

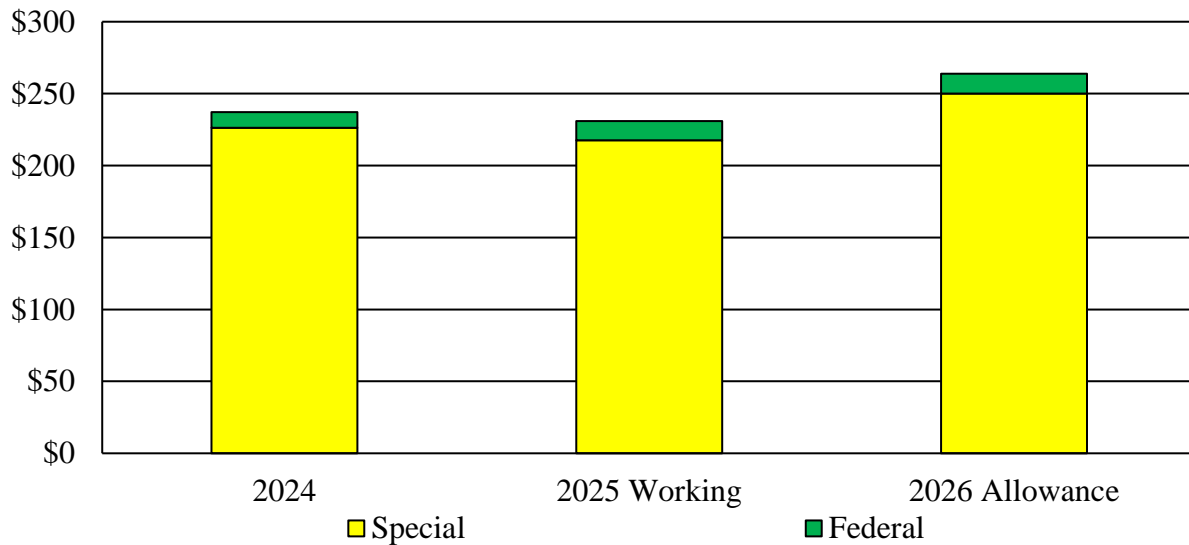
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Motor Vehicle Administration
Maryland Department of Transportation

Executive Summary

The Motor Vehicle Administration (MVA) is responsible for supplying motor vehicle services to the citizens of Maryland, including driver license services, registration and titling of vehicles, administering vehicle inspection and driver safety programs, and the regulation of businesses related to the sale and rental of motor vehicles and the training of drivers. It is one of the modes of the Maryland Department of Transportation (MDOT).

Operating Budget Summary

Fiscal 2026 Budget Increases \$32.8 Million, or 14.2%, to \$263.8 Million
(\$ in Millions)



Note: The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

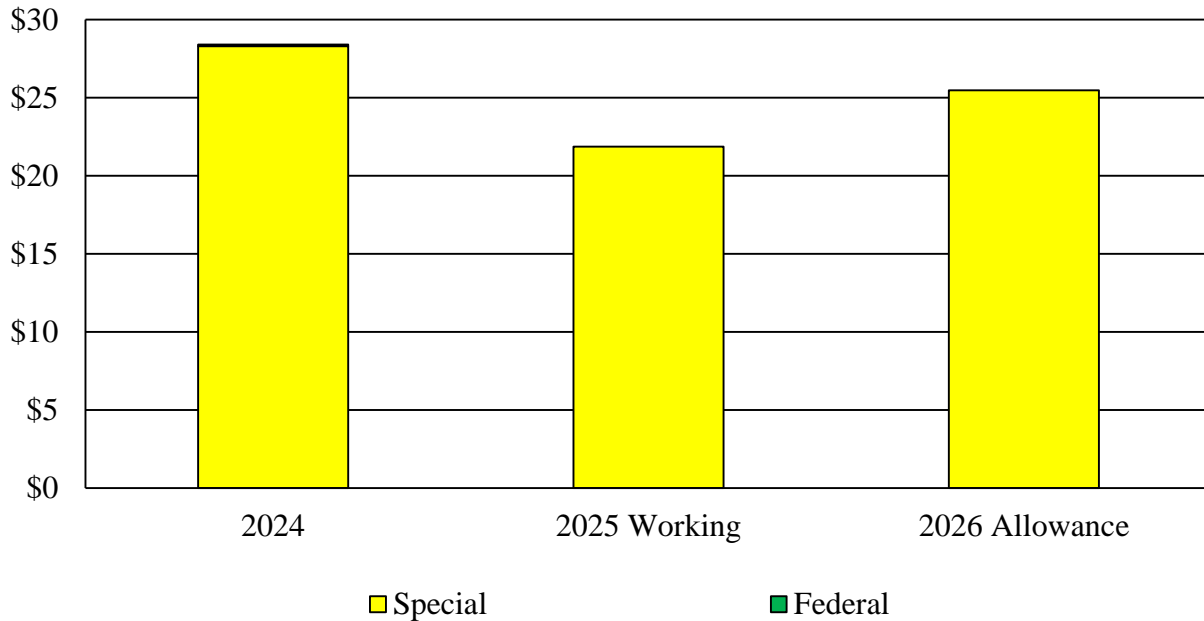
- The fiscal 2025 working appropriation does not reflect a budget amendment adding \$14.8 million in special fund appropriations to restore funds reduced as a cost containment measure in the budget as introduced during the 2024 session. Adjusting for this amendment, the fiscal 2026 increase would be \$17.9 million (7.8%).

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PAYGO Capital Budget Summary

**Fiscal 2026 Budget Increases \$3.6 Million, or 16.5%, to \$25.5 Million
(\$ in Millions)**



Note: The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

PAYGO Capital Budget Data

(\$ in Thousands)

	Fiscal 2024 <u>Actual</u>	Fiscal 2025		Fiscal 2026 <u>Allowance</u>
		<u>Legislative</u>	<u>Working</u>	
Special	\$28,308	\$21,809	\$21,862	\$25,487
Federal	103	0	0	0
Total	\$28,412	\$21,809	\$21,862	\$25,487

Key Observations

- ***Customer Service Metrics Continue Improving:*** Average customer wait time and visit time both declined in fiscal 2024 from the year prior, and the percentage of customers with wait times under 10 minutes improved to 82% from 73% a year prior.

Operating Budget Recommended Actions

1. Concur with Governor’s allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor’s allowance.

Budget Reconciliation and Financing Act Recommended Actions

1. Reject the provision increasing the maximum allowable Motor Vehicle Administration (MVA) cost recovery percentage from 100% to 115%; modify the requirement that MVA reduce fees if cost recovery is projected to exceed 100% of cost recovery expenses to instead require fee reductions only following the second consecutive year that cost recovery revenues actually exceed cost recovery expenses; and modify statutory provisions relating to the submission of the Transportation Trust Fund financial forecast to require that the forecast include a cost recovery schedule listing the cost recovery revenues and expenses and showing the resulting cost recovery percentages.

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Motor Vehicle Administration
Maryland Department of Transportation

Budget Analysis

Program Description

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 (ID) 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.

MVA serves customers through a network of branch offices, e-MVA facilities (kiosks and online), a telephone call center, a mobile service center, and VEIP stations.

Performance Analysis: Managing for Results

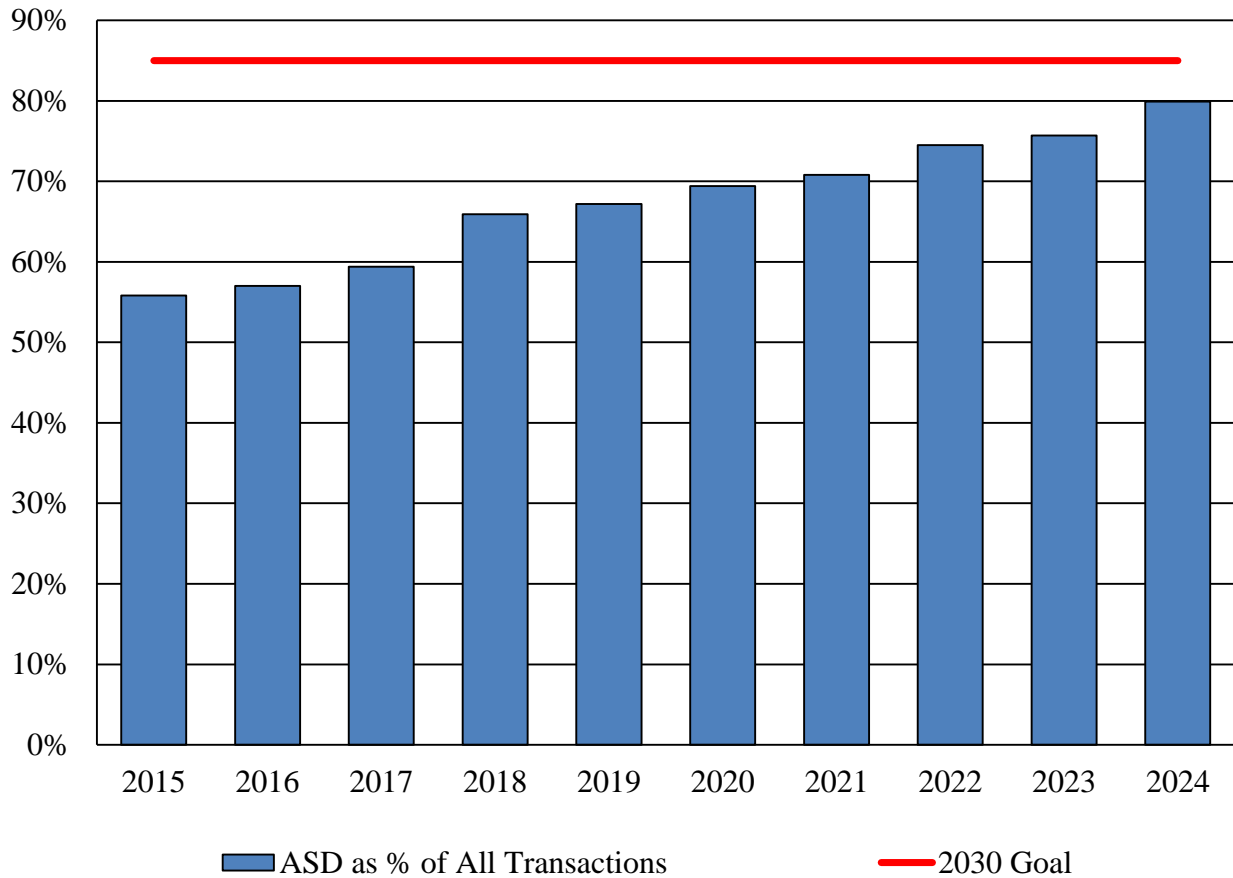
1. Efficient Management Practices

MVA's mission is to provide exemplary driver and vehicle services that provide Maryland mobility and safety while enhancing processes and product security. MVA strives to implement efficient and effective management processes in pursuit of this mission.

MVA continues to make significant information technology (IT) investments to improve outdated systems and increase the number of alternative service delivery (ASD) transactions performed to reduce customer wait times and improve the customer experience.

MVA has a goal of at least 85% of all transactions being ASD by 2030. As seen in **Exhibit 1**, the agency has increased the percentage of ASD transactions each year since 2015.

Exhibit 1
ASD Transactions as Percentage of All Transactions
Fiscal 2015-2024

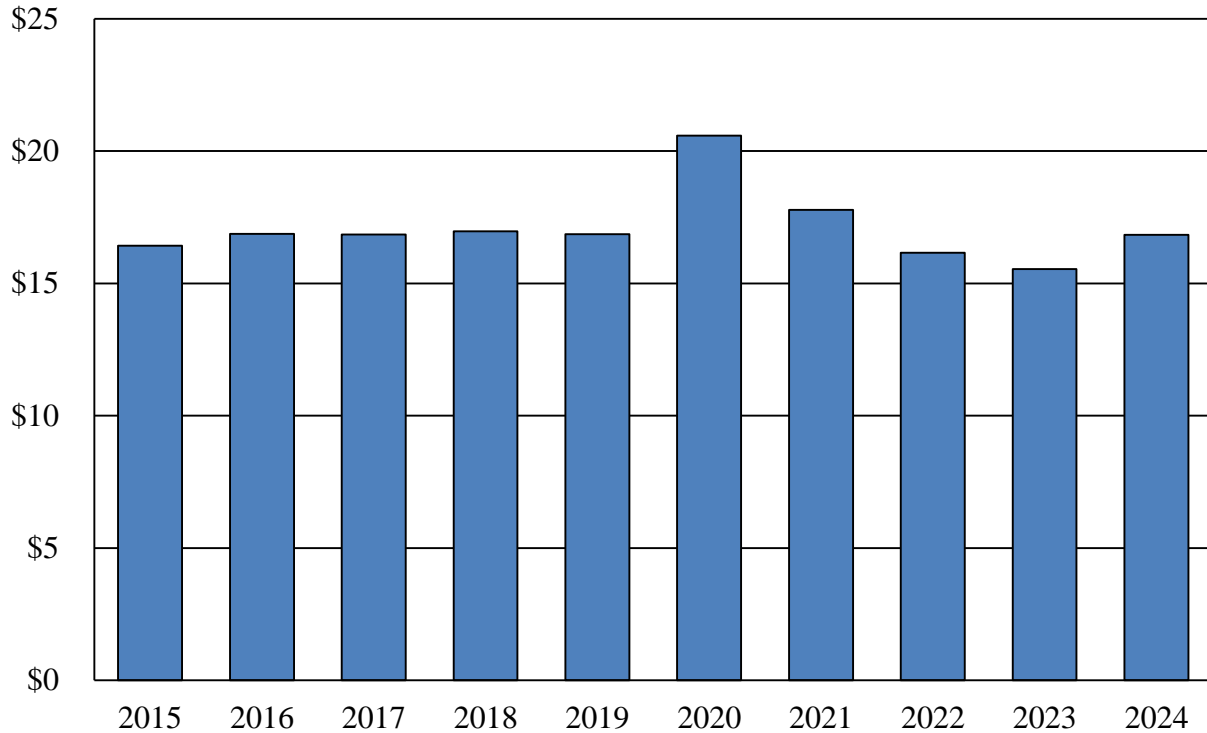


ASD: alternative service delivery

Source: Managing for Results; Department of Legislative Services

Another indicator of the efficiency of MVA’s business practices is the average cost per MVA transaction. As shown in **Exhibit 2**, the average cost per transaction in fiscal 2024 was \$16.84. The average cost per transaction spiked in fiscal 2020 due to additional costs of operations during the COVID-19 pandemic but declined each year through fiscal 2023. The increase in fiscal 2024 largely reflects the increases in employee compensation made statewide in recent years.

Exhibit 2
Average Cost Per MVA Transaction
Fiscal 2015-2024



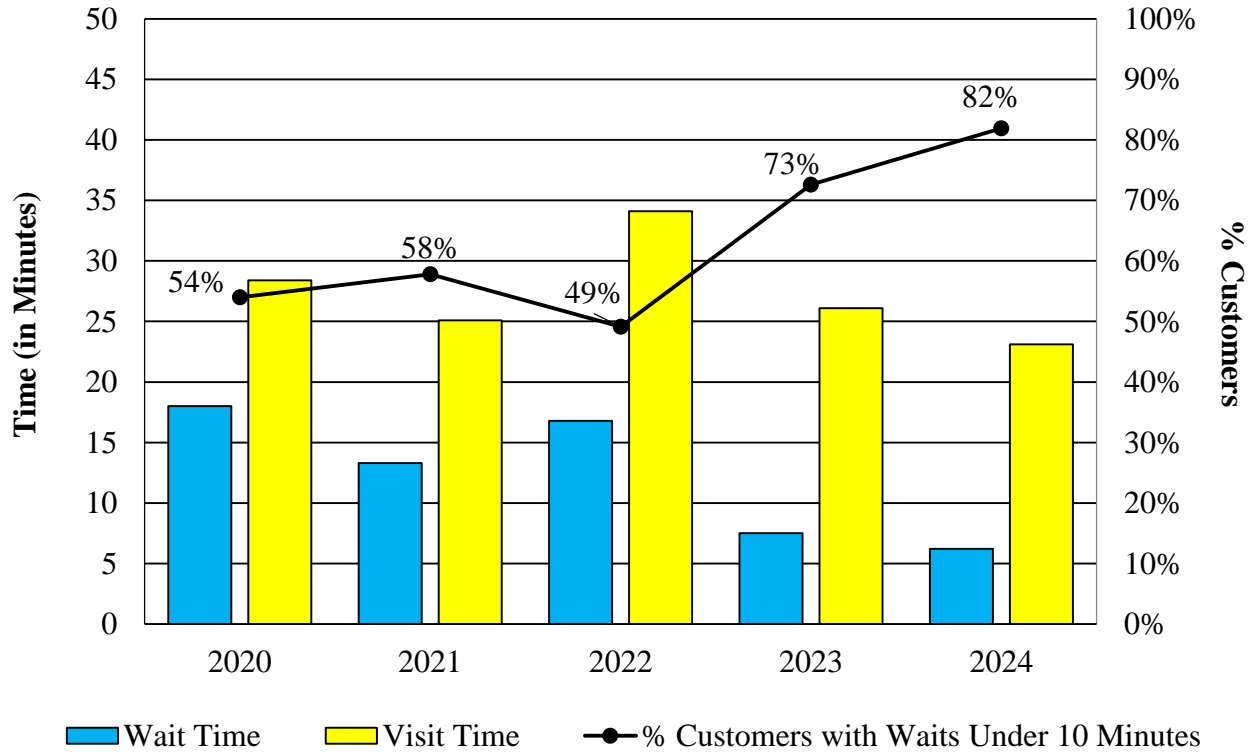
MVA: Motor Vehicle Administration

Source: Managing for Results; Department of Legislative Services

2. Exemplary Customer Service

MVA strives to minimize customer wait and visit time at MVA branch offices for customers who do not complete their transactions via ASD. A wait time is the time from when a customer checks in to their appointment until the time that they are served, whereas visit time is the sum of the wait time plus the time that it takes to complete a customer’s transaction. **Exhibit 3** shows the performance for these measures for fiscal 2020 through 2024. The appointment-only system, adopted during the COVID-19 pandemic, has continued to reduce wait times, and efficiency of service remains far above prepandemic levels. Wait and visit time increased slightly in fiscal 2022 due to the transition to the new IT system, Customer Connect, but both measures improved over the following two years. The percentage of all MVA customers with a wait time of under 10 minutes has also increased substantially since fiscal 2022.

Exhibit 3
Average Customer Wait and Visit Times
Fiscal 2020-2024



Source: Managing for Results; Department of Legislative Services

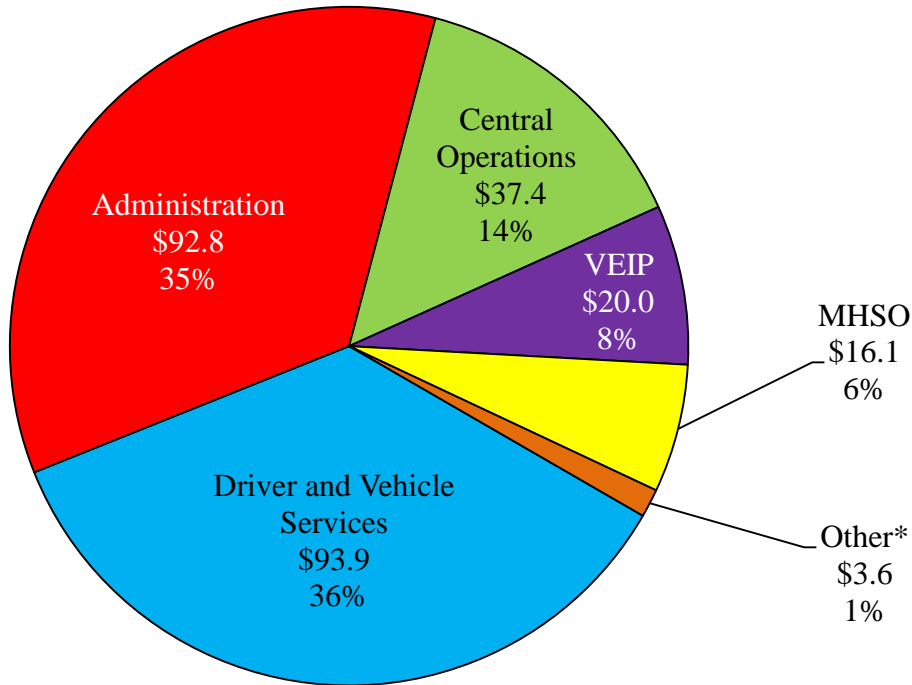
Fiscal 2025

The fiscal 2025 working appropriation does not reflect a budget amendment adding \$14.8 million in special fund appropriations to restore funds reduced as a cost containment measure in the budget as introduced during the 2024 session. Adjusting for this amendment, the fiscal 2026 increase would be \$17.9 million (7.8%).

Fiscal 2026 Overview of Agency Spending

As shown in **Exhibit 4**, just over half the MVA allowance is devoted to driver and vehicle services, safety programs, and vehicle emissions testing.

Exhibit 4
Overview of Agency Spending
Fiscal 2026 Allowance
(\$ in Millions)



*Other comprises motorcycle safety and insurance compliance.

MHSO: Maryland Highway Safety Office
VEIP: Vehicle Emissions Inspection Program

Note: The fiscal 2026 allowance accounts for contingent reductions. The fiscal 2026 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Source: Governor's Fiscal 2026 Budget Books; Department of Legislative Services

Proposed Budget Change

As shown in **Exhibit 5**, personnel expenses, including the restoration of funds due to cancellation of the fiscal 2025 hiring freeze, account for nearly 58% of the increase in the fiscal 2026 allowance. The fiscal 2025 working appropriation does not reflect a budget amendment

adding \$14.8 million in special fund appropriations to restore funds reduced as a cost containment measure in the budget as introduced during the 2024 session. Adjusting for this amendment, the fiscal 2026 increase would be \$17.9 million (7.8%).

**Exhibit 5
Proposed Budget
Maryland Department of Transportation – Motor Vehicle Administration
(\$ in Thousands)**

How Much It Grows:	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total</u>
Fiscal 2024 Actual	\$226,212	\$11,028	\$237,240
Fiscal 2025 Working Appropriation	217,692	13,285	230,977
Fiscal 2026 Allowance	<u>249,975</u>	<u>13,776</u>	<u>263,750</u>
Fiscal 2025-2026 Amount Change	\$32,282	\$491	\$32,773
Fiscal 2025-2026 Percent Change	14.8%	3.7%	14.2%

Where It Goes:	<u>Change</u>
Personnel Expenses	
Salary increases and associated fringe benefits, including fiscal 2025 COLA and increments.....	\$15,936
Restoration of funds from cancellation of fiscal 2025 hiring freeze	6,848
Additional assistance	340
Shift differential.....	-4
Workers’ compensation contributions.....	-28
Overtime	-1,255
Employee and retiree health insurance	-2,984
Operations	
Increased bank charges resulting increased credit card usage for all transactions and to increased fee amounts	5,981
Systems software maintenance.....	4,029
Security services.....	1,607
Postage.....	1,462
Janitorial and grounds maintenance	282
Non-DGS rent.....	214
Health insurance and Social Security payments for contractual employees	116
Data processing, building and household, and other supplies	106
Communication – telephone, cellphone and miscellaneous.....	43
In-state routine travel.....	33
Out-of-state routine travel at fiscal 2024 actual	22

J00E00 – MDOT – Motor Vehicle Administration

Where It Goes:	<u>Change</u>
Conferences, seminars, and training at 6% over fiscal 2024 actual	22
Fuel and utilities	-26
Other changes	30
Total	\$32,773

COLA: cost-of-living adjustment
DGS: Department of General Services

Note: The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget. Numbers may not sum to total due to rounding.

Budget Reconciliation and Financing Act

The Budget Reconciliation and Financing Act (BRFA) of 2025 includes five provisions relating to MVA to:

- increase the maximum MVA cost recovery from 100% to 115%;
- restrict the vehicle trade-in allowance to vehicle purchases of \$15,000 or less;
- establish an installment fee for vehicle registration payment plans;
- accelerate by one year the phase-in of the annual vehicle registration fee for some classes of vehicles; and
- increase the VEIP fee from \$14 to \$30 and index it to inflation.

MVA Cost Recovery

Section 12-120 of the Transportation Article requires MVA to set certain miscellaneous fees so that the total amount of projected revenues from all miscellaneous fees is at least 95% but does not exceed 100% of the sum of (1) the MVA operating budget; (2) the average annual capital program for MVA in the six-year *Consolidated Transportation Program* (CTP); and (3) MVA’s portion of the cost for the budget year of MDOT data center operations. Although the BRFA proposes to increase the maximum cost recovery to 115%, as shown in **Exhibit 6**, MDOT has not achieved the minimum cost recovery level required by statute of 95% since at least fiscal 2020 and is not currently projecting that it will achieve the statutory minimum level through the current forecast period ending with fiscal 2030.

Exhibit 6
Motor Vehicle Administration Cost Recovery
Fiscal 2020-2030
(\$ in Millions)

<u>Year</u>	<u>Cost Recovery</u>	Fees Needed to Recover:	
		<u>95%</u>	<u>100%</u>
2020	77.7%	\$40.9	\$52.8
2021	84.3%	23.8	35.0
2022	90.0%	11.4	22.9
2023	81.9%	30.5	42.1
2024	81.7%	33.9	46.7
2025	<i>91.1%</i>	<i>10.4</i>	<i>23.7</i>
2026	<i>92.8%</i>	<i>6.2</i>	<i>19.9</i>
2027	<i>85.1%</i>	<i>28.1</i>	<i>42.3</i>
2028	<i>86.9%</i>	<i>23.8</i>	<i>38.4</i>
2029	<i>81.5%</i>	<i>40.7</i>	<i>55.8</i>
2030	<i>79.9%</i>	<i>47.0</i>	<i>62.6</i>

Note: Italics indicate projections.

Source: Maryland Department of Transportation; Department of Legislative Services

Had the minimum cost recovery level been achieved for the past five years, there would have been an additional \$140.6 million available to support the capital program. Recovering 100% for the past five years would have provided over \$199 million. **MDOT should explain why it has failed to set fees at levels sufficient to achieve at least the minimum cost recovery required by statute.**

Since MDOT has not been meeting the minimum cost containment level required by the statute, there is little justification for seeking an increase to the maximum allowable cost recovery percentage. **The Department of Legislative Services (DLS) therefore recommends rejecting the BRFA provision to increase the maximum cost recovery percentage to 115%. To prevent the need to annually adjust fees, DLS further recommends that the provisions in statute requiring fees to be reduced if projected cost recovery revenues exceed 100% of expenses be modified to specify that fees need be reduced only after two consecutive years in which cost recovery revenues have actually exceeded 100% of cost recovery expenses. Finally, DLS recommends that statutory provisions relating to the submission of the Transportation Trust Fund financial forecast be modified to require that the forecast include a cost recovery schedule, listing the cost recovery revenues and expenses, and showing the resulting cost recovery percentages.**

Operating and PAYGO Personnel Data

	<u>FY 24</u> <u>Actual</u>	<u>FY 25</u> <u>Working</u>	<u>FY 26</u> <u>Allowance</u>	<u>FY 25-26</u> <u>Change</u>
Regular Operating Budget Positions	1,706.50	1,706.50	1,706.50	0.00
Regular PAYGO Budget Positions	0.00	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Regular Positions	1,706.50	1,706.50	1,706.50	0.00
Operating Budget FTEs	7.00	7.00	7.00	0.00
PAYGO Budget FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total FTEs	7.00	7.00	7.00	0.00
Total Personnel	1,713.50	1,713.50	1,713.50	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	68.26	4.00%
Positions and Percentage Vacant as of 12/31/24	87.00	5.10%
Vacancies Above Turnover	18.74	

- Both regular positions and full-time equivalents remain unchanged between the fiscal 2025 working appropriation and the fiscal 2026 allowance.

PAYGO Capital Program

Program Description

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

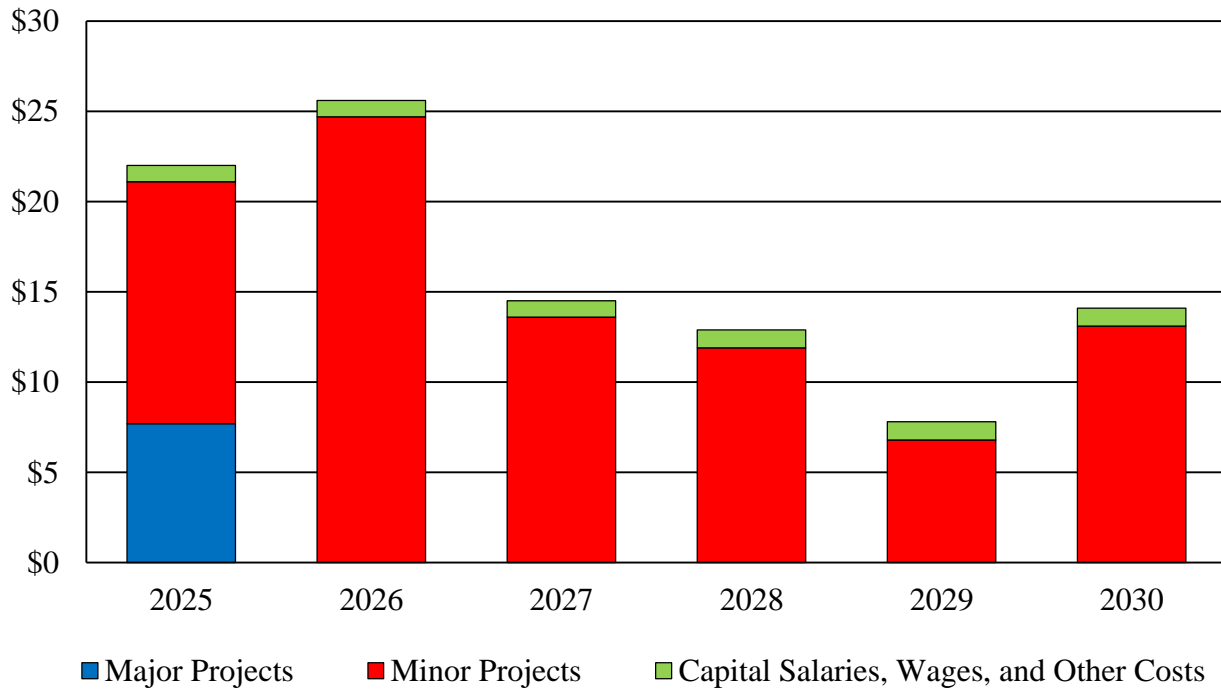
Infrastructure Investment and Jobs Act and Inflation Reduction Act Funding

MVA has been awarded one discretionary grant under the Infrastructure Investment and Jobs Act through the State Electronic Data Collection Grant program. The \$13.2 million award will be used by the Maryland State Police to improve the processes for including U.S. Park Police (and consider including other non-State agency) crash investigations in Maryland's Automated Crash Reporting System.

Fiscal 2025 to 2030 CTP

MVA’s six-year capital program (fiscal 2025 to 2030) totals \$96.9 million, which is an increase of \$800,000 over the prior six-year program. **Exhibit 7** shows the six-year funding by year for the program. With the anticipated completion of its Customer Connect and Glen Burnie Headquarters Renovation projects in fiscal 2025, the MVA’s capital program from 2026 through 2030 comprises minor projects only.

Exhibit 7
Six-year Capital Program
Fiscal 2025-2030
(\$ in Millions)

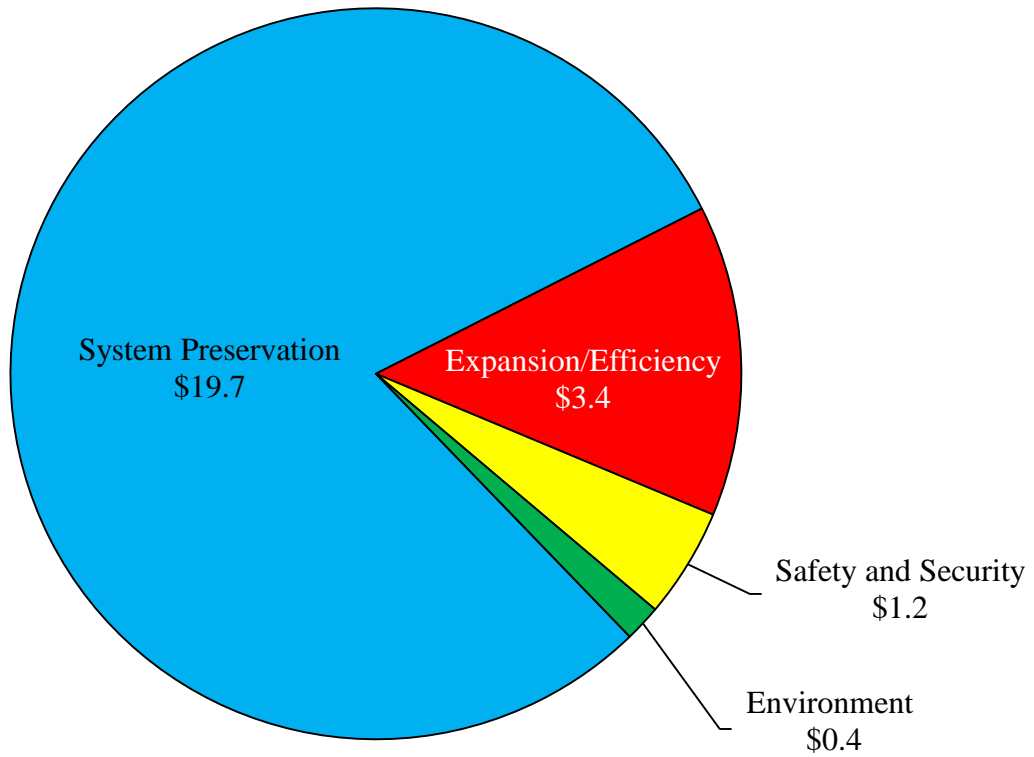


Source: Maryland Department of Transportation, 2025 *Consolidated Transportation Program*; Department of Legislative Services

Fiscal 2026 Capital Allowance

MVA’s fiscal 2026 capital allowance totals \$25.5 million and comprises minor projects and capital salaries and wages. The \$24.6 million in minor project funding is shown by investment category in **Exhibit 8**. Capital salaries and wages total \$900,000 in fiscal 2026.

Exhibit 8
Minor Project Funding by Investment Category
Fiscal 2026
(\$ in Millions)



Source: Maryland Department of Transportation, 2025 *Consolidated Transportation Program*; Department of Legislative Services

Issues

1. MVA Submits Ignition Interlock Fund Feasibility Report

The fiscal 2025 Budget Bill restricted \$50,000 of MVA’s special fund appropriation for administration pending submittal of a report on the feasibility of creating an ignition interlock fund to help low-income program participants pay for all or a portion of the costs of participating in the program. MVA submitted the report, which provided specified data on program participants, along with assessments of the feasibility of creating a fund supported by fees collected from participating ignition interlock companies. The report looked at the feasibility of creating a tiered system in which the participants’ income relative to the federal poverty level determines the share of device installation and service costs for which the participants would be responsible.

DLS recommends the release of \$50,000 in special funds restricted in fiscal 2025 pending the submission of the ignition interlock fund report and will process a letter to this effect if no objections are raised by the committees during the budget hearings.

2. REAL ID Act Enforcement Effective May 7, 2025

Effective May 7, 2025, having a REAL ID compliant driver’s license or ID card will be necessary to board a commercial aircraft or gain access to federal facilities. **MVA should update the committees on the number and percentage of Maryland-issued drivers licenses and ID cards that are REAL ID compliant.**

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

Budget Reconciliation and Financing Act Recommended Actions

1. Reject the provision increasing the maximum allowable Motor Vehicle Administration (MVA) cost recovery percentage from 100% to 115%; modify the requirement that MVA reduce fees if cost recovery is projected to exceed 100% of cost recovery expenses to instead require fee reductions only following the second consecutive year that cost recovery revenues actually exceed cost recovery expenses; and modify statutory provisions relating to the submission of the Transportation Trust Fund financial forecast to require that the forecast include a cost recovery schedule listing the cost recovery revenues and expenses and showing the resulting cost recovery percentages.

Appendix 1
2024 Joint Chairmen’s Report Responses from Agency

The 2024 *Joint Chairmen’s Report* (JCR) requested that MVA prepare two reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Report on Feasibility of an Ignition Interlock Fund to Assist Low-income Program Participants:*** Language was added to the fiscal 2026 Budget Bill restricting \$50,000 of MVA appropriation for administration pending submission of a report on the feasibility of creating a fund to assist low-income program participants. MVA submitted the requested report. Further discussion can be found in Issue 1 of this analysis.
- ***Improper Out-of-state Tags:*** The 2024 JCR requested a report from MVA on improper out-of-state tags on vehicles owned by Maryland residents. MVA submitted the requested report, which outlines the requirements related to registering vehicles along with a discussion on the process by which complaints about improper tags are handled and the options MVA has to address violations of State law related to vehicle registration requirements.

**Appendix 2
Audit Findings**

Audit Period for Last Audit:	June 3, 2019 – December 31, 2022
Issue Date:	May 2024
Number of Findings:	1
Number of Repeat Findings:	0
% of Repeat Findings:	n/a
Rating: (if applicable)	n/a

Finding 1: Redacted cybersecurity-related finding. **The Office of Legislative Audits reviewed the agency’s response to the findings and recommendations and concluded that the corrective actions identified are sufficient to address all issues.**

Note: This audit disclosed a cybersecurity-related finding that was redacted pursuant to the State Government Article § 2-1224(i) of the Annotated Code of Maryland.

Appendix 3
Budget Amendments for Fiscal 2025
Maryland Department of Transportation
Motor Vehicle Administration

Operating

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Pending	\$13,826,405 56,947	Special Federal	Increase special and federal funds for statewide salary actions, including cost-of-living adjustments (COLA), an increment, annual salary reviews for certain classifications, and an Executive Pay Plan merit increase.
Pending	14,833,356	Special	Increase special fund appropriations to sustain operations across all Maryland Department of Transportation (MDOT) modes and the Washington Metropolitan Area Transit Authority.

Capital

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Pending	\$27,831	Special	Increase special and federal funds for statewide salary actions, including COLAs, an increment, annual salary reviews for certain classifications, and an Executive Pay Plan merit increase.
Pending	52,629	Special	Adjusts special and federal fund appropriations to agree with anticipated expenditures for the current year as reflected in MDOT's Final Fiscal 2025-2030 <i>Consolidated Transportation Program</i> .

Appendix 4
Object/Fund Difference Report
Maryland Department of Transportation – MDOT Motor Vehicle Administration

<u>Object/Fund</u>	<u>FY 24</u> <u>Actual</u>	<u>FY 25</u> <u>Working</u> <u>Appropriation</u>	<u>FY 26</u> <u>Allowance</u>	<u>FY 25 - FY 26</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	1,706.50	1,706.50	1,706.50	0.00	0%
02 Contractual	7.00	7.00	7.00	0.00	0%
Total Positions	1,713.50	1,713.50	1,713.50	0.00	0%
Objects					
01 Salaries and Wages	\$ 153,452,137	\$ 148,582,877	\$ 167,434,672	\$ 18,851,795	12.7%
02 Technical and Special Fees	554,014	546,275	663,474	117,199	21.5%
03 Communication	8,467,701	6,832,769	8,337,552	1,504,783	22.0%
04 Travel	223,923	164,009	241,414	77,405	47.2%
06 Fuel and Utilities	2,325,200	2,314,546	2,288,227	-26,319	-1.1%
07 Motor Vehicles	506,658	451,226	460,027	8,801	2.0%
08 Contractual Services	53,459,102	50,243,955	56,170,005	5,926,050	11.8%
09 Supplies and Materials	1,312,998	1,107,513	1,230,699	123,186	11.1%
10 Equipment – Replacement	20,155	62,364	62,608	244	0.4%
11 Equipment – Additional	20,614	44,852	44,852	0	0%
12 Grants, Subsidies, and Contributions	6,031,476	9,671,313	9,671,313	0	0%
13 Fixed Charges	10,865,719	10,955,778	17,145,382	6,189,604	56.5%
Total Objects	\$ 237,239,697	\$ 230,977,477	\$ 263,750,225	\$ 32,772,748	14.2%
Funds					
03 Special Fund	\$ 226,211,886	\$ 217,692,277	\$ 249,974,518	\$ 32,282,241	14.8%
05 Federal Fund	11,027,811	13,285,200	13,775,707	490,507	3.7%
Total Funds	\$ 237,239,697	\$ 230,977,477	\$ 263,750,225	\$ 32,772,748	14.2%

Note: The fiscal 2026 allowance does not include contingent reductions or cost-of-living adjustments.

Appendix 5
Fiscal Summary
Maryland Department of Transportation – MDOT Motor Vehicle Administration

<u>Program/Unit</u>	<u>FY 24 Actual</u>	<u>FY 25 Wrk Approp</u>	<u>FY 26 Allowance</u>	<u>Change</u>	<u>FY 25 - FY 26 % Change</u>
01 Motor Vehicle Operations	\$ 224,666,083	\$ 214,950,657	\$ 247,620,754	\$ 32,670,097	15.2%
03 Facilities and Capital Equipment	21,426,013	20,611,645	25,487,439	4,875,794	23.7%
04 Maryland Highway Safety Office	12,573,614	16,026,820	16,129,471	102,651	0.6%
08 Major IT Development Projects	6,985,602	1,250,000	0	-1,250,000	-100.0%
Total Expenditures	\$ 265,651,312	\$ 252,839,122	\$ 289,237,664	\$ 36,398,542	14.4%
Special Fund	\$ 254,520,027	\$ 239,553,922	\$ 275,461,957	\$ 35,908,035	15.0%
Federal Fund	11,131,285	13,285,200	13,775,707	490,507	3.7%
Total Appropriations	\$ 265,651,312	\$ 252,839,122	\$ 289,237,664	\$ 36,398,542	14.4%

Note: The fiscal 2026 allowance does not include contingent reductions or cost-of-living adjustments.