

J00E00
Motor Vehicle Administration
Maryland Department of Transportation

Operating Budget Data

(\$ in Thousands)

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$188,499	\$195,038	\$193,722	-\$1,316	-0.7%
Adjustments	0	0	-414	-414	
Adjusted Special Fund	\$188,499	\$195,038	\$193,308	-\$1,729	-0.9%
Federal Fund	9,514	12,894	13,178	284	2.2%
Adjustments	0	0	-6	-6	
Adjusted Federal Fund	\$9,514	\$12,894	\$13,172	\$278	2.2%
Reimbursable Fund	902	900	0	-900	-100.0%
Adjusted Reimbursable Fund	\$902	\$900	\$0	-\$900	-100.0%
Adjusted Grand Total	\$198,915	\$208,832	\$206,481	-\$2,351	-1.1%

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- The fiscal 2018 allowance decreases by \$2.4 million, or 1.1%, due to a decline in personnel costs.
- Reimbursable funds decline by \$900,000 due to a change in fund source for the Maryland Highway Safety Office.

Note: Numbers may not sum to total due to rounding.

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PAYGO Capital Budget Data

(\$ in Thousands)

	Fiscal 2016	Fiscal 2017		Fiscal 2018
	<u>Actual</u>	<u>Legislative</u>	<u>Working</u>	<u>Allowance</u>
Special	\$20,116	\$29,486	\$20,857	\$22,413
Federal	\$1,261	\$103	\$970	\$0
Total	\$21,378	\$29,589	\$21,828	\$22,413

- The fiscal 2017 working appropriation is approximately \$7.8 million less than the legislative appropriation, largely due to a decrease in spending on system preservation minor projects.
- The fiscal 2018 allowance increases by approximately \$585,000 compared to the fiscal 2017 working appropriation.

Operating and PAYGO Personnel Data

	<u>FY 16 Actual</u>	<u>FY 17 Working</u>	<u>FY 18 Allowance</u>	<u>FY 17-18 Change</u>
Regular Operating Budget Positions	1,710.50	1,714.50	1,707.50	-7.00
Regular PAYGO Budget Positions	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Regular Positions	1,710.50	1,714.50	1,707.50	-7.00
Operating Budget FTEs	0.00	0.00	6.50	6.50
PAYGO Budget FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total FTEs	0.00	0.00	6.50	6.50
Total Personnel	1,710.50	1,714.50	1,714.00	-0.50

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	68.47	4.01%
Positions and Percentage Vacant as of 1/1/17	91.00	5.30%

- The fiscal 2018 personnel allowance decreases by 7.0 abolished positions; the positions were all long-term vacancies.

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- Contractual full-time equivalents increase by 6.5 positions, primarily to handle the implementation of legislation enacted in 2016, as well as increased staffing needs related to continuing increases in vehicle sales.
- The budgeted turnover rate is 4.01%, which requires 68.47 vacancies in fiscal 2018. As of January 1, 2017, there were 91.0 unfilled positions for a vacancy rate of 5.30%

Analysis in Brief

Major Trends

Efficient and Effective Business Practices: The Motor Vehicle Administration (MVA) has made significant information technology investments to increase the number of alternative transactions as a way to reduce customer wait times and improve the customer experience. In fiscal 2016, 57.0% of transactions were completed via alternative service delivery, up from 55.8% the prior year.

Exemplary Customer Service: Visit times increased by nearly three minutes in fiscal 2016 compared to fiscal 2015 and are expected to continue to increase in fiscal 2017 and 2018. In fiscal 2014, MVA implemented the Wait Time Reduction Program in an effort to significantly reduce wait times, which is the time from when a customer gets a ticket until the customer is called. While wait times dropped from 28.1 minutes in fiscal 2014 to 21.6 minutes in fiscal 2015, it rebounded to 24.0 minutes in fiscal 2016.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

MVA Compliant with Child Support Enforcement Program: The fiscal 2017 budget bill included language withholding \$100,000 in special funds from both the Public Service Commission (PSC) and MVA pending an update on the status of implementation of procedures to comply with the Department of Human Resources – Child Support Enforcement Administration's (CSEA) professional license suspension program. The most recent legislative audit of CSEA found that PSC and MVA were not in compliance with the program.

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Motor Vehicle Administration
Maryland Department of Transportation

Budget Analysis

Program Description

The Motor Vehicle Administration (MVA) is responsible for supplying motor vehicle services to the citizens of Maryland. These services include:

- licensing all passenger and commercial drivers;
- registering and titling vehicles;
- issuing tags and permits for persons with a disability;
- providing photo identification cards for nondriver residents;
- regulating motor vehicle dealers, vehicle rental companies, and driver education schools;
- administering the compulsory insurance compliance program, Vehicle Emissions Inspection Program, and driver safety programs; and
- coordinating the State's highway safety efforts.

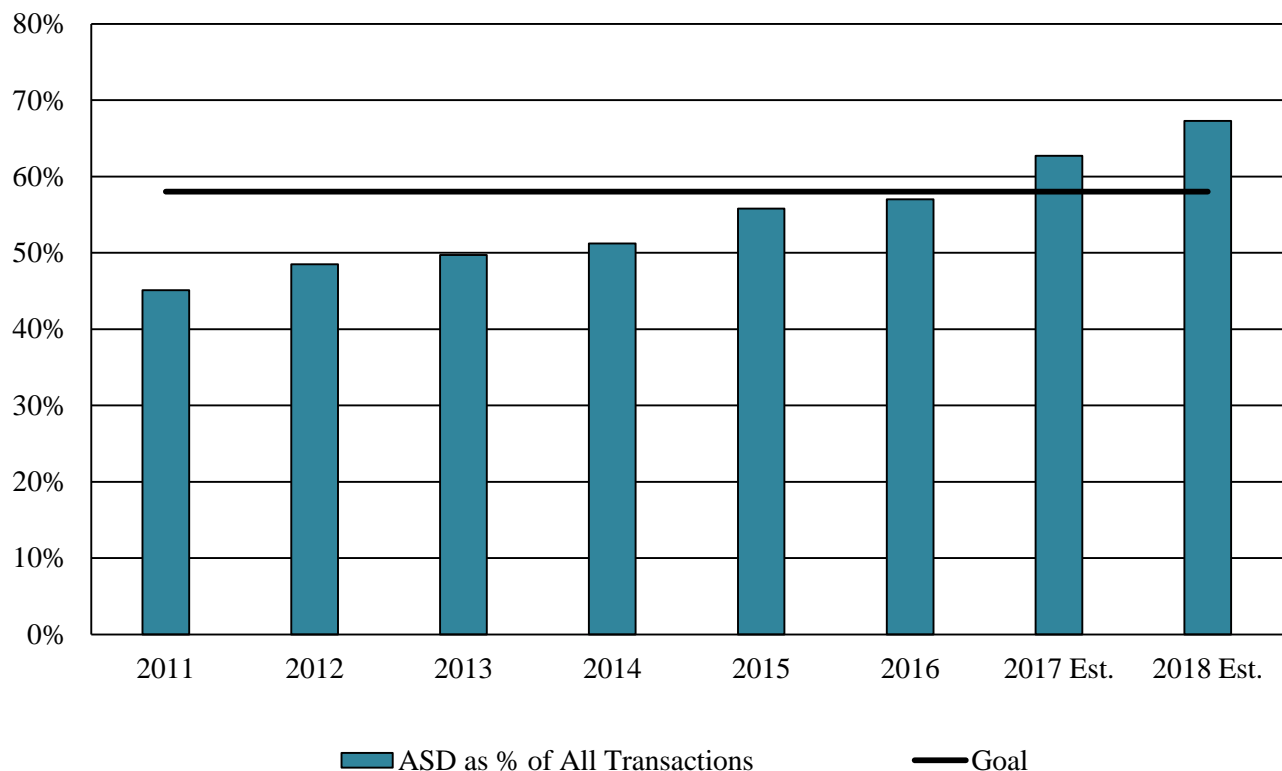
Performance Analysis: Managing for Results

1. Efficient and Effective Business Practices

MVA's mission is to "...provide exemplary driver and vehicle services that promote Maryland's mobility and safety while enhancing process and product security." As part of the effort to accomplish this mission, one goal of MVA is to use efficient and effective business processes. One component of efficiency is the use of alternative service delivery (ASD) transactions – defined as transactions performed online, at MVA kiosks, by mail, or via the telephone call center.

Since fiscal 2000, MVA has made significant information technology (IT) investments to increase the number of alternative transactions as a way to reduce customer wait times and improve the customer experience. As shown in **Exhibit 1**, 57.0% of transactions were completed via ASD in fiscal 2016, up from 55.8% the prior year. The increase continues the trend of moving transactions toward ASD methods; MVA expects to meet its goal of 58.0% of transactions via ASD methods in fiscal 2017 and 2018. **The Department of Legislative Services (DLS) recommends that MVA increase its goal for ASD transactions.**

Exhibit 1
Motor Vehicle Administration
Alternative Service Delivery Transactions as Percent of All Transactions
Fiscal 2011-2018 Est.

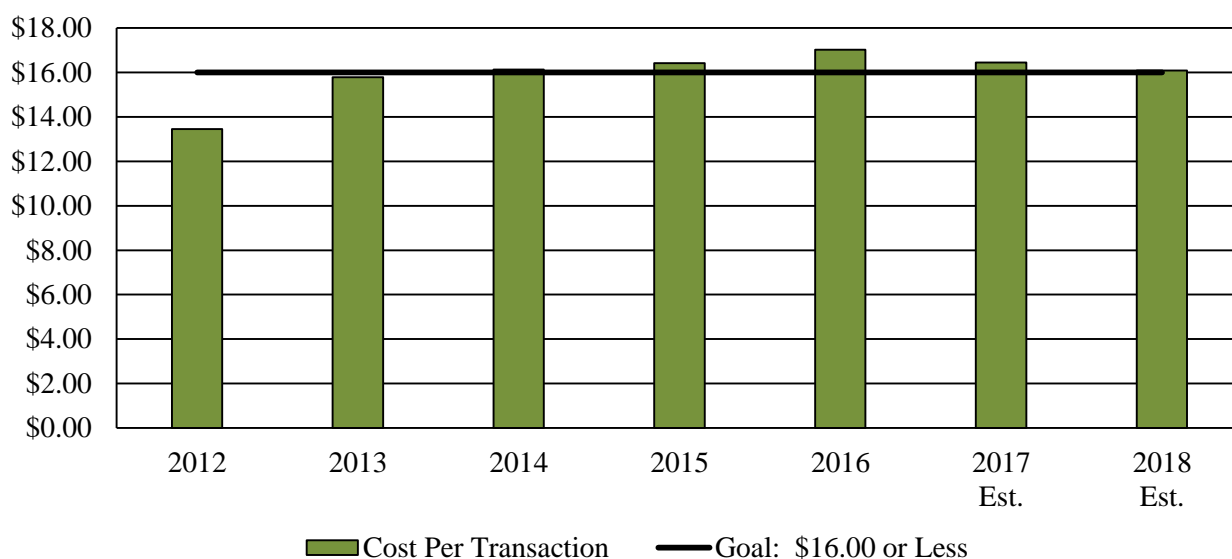


ASD: alternative service delivery

Source: Department of Budget and Management

The cost per transaction for MVA is another indicator of the efficiency and effectiveness of its business practices. MVA strives to reduce its cost per transaction through the use of better technology and operational practices. As shown in **Exhibit 2**, its goal to this end is to keep per transaction costs at, or below, \$16.00 (adjusted for inflation to 2016 dollars). Cost per transaction increased slightly in fiscal 2016 to \$17.02.

Exhibit 2
Operating Cost Per Transaction
Fiscal 2012-2018 Est.



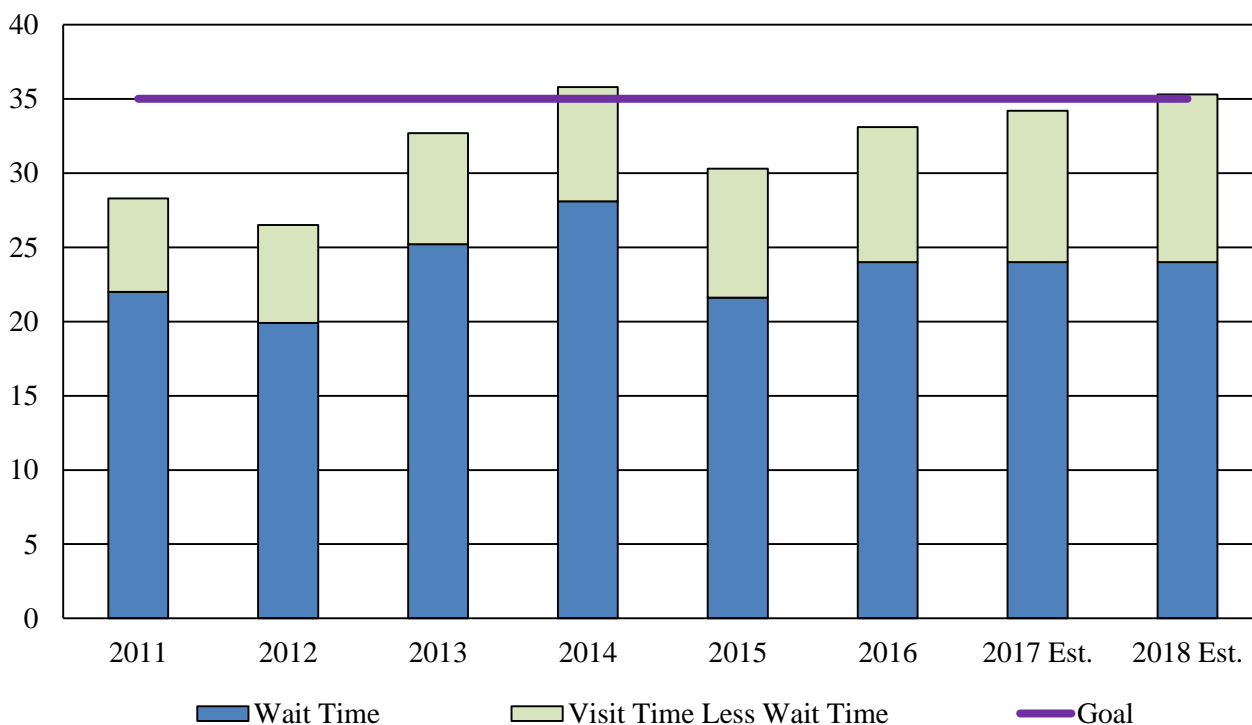
Note: Values in 2016 dollars.

Source: Motor Vehicle Administration

2. Exemplary Customer Service

One objective for meeting the goal of providing exemplary customer service is to keep the average customer visit time at MVA branch offices at 35.0 minutes or less. **Exhibit 3** shows the performance for this measure for fiscal 2011 through 2018. Visit times increased by nearly 3.0 minutes in fiscal 2016 compared to fiscal 2015 and are expected to continue to increase in fiscal 2017 and 2018. In fiscal 2014, MVA implemented the Wait Time Reduction Program in an effort to significantly reduce wait times, which is the time from when a customer gets a ticket until the customer is called. The program added staff and converted counters at MVA locations in order to handle transactions with higher demand. While wait times dropped from 28.1 minutes in fiscal 2014 to 21.6 minutes in fiscal 2015, it rebounded to 24.0 minutes in fiscal 2016.

Exhibit 3
Average Customer Visit Time
Fiscal 2011-2018 Est.



Source: Department of Budget and Management

There are two factors leading to the increase in wait times according to MVA. First, visits for lengthy types of transactions, such as law and skills tests, new licenses and identification cards, have increased by 27.1% between fiscal 2013 and 2016. Second, average transaction times have increased due to more complexity introduced by security or legislative factors – for example, MVA now checks to ensure that a customer getting a license or identification does not have one in another state.

Fiscal 2017 Actions

Section 20 Position Abolitions

MVA reduced its workforce by 14.0 positions as part of the Section 20 position abolitions included in the fiscal 2017 budget. The abolitions reduced long-term vacancies; MVA does not anticipate any impact from the abolitions.

Proposed Budget

As shown in **Exhibit 4**, the fiscal 2018 allowance decreases by \$2.4 million, driven by a reduction of \$2.5 million in personnel costs.

Exhibit 4
Proposed Budget
MDOT – Motor Vehicle Administration
(\$ in Thousands)

How Much It Grows:	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2016 Actual	\$188,499	\$9,514	\$902	\$198,915
Fiscal 2017 Working Appropriation	195,038	12,894	900	208,832
Fiscal 2018 Allowance	<u>193,308</u>	<u>13,172</u>	<u>0</u>	<u>206,481</u>
Fiscal 2017-2018 Amount Change	-\$1,729	\$278	-\$900	-\$2,351
Fiscal 2017-2018 Percent Change	-0.9%	2.2%	-100.0%	-1.1%

Where It Goes:

Personnel Expenses

Abolished/transferred positions	-\$600
Increments and other compensation.....	-93
Employee and retiree health insurance	-861
Workers' compensation premium assessment	-162
Turnover adjustments	-675
Retirement contribution	-20
Social Security contribution.....	-68
Pension reduction.....	-435
Unemployment compensation	-2
Contractual changes	544

Other Changes

Postage increase due to increase in use of alternative service delivery methods.....	462
Motor vehicle costs	-230
Advertising costs reduced due to special initiatives ending	-214
Printing costs	112
Janitorial service contract increases.....	99
Equipment repairs and maintenance	-134
Administrative hearings	412
System software maintenance due to business expansion	644
Data processing cost decrease due to enhanced oversight of alternative service delivery systems.....	-463
Increased costs for license plates and stickers due to increased car sales.....	931

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Where It Goes:

Maryland Highway Safety Office grant double-budgeted	-900
Reduction in costs related to the effect of the eight-year driver license implemented in fiscal 2013.....	-639
Other	-59
Total	-\$2,351

MDOT: Maryland Department of Transportation

Note: Numbers may not sum to total due to rounding.

Across-the-board Reductions

The fiscal 2018 budget bill includes a \$54.5 million (all funds) across-the-board contingent reduction for a supplemental pension payment. Annual payments are mandated for fiscal 2017 through 2020 if the Unassigned General Fund balance exceeds a certain amount at the close of the fiscal year. This agency's share of these reductions is \$428,546 in special funds and \$6,189 in federal funds. This action is tied to a provision in the Budget Reconciliation and Financing Act of 2017.

Contractual Personnel Costs

Contractual personnel costs increase by \$543,538, or 33.1%, for the following reasons:

- implementation of Chapter 446 of 2016, which established a new program as an incentive to uninsured drivers to obtain insurance (approximately \$153,000);
- implementation of Chapter 512 of 2016, also known as Noah's Law, which expands the circumstances under which participation in the Ignition Interlock System Program is required (approximately \$195,000);
- increased the need for resources for the processing of new vehicle sales transactions, which have continued to increase (approximately \$180,000); and
- temporary staff health insurance (approximately \$15,000).

As the effects of the implementation of Noah's Law and the increase in vehicle sales are ongoing, DLS recommends that MVA comment on why it has not hired permanent positions for these efforts.

PAYGO Capital Program

Program Description

The Facilities and Capital Equipment Program provides funds for new capital facilities, renovations to existing facilities, the development of major new IT systems, and the purchase of capital equipment.

Fiscal 2017 to 2022 Consolidated Transportation Program

The 2017 to 2022 six-year capital program for MVA totals \$121.4 million, a decrease of \$12.4 million from the prior year's six-year program. The decrease is driven mainly by a reduction in spending on system preservation minor projects.

Fiscal 2018 Capital Allowance

The fiscal 2018 allowance for MVA's capital program totals \$22.4 million, an increase of approximately \$0.6 million over the current year working appropriation. **Exhibit 5** shows the fiscal 2018 capital allowance for MVA by project and program along with estimated total project costs and six-year funding included in the *Consolidated Transportation Program*.

Exhibit 5 Motor Vehicle Administration PAYGO Capital Allowance Fiscal 2018

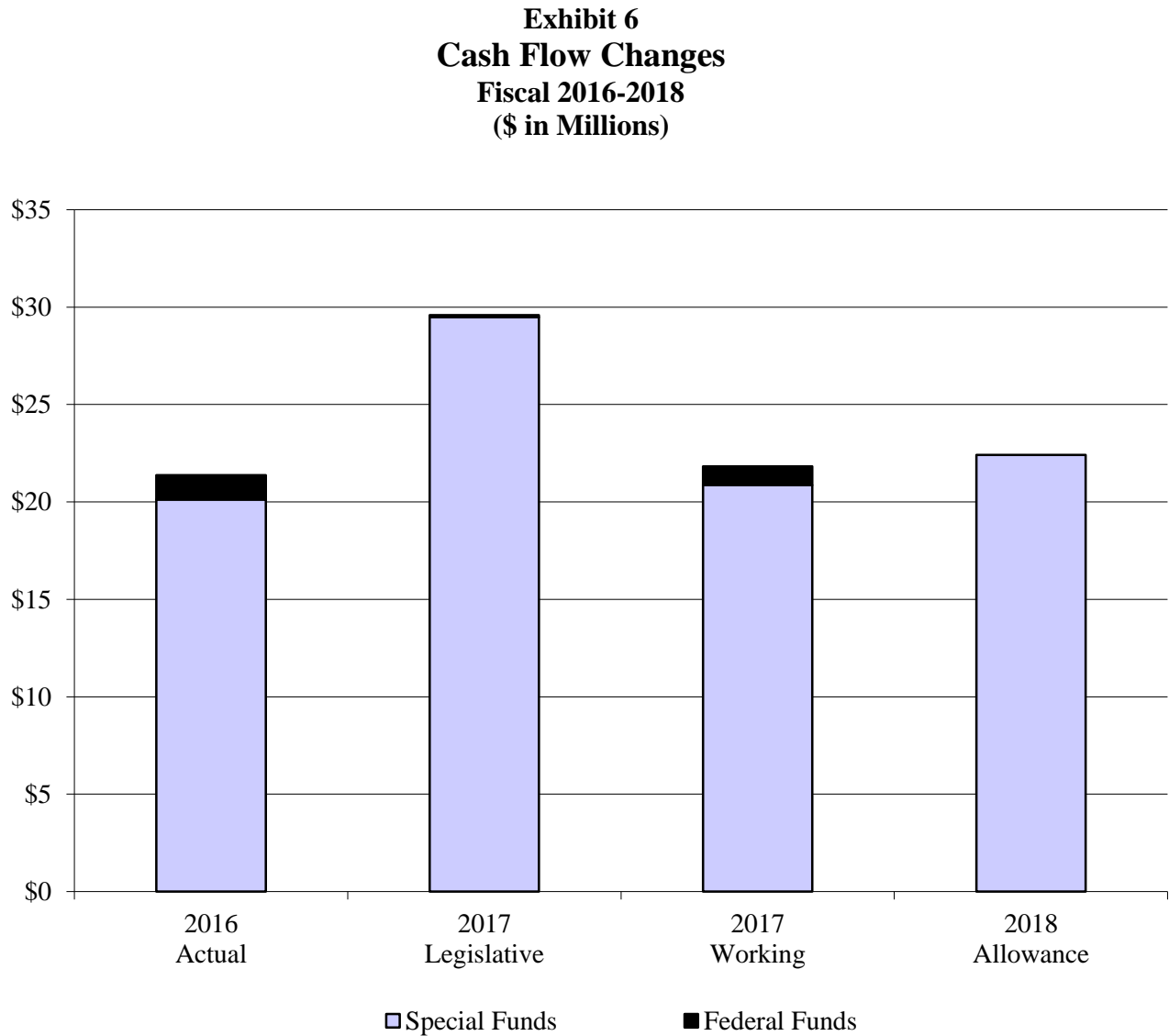
<u>Jurisdiction</u>	<u>Project Description</u>	<u>2018</u>	<u>Total Cost</u>	<u>Six-year Total</u>
Projects				
Statewide	Alternative Service Delivery System	\$1,586	\$30,301	\$9,895
Statewide	Project Core	3,039	25,268	18,231
Subtotal – Projects		\$4,625	\$55,569	\$28,126
Programs				
Statewide	System Preservation and Minor Projects	\$16,600	n/a	\$85,500
Statewide	Capital Salaries	1,200	n/a	7,800
Subtotal – Programs		\$17,800	n/a	\$93,300
Total – Projects and Programs		\$22,413	\$55,569	\$121,426

PAYGO: pay-as-you-go

Source: Maryland Department of Transportation, 2017-2022 *Consolidated Transportation Program*

Fiscal 2017 and 2018 Cash Flow Analysis

Exhibit 6 shows the changes in MVA capital spending for fiscal 2016 through the fiscal 2018 allowance and includes both the fiscal 2017 legislative and working appropriations. Capital spending in the fiscal 2017 working appropriation is \$7.8 million lower than in the legislative appropriation, primarily due to decreases in system preservation minor projects. The fiscal 2018 allowance is approximately \$585,000 higher than the fiscal 2017 working appropriation.



Source: Maryland Department of Transportation, 2017-2022 *Consolidated Transportation Program*

Cash Flow Analysis – Fiscal 2017 Changes

As shown in **Exhibit 7**, the fiscal 2017 working appropriation decreases by \$7.8 million compared to the fiscal 2017 legislative allowance, primarily due to a \$5.9 million reduction in system preservation and minor projects, mainly due to cash flow adjustments for projects now expected to start in fiscal 2018, such as the Digital Information Workflow System.

Exhibit 7
Cash Flow Changes
Fiscal 2017 Legislative to Working Appropriations
(\$ in Thousands)

Major Projects		-\$1,939
Alternative Service Delivery Systems	-\$714	
REAL-ID Act	-375	
Project Core	-850	
System Preservation and Minor Projects		-\$5,900
Total Change		-\$7,839

Source: Maryland Department of Transportation, 2017-2022 *Consolidated Transportation Program*

Cash Flow Analysis – Fiscal 2017 to Fiscal 2018 Changes

As shown in **Exhibit 8**, the fiscal 2018 allowance increases by approximately \$1.2 million for system preservation and minor projects, with the largest change being the addition of \$2.5 million in preliminary engineering costs for renovation of MVA's Glen Burnie office building. Increases are offset by small declines in MVA's two remaining major capital projects.

Exhibit 8
Cash Flow Changes
Fiscal 2017 Working to Fiscal 2018 Allowance
(\$ in Thousands)

Major Projects		-\$567
Alternative Service Delivery Systems	-\$27	
REAL-ID Act	-540	
System Preservation and Minor Projects		\$1,200
Total Change		\$633

Source: Maryland Department of Transportation, 2017-2022 *Consolidated Transportation Program*

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

1. MVA Compliant with Child Support Enforcement Program

The fiscal 2017 budget bill included language withholding \$100,000 in special funds from both the Public Service Commission (PSC) and MVA pending an update on the status of implementation of procedures to comply with the Department of Human Resources – Child Support Enforcement Administration’s (CSEA) professional license suspension program. The most recent legislative audit of CSEA found that PSC and MVA were not in compliance with the program.

On September 27, 2016, PSC submitted a letter to the budget committees detailing the license suspension process at PSC and MVA and the number of licenses suspended at both agencies. In fiscal 2016, MVA took action on all 60 CSEA notices for suspension that were eligible for suspension. Actions taken by MVA resulted in 44 license suspensions and CSEA compliance from the remaining 16 licensees. Both agencies continue to comply with the CSEA professional license suspension program in fiscal 2017. On October 6, 2016, the budget committees authorized release of the funds that were withheld for this purpose.

Appendix 1
Current and Prior Year Budgets
MDOT – Motor Vehicle Administration
(\$ in Thousands)

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2016					
Legislative Appropriation	\$0	\$189,358	\$12,964	\$900	\$203,223
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	1,498	1	2	1,501
Reversions and Cancellations	0	-2,357	-3,451	0	-5,808
Actual					
Expenditures	\$0	\$188,499	\$9,514	\$902	\$198,915
Fiscal 2017					
Legislative Appropriation	\$0	\$192,214	\$12,894	\$900	\$206,008
Cost Containment	0	0	0	0	0
Budget Amendments	0	2,824	0	0	2,824
Working					
Appropriation	\$0	\$195,038	\$12,894	\$900	\$208,832

MDOT: Maryland Department of Transportation

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2016

The Motor Vehicle Administration (MVA) finished fiscal 2016 approximately \$4.3 million below its legislative appropriation.

Special funds decreased by approximately \$859,000 compared to the legislative appropriation. Amendments increased the special fund appropriation by approximately \$1,454,764 for a salary schedule adjustment, by \$30,987 to correct budgeting errors in the allocation for the Office of Administrative Hearing and workers' compensation charges, by \$6,428 for salary increases for the State Law Enforcement Officers Labor Alliance bargaining agreement, and by \$6,000 for increased expenditures related to receiving a grant at the Maryland Highway Safety Office.

MVA canceled approximately \$2.4 million in special funds; \$1.2 million for lower than estimated health insurance costs and \$1.2 million for the 2% across-the-board budget reduction.

MVA canceled approximately \$3.3 million in federal funds due to unexpended highway safety grants and another \$160,888 due to delays in the implementation of certain federal grants.

Fiscal 2017

The fiscal 2017 working appropriation is approximately \$2.8 million higher than the legislative appropriation. Amendments increased the appropriation by \$1.7 million for the allocation of the statewide salary increments; by approximately \$30,000 for salary increases that were part of law enforcement collective bargaining agreements; and by \$1.1 million for a transfer from the State Highway Administration to MVA for the Maryland Highway Safety Office.

Appendix 2
Object/Fund Difference Report
MDOT – Motor Vehicle Administration

<u>Object/Fund</u>	<u>FY 16 Actual</u>	<u>FY 17 Working Appropriation</u>	<u>FY 18 Allowance</u>	<u>FY 17 - FY 18 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1,701.50	1,705.50	1,698.50	-7.00	-0.4%
02 Contractual	0.00	0.00	6.50	6.50	n/a
Total Positions	1,701.50	1,705.50	1,705.00	-0.50	0%
Objects					
01 Salaries and Wages	\$ 118,490,116	\$ 126,340,885	\$ 123,860,557	-\$ 2,480,328	-2.0%
02 Technical and Spec. Fees	1,843,664	1,642,820	2,186,358	543,538	33.1%
03 Communication	7,338,721	6,895,525	7,426,267	530,742	7.7%
04 Travel	188,571	168,553	184,276	15,723	9.3%
06 Fuel and Utilities	2,178,929	2,257,611	2,304,613	47,002	2.1%
07 Motor Vehicles	353,018	585,505	355,439	-230,066	-39.3%
08 Contractual Services	50,533,302	50,047,321	51,273,784	1,226,463	2.5%
09 Supplies and Materials	1,188,523	1,200,744	1,168,493	-32,251	-2.7%
10 Equipment – Replacement	38,270	62,607	62,862	255	0.4%
11 Equipment – Additional	9,413	54,059	54,373	314	0.6%
12 Grants, Subsidies, and Contributions	8,759,647	10,774,885	9,874,885	-900,000	-8.4%
13 Fixed Charges	7,992,647	8,801,155	8,148,349	-652,806	-7.4%
Total Objects	\$ 198,914,821	\$ 208,831,670	\$ 206,900,256	-\$ 1,931,414	-0.9%
Funds					
03 Special Fund	\$ 188,499,372	\$ 195,037,694	\$ 193,721,809	-\$ 1,315,885	-0.7%
05 Federal Fund	9,513,690	12,893,976	13,178,447	284,471	2.2%
09 Reimbursable Fund	901,759	900,000	0	-900,000	-100.0%
Total Funds	\$ 198,914,821	\$ 208,831,670	\$ 206,900,256	-\$ 1,931,414	-0.9%

MDOT: Maryland Department of Transportation

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

Appendix 3
Fiscal Summary
MDOT – Motor Vehicle Administration

<u>Program/Unit</u>	<u>FY 16 Actual</u>	<u>FY 17 Wrk Approp</u>	<u>FY 18 Allowance</u>	<u>Change</u>	<u>FY 17 - FY 18 % Change</u>
01 Motor Vehicle Operations	\$ 187,349,417	\$ 192,884,332	\$ 191,577,077	-\$ 1,307,255	-0.7%
03 Facilities and Capital Equipment	18,841,220	17,857,729	18,023,988	166,259	0.9%
04 Maryland Highway Safety Office	11,565,404	15,947,338	15,323,179	-624,159	-3.9%
08 Major IT Development Projects	2,536,699	3,970,000	4,389,000	419,000	10.6%
Total Expenditures	\$ 220,292,740	\$ 230,659,399	\$ 229,313,244	-\$ 1,346,155	-0.6%
Special Fund	\$ 208,615,805	\$ 215,895,009	\$ 216,134,797	\$ 239,788	0.1%
Federal Fund	10,775,176	13,864,390	13,178,447	-685,943	-4.9%
Total Appropriations	\$ 219,390,981	\$ 229,759,399	\$ 229,313,244	-\$ 446,155	-0.2%
Reimbursable Fund	\$ 901,759	\$ 900,000	\$ 0	-\$ 900,000	-100.0%
Total Funds	\$ 220,292,740	\$ 230,659,399	\$ 229,313,244	-\$ 1,346,155	-0.6%

IT: information technology

MDOT: Maryland Department of Transportation

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

Appendix 4
Budget Amendments for Fiscal 2017
Maryland Department of Transportation
Motor Vehicle Administration – Operating

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$1,694,047	Special	Allocation of salary increments.
Approved	1,100,000	Special	Transfer funds from the State Highway Administration to the Maryland Highway Safety Office.
Approved	29,829	Special	Salary adjustment related to collective bargaining agreement.
	\$2,823,876	Total	

Source: Maryland Department of Transportation

Appendix 5
Budget Amendments for Fiscal 2017
Maryland Department of Transportation
Motor Vehicle Administration – Capital

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$11,187	Special	Allocation of salary increments.
	<i>\$11,187</i>	<i>Subtotal</i>	
Pending	-\$8,639,696	Special	Amend the working appropriation to reflect the
	867,414	Federal	fiscal 2017 to 2022 <i>Consolidated Transportation</i>
			<i>Program.</i>
	<i>-\$7,772,282</i>	<i>Subtotal</i>	
	<i>-\$7,761,095</i>	Total	

Source: Maryland Department of Transportation