

J00E00
Motor Vehicle Administration
Maryland Department of Transportation

Operating Budget Data

(\$ in Thousands)

	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18-19</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$191,022	\$193,313	\$191,634	-\$1,679	-0.9%
Adjustments	0	-2,074	623	2,697	
Adjusted Special Fund	\$191,022	\$191,239	\$192,257	\$1,018	0.5%
Federal Fund	10,523	13,172	13,102	-71	-0.5%
Adjustments	0	-25	8	33	
Adjusted Federal Fund	\$10,523	\$13,147	\$13,110	-\$37	-0.3%
Adjusted Grand Total	\$201,546	\$204,386	\$205,367	\$981	0.5%

Note: FY 18 Working includes targeted reversions, deficiencies, and across-the-board reductions. FY 19 Allowance includes contingent reductions and cost-of-living adjustments.

- The fiscal 2019 allowance increases by approximately \$1.0 million, or 0.5%, primarily due to changes in personnel costs.
- The Motor Vehicle Administration's (MVA) implementation of the Perpetual Inventory Management System, or PICS, over fiscal 2017 and 2018 results in a decrease of approximately \$0.7 million dollars for this service in fiscal 2019.

PAYGO Capital Budget Data

(\$ in Thousands)

	<u>Fiscal 2017</u> <u>Actual</u>	<u>Fiscal 2018</u>		<u>Fiscal 2019</u> <u>Allowance</u>
		<u>Legislative</u>	<u>Working</u>	
Special	\$18,034	\$22,409	\$21,061	\$36,900
Federal	219	0	312	678
Total	\$18,252	\$22,409	\$21,373	\$37,578

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

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- The fiscal 2018 working appropriation is approximately \$1.0 million less than the legislative appropriation, primarily due to completion of several system preservation and minor projects in fiscal 2017.
- The fiscal 2019 pay-as-you-go (PAYGO) allowance increases by approximately \$16.2 million when compared to the fiscal 2018 working appropriation, primarily due to costs associated with Project Core.

Operating and PAYGO Personnel Data

	<u>FY 17 Actual</u>	<u>FY 18 Working</u>	<u>FY 19 Allowance</u>	<u>FY 18-19 Change</u>
Regular Operating Budget Positions	1,714.50	1,707.50	1,707.50	0.00
Regular PAYGO Budget Positions	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Regular Positions	1,714.50	1,707.50	1,707.50	0.00
Operating Budget FTEs	0.00	6.50	6.50	0.00
PAYGO Budget FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total FTEs	0.00	6.50	6.50	0.00
Total Personnel	1,714.50	1,714.00	1,714.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	68.18	4.00%
Positions and Percentage Vacant as of 1/1/2018	77.5	4.54%

- MVA staffing remains level with the fiscal 2018 working appropriation; however, several internal changes and position transfers to other Maryland Department of Transportation agencies have occurred. One position will be moved from Motor Vehicle Operations to the Maryland Highway Safety Office. Two positions have been transferred to MVA, 1 from the Secretary’s Office (TSO) and 1 from the State Highway Administration (SHA). Two positions from MVA have been transferred out of the agency, 1 to TSO and 1 to SHA.
- The budgeted turnover rate in fiscal 2019 is 4.00%, requiring approximately 68.2 vacancies. As of January 1, 2018, MVA had 77.5 vacant positions for a vacancy rate of 4.54%. The average turnover for the first half of fiscal 2018 is 4.43%.

Analysis in Brief

Major Trends

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.” MVA seeks to accomplish this goal by increasing the use of alternative service delivery (ASD) transactions to increase the efficiencies with which it manages customer transactions. MVA has seen increases in the use of these systems and has increased its Managing for Results (MFR) goal for total transactions completed by ASD to 69% in fiscal 2019. Additionally, MVA attempts to maintain an average cost of \$16.00 per transaction. However, for the past three fiscal years for which a full 12 months of data is available, MVA has not met this goal. **The Department of Legislative Services (DLS) recommends that MVA comment on how the \$16.00 average cost per transaction goal was set. Further, MVA should comment on what is being done to reduce the average cost per transaction to \$16.00 or less and to reliably maintain this average cost per transaction.** Finally, MVA continues to seek out synergies with other agencies to become a “one-stop shop” for government services.

Exemplary Customer Service: Visit times decreased by two minutes in fiscal 2017 compared to fiscal 2016 and are expected to drop in fiscal 2018 and 2019. Wait times returned to roughly fiscal 2015 levels in fiscal 2017 and are projected to further decrease in fiscal 2018 and 2019. **DLS recommends that MVA lower the goals for the average customer wait and visit time to less than 25 and 40 minutes, respectively.**

Issues

Regulatory Changes to Vehicle Emissions Inspection Program Impact Transportation Trust Fund Revenue: Recent regulatory changes to the Vehicle Emissions Inspection Program (VEIP) implemented in January 2018 have altered the requirements to test pre-model year 1996 vehicles under a certain weight and have delayed the initial VEIP inspection for new vehicles. This will result in a slight overall decrease in Transportation Trust Fund (TTF) revenues. Recognizing that MVA has an interest in keeping overall user fees low and eliminating fees where possible, those fees which remain would have to increase to maintain overall TTF revenues. While greater efficiencies and cost savings could improve revenue attainment without the need for increased costs for service, there is the potential that aggressive cost saving practices may impact the customer experience. **DLS recommends that MVA comment on its ability to manage sustainable contributions to the TTF with minimal impact on customer service or the average cost per transaction.**

Current Law Unclear as to Treatment of VEIP Fees: It is uncertain if legislative intent is being served by separating VEIP fees from the MVA cost recovery model. **DLS recommends that the General Assembly consider legislation to clarify the treatment of VEIP fees and whether these count toward the MVA cost recovery established under § 12-120 of the Transportation Article.**

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

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

Performance Analysis: Managing for Results

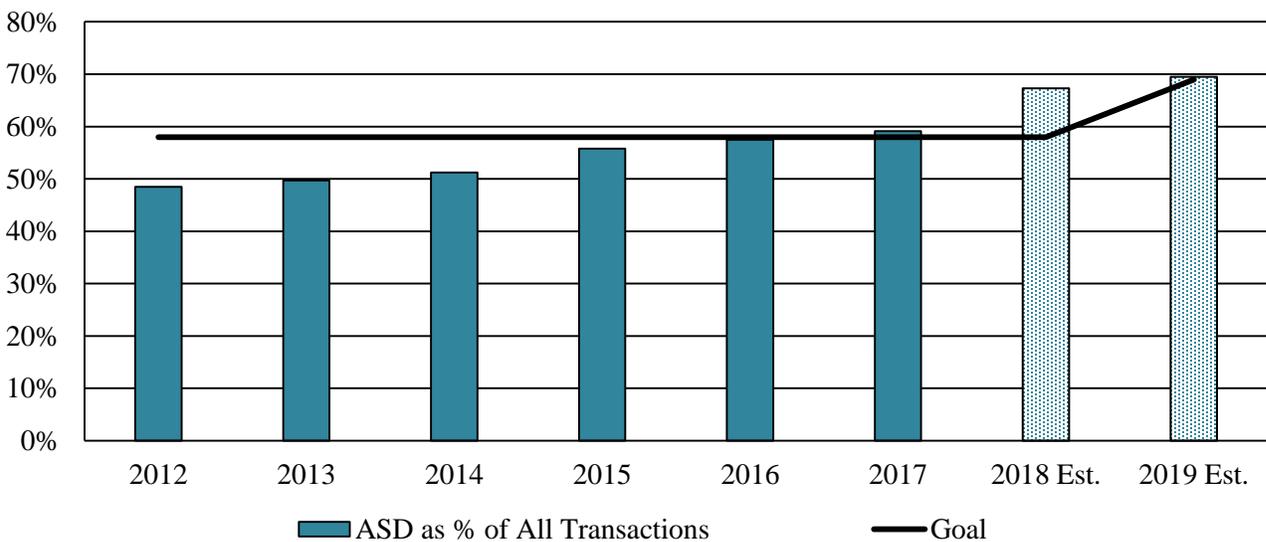
1. Efficient and Effective Business Practices

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.

MVA continues to make significant information technology (IT) investments and process improvements to increase the number of alternative transactions performed as a way to reduce customer wait times and improve the customer experience. Notable changes over the last 12 months include (1) the ability to renew vehicle safety inspections online or at branch office kiosks; (2) the ability to return tags to branch employees with mobile tablets or at the information counter; (3) real-time regular

position management on tablets; (4) pre-completion of driver’s license renewal applications online and appointment scheduling, with a guarantee to speak with a representative within 15 minutes of the appointment time slot; (5) acceptance of Discover Card; (6) implementation of vision screening services at all branch offices; and (7) automation of the driver’s license expungement process, as required by Chapter 717 of 2017. As shown in **Exhibit 1**, 59.1% of transactions were completed via ASD in fiscal 2017, up from 57.5% the prior year. The increase continues the trend of moving transactions toward ASD methods; as a result, MVA has adjusted its Managing for Results (MFR) goal for this metric to 69% of transactions by 2019. As of December 2017, MVA is reporting that 63% of transactions are performed by ASD.

Exhibit 1
Alternative Service Delivery Transactions as Percent of All Transactions
Fiscal 2012-2019 Est.

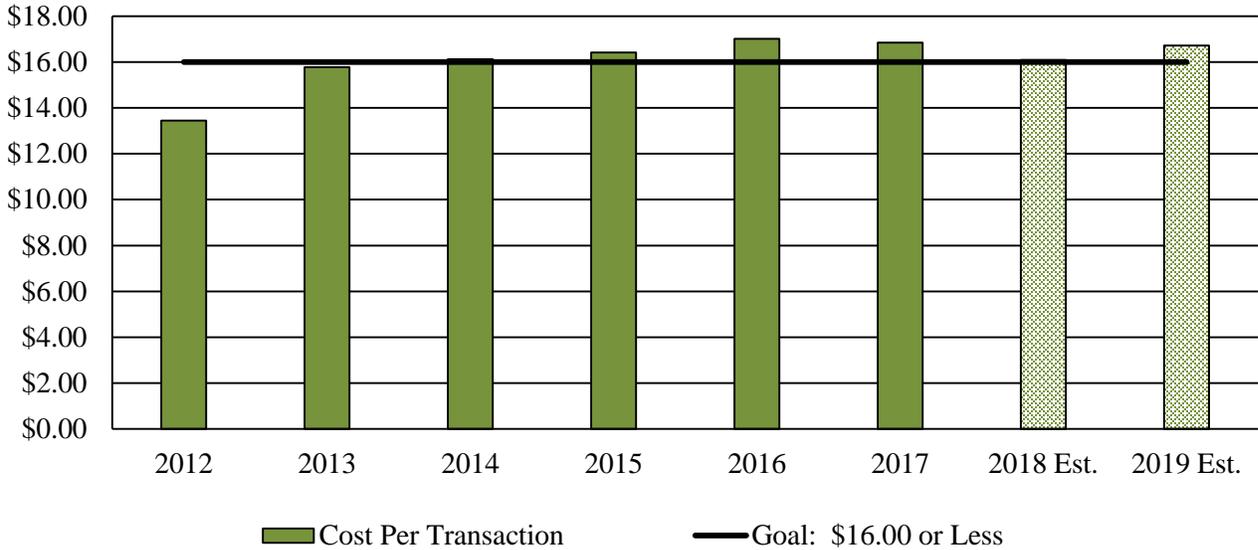


ASD: Alternative Service Delivery

Source: Department of Budget and Management

Another indicator of the efficiency and effectiveness of MVA business practices is the average cost per transaction. MVA strives to reduce this figure through the use of better technology and operational practices. As shown in **Exhibit 2**, MVA’s goal is to keep the average cost per transaction at or below \$16.00. The average cost per transaction decreased slightly in fiscal 2017 to \$16.85. For the past three fiscal years for which a full 12 months of data is available, MVA has not met this goal. **The Department of Legislative Services (DLS) recommends that MVA comment on how the \$16.00 average cost per transaction goal was set. Further, MVA should comment on what is being done to reduce the average cost per transaction to \$16.00 or less and to reliably maintain this average cost per transaction.**

Exhibit 2
Average Operating Cost Per Transaction
Fiscal 2012-2019 Est.



Source: Department of Budget and Management

Finally, MVA continues to synergize government processes and integrate service delivery across State and federal agencies in an effort to become a “one-stop shop” for government services. MVA now offers a digital version of the Maryland State Police Mechanics Test at all full-service branch offices. Traditionally, this test was offered only one time per month at six locations statewide. Further, through a partnership with the Department of Natural Resources, employees now staff the Essex, Bel Air, Frederick, and Salisbury branch offices to help manage related services in a single transaction. For example, customers registering a trailer with MVA can also register or renew the registration for a boat at these offices. Finally, EZ-Pass transponders are available for sale at all branches, with customer service provided by EZ-Pass employees at the Glen Burnie, Beltsville, and Gaithersburg branches; and Transportation Security Administration pre-check and Transportation Worker Identification Credential services are currently offered at the Annapolis, Gaithersburg, Frederick, Salisbury, and Waldorf branch offices.

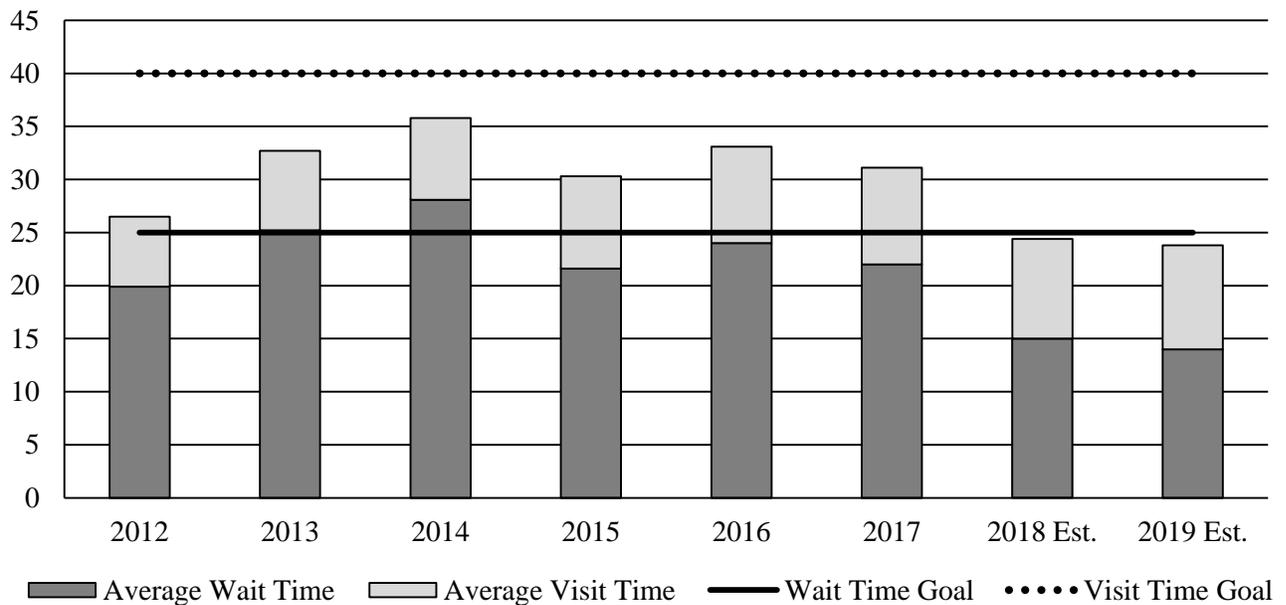
2. Exemplary Customer Service

One objective for meeting the goal of providing exemplary customer service is to keep the average customer wait times and visit times at MVA branch offices at 25 minutes and 40 minutes, respectively. Wait time is the time from when a customer gets a ticket until the time the ticket number

is called, whereas visit time is the sum of the wait time plus the time it takes to complete a customer’s transaction. **Exhibit 3** shows the performance for these measures for fiscal 2012 through 2019.

Visit times decreased by 2.0 minutes in fiscal 2017 compared to fiscal 2016 and are expected to drop in fiscal 2018 and 2019. Wait times returned to roughly fiscal 2015 levels in fiscal 2017 and are projected to further decrease in fiscal 2018 and 2019.

Exhibit 3
Average Customer Wait Times and Visit Times
Fiscal 2012-2019 Est.



Source: Department of Budget and Management

Wait times and visit times for non-ASD transactions are expected to decrease dramatically as more customers choose to engage in ASD transactions to complete their business. **DLS recommends that MVA lower the goals for the average customer wait time and visit time to less than 25 and 40 minutes, respectively.**

Fiscal 2018 Actions

Across-the-board Employee and Retiree Health Insurance Reduction

The budget bill includes an across-the-board reduction for employee and retiree health insurance in fiscal 2018 to reflect a surplus balance in the fund. This agency’s share of this reduction is \$2,073,645 in special funds and \$25,227 in federal funds.

Proposed Budget

As shown in **Exhibit 4**, the fiscal 2019 allowance increases by approximately \$1.0 million, primarily due to changes in personnel costs.

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

How Much It Grows:	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Total</u>
Fiscal 2017 Actual	\$191,022	\$10,523	\$201,546
Fiscal 2018 Working Appropriation	191,239	13,147	204,386
Fiscal 2019 Allowance	<u>192,257</u>	<u>13,110</u>	<u>205,367</u>
Fiscal 2018-2019 Amount Change	\$1,018	-\$37	\$981
Fiscal 2018-2019 Percent Change	0.5%	-0.3%	0.5%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance	\$2,100
2% cost-of-living adjustment – MVA share	631
Overtime earnings.....	517
New positions	336
Employee and law enforcement retirement payments	-249
Abolished positions	-342
Regular earnings	-1,000
Other fringe benefit adjustments	-40

Contractual Services Changes

Increased need for State police security services at high volume offices.....	443
Media and project research for the Maryland Highway Safety Office	302

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Where It Goes:

Janitorial services	225
Education and training contracts, primarily due to customer service training	100
Data processing contracts, primarily due to maintenance associated with ASD systems.....	93
Completion of several computer systems maintenance contracts.....	-111
Administrative hearing costs	-656
Cost savings from implementation of Perpetual Inventory Management System.....	-670

Other Changes

Energy conservation loan repayments	175
Electricity costs.....	-241
Aid to political subdivisions, based on actual costs for the past three years	-311
Reduced use of contractual secretarial and clerical workers	-366
Other miscellaneous changes.....	46

Total **\$981**

ASD: Alternative Service Delivery
MDOT: Maryland Department of Transportation
MVA: Motor Vehicle Administration

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

General Salary Increase

The fiscal 2019 allowance includes funds for a 2% general salary increase for all State employees, effective January 1, 2019. These funds are budgeted in the Department of Budget and Management’s statewide program and will be distributed to agencies during the fiscal year. This agency’s share of the general salary increase is \$622,983 in special funds and \$8,142 in federal funds. In addition, employees will receive another 0.5% increase and a \$500 bonus effective April 1, 2019, if actual fiscal 2018 general fund revenues exceed the December 2017 estimate by \$75 million. These funds have not been budgeted. The Administration will need to process a deficiency appropriation if revenues are \$75 million more than projected.

Decrease in Regular Earnings Limits Rising Personnel Costs

Regular earnings decrease by approximately \$1.0 million dollars in fiscal 2019. This is due primarily to personnel turnover, and the effect of hiring replacement personnel at rates commensurate with their more limited experience. In fiscal 2019, this offsets the impact of the 2% cost-of-living adjustment (COLA) and much of the increase in overtime payments.

In future fiscal years, the effect of the general salary increase will, at a minimum, double due to the effective date of the COLA, which is in the middle of fiscal 2019.

Unraveling the Substantial Increase in Health Insurance Costs

While health insurance costs appear to rise by approximately 8.69% in fiscal 2019, it should be noted that much of the apparent increase in costs are due to the across-the-board reduction to employee and retiree health insurance costs in the fiscal 2018 working appropriation for the effect of two additional payroll health insurance deduction holidays in that year.

Inventory Management Reduces Costs Associated with License Plate Program

The MVA fiscal 2019 allowance decreases by approximately \$0.7 million dollars relative to the fiscal 2018 working appropriation due to improvements in license plate inventory control directly associated with the implementation of the Perpetual Inventory Management System (PICS).

MVA announced the roll out of PICS on July 1, 2016. PICS allows for tracking and reporting on license plates and placement of requisitions for low-stock items based on real time inventory reports via a hosted, web-based system. This program is implemented in car dealerships, tag and title services, and MVA branch offices. With this system, MVA and the automobile sales and titling industries can better manage plate inventories, balancing need at various locations, redirecting available inventories to locations with greater need, and generally reducing surplus inventory at all locations.

Update on Use of Contractual Personnel

For fiscal 2018, MVA requested 6.50 contractual full time equivalents (FTE) to support the implementation of Chapter 512 of 2016, commonly referred to as Noah's Law, which expands the circumstances under which participation in the Ignition Interlock System Program (IISP) is required. The total appropriated amount for these positions, factoring in turnover expectancy, equaled \$195,000. During the 2017 budget process, MVA was asked to comment on why it has not hired permanent positions for IISP and to support the processing of new vehicle sales since these are ongoing processes. In response, MVA stated that it will continue to monitor customer enrollment and reassess the workload to determine the ongoing effort to manage this program as well as activities surrounding the sale of new vehicles.

For fiscal 2019, MVA has again requested 6.50 FTEs, at a cost of \$238,593, factoring in all costs. While the associated payroll costs did not change, MVA expects reduced turnover for these contractual FTEs relative to fiscal 2018. The turnover rate in fiscal 2018 was set at 25%, which is typical for new positions.

The MVA fiscal 2019 allowance for contractual workers did decrease by approximately \$0.3 million dollars relative to the fiscal 2018 working appropriation. However, MVA is continuing to rely on contractual FTEs to support the operations of the IISP, despite the ongoing need. **DLS renews its recommendation as to IISP that MVA comment on why it has not hired permanent positions for these efforts. Additionally, MVA should comment on what has been accomplished since the 2017 legislative session to implement Noah's Law as well as the continued need for additional**

contractual support to manage the implementation effort. Finally, MVA should comment on any business process improvements that may reduce reliance on contractual FTEs and allow for compliant operation of IISP with no or minimal increase in permanent staff.

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 2018 to 2023 Consolidated Transportation Program

The fiscal 2018 to 2023 six-year capital program for MVA totals \$125.4 million, an increase of \$4 million from the prior year's six-year program. The increase is due primarily to Project Core, an enterprise-wide IT project with an emphasis on modernizing the MVA IT infrastructure and replacing legacy systems as well as planned spending for the Alternative Service Delivery Systems program.

Fiscal 2019 Capital Allowance

The fiscal 2019 allowance for MVA's capital program totals \$37.6 million. **Exhibit 5** shows the fiscal 2019 capital allowance for MVA by project and program along with estimated total project costs and six-year funding included in the *Consolidated Transportation Program (CTP)*.

Exhibit 5
Motor Vehicle Administration PAYGO Capital Allowance
Fiscal 2019
(\$ in Thousands)

<u>Jurisdiction</u>	<u>Project Description</u>	<u>2019</u>	<u>Total Cost</u>	<u>Six-year Total</u>
Projects				
Statewide	Alternative Service Delivery System	\$1,604	\$31,301	\$9,713
Statewide	Project Core	16,245	30,968	21,702
Subtotal – Projects		\$17,849	\$62,269	\$31,415
Programs				
Statewide	System Preservation and Minor Projects	\$18,500	n/a	\$86,000
Statewide	Capital Salaries	1,300	n/a	8,000
Subtotal – Programs		\$19,800	n/a	\$94,000
Total – Projects and Programs		\$37,649	\$62,269	\$125,415

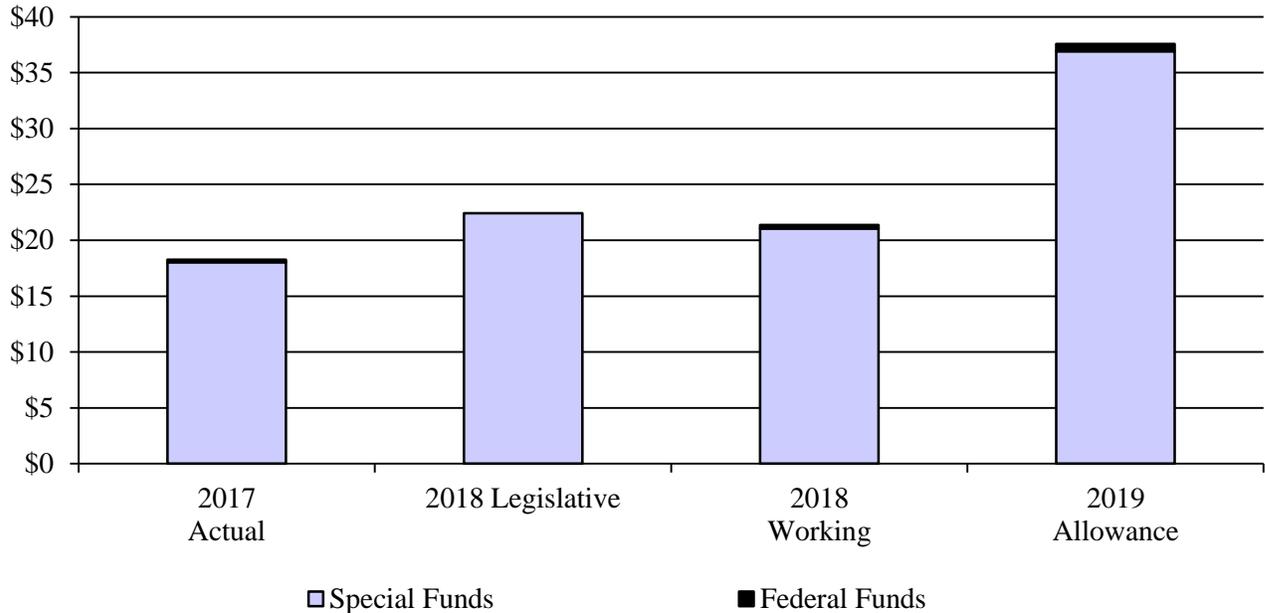
PAYGO: pay-as-you-go

Source: Maryland Department of Transportation, 2018-2023 *Consolidated Transportation Program*

Fiscal 2018 and 2019 Cash Flow Analysis

Exhibit 6 shows the changes in MVA capital spending for fiscal 2017 through the fiscal 2019 allowance and includes both the fiscal 2018 legislative and working appropriations. Capital spending in the fiscal 2018 working appropriation is \$1.1 million less than in the legislative appropriation, primarily due to the completion of three system preservation minor projects in fiscal 2017 – Items 0695, 0697, and 0772. Additional savings in this program offset approximately \$1.2 million in increases to MVA Major Projects, predominantly due to fiscal 2017 costs for Project Core being offset in fiscal 2018.

**Exhibit 6
Cash Flow Changes
Fiscal 2017-2019
(\$ in Millions)**



**Cash Flow Changes – Fiscal 2018 Working Appropriation versus
Legislative Appropriation
(\$ in Thousands)**

Fiscal 2018 Working v. Legislative

Major Projects		\$1,196
Alternative Service Delivery Systems	-\$368	
Project Core	1,564	
System Preservation and Minor Projects		
Projects Completed in Fiscal 2017		-\$909
Driver Law Test System (0695)	-\$5	
Data Loss Protection (0697)	-73	
Central Issuance (0772)	-831	
Change – Working Appropriation v. Legislative Appropriation minus completed projects		-\$1,391
Legislative appropriation	\$16,600	
Working appropriation	14,300	
Total Change		-\$1,104

**Cash Flow Changes – Fiscal 2019 Allowance versus
Fiscal 2018 Working Appropriation
(\$ in Thousands)**

Fiscal 2019 Allowance v. Fiscal 2018 Working

Major Projects		\$12,028
Alternative Service Delivery Systems	\$386	
Project Core	11,642	
System Preservation and Minor Projects		\$4,200
Total Change		\$16,228

Source: Maryland Department of Transportation, 2018-2023 *Consolidated Transportation Program*, 2017-2022 *Consolidated Transportation Program*

The fiscal 2019 allowance is approximately \$16.2 million higher than the fiscal 2018 working appropriation. This change is attributable to project delay and redirecting both prior and future year costs to fiscal 2019. Additionally, \$5.7 million was added to the CTP for Project Core to fund additional phases of the project. The fiscal 2019 allowance for major projects increases by approximately \$12 million, while the fiscal 2019 allowance for system preservation and minor projects increases by approximately \$4 million.

Issues

1. Regulatory Changes to Vehicle Emissions Inspection Program Impact Transportation Trust Fund Revenue

In March 2017, the Secretary of the Environment and the Administrator of MVA jointly proposed to amend Regulations .01, .03-.05, and .09 under COMAR 11.14.08 – VEIP. The proposed regulations: (1) delayed the initial VEIP inspection for new vehicles (defined at COMAR 11.14.08.05.B(4)(a)) by one year; (2) exempted pre-1996 model year vehicles under 8,500 pounds from inspection; (3) corrected a typographical error and altered an erroneous definition for the term “qualified hybrid vehicle”; and (4) made conforming changes to support the first three amendments.

DLS reviewed these regulations for legal and fiscal impact. DLS found support for the statutory authority to produce such regulations and confirmed with qualification that the regulatory amendments comply with the legislative intent of the law. DLS recommended that the Maryland Department of Transportation (MDOT) consider introducing legislation that would address and mitigate the ambiguity surrounding the requirements of § 23-202(b) of the Transportation Article and questions as to the legislative intent of the authorization to create exemptions from inspections and tests for certain vehicles under § 23-207. No such legislation has been proposed on this issue, as MVA believes the statutory language is sufficient.

The amended regulations were adopted on October 17, 2017, and the effective date for the new regulations was January 1, 2018. **Exhibit 7** shows the fiscal impact of the amended regulations on MVA VEIP revenues and expenditures for fiscal 2018, while **Exhibit 8** shows the total new vehicles affected by these regulatory changes. MVA suggests that it will see a net revenue loss of approximately \$2.2 million in fiscal 2018, with a similar effect in future years due to the mid-fiscal year effective date. These findings are based on current new car buying habits tracked by MVA as well as current VEIP user practices and may vary in future years.

Exhibit 7
Effect of VEIP Regulatory Changes on MVA Revenues and Expenditures
Fiscal 2018 Est.

Estimated Decrease in Revenue

VEIP Inspection Test	
Inspection Station Test at \$14/vehicle	\$1,595,354
Self-service Kiosk at \$10/vehicle	23,256
Late Fees	631,258
Subtotal	\$2,249,868

Estimated Decrease in Expenditures

Credit Card Fees	\$33,748
Postage Fees at \$0.49/VEIP Notice	56,977
Subtotal	\$90,725

Total **\$2,159,143**

MVA: Motor Vehicle Administration
VEIP: Vehicle Emissions Inspection Program

Note: Revenue is weighted by percentage of tests performed at VEIP Inspection Stations (98%) and percentage of tests performed at VEIP self-service kiosks (2%). The self-service kiosks were implemented as part of a series of changes beginning in 2015 to make the emissions inspection process more customer friendly. While there are limitations on its use, further increases to self-service testing will result in greater revenue loss versus traditional testing. This effect is not modeled. The 2016 statistics show that late fees are equal to approximately 39% of the total inspection fee revenue. The 2016 data suggests that credit card fees equate to 1.5% of all VEIP fees assessed.

Source: Motor Vehicle Administration

Exhibit 8
Effect of Regulatory Changes to VEIP on Number of Vehicles
Subject to Inspection
Fiscal 2018-2022

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Purchase in 2016	-104,286	104,286	-104,286	104,286	-104,286
Purchase in 2017		-208,571	208,571	-208,571	208,571
Purchase in 2018			-208,571	208,571	-208,571
Purchase in 2019				-208,571	208,571
Purchase in 2020					-208,571
Total	-104,286	-104,286	-104,286	-104,286	-104,286

VEIP: Vehicle Emissions Inspection Program

Source: Motor Vehicle Administration

Because VEIP fees are one source of funding that supports the Transportation Trust Fund (TTF), available fund revenues generated in a given year will begin to decrease. This particular change has already been incorporated into the final TTF forecast for fiscal 2018 through 2023 and is not substantial in nature relative to the overall value of the TTF. However, as MVA looks to reduce or eliminate the impact of user fees, those fees that remain will have to increase in order to maintain TTF revenues overall. This is potentially problematic as certain fees are statutorily capped at a specific rate. Additionally, increasing fees for other services may impact MVA’s ability to maintain average transaction costs at or below \$16 per transaction.

While greater efficiencies and cost savings could improve revenues without the need for increased service costs, there is the potential that aggressive cost saving practices may impact the customer experience. **DLS recommends that MVA comment on its ability to manage sustainable contributions to the TTF with minimal impact on customer service or the average cost per transaction.**

2. Current Law Unclear as to Treatment of VEIP Fees

Section 12-120 of the Transportation Article requires MVA to set miscellaneous fees to recover at least 95% but not in excess of 100% of MVA’s operating and capital expenditures as well as certain data center operation costs within a given fiscal year. Miscellaneous fees are defined by law as fees collected by MVA under the Transportation Article, with the exception of those identified in § 12-120(a)(1) – (3). Historically, VEIP fees have not been treated as miscellaneous fees under the cost recovery model, as reported in the annual TTF forecast. MVA attributes this to § 23-205(c) of the Transportation Article, which allows the administration to retain a portion of VEIP fees to cover the costs of administration and enforcement of the emission control program, as provided in the contract

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between the State and a contractor administering the program. If these revenues are included as part of the cost recovery model, MVA would exceed 100% cost recovery; as such, § 12-120(c)(2) of the Transportation Article would require alteration of the miscellaneous fees for the upcoming fiscal year. The operation of these two pieces of the Transportation Article are potentially in conflict, especially if it was the legislative intent to allow exclusion of VEIP fees from treatment as miscellaneous fees. **DLS recommends that the General Assembly consider legislation to clarify the treatment of VEIP fees and whether these count toward the MVA cost recovery established under § 12-120 of the Transportation Article.**

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2017					
Legislative Appropriation	\$0	\$192,214	\$12,894	\$900	\$206,008
Deficiency Appropriation	0	0	0	0	0
Cost Containment	0	0	0	0	0
Budget Amendments	0	2,824	0	0	2,824
Reversions and Cancellations	0	-4,015	-2,371	-900	-7,286
Actual Expenditures	\$0	\$191,022	\$10,523	\$0	\$201,546
Fiscal 2018					
Legislative Appropriation	\$0	\$193,307	\$13,172	\$0	\$206,479
Cost Containment	0	0	0	0	0
Budget Amendments	0	6	0	0	6
Working Appropriation	\$0	\$193,313	\$13,172	\$0	\$206,485

MDOT: Maryland Department of Transportation

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. Numbers may not sum to total due to rounding.

Fiscal 2017

The Motor Vehicle Administration (MVA) finished fiscal 2017 approximately \$4.5 million below its legislative appropriation. Special funds decreased by approximately \$1.2 million compared to the legislative appropriation. Amendments increased the special fund appropriation by approximately \$1.7 million for a fiscal 2017 salary increment; by approximately \$30,000 for salary increases that were part of a law enforcement collective bargaining agreement; and by \$1.1 million for a transfer from the State Highway Administration (SHA) to MVA for the Maryland Highway Safety Office to reflect program usage.

MVA canceled more than \$4.0 million in special funds due entirely to a reduction in salary, health, retirement, and fringe benefit expenditures across programs. Several factors contributed to the overall reduction in these programs, including:

- required cancellations mandated by the Department of Budget and Management;
- turnover expectancy; and
- filling vacant positions with individuals with a lower level of compensation.

Federal funds decreased by approximately \$2.4 million compared to the legislative appropriation. MVA canceled approximately \$0.2 million due to a reduction in salaries, retirement, and health insurance for the reasons stated above; and approximately \$2.2 million in funds not expended within fiscal 2017 according to the schedule for Highway Safety grants.

MVA canceled the entirety of the reimbursable funds appropriated to the Maryland Highway Safety Office in fiscal 2017. The reimbursable funds were traditionally appropriated to SHA as special funds to pay for services provided by MVA's Highway Safety Office. These funds are represented in the \$1.1 million special fund budget amendment mentioned previously.

Fiscal 2018

The fiscal 2018 working appropriation is \$6,022 greater than the legislative appropriation due to an increase in special funds to cover the State Law Enforcement Officer Labor Alliance portion of the fiscal 2018 collective bargaining agreement.

Appendix 2
Audit Findings

Audit Period for Last Audit:	July 25, 2012 – December 14, 2015
Issue Date:	November 2017
Number of Findings:	12
Number of Repeat Findings:	1
% of Repeat Findings:	8%
Rating: (if applicable)	n/a

- Finding 1:** Although an internal investigation revealed that the Motor Vehicle Administration (MVA) issued 270 fraudulent federally noncompliant driver’s license (DL) and identification (ID) cards, the scope of the investigation was limited and found many additional products that may have been issued improperly. MVA also did not alter its procedures to correct the related control deficiencies.
- Finding 2:** Adequate controls were not established over MVA’s inventory stock of blank DL and ID cards.
- Finding 3:** MVA did not ensure that all driving records were being reviewed as required for possible administrative action, and tests disclosed several records for which required administrative action was not taken.
- Finding 4:** MVA did not ensure that required supervisory reviews of critical transactions recorded on driving records, including license suspensions and revocations, were adequately performed and documented.
- Finding 5:** MVA did not ensure that labor rates included in a \$21.4 million information technology (IT) contract were the most favorable available, and MVA’s procedures for monitoring IT contracts and reviewing the related billings did not ensure hours billed were reasonable, receipt of all deliverables, and compliance with all contract terms.
- Finding 6:** MVA did not adequately control electronically submitted vendor bids.
- Finding 7:** MVA did not have adequate procedures to ensure that differences between recorded collections and amounts deposited by branch offices were adequately investigated and resolved.
- Finding 8:** **Collections received at MVA headquarters for vehicle registration renewals processed at county offices were not adequately controlled.**
- Finding 9:** Controls over the MVA virtual server environment did not properly protect critical virtual servers.
- Finding 10:** Procedures for securing MVA’s numerous computers were not sufficient.

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Finding 11: Employees responsible for reviewing and approving changes to critical data relating to the Ignition Interlock System Program also had access capability allowing them to change the data, compromising effective internal control over the program.

Finding 12: MVA did not adequately monitor corporate purchasing card purchases and did not always comply with related State policies and procedures.

*Bold denotes item repeated in full or part from preceding audit report.

Appendix 3
Object/Fund Difference Report
MDOT – Motor Vehicle Administration

<u>Object/Fund</u>	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u> <u>Appropriation</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18 - FY 19</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	1,705.50	1,698.50	1,698.50	0.00	0%
02 Contractual	0.00	6.50	6.50	0.00	0%
Total Positions	1,705.50	1,705.00	1,705.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 121,604,864	\$ 123,445,623	\$ 122,667,429	-\$ 778,194	-0.6%
02 Technical and Spec. Fees	1,848,473	2,186,358	1,863,539	-322,819	-14.8%
03 Communication	8,100,224	7,426,267	7,428,672	2,405	0%
04 Travel	150,596	184,276	154,748	-29,528	-16.0%
06 Fuel and Utilities	2,221,785	2,304,613	2,240,464	-64,149	-2.8%
07 Motor Vehicles	320,001	355,439	313,504	-41,935	-11.8%
08 Contractual Services	48,691,584	51,273,784	50,630,343	-643,441	-1.3%
09 Supplies and Materials	1,209,299	1,168,493	1,199,655	31,162	2.7%
10 Equipment – Replacement	21,172	62,862	62,608	-254	-0.4%
11 Equipment – Additional	26,556	54,373	51,416	-2,957	-5.4%
12 Grants, Subsidies, and Contributions	8,257,938	9,874,885	9,564,296	-310,589	-3.1%
13 Fixed Charges	9,093,084	8,148,349	8,559,251	410,902	5.0%
Total Objects	\$ 201,545,576	\$ 206,485,322	\$ 204,735,925	-\$ 1,749,397	-0.8%
Funds					
03 Special Fund	\$ 191,022,413	\$ 193,313,067	\$ 191,634,315	-\$ 1,678,752	-0.9%
05 Federal Fund	10,523,163	13,172,255	13,101,610	-70,645	-0.5%
Total Funds	\$ 201,545,576	\$ 206,485,322	\$ 204,735,925	-\$ 1,749,397	-0.8%

MDOT: Maryland Department of Transportation

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.

**Appendix 4
Fiscal Summary
MDOT – Motor Vehicle Administration**

<u>Program/Unit</u>	<u>FY 17 Actual</u>	<u>FY 18 Wrk Approp</u>	<u>FY 19 Allowance</u>	<u>Change</u>	<u>FY 18 - FY 19 % Change</u>
01 Motor Vehicle Operations	\$ 188,977,285	\$ 191,170,537	\$ 189,232,381	-\$ 1,938,156	-1.0%
03 Facilities and Capital Equipment	16,081,279	15,419,181	16,533,134	1,113,953	7.2%
04 Maryland Highway Safety Office	12,568,291	15,314,785	15,503,544	188,759	1.2%
08 Major IT Development Projects	2,171,110	5,954,000	21,045,000	15,091,000	253.5%
Total Expenditures	\$ 219,797,965	\$ 227,858,503	\$ 242,314,059	\$ 14,455,556	6.3%
Special Fund	\$ 209,056,152	\$ 214,374,248	\$ 228,534,449	\$ 14,160,201	6.6%
Federal Fund	10,741,813	13,484,255	13,779,610	295,355	2.2%
Total Appropriations	\$ 219,797,965	\$ 227,858,503	\$ 242,314,059	\$ 14,455,556	6.3%

IT: information technology

MDOT: Maryland Department of Transportation

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.

Appendix 5
Budget Amendments for Fiscal 2018
Maryland Department of Transportation
Motor Vehicle Administration – Operating

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$6,022	Special	Funds for the SLEOLA portion of the fiscal 2018 collective bargaining agreement.
	\$6,022	Total	

SLEOLA: State Law Enforcement Officers Labor Alliance

Source: Maryland Department of Transportation

Appendix 6
Budget Amendments for Fiscal 2018
Maryland Department of Transportation
Motor Vehicle Administration – Capital

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Pending	-\$1,348,000	Special	Amend the working appropriation to reflect the fiscal 2018-2023 <i>Consolidated Transportation Program</i> .
	<u>312,000</u>	<u>Federal</u>	
	-\$1,036,000	Subtotal	
	-\$1,036,000	Total	

Source: Maryland Department of Transportation