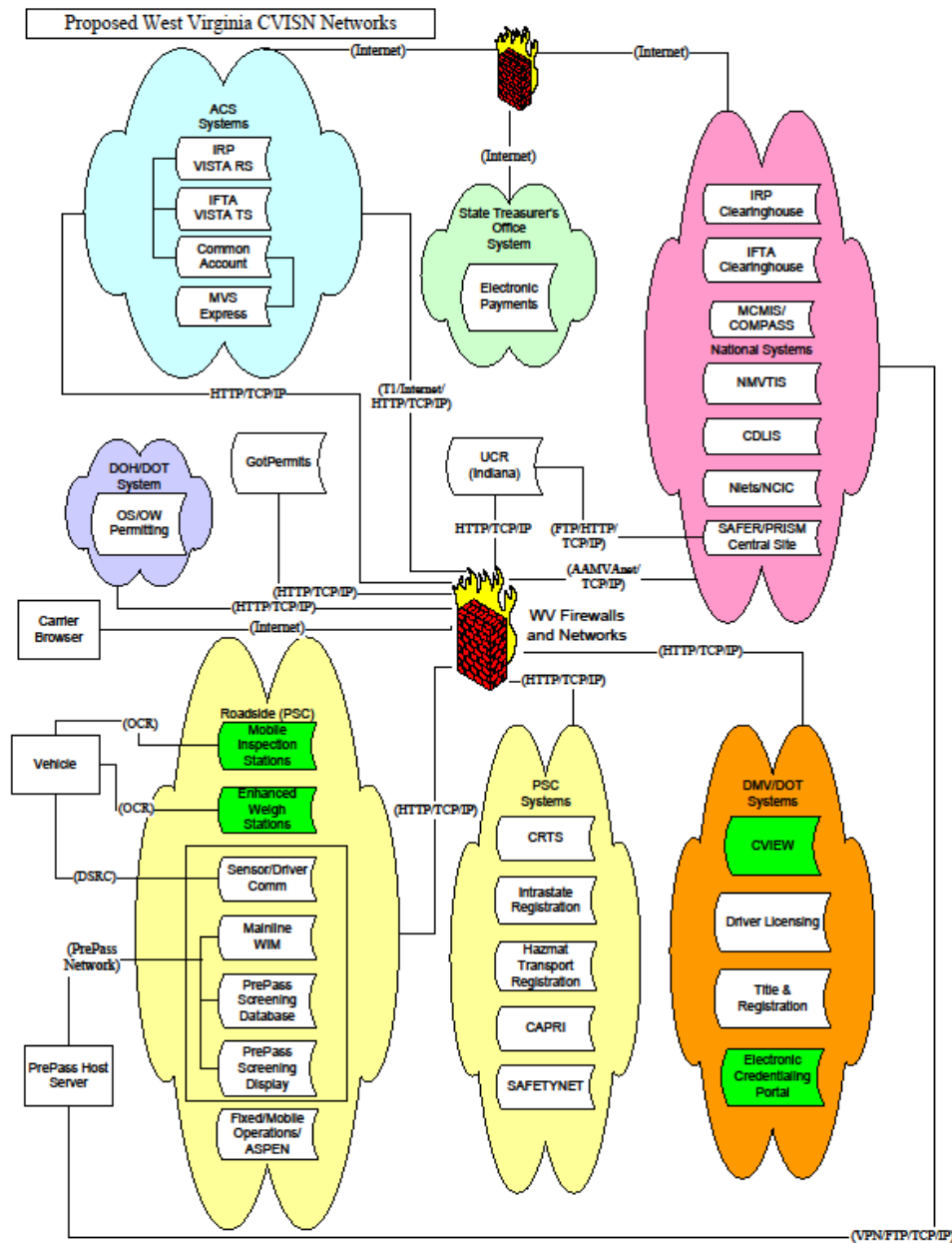
Source: West Virginia State Budget Office

Information Technology

West Virginia Interactive, which is part of NIC, Inc., is responsible for developing the CVISN systems architecture. West Virginia Interactive is contracted with the DMV to develop the system, and Patrick Smith is technically a DMV employee, not a vendor. The DMV intends to engage in division modernization efforts, which include a planned \$5 million modernization project that will integrate online services in a Cloud database with all the information systems written in the same language. The new motor vehicle information system will interface with SAFER and will be accessed via a web portal.

Figure 2 displays West Virginia's proposed CVISN Network Architecture. In West Virginia's current CVISN system, information is exchanged between several information systems residing in the State Tax Division, DMV, PSC, Division of Highways, the State Treasurer's Office, and several federal information systems. Descriptions of the components and system processes can be found in the state's latest CVISN program plan. These exchanges of information between systems will require significant interagency cooperation regardless of how the State Legislature decides to address the consolidation mandate. This process is critical to achieving Core CVISN Compliance, which has already been achieved by 29 states. States with this status are eligible for additional CVISN funding opportunities. CVISN Core-compliant states contribute greatly to the national transportation infrastructure system by sharing information about motor carriers based in their own jurisdiction. This levels the playing field for all motor carriers by enhancing enforcement of vehicle safety regulations, permitting and credentialing laws, and tax payments. The DMV has been given the primary role in developing the CVISN Top-Level Design and system architecture. In addition to the efficiencies and more comprehensive operations which would arise because of consolidation, it would assist West Virginia in the quest for CVISN Core Compliance by reducing the amount of interagency coordination necessary to implement the plans developed by the DMV and West Virginia Interactive.

Figure 2. West Virginia Proposed CVISN Network Architecture



Challenges for Consolidation

The Vehicle Services Section is the desired organizational location for most of the services the DMV wished to have transferred into its agency. Those transitioned programs are listed below, with the current host agency in parentheses:

- Uniform Carrier Registration (PSC)
- Oversize-Overweight Permitting (Highways)
- Solid Waste (PSC)
- Hazardous Materials Registration (PSC)
- IFTA Tax (Tax)
- IFTA Audit (Tax)
- IRP Audit (Tax)
- Operating Authority and related assessments (PSC)
- Insurance Fees (PSC)
- Extended Weight Permits (PSC)
- Dyed Fuel (Tax)
- Commercial Vehicle Enforcement (PSC)
- Coal Resource Transportation System (PSC)

Pay Grades for Personnel

Consolidating employees from various agencies always creates a multitude of difficulties. Employees currently working in other agencies are generally uncomfortable with the idea of consolidation and concerned about their own careers and future in state government. As a result, there will be some resistance to a major reorganization. There are issues with personnel compensation as well. Further, there are legacies of previous reorganization efforts that must be addressed in terms of funding mechanisms and pay differentials. Although all agencies are governed by the pay grades set by the Division of Personnel, these pay grades provide a range of appropriate compensation, and not a finite amount. For example, a pay grade 7 (or PG-7) has a minimum salary of \$20,472, a “market rate” of \$33,372, and a maximum rate of \$37,884. Some agencies will be on the lower end of these ranges, and others on the higher end. Some agencies have been allowed to create higher pay grades for positions which are essentially equivalent to positions at lower pay grades in other agencies. DMV Commissioner Joe Miller has reiterated that he wishes to keep every affected employee and his or her current salary should services be transitioned to his agency or any other consolidated organization; however, position reclassification may potentially impact pay grade status, as there is overlap between pay grades. This may impact an employee’s future salary by placing them closer to the maximum allowable under a lower pay grade.

Personnel Relocation

Another component of difficulty with regard to consolidation is the cost of migrating employees to new spaces. The DMV estimates each new employee will need a 6X6 workspace (on average) and about \$1,500 worth of office equipment (desk, chair, computer, and phone). The DMV, which currently leases about 72,000 square feet in the Kanawha Mall in Charleston, may option another 5,000 square feet in the storefront properties next to the IRP/IFTA office. The proprietor of this property has increased his offering price for the remaining space, which should be factored into the overall cost estimate.

Information Technology

Information technology presents formidable challenges as well, as the DMV will have to incorporate information systems and processes from other agencies about which they know very little. There are also legal restrictions, particularly federal and state privacy laws and regulations, which prevent tax agencies from sharing tax information with other government agencies. For example, the electronic GenTax[®] system maintained by the State Tax Department tracks several types of tax information – not just taxes owed by motor carriers. These separate tax categories are not firewalled by the GenTax[®] system. As a result, the Tax Department cannot easily grant access to outside agencies, as personal income tax, business tax (for non-motor carrier enterprises), excise taxes, etc. cannot be shared with the DMV. Finding a workaround to this solution could be very difficult. DMV officials have suggested retrofitting the old Affiliated Computer Services (ACS) system used prior to GenTax[®] implementation to share tax data between the State Tax Department and DMV. Such an undertaking would require more investigation. More generally, combining components of the IT systems would require consultation with IT experts in all four agencies, additional space in order to move and store equipment, a new system architecture and implementation plan, and ample funding to ensure the project is complete so that consolidated service to motor carriers throughout the state can be delivered in the spirit of the H.B. 4103.

IT Personnel

Additional employees may be needed for administrative and technical support. These administrative assistants and information technology specialists represent an additional cost to

the state, but are necessary in order to provide the DMV with the functionality and capacity to handle all of the programs it would oversee. The IT requirements would be significantly enhanced. Given that most IT employees in other agencies have multiple duties, it would be difficult to relocate them to the DMV without hampering or disrupting unrelated operations in those agencies.

2.2 State Tax Department

Organizational Structure and Function

The West Virginia State Tax Department performs a variety of tax and auditing functions for the state, including those taxes which are applicable to motor carriers. The State Tax Department processes IFTA (International Fuel Tax Agreement) returns, and audits the returns of motor carriers for both IFTA and IRP (International Registration Plan). They also administer the state's dyed fuel program. There are several divisions within the department that have responsibilities for motor carrier taxation and auditing: the Revenue Division, Tax Account Administration Division and the Auditing Division. The Revenue Division has an EFT/Business Registration Unit, which sets up all initial tax accounts for new businesses in the state. Businesses that are motor carriers are then referred to the Tax Account Administration Division. The Tax Account Administration Division has a Motor Carrier Unit which processes the IFTA tax returns. This unit does not issue the licenses and decals – that is handled by the DMV. The Auditing Division handles IFTA, IRP, and motor fuels, which are processed by one of the Business Tax Units in the Division. This unit focuses on Motor Carriers, and also audits fuel suppliers, importers and exporters. The Information Technology Division manages the information systems for the Tax Department, which includes database information pertaining to motor carriers.

The multi-stage registration, taxation and auditing process works as follows: Businesses register with the State Tax Department either electronically or manually. Copies of the application are sent to Unemployment Compensation. A business type is determined (corporation, sole proprietorship, or limited liability company) because certain organizations have to be registered with the Secretary of State's Office before the State Tax Department can actually set up a company. Based on the company's organization type and clearance with the

Secretary's office, the appropriate tax accounts are set up. There is an electronic tax filing system that pushes information to the Secretary of State's Office, State Tax Department and Unemployment Compensation. The order of the workflow depends on the organization type.

If the Secretary of State's office approves the license, the company is free to do business in West Virginia. The State Tax Department also sends a letter to individuals indicating they must obtain an IFTA license, which is obtained from the DMV. Motor carriers have a variety of permitting, credentialing and licensing responsibilities that need to be worked out with the DMV, PSC and in the case of OS/OW permits, Highways. Once the IFTA license is issued by the DMV and confirmed the Tax Department sets up an IFTA account in its GenTax system. The decal information is put into the GenTax[®] system by DMV officials. When the IFTA quarter ends, all active IFTA taxpayers not filing electronically will have automatically generated returns mailed to them by the State Tax Department. The returns are sent out approximately 60 days before they are due. Once the returns are mailed back into the Tax Department, the mail room processes the returns, scans or images them, and enters in the necessary data into the accounting system. The Tax Account Administration Division then processes the returns. The returns are assessed for accuracy by individuals processing the returns. Some errors are systematically identified by the GenTax[®] system and noted in the reports; others are caught by Tax Department officials. If there is a problem with the return, the taxpayer is contacted and asked to verify the information. If taxes are not filed and paid on time, the first notice goes out approximately one month after the due date. Another notice is sent a month later. If the customer still has outstanding taxes, there will be a lien placed against the customer's property. On the other hand, if the customer is due a refund, those are processed, tallied across all types of taxes tracked by the department and reported to the Office of State Treasurer, which writes checks and mails them to the taxpayer. If there is an issue with audits or bankruptcy, the Audits Division or Legal Division will handle most of the taxpayer contact.

Audits are selected in large part based on the quotas established by IFTA and IRP. The agreements require the Tax Department to audit a certain percentage of high-, medium- and low-mileage accounts. Leads on potential audits come from a variety of places; some leads are generated internally, others externally. When a company is selected for an audit, the Audit Division sends out a notification letter, questionnaire, and a waiver (to waive the 30-day waiting

period notice if desired). The carrier has 45 days to respond. Once a response comes back, a case is created and assigned to the IFTA/IRP supervisor. The supervisor assigns this to a field-based auditor. The IRP information comes from DMV, as the Tax Department does not track IRP accounts. IRP information requests are submitted to the DMV; the agency returns requests for information in printed format and mails in to the Tax Department. Auditors are cross-trained to do audits for other excise taxes, with the exception of the cigarette tax. The field auditor then conducts the audit. Additional assessments are finalized and sent to the Tax Department for processing by audit clerks. Audit clerks will assess the audit to make sure all of the information was correctly assigned. Any revisions or changes to the audit will be sent back to the auditor by the audit clerk. Once the audit clerk signs off, the audit supervisor will review it. Once that process is complete, it is assigned to an “administrative review” status, where the assistant director or director will sign off on the audit. Once that it approved, the audits are assigned to billing or refunds in the case of IFTA, and back to the DMV for billing or refunds in the case of IRP. The DMV handles the IRP billing for the audit, even though it was conducted by the Tax Department. Transmittals to other jurisdictions for IFTA are handled by the Tax Department. The transmittal file sent to the IFTA Clearinghouse will reflect changes in audit statuses based on the new information acquired during the audit process. Transmittals from the IFTA Clearinghouse to West Virginia are caught by the GenTax system and the funds transfers are posted in the appropriate Road Fund account.

Figure 3. Tax Account Administration Division

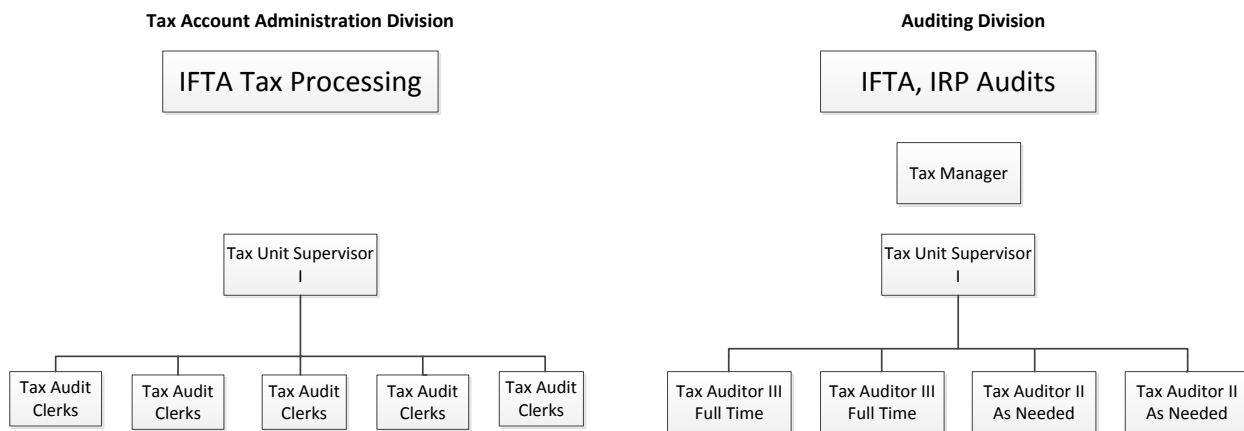


Figure 3 shows the personnel composition of the Tax Account Administration Division and Auditing Division for IFTA tax processing, as well as IFTA and IRP audits. There are five Tax Audit Clerks who process IFTA returns in the Excise Tax Unit, which is managed by a Tax Unit Supervisor. The Tax Unit Supervisor reports to a Tax and Revenue Manager, who oversees other tax units in addition to the Excise Tax Unit. The number of personnel who do IFTA and IRP audits varies. There are two full-time IRP/IFTA auditors, with an additional two to three auditors who generally do excise tax audits, but are cross-trained to do IRP and IFTA audits. The supervisor for this unit is a Tax Unit Supervisor, who also reports to a Tax and Revenue Manager.

Budget

Table 3 displays the budget information for the State Tax Department, which is located in the West Virginia Department of Revenue. The vast majority of Tax Department revenue comes from the state's General Fund, roughly 80 percent. The remainder consists of modest amounts of Appropriated and Non-Appropriated Special Fund allocations (about 4 percent and 16 percent, respectively). The Tax Department receives an administrative fee for processing the IFTA tax returns, and performing the IFTA and IRP audits.

Table 3. Budget for the State Tax Department

Tax Division (Revenue)			
Fund Type	Actual FY 2011	Budgeted FY 2012	Requested FY 2013
General Fund	21,120,946	27,519,596	27,510,956
Federal Fund	-	-	-
Appropriated Special Fund	1,114,315	1,886,360	1,492,817
Non-appropriated Special Fund	4,219,102	10,717,000	10,717,000
Totals	\$26,457,345	\$40,132,956	\$39,730,773
Total FTEs: 478	Motor Carrier Services FTEs: 12		

Source: West Virginia State Budget Office

Information Technology

Currently, DMV officials can access the State Tax Department's GenTax system via a virtual private network (VPN) in order to enter information about IFTA registration and decal issuance. There are security settings in place which allow those individuals to see relevant information for IFTA issuance but they cannot see other tax information. Individuals at the DMV can see attribute information such as name, address, contact information, etc. Those individuals may also see whether the organization has an active business license or suspended account. If there are problems in other tax areas, DMV officials get a message that instructs them to tell the customer to call the Tax Department. Only motor carrier accounts are visible to these officials due to legal restrictions.

In the ACS system, which was in place until 2010, DMV officials were able to view IFTA return information because of a memorandum of understanding in place between the DMV and Tax Department. After the implementation of the GenTax[®] system, this changed because the GenTax[®] system allows individuals with clearance to see IFTA returns and the ability to see corporate and personal income tax returns, which are statutorily protected by privacy laws.

Motor carrier and IFTA returns can be filed electronically on the MyTaxes portal at mytaxes.wvtax.gov. GenTax[®] includes a web services package that allows passing of tax information between the state tax system and the individual. Some transactions are processed immediately, while others are posted on a nightly basis. Tax forms and notices can be sent to taxpayers via a secure connection in the system. Online payment is strictly ACH/debit; however, credit card payments can be processed through the electronic services page. Those payments are processed by the Treasury Department. Audit payments can be made electronically as well through the MyTaxes portal.

Challenges for Consolidation

Tax Privacy Laws

Auditors in the Tax Department exchange a variety of tax information with each other. In cases where audits may be generated by examining abnormalities with corporate or personal income taxes, the ability to pursue such leads rests on the ability to share information with other

employees of the Tax Department. If the audit functions for IRP and IFTA were broken out of the Tax Department, the ability to share tax data or information about motor carriers potentially not paying all appropriate IRP and IFTA taxes (or fees) will be diminished. Reorganization may make it increasingly difficult to enforce the tax code, especially with the most flagrant violators.

GenTax® Compatibility Issues

Another challenge concerns the information technology solution to the GenTax® system. If IFTA tax processing, IFTA audits and IRP audits were moved under DMV jurisdiction, there would have to be an information technology solution developed, as GenTax® is not set up to allow tax information firewalls that would be legally required in order to protect the privacy of other tax information in the system. Statutory restrictions at both the federal and state level prevent this information from being shared outside the Tax Department. One possibility suggested by DMV officials is to go back to the ACS system they were using before the GenTax® system was implemented. However, this would require a security and feasibility assessment of the GenTax® system, and rewriting software applications so agencies can pass restricted information between each other.

Auditing Capacity

Auditors are cross-trained so they can do a variety of audits. Although there are auditors whose primary designation is to work on motor carrier audits for IFTA and IRP, as well as fuel purchases, these auditors are also trained to do audits for certain excise taxes. If those auditors are moved to the DMV, there will have to be new personnel trained to do motor fuel audits and other excise tax audits. It would cost the agency lots of institutional knowledge and make pooling labor resources more difficult for the Tax Department. This invalidates to some degree the benefit of cross-training and is potentially a less efficient use of auditing resources.

Costs

The cost to reorganize the tax functions will be significant. There will have to be significant personnel and information technology upgrades or retrofits in order to make the system workable. The legal challenges are considerable.

2.3 Public Service Commission

Organizational Structure, Function and Personnel

The Transportation Division of the West Virginia Public Service Commission has oversight over multiple motor carrier permitting and regulation programs.

The Transportation Administration Division consists of three sections: Motor Carrier, Hazardous Materials, and the Coal Resource Transportation System. The Motor Carrier section administers Unified Carrier Registration, intrastate motor carrier operating authority, intrastate and interstate assessments, filing fees for intrastate authority (taxi cabs, limousines, etc.), insurance fees, and solid waste disposal. The Hazardous Materials section oversees registration of hazardous materials transported in West Virginia and handles its identification, registration and permitting of commercial vehicles carrying such materials through the Alliance for Uniform Hazmat Transportation Procedures. Last, the Coal Resource Transportation System (CRTS) is a permitting and monitoring system for coal haulers on CRTS-designated routes. There is a section solely devoted to the coal hauling program.

The Transportation Enforcement Division handles roadside and scale house enforcement of motor vehicle safety laws and regulations, permitting and credentialing programs and weight and measure laws and regulations. The division has four sections: Safety Enforcement, Railroad Safety, Special Operations and Logistics. Officers in the Safety Enforcement Section perform vehicle safety inspections of vehicles operated by motor carriers, as well as driver checks. Inspections are conducted in various parts of the state, at scales as well as at terminal facilities of intrastate carriers. The Railroad Safety Section is responsible for the administration and enforcement of federal and state safety regulations governing the transportation of persons or property by rail. As such, this division is not relevant to the study. Special Operations conducts safety audits on motor carriers involved in interstate commerce and does compliance reviews on non-hazardous materials intrastate carriers. This section includes a Special Patrol Unit, which patrols areas with high commercial vehicle accident rates in West Virginia. Logistics procures inventories, supplies and equipment. This group installs and maintains electronic equipment for the entire division.

For the purposes of this study, only the Safety Enforcement and Special Operations section are of interest. The relevant IT support for the Transportation Administration Division

and Transportation Enforcement Division is nested in the Administrative Division, which oversees the maintenance and installation of all technology at weigh stations as well as cruisers manned by the Enforcement Section. IT support typically resolves software issues with ASPEN, ISS and other software used to assist with commercial vehicle enforcement.

The Transportation Administration Section has 12 employees and 7 other vacant positions. Figure 4 displays the Transportation Administration Section organization chart. The director has control over the three subsections, Logistical support for the section is provided by two secretaries. The CRTS Program, which is to the left under the Permitting Supervisor 2 position, also includes a Supervisor 1 and two Utilities Inspectors. There are two vacant Utilities Inspector positions, a vacant Utilities Analyst 1 position and a vacant Office Assistant 3 position. The Motor Carrier section is the middle branch, with a Supervisor 2, an Office Assistant 3, two Office Assistant 2s, a vacant Office Assistant 2 and a vacant untitled position. In the right branch of the chart, the Hazmat Coordinator is an Office Assistant 2. Currently, there is a vacant Office Assistant 1 in that section.

The Transportation Enforcement Section has 83 employees and four vacant positions. The employee organization contains the following personnel titles:

- Public Utilities Director (1)
- Administrative Secretary (1)
- Paralegal (1)
- Utilities Analyst 5/Manager (4)
- Regional Supervisor (8)*
- CRTS Supervisor (1)
- Special Operations Supervisor (1)
- Officers (42)
- Turnpike Patrol (6)
- Special Operations (6)
- Safety/Loss Control Specialist 1(1)
- Secretary 2 (2)*
- Office Assistant 2 (1)
- Utilities Inspector Supervisor (1)*
- Utilities Inspector 3 (4)
- Utilities Inspector 2 (5)
- Electronic Technician 2 (1)
- Electronic Technician1 (1)*

*= Vacancy

Figure 4. PSC Administration Section

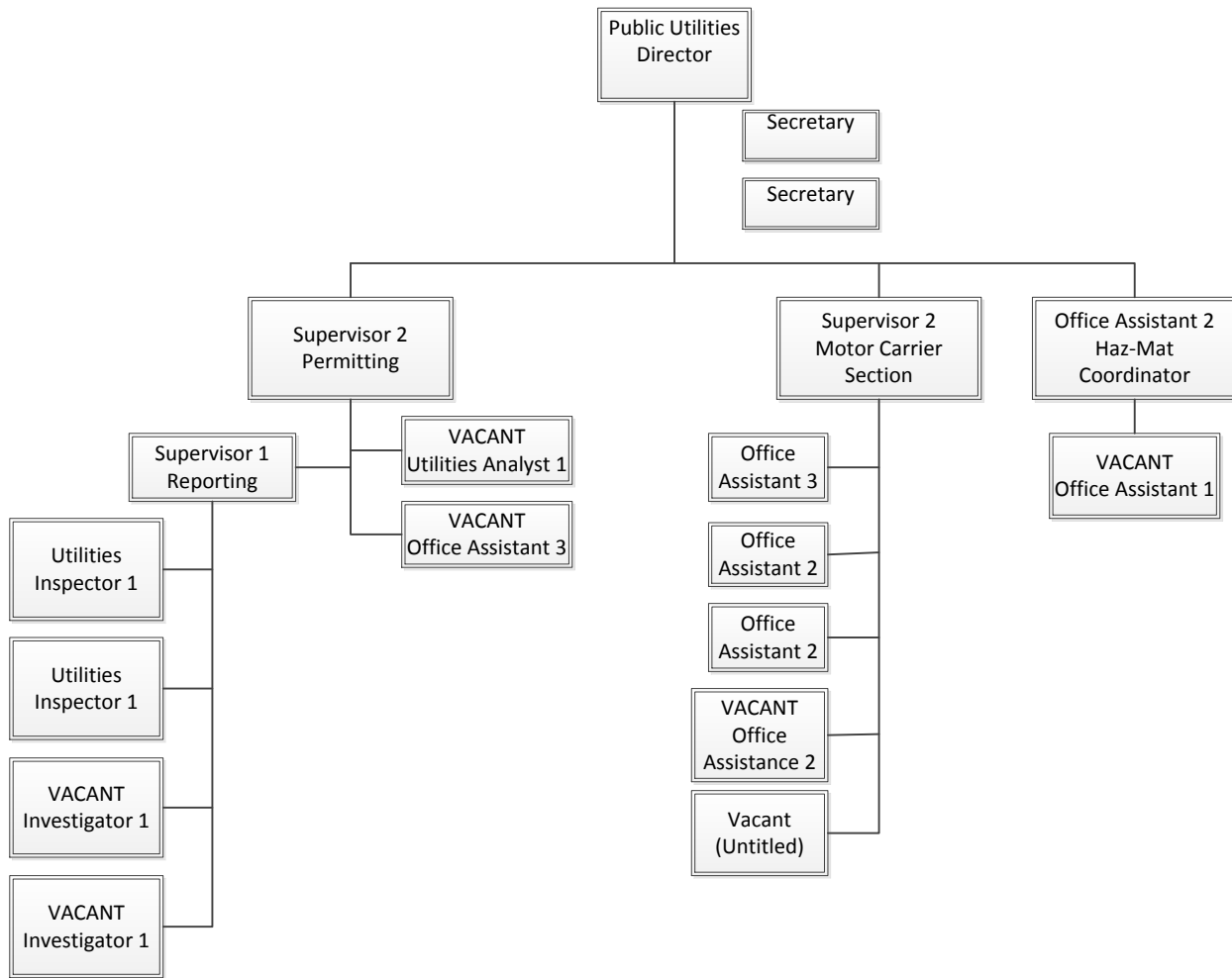


Figure 5 displays the organizational chart for the Transportation Enforcement Division. Over the entire division is a public utilities director. The director's support staff consists of an administrative secretary and a paralegal. Directly below that there are four Utilities Analyst 5s, or managers of various sections. The sections are Eastern CMV Enforcement, Western CMV Enforcement, Special Operations and Training, and Railroad Safety. The Eastern CMV Enforcement Section contains a Manager, four regional supervisors (with one vacancy), a CRTS supervisor, 24 officers and a Safety/Loss Control Specialist. The Special Operations and Training section contains a Manager, Special Operations Supervisor, seven officers in Special Studies Operations, six officers in the Turnpike Control and a Secretary 2 for logistical support. The Western CMV Enforcement Section has a Manager, four regional supervisors and 22 officers. Logistical support includes an Electronic Technician 2, an Electronic Technician 1 and

a Secretary 2 (which is currently vacant). The Railroad Safety Section consists of a Manager, Supervisor, five Inspector 3s and four Inspector 2s.

Figure 5. Transportation Enforcement Division Organization

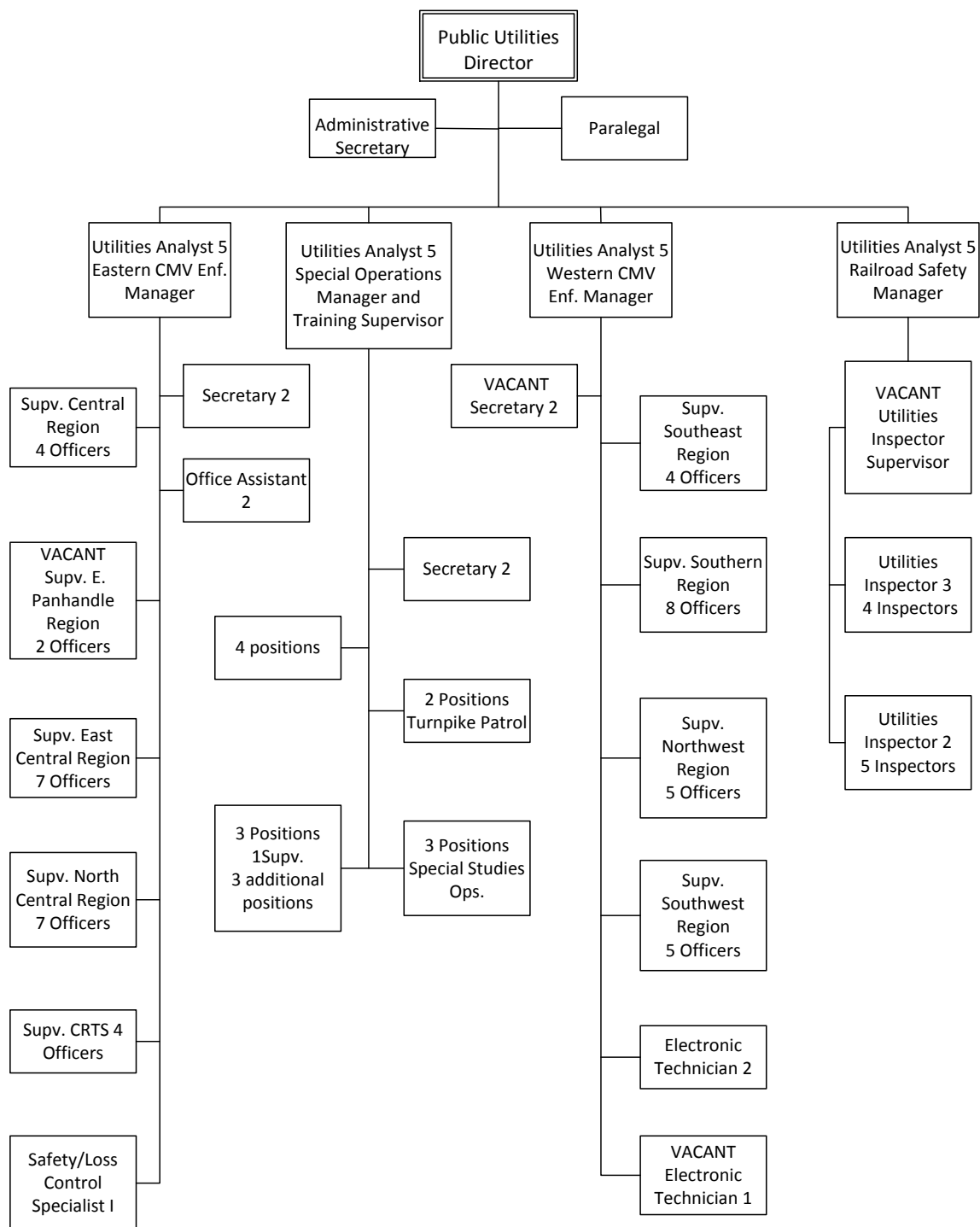


Table 4. Public Service Commission Budget

Fund Type	Actual FY 2011	Budgeted FY 2012	Requested FY 2013
General Fund	-	-	-
Federal Fund	1,165,407	2,785,392	2,793,785
Appropriated Special Fund	19,598,098	23,841,041	23,921,493
Non-appropriated Special Fund	1,005,146	2,216,839	1,687,211
Totals	\$21,768,651	\$28,843,272	\$28,402,489
Total FTEs: 294.04	Motor Carrier FTEs: 106		

Source: West Virginia State Budget Office

The Public Service Commission budget (shown in Table 4) for FY 2012 was \$26,715,278. This money was comprised of \$2,793,785 in federal funds and \$23,921,493 in Special Revenue. None of the PSC funds come from the state's General Revenue fund. There are three primary funds the PSC uses to track its motor-carrier-related expenditures. The funding for the Motor Carrier Administration section comes from UCR and various permitting programs. State funding provided approximately \$2,260,273 of spending for the PSC's Motor Carrier programs for FY 2012, and federal funding provides an additional \$1,032,897 for these programs. The funding for weight/commercial vehicle enforcement comes from a combination of permitting programs, federal funding, and revenue from intrastate utility assessments. Spending in this area totaled \$3,298,808.38 for FY 2012. The assessments comprise a large percentage of the total spending on weight enforcement, as the weight enforcement program is the legacy from a prior merger with the Department of Highways. Administratively the weight enforcement and permitting/credentialing enforcement taking place at the scales were combined under the direction of the state Legislature. However, an alternative mechanism for funding was never identified, and PSC made up the difference with the assessments, which amounted to roughly \$3.2 million in FY 2012.

Information Technology

Several years ago the PSC decided to implement an integrated database that encompasses all divisions of the PSC. The contacts for all utilities and relevant motor carriers are contained in the database. Most of the carrier information for firms in this database pertains to firms that have to interact with the Utilities Division of PSC – those firms with operating authority issues, such as taxicab, limousine or solid waste companies. There is a connection to the state’s mainframe system, but it is primarily used for HR tasks and functions. PSC has also designed a Motor Carrier database for the permitting and credentialing programs. The Motor Carrier system handles information for all permitting and credentialing programs, with the exception of Hazmat and CRTS. Mainframe systems were phased out a few years ago. The system in place now is an SQL back-end system with a Visual Basic front-end system that performs all database functions for the Motor Carriers Section. All vehicle records, carrier information, permit and credential information, invoicing information, tax and fee payment histories, etc. are in this database.

There is a single-sign-on component for the Windows network at PSC, which allows all employees access to the various systems nested within PSC. A security table determines whether officials have read-only access or permission to edit records. These functions are all integrated with the overall network for the PSC. Pieces of the network, such as the Motor Carrier Database, could be moved out, as the database is essentially a module within a broader system. Components of the Motor Carrier system, such as security and user privileges, would have to be broken out and rebuilt if migrated to a different information system. The exact interaction between the Utilities database and Motor Carrier database needs to be explored to see how data is shared for companies that do business with both divisions of PSC.

Challenges for Consolidation

UCR Funding Issue

The UCR agreement currently in effect requires all UCR revenue to be spent on administration and enforcement of the interstate operating authority program. If the Transportation Enforcement Division is not merged into the Division of Motor Vehicles, the money for the enforcement costs (which constitutes the vast majority of UCR-related expenses) would legally have to be repatriated to the Transportation Enforcement Division. Another option

would be to relocate the Transportation Enforcement Division into the DMV; however, such a move could create additional complications.

Weight Enforcement Funding Issue

One complication that would be created by moving the Transportation Enforcement Division into the DMV is the funding source for enforcement at the scales, virtual weigh stations and other roadside locations, as well as various vehicle inspection operations. Currently this money is derived from utility assessments performed by the PSC's Utilities Division. Officials reported this amount of money comes to roughly \$3.4 million annually. The revenue issue is a legacy of a previous reorganization, in which the function of weight enforcement (or commercial vehicle enforcement) was fully transferred to PSC. Previously the administrative and financial responsibilities were shared between PSC and the Department of Highways. Initially, Highways provided funds for a portion of the necessary funding while PSC assumed full control of commercial vehicle enforcement. If this function was transferred to the DMV, a funding stream for enforcement activities would have to be identified.

Coordination with PSC Officials

Another complication encountered by merging services into the DMV would be the information firewall between DMV and PSC, which makes interagency cooperation difficult. The Motor Carrier Administration and Enforcement sections are in frequent communication in order to carry out appropriate functions. There are PSC hearings related to applications for operating authority. These hearings would either have to be migrated to DMV or the two agencies would need to create a system which allowed the PSC to conduct the hearings for the DMV and share the information with DMV.

IT Issues

Reprogramming the Motor Carrier database may be necessary, and could be further complicated if the Utilities database records pertaining to motor carriers cannot be easily disentangled from the current system. More follow-up is necessary to determine the exact nature of this problem. New security programs will be necessary. It also needs to be determined whether the languages used to program the servers at PSC can be used to work with the systems

in DMV. West Virginia Interactive will need to provide a technical assessment of the information technology systems at PSC.

Concerns of PSC Officials

Officials in PSC contend the agency does a good job serving the motor carrier industry and is worried about the impact of consolidation. The PSC has still not resolved all of the issues created from the 2008 reorganization between the Department of Highways and the PSC. The CRTS and Hazmat programs make use of the information in the Motor Carrier database in some instances. The Utilities Division also has some contact with some of the motor carriers via hearings and assessments. Removing the database and reorganizing personnel may disrupt workflow in PSC in unforeseen ways. PSC officials contend a simpler alternative would be to create an integrated web interface for motor carrier owner-operators or the relevant administrator to file all taxes, fees, permits and credentialing paperwork, while leaving the physical operations intact in the current configuration.

2.4 Division of Highways

Organizational Structure, Function and Personnel

The Central Permits Section, which is a subunit within the West Virginia Department of Transportation, has oversight for two areas of motor carrier permitting and regulation: oversize-overweight permitting and superloads. The Central Permits Section in the Division of Maintenance (which is nested inside the Division of Highways) handles all requests for oversize-overdimension permits and superloads. Applications for these permits are generally filed online through the oversize permitting system developed by Bentley, a company that specializes in software development for engineers, architects, geospatial professionals, constructors and owner-operators. The modeling software allows the Division of Highways to process permit requests, analyze structures that might create obstacles for oversize loads moving along particular routes and will soon allow for invoicing of those requests. According to Division of Maintenance officials, about 130,000 permits are processed every year, generating roughly \$7 million in revenue. This revenue is currently collected by the DOT business manager and the funds needed to run the Central Permits Section are returned to that section. Every permit processed by the office currently undergoes an automated bridge analysis process in the Bentley system. The more

complex superloads are examined by superload specialists, and in some cases highway engineers, before being approved. Currently, about 77 percent of permits are filed through the online portal, and 80 percent of them are approved through the web interface during the initial review process. The rest are reviewed internally, and are either approved or rejected.

The Central Permit Section is working with Bentley to have a fully hosted portal running by the end of the year. All motor carriers will be required to file OS/OW permits and superloads online. Invoicing will be handled directly by Bentley instead of the business manager. There will be a terminal located in the Central Permit Section office for walk-in customers so that their permits can be processed through the new system. Regional permitting has not been a major priority for OS/OW permitting. The DOH district office in Clarksburg issues roughly 20-50 permits a year, mostly to a single customer. The agency does not provide escorts for motor carriers moving OS/OW loads; private companies handle that task. Enforcement of these regulations is the responsibility of CVE officials, who are under PSC jurisdiction.

Table 5.Division of Highways Budget

Fund Type	Actual FY 2011	Budgeted FY 2012	Requested FY 2013
General Fund	-	-	-
Federal Fund	503,068,035	499,600,000	502,900,000
Appropriated Special Fund	684,276,141	714,315,642	671,734,495
Non-appropriated Special Fund	37,610,388	23,030,000	23,831,000
Totals	\$1,224,954,564	\$1,236,945,642	\$1,198,465,495
Total FTEs: 4806	Motor Carrier FTEs: 8		

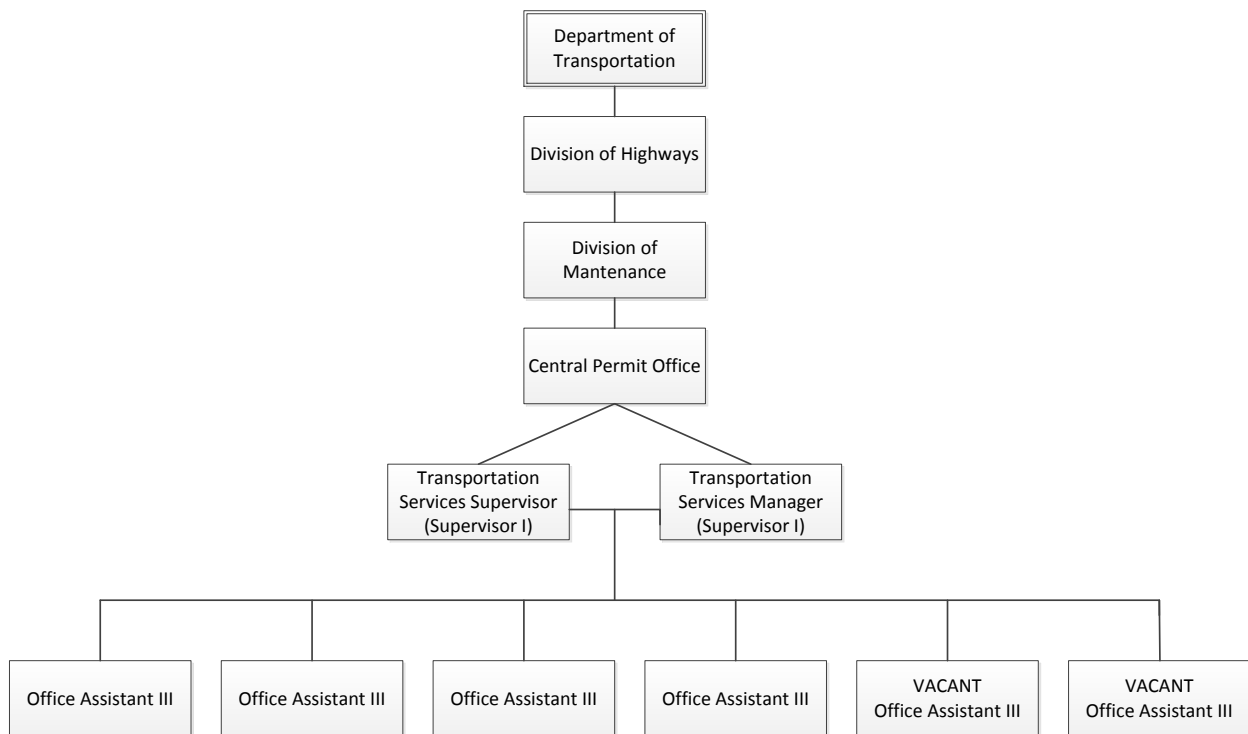
Source: West Virginia State Budget Office

The Division of Highways, in which the Division of Maintenance and Central Permit Sections are nested, has a budget of \$1.17 billion for FY 2013. This money all comes from the state's Road Fund, which is a consortium of taxes, fees, licenses, and other sources of transportation-based revenue collected by the division. The Division of Highways is budgeted to spend \$294.8 million of this money in FY 2013. Most of this money (nearly 73 percent) goes to contractors for road maintenance. The Central Permit Office represents a very small piece of this pie. It generates far more revenue through its operations than is needed to run the section.

Beginning shortly, the invoicing for OS/OW permitting will be handled by Bentley, who will transmit the money to the state while keeping a commission for itself of approximately 14 percent.

The Central Permit Section currently has eight positions. There are two Transportation Services Managers with Supervisor I status, four individuals with an Office Assistant 3 classification (including the two superload specialists) and two vacancies. Figure 6 shows the organizational structure. The figure shows the Central Permit Office is nested within the Division of Maintenance, which is nested within the Division of Highways, which is nested within the Department of Transportation.

Figure 6. Central Permit Office Organizational Structure



Information Technology

The Bentley SUPERLOAD system is an electronic system meant to streamline the OS/OW and superload process. It automates most of the permitting process, provides intelligent routing, real time road and bridge analysis, payment processing and issuance. The Bentley system was specifically designed so that it can be integrated to work with transportation

information networks, specifically the CVISN (Commercial Vehicle Information Systems and Network) architecture of a given state. West Virginia officials would like to integrate their Bentley system with other information systems pertaining to motor carrier regulation, taxation and permitting.

Challenges for Consolidation

Superloads Analysis

The primary difficulty in integrating the OS/OW permitting process pertains to superloads, which require bridge analysis and expertise normally reserved for engineers working in the Division of Highways. Because Highways is responsible for maintenance of highways, bridges and other roads throughout the state, it needs to be apprised of OS/OW traffic on routes for planning and safety purposes. There are no engineers working in the DMV, and given the tendency to pool engineers in highways for various projects, having dedicated personnel for OS/OW and superload permitting is probably not the most efficient way to manage this activity. If the Central Permits Section were to be reorganized under the DMV, frequent contact with state highway engineers would still be necessary. Once the fully serviced Bentley system is operational, there will be little need for carriers to have direct contact with employees in the Central Permits Section, reducing the advantage of physical relocation to an extent. On the other hand, cross-training those employees to handle other tasks besides OS/OW permitting may provide additional benefits.

CHAPTER 3. CONSOLIDATION, BEST PRACTICES IN OTHER STATES

This chapter examines the organization of motor carrier regulation, taxation, credentialing and enforcement in other states. States identified for analysis are Kentucky, Oregon, Indiana and Maryland. The first three states were chosen because they all have most if not all motor carrier services consolidated within a single agency, and may have practices that the West Virginia DMV would be interested in emulating. Maryland has had some successful economic development in areas along its border with West Virginia, so its economic development policies are of interest to the DMV. The following sections detail each state's organizational features, personnel and budgets, and will provide a discussion of various features of each state's approach to a One Stop Shop. In Maryland's case, there will instead be a discussion of economic development policy and some of those policies that might be used to encourage development in West Virginia. Each section will identify practices in each state which may be beneficial for state government in West Virginia, as well as the trucking industry.

3.1 Kentucky

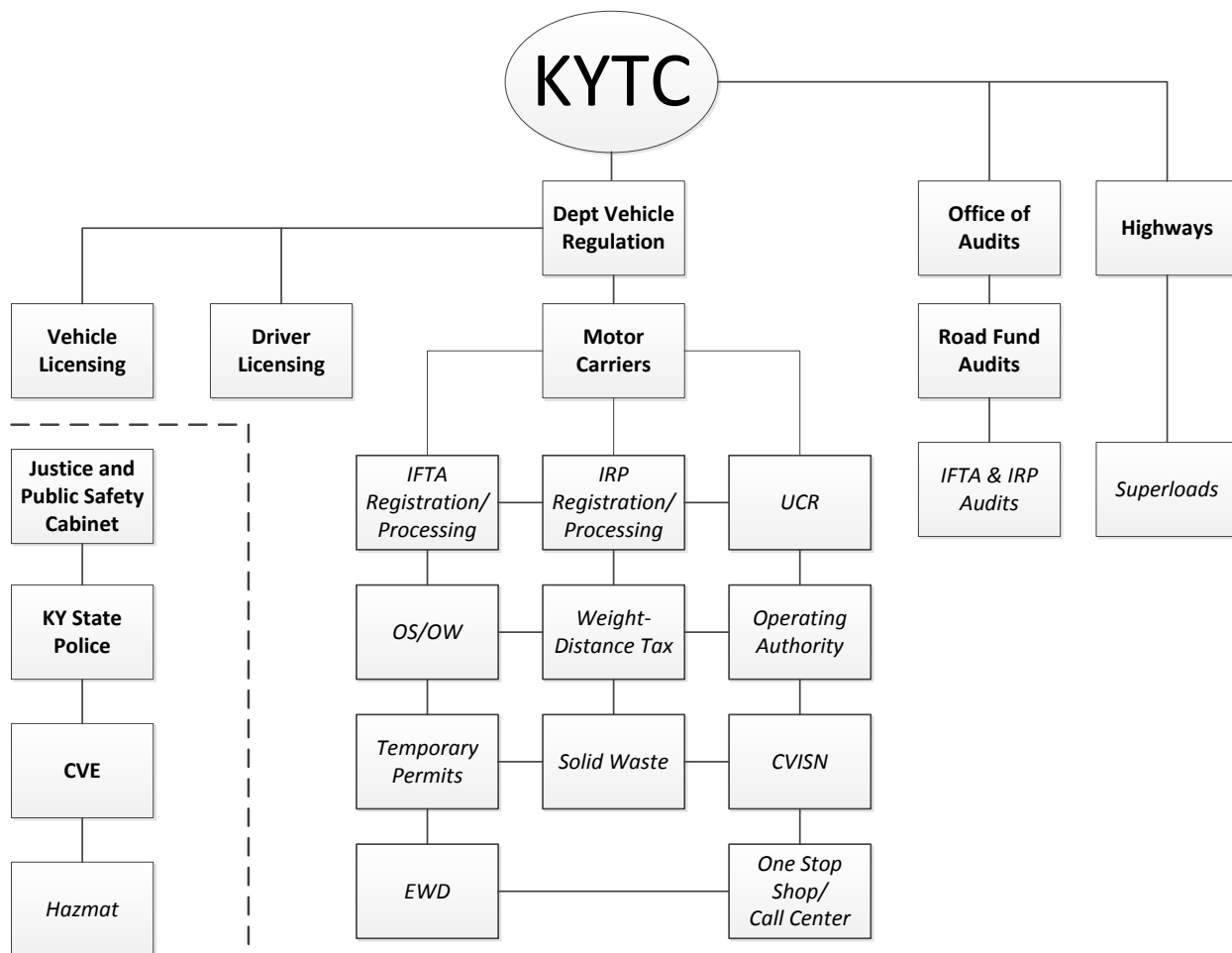
Kentucky's motor carrier services are almost entirely housed within the Department of Vehicle Regulation, which is nested within the Kentucky Transportation Cabinet. The current organization of the Department of Vehicle Regulation is the result of organic institutional evolution going back roughly 30 years. In 1981, the Division of Fuel and Roadway Taxation was created to handle tax processing for the intrastate and interstate fuel tax, as well as the weight-distance tax. Shortly thereafter, the Division of Fuel and Roadway Taxation was combined with the state's motor carrier licensing, permitting and credentialing programs to create the Division of Motor Carriers, which was to be nested within the Department of Vehicle Regulation along with the Division of Vehicle Licensing and the Division of Driver Licensing. The state's programs at that time included IRP (which Kentucky joined in 1973), intrastate and interstate fuel tax, operating authority, oversize-overweight permits, solid waste disposal, insurance fees, temporary permits and the weight-distance tax (known as KYU). Audits of these programs were set up in the Division of Road Fund Audits, which is now located in the Office of Audits. Over time, other programs were added to the Division of Motor Carriers.

Several changes have followed, although the basic configuration of the Division of Motor Carriers and related programs are essentially the same. Kentucky joined IFTA in 1995, with its participation in IFTA replacing the previous interstate fuel tax program. The Division of Motor Carriers handles IFTA registration and decal issuance, although IFTA audits (as well as IRP audits) are handled by Road Fund Audits. The tax processing is currently conducted by the Regional Processing Center in New York, which handles processing for 14 IFTA jurisdictions. The Division of Motor Carriers was also chosen to lead Kentucky's CVISN efforts beginning in 1995. In 1998, Transportation Cabinet officials decided to create an integrated One Stop Shop that would enable a customer to come into the Transportation Cabinet's main office and receive assistance with all motor carrier-related permitting, credentialing and taxation issues. This system was taken into account when the Transportation Cabinet moved into its new building on Mero Street in Frankfort in 2002. The building was constructed so that customers could be assisted with all motor carrier, vehicle license and driver license-related issues at one location. There are six customer service representatives who assist these walk-ins. In 2010, the state added a call center with an additional 24 employees to take calls from customers concerning routine questions and problems. Those with more complicated issues are referred to the administrators of the corresponding motor carrier program. This move was supported by the Kentucky Motor Truck Association and others in the industry because it consolidated all of these processes in one organizational unit.

The current configuration of Kentucky's motor carrier-related functions is shown in Figure 7. As stated, the Division of Motor Carriers currently handles the bulk of the programs related to motor carrier licensing, regulation and taxation. There are a few exceptions to this rule. For example, the Department of Highways, also in the Transportation Cabinet, controls the evaluation of superloads and corresponds with the Division of Motor Carriers when approving the issuance of such permits. Road Fund Audits handles the auditing function for the weight-distance tax, IRP and IFTA. The most significant exception is Commercial Vehicle Enforcement. Until 2004, the CVE was under the Department of Vehicle Regulation and ultimately under the jurisdiction of the Transportation Cabinet. However, the CVE was moved from the Transportation Cabinet to the Justice and Public Safety Cabinet as part of a reorganization. Effectively, the Kentucky State Police run the Commercial Vehicle Enforcement program, as well as the hazardous materials, or hazmat program. The law enforcement agency does so in

consultation with the Kentucky Transportation Cabinet, which still provides most technical and logistical support, purchases/maintains technological upgrades, and assists station officers with the screening process.

Figure 7. Kentucky Motor Carrier Program Organization



The CIVSN team provides a general strategic direction for vehicle enforcement at the weigh stations and for roadside screening. Members of the CVISN team are drawn from the Division of Motor Carriers, Road Fund Audits, Kentucky Transportation Center, Commercial Vehicle Enforcement, and Department of Vehicle Regulation administrators. Kentucky was one of the first states to achieve Core CVISN compliance. The state had experienced a temporary loss of momentum pertaining to the CVISN program due to the loss of key personnel, but in late 2006 reorganized and re-energized the program with the leadership of the Kentucky

Transportation Center. Currently, the CVISN program's top-level design calls for several projects to improve screening at the state's fixed and virtual weigh stations, as well as the development of a Super CVIEW, which will integrate all of the information systems at the scale, IT systems from the Department of Vehicle Regulation in Frankfort and national databases maintained by the federal government.

Figure 8. Kentucky Super CVIEW Architecture

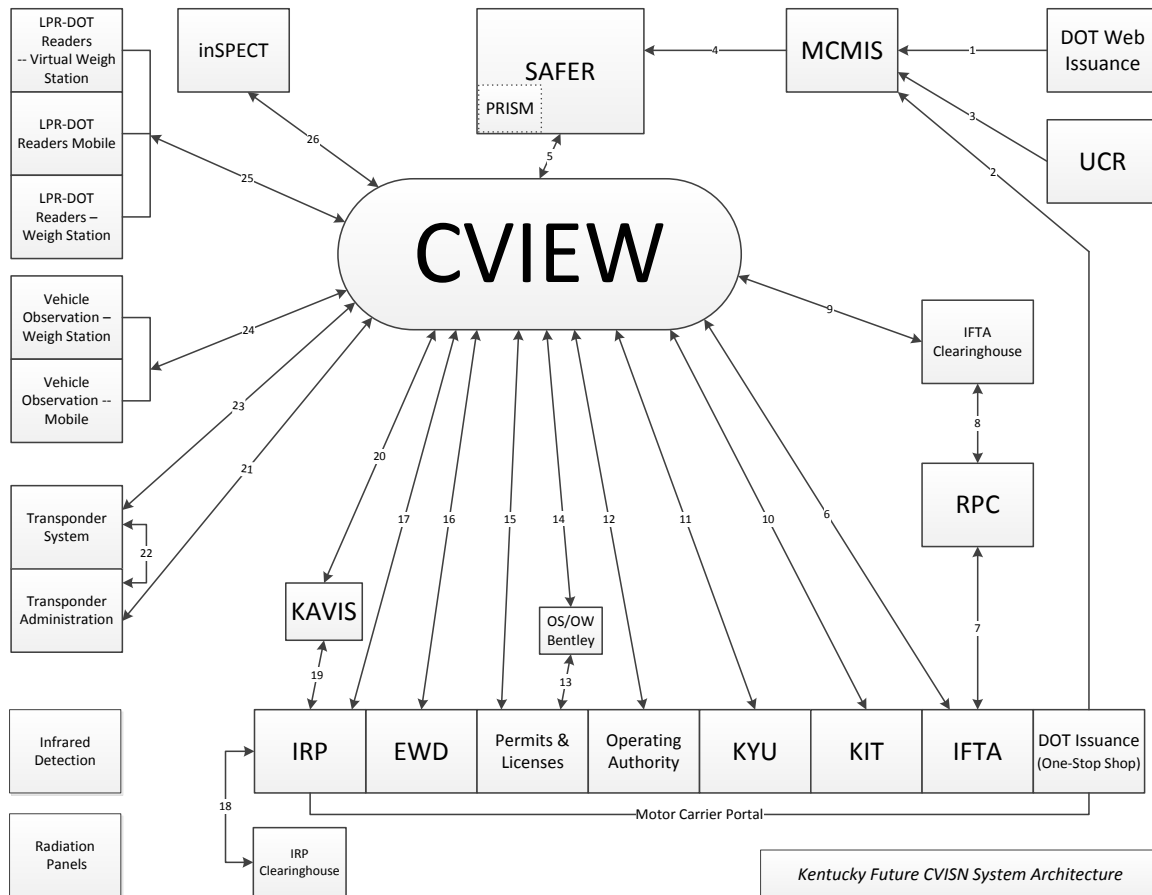


Figure 8 displays this architecture, which has two primary components. The Motor Carrier Portal, which is an online database that will combine individually maintained modules for IRP, extended weight decals, permits and licenses, operating authority, KYU (weight-distance), KIT (intrastate fuel tax), IFTA (interstate fuel tax) and DOT number issuance. The boxes going down the left side of the diagram indicate information systems that are or will be maintained by Commercial Vehicle Enforcement. At the top are the information systems provided by the federal government, such as MCMIS, SAFER and PRISM. Unified Carrier

Registration (UCR) has its own standalone system, maintained by the state of Indiana. There are some ancillary databases. The IFTA and IRP Clearinghouse must interact with Kentucky's own systems in order to complete funds netting processes with other member jurisdictions. Bentley will provide the OS/OW database. The regional processing center (RPC) processes the IFTA tax returns. KAVIS is Kentucky's new vehicle licensing and driver licensing information system. The complete architecture is tentatively scheduled to be in place by sometime in 2015.

Figure 9 shows the personnel organization in the Division of Motor Carriers. There are 54 employees, including vacancies, but not including the 24 temporary employees working at the call center. Under the director, which is an appointed position, there are two assistant directors. One director has responsibility for all permits and licensing, while the other assistant director handles all tax matters. The Qualifications and Permits branch administers all temporary permits, OS/OW permits, and coordinates with Highways regarding superloads. The Licensing and Registration Branch handles IRP and One Stop Shop. The Tax and Financial Processing Branch oversees IFTA, KIT, KYU, UDI and financial processing for the Division of Motor Carriers.

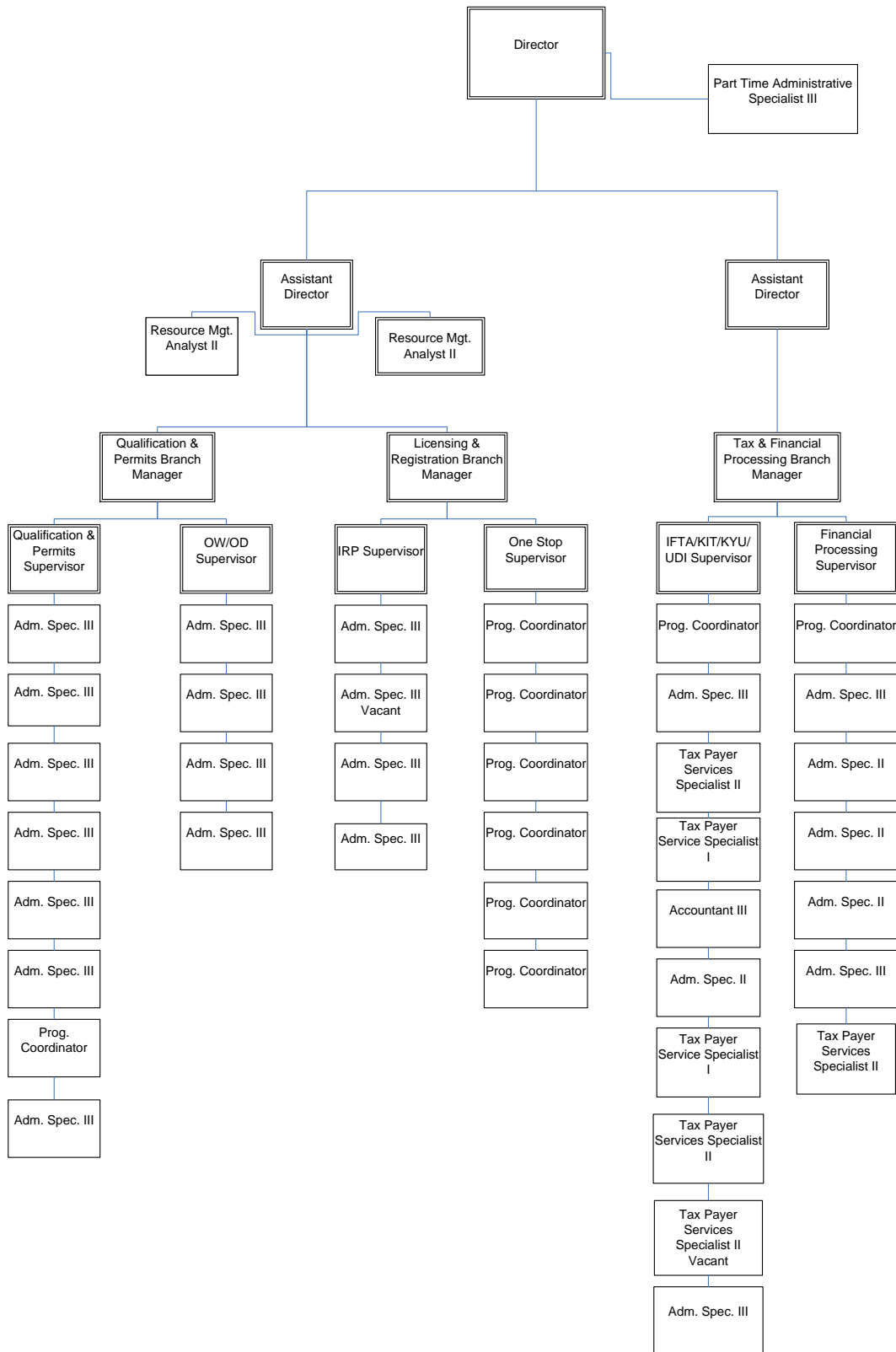
Table 6. Kentucky Division of Motor Carriers Budget, FY 2007-12

Expense Type	2007	2008	2009	2010	2011	2012
Personnel	2,416,400	2,647,000	2,564,900	2,731,800	2,853,700	2,968,700
Operating Costs	125,600	125,600	225,500	437,500	260,000	228,300
Total Budget	2,542,000	2,772,600	2,790,400	3,169,300	3,113,700	3,197,000

Table 6 displays the annual budget for the division of motor carriers from FY 2007-2012. Two types of expenditures are detailed – personnel and operating costs. During that time, personnel costs increased by 22.9 percent, from \$2,416,000 to \$2,968,700. Operating costs gradually increased for three years before peaking at \$437,500 in 2010, and have since been cut back to \$228,300. More than 90 percent of the budgeted funds go to personnel costs. However, it should be noted that miscellaneous costs for some equipment purchases, as well as for maintenance of various servers and programming costs incurred by the KYTC's integrated IT Department. For example, maintenance of the primary ALTS mainframe costs about \$700,000 per year. Phone and computer costs run roughly \$65 a month per employee. Nor does the budget

include the costs of Commercial Vehicle Enforcement or CVISN grants, which are used to finance weigh station equipment maintenance and upgrades.

Figure 9. Kentucky Division of Motor Carriers



3.2 Oregon

The Motor Carrier Transportation Division is responsible for most motor carrier regulation, licensing, permitting and taxation in Oregon. Since 1996, the agency has had responsibility for audits, IFTA and IRP programs, safety programs, household goods, passenger service, economic complaints and weight-distance tax. Figure 12 displays the organizational configuration of the division, which has five sections: Field Motor Carrier Services, Investigation/Safety/Federal Programs, Motor Carrier Audit, Salem Motor Carrier Services and Complaint Resolution/Economic Regulation. The reorganization of this unit into its current state occurred after passage of SB 1149, which transferred duties, functions and powers related to motor carriers or railroads from the Public Utility Commission to the Motor Carrier Transportation Division. Funding related to these duties, functions and powers were also transferred from the Public Utility Commission to the Department of Transportation. The impetus for reorganization was primarily driven by the trucking industry in Oregon, and was generally supported by elected officials in the Legislature, as well as the governor. The primary voice of opposition was the Public Utility Commission, which understandably lost lots of personnel, funding and a substantial component of its agency mission during the consolidation process.

The consolidation was aided by the creation of the Motor Carrier Transportation Advisory Committee. This committee combines government officials from every motor carrier program and a diverse cross-section of the motor carrier industry. The committee, which has been meeting monthly since 1995, was a crucial component in the success of the consolidation, according to Oregon Department of Transportation (ODOT) officials. As a result of the advisory committee's creation, the relationship between state government officials and members of industry has improved dramatically in Oregon. Overall, the consolidation efforts were implemented over a short period of time, with most changes occurring during 1996.

The consolidation efforts created a One Stop Shop within the Motor Carrier Transportation Division. The bill did not include a transfer of Public Utility Commission employees to the newly created division. Instead, Public Utility Commission employees were given the first chance to interview for any transfer, promotion, demotion or re-employment in the

newly created Motor Carrier Transportation Division. This allowed the new division flexibility in terms of staffing, allowing it to hire the best employees available. This did result in some layoffs. However, most of those who were not hired for the Motor Carrier Transportation Division received appointments elsewhere in state government. A senior official conceded, however, that state employees (who were also SEIU members) who were not selected were probably the most adversely affected by the consolidation process. Overall, industry representatives, legislators and eventually employees were pleased with the result, because it created a central office with expertise for all motor carrier-related matters. It allowed for a synergistic work environment, and provided significant efficiencies in terms of administering Oregon's motor carrier programs. It is estimated the number of full-time employees have been reduced by nearly 100 positions, through the initial consolidation process and later through employee attrition. These reductions in employment have reduced labor, equipment, and facilities costs.

The Motor Carrier Transportation Division operates a central office in Salem, Oregon, regional offices around the state and weigh stations around the states. There are six scale houses at various ports-of-entry, as well as 88 portable WIM sites that allow remote tracking. Oregon does have e-government options for most of its motor carrier services. There is a Motor Carrier Application Development Unit, which is part of the Information Systems Branch. It is located in the DOT's Central Services, which writes all of the code for these applications (such as online IRP and IFTA filing). The division's primary sources of funding come through the state's Highway Fund, and from its own regulatory enforcement activities.

Figure 10. Motor Carrier Transportation Division Organization Chart

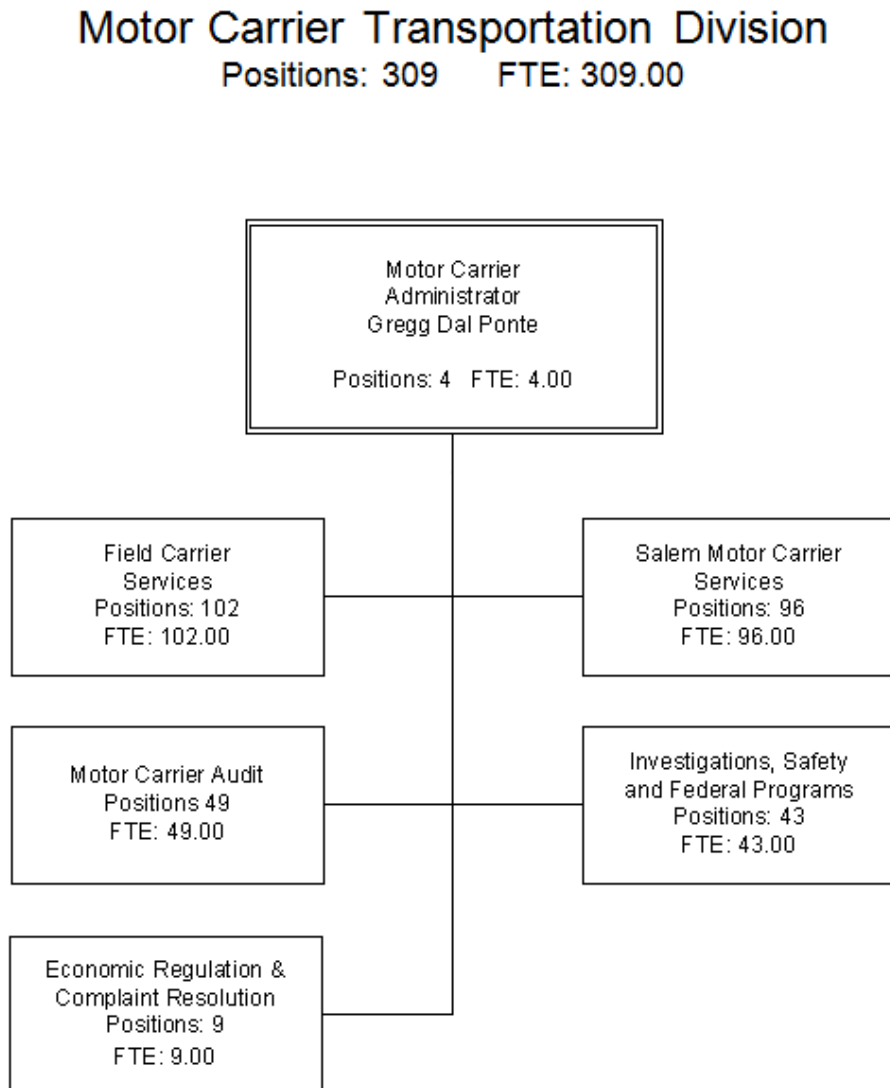


Figure 11 displays the Motor Carrier Transportation Division organizational chart. The number of full-time employees is reported for each section. Overall, the agency has 309 full-time employees. The administrator, which includes the director, has four positions. The Field Carrier Services section is largest, with 102 full-time employees. Next largest is Salem Motor Carrier Services, with 96 full-time employees. The auditors and staff in the Motor Carrier Audit sections comprise 49 full-time employees; the Investigations, Safety and Federal Programs section has 43 employees; and Economic Regulation and Complaint Resolution has nine employees.

Figure 11. Motor Carrier Transportation Division Budget

	2005–2007 Expenditures	2007–2009 Approved Budget	2009–2011 Governor's Recommended w/o JTA	2009–2011 JTA	2009–2011 Governor's Recommended
Program					
Motor Carrier Transportation	\$51,988,542	\$57,381,379	\$63,265,191	\$5,000	\$63,270,191
Total MCTD	\$51,988,542	\$57,381,379	\$63,265,191	\$5,000	\$63,270,191
Expenditures by Revenue Source					
Federal (FF and FF as OF)	\$4,480,455	\$5,371,863	\$5,561,876	\$0	\$5,561,876
State (Other)	47,508,087	52,009,516	57,703,315	5,000	57,708,315
Revenue Bonds					
State (General)					
Total	\$51,988,542	\$57,381,379	\$63,265,191	\$5,000	\$63,270,191
Positions	315	316	313	0	313
Full-Time Equivalent (FTE)	315.00	316.00	313.00	0.00	313.00
 Personal Services	 \$37,352,473	 \$40,587,176	 \$43,948,668	 \$0	 \$43,948,668
Services & Supplies	14,328,982	13,042,663	18,951,067	5,000	18,956,067
Capital Outlay	307,087	373,159	365,456	0	365,456
Special Payments	0	3,378,381	0	0	0
Debt Service	0	0	0	0	0
Total	\$51,988,542	\$57,381,379	\$63,265,191	\$5,000	\$63,270,191

Figure 12 shows three recent budgets for the Motor Carrier Transportation Division. Oregon budgets are approved on a biennial basis, which means each total includes funding for two fiscal years. According to this report, actual expenditures for FY 2005-07 were almost \$52 million. The approved budget for FY 2009-11 was \$57.4 million. This increased to \$63.3 million in the FY 2009-11 governor's recommended budget. These data show an apparent funding increase, even during an economic recession and beginning of a slow recovery. The largest component of these expenditures is personnel services, which account for roughly 72 percent of overall expenditures for FY 2005-2007. The bulk of the other expenses were services and supplies, and a relatively small investment in capital outlay. The employment levels have remained effectively constant for the last three budget cycles.

3.3 Indiana

The responsibility for motor carrier taxation, regulation and credentialing in Indiana falls to Motor Carrier Services, which is located in the Department of Revenue. These administrative functions were consolidated into Motor Carrier Services beginning in 1996. The transition took roughly four years, as functions were incrementally implemented from the Public Service Commission, Bureau of Motor Vehicles and Department of Transportation. Those other agencies had previously been responsible for operating authority (Public Service Commission), IRP (Bureau of Motor Vehicles), OS/OW (Department of Transportation) and CDL/medical cards (Bureau of Motor Vehicles). Eventually, the responsibility for the CDLs /medical cards was transferred back to the Bureau of Motor Vehicles. Enforcement of motor carrier safety and weight laws is handled by the Indiana State Police, which also owns the scale facilities. Auditing functions (for IRP/IFTA) have been moved into the Division of Revenue, which is a separate section in the Department of Revenue. The annual budget for Motor Carrier Services is nearly \$12 million. About \$9 million of those funds come from a statutorily dedicated diesel fuel surcharge of one cent per gallon. The rest comes from UCR funds, which are collected by Motor Carrier Services and amount to \$2.5 million annually.

Officials in Indiana recommend a gradual transition approach to Motor Carrier Services consolidation. Transitioning multiple sections from multiple agencies at the same time makes it very difficult to attend to the myriad details and problems that arise. According to Indiana officials, issues with information technology alone tend to be quite onerous. Migrating information systems from one agency to another and getting them to communicate with each other takes lots of time and patience. Additionally, there are substantial organizational, budgetary, and personnel issues as well. Indiana was able to tackle these issues by having designated funding streams for Motor Carrier Services, and had a provision allowing all pay grades to remain the same when merging personnel from other agencies. Even given such advantages, officials in Indiana maintained a gradual transition is much preferable to a simultaneous transfer of all functions, because systematic problems are less likely to occur.

3.4 Maryland

Maryland is of interest to West Virginia DMV officials because of the success the state has respecting its economic activity for the trucking and warehouse industry. More than 1,500 trucking companies are located in Maryland, and the state has issued more than 170,00 CDLs. Roughly 90 percent of the state's manufactured goods are transported via truck.² According to Bureau of Economic Analysis' 2010 GDP estimates, Maryland's trucking economy is \$1.29 billion, whereas West Virginia's is about \$666 million – roughly half the size. However, accounting for population, the per capita GDP of the trucking industry is actually greater in West Virginia (\$359 per person) than Maryland (\$222 per person). Nevertheless, there are developments in the trucking and warehousing/distribution centers in Maryland's Panhandle region that West Virginia officials find appealing. Maryland's freight highway network is centered on the high population centers of the northeastern part of the state. The freight network, which consists primarily of interstate roads and designated truck routes are essential, and officials aim to ensure the roads are in a good state of repair with respect to supporting both trucking and warehousing. There are no rail or intermodal centers in the panhandle region. Most of the intermodal centers serve the Port of Baltimore, and link the state's trucking network to the local, regional and global supply chain. Strategic planning is an important component for the state's intermodal transportation network. The Maryland Statewide Freight Plan provides a focus on multimodal projects and policies, tracing the flow of freight throughout the state and provides future direction for transportation planning.

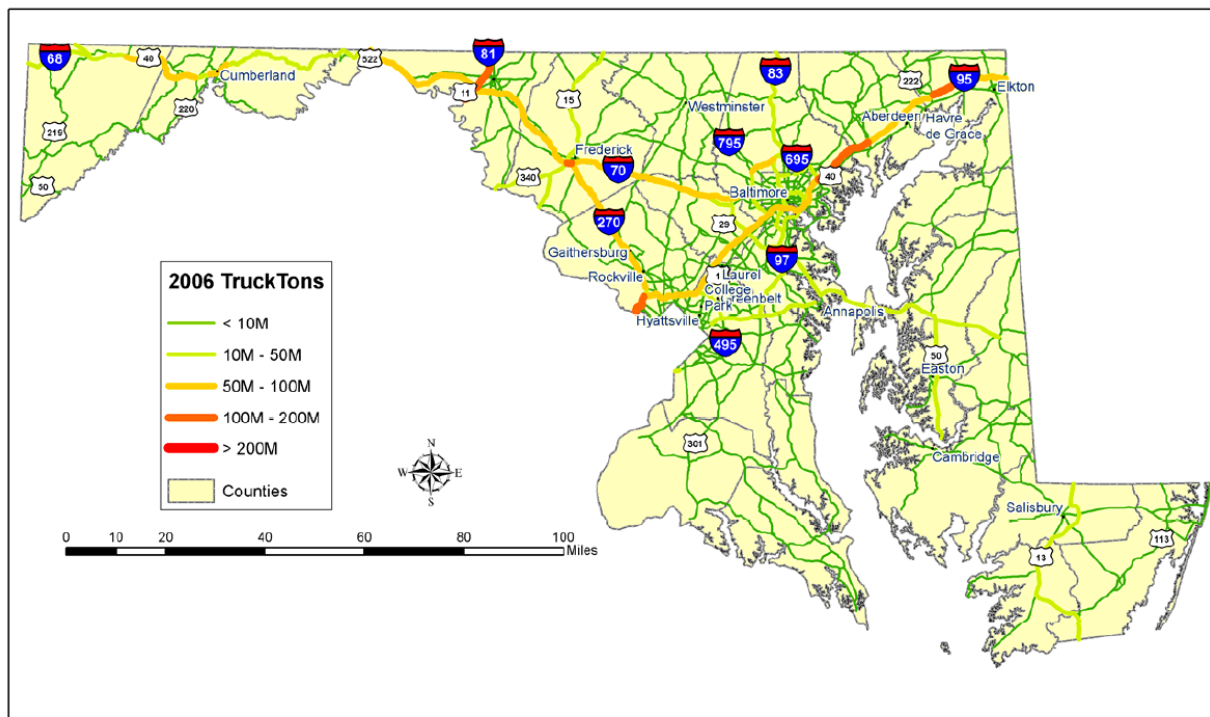
Figure 12 provides a visual illustration of truck tonnage moving throughout the state of Maryland based on an analysis performed by Cambridge Systematics.³ As demonstrated, there is significantly less freight flow in the panhandle region of the state than in the Baltimore-Washington D.C. corridor. Most freight movement in the panhandle region is between Interstate 68 and Interstate 81. Maryland has made a significant investment in public-private partnerships for intermodal transportation, which has directly helped the state's overall transportation network. Some examples include a partnership with PortsAmerica at the Seagirt Marine Terminal at the Port of Baltimore, a partnership with a short line railroad operator over state

² Maryland Department of Business & Economic Development. 2012. "Transportation." Accessed 20 December 2012.

³ Cambridge Systematics. 2009. "Maryland Statewide Freight Plan." Accessed 27 November 2012 at: <http://www.mdot.maryland.gov/Office%20of%20Freight%20and%20Multimodalism/StatewideFreightPlan.pdf>

owned assets, and a partnership with concessionaires at travel plazas. One clear advantage Maryland enjoys is ready access to waterways and large international airports in Baltimore and Washington D.C. As a result, there is a large influx of goods not only for state consumption but also temporarily stored goods prepared for both interstate and overseas exports.

Figure 12. Total Truck Tonnage, 2006



There are a number of financing and incentives options available to businesses in the state. Loan programs, investment programs, technology transfer and collaboration funding, and tax incentives are available for a variety of businesses, though the eligibility requirements are dependent on the specific program. The specific programs are as follows:

Loan Programs

- Maryland Economic Development Assistance Authority and Fund (MEDAAF)
- Maryland Industrial Development Financing Authority (MIDFA)
- Maryland Economic Adjustment Fund (MEAF)
- Maryland Small Business Development Financing Authority (MSBDFA)
- Community Development Block Grant Program-Economic Development (CDBG-ED)

Investment Programs

- Challenge Investment Program
- Enterprise Investment Fund
- FIPS Certification Grant Program
- Maryland/Israel Development Fund (MIDF)

Technology Transfer and Collaboration Funding Programs

- TEDCO – Maryland Technology Transfer Fund (MTTF)
- TEDCO – BRAC Technology Transfer Initiative (BTTI)
- TEDCO – Johnson & Johnson Joint Investment Program

Tax Incentive Programs

- Job Creation Tax Credit
- One Maryland Tax Credit
- Enterprise Zone Tax Credits
- Focus Area Tax Credits

Several of the tax credits may explain the development of warehousing/distribution areas in Western Maryland. The Job Creation Tax Credit, which provides income tax credits to businesses that create new jobs in the state through relocation or expansion, is worth noting because the credit is applicable to specific business activities, including transportation and warehousing. The Enterprise Zone Tax Credit provides real property and income tax credits. The property tax credit is a 10-year credit against real property taxes on a percentage of real property improvements. The credit is 80 percent the first five years, and decreases ten percent annually, to 30 percent in the final year. The income tax credit is a one-time, \$1,000 credit per new worker. The credit is \$6,000 over three years for economically disadvantaged workers. There are ten Enterprise Zones in the Western Maryland, or panhandle, region. Three industrial parks in Garrett County are designated zones for these credits (the other is Keyser's Ridge), along with six other zones in Allegany and Washington Counties. The One Maryland Tax Credit allows large amounts of credit for qualifying acquisition, construction, rehabilitation, installation or equipping of an eligible economic development district. Start-up costs are also eligible for deductions under the One Maryland Tax Credit. Two of the recent selections for eligible locations for the One Maryland Tax Credit include Washington and Allegany Counties. These tax credits are widely applicable to the panhandle region in general, and to the trucking and warehousing industry in particular.

Maryland's motor carrier credentialing and permitting programs are handled by various agencies within the state. The Motor Carrier Division in the Maryland State Highway Administration handles the DOT number, commercial vehicle regulations, safety programs, ITS/CVO programs, and provides the Motor Carrier Handbooks as well as the Maryland Truckers' Map. The Comptroller of Maryland handles IFTA decals, registration and trip permits, motor fuel taxes, and alcoholic beverage transportation permits. The Maryland Department of Environment handles hazardous waste materials program administration and an oil control program. As a result, it is probably not the case that Maryland's success with respect to warehousing and distribution is not due to organizational structure, but to the factors mentioned above: strategic planning, intermodal facilities, access to ports and international airports, ample interstate access and financial incentives.

CHAPTER 4. TRUCKING INDUSTRY OPINION

Members of the West Virginia Trucking Association were interviewed and surveyed to assess industry opinion concerning the current system of motor carrier regulation, taxation and credentialing. The motor carrier industry finds state governments' handling of such programs to be inefficient, confusing and therefore costly to them. The first step a new trucking company must carry out is to apply for and receive a business license from the Secretary of State's office. This office does not direct motor carriers as to the other steps in the process necessary to become a fully compliant motor carrier. The next step requires a motor carrier to apply for and receive a USDOT number from the FMCSA. The West Virginia DMV provides this service, although users can just as easily apply online. However, it is not clear such a step is required to individuals starting a new motor carrier business. In addition to these new steps, most carriers are required to go to multiple state agencies scattered about Charleston, depending on the type of vehicle and the nature of the carrier's operations. There is no default order, but for some motor carrier operators there are issues if they do not go to all of the required agencies in the correct order. For example, if individuals go to the DMV to get registered for IRP and IFTA, they are denied the ability to register if there are any tax holds on their accounts – even if those accounts have nothing to do with their business. The State Tax Department runs a check against all tax records. Often times the customer is unaware of any outstanding tax liabilities, and has to make an extra trip to the State Tax Department before returning to the DMV to get the appropriate credentialing. Another issue is a lack of standardization in terms of payment practices. The Public Service Commission does not take credit cards. Instead, customers must pay with certified checks or money orders. Such a requirement often means an extra trip to the bank for individuals unaware of such a requirement. These potential complications, on top of the travel requirement, constitute a significant cost to the trucking industry.

As a result, the process is very cumbersome and potentially quite expensive. Several truckers said they would gladly pay an extra fee just to get around having to go to Charleston for these services. A prominent motor carrier dealer reported providing credentialing services to his clients for about \$500 per vehicle, because they would rather pay the cost than deal with the administrative headache and travel obligations, which “waste an entire day” of their valuable

time. Although this dealer's staff is very familiar with the regulations, they wind up running into trouble because of this lack of communication and data sharing between responsible agencies.

Online services, which are offered for some of West Virginia's motor carrier services, have reduced some of these requirements. However, not all services are electronic, and motor carriers in some regions of the state have not picked up electronic services as quickly as others. Some programs are online (e.g. DOT number, UCR, hazmat, OS/OW permits) and others are not (IFTA, operating authority, solid waste). There is also no centralized location for customer account information, or what is known as horizontal integration of e-government services. Centralizing this data would allow both state government and the trucking industry to address these issues much more efficiently because there would not have to be additional calls or requests for information from other institutions.

In sum, there are several issues the industry would like to see addressed, because the current operating structure makes it difficult to get credentialed and begin operations after making a substantial capital investment in a new equipment. Motor carrier operators are especially frustrated when a new truck and trailer, which can cost \$125,000 and \$30,000 respectively, have to remain parked for several days while credentialing issues get resolved. The West Virginia Trucking Association made several recommendations concerning potential improvements to motor carrier services:

- Provide as many online services as possible
- Provide a centralized customer account management system
- Allow operators to print their own permits
- Provide consistently accepted forms of payment
- Provide all physical services at one location
- Provide a guide that helps owner operators understand state and federal requirements
- Provide a step-by-step procedural guide for all necessary credentials, permits, tax forms, etc.
- Keep merchant rates and swipe fees as low as possible for electronic forms of payment
- Install kiosks at regional offices for walk-ins

It should be noted the industry representatives were not interested in full-service centers at regional offices. They would prefer resources be maximized toward development of web applications and services. Industry representatives want a more centralized system of electronic

account management that allows all eligibility issues and questions to be addressed simultaneously and online or with the assistance of a single representative. **Essentially, industry representatives want a One Stop Shop setup with better e-government services which allow them to operate more efficiently, with fewer administrative hassles.** Additional information from industry representatives is pending the return of surveys administered at the WVTa's annual convention.

CHAPTER 5. RECOMMENDATIONS

As a result of all documented research assembled for this report, there are several recommendations that will be made to the West Virginia Legislature. These are mostly generalized recommendations, the details of which await further investigation and deliberation on the part of officials at all affected agencies, as well as members of the Legislature and executive branch. Some of these recommendations will require extensive problem-solving and cooperation between all affected parties if they are to be effective. Without such an approach, the reorganization could exacerbate the current challenges of improving motor carrier services for the people of West Virginia and the motor carrier industry.

Agency Consolidation

To achieve more effective administration of motor carrier services in the state, it is recommended that all legal authority, functionality, personnel, equipment, and requisite funding for motor carrier services currently residing in the Public Service Commission, Division of Highways and State Tax Department be moved into the Motor Carrier Services section of the Division of Motor Vehicles. Specifically, this would mean operating authority, hazardous materials registration, solid waste disposal, Unified Carrier Registration, Commercial Vehicle Enforcement, extended weight permits, and the Coal Resource Transportation System from the Public Service Commission; IFTA tax processing, IFTA audits, IRP audits and dyed fuel from the State Tax Department; and oversize-overweight (OS/OW) permits from the Division of Highways. Excepted from this move would be superload analysis, which would still need to be conducted by the State Highway Engineer.

Consolidation Plan Development

The Division of Motor Vehicles will need additional time to work through many of the logistical issues involved in such a move, and will need to decide upon a strategic plan and vision consistent with its goals and the goals of West Virginia. The state Legislature should give the agency time to develop a plan that will address physical relocation, personnel, information technology implementation, legal issues, funding issues, and any other unforeseen logistical issues that may arise. This plan will need to be quite detailed and contain several components:

Consolidation Timeline

This plan should address the timing and the consolidation process, and whether it should be done incrementally (on an agency-by-agency basis) or simultaneously. This report provides examples of states with both experiences: Indiana's was incremental, while Oregon's was simultaneous. There are benefits and detriments to both processes. Incremental change takes longer but is generally smoother and creates fewer problems along the way. Simultaneous consolidation may take less time but is apt to be more error-prone. Information technology limitations and facilities/personnel planning will ultimately be quite consequential for these decisions.

Federal Statutory and Regulatory Compliance Review

Recommended changes to state laws and regulations will be made in this report, but there are potential issues with federal statutes and regulations, particularly in the area of tax law. The DMV needs to investigate and come to a complete understanding of these issues to ensure tax privacy laws are not violated. Cooperation and coordination with FMCSA to ensure all migrated services comply with motor carrier law and regulation is also recommended.

Addressing Challenges to Consolidation

Further investigation should specify how the DMV intends to address all of the consolidation challenges we have identified, such as funding problems at the scales and the computer systems at the Tax Department. Any further investigation needs to take on all of these issues. In some cases, the assistance of the West Virginia Legislature may be required, particularly in working out funding issues.

Personnel Plan

A comprehensive personnel plan needs to be assembled to address the transition process. The plan needs to specify a process for personnel selection and how the DMV would coordinate this process with other agencies. The plan should include a standardized interview process, and criteria for selection of employees. Additional administrative and information technology staff will probably be required. The plan should specify personnel numbers, projected salary costs, new office equipment, relocation costs, etc. The report will need to review the pay

grade/classification status of each employee and attempt to resolve incongruities wherever possible. This may require new classifications established with the guidance of the Division of Personnel or smoothing of current pay differentials. A new Motor Carrier Services organization chart should be created as well, specifying job titles, administrative roles and any support staff.

Budget Plan

The agency's new budget plan will need to take into account new projected expenditures and identify the appropriate revenue streams to cover costs. Unresolved funding issues resulting from a previous reorganization of commercial vehicle enforcement will have to be addressed. One possible solution would be to allow the DMV to keep a percentage of revenue it brings in from a particular program, such as OS/OW permits, trip permits, UCR, etc. Another would be a statutorily dedicated funding stream. This budget plan will have to be worked out in consultation with the Legislature and the State Budget Office. The budget plan will have to include personnel costs, operating costs, new furniture and equipment (including network equipment), maintenance contracts for IT systems, facilities costs and any other transition costs.

Facilities Plan

A plan for acquiring additional space for offices, cubicles, storage, networking equipment and additional customer waiting/service areas should be included. The additional space at the Kanawha Mall in Charleston for lease would be the ideal location for such offices, but DMV administrators will need to assess all possibilities and enter into the appropriate lease or contractual agreement on the basis of the prepared plan.

Motor Carrier Advisory Committee

It is recommended the Legislature create a Motor Carrier Advisory Committee, which will initially consist of all current motor carrier service agencies, as well as key industry representatives. Officials should consult with the West Virginia Trucking Association and other affected trade groups regarding the creation of this committee. Elected officials should be included as well, with members including the Transportation Secretary, Revenue Secretary, Speaker of the House, President of the Senate or their designated representatives. Initially, this committee should consist of all four motor carrier agencies to help provide a smooth transition to

a consolidated administrative apparatus. However, once an agency's responsibilities are wound down they would no longer be on the committee. This committee should meet at least quarterly, perhaps monthly throughout the consolidation process.

IT Strategic Plan

A strategic IT plan will be absolutely necessary and will have to answer several key questions. The first component will need to be a plan to achieve CVISN Core Compliance. This process is already well under way, and it appears West Virginia is close to achieving this, but an accounting of the remaining steps is critical. The sooner CVISN Core Compliance is achieved, the more grant money the state can get through FMCSA to fund these technological improvements. IT logistics will need to be issued. In other words, does DMV plan to tackle this by enhancing its own IT personnel or by strengthening its ties with West Virginia, Interactive? Either way, hiring additional IT staff will be necessary, whether they work internally for the DMV, or are contracted to work with the DMV full-time. Who will design the new motor carrier portal, host the system, maintain the system, and integrate all of the modules from DMV and other agencies? How much space will be needed to maintain all the current network equipment, which is housed in various locations, as well as future IT systems? There should be an overall strategic plan with specific timetables. Another consideration should be the order at which existing systems in other agencies should be migrated to the DMV. Will the standalone systems (like UCR, Hazmat, or Bentley) be incorporated first, while the more difficult (in-house PSC and Tax) systems wait until later? How does this all dovetail with the \$5 million modernization project the DMV plans to pursue?

Motor Carrier Portal

The DMV should work with West Virginia Interactive and other partners to develop a motor carrier portal that combines each of the electronic applications created for various motor carrier regulation, credentialing and taxation programs. This portal should include a single sign-on mechanism so that all motor carrier records are kept in a single, easily accessible online location.

Cross-Training Curriculum

The DMV should develop a training program to train both current and new employees how to administer other programs to be consolidated under DMV administration. The process should enable the agency to compensate when regular program administrators are sick, on vacation or leave. The amount of time and effort needed to train the initial wave of employees is likely to be greater than in future situations. The guide should be specific about how best to cross-train, which programs should be included, and how to prioritize training resources. The strategic focus should be finding efficiencies in the work processes that may enable the agency to save money in the future.

Work Flow Issues

There are still some processes that will require coordination with other agencies. For example, business registration with the Secretary of State's office and superload analysis by the engineers in the Division of Highways will require action not under agency jurisdiction. Efforts should be made to sit down with those agencies and devise efficient ways to handle work flow when coordination between those entities is required.

Exploration of State Financing and Tax Incentive Options

Maryland has several programs that provide loans, investments, technology transfers and tax incentives to encourage businesses to locate or grow in the state. In some cases, these programs target specific economic development zones; others are geared toward specific industries, including the trucking and warehousing sectors. DMV officials should evaluate West Virginia's current incentives to see whether any of Maryland's programs, or programs in surrounding states, may be emulated to attract more trucking and warehousing businesses to the state.

Proposed Legislation

This report includes components for proposed legislation to consolidate the authority and function for all motor carrier programs in the DMV, to potentially identify funding mechanisms for unfunded agency functions, to address any tax statutes which may preclude DMV usage of

tax account information, and to examine federal compliance issues. The report includes a basic legislative package, but additional legislation may be required at a later date as the process develops and in response to previously unforeseen circumstances. Further investigation may unearth other statutes, as well as potential obstacles via federal law.

Sections and components of §11-6, §11-14, §17A, §24 and §24A of the West Virginia Code have been identified as laws to be amended in order to implement the consolidation process. A full description of changes and draft legislative elements are provided in Chapter 6.

CHAPTER 6. LEGISLATIVE RECOMMENDATIONS

This report includes components for proposed legislation to consolidate the authority and function for all motor carrier programs in the DMV. Sections and components of §11-6, §11-14, §17A and §24A of the West Virginia Code have been identified as laws to be reviewed or amended in order to implement the consolidation process. The basic legislative discussion that follows includes the description of the rationale and steps that would lead to its necessary development. However, additional legislation may be required at a later date as the process develops and in response to previously unforeseen circumstances. Further investigation may unearth other statutes, as well as potential obstacles via federal law as more specific paths toward implementation are identified and/or selected. Deletions from current code are marked via strikethrough, additions to code are underlined, and sections requiring additional consideration are italicized. H.B. 4103 (2012), the authorizing legislation for this study, is provided in Appendix 2.

6.1 Legislative Changes Relating to Agency Consolidation

Taxation

Should the legal authority for determining the rates of taxation of motor carrier services move from the State Tax Department to the Motor Carrier Services section of the DMV, specific sections of Chapter 11 of West Virginia Code would require attention and/or alteration. These include:

- §11-6G Assessment of Interstate Public Service Corporation Motor Vehicle Businesses Registered Under a Proportional Registration Agreement
- §11-14 Gasoline and Special Fuel Excise Tax
- §11-14A Motor Carrier Road Tax
- §11-14B Interstate Fuel Tax Agreement
- §11-14C Motor Fuel Excise Tax

Article 6G. Assessment of Interstate Public Service Corporation Motor Vehicle Businesses Registered Under a Proportional Registration Agreement

West Virginia §11-6G outlines the disclosure and taxation of mileage and ad valorem value of the equipment used by interstate motor vehicle businesses operating within West

Virginia. §11-6G-2 currently requires the disclosure of information to and the payment of taxes required by law based upon rules promulgated by the tax commissioner. §11-6G-7, 8 and 9 provide for an interstate commerce appeals board comprised of the tax commissioner or his or her designee, the motor vehicles commissioner or his or her designee, and the state auditor or his or her designee. §11-6G-1 established an operating fund for an interstate commerce disclosure division in an auditor's office with a portion of proceeds transferred to both the tax department and the division of motor vehicles. These would require attention if the authority transferred to the Commissioner of DMV; sample changes are provided as examples below.

§11-6G-2. Disclosure of required information to the ~~tax commissioner~~ motor vehicles commissioner.

(a) "Interstate motor vehicle," for purposes of this article, is defined as every truck, road tractor or semitrailer used as an interstate motor vehicle registered under a proportional registration agreement.

(b) The procedure for determining the value thereof is exclusively provided for under section two of this article.

(c) The words "owner or operator," as applied herein to trucks or semitrailers used as an interstate motor vehicle in the transportation of property, shall include every company incorporated by or under the laws of this state, or doing business in this state, whether incorporated or not, and any person or association of persons, owning or operating any truck or semitrailer used as an interstate motor vehicle in the transportation of property doing business partly or wholly within this state.

(d) Every interstate commercial motor vehicle covered by this article shall pay such taxes based upon the assessments as are required by law pursuant to rules promulgated by the ~~tax commissioner~~ motor vehicles commissioner.

§11-6G-3. Interstate motor vehicle business; calculation of tax.

(a) In the case of interstate motor vehicles used for the transportation of property and which are registered under a proportional registration agreement, pursuant to the provisions of section ten-a, article two, chapter seventeen-a of this code, the owners, operator or operators, for each interstate motor vehicle, on forms prescribed by the commissioner of motor vehicles, shall disclose the total miles driven in West Virginia and the total miles driven in any other states as reported in the most recent taxable year to the division of motor vehicles pursuant to any proportional registration agreement on file therewith. The return shall, additionally, show the gross capital cost of the interstate motor vehicle to the purchaser thereof and the year the purchaser acquired the interstate motor vehicle.

(b) Ad valorem fees provided for in this chapter shall, notwithstanding the provisions of section five, article one-c of this chapter, be determined as follows for: (1) The gross capital cost of an interstate motor vehicle shall be multiplied by a percentage factor representing the remainder of the vehicle's value after depreciation according to a depreciation schedule established by the ~~tax commissioner~~ motor vehicles commissioner,

which calculation shall yield the appraised value of the vehicle, which appraised value shall be multiplied by sixty percent to yield the assessed value; (2) for the interstate truck, road tractor, or power unit, registered in this state as part of a fleet registered under any proportional registration agreement under the provisions of section ten-a, article two, chapter seventeen-a of this code, the assessed value shall be multiplied by the apportioned percentage calculated in accordance with the articles and bylaws of any proportional registration agreement for the mileage reporting year, as reported to the division of motor vehicles for the corresponding registration year pursuant to any proportional registration agreement on file therewith to obtain the apportioned value, which apportioned value shall be multiplied by the applicable rate of tax.

§11-6G-7. Adjustment of valuation by interstate commerce appeals board.

There is hereby created the interstate commerce appeals board the membership of which shall be comprised of the tax commissioner or his or her designee, the motor vehicles commissioner or his or her designee, and the state auditor or his or her designee. The interstate commerce appeals board shall meet the first Monday in July, unless the first Monday is a holiday at which time the interstate commerce appeals board shall meet upon the first business day thereafter. In the event of an emergency, the interstate commerce appeals board may be convened upon the agreement of two of the three members of the board. Any time before an owner or operator appeals a valuation to circuit court, as provided for in section eight of this article, the interstate commerce appeals board may, after consideration of all relevant facts and evidence, adjust the valuation made by the interstate commerce appeals board pursuant to section eleven of this article.

§11-6G-8. Appeal from valuation by board.

Any owner or operator claiming to be aggrieved by any such decision may, within the time aforesaid, apply by petition in writing, duly verified, to the circuit court of Kanawha County, and jurisdiction is hereby conferred upon and declared to exist in such court, in which such application is filed, to grant, docket and hear such appeal; and such appeal, as to all of the property so charged, forthwith be allowed by such court so applied to, and be heard by such court as to all of such property as soon as possible after the appeal is docketed, but notice in writing of such petition shall be given to the motor vehicles commissioner, by mailing a copy of the petition for an appeal filed as aforesaid, which said petition shall recite the fact that copies of such petition have been sent by registered mail. *Notice in writing of the hearing shall be given by the motor vehicles commissioner to the state tax commissioner and the state auditor at least fifteen days beforehand.* Upon such hearing the court shall hear all such legal evidence as shall be offered on behalf of the state or any other county, district or municipal corporation interested, or on behalf of the appealing owner or operator. *If the court be satisfied that the value so charged by the motor vehicles commissioner and affirmed or determined by the interstate commerce appeals board, is correct, it shall confirm the same, but if it be satisfied that the value so fixed by the board or the motor vehicles commissioner is either too high or too low, subject to the assessment valuations provided for in subsection (b), section eleven of this article, the court shall correct the valuation so made and shall ascertain and fix the true*

and actual value of such property according to the facts proved, and shall certify such value to the auditor, motor vehicles commissioner and to the tax commissioner. The state or the owner or operator may appeal to the supreme court of appeals if the proportional assessed value of the property be fifty thousand dollars or more.

If the court to which an application for appeal would properly be made as aforesaid shall not be in session, the judge thereof in vacation shall forthwith allow the appeal, and if the judge thereof be disqualified or for any reason not be available, the filing of the aforesaid petition in the office of the clerk of the circuit court of Kanawha County, within the time of aforesaid, shall constitute sufficient compliance with this section, and the appeal shall thereafter be proceeded with as otherwise provided in this section.

§11-6G-9. Certification of levies to auditor.

(a) The clerk of the county commission of every county in which any property lies which was so assessed shall, within thirty days after the county and district levies are laid by such commission, certify to the auditor the amount levied upon each one hundred dollars' value of the property of each class in the county for county purposes, and on each one hundred dollars of the value of the property of each class in each magisterial district for the district purposes. It shall be the duty of the secretary of the board of education of every school district and independent district in which any part of the property lies, within thirty days after the levies are laid therein for free school and building purposes, or either, to certify to the auditor the amount so levied on each one hundred dollars' value of the property of each class therein for each of such purposes; and it shall be the duty of the recorder, clerk or other recording officer of every municipal corporation in which any part of the property lies, within the same time, after levies are laid therein for any of the purposes authorized by law, to certify to the auditor the amount levied upon each one hundred dollars' value of the property of each class therein for each and every purpose.

(b) Such county levy rates shall be reported to the auditor for use in the following taxable year's assessment pursuant to the provisions of section eleven, article six-d of this chapter.

(c) *For purposes of establishing the valuation rate to be supplied to the motor vehicles commissioner by the auditor and the tax commissioner, the auditor shall use such figures and amounts as are certified to him or her under this section one year in arrears.*

§11-6G-17. Operating fund for interstate commerce disclosure division in auditor's office.

The auditor shall establish a special operating fund in the state treasury for the interstate commerce disclosure division in his or her office. The auditor shall pay into the fund two percent of the gross receipts of all moneys collected as provided for in this article. Up to one percent of the gross receipts shall be transferred to the public utilities tax loss restoration fund created in section twenty-seven, article six of this chapter. From the fund, the auditor shall reimburse the tax division and the division of motor vehicles for the actual operating expenses incurred in the performance of its duties required by this article. The reimbursements to the tax division and division of motor vehicles from the fund shall not exceed one third of one percent of the annual deposits to the fund per agency. Any moneys remaining in the special operating fund after reimbursement to the

tax division and the division of motor vehicles shall be used by the auditor for funding the operation of the interstate commerce disclosure division located in his or her office. The interstate commerce disclosure division is hereby granted authority and required to share any and all information obtained by the division in the implementation of this article with the state auditor, tax commissioner and the commissioner of motor vehicles to effectuate the collection of taxes and fees under this article. The commissioner of motor vehicles is hereby authorized and required to share any and all information obtained by the division of motor vehicles in the implementation of this article. The commissioner of motor vehicles will supply to the interstate commerce disclosure division the names of, location or locations of and amount or amounts paid by West Virginia owners or operators of interstate motor vehicles registered under the terms of any proportional registration agreement. The tax commissioner is hereby authorized and required to share any and all information obtained by the department of tax and revenue. The state auditor and the interstate commerce disclosure division is hereby authorized and required to share any and all information obtained by the auditor or the division.

Article 14. Gasoline and Special Fuel Excise Tax

West Virginia §11-14 outlines the imposition, computations and exemptions to the gasoline and special fuel excise tax covering several types of fuels, not just those consumed by commercial motor vehicles. As such, it remains unclear which portions of the gasoline and special fuel excise taxes, if any, would come under discretion of the Division of Motor Vehicles and its Commissioner. Thus, special attention must be paid to §11-14, particularly §11-14-5a, which provides the tax commissioner the power to exempt bulk fuel sales to interstate motor carriers under certain conditions.

Article 14A. Motor Carrier Road Tax

West Virginia §11-14A-13 concerns the disposition of the Motor Carrier Road Tax. Should any portion of said tax be used to fund, or discretion of spending be transferred in any amount to the Division of Motor Vehicles, special attention to §11-14A would be warranted. Throughout §11-14A, references are made to either “commissioner” or “tax commissioner”. The definitions outlined in §11-14A-2 make this explicit and were the powers transferred to the commissioner of motor vehicles those references in the article as “commissioner” would not need to be changed if the definition section were updated. There remain a few other instances in the article in which “tax commissioner” remain. Those instances are listed here:

- §11-14A-5(d)(1)
- §11-14A-5(d)(2)
- §11-14A-5(e)
- §11-14A-5(f)
- §11-14A-6
- §11-14A-7(c)(2)
- §11-14A-7(c)(4)
- §11-14A-7(c)(6)
- §11-14A-13

Article 14B. Interstate Fuel Tax Agreement

Under §11-14B-3, powers of the tax commissioner designated by section seven, article fourteen-a of chapter eleven were transferred to the commissioner of the division of motor vehicles. However, the tax commissioner and the commissioner of the division of motor vehicles each retain specific responsibilities per article fourteen-b. Each of these require special attention dependent on which powers ultimately become the responsibility of which office. Sections of note granting authority and or responsibility to the tax commissioner include:

- §11-14B-3. Registration of motor carriers
- §11-14B-4. Cooperative agreements between states authorized
- §11-14B-7. Effective date of international fuel tax agreement or amendment
- §11-14B-8. Copy of agreement to be maintained by tax commissioner
- §11-14B-9. Exchange of information
- §11-14B-10. Audits
- §11-14B-11. Disposition of moneys; international fuel tax agreement clearing fund
- §11-14B-12. Regulations
- §11-14B-16. Reimbursement of expenses of tax commissioner

Article 14C. Motor Fuel Excise Tax

West Virginia §11-14C is also known as the "West Virginia Motor Fuels Excise Tax Act". As with §11-14 it remains unclear which portions of the gasoline and special fuel excise taxes, if any, would come under discretion of the Division of Motor Vehicles and its Commissioner. Thus, special attention must be paid to §11-14C especially in terms of the authority currently granted to the tax commissioner to promulgate rules and enter into agreements with the tax officials of other states (see as examples §11-14C-3 and §11-14C-4).

Further, §11-14C-5 grants the authority to determine the average wholesale price of all motor fuel, §11-14C-9 provides for the ability to determine exemptions, and §11-14C-10 permits motor fuel licensing authority to the tax commissioner.

Motor Vehicle Administration, Registration

West Virginia §17A-2 provides operating authority for the Commissioner of the Division of Motor Vehicles and outlines qualifications, powers and duties of that office. West Virginia §24A currently outlines the purposes, definitions and exemptions for Commercial Motor Carrier activities authorized to the PSC. To move all legal authority, function, personnel, equipment and funding would (at minimum) require striking §24A from State Code and moving/editing that portion to reside within §17 (presumably either in §17A-2 or in a new section such §17H). Rather than inserting the necessary strike-through of current §24A in this document, it is simply noted that this should occur.

West Virginia §17A-2-10 provides authority for the commissioner of motor vehicles to enter into reciprocal agreements with other states in cooperation with other offices as appropriate. This stipulation may need to be re-evaluated in light of any changes made or additional powers granted to the commissioner of motor vehicles via other action as recommended within this report or from pursuant activities. §17A-2-10 is provided with the specific clause italicized below.

§17A-2-10. Motor vehicles commissioner -- Reciprocal agreements with other states.

The motor vehicle commissioner in cooperation with the state auditor, state road commissioner, the public service commission and the superintendent of state police as appropriate may enter into reciprocal agreements as he may deem proper or expedient with the proper authorities of other states, jurisdictions or nations, regulating the licensing of drivers and the use, on the roads and highways of this state, of trucks, automobiles and any other vehicles owned and duly licensed in other states, jurisdictions or nations. The commissioner may enter into reciprocal agreements under which the registration of vehicles owned in this state, and the licenses of drivers residing in this state shall be recognized by other states, jurisdictions or other nations.

Also, it should be noted that §17A-10-5 states that PSC assessments on vehicles subject to such assessments via §24A must be paid before a vehicle may be registered and grants authority to the commissioner of motor vehicles to suspend registration cards and plates upon

notice from the PSC. Should the powers granted to the PSC in §24A be transferred to the commissioner of motor vehicles, section §17A-10-5 would require modification.

Public Service Commission and Commercial Motor Carriers

West Virginia §24 provides the Public Service Commission the jurisdiction over a utility engaged in the “Common carriage of passengers or goods, whether by air, railroad, street railroad, motor or otherwise...” Additionally, West Virginia §24A confers upon the public service commission of West Virginia “the power, authority and duty to supervise and regulate the transportation of persons and property for hire by motor vehicles upon or over the public highways of this state”. As noted in section 6.2, to move all legal authority, function, personnel, equipment and funding would (at minimum) require striking §24A from State Code and moving/editing that portion to reside within §17, removing references to the PSC and/or its commissioner. Consideration to the exact jurisdiction granted to the PSC over motor carrier provision of goods transportation is also warranted.

6.2 Motor Carrier Advisory Committee

The establishment of a Motor Carrier Advisory Committee may be facilitated through legislation or through some form of Executive action. For the purposes of this report, and with the understanding that this committee could sunset upon the full transfer of authority, powers, personnel and technology, it is assumed that this could be accomplished under Executive Order. Despite the fact that the Motor Carrier Advisory Committee could sunset, the recommendation as part of this report, is for the committee to become permanent.

6.3 Other Considerations

In addition to the changes to State Code outlined in previous sections, there are a few other items of note that must be taken into account. These include, but are not limited to provisions concerning:

- **Article 6-52 (of the State Constitution). Revenues applicable to roads.**
 - Revenue from gasoline and other motor fuel excise and license taxation, motor vehicle registration and license taxes, and all other revenue derived from motor vehicles or motor fuels shall, after the deduction of statutory refunds and cost of administration and collection authorized by legislative appropriation, be appropriated and used solely for construction, reconstruction, repair and maintenance of public highways, and also the payment of the interest and principal on all road bonds heretofore issued or which may be hereafter issued for the construction,

- reconstruction or improvement of public highways, and the payment of obligations incurred in the construction, reconstruction, repair and maintenance of public highways.
- **Article 6-56 (of the State Constitution). Revenues applicable to nongame wildlife resources in the state.**
 - Notwithstanding any provision of section fifty-two of article six of this Constitution, the legislature may, by general law, provide funding for conservation, restoration, management, educational benefit and recreational and scientific use of nongame wildlife resources in this state by providing a specialized nongame wildlife motor vehicle registration plate for motor vehicles registered in this state. The registration plate shall be issued on a voluntary basis pursuant to terms and conditions provided by general law for an additional fee above the basic registration and license fees and costs otherwise dedicated to the road fund. Any moneys collected from the issuance of these specialized registration plates in excess of those revenues otherwise dedicated to the road fund shall be deposited in a special revenue account in the state treasury and expended only in accordance with appropriations made by the Legislature as provided by general law for the conservation, restoration, management, educational benefit and recreational and scientific use of nongame wildlife resources in this state. All moneys collected which are in excess of the revenues otherwise dedicated to the road fund shall be deposited by the state treasurer in the "nongame wildlife fund" created especially for nongame wildlife resources in this state.
 - **West Virginia CSR 110-14B-1 International Fuel Tax Agreement**
 - **West Virginia CSR 150-02 Rules And Regulations For The Government Of The Construction And Filing Of Tariffs Of Public Utilities And Common Carrier By Motor Vehicle**
 - **West Virginia CSR 150-09 Rules Governing Motor Carrier, Private Commercial Carriers, and the Filing of Evidence of Insurance and Financial Responsibility by Motor Carriers**
 - **West Virginia CSR 150-23 Rules And Regulations Implementing A Uniform Registration And Permitting Program For Motor Carriers Transporting Hazardous Materials**
 - **West Virginia CSR 150-27 Rules And Regulations For The Transportation Of Coal By Commercial Motor Vehicles**

Further, legislative action establishing or outlining the requirements for detailed consolidation plans, IT strategic plans, motor-carrier web portals and training may be necessary. However, the necessary decisions regarding the makeup these individual components must occur before detailed legislation can be prepared, if even necessary. It is noted here that the decision to explore state financing and/or tax incentive options, like those employed in Maryland and discussed within this report, may require resolution or Interim study.

APPENDIX 1. INTERVIEWED PERSONNEL

Division of Motor Vehicles

Joe Miller, Commissioner

Steve Dale, Deputy Commissioner

Mark Holmes, Executive Assistant to the Commissioner

Jerry Conrad, Director of Administrative Services

Monica Price, Manager of Human Resources

Phil Kingery, Manager of Motor Carrier Services

Todd Armstrong, Supervisor of Motor Carrier Services

Public Service Commission

Mike Albert, Chairman

Ryan Palmer, Commissioner

David Kovarik, Administrative Director

Kevin McGraw, IT Manager

Buddy Covert, Motor Carrier Operations Director

Gary Edgell, Motor Carrier Enforcement Director

Beth Sharp, Human Resources Oversight

Division of Highways

Harry Bergstrom, Deputy Transportation Secretary

Marvin Murphy, State Highway Engineer

Bill Wofford, Maintenance

Kathy Holtsclaw, Legislative Liaison

State Tax Department

Tonia Oakes, Director, Tax Account Administration

Frank Capehart, Assistant Director, Tax Account Administration

Stephanie Tichenor, Assistant Director, Information Technology Division

Kim Lowers, Assistant Director, Revenue Division (Business Administration)

Patrick Bryant, Tax and Revenue Manager, Northern Region (IFTA, IRP, Motor Fuel Audits)

Industry—West Virginia Motor Truck Association

Jan Vineyard, President

Walt Hanson, Immediate Past Chairman, Petroleum Transport

Jeff Branham, Chairman, New River Trucking, LLC

Mike Smith, First Vice-Chairman, Appalachian Tire Products Inc.

Daniel Harmon, Second Vice-Chairman, Con-Way Freight

Bernie Young, Secretary/Treasurer, Trucks, Inc.

Chuck Bradley, Worldwide Equipment

John Burns, Burns Motor Freight

Fred Burns, Burns Motor Freight

H. Winston McHenry, HWM Trucklines/Winjean Trucking Co.

Mark Thompson, W. S. Thomas Transfer, Inc.

Mark Alagna, UPS

Keith Weatherholt, KelKar Services

State of Oregon

Gregg Dal Porte, Administrator, Department of Transportation

State of Indiana

Jim Poe, Deputy Commissioner, Department of Revenue

APPENDIX 2. WEST VIRGINIA H.B. 4103 (2012)

WEST VIRGINIA LEGISLATURE
SECOND REGULAR SESSION, 2012



ENROLLED

House Bill No. 4103

(By Delegates Staggers, L. Phillips, Barker,
Ferro, Guthrie and Cowles)



Passed March 9, 2012

To Take Effect Ninety Days From Passage

ENROLLED

H. B. 4103

(BY DELEGATES STAGGERS, L. PHILLIPS, BARKER,
FERRO, GUTHRIE AND COWLES)

[Passed March 9, 2012; to take effect ninety days from passage.]

AN ACT to amend the Code of West Virginia, 1931, as amended,
by adding thereto a new article, designated §17A-2B-1,
§17A-2B-2 and §17A-2B-3, all relating to consolidating
government services and enforcement of laws pertaining to the
motor carrier industry; stating legislative findings and purpose;
designating the Division of Motor Vehicles as the lead agency
to develop a plan for the consolidation; and requiring the
division to report its plan and recommendations for
consolidation to the Joint Committee on Government and
Finance by December 1, 2012.

Be it enacted by the Legislature of West Virginia:

That the Code of West Virginia, 1931, as amended, be amended
by adding thereto a new article, designated §17A-2B-1, §17A-2B-2
and §17A-2B-3, all to read as follows:

ARTICLE 2B. CONSOLIDATION OF THE REGULATION OF THE MOTOR CARRIER INDUSTRY.

§17A-2B-1. Legislative findings and purpose.

- 1 (a) The Legislature finds that responsibility for delivery
- 2 of government services and the enforcement of laws

3 pertaining to the motor carrier industry currently resides in
4 several state agencies, divisions and departments including
5 the Division of Motor Vehicles, Public Service Commission,
6 Division of Highways, State Tax Department and the State
7 Police. The Division of Motor Vehicles currently administers
8 numerous provisions of this code relating to the regulation of
9 the motor carrier industry in this state, including chapter
10 seventeen-a of this code, which prescribes the process for
11 titling and registration of all motor vehicles, the provisions
12 for commercial drivers licenses set forth in chapter
13 seventeen-b of this code, and has numerous other
14 responsibilities relating to the motor carrier industry. The
15 Division of Motor Vehicles also has significant interaction
16 with the various federal agencies and other state agencies
17 responsible for the administration of government functions
18 relative to the industry. It further appears to the Legislature
19 that a significant portion of the responsibility, in terms of
20 volume of transactions and its database, routine contact with
21 the industry and assignment of staff pertaining to regulating
22 the motor carrier industry, is currently vested in the Division
23 of Motor Vehicles. Therefore, the Legislature finds that the
24 Division of Motor Vehicles is the appropriate agency to plan
25 the consolidation of the administration and enforcement of
26 the various state laws pertaining to the motor carrier industry.

27 (b) The Legislature further finds that it is very
28 cumbersome and onerous for motor carrier business entities
29 to obtain the necessary permits, licenses and file the
30 necessary returns, reports and other documents through
31 numerous state agencies whose offices are scattered both
32 geographically and administratively throughout state
33 government. The lack of centralization of these various state
34 agencies also results in the redundancy of information
35 provided by motor carrier entities to the various state
36 agencies. The Legislature further finds that the lack of
37 centralization of these government functions does not

38 encourage the growth and success of this industry in the
39 State.

40 (c) The Legislature further finds that it would be more
41 cost effective and efficient to both the state agencies and the
42 motor carrier industry to provide these services through
43 consolidated facilities, licensing and permitting processes and
44 electronic information and communication technologies.

45 (d) Therefore, it is the purpose of this article to facilitate
46 the consolidation of the administration of government
47 services pertaining to the motor carrier industry and to
48 designate the division as the lead agency in planning the
49 consolidation of state government services and enforcement
50 of laws pertaining to the regulation and taxation of the motor
51 carrier industry.

**§17A-2B-2. Development of plan of consolidation of
government services and regulation
applicable to the motor carrier industry.**

1 (a) Notwithstanding any other provisions of this code to
2 the contrary, the Division of Motor Vehicles is authorized
3 and directed, and is designated the lead state agency to
4 formulate and develop a plan for the consolidation of state
5 government services and enforcement of laws pertaining to
6 the regulation and taxation of the motor carrier industry.

7 (b) (1) The Public Service Commission, Division of
8 Highways, State Tax Department and the State Police shall
9 cooperate with the division and provide information, aid and
10 assistance as requested by the division to plan the
11 consolidation of state government services and of
12 enforcement of laws pertaining to the regulation and taxation
13 of the motor carrier industry.

14 (2) The division shall consult with these agencies and
15 shall solicit and use any applicable experience and expertise
16 that can be beneficial to the development of the plan of
17 consolidation.

**§17A-2B-3. Report to the Joint Committee on Government and
Finance.**

1 (a) The Division of Motor Vehicles shall submit to the
2 Joint Committee on Government and Finance on or before
3 December 1, 2012, a report setting forth the plan for the
4 consolidation of state government services and of
5 enforcement of laws pertaining to the regulation and taxation
6 of the motor carrier industry.

7 (b) The report shall make recommendations pertaining to
8 changes in laws, administration, personnel and procedure in
9 the provision of government services applicable to the motor
10 carrier industry and shall include drafts of recommended
11 legislation necessary to implement the proposed
12 consolidation.

The Joint Committee on Enrolled Bills hereby certifies that the foregoing bill is correctly enrolled.

Chairman, House Committee

Chairman, Senate Committee

Originating in the House.

To take effect ninety days from passage.

Clerk of the House of Delegates

Clerk of the Senate

Speaker of the House of Delegates

President of the Senate

The within _____ this the _____
day of _____, 2012

Governor