

**REPORT OF THE
DEPARTMENT OF MOTOR VEHICLES**

Customer Service Study

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



HOUSE DOCUMENT NO. 108

**COMMONWEALTH OF VIRGINIA
RICHMOND
2005**



COMMONWEALTH of VIRGINIA
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December 20, 2005

The Honorable Mark R. Warner

Governor of Virginia
The Honorable John H. Chichester, Chairman
Senate Finance Committee
The Honorable Marty E. Williams, Chairman
Senate Transportation Committee
The Honorable Vincent F. Callahan, Jr., Chairman
House Appropriations Committee
The Honorable Leo C. Wardrup, Chairman
House Transportation Committee
The Honorable Pierce R. Homer
Secretary of Transportation

Dear Sirs:

In accordance with Item 477 of the 2005 Appropriation Act, I am submitting this report, titled "Department of Motor Vehicles Customer Service Study." Item 477 directed DMV to develop an activity based cost accounting system and establish performance goals and strategies for submission as part of the budget process. In addition, it required DMV to analyze the impact of potential changes to its customer service goals and service delivery methods.

I am pleased to report that DMV's activity based cost accounting system has been established. Fiscal Year 2005 results were submitted to the Auditor of Public Accounts in November 2005. In addition, DMV submitted its strategic plan and performance measures as part of the Governor's 2006-2008 Biennial Budget. This report completes the final component of Item 477. It identifies the financial impact of maintaining customer wait time goals ranging from ten minutes to 45 minutes. It also addresses usage of DMV's customer service options.

If you have any questions after reading the report, please contact me at 804-367-6606 or DB.Smit@dmv.virginia.gov.

Sincerely,

A handwritten signature in black ink that reads "D.B. Smit".

D.B. Smit

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Executive Summary

The Virginia Department of Motor Vehicles (DMV) serves a customer base of almost 5.2 million licensed drivers and the owners of 7.3 million registered vehicles. DMV serves its customer base through a network of service delivery options. It currently operates 73 full-service offices – called customer service centers (CSCs) – located across the Commonwealth. In addition, DMV has strategically positioned itself to offer customers a variety of service options as alternatives to visiting an office in-person, including:

- DMV Selects (contractual vehicle license agents);
- mail-in program;
- customer contact center;
- www.dmvNOW.com web site;
- online dealer program;
- touchtone telephone system; and
- self-service centers.

Three budget items were added to the 2004 and 2005 Appropriation Acts in response to a comprehensive cost analysis of DMV conducted by the Auditor of Public Accounts (APA). The first budget item called for DMV to use the APA's cost accounting methodology to develop an activity-based cost accounting system. The second budget item required DMV to develop performance goals and strategies for submission as part of the budget process. The focus was on identifying the level of performance that could be met with the resources allotted. These budget items were included in the 2004 Appropriation Act. Third, budget language was added in 2005 that required DMV to analyze the impact of potential changes to its customer service goals and service delivery methods.

In response to the General Assembly's directive, DMV has now developed an activity-based cost accounting system. The FY 2005 results, which identify the per-unit costs of DMV's primary transactions, were submitted to the APA in November 2005. In addition, the requirements for performance goals have been satisfied via the new Strategic Plan process that was implemented for the 2006-2008 Biennial Budget Submission. Service Area plans that include goals, strategies and performance measures were developed for the seven major activities of the agency: Driver Services, Vehicle Services, Motor Carrier Services, Transportation Safety Services, Information Technology, Facilities and Grounds Management Services, and General Management and Direction. These plans were submitted to the Department of Planning and Budget in July 2005.

The focus of this report is the analysis of customer service levels and usage of DMV's various service options. In particular, this report identifies the cost implications of maintaining different average customer wait times at

customer service centers (CSCs) – from ten minutes up to 45 minutes, in five-minute increments. It also examines the potential impact of imposing a surcharge on transactions performed at CSCs that could be performed more efficiently via DMV's alternative service options. In addition, it discusses the progress DMV has made to date in migrating transactions from CSCs to its more cost-effective service options.

DMV currently has a goal to serve its customers within an average of 20 minutes. Agency staff employed statistical modeling to assess how staffing, and therefore funding, would need to be changed to meet both shorter and longer wait times than DMV currently attains. The analysis suggests that varying average wait time goals between ten and 45 minutes has a minimal impact on funding, because small changes in staffing levels create substantial impacts on average wait times. Based on the statistical modeling, DMV would need an additional \$552,000 for all 73 CSCs to meet a ten-minute average wait time. For FY 2005, 27 CSCs already maintained average wait times approximating ten minutes. To meet a 45-minute average wait at each CSC would require approximately \$527,000 less than currently budgeted. These changes amount to less than one percent of DMV's field staff expenditures.

A key lesson demonstrated through the statistical analysis is that strategic scheduling can reduce customer wait times using existing staff resources. For example, if a CSC tends to have a rush of customers during the first hour of operation, adding one service window during that one hour may reduce overall wait times by five to 15 minutes, particularly in small CSCs. However, it is also important to note that the modeling assumes that the most efficient staff scheduling pattern is employed in each office, based on customer arrival rates. There are many practical situations in which a CSC manager may not be able to follow an optimal staff schedule, for example due to employee illnesses. These situations could impact the extent to which a CSC can meet a particular wait time goal with the resources identified by the modeling. As such, DMV believes it is important to test the modeling results through a pilot program in selected CSCs. DMV has begun work on this pilot and will have results in early spring 2006.

The analysis also points to the desirability of supplementing full-time staff with wage and/or classified part-time staff to be able to adequately serve customers during peak times without having excess staff capacity during the slower times. Given the potential ability to use wage staff to effect average wait time changes, the average hourly wage rate, which is significantly less than full-time salaried staff costs, was used in calculating the funding impact. However, DMV also plans to explore other staffing configurations, such as the use of classified part-time staff, in further analysis of CSC staffing.

In addition to seeking ways to provide service more cost-effectively and efficiently through its CSCs, DMV also has taken steps to offer service

through lower-cost alternative service options, such as the Internet, touchtone telephone system, and mail-in program. DMV's goal in having alternative service options is to conduct the transactions via alternative services that are less complex, and that do not require face-to-face contact, so that the CSCs can focus on the transactions requiring a customer visit.

DMV's new activity based cost accounting system, developed in consultation with the Auditor of Public Accounts, provides clear evidence of the cost effectiveness of these alternative service options. For example, the cost to conduct a vehicle registration renewal at a CSC is \$6.77, compared to \$4.61 at a DMV Select, \$2.94 through DMV's mail-in program, and \$2.70 through both the Internet and touchtone telephone system.

Usage of DMV's alternative service options has increased during the past five years, as DMV has added transaction types available through alternative services and taken steps to promote these options. For example, in FY 2000 almost all driver's license renewals were conducted in a CSC. By FY 2005, 58 percent of customers eligible to use an alternative service to renew their driver's license chose to do so. Likewise, fewer registration renewals are conducted in CSCs today (36 percent in FY 2005) than they were in FY 2000 (41 percent). For both types of renewals, the rate of growth in customer usage has been greatest with the Internet, which is one of the lowest-cost service options available.

DMV has achieved this growth in alternative service usage by actively promoting those services and constantly identifying and implementing new transactions to be conducted via an alternative service. For example, DMV revised its vehicle and driver's license renewal notices to promote electronic service options, such as the Internet. Also, customers who contact DMV's call center are now routinely provided information on conducting their transactions through alternative options. Transactions recently made available through alternative services include: transcript request, surrender plates, reporting of vehicles sold or traded, and title replacement.

DMV's ability to move transactions out of the CSCs and into its lower cost service options has enabled the agency to reduce the resources it devotes to CSCs. DMV expended less on CSCs in FY 2005 than it did in FY 2001. CSC FY 2001 expenditures totaled \$58 million, while FY 2005 expenditures were \$55.4 million – 4.5 percent less in actual dollars and 13 percent less in constant dollars. CSC staffing during this period was reduced by 17 percent.

While DMV has taken numerous steps to encourage greater use of its alternative service options, there is clearly more to be done. The Appropriation Act language specifically directed DMV to examine the possible use of surcharges for transactions completed in a CSC that could have been performed via an alternative service. The intent of the surcharge is to encourage customers

to use an alternative service option rather than the CSC when such an option is available. Through this analysis DMV identified seven transactions that are available via multiple alternative service options, and therefore, could be candidates for applying a surcharge. DMV staff then conducted several research activities to identify and assess possible surcharges for these transaction types, including: surveying other states regarding their experiences with surcharges, conducting a review of marketing literature, comparing the current fees charged for these transactions with DMV's cost to conduct them, and contracting with Virginia Commonwealth University (VCU) to obtain input from DMV customers.

Based on this research, DMV identified two potential ways to set a surcharge level. One possibility is to set the surcharge at an amount sufficient to cover the actual difference in costs between a CSC transaction and the same transaction conducted using alternative means. This approach would rely on the results of the activity based cost accounting system. With this approach, the surcharges could potentially range from \$4 to \$6.50 per transaction. The other possibility is to set the surcharge at an amount that customers report would cause them to seek out an alternative service option. The VCU study identified customers' views on differential pricing ranging from \$1 to \$10 per transaction.

VCU's study, which obtained input from a relatively small sample of DMV customers, produced mixed results. Based on customer opinions on pricing, DMV estimates that between 12 percent and 23 percent of CSC transactions could potentially be migrated to alternative service options, depending on the surcharge amount imposed. However, the VCU study also found that DMV's lower income customers would be disproportionately negatively impacted given their greater reliance on cash payments and lesser access to the Internet.

Given the mixed results from the VCU study, DMV believes it would be appropriate to explore the use of surcharges further before making a determination regarding their use. Specifically, the agency has made plans to include questions about the use of surcharges or discounts in its upcoming biennial survey of customers, to be conducted in February-March 2006. The results of this statewide survey should shed more light on the potential benefits and drawbacks of using surcharges. Further, DMV believes that the use of surcharges is just one of many options that should be explored. In addition to strategies currently underway, other options that should be examined include requiring that, for certain transactions, customers who come to a CSC must use the self-service center or drop off the work for later processing at headquarters, or eliminating altogether the ability to conduct certain transactions in a CSC, such as vehicle registration renewals. DMV will continue to identify additional strategies, explore the feasibility of these strategies, and implement them as appropriate. During this process, DMV will keep the General Assembly informed of its progress and seek legislative approval as needed.

1. Introduction

In 2003 the Virginia General Assembly directed the Auditor of Public Accounts (APA) to conduct a comprehensive cost analysis of the Department of Motor Vehicles' (DMV) activities. The APA's subsequent report, "Department of Motor Vehicles Cost Analysis Special Report," along with a follow-up report issued in December 2004, outlined a methodology for more precisely capturing the direct and indirect costs of DMV's activities and services. The report also discussed the need for and importance of productivity/performance measures.

Three budget items were added to the 2004 and 2005 Appropriation Acts in response to the APA reports. The first budget item called for DMV to use the APA's cost accounting methodology to develop an activity-based cost accounting system. The second budget item required DMV to develop performance goals and strategies for submission as part of the budget process. The focus was on identifying the level of performance that could be met with the resources allotted. These budget items were included in the 2004 Appropriation Act. Third, budget language was added in 2005 that required DMV to analyze the impact of potential changes to its customer service goals and service delivery methods. The specific budget language is included in Exhibit 1.

In response to the General Assembly's directive, DMV has now developed an activity-based cost accounting system. The FY 2005 results, which identify the per-unit costs of DMV's primary transactions, were submitted to the APA in November 2005. In addition, the requirements for performance goals have been satisfied via the new Strategic Plan process that was implemented for the 2006-2008 Biennial Budget Submission. Service Area plans that include goals, strategies and performance measures were developed for the seven major activities of the agency: Driver Services, Vehicle Services, Motor Carrier Services, Transportation Safety Services, Information Technology, Facilities and Grounds Management Services, and General Management and Direction. These plans were submitted to the Department of Planning and Budget in July 2005.

The focus of this report is the analysis of customer service levels and usage of DMV's various service options. In particular, this report identifies the cost implications of maintaining different average customer wait times at customer service centers (CSCs) – from ten minutes up to 45 minutes, in five-minute increments. It also examines the potential impact of imposing a surcharge on transactions performed at CSCs that could be performed more efficiently via DMV's alternative service options. In addition, it discusses the progress DMV has made to date in migrating transactions from CSCs to its more cost-effective service options.

Exhibit 1

Appropriation Act Study Language

Language included in 2004 Appropriation Act:

D. The Department of Motor Vehicles is directed to implement, wherever possible, the recommendations of the Auditor of Public Accounts included in the study conducted pursuant to Item 2, Chapter 1042 of the Acts of Assembly of 2003. The Department of Motor Vehicles, in conjunction with the Auditor of Public Accounts, shall report to the Governor, the Secretary of Transportation, the Chairmen of the House Committees on Transportation and Appropriations and the Chairmen of the Senate Finance and Transportation Committees on the progress of the Department of Motor Vehicles' efforts to implement the cost methodology and productivity measures recommended by the Auditor of Public [Accounts] in his November 13, 2003, report by December 1, 2004. Such report shall include the department's evaluation of the variable costs of providing customer services via the various service delivery methods, as well as additional recommendations from the Auditor on the changes to the Department of Motor Vehicles' budget processes that will ensure that it reflects sound financial policy.

Language included in 2004 Appropriation Act and subsequently amended in 2005:

E. 1. The Department of Motor Vehicles shall work with the Secretary of Transportation to develop performance goals and strategies that shall be submitted in the form of budget amendments for review and approval by the ~~2005~~ 2006 Session of the General Assembly. The goals and strategies shall be based on constrained assumptions of revenues and appropriations and shall address the major activities of the agency, including (1) driver licensing; (2) driver monitoring; (3) driver reinstatement; (4) vehicle titling and registration; (5) vehicle insurance monitoring; (6) dealer licensing and regulation; and (7) customer records and information.

Language added in the 2005 Appropriation Act:

2. As part of the effort to develop performance goals and strategies, the Department shall calculate the average wait time and the related average cost per transaction conducted at each customer service center. The calculations shall determine the impact to transportation funding if wait times are reduced or increased by increments of five minutes. For increased wait times, the upper limit shall be an average wait time of 45 minutes. For reduced wait times, the lower limit shall be an average wait time of 10 minutes.
3. In addition, the Department shall calculate the average number of transactions conducted at each customer service center that can now be done by alternative means such as mail, phone, or Internet. The Department shall determine if the average number of such transactions can be redirected away from the customer service centers to alternative services by levying a surcharge in addition to the fee already prescribed by statute or regulation for the transactions. The Department shall develop a schedule of surcharges and the impact of various surcharges on the average number of transactions at customer service centers for those services that can be addressed through alternative means.
4. The Department shall submit the report by December 28, 2005 to the Governor, the Secretary of Transportation, the Chairmen of the Senate Committees on Transportation and Finance, and the Chairmen of the House Committees on Transportation and Appropriations.

Sources: 2004 and 2005 Appropriation Acts.

The APA studies and subsequent budget language point to an important, fundamental issue: that is, the need for balance between the appropriate level of service and the resources that are available and expended for that service level. The results of these study efforts provide information crucial for informed decision-making, in part by quantifying for decision-makers the cost of different service options and levels of service. The General Assembly can then hold the agency accountable for the service level that it funds.

This chapter provides an overview of DMV's role and functions and the service delivery structure used to accomplish its functions. It also outlines the study activities undertaken to address the General Assembly's most recent directive. Chapter II presents the results of DMV's analysis of customer wait times and the resources required to meet various wait time goals. Chapter III discusses current efforts and potential options for encouraging greater use of DMV's alternative service options.

DMV's Role and Functions

As one of six agencies within the Secretariat of Transportation, DMV promotes security, safety, and service to Virginians through the administration of motor vehicle and tax-related laws. DMV serves a customer base of almost 5.2 million licensed drivers and the owners of 7.3 million registered vehicles. The agency has more daily face-to-face contact with Virginia's citizens than any other state agency. DMV licenses individuals to operate motor vehicles, issues identification cards, titles ownership of vehicles and registers the vehicles operating on Virginia's highways. Since September 11, 2001, there has been an increased emphasis on legal presence and increased emphasis on security generally. In particular, issuance standards for identification cards and driver's licenses have been enhanced in the last several years, resulting from changes in the law and DMV policy.

In addition to driver licensing, vehicle titling and registration and the associated data management functions for more than 12 million driver and vehicle records, DMV provides credentialing services for Virginia-based commercial motor carriers, operates Virginia's motor carrier service centers (weigh stations), and collects the state's fuel taxes. Using federal grants, DMV also funds transportation safety programs that address driving-related issues and help make the state's highways safer.

DMV Has Multi-Pronged Service Structure

DMV serves its varied customer base through a network of service delivery options. Virginia DMV currently operates 73 full-service offices across the Commonwealth. (In addition, DMV has an office located in the Pentagon

specifically serving Pentagon employees.) Over the years, DMV has strategically positioned itself to offer customers a variety of service options as alternatives to visiting an office in-person. In the mid 1990s, DMV began offering customers another way to pay for their transactions – credit and debit cards. Not only did this option make DMV transactions more convenient for customers, it also unlocked the door to other new service technologies, such as touchtone telephone and Internet. Evolving technology in the 1980s and 1990s offered the opportunity to deliver services in a more convenient, efficient and effective manner.

DMV responded to these changes by developing and implementing a variety of new service options, referred to as DMV's "alternative service options." DMV's vision was to develop new alternative service venues for the highest volume, simplest transactions. By taking these higher-volume, simpler transactions out of the full-service facilities, the CSCs could focus their efforts on providing enhanced, face-to-face service to customers with the most complex transactions – those that must be performed in person. Customers needing to conduct routine DMV transactions can select from a "menu" of available options for conducting their DMV business. These alternative service options enable DMV to offer greater flexibility and convenience to customers as well as to deliver services more cost-effectively to Virginia citizens. DMV's service structure includes:

- customer service centers,
- DMV Selects (contractual vehicle license agents),
- mail-in program,
- customer contact center,
- www.dmvNOW.com web site,
- online dealer program,
- touchtone telephone system, and
- self-service centers.

Customer Service Centers

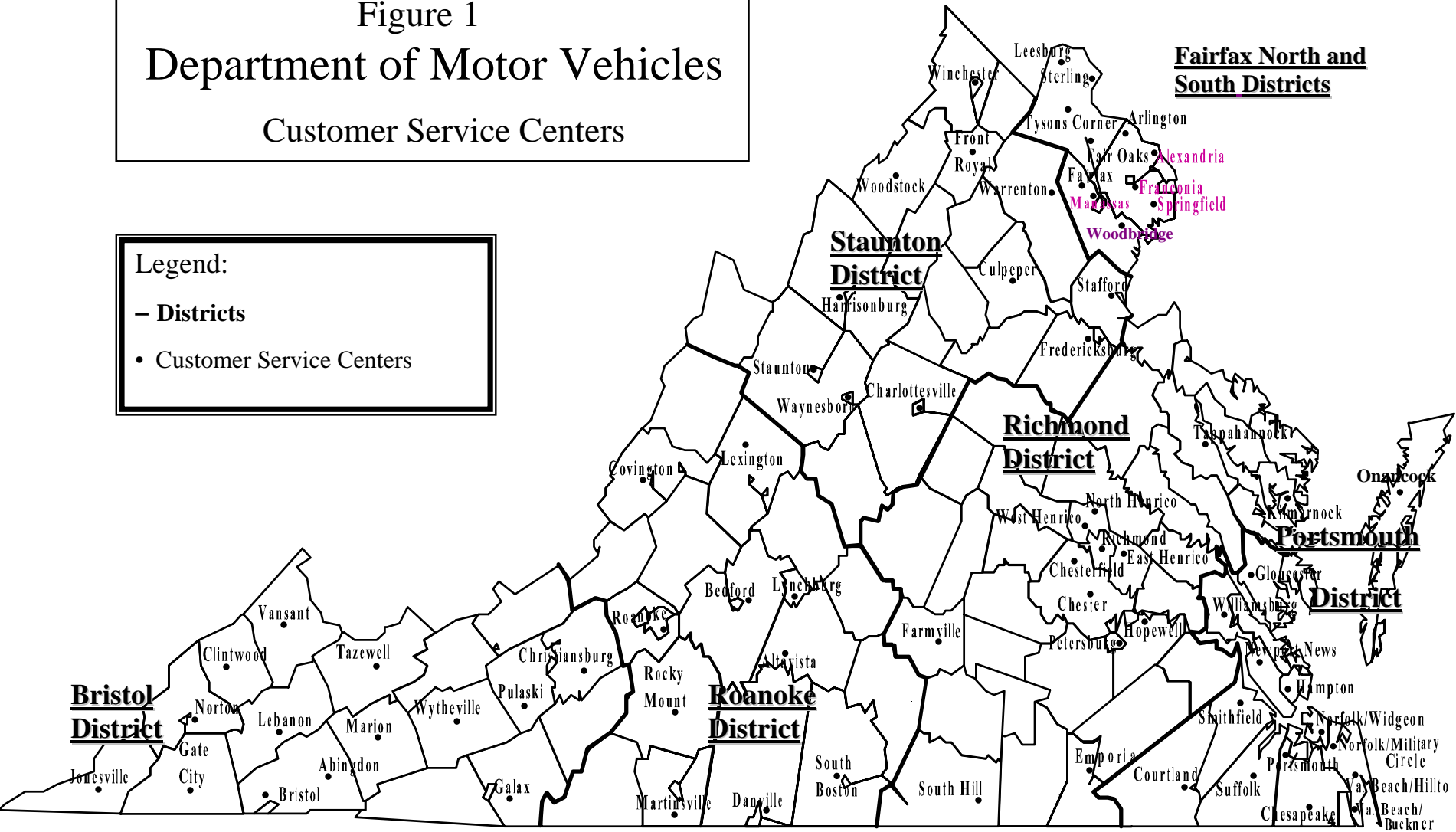
Most of DMV's CSCs were established in the 1970s, with several more added in the 1980s and 1990s. For the past decade DMV has served driver and vehicle customers via 73 CSCs located throughout the state. DMV strategically located these offices with the goal of requiring customers to drive no more than 30 miles to reach a DMV outlet. The map in Figure 1 shows the location of each CSC. These offices provide the full range of services offered by DMV.

CSCs are located in a variety of communities ranging from rural to urban. As such, there are substantial differences in the number of customers who visit each office. For example, the Jonesville CSC served about 30,000 customers in FY 2005 while the Arlington CSC served over 200,000 customers

Figure 1
Department of Motor Vehicles
Customer Service Centers

Legend:

- Districts
- Customer Service Centers



during that time period. Reflective of the varying customer bases, CSC staffing varies from five full-time equivalent staff in the smallest offices to 33 full-time equivalent staff in the largest CSC. One-quarter of DMV's CSCs (19 offices) are routinely staffed with less than seven full-time equivalent staff. These offices are generally located in more rural areas of the state.

DMV Selects (Contractual License Agents)

More than 75 years ago, DMV opened its first contractual license agent location in Berryville, Virginia, providing vehicle-related services to customers in this rural area. At that time, DMV had one full-service location in Richmond, Virginia. Introducing license agents in other parts of the state allowed customers to conduct their DMV business without traveling to Richmond. Over the years, DMV has continued to expand its network of license agents and as of July 1, 2005, contracted with 35 businesses and local governments across the state to offer customers alternative locations for conducting vehicle-related transactions. DMV benefits by being able to provide low-cost, effective and efficient service to customers in rural, urban and suburban areas throughout the state. Customers benefit from the increased availability of service outlets.

In return for this service provision, license agents, recently renamed DMV Selects, are compensated at 3.5% of the gross revenue they collect for conducting DMV vehicle transactions. In FY 2005, DMV Selects conducted 563,615 vehicle transactions and collected \$51,374,771 in revenue. DMV's compensation to DMV Selects during FY 2005 totaled almost \$1.8 million. The transactions conducted at DMV Select offices cost less than if conducted at a CSC because DMV does not bear the cost of DMV Select facilities and personnel.

Mail-In Program

DMV has offered customers a mail-in option since the 1950s, when it began offering vehicle registration renewals by mail. Use of mail-in services for driver's license renewals was introduced in 1999. DMV now offers 12 different transactions via mail including substitute titles, replacement titles, driver and vehicle transcripts, and change of address.

While there are several transactions that can be performed through the mail, vehicle registration and driver's license renewals remain the primary transactions conducted through this alternative service option. Use of the mail-in program for vehicle registration renewals accounted for over 40 percent of all vehicle renewal transactions in FY 2005. This usage rate has actually declined in recent years, owing in part to the increasing popularity of the Internet service option.

Customer Contact Center

DMV's first call centers were started in the 1970s. A vehicle call center and a driver call center operated as separate entities and responded to calls from customers who had received DMV correspondence. In 1990, DMV combined its two telephone centers into one Call Center. The purchase of telecommunications equipment enabled the Call Center to track customer calls and employee productivity and to streamline work processes to better meet growing customer demand for efficient and convenient service.

In 1999, DMV's Call Center was transformed into a Customer Contact Center (CCC), with two offices – in Richmond and Altavista. DMV's CCC is an in-bound call center that answers all public calls directed to DMV headquarters as well as the 73 CSCs. The CCC also responds to most of DMV's customer email correspondence and processes customer transactions for payments of reinstatement fees, statutory fees and driver and vehicle transcripts. In recent years the types of transactions that can be processed through the CCC have been reduced in an effort to move these customers to DMV's lower-cost service options, such as the touchtone telephone system and Internet. In FY 2005, CCC agents handled over 1.5 million customer calls and responded to more than 92,000 customer emails.

DMV Web Site

DMV launched its web site in October 1996, and in August 1997, the agency implemented its first online transaction allowing customers to check the availability of and reserve personalized license plate messages. In May 1999, DMV implemented online vehicle registration renewal. This process started with 183 transactions in May 1999 and has grown to over 90,000 transactions in the month of August 2005. In December 1999, Virginia DMV was the first U.S. state to implement online driver's license renewals, processing 74 driver's license renewals that month. In August 2005, over 13,000 driver's license renewals were processed online.

DMV has won numerous national and international awards for its web site and has continued to implement a variety of vehicle and driver online transactions. Over the past six years DMV has added over 20 interactive customer transactions on its web site for the public. The most recent transaction – title replacement – was added in August 2005. DMV developed its first Extranet (business-to-business) application for commercial customers in 1998 – an Extranet application to facilitate web-based transactions for insurance companies. The agency now has 17 applications that help DMV and its business partners process work quickly and more efficiently.

DMV currently averages over 25,000 individual visitors to its web site per day – three times the traffic of just a few years ago. Overall, more than one million transactions are conducted on DMV’s web site each year.

All of DMV’s Internet and Extranet applications have been built on the same principles:

- provide service 24 hours a day, seven days a week,
- outsource as much data entry as possible directly to the customer,
- eliminate the submission of paper documents and reduce as much as possible the need for customers to make an “in person visit” to DMV,
- minimize the time period between submission of the required paper work and applicable fees and the mailing of the desired product, and
- reduce the costs of doing business with DMV.

Online Dealer Program

In 1992, DMV implemented the Online Dealer Program which provides participating motor vehicle dealers with an electronic link to DMV’s vehicle files, enabling them to issue registration cards, metal license plates and decals at the point of sale. Participating dealerships benefit by providing one-stop shopping to complete the sale, titling and registration of a vehicle at their site, and customers no longer have to go to a CSC to obtain their metal plates and decals.

Currently, there are 884 online Virginia dealers, 177 online Maryland dealers, 93 online fleets and nine online salvage pools. From the program’s inception in 1992 through September 30, 2005, Online Dealer Program participants have conducted over 4.8 million transactions, collecting more than \$2.7 billion in fees and taxes.

Touchtone Telephone System

In 1994, working with a vendor, the agency implemented its first touchtone telephone solution for vehicle renewal. In October 2000, DMV replaced the vendor solution with its own web-based touchtone telephone system. The initial transactions launched with the new system included vehicle registration renewal, driver’s license renewal, requesting a Personal Identification Number (PIN) and customer change of address. In June 2002, DMV integrated speech recognition technology into the touchtone system. This technology recognizes customers’ voice responses to collect the needed data to complete transactions instead of requiring customers to respond by touching only the telephone keypad.

In FY 2005, customers conducted 134,967 driver and vehicle renewals through the touchtone system. A total of eight transactions are now available on this system.

Self-Service Centers

Self-Service Centers were implemented in January 2003 to provide walk-in CSC customers with an alternative to waiting in line to transact routine DMV business. These centers are located within the lobbies of ten CSCs across the state, including: Richmond, Fairfax/Westfields, Newport News, Norfolk/Widgeon, Roanoke, Lynchburg, Fredericksburg, Leesburg, Harrisonburg, and Woodbridge. The Self-Service Centers allow customers to use personal computers situated in the CSC lobby to connect to DMV's web site and conduct available online transactions. For some transactions, e.g., vehicle registration renewals, customers receive their product during their CSC visit rather than waiting to receive the product in the mail. In FY 2004, customers conducted 29,674 transactions in the self-service centers. In FY 2005, self-service transaction volumes more than doubled to over 61,000 transactions. A staff person from the CSC is assigned to assist customers who need help completing their transactions and to provide appropriate products.

Summary of Study Activities

DMV staff undertook several research activities to address the requirements of the budget language. DMV addressed the wait time analysis through the use of simulation software that calculates the number of service windows necessary to meet pre-determined wait times, based on customer flow patterns and the average time it takes to conduct a transaction. DMV relied extensively on data from its queuing system for this analysis. However, a key portion of customer wait time is not captured through the queuing system – the time spent waiting in line at the Information Desk. Therefore, the agency contracted with the University of Virginia Center for Survey Research to conduct a study of Information Desk wait times. Based on timings from approximately 1,900 customers, UVA calculated the average customer wait time for this portion of a customer's visit. This time was then included in the simulation modeling.

To assess the potential impact of applying surcharges for certain CSC transactions that are available through alternative services, DMV staff conducted a survey of other states to determine if any states have used surcharges and/or discounts for certain service delivery options and if so, the outcomes of those efforts. The agency also examined its own and other Virginia state agencies' experiences with surcharges and/or discounts. In addition, DMV contracted with Virginia Commonwealth University to conduct a series of surveys and focus groups with customers. The goal of this effort was two-fold. First, DMV sought to better understand why some customers who are eligible to use alternative service options for their transactions are choosing instead to visit a CSC. Second, customers were directly asked whether differential pricing based on which service option is used would cause them to use the lower cost options.

Finally, DMV staff used the activity-based cost accounting results to determine the difference in cost for transactions conducted in a CSC compared to those conducted through the alternative service options. The results of these activities were used to assess the appropriateness of using surcharges as well as to develop a potential surcharge schedule.

II. Customer Wait Times at DMV's Customer Service Centers

Most adult residents of Virginia at some point will interact with the Department of Motor Vehicles (DMV). In many cases it is their primary contact with state government. As such, their experiences with DMV help shape their overall views of the efficiency and effectiveness of state government operations.

DMV strives to provide its customers with the highest level of service possible with the resources available. One important measure of that service is the average time a customer must wait before being served at a customer service center (CSC). Customer satisfaction surveys have consistently shown that wait time has a major impact on customers' attitudes toward the DMV. Short waits generally result in satisfied customers; long wait times become a source of complaints.

The 2005 Appropriation Act directed DMV to:

calculate the average wait time and the related average cost per transaction conducted at each customer service center. The calculations shall determine the impact to transportation funding if wait times are reduced or increased by increments of five minutes.

DMV currently has a goal to serve its customers within an average of 20 minutes. It is ultimately a policy decision as to what wait time level is an appropriate goal, one that must be made while balancing resource needs for an array of public services. One of the purposes of this study is to inform decision-makers by identifying the cost of meeting various wait time goals. Policy-makers can then determine whether the desired service level is worth the cost.

Overall, the results of this analysis suggest that varying average wait time goals between ten and 45 minutes has a minimal impact on funding, because small changes in staffing levels create substantial impacts on average wait times. In particular, the modeling demonstrates that strategic scheduling can reduce customer wait times using existing staff resources. For example, if a CSC tends to have a rush of customers around noon, adding a service window during that hour may substantially reduce wait times throughout the rest of the day, especially in small CSCs.

DMV Closely Tracks Customer Wait Times at CSCs

DMV's wait time goals have changed over the years depending on staff resources, operational priorities, budget considerations, and customer concerns. Since an automated queuing system was instituted statewide in 1998,

DMV has been able to closely track the wait time of each customer from the time the customer receives a ticket to the time he or she arrives at the service window. The system does not capture the customer wait time spent in the Information line.

In 2001, DMV's wait time goal was 15 minutes. During the budget crisis in 2002-2003, wait times became a lower priority as DMV worked through the closing of 11 offices, elimination of all wage staff, and elimination of 186 full-time staff. During this time, customer wait times rose substantially and many customer complaints were received by the Governor, Legislators, and DMV regarding the long wait times.

These wait time concerns were also revealed through DMV's annual customer satisfaction survey. For several years DMV contracted with the University of Virginia Center for Survey Research to conduct a survey of its customers. These surveys showed an increasing level of customer satisfaction from 1997 to 2001. However, this trend was reversed in the 2002 and 2003 surveys, conducted around the time of the office closings and higher average wait times. The 2003 survey report noted:

The time required to transact DMV business is by far the most important factor driving overall satisfaction.... The implication is that a reduction in wait time would have the greatest impact on improving satisfaction ratings.

Most customers (76 percent) reported that 10 to 30 minutes was a reasonable amount of time to wait.

Currently, DMV tracks wait times as part of its Performance Scorecard for CSCs. Two performance goals are tracked: (1) maintain an average statewide wait time of 20 minutes or less, and (2) serve at least 70% of customers within 20 minutes. While the statewide average wait time goal has generally been met this year, it is important to consider that individual wait times can vary substantially based on the CSC visited, and the time of month and time of day visited. For FY 2005, average wait times at individual CSCs ranged from two minutes at the Emporia CSC to over 33 minutes at the Newport News CSC. Across all CSCs, Saturdays tend to have substantially longer wait times than other days of the week. Hence, even with an average wait time goal of 20 minutes, some customers may still wait much longer to be served. For FY 2006 to date, approximately 60 percent of CSC customers were served within 20 minutes.

Table 1 provides information on each CSC's average wait time for FY 2005, along with the total transactions processed, average cost per transaction, and staff as of June 30, 2005. The CSC cost per transaction was calculated by adding both direct and indirect costs associated with each CSC for FY 2005.

**Table 1
Customer Service Center Workload and Staffing
FY 2005**

Customer Service Center	Average Wait Time	Total Transactions	Average Cost Per Transaction	Staff as of 6/30/2005 (Full-Time + Wage Equiv.)
Bristol District				
Abingdon	0:07:44	52,178	\$17.31	6
Bristol	0:07:44	61,438	\$10.29	5.75
Christiansburg	0:13:22	115,590	\$10.13	11.25
Clintwood	0:03:28	25,711	\$24.80	4.75
Galax	0:14:04	67,725	\$9.56	5.5
Gate City	0:02:46	38,277	\$13.74	5.5
Jonesville	0:06:38	30,691	\$17.06	4.75
Lebanon	0:05:28	47,719	\$12.18	6
Marion	0:03:08	47,636	\$12.85	5.75
Norton	0:08:38	55,437	\$10.03	6.25
Pulaski	0:05:34	52,198	\$10.81	6.5
Tazewell	0:14:54	58,396	\$12.29	7.5
Vansant	0:06:50	40,013	\$15.69	6.75
Wytheville	0:04:52	54,795	\$13.30	7.75
District Total	0:08:16	747,804	\$13.58	90
Fairfax North District				
Arlington	0:24:44	209,182	\$17.90	33.5
Fair Oaks Mall	0:19:36	160,208	\$14.08	25.5
Fairfax/Westfields	0:27:34	107,410	\$16.81	19.25
Leesburg	0:23:38	112,495	\$13.42	11.75
Sterling	0:26:20	129,345	\$12.81	17.25
Tyson's Corner	0:23:36	198,584	\$15.65	31.5
District Total	0:24:00	917,224	\$15.11	138.75
Fairfax South District				
Alexandria	0:21:42	160,367	\$14.28	21.75
Franconia	0:18:06	139,574	\$16.45	23.75
Manassas	0:20:30	173,576	\$14.47	20
Springfield Mall	0:17:14	178,564	\$16.09	25.5
Woodbridge	0:23:32	182,636	\$15.08	24.25
District Total	0:20:02	834,717	\$15.27	115.25
Portsmouth District				
Chesapeake	0:30:32	161,854	\$13.42	20
Courtland	0:02:54	40,677	\$16.59	6.75
Gloucester	0:11:42	68,348	\$11.41	7.75
Hampton	0:24:36	180,469	\$10.95	28.25
Newport News	0:33:42	135,990	\$12.21	17.25
Norfolk/Military Circle	0:30:40	142,659	\$9.13	13.25
Norfolk/Widgeon Rd.	0:19:18	159,277	\$10.43	20.25
Onancock	0:05:36	46,180	\$14.74	6.5
Portsmouth	0:23:08	143,769	\$13.54	16
Smithfield	0:13:32	45,414	\$12.95	7.25
Suffolk	0:15:38	73,868	\$15.31	9.25
Virginia Beach/Buckner	0:26:42	174,905	\$10.57	22.5
Virginia Beach/Hilltop	0:24:14	163,619	\$11.88	19.25
Williamsburg	0:25:26	66,929	\$13.35	12
District Total	0:23:36	1,603,958	\$12.61	206.25

**Table 1 (continued)
Customer Service Center Workload and Staffing
FY 2005**

Customer Service Center	Average Wait Time	Total Transactions	Average Cost Per Transaction	Staff as of 6/30/2005 (Full-Time + Wage Equiv.)
Richmond District				
Chester	0:20:36	145,098	\$11.81	20
Chesterfield	0:16:20	202,636	\$10.72	20.75
East Henrico	0:11:20	134,899	\$8.87	16.25
Emporia	0:02:00	39,029	\$16.72	5.5
Farmville	0:10:10	62,842	\$11.37	9.25
Hopewell	0:17:58	85,637	\$10.99	10.75
Kilmarnock	0:01:58	35,024	\$12.95	5.5
North Henrico	0:19:54	172,046	\$9.17	17.75
Petersburg	0:15:30	98,557	\$10.75	11.25
Richmond	0:19:06	160,567	\$11.09	25
South Hill	0:05:20	51,313	\$13.48	6.75
Tappahannock	0:07:32	63,000	\$10.20	5.75
West Henrico	0:16:24	143,723	\$9.85	18
District Total	0:15:14	1,394,371	\$11.38	172.5
Roanoke District				
Altavista	0:08:26	50,027	\$12.55	4.75
Bedford	0:10:46	58,426	\$8.62	5.5
Covington	0:03:26	38,839	\$12.25	4.75
Danville	0:29:32	106,818	\$10.81	13
Lexington	0:05:40	45,058	\$11.35	4
Lynchburg	0:15:32	139,534	\$9.87	17.75
Martinsville	0:17:42	103,388	\$10.98	11.25
Roanoke	0:33:36	207,167	\$14.13	28.25
Rocky Mount	0:09:36	71,371	\$8.97	5.75
South Boston	0:22:06	56,883	\$12.73	7.5
District Total	0:19:08	877,511	\$11.23	102.5
Staunton District				
Charlottesville	0:27:18	144,748	\$11.91	18.75
Culpeper	0:08:54	65,858	\$12.22	10.75
Fredericksburg	0:20:42	206,214	\$10.50	21
Front Royal	0:08:02	70,457	\$8.98	6.75
Harrisonburg	0:20:44	159,754	\$9.80	17
Stafford	0:16:08	109,363	\$13.40	14.25
Staunton	0:13:28	92,839	\$9.01	10.5
Warrenton	0:10:36	82,522	\$11.77	9.5
Waynesboro	0:17:22	65,608	\$10.82	9
Winchester	0:16:46	105,970	\$8.74	10.25
Woodstock	0:05:22	50,859	\$10.09	5
District Total	0:16:36	1,154,192	\$10.66	132.75
Statewide Total	0:18:54	7,529,777	\$12.48	958*
* Does not include staff for Driver's License Quality Assurance Program and Dealer Centers.				

These total costs were then divided by the number of driver and vehicle transactions processed in each CSC in FY 2005.

Methodology for Assessing Wait Times

This section of the report describes the approach DMV staff used to assess the financial impact of eight different wait time goals – from ten minutes up to 45 minutes in five-minute increments.

Statistical Modeling Using Queuing Software

DMV staff determined that the use of queuing theory most appropriately addresses the wait time analysis called for in the budget language. With queuing theory, mathematical equations are used to determine average customer wait time based on how long it takes to conduct the transaction, how many service windows are available to serve customers, and how many customers arrive for service. It also allows the user to simulate the impact on wait time of changes in resource or customer levels. For example, it estimates a new average wait time that would occur if two additional service windows were opened.

To conduct this analysis, DMV staff used data from the queuing system currently in operation in all DMV CSC locations. Key data obtained from the system include: customer arrival patterns, average transaction time, and average number of open service windows during each hour of operation. To analyze the data, DMV purchased two statistical tools. First, it obtained a customized report from Q-Matic (the company that maintains DMV's queuing system). The custom report calculates for each CSC the average wait time for a user-defined time period, given the actual number of service windows open, number of customers, and transaction times. Given the same set of parameters, it then calculates the number of service windows that would need to be open to meet other user-determined average wait times – in this instance, wait times from ten minutes to 45 minutes in five-minute increments. The customized Q-Matic report provided DMV with an overall daily average for the number of service windows that need to be open at each CSC to meet the pre-established wait time goal. These estimates are based on FY 2005 data for each office.

The second statistical tool – Simul8 simulation software – takes the information one step further, allowing DMV to identify the specific number of service windows that need to be open during each hour in order to meet a particular average wait time goal. These new software tools provide DMV with enhanced capabilities to conduct manpower planning that will be used well beyond the timeframe of this study.

An important assumption in the modeling is that staff scheduling is optimized based on customer arrival rates. In other words, additional service windows are staffed when a high volume of customers arrive and fewer windows are staffed when there are relatively few customers. However, in practice there are likely many occasions when scheduling cannot in fact be optimized. For example, it is not possible to plan for employee illnesses. Therefore, some variation from the results of the models would be expected.

Further, while identifying the number of staff hours needed, the results presented do not take into consideration how those staff hours are scheduled throughout the day. Therefore, if the model called for an additional three staff hours in order to meet a certain average wait time, whether those three hours were to be worked simultaneously or sequentially was not identified. Clearly, this distinction has ramifications for resource hiring and scheduling.

Information Desk Wait Time Study

Data from DMV's queuing system served as the basis of the wait time analysis. However, the queuing system does not capture a portion of customers' wait time – the time they spend waiting in the Information Desk line before getting a ticket. To ensure that the wait time analysis more accurately encompassed a customer's wait time before being served, DMV contracted with the University of Virginia Center for Survey Research to determine average Information Desk wait times at CSCs. Center staff timed customers in the Information lines, taking steps to ensure they obtained a representative sample of customer wait times during different times of the month, days of the week, and times of the day at a range of CSCs across the state.

The UVA study found that, on average, customers spend approximately three minutes waiting in the Information Desk line. This average wait time was added to the Q-Matic reported wait times for each CSC to determine a total wait time. This total wait time was then aligned to each wait time goal in the simulation models.

Calculation of Cost Impact

The analysis calculates the resources needed for each CSC to meet the required wait time goals rather than simply attaining the goal at a statewide level. DMV staff executed runs showing the average number of service windows needed at each of the 73 CSCs and for each of the eight wait time goals – a total of 584 simulation runs. DMV staff then multiplied the number of windows identified in each run by the estimated number of hours per year that the office is open, resulting in the total staff hours needed for coverage. This figure was compared to the actual staff hours worked on the service windows to determine whether additional or fewer staff hours were needed to meet each wait time goal at each CSC.

The results are expressed as variances from current staffing levels. To estimate the impact on funding, the variance in staff hours was multiplied by one of two salary figures. If the variance in staff hours needed was fewer than the hours typically worked by a full-time staff person (1,700 per year), then those hours were multiplied by the average CSC hourly wage rate of \$11.14. However, if the variance in staff hours equated to a full-time position, then the average personnel costs of a customer service representative, including salary and benefits, was used (\$39,213). In the substantial majority of cases, the wage rate was used in the calculation.

For example, the model estimates that the Christiansburg CSC would need 433.6 additional staff hours on the service windows than they currently work during a year to meet the ten minute wait time goal. At a wage rate of \$11.14 per hour, the total financial impact to meet this goal is estimated at \$4,830. This would add four cents to that CSC's average transaction cost – from \$10.13 to \$10.17 per transaction.

DMV staff considered but ultimately did not include other costs besides personnel costs when projecting cost changes. All of the CSCs could accommodate within their current facility the number of service windows that would need to be open to meet the lowest wait time goal, ten minutes. Therefore, no facility renovation costs were added. Also, based on the relatively small changes in staffing needed to meet the full range in wait times from ten to 45 minutes, there were no changes necessary for management costs.

Staffing Considerations

The analysis focused on service windows and the staff resources needed to maintain open service windows because wait time is defined by how long it takes a customer to initially reach the service window. However, there are many other duties that take place in a CSC that are not captured by wait time but that require staff resources. These responsibilities include:

- conducting driver road tests,
- verification of identity documents,
- staffing the Information Desk,
- staffing the camera and testing area,
- staffing the self-service center (if applicable),
- conducting audits of driver work,
- compiling bar code sheets for vehicle work,
- training,
- handling individual customer issues or complaints,
- inventory,
- monitoring of queuing system, and
- routine management duties.

The performance of these duties must be carried out regardless of how many service windows are open. Therefore, the staff resources devoted to these duties was assumed to remain the same regardless of whether the number of service window staff hours changed.

Regardless of customer volume, DMV policy necessitates that there be a minimum of three staff working when an office is open. One staff person must be available to conduct road tests whenever the office is open. And, for accountability and safety purposes there needs to be two staff who remain in the office. To meet this level of coverage typically necessitates the assignment of five staff to the office. The additional staff allows for employee absences due to vacations, illness, and training, as well as minimum coverage during the full 44 hours (Monday through Saturday) that the office is open. Currently, four CSCs are staffed at the minimum level, using a combination of full-time and wage staff (Covington, Bedford, Gate City, and Jonesville). As such, the resource impacts were set to zero when the simulation models actually showed that these offices should decrease staff hours for certain wait time goals.

Summary of Findings

Table 2 summarizes the results of the simulation modeling and DMV staff analysis. The results point to some key issues regarding the staffing of CSCs. In general, overall financial resources are not greatly impacted by increasing or decreasing average wait times between ten and 45 minutes. The modeling estimates that an additional \$551,646 in staff resources would need to be expended to reach an average ten minute wait. Based on FY 2005 average wait times, 27 CSCs already approximate a ten-minute average wait time. On the other hand, average wait times would rise to 45 minutes with only a decrease of \$527,471. This change amounts to less than one percent of field staff expenditures. Table 3 shows the estimated resource impact for each CSC for each wait time goal.

The results of the modeling show that relatively small changes in the amount of time that service windows are staffed can have a big impact on customer wait time. For example, if a CSC tends to have a rush of customers during the first hour of operation, adding one service window during that one hour may reduce overall wait times by five to 15 minutes, particularly in small CSCs. The key to minimizing wait times is the appropriate scheduling of staff during times of peak customer traffic.

The modeling also demonstrates the importance of not incurring a backup of customers. Once a line of customers builds up from having too few service windows open, the wait time will continue to build during the day, making

**Table 2
Summary of Funding Resources Required
to Meet Average Wait Time Goal**

Customer Service Center	Funding Resources Required to Meet Average Wait Time Goals Ranging from 10 Minutes to 45 Minutes*	Impact on Average Cost Per Transaction: Ranging from 10 Minutes to 45 Minutes
Bristol District		
Abingdon	\$8,051 – (\$2,684)	\$17.47 -- \$17.26
Bristol	\$2,674 – (\$2,674)	\$10.34 -- \$10.25
Christiansburg	\$4,830 – (\$9,661)	\$10.17 -- \$10.04
Clintwood	\$0 – (\$5,377)	\$24.80 -- \$24.59
Galax	\$2,397 – (\$4,795)	\$9.59 -- \$9.49
Gate City**	\$0	\$13.74
Jonesville**	\$0	\$17.06
Lebanon	\$0 – (\$7,245)	\$12.18 -- \$10.03
Marion	\$0 – (\$7,259)	\$12.85 -- \$12.70
Norton	\$0 – (\$7,192)	\$10.03 -- \$9.90
Pulaski	\$0 – (\$4,830)	\$10.81 -- \$10.72
Tazewell	\$2,424 – (\$2,424)	\$12.34 -- \$12.25
Vansant	\$2,688 – (\$10,754)	\$15.76 -- \$15.42
Wytheville	\$0 – (\$9,661)	\$13.30 -- \$13.13
District Total	\$23,064 – (\$74,554)	
Fairfax North		
Arlington	\$43,986 – (\$15,808)	\$18.11 -- \$17.82
Fair Oaks Mall	\$11,193 – (\$13,992)	\$14.15 -- \$13.99
Fairfax Westfields	\$16,195 – (\$2,699)	\$16.96 -- \$16.79
Leesburg	\$10,503 – (\$2,626)	\$13.51 -- \$13.39
Sterling	\$10,663 – (\$5,332)	\$12.89 -- \$12.79
Tyson's Corner	\$41,869 – (\$8,098)	\$15.86 -- \$15.61
District Total	\$134,410 – (\$48,554)	
Fairfax South District		
Alexandria	\$13,474 – (\$13,474)	\$14.37 -- \$14.19
Franconia	\$10,797 – (\$10,797)	\$16.53 -- \$16.37
Manassas	\$10,739 – (\$10,739)	\$14.53 -- \$14.41
Springfield Mall	\$15,495 – (\$15,495)	\$16.18 -- \$16.00
Woodbridge	\$16,135 – (\$8,068)	\$15.17 -- \$15.04
District Total	\$66,640 – (\$58,572)	
Portsmouth District		
Chesapeake	\$10,579 – (\$2,645)	\$13.48 -- \$13.40
Courtland	\$0 – (\$8,065)	\$16.59 -- \$16.39
Gloucester	\$2,420 – (\$4,839)	\$11.45 -- \$11.34
Hampton	\$13,296 – (\$7,977)	\$11.02 -- \$10.90
Newport News	\$13,446 – (\$2,689)	\$12.31 -- \$12.19
Norfolk Military	\$41,789 – (\$10,757)	\$9.42 -- \$9.05
Norfolk Widgeon	\$8,068 – (\$8,068)	\$10.48 -- \$10.38
Onancock	\$0 – (\$2,240)	\$14.74 -- \$14.69
Portsmouth	\$10,757 – (\$5,378)	\$13.61 -- \$13.50
Smithfield	\$2,353 – (\$2,353)	\$13.00 -- \$12.90
Suffolk	\$2,420 – (4,839)	\$15.35 -- \$15.25
Virginia Beach Bucker	\$10,757 – (\$8,068)	\$10.63 -- \$10.52
Virginia Beach Hilltop	\$8,007 – (\$8,007)	\$11.93 -- \$11.83
Williamsburg	\$8,065 – (\$2,688)	\$13.47 -- \$13.31
District Total	\$131,955 – (\$78,794)	

Table 2 (continued)
Summary of Funding Resources Required
to Meet Average Wait Time Goal

Customer Service Center	Funding Resources Required to Meet Average Wait Time Goals Ranging from 10 Minutes to 45 Minutes	Impact on Average Cost Per Transaction: Ranging from 10 Minutes to 45 Minutes
Richmond District		
Chester	\$13,496 – (\$18,895)	\$11.90 -- \$11.68
Chesterfield	\$10,797 – (\$18,895)	\$10.77 -- \$10.63
East Henrico	\$2,699 – (\$13,496)	\$8.89 -- \$8.77
Emporia	\$0 – (\$10,774)	\$16.72 -- \$16.42
Farmville	\$0 – (\$9,625)	\$11.37 -- \$11.22
Hopewell	\$9,397 – (\$6,712)	\$11.10 -- \$10.92
Kilmarnock	\$0 – (\$5,387)	\$12.95 -- \$12.79
North Henrico	\$10,797 – (\$10,797)	\$9.23 -- \$9.11
Petersburg	\$5,398 – (\$5,398)	\$10.81 -- \$10.70
Richmond	\$13,374 – (\$13,374)	\$11.17 -- \$11.01
South Hill	\$0 – (\$9,696)	\$13.48 -- \$13.29
Tappahannock	\$0 – (\$7,272)	\$10.20 -- \$10.08
West Henrico	\$5,378 – (\$13,446)	\$9.89 -- \$9.76
District Total	\$71,336 – (\$143,766)	
Roanoke District		
Altavista	\$0 – (\$7,245)	\$12.55 -- \$12.41
Bedford**	\$0	\$8.62
Covington**	\$0	\$12.25
Danville	\$9,661 – (\$4,830)	\$10.90 -- \$10.78
Lexington	\$0 – (\$7,245)	\$11.35 -- \$11.19
Lynchburg	\$8,054 – (\$10,739)	\$9.93 -- \$9.79
Martinsville	\$4,830 – (\$7,245)	\$11.03 -- \$10.91
Roanoke	\$41,789 – (\$2,689)	\$14.33 -- \$14.12
Rocky Mount	\$2,415 – (\$4,830)	\$9.00 -- \$8.90
South Boston	\$4,848 – (\$2,424)	\$12.81 -- \$12.69
District Total	\$71,597 – (\$47,249)	
Staunton District		
Charlottesville	\$13,496 – (\$5,398)	\$12.00 -- \$11.87
Culpeper	\$0 – (\$9,696)	\$12.22 -- \$12.07
Fredericksburg	\$10,797 – (\$10,797)	\$10.55 -- \$10.45
Front Royal	\$0 – (\$7,272)	\$8.98 -- \$8.88
Harrisonburg	\$8,068 – (\$8,068)	\$9.85 -- \$9.75
Stafford	\$5,398 – (\$8,098)	\$13.45 -- \$13.33
Staunton	\$2,415 – (\$7,245)	\$9.04 -- \$8.94
Warrenton	\$2,424 – (\$7,272)	\$11.80 -- \$11.68
Waynesboro	\$4,688 – (\$4,688)	\$10.89 -- \$10.75
Winchester	\$5,358 – (\$2,679)	\$8.79 -- \$8.72
Woodstock	\$0 – (\$4,768)	\$10.09 -- \$10.09
District Total	\$52,644 – (\$75,981)	
Statewide	\$551,646 – (\$527,471)	

* Numbers in parentheses represent losses.

** CSC is staffed at minimum level currently, and therefore cannot reduce resources further.

it very difficult to catch up. This again points to the critical importance of appropriate scheduling, matching staff resources with peaks in customer volume.

The model also points to the desirability of supplementing full-time staff during certain times of the day. Options could include the use of wage and/or classified part-time staff. CSC customer arrivals tend to vary during the day, creating peaks and lulls. During those peak times, for example during lunch times, CSCs need additional staff to meet the demand. The use of wage or part-time staff provides the flexibility to staff up during peak times without having excess staff capacity during the slow times. However, these simulated results need to be considered against other important DMV goals, such as the need to ensure accountability and accuracy. Also, turnover is substantially higher for wage staff, resulting in increased training costs.

Pilot Project

This study has estimated the resource changes that would be needed to meet alternative wait time goals using staff hours as its basis. However, to implement staffing efficiencies identified through this analysis requires a detailed review of current scheduling at each office in comparison to the hourly service window schedule indicated by the Simul8 modeling. For example, while an office may need three additional staff hours per day, to implement this change it is necessary to know whether those hours need to be added at different times during the day or three additional service windows need to be opened within the same work hour. Staffing needs may vary somewhat from the reported modeling results as DMV begins to integrate these results into staff scheduling. DMV staff have begun piloting this effort in four CSCs – two in the Fairfax North District and two in the Fairfax South District. DMV expects to have results from this pilot in third quarter FY 2006.

**Table 3
Funding Resources Required to Meet Each Average Wait Time Goals**

		Wait Time Goals							
District	CSC	10 Minutes	15 Minutes	20 Minutes	25 Minutes	30 Minutes	35 Minutes	40 Minutes	45 Minutes
Bristol	Abingdon	\$8,051	\$0	\$0	\$0	\$0	-\$2,684	-\$2,684	-\$2,684
	Bristol	\$2,674	\$0	\$0	\$0	\$0	-\$2,674	-\$2,674	-\$2,674
	Christiansburg	\$4,830	\$2,415	\$0	-\$2,415	-\$4,830	-\$4,830	-\$7,245	-\$9,661
	Clintwood	\$0	\$0	-\$2,688	-\$2,688	-\$2,688	-\$5,377	-\$5,377	-\$5,377
	Galax	\$2,397	\$0	\$0	\$0	-\$2,397	-\$4,795	-\$4,795	-\$4,795
	Gate City	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Jonesville	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Lebanon	\$0	-\$2,415	-\$2,415	-\$3,623	-\$4,830	-\$4,830	-\$7,245	-\$7,245
	Marion	\$0	-\$2,420	-\$2,420	-\$4,839	-\$4,839	-\$7,259	-\$7,259	-\$7,259
	Norton	\$0	\$0	-\$2,397	-\$3,596	-\$4,795	-\$7,192	-\$7,192	-\$7,192
	Pulaski	\$0	\$0	-\$2,415	-\$2,415	-\$2,415	-\$4,830	-\$4,830	-\$4,830
	Tazewell	\$2,424	\$0	\$0	-\$1,212	-\$2,424	-\$2,424	-\$2,424	-\$2,424
	Vansant	\$2,688	\$0	\$0	-\$5,377	-\$8,065	-\$8,065	-\$8,065	-\$10,754
Wytheville	\$0	-\$2,415	-\$4,830	-\$4,830	-\$7,245	-\$7,245	-\$9,661	-\$9,661	
Bristol Total		\$23,064	-\$4,835	-\$17,163	-\$30,996	-\$44,530	-\$62,205	-\$69,451	-\$74,554
Fairfax North	Arlington	\$43,986	\$15,808	\$10,538	\$3,952	\$0	-\$5,269	-\$13,173	-\$15,808
	Fair Oaks Mall	\$11,193	\$8,395	\$5,597	\$0	-\$2,798	-\$5,597	-\$11,193	-\$13,992
	Fairfax Westfields	\$16,195	\$10,797	\$8,098	\$5,398	\$2,699	\$0	\$0	-\$2,699
	Leesburg	\$10,503	\$7,877	\$5,251	\$2,626	\$0	\$0	-\$2,626	-\$2,626
	Sterling	\$10,663	\$7,997	\$5,332	\$2,666	\$0	-\$2,666	-\$5,332	-\$5,332
	Tyson's Corner	\$41,869	\$16,195	\$10,797	\$5,398	\$0	-\$2,699	-\$8,098	-\$8,098
Fairfax North Total		\$134,410	\$67,069	\$45,613	\$20,040	-\$99	-\$16,231	-\$40,421	-\$48,554
Fairfax South	Alexandria	\$13,474	\$8,084	\$2,695	\$0	-\$5,390	-\$8,084	-\$10,779	-\$13,474
	Franconia	\$10,797	\$5,398	\$2,699	\$0	-\$2,699	-\$5,398	-\$8,098	-\$10,797
	Manassas	\$10,739	\$5,369	\$2,685	\$0	-\$2,685	-\$5,369	-\$8,054	-\$10,739
	Springfield Mall	\$15,495	\$9,861	\$4,226	\$0	-\$4,226	-\$9,861	-\$12,678	-\$15,495
	Woodbridge	\$16,135	\$10,757	\$8,068	\$4,034	\$0	-\$2,689	-\$5,378	-\$8,068
Fairfax South Total		\$66,640	\$39,470	\$20,372	\$4,034	-\$14,999	-\$31,402	-\$44,987	-\$58,572

Table 3 (continued)
Funding Resources Required to Meet Each Average Wait Time Goals

		Wait Time Goals							
District	CSC	10 Minutes	15 Minutes	20 Minutes	25 Minutes	30 Minutes	35 Minutes	40 Minutes	45 Minutes
Portsmouth	Chesapeake	\$10,579	\$7,934	\$5,289	\$3,967	\$0	\$0	-\$2,645	-\$2,645
	Courtland	\$0	-\$2,688	-\$5,377	-\$8,065	-\$8,065	-\$8,065	-\$8,065	-\$8,065
	Gloucester	\$2,420	\$0	\$0	-\$2,420	-\$2,420	-\$2,420	-\$4,839	-\$4,839
	Hampton	\$13,296	\$7,977	\$5,318	\$2,659	\$0	-\$2,659	-\$5,318	-\$7,977
	Newport News	\$13,446	\$10,757	\$8,068	\$5,378	\$2,689	\$0	\$0	-\$2,689
	Norfolk Military	\$41,789	\$10,757	\$2,689	\$2,689	\$0	\$0	-\$8,068	-\$10,757
	Norfolk Widgeon	\$8,068	\$5,378	\$2,689	\$0	-\$2,689	-\$5,378	-\$8,068	-\$8,068
	Onancock	\$0	-\$2,420	-\$2,420	-\$2,420	-\$2,420	-\$2,420	-\$2,420	-\$2,420
	Portsmouth	\$10,757	\$8,068	\$5,378	\$2,689	\$0	-\$2,689	-\$5,378	-\$5,378
	Smithfield	\$2,353	\$0	\$0	\$0	\$0	\$0	-\$2,353	-\$2,353
	Suffolk	\$2,420	\$0	\$0	-\$2,420	-\$2,420	-\$4,839	-\$4,839	-\$4,839
	Virginia Beach Buckner	\$10,757	\$8,068	\$5,378	\$2,689	\$0	-\$2,689	-\$5,378	-\$8,068
	Virginia Beach Hilltop	\$8,007	\$8,007	\$2,669	\$2,669	\$0	-\$2,669	-\$5,338	-\$8,007
Williamsburg	\$8,065	\$5,377	\$5,377	\$2,688	\$0	\$0	\$0	-\$2,688	
Portsmouth Total		\$131,955	\$67,215	\$35,060	\$10,105	-\$15,324	-\$33,829	-\$62,709	-\$78,794
Richmond	Chester	\$13,496	\$13,496	\$0	\$0	-\$2,699	-\$5,398	-\$8,098	-\$18,895
	Chesterfield	\$10,797	\$5,398	\$0	-\$4,049	-\$8,098	-\$13,496	-\$16,195	-\$18,895
	East Henrico	\$2,699	\$0	-\$2,699	-\$6,748	-\$8,098	-\$10,797	-\$13,496	-\$13,496
	Emporia	\$0	\$0	-\$2,693	-\$5,387	-\$5,387	-\$5,387	-\$5,387	-\$10,774
	Farmville	\$0	\$0	-\$2,406	-\$4,812	-\$4,812	-\$7,219	-\$7,219	-\$9,625
	Hopewell	\$9,397	\$6,712	\$1,342	\$0	-\$1,342	-\$4,027	-\$4,027	-\$6,712
	Kilmarnock	\$0	-\$2,693	-\$2,693	-\$5,387	-\$5,387	-\$5,387	-\$5,387	-\$5,387
	North Henrico	\$10,797	\$5,398	\$2,699	\$0	-\$2,699	-\$8,098	-\$10,797	-\$10,797
	Petersburg	\$5,398	\$2,699	\$0	\$0	-\$2,699	-\$5,398	-\$5,398	-\$5,398
	Richmond	\$13,374	\$10,699	\$5,349	\$0	-\$5,349	-\$8,024	-\$10,699	-\$13,374
	South Hill	\$0	-\$2,424	-\$4,848	-\$4,848	-\$4,848	-\$7,272	-\$7,272	-\$9,696
	Tappahannock	\$0	\$0	-\$2,424	-\$3,636	-\$4,848	-\$7,272	-\$7,272	-\$7,272
West Henrico	\$5,378	\$2,689	\$0	-\$4,034	-\$5,378	-\$8,068	-\$10,757	-\$13,446	
Richmond Total		\$71,336	\$41,975	-\$8,373	-\$38,901	-\$61,646	-\$95,843	-\$112,004	-\$143,766

Table 3 (continued)
Funding Resources Required to Meet Each Average Wait Time Goals

		Wait Time Goals							
District	CSC	10 Minutes	15 Minutes	20 Minutes	25 Minutes	30 Minutes	35 Minutes	40 Minutes	45 Minutes
Roanoke	Altavista	\$0	\$0	-\$2,415	-\$3,623	-\$4,830	-\$4,830	-\$7,245	-\$7,245
	Bedford	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Covington	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Danville	\$9,661	\$7,245	\$4,830	\$2,415	\$0	\$0	-\$2,415	-\$4,830
	Lexington	\$0	\$0	\$0	-\$2,415	-\$2,415	-\$4,830	-\$4,830	-\$7,245
	Lynchburg	\$8,054	\$2,685	\$0	-\$2,685	-\$5,369	-\$5,369	-\$8,054	-\$10,739
	Martinsville	\$4,830	\$2,415	\$2,415	\$0	-\$2,415	-\$4,830	-\$7,245	-\$7,245
	Roanoke	\$41,789	\$18,824	\$13,446	\$10,757	\$5,378	\$2,689	\$0	-\$2,689
	Rocky Mount	\$2,415	\$0	\$0	-\$1,208	-\$2,415	-\$4,830	-\$4,830	-\$4,830
South Boston	\$4,848	\$4,848	\$2,424	\$1,212	\$0	\$0	-\$2,424	-\$2,424	
Roanoke Total		\$71,597	\$36,018	\$20,700	\$4,454	-\$12,067	-\$22,002	-\$37,045	-\$47,249
Staunton	Charlottesville	\$13,496	\$10,797	\$5,398	\$5,398	\$2,699	\$0	-\$2,699	-\$5,398
	Culpeper	\$0	\$0	-\$2,424	-\$4,848	-\$4,848	-\$7,272	-\$7,272	-\$9,696
	Fredericksburg	\$10,797	\$5,398	\$2,699	\$0	-\$2,699	-\$5,398	-\$8,098	-\$10,797
	Front Royal	\$0	\$0	-\$2,424	-\$2,424	-\$4,847	-\$4,848	-\$7,272	-\$7,272
	Harrisonburg	\$8,068	\$5,378	\$2,689	\$0	-\$2,689	-\$5,378	-\$8,068	-\$8,068
	Stafford	\$5,398	\$2,699	\$0	-\$2,699	-\$2,699	-\$5,398	-\$8,098	-\$8,098
	Staunton	\$2,415	\$2,415	\$0	-\$1,208	-\$2,415	-\$4,830	-\$7,245	-\$7,245
	Warrenton	\$2,424	\$0	-\$2,424	-\$3,636	-\$4,848	-\$7,272	-\$7,272	-\$7,272
	Waynesboro	\$4,688	\$2,344	\$0	\$0	-\$2,344	-\$2,344	-\$4,688	-\$4,688
	Winchester	\$5,358	\$2,679	\$0	\$0	-\$2,679	-\$2,679	-\$2,679	-\$2,679
Woodstock	\$0	-\$2,384	-\$2,384	-\$2,384	-\$4,768	-\$4,768	-\$4,768	-\$4,768	
Staunton Total		\$52,644	\$29,327	\$1,131	-\$11,801	-\$32,138	-\$50,189	-\$68,159	-\$75,981
Grand Total		\$551,646	\$276,239	\$97,336	-\$43,064	-\$180,803	-\$311,701	-\$434,777	-\$527,471

III. Promotion and Impact of DMV's Alternative Service Options

DMV serves its customer base through an array of service delivery options, as described in Chapter I. While DMV implicitly understands the value of offering alternative service options aside from the customer service center (CSC) full services structure, the recently developed activity based cost accounting system clearly demonstrates the cost effectiveness of these alternative services.

This chapter presents information on the use of DMV's varied service options and shows that the agency has been successful in increasing customers' use of alternative services. It also demonstrates how DMV has actively managed its resources by reallocating those resources as transactions are moved out of its CSCs to its alternative service options.

While DMV has taken numerous steps to encourage greater use of alternative services, there is clearly more to be done. As requested by the General Assembly, an analysis was completed of the possible use of surcharges for transactions completed in a CSC that could have been performed via an alternative service. Although the analysis suggests that a surcharge may cause customers to use an alternative service option, there are drawbacks as well. Instead, DMV has mapped out a series of initiatives that it believes will result in continued growth of DMV's cost effective service options.

Activity Based Cost Accounting Results Show Importance of DMV's Alternative Service Options

As described earlier in the report, DMV has developed an activity based cost accounting system based on an approach recommended by the Auditor of Public Accounts. This cost accounting system provides DMV with a tool to calculate the costs of its various products and activities. In turn, this information enables DMV to compare the cost to perform these activities by service delivery option used, and therefore determine which service option or options are most cost beneficial. The system accounts for both direct and indirect costs associated with each type of activity.

Selected cost results for FY 2005 are shown in Table 4. These results clearly show the cost-effectiveness of DMV's alternative service options compared to its CSCs. For example, the cost per transaction to conduct a driver's license renewal in a CSC (\$16.03) was almost twice the cost to conduct this transaction through the Internet (\$8.85). At \$2.70 to \$4.61, registration renewals cost from 32 to 60 percent less through alternative services than through a CSC.

Table 4**Activity Based Cost Accounting Results:
Selected Transaction Costs for FY 2005**

Transaction	Cost Per Transaction by Service Option					
	CSC	Head- quarters*	DMV Select	Mail-in	Internet	Touchtone Telephone
Driver's License Renewal	\$16.03	--	--	\$11.09	\$8.85	\$8.85
Title	13.77	--	\$8.77	10.48	--	--
Original Registration	12.84	--	10.64	12.05	--	--
Registration Renewal	6.77	--	4.61	2.94	2.70	2.70
Disabled Placard	8.69	\$4.86	--	--	--	--
Address Change	6.83	1.61	--	--	--	--
Payment of Various Fees	8.02	5.19	--	--	--	--
IFTA Credentialing	138.39	66.70	--	--	--	--
IRP Plate	122.28	66.51	--	--	--	--

* Headquarters cost per transaction encompasses the average cost for any combination of alternative services such as mail-in, touchtone, Internet and customer contact center. For these transaction types, the cost per transaction was not broken down by alternative service option. Not all transactions can be completed through all alternative services.

Source: DMV Activity Based Cost Accounting System for FY 2005.

While these results suggest that it would be desirable to conduct all of DMV's transactions through alternative service options, it is important to recognize that some DMV transactions cannot by their nature be conducted through these lower-cost options. For example, statutory requirements preclude a driver's license customer from renewing alternatively if: the customer holds a CDL; the customer is under 21 and has one or more moving traffic convictions since the last license renewal; the customer is over 70 years old and therefore required to take a vision test; and the license expiration date lapses, requiring the customer to prove legal presence. DMV's goal in having alternative service options is to conduct the transactions via alternative services that are less complex, and that do not require face-to-face contact, so that the CSCs can focus on the transactions requiring a customer visit.

Customer Usage of Alternative Service Options Has Grown

As described in Chapter I, DMV offers a variety of service options besides its CSCs to enable customers to complete their DMV business. While

DMV first began offering a few alternative services many years ago, its development of alternative service options has grown substantially in the past few years.

Transactions Available Through Alternative Service Options

Table 5 identifies DMV's core transactions for individual customers and the service delivery options available to conduct those transactions. The table focuses on individual customer transactions, not DMV's business customer transactions. As the table reflects, the majority of these transaction types are available through multiple service delivery options. Over 40 percent of the transactions were conducted through one of DMV's lower cost alternative service options in FY 2005.

It is important to note that eligibility for various alternative services varies by customer. While there may be several service options available for a particular transaction, some customers may still be required to come to a CSC. For example, during 2005 the proportion of customers each month who are eligible to use an alternative service option to renew their driver's license has varied from 52 to 62 percent. This means that between a third and one-half of all drivers who are renewing their license cannot use an alternative service to do so. There are many reasons why a customer would be ineligible to use an alternative service, for example, he or she may need to take the vision or knowledge exam or need to have a new picture taken. In particular, customers are eligible to renew their license via alternative service options every other renewal cycle. As such, there will be an increasing number of customers in the coming years who will need to renew in person at a CSC. This policy began to impact alternative service usage in FY 2005. In FY 2006, over 228,000 of the customers who are due to renew their driver's license will have to come to a CSC because they renewed through an alternative service the previous time.

Growth in Alternative Service Option Usage

Usage of DMV's alternative service options has increased since FY 2000, as DMV has added transaction types available through alternative services and taken steps to promote these options. Given the relatively high volume of vehicle registration and driver's license renewals each year, and their central role in DMV's workload, the agency closely monitors service delivery for these transaction types. The two graphs in Figure 2 identify the proportion of driver's license and registration renewals conducted through each service delivery option. The graph on driver's license renewals shows only those renewals in which the customers were eligible to use an alternative service. In FY 2000, almost all driver's license renewals were conducted in a CSC. By FY 2005, 58 percent of customers eligible to use an alternative service to renew their driver's license chose to do so. Likewise, fewer registration renewals are conducted in

Table 5
Core DMV Transactions Conducted Through Each Service Delivery Option
FY 2005

Transaction Type	CSC	CCC	Mail-In	Internet	DMV Select	Online Dealer	Touch-tone	Total Transactions
Transactions That Can Only Be Performed At A CSC								
Driver's License Original *	254,721							254,721
Learner's Permit Original (regular and CDL)	170,936							170,936
Learner's Permit Replacement and Reissue (regular and CDL)	14,925							14,925
CDL License Original	4,098							4,098
CDL License Renewal, Replacement and Reissue	64,338							64,338
Identification Cards	209,983							209,983
Subtotal	719,001							719,001
Transactions That Can Be Performed Through At Least One Alternative Service Option								
Change Address	219,929	48,146	38,924	141,170	2,901	144		451,214
Clearance Letter	974	6,000	5,981					12,955
Compliance Summary Information	268,081	8,299	19,484	26,121				321,985
Driver Transcript	266,006	7,336	189,382	38,651	10,622		126	512,123
Driver's License Renewal, Replacement and Reissue	958,482		152,533	196,356			26,468	1,333,839

Table 5 (continued)

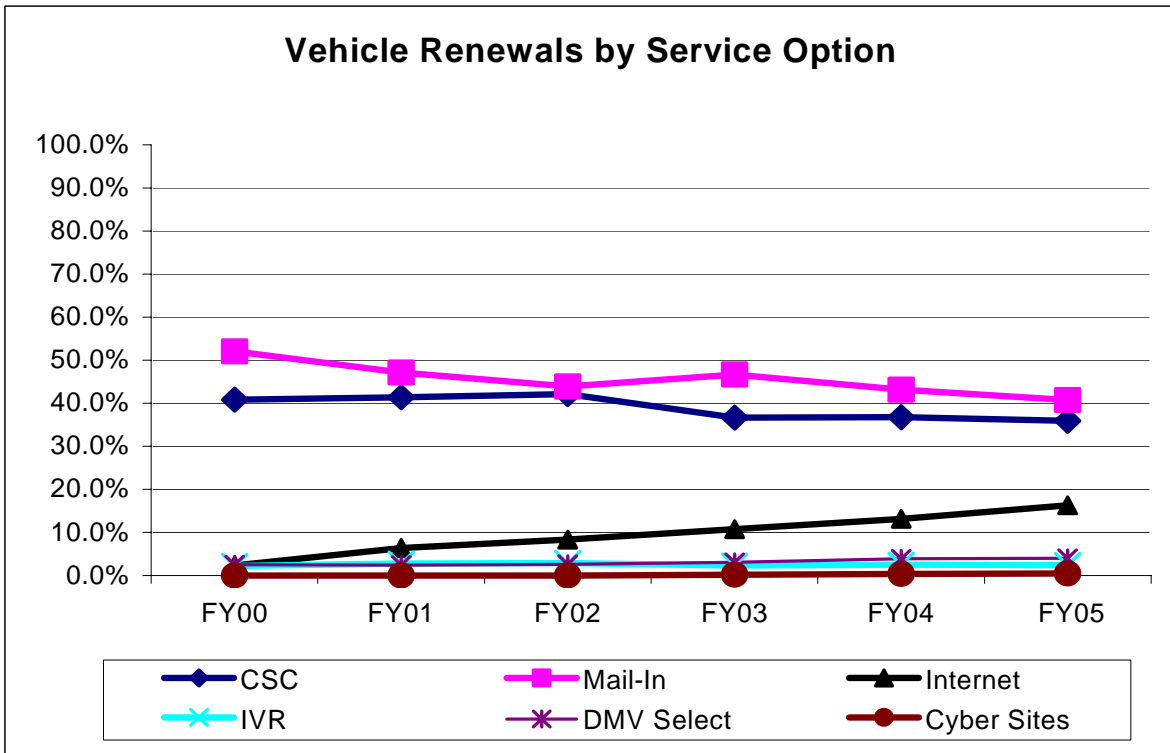
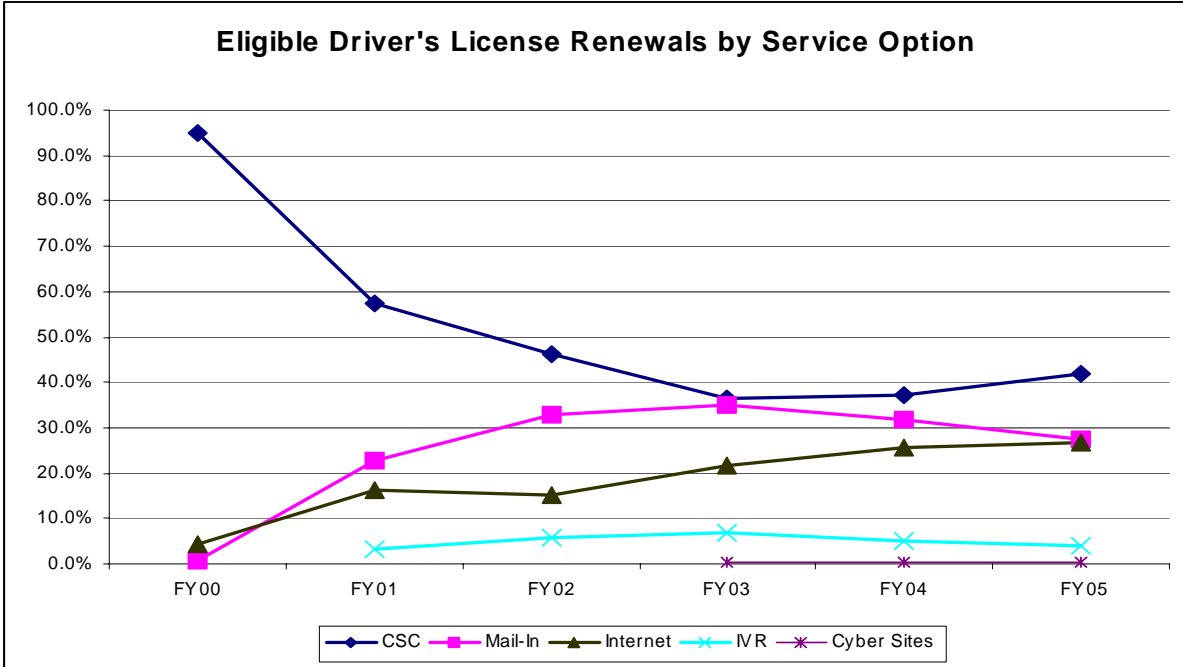
**Core DMV Transactions Conducted Through Each Service Delivery Option
FY 2005**

Transaction Type	CSC	CCC	Mail-In	Internet	DMV Select	Online Dealer	Touch-tone	Total Transactions
Handicap Parking Placard	100,103		16,493	3,300	5,685		1,591	127,172
Insurance Verification	27,935	11,943	91,552	36,902			12,844	181,176
Vehicle Maintenance (Sold/Traded)	1,108,192			35,793	n/a	n/a	4	1,143,989
Overload Permit Issue	5,847		350		614			6,811
Original Title	468,441		21,139		61,878	508,955		1,060,413
Substitute Title	77,820		3,054		5,867			86,741
Supplemental Lien Title	72,209		59,322		5,023			136,554
Transfer Title	891,106		12,686		102,161	188,597		1,194,550
Title Replacement	104,851		8,610		10,575			124,036
Transfer Vehicle Registration	258,809		2,066		40,382	217,112		518,369
Vehicle Registration Original	1,111,582		40,438		114,456	452,943		1,719,419
Vehicle Registration Renewal and Reissue	1,755,670	33,012	1,830,409	649,217	195,100	19,072	108,499	4,590,979
Vehicle Transcript	26,405	907	5,501	1,767	621			35,201
Subtotal	7,722,442	115,643	2,497,924	1,129,277	555,885	1,386,823	149,532	13,557,526
Total Transactions by Service Option	8,441,443	115,643	2,497,924	1,129,277	555,885	1,386,823	149,532	14,276,527
Percentage of Total Transactions	59.13%	0.81%	17.50%	7.91%	3.89%	9.71%	1.05%	100.00%

*In addition, there are 64,864 combined original driver's licenses that are issued for minors directly from Headquarters and that are sent to the relevant state court for distribution. All driver's license counts include limited duration licenses.

Figure 2

Alternative Service Usage for Registration and Driver's License Renewals



Note: IVR refers to the touchtone telephone system. Cyber sites refer to DMV's ten self-service centers.

CSCs today (36 percent in FY 2005) than they were in FY 2000 (41 percent). While the growth in alternative service usage for these transactions has slowed recently, the overall number of customers who use these alternatives remains substantial.

For both types of renewals, the rate of growth in customer usage has been greatest with the Internet service option. In fact, it appears that some customers who formerly used the mail-in option have begun using the Internet instead. This change furthers DMV's goal to move customers to the most cost-effective service options. As previously shown in Table 4, the Internet option is less costly than both the CSCs and mail-in options, particularly for driver's license renewals.

DMV staff also track usage of the Internet option for the range of transactions offered through that option. Table 6 identifies how the number of transactions conducted via the Internet has increased since FY 2001.

Likewise, total transactions conducted by DMV Select offices have increased in the last several years. As shown in Table 7, the number of DMV Select transactions grew 127 percent between FY 2000 and FY 2005. This growth is expected to continue as two additional DMV Select offices were opened in November 2005 and four more will open by January 2006.

Recent Steps Taken to Increase Usage of Alternative Service Options

In late 2003, DMV initiated an internal study to assess its customer service options, identify current usage rates of the options, and develop recommendations for increasing the use of certain options. Recommendations were advanced with the goal of increasing customer use of DMV's more cost-effective service options, such as the Internet and touch-tone telephone. Based on the study's findings, DMV has undertaken a number of initiatives that have served to increase the use of its alternative service options and/or better position DMV to focus its efforts toward alternative service promotion. The following list summarizes some of these initiatives.

- During 2004, DMV reorganized its customer service delivery operations. The new Customer Service Management Administration has been charged with promoting the agency's most cost-effective service options.
- DMV now tracks on a monthly basis customer usage by service option for its highest volume transactions – driver's license renewals and vehicle registrations. These data are used to measure the success of agency efforts to increase usage of electronic service options.

**Table 6
Growth in Number of DMV Internet Transactions
FY 2001 to FY 2005**

Internet Transaction Type	Implementation Date	FY 2001 Transactions	FY 2005 Transactions	Percentage Growth
Vehicle Renewal	5/18/1999	275,722	646,346	134.4%
Address Change	10/22/1999	48,766	141,170	189.5%
Driver's License Renewal	12/7/1999	100,290	149,932	49.5%
Plate Purchase	2/3/2000	20,204	33,439	65.5%
Driver's License Replacement	2/15/2000	8,049	46,424	476.8%
Driver and Vehicle Transcripts	2/22/2000	12,988	40,418	211.2%
Souvenir Plates	6/1/2000	1,890	1,485	-21.4%
Registration Cards	8/22/2000	1,215	2,871	136.3%
Insurance Verif.	8/22/2000	11,970	36,902	208.3%
Voter Registration	7/31/2000	11,378	45,412	299.1%
Vehicle Sold/Traded	10/3/2000	5,274	35,793	578.7%
Change Organ Donor Status	6/28/2001	0	102	
Trip Permit	8/23/2001	0	6,607	
Compliance Summary	1/31/2002	0	26,121	
Prospective Purchaser Inquiry (PPI)	5/16/2002	0	983	
Customer Inquiry	11/21/2002	0	123,731	
Disabled Parking Placard	3/13/2003	0	3,300	
Total		497,746	1,341,036	169.4%
Transactions/Activities That Cannot Be Conducted in CSCs				
Driver's License Sample Knowledge Exam	11/15/1999	774,431	4,243,129	447.9%
CDL Sample Knowledge Exam	7/1/2002	0	194,464	
Motorcycle Sample Knowledge Exam	7/1/2002	0	192,300	
Dealer/Study Guide Sample Exam	7/1/2002	0	41,601	
PIN Requested	10/22/1999	171,941	210,658	22.5%
PIN Customized	10/22/1999	189,811	259,675	36.8%
Total		1,136,183	5,141,827	352.6%
Extranet Applications				
Insurance Companies SR22/26 filings	10/8/1998	8,596	156,293	1718.2%
Mechanics' or Storage Lien Transcripts	1/25/2001	3,199	34,443	976.7%
Driver Improvement Clinics	1/25/2001	7,897	62,110	686.5%
Government Entities Driver/Vehicle	1/25/2001	3,820	100,371	2527.5%
WebCAT (four trans. types):				
IRP Transactions	2/5/2001	50	1,123	2146.0%
IRP Vehicles		781	6,292	705.6%
IFTA Transactions		37	3,276	8754.1%
IFTA Decals		3	3,253	108333.3%
PPTRA - Leasing Company	6/7/2001	0	84	
PPTRA - Commissioners of the Rev.	6/7/2001	0	637	
Small Insurance Company	8/29/2002	0	5,461	
Dealer (salesperson license)	10/24/2002	0	51	
Motor Carrier Insurance Filing	4/3/2003	0	20,731	
Total		24,383	394,125	1516.4%
Total Internet Transactions		1,658,312	6,876,988	314.7%

Table 7
DMV Select Transactions
FY 2000 to FY 2005

<u>Fiscal Year</u>	<u>Number of DMV Selects</u>	<u>Total Transactions</u>
2000	25	248,571
2001	25	255,578
2002	26	274,568
2003	34	400,831
2004	36	558,379
2005	36	563,615

Source: DSS CSS system.

- DMV has begun using various customer contact points as an opportunity to promote its cost-effective service options.
 - DMV revised its vehicle and driver's license renewal notices to promote electronic service options, such as the Internet. Language referencing customer service centers was eliminated from the notices.
 - DMV's call centers have begun actively promoting the use of electronic service options.
- DMV evaluated all transaction types to maximize the number of transactions available to customers through its more cost-effective service options. Transactions recently made available through alternative services include:
 - Transcript request (touchtone)
 - Surrender plates (self-service centers)
 - Reporting of vehicles sold or traded (touchtone)
 - Title replacement (Internet and touchtone)
- "Best practices" for increasing self-service center usage have been shared across customer service centers.
- DMV streamlined its instructions for touch-tone telephone renewal transactions, making this option more user-friendly.
- DMV eliminated its travel teams and ExtraTellers because they were not cost-effective.
- DMV began displaying the web site address on the front door of all CSCs, on all forms, publications and correspondence. There are also brochures available in the CSCs for the tellers to hand out listing all the Internet transactions available.

- DMV added to its web site an “Email a Friend” function, which allows web site visitors to email their friends about our web site content and transactions.

Availability of Alternative Services Has Reduced Reliance on CSCs, Resulting in CSC Cost Reductions

Reflective of DMV’s success with alternative services, the number of customers who come to CSCs to conduct their transactions has declined during the past five years. More than 7.1 million customers visited a CSC in FY 2001, while customer visits dropped to almost 6.7 million in FY 2005 – a 5.7 percent decline. This decline has occurred even as DMV’s customer base has grown.

DMV’s ability to move transactions out of the CSCs and into its lower cost service options has enabled the agency to reduce the resources it devotes to CSCs. Table 8 provides basic information about CSC workload, staffing and expenditures during the past five years. While CSC customers declined by 5.7

Table 8						
Customer Service Center Workload, Staffing, and Expenditures						
FY 2001 to FY 2005						
Fiscal Year	Number of Customers	Total Full Time Equivalent Staff*	Average Number of Customers Per Staff	Average Customer Wait Time	Average Transaction Time	Expenditures
2001	7,100,999	1,184	5,999	0:10:14	0:05:32	\$58,044,075
2002	6,944,707	1,126	6,168	0:19:10	0:06:48	55,266,394
2003	6,035,488	645	9,357	0:36:20	0:06:50	51,287,678
2004	6,380,820	980	6,513	0:23:26	0:07:46	50,980,149
2005	6,693,765	986	6,792	0:18:54	0:07:38	55,422,924
Percent Change from 2001 to 2005	-5.7%	-17%	13.2%	84.7%	38%	-4.5%
*Staffing levels as of December of each year. Staffing includes filled full-time and wage positions.						
Note: Due to the budget shortfall in FY 2003, DMV closed 11 offices and closed all offices on Wednesdays. In accordance with the 2003 Appropriation Act, these offices were reopened and regular office hours resumed in FY 2004.						
Sources: DMV QMatic system, CARS, and human resources reports.						

percent, its staffing (including full time and wage staff) declined by 198 FTEs, or almost 17 percent. As a result, the CSCs now serve more customers per staff person (6,792 in FY 2005) than they did in FY 2001 (5,999 customers per staff).

In addition, DMV expended significantly less on CSCs in FY 2005 compared to FY 2001. CSC expenditures in FY 2001 totaled \$58 million. FY 2005 expenditures were \$55.4 million – 4.5 percent less in actual dollars and 13 percent less in constant dollars.

While there has been a reduction in CSC transactions, some of that reduction has been counterbalanced by the increasing complexity of some CSC transactions. For example, as mandated by law, customers seeking an original driver's license must now prove that they are in the U.S. legally as well as provide appropriate documentation for identity, residency and social security number. It is the responsibility of the CSC customer service representatives to examine the documentation submitted to try to detect fraudulent documents. This complexity is one reason for the increasing average transaction time experienced by CSCs. In addition, CSCs have experienced greater levels of staff turnover since the budget reductions in 2002. Having new, less experienced staff also likely impacts the average transaction time. Also of note, as staffing has declined, average wait times have increased.

The data presented provide evidence that DMV's alternative service options are meeting one of their key purposes – improving the cost effectiveness of DMV's services to Virginia's residents. However, the data also show that additional effort is needed to further increase Virginian's use of these lower cost service delivery options.

General Assembly Directed DMV to Examine the Possible Use of Surcharges to Encourage Greater Use of Alternative Services

The Appropriation Act language asked DMV to assess the impact of imposing a surcharge on transactions conducted in a CSC that can be conducted via an alternative service option. The intent of the surcharge is to encourage customers to use an alternative service rather than the CSC when such an alternative service is available. A surcharge could also serve to recoup the added costs associated with conducting a transaction at a CSC rather than one of the lower cost service options.

In addressing this request, DMV staff first identified the transactions that would be potential candidates for a surcharge. While some transactions can be performed through several alternative service options, others can be performed through only one alternative option. Also, some transactions can only be performed via alternative services such as self-service centers or DMV Select

offices, which are not located in all areas of the state. DMV does not believe it is appropriate to consider surcharges on transactions for which customers have limited alternative service options. Therefore, the following decision criterion was used in determining the transactions that would be included as part of the surcharge analysis.

A transaction type must be able to be completed through at least two of the following three alternative services – mail, touchtone telephone, and Internet – to be considered for a surcharge.

This criterion resulted in the identification of seven transaction types: vehicle renewals, driver's license renewals, driver and vehicle transcripts, handicap parking permit renewals, title maintenance (sold/traded), change of address, and insurance verification. DMV staff conducted several research activities to identify and assess possible surcharges for the seven transaction types, including: surveying other states regarding their experiences with surcharges, determining DMV's and other state agencies' experiences with surcharges, conducting a review of marketing literature, comparing the current fees charged for these transactions with DMV's cost to conduct them, and contracting with Virginia Commonwealth University (VCU) to obtain input from DMV customers.

Survey of Other States' DMVs

First, DMV staff conducted a survey of other states to find out which states have implemented a user/transaction fee or other additional cost to citizens who use customer service centers. DMV obtained information from 24 states and found that surcharges on branch office transactions are not widely used by DMVs in other states (Table 9). In fact, several states apply a surcharge (often called a "convenience fee") for Internet transactions to cover vendor costs. Alaska is the only state that directly imposes a surcharge; it charges a \$10 fee for vehicle registration renewals performed in a customer service center, which amounts to a ten percent increase over the base price. An Alaska DMV representative reported that the fee has resulted in decreased lines at the customer service centers (and therefore decreased wait times) and a corresponding increase in telephone and Internet use for registration renewals. However, the representative was unable to quantify the changes.

Georgia and Texas both apply a fee differential for certain transactions but define it as a discount for using an alternative service option. Texas charges \$3.45 less (63 percent discount) to obtain a certified copy of a title by mail than if obtained through a customer service center. Georgia offers a \$5 discount for driver's license renewals conducted through the Internet, which amounts to a 25 percent discount for a five-year license. The state issues a free replacement license for customers who change their address and/or name online. Georgia

Table 9
Use of Transaction Surcharges or Discounts in Other States
 (Information Obtained from 24 States)

States that Apply Surcharges for at Least One <u>CSC Transaction</u>	States that Apply Surcharges for Alternative Service Usage (or Discount for Branch Office Usage)	States that Do Not Apply Any Service Option Surcharges or Discounts	States that Reported Having No Alternative Services (Mail, Telephone, or Internet)
Alaska	California*	Arizona	Oklahoma
Georgia	Florida*	Delaware	South Dakota
Texas (for certified titles)	Idaho	Michigan	
	Illinois	Nebraska	
	Indiana*	Nevada	
	Kansas	Ohio	
	Kentucky	Oregon	
	New York	Pennsylvania	
	Texas (for registration renewals)	South Carolina	
		Washington	
		West Virginia	

*Surcharge recently removed from at least some transactions.

Source: DMV survey of other state DMVs; conducted via AAMVA web site, August-September 2005.

also has a 30-minute driver's license renewal guarantee in branch offices – if a customer does not receive the driver's license within 30 minutes, the license is provided free of charge. Georgia staff reported that online transactions have increased, but not substantially due to the 30-minute branch office guarantee.

Customer Input Obtained Through Virginia Commonwealth University Study

DMV contracted with VCU to conduct a series of customer surveys and focus groups throughout the state. These efforts were used to better understand why some customers choose to visit a CSC when they could conduct their transactions through an alternative service option, to obtain a demographic profile of these customers, and to determine whether differential pricing of transactions would impact their decision to visit a CSC rather than use an alternative option.

VCU conducted the survey at six different CSCs across the state during August 2005. A total of 368 completed surveys were obtained and subsequently analyzed. VCU's findings are summarized in Exhibit 2. Ultimately, VCU found that about a third of the customers were committed to using a CSC rather than an alternative service, and many of these customers tend to be lower income, with lesser access to the tools (e.g. credit card, checking account, Internet access) necessary to complete a transaction via alternative services. On the other hand, two-thirds reported that they may be willing to use an alternative service if it costs them less than a CSC transaction. About 38% of the customers reported that a \$1 savings would lead them to use an alternative option. Thirty-two percent of the customers may use an alternative service if the cost differential were between \$3 and \$10. The wording of the question was: "If it costs less to use mail, telephone, or the Internet than to visit the DMV in-person, would you use mail, telephone or Internet?" Customers selected from price options of \$1, \$3, \$5, and \$10. Hence, customers were actually responding to the potential of a "discount" for alternative service usage rather than a "surcharge" for CSC usage.

VCU also conducted three focus groups with customers, but these meetings were not well attended. However, the information that was gleaned from the meetings corroborated the findings from the survey.

Other Research Activities

DMV staff contacted other Virginia state agencies to determine if any provide a discount for customers who conduct their business via an agency's web site or through the mail. While many agencies offer alternative service options, such as mail-in service, most charge the same fee regardless of service option. For example, the Department of Health (DOH) charges \$12 to obtain a

Exhibit 2

Excerpt from VCU Report on the Use of Customer Service Centers: Conclusions of Study

- 1. DMV can plan on a percentage always preferring to use a CSC.** It seems that approximately one-third of all survey participants may prefer using alternative methods to conduct business. Another one-third may be able to be swayed to use alternative methods. Finally, the last one-third is committed to doing business in-person at a DMV customer service center. The reasons for this are many and include imminent deadlines, belief that it is faster to use the CSC than alternative methods, greater confidence transacting business in-person rather than through the mail, phone, or Internet. However, the primary concern may be that a significant number of those who use the DMV CSC are people with lower income and less access to the tools of alternative methods.
- 2. Surcharges may have adverse impact upon those with less resources.** While those who earn \$35,000 or more and have access to the tools for alternative methods report that they would rather save a few dollars than come to the DMV CSC, there are those who may not have the choice but to come to the CSC due to fewer resources. The data from this survey does suggest that surcharges would likely have an adverse impact on those with fewer financial resources.
- 3. Continue to focus on self-service booths as a means to decrease reliance on customer service representatives.** It may be helpful to learn more about the experiences of those who use the self-service booths at CSCs to conduct business. This could be done easily by working closely with customer service representatives who would be available to assist customers using the SSB much as the airlines do by having a representative assist multiple customers by “floating” around the self-ticketing booths. In particular, given the openness of those in the 18-26 year-old range, it may be helpful to find what younger DMV customers like about the self-service booths and what would likely lead to their using the self-service booths more regularly.
- 4. Targeted marketing.** DMV may wish to consider the value of continuing and/or expanding targeted marketing focused on vehicle and driver license renewal since these accounted for approximately 80% of the reasons for visiting the DMV customer service center. DMV may also wish to educate customers on the security of their on-line system. While there are some who may not trust technology, others may be willing to utilize the Internet if anxiety about identity theft can be allayed somewhat.

Source: VCU report, “Report on the Use of DMV Customer Service Centers.”

birth certificate regardless of whether the customer comes into the DOH office, mails in the request, or orders a copy through the DOH web site. DMV staff found one agency that charges an extra fee for licensees who do not use the agency's Internet site. In November 2001 the Board of Accountancy (BOA) began offering CPA individual and firm license renewals over the Internet. The Internet renewal cost is \$24. Renewals handled over the counter or the mail are assessed an additional \$5 for a total cost of \$29. The \$5 surcharge is based on the time it takes to physically handle the application and make the check deposits. BOA's Internet usage for license renewals is very high – averaging between 93-95%. BOA staff reported that the high Internet rate is attributable to a "very computer literate" customer base rather than the imposition of the surcharge for other service options.

DMV staff also contacted several marketing professors, who reported that the use of surveys and focus groups are typically the most appropriate tools for identifying the potential impact of and reaction to surcharges and/or discounts by customers. One professor mentioned that consumers view surcharges as hidden taxes and that surcharges tend to be "bad for public relations." Instead, the use of discounts to encourage use tends to be better received by consumers. Little public research was available on the use of surcharges due to the proprietary nature of product and service pricing. However, some literature was available on teller-assisted fees and ATM surcharges imposed by banks. The literature suggested that the fees may make good business sense, but they created substantial public relations problems.

Finally, DMV staff reviewed the results of the activity based cost accounting system along with current fees assessed for each transaction type. DMV staff determined the cost difference between CSC usage and the alternative service options. This review also enabled staff to determine the extent to which current fees cover the costs associated with the various service options.

Potential Approaches to Surcharges Based on Research Findings

Based on the research conducted, DMV staff identified two potential ways to set the surcharge level. One possibility is to set the surcharge at an amount sufficient to cover the actual difference in costs between a CSC transaction and the same transaction conducted using alternative means. This approach would rely on the results of the activity based cost accounting system. The other possibility is to set the surcharge at an amount that customers report would cause them to seek out an alternative service option. The VCU study identified customers' views on differential pricing.

Table 10 shows the fee amounts that would result from each of these approaches. As identified in the table, with Option One the surcharges could

Table 10
Potential Surcharges for Selected DMV Transactions

Option One: Surcharges Based on Differential Cost Per Transaction

Transaction	Current Transaction Fee	Average Cost Per Transaction at CSCs	Average Cost Per Transaction for Alternative Options	Approximate Surcharge Amount** (Percent of Base Fee)
Vehicle Registration Renewal	\$29.50-\$34.50 (DMV retains \$4.60-\$5.60)*	\$6.77	\$2.87	\$4.00 (14%)
Driver's License Renewal	\$20.00	\$16.03	\$9.96	\$6.00 (30%)
Driver and Vehicle Transcripts	\$6.00-\$8.00	\$6.67	\$0.06	\$6.50 (81%)
Handicap Parking Placard Renewal	\$5.00	\$8.69***	\$4.86	\$4.00 (80%)
Change of Address	No Charge	\$6.83	\$1.61	None
Title Maintenance (Sold/Traded)	No Charge	N/A	N/A	None
Insurance Verification	No Charge	N/A	N/A	None

* Passenger vehicles only.

** Based on the difference between the CSC and alternative option cost per transaction, rounded to the nearest 50 cents.

***Includes costs associated with original placards.

Option Two: Surcharges Based on Customer Views

Surcharge	Percent of Base Fee	Change Expected*
\$1	Ranges from 3 to 20% of base fees	37.5% reported they would use alternative option if it cost at least \$1 less than CSC option
\$3	Ranges from 10 to 60% of base fees	9.4% would use alternative option if it cost at least \$3 less than CSC option
\$5	Ranges from 17 to 100% of base fees	11.7% would use alternative option if it cost at least \$5 less than CSC option
\$10	Ranges from 34 to 200% of base fees	12.2% would use alternative option if it cost at least \$10 less than CSC option

Note: The remaining 29.2% of survey respondents reported that a surcharge would not cause them to stop using a CSC in favor of an alternative service.

*Based on survey of 368 customers at six CSCs during August 2005.

potentially range from \$4 to \$6.50 per transaction. With Option Two, the surcharges range from \$1 to \$10 per transaction. Given that there is no transaction fee currently imposed to change an address, report a vehicle sold or traded, and provide insurance verification, it does not appear appropriate to impose a surcharge on these transactions. It is to DMV's advantage that customers conduct these transactions because it enables DMV to maintain accurate vehicle and driver records. Imposing any fee would likely cause some customers to fail to make the requisite changes.

In addition, the imposition of surcharges for handicap parking permit renewals may present concerns of discrimination, as there has been a great deal of controversy and litigation regarding fees for handicap permits. Further, pending federal law may substantially impact the ability of DMV to offer alternative service options for driver's license renewals beginning in 2008. The federal Real ID Act requires that customers present legal presence and certain other documents to obtain a driver's license renewal. While the states are awaiting clarification on certain aspects of this requirement, at a minimum this law could eliminate the use of alternative service options for driver's license renewals for at least the first seven years after implementation. Given this upcoming change, it may not be worth the costs involved in establishing a surcharge for a duration of less than two years.

Potential Impacts of Implementing Surcharges

Since the VCU study presented customers' opinions as to the fee level that would be necessary to cause a change in behavior, its results can be used as a basis for estimating how many transactions may be able to be moved out of the CSCs through the imposition of surcharges. Table 11 presents the results of that analysis. It should be noted that the number of transactions that would actually be migrated to alternative services would likely be less than these amounts. As noted earlier, customers voiced a number of reasons why they do not use alternative service options, for example security/identity theft concerns, that would not be resolved simply through the imposition of a surcharge or discount. Also, it is important to note that these results are based on a relatively small sample of DMV customers, and as such, are susceptible to sampling error.

The VCU customer survey results can also be used to identify who would be most impacted by the imposition of surcharges. The results suggest that DMV's lower income customers would be disproportionately negatively impacted. Lower income customers have a significantly higher rate of paying by cash, which requires a visit to a CSC. Some of these customers may not have another payment option as the VCU survey found that almost half of the lower income customers do not have credit cards and one quarter do not have checking accounts. Further, three-quarters of these customers reported not having access to the Internet.

<p align="center">Table 11</p> <p align="center">Potential Number of Transactions Migrated to Alternative Services Through Use of Surcharges (Based on FY 2005 Transaction Data)</p>				
Transaction Type	\$1 Surcharge	\$3 Surcharge	\$5 Surcharge	\$10 Surcharge
Vehicle Registration Renewal*	658,376	823,409	1,028,823	1,243,014
Driver's License Renewal**	179,715	224,764	280,835	339,303
Handicap Parking Permit Renewal	87,227	109,092	136,307	164,684
Driver and Vehicle Transcripts	106,878	133,669	167,015	202,014
Total	1,032,197	1,290,934	1,612,980	1,949,015
Percentage of CSC Transactions	12.2%	15.3%	19.1%	23.1%
<p>* Includes registration reissues. **Assumes 50 percent of customers would be eligible to use an alternative service and includes reissues and replacements. Note: Calculations based on survey responses that showed that 37.5% would use alternative services for \$1 savings, 9.4% would use alternative services for at least a \$3 savings, 11.7% would for at least a \$5 savings, and 12.2% would for at least a \$10 savings. The transactions reported are cumulative, such that those reported for the \$10 surcharge encompass customers who would change their service delivery method for \$1, \$3, or \$5.</p> <p>Sources: VCU customer survey results and DMV CSS system.</p>				

DMV Has Several Initiatives Underway Directed at Increasing Alternative Service Usage

While the cost data clearly shows that it is advantageous to increase usage of alternative service options, the research on customer behavior suggests that the use of surcharges may not be the most appropriate or fair method to reach that goal.

As described previously, DMV has devoted attention during the past few years to increasing customers' usage of its lower cost, alternative service options. The transaction data reflect that the agency has, in fact, been successful in moving transactions out of the CSCs and to alternative service options. DMV is continuing this strategic focus with a number of ongoing projects and activities, as summarized in this section.

DMV Select Expansion

As of December 1, 2005, DMV has 37 contractual agent locations, and the agency is planning for aggressive expansion of this program. Four new DMV Select locations are targeted for implementation by January 31, 2006. DMV anticipates the implementation of at least ten additional DMV Selects by December 31, 2006.

DMV is also currently developing a web-based application for use exclusively by DMV Selects. When completed, this application will provide DMV Selects with user-friendly, secure access to DMV's network so that Select agents can conduct DMV transactions on personal computers via the Internet. Pilot testing of this system began in November 2005. Once full implementation of the web-based system is complete, DMV will continue to identify and implement new transactions to further expand the menu of services offered by a DMV Select.

DMV will also continue to actively increase customer awareness of the availability of DMV Select services including promotion of DMV Select locations on the DMV website and within the customer service centers. DMV also provides each DMV Select with promotional templates for posters, fliers, a news release and the official DMV Select logo. Following the guidelines provided, DMV Selects may use the templates to print promotional materials customized to their specific location.

Additional Alternative Services Transactions

DMV continues to identify and implement new electronic transactions and to make enhancements to existing transactions. The following list highlights some of the planned additions to DMV's menu of alternative service transactions:

- ***Identification Card Renewal***
This transaction will provide customers with the option of renewing their identification cards online. Implementation is not scheduled until 2007, as customers will not be eligible for this transaction until that time due to legal presence requirements. DMV recently implemented online identification card replacements.
- ***Address Change via Telephone System***
This automated telephone transaction will allow customers to change both their primary and vehicle registration address via an automated telephone system equipped with voice recognition technology.
- ***Payment of Liquidated Damages Citations***
This online service will allow motor carriers to inquire and submit payment of their overweight citations electronically rather than conducting these transactions in a customer service center or Customer Contact Center. In

FY05, approximately 10% (6,000) of all customer citation payments were processed in a customer service center or the Customer Contact Center.

Driver's License Central Issue

DMV plans to change the process of issuing driver's licenses and photo identification cards from an over-the-counter issuance process to issuance from a secure, central location. Application processing will continue to occur in a CSC; however, once the application is approved, DMV will mail the driver's license or ID card rather than providing it during the CSC visit. This is similar to the process currently used today for alternative services, including Internet, telephone and mail-in driver's license renewals. Implementation of this initiative should increase customer utilization of alternative service options as there will no longer be an advantage to visiting a customer service center for renewals because customers will no longer leave the office with their driver's license in hand.

Target Marketing for Renewals

DMV plans to conduct a pilot targeted marketing study of renewal customers. A representative sample of customers who previously renewed in a customer service center will be sent a postcard with a direct message urging alternative renewal. DMV will track the renewal activity of these customers after the renewal period closes to determine what renewal method they chose and follow-up with the customers to determine why they chose that particular option. The results of the pilot will be utilized to develop specific strategies for increasing alternative service usage.

Promotions via Renewal Notices

DMV reviews and implements enhancements to the driver license and vehicle registration renewal notices on an ongoing basis to encourage and promote customer utilization of alternative service options. DMV will also be adding inserts into the renewal notices to promote the availability of services offered via the different service options. DMV will monitor customer utilization rates for the various service options to evaluate the impact of these initiatives.

Customer Service Center Promotion

To further promote alternative services, DMV will be developing new customer service center signage as well as promotional materials to be handed to customers at the conclusion of their CSC transaction. DMV will monitor customer utilization rates for the various service options to evaluate the impact of this initiative.

Tracking Alternative Service Usage

DMV has created a cross-functional Alternative Services Team that will continue to monitor and set targets for customer service option utilization; and develop, implement, and evaluate initiatives that promote alternative service usage.

Express Service Utilization by Customers Ages 18-26

DMV is planning to conduct additional research with customers between the ages of 18 to 26 to determine why they have low utilization rates for many of DMV's alternative services, especially touchtone telephone and Internet services. This is especially surprising given that this age group is the heaviest user of the Internet in general. Based on the results of our research, DMV will develop specific strategies designed to increase the use of alternative services among members of this age group.

Business-to-Government Transaction Study

DMV is planning to conduct a comprehensive review of all business-to-government transactions conducted at DMV. As previously noted, DMV has already built 17 Extranet applications to serve its business customers. One of the goals of the study is the identification of additional opportunities to conduct business transactions via lower cost service delivery options.

IV. Conclusion

DMV strives to provide quality customer service in an efficient, cost-effective manner. In fact, the agency is a national trendsetter when it comes to using technology to offer customers alternative service options. Due to the growth in DMV's alternative service options in the past several years, customers now have many convenient options to conduct their DMV business. In addition to convenience, these services improve the cost-effectiveness of DMV's services to Virginia residents. However, opportunities still exist for DMV to increase usage of these alternatives.

The General Assembly directed DMV to examine one such option – the use of surcharges for transactions conducted in a customer service center (CSC) that could have been conducted via an alternative service. Based on input from a relatively small sample of DMV customers, it appears that the use of surcharges would produce mixed results. While the initial research suggests that surcharges would increase alternative service usage, it also suggests that Virginia's lower income residents may be disproportionately negatively impacted. Given these results, DMV believes it would be prudent to explore this issue further. Specifically, the agency has made plans to include questions about the use of surcharges or discounts in its upcoming biennial survey of customers, to be conducted in February-March 2006. The results of this statewide survey should shed more light on the potential benefits and drawbacks of using surcharges.

Given that, DMV believes it would be premature to implement the use of surcharges at this time. Further, DMV believes that the use of surcharges is just one of many options that should be explored. In addition to the strategies currently underway that were discussed in Chapter III, other options that should be examined include: programming the CSC queuing system to put customers with transactions that require a CSC visit ahead of those who could have used an alternative service; requiring that, for certain transactions, customers who come to a CSC must use the self-service center or drop off the work for later processing at headquarters; or eliminating altogether the ability to conduct certain transactions in a CSC, such as vehicle registration renewals. In addition, there are technology options that should be considered that may increase alternative service usage while also mitigating certain negative impacts of surcharges, such as the use of self-service operations that accept cash in addition to credit cards and checks. DMV will continue to identify additional strategies, explore the feasibility of these strategies, and implement them as appropriate. During this process, DMV will keep the General Assembly informed of its progress and seek legislative approval as needed.

At the same time, DMV will continue to seek ways to streamline its CSC operations. As described in Chapter II, DMV found through statistical

modeling that there is a relatively small range in funding resources required to meet a wide range in customer wait time goals. DMV's current average customer wait time is about 20 minutes. To reduce the average customer wait time to ten minutes would require approximately \$500,000 more than currently budgeted, and to increase the average wait time to 45 minutes would require approximately \$500,000 less. Despite the small financial impact, a substantial change in average wait times could have a significant impact on the satisfaction levels of Virginia's residents.

However, the analysis also pointed to areas in which DMV may be able to schedule staff more efficiently at CSCs without a system-wide change in resource levels. DMV is expanding the staffing analysis conducted for this study and will be conducting a pilot program at four CSCs in Northern Virginia. In particular, DMV will be closely examining the desirability of making greater use of part-time salaried and wage employees as part of its effort to more efficiently schedule CSC staff. Initial results from the pilot program should be available in early Spring 2006.