

**J00E00**  
**Motor Vehicle Administration**  
**Maryland Department of Transportation**

***Operating Budget Data***

(\$ in Thousands)

|                                      | <u>FY 02<br/>Actual</u> | <u>FY 03<br/>Approp</u> | <u>FY 04<br/>Allowance</u> | <u>FY 03-04<br/>Change</u> | <u>FY 03-04<br/>% Change</u> |
|--------------------------------------|-------------------------|-------------------------|----------------------------|----------------------------|------------------------------|
| Special Funds                        | \$121,335               | \$125,652               | \$127,597                  | \$1,945                    | 1.5%                         |
| Contingent & Back of Bill Reductions | 0                       | -59                     | -655                       | -596                       |                              |
| <b>Adjusted Special Funds</b>        | <b>\$121,335</b>        | <b>\$125,594</b>        | <b>\$126,943</b>           | <b>\$1,349</b>             | <b>1.1%</b>                  |
| Federal Funds                        | 850                     | 513                     | 13                         | -500                       | -97.4%                       |
| <b>Adjusted Grand Total</b>          | <b>\$122,185</b>        | <b>\$126,107</b>        | <b>\$126,956</b>           | <b>\$849</b>               | <b>0.7%</b>                  |

- The fiscal 2004 operating allowance is approximately \$127 million, an increase of \$849,000 (less than 1%) over the fiscal 2003 working appropriation.
- Increases occur in the allowances for District Operations (\$1.2 million), the Office of Information Resources (\$1.4 million), the Vehicle Emissions Inspection Program (\$315,000), and the Driver and Vehicle Policies and Programs subprogram (\$95,000). Decreases occur in the allowances for the Administration subprogram (\$805,000), the Insurance Compliance subprogram (\$743,000), and the Motorcycle Safety Program (\$13,000).
- Only \$13,200 in federal funds (from the National Motor Carrier Safety Program) is included in the operating allowance, which represents a reduction of \$500,000 in federal funds over the fiscal 2003 working appropriation due to the conclusion of grants under the National Motor Carrier Safety Program.

***Paygo Capital Budget Data***

(\$ in Thousands)

|                                      | <u>FY 02<br/>Actual</u> | <u>FY 03<br/>Approp</u> | <u>FY 04<br/>Allowance</u> | <u>FY 03-04<br/>Change</u> | <u>FY 03-04<br/>% Change</u> |
|--------------------------------------|-------------------------|-------------------------|----------------------------|----------------------------|------------------------------|
| Special Funds                        | \$10,568                | \$23,335                | \$17,546                   | -\$5,789                   | -24.8%                       |
| Contingent & Back of Bill Reductions | 0                       | 0                       | -4                         | -4                         |                              |
| <b>Adjusted Special Funds</b>        | <b>\$10,568</b>         | <b>\$23,335</b>         | <b>\$17,541</b>            | <b>-\$5,793</b>            | <b>-24.8%</b>                |
| <b>Adjusted Grand Total</b>          | <b>\$10,568</b>         | <b>\$23,335</b>         | <b>\$17,541</b>            | <b>-\$5,793</b>            | <b>-24.8%</b>                |

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

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- The fiscal 2004 capital allowance is \$17.5 million, which is a decrease of approximately \$5.8 million (25%) below the fiscal 2003 working appropriation but an increase of nearly \$7 million (66%) over the fiscal 2002 actual capital expenditure.
- Two large information technology projects each had phases delayed from fiscal 2004 to 2005; this delay removed approximately \$7 million from planned expenditures in fiscal 2004.
- Approximately \$3 million was added to the 2004 allowance to support construction of the proposed new Montgomery County branch office.

***Personnel Data***

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|                        | <b><u>FY 02</u></b><br><b><u>Actual</u></b> | <b><u>FY 03</u></b><br><b><u>Working</u></b> | <b><u>FY 04</u></b><br><b><u>Allowance</u></b> | <b><u>Change</u></b> |
|------------------------|---|--|--|----------------------|
| Regular Positions      | 1,699.00                                    | 1,647.00                                     | 1,679.50                                       | 32.50                |
| Contractual FTEs       | 76.12                                       | 94.15  | 102.15   | 8.00                 |
| <b>Total Personnel</b> | <b>1,775.12</b>                             | <b>1,741.15</b>                              | <b>1,781.65</b>                                | <b>40.50</b>         |

***Vacancy Data: Regular Positions***

|                                 |       |       |
|---------------------------------|-------|-------|
| Budgeted Turnover: FY 04        | 66.68 | 3.97% |
| Positions Vacant as of 12/31/02 | 67.5  | 4.02% |

Note: Reflects personnel data for all operating and PAYGO capital programs.

- A total of 32.5 regular positions are added in the fiscal 2004 allowance. These positions are budgeted at a turnover rate of 66.31%, resulting in a total net cost of approximately \$423,000 in fiscal 2004. All positions are branch office staff positions for the planned Montgomery County branch office.
- A total of 63 regular positions were abolished in fiscal 2002 through across-the-board position reductions. Ten positions were added to provide staff for the new Loveville branch office, and one new position was transferred to the Motor Vehicle Administration (MVA) within the Maryland Department of Transportation personnel system.
- The allowance for contractual full-time equivalent positions increases by 8.0 positions, including 4 customer service positions, 3.5 administrative assistance positions, and 0.5 security guard position.

## *Analysis in Brief*

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### Major Trends

***Recent Legislation Has Strengthened Maryland's Drunk Driving Laws:*** Several pieces of legislation passed in the last two legislative sessions have strengthened Maryland's drunk driving laws, including increasing the penalties for repeat drunk driving offenses, lowering the legal blood alcohol limit to 0.08 grams of alcohol per 100 millimeters of blood, and prohibiting open containers in the passenger areas of cars. However, federal highway statistics indicate that alcohol-related traffic deaths in the State have risen from 179 in 1999 to 290 in 2001 (an increase of 62%). **The Department of Legislative Services (DLS) recommends that MVA introduce a performance measure to track the impact of new legislation on the levels of drunk driving in the State.**

### Issues

***MVA's Fee Recovery Rate Statutorily Limited to 85% and 90% of Operating Costs:*** Currently, MVA is required to recover between 85% and 90% of its operating expenses through the miscellaneous fees it charges for services. Under this fee recovery structure, the Transportation Trust Fund (TTF) provided a subsidy of approximately \$4.6 million in fiscal 2002 to fund that portion of MVA's operating expenses not recovered through its miscellaneous fees. While MVA will recover 100% of its operating costs in fiscal 2003 and 2004, current forecasts predict that MVA will again require a subsidy from the TTF in fiscal 2005; this subsidy is predicted to increase to almost \$18 million in fiscal 2006. **DLS, therefore, recommends that the Maryland General Assembly amend the Transportation Article to require that the amount of projected revenues from miscellaneous fees total 100% of MVA's operating expenses in each fiscal year.**

***Vehicle Emissions Inspection Program (VEIP) Has No Cost Recovery Requirement:*** VEIP is excluded from MVA's cost recovery requirement. The current test fee rate, which is limited at \$14, does not provide full recovery of all the costs associated with the operation of this program. Full cost recovery is still not attained even when revenues from late fees are included in calculations of the total amount of revenue generated by the program. In fiscal 2002 the TTF provided a subsidy of nearly \$2.7 million to support the operation of the VEIP program; this subsidy level is expected to exceed \$4 million in both fiscal 2003 and 2004. **DLS, therefore, recommends that the Transportation Article be amended to require that VEIP recover 100% of its operating costs through test fees. The department also recommends that the statutory limit on the VEIP test fee amount be removed.**

***MVA Expects to Pay More Than \$1.1 Million in Credit Card Fees in Fiscal 2004:*** MVA expects to pay just over \$1.1 million in fiscal 2004 in credit card fees resulting from customers' use of credit cards to pay for MVA transactions. The Maryland Comptroller's Office, the Department of Labor, Licensing, and Regulation, and several local jurisdictions (including Montgomery and Anne Arundel counties) have established accounts with a vending service that handles credit card transactions on their behalf. The

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vending service charges a small convenience fee to the credit card user; no money is charged to the State. **DLS recommends that the Maryland General Assembly amend the Transportation Article to expressly allow MVA to utilize a vending service to handle credit card transactions.**

**Operating Budget Recommended Actions**

|   | <u>Funds</u>        | <u>Positions</u> |
|---|---------------------|------------------|
| 1. Delete 32.5 new regular positions intended to staff the proposed new Montgomery County Branch Office.  | \$ 497,412          | 32.5             |
| 2. Delete unnecessary certificates of participation payments for Motor Vehicle Administration facilities.   | 508,560             |                  |
| 3. Add language deleting funds for bank charges contingent upon enactment of an amendment to the Transportation Article enabling the Motor Vehicle Administration to use a vending service. |                     |                  |
| <b>Total Reductions</b>   | <b>\$ 1,005,972</b> | <b>32.5</b>      |

**Capital Budget Recommended Actions**

|  | <u>Funds</u>        |
|--|---------------------|
| 1. Delete funds for construction of new Montgomery County Branch Office. | \$ 3,049,000        |
| <b>Total Reductions</b>  | <b>\$ 3,049,000</b> |

**Updates**

***MVA Addresses Chronic Audit Findings:*** An October 2001 audit of MVA revealed that the agency was still in noncompliance with some State policies regarding the assessment and collection of uninsured motorist penalties, the assessment of fines against automobile dealerships for late payment of excise taxes, and the suspension of driver's licenses of individuals in arrears on child support payments. MVA has submitted a statistical report and other updates concerning its efforts to bring its procedures into compliance with State policies.

***Determining Medical Fitness to Drive:*** MVA has reported on its processes for determining the fitness to drive of individuals with chronic medical conditions. The report notes that the only medical condition for which MVA cannot impose a suspension or restriction tailored to the driver's specific medical history, prognosis, and driving record is epilepsy.

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***MVA Supports Maryland's Implementation of the Help America Vote Act:*** In October 2002 the U.S. Congress passed the Help America Vote Act, which establishes uniform election standards for every state. While primary responsibility for implementing the provisions of this Act in the State rests with the State Board of Elections (SBE), MVA is required to verify data from licensed drivers and provide that data to SBE.

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## ***Budget Analysis***

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### **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 vehicles;
- 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; and
- administering the compulsory insurance compliance program, vehicle emissions inspection program, and driver safety programs.

MVA serves its customers through a network of computer service offices, e-MVA facilities (kiosks, Internet), a telephone call center, a mobile service center, and Vehicle Emissions Inspection Program (VEIP) stations.

### **Performance Analysis: Managing for Results**

#### **Safe Driving Environment**

MVA is responsible for promoting a safe driving environment by implementing a variety of regulatory programs, including licensing drivers, administering the compulsory insurance program, and regulating driver safety programs. In fiscal 2003 MVA introduced new performance measures to track statistics relating to driver safety not previously measured, including tracking the impact of the Graduated Licensing system in reducing disabling and fatal crashes among 16-year old drivers, tracking the number of drivers enrolled in “tune-up” courses, and tracking the percent of motorcycle fatalities compared to total fatalities.

Federal highway statistics indicate that alcohol-related deaths in Maryland rose from 179 (30.3% of all traffic fatalities) in 1999 to 290 (44% of all traffic fatalities) in 2001 – a 62% increase in the number of

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alcohol-related fatalities. Several pieces of legislation recently passed by the Maryland General Assembly have strengthened the State’s drunk and drugged driving laws, including Chapter 110, Acts of 2002 (suspends a person’s driver’s license for one year if he/she is convicted of driving or attempting to drive under the influence of alcohol more than once in a five-year period); Chapter 108, Acts of 2002 (prohibits open containers of alcoholic beverages in the passenger area of a car); and Chapter 4, Acts of 2001 (reduces the standard used to determine if a driver is “under the influence” of alcohol from 0.1 grams to 0.08 grams of alcohol per 100 millimeters of blood). However, there are no performance measurements that report on the level of drunk driving (and/or alcohol- or drug-related traffic accidents and fatalities) in MVA’s Managing for Results (MFR) measures; thus, there will be no way of tracking whether the new policies pertaining to drunk driving are contributing to a lowering of the rates of drunk driving and alcohol-related accidents in the State.

**The Department of Legislative Services (DLS) recommends that MVA introduce a performance measure to track the impact of new drunk driving-related legislation on the levels of drunk driving in the State.**

**Customer Service**

MVA tracks a number of performance measures that gauge customer service efficiency. As **Exhibit 1** shows, the percent of transactions conducted by walk-in visits at an MVA branch office has decreased from 66% in fiscal 2000 to a projected level of 52% in fiscal 2004, while the number of transactions conducted through alternative service delivery mechanisms (e.g., on-line, at MVA kiosks, in mobile service centers, through the call center etc.) has shown a concomitant increase from 34% in fiscal 2000 to 48% in fiscal 2004. Approximately 80% of the information and services provided by MVA is now available to the public over the Internet.

Despite the increase in the use by MVA customers of alternative service delivery methods, the overall number of walk-in transactions has continued to increase, rising from 7.2 million in fiscal 2001 to an estimated 8.1 million in fiscal 2004. Further, as the statistic presented below indicates, the transaction time for walk-in transactions has also been increasing in the past three years from 33 minutes in fiscal 2000 to 39 minutes in fiscal 2002.

|   | <b>FY 00</b>         | <b>FY 01</b>         | <b>FY 02</b>         | <b>FY 03</b>       | <b>FY 04</b>       |
|---|----------------------|----------------------|----------------------|--------------------|--------------------|
|   | <b><u>Actual</u></b> | <b><u>Actual</u></b> | <b><u>Actual</u></b> | <b><u>Est.</u></b> | <b><u>Est.</u></b> |
| Average branch office customer visit time (minutes) | 33                   | 34                   | 39                   | 35                 | 33                 |

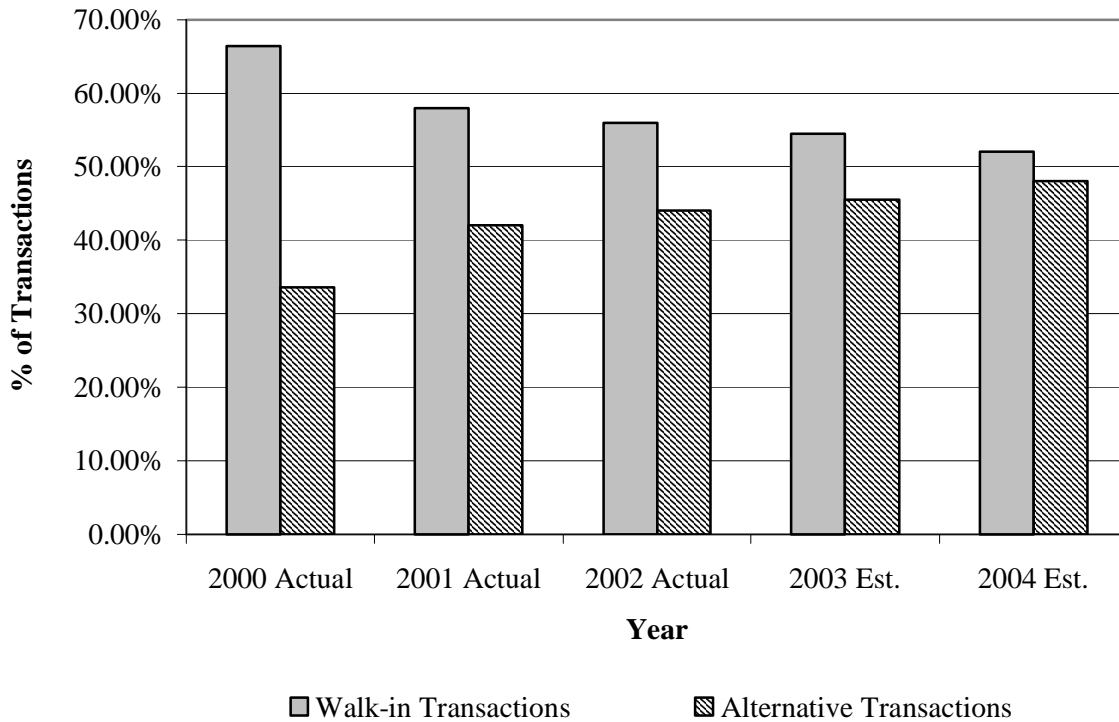
Current MVA statistics predict that transaction time will begin to decrease in fiscal 2003 and 2004 despite continued growth in the number of walk-in transactions. However, MVA anticipates that as the impact of cost containment and other operational changes begins to be felt (including more detailed reviews of personal identification documents due to security concerns and the introduction of new information technology systems), these may have an impact on MVA’s customer service performance measures (such as walk-in transaction time). MVA reviews performance data on a quarterly basis, and data from customer satisfaction surveys conducted in the second quarter of fiscal 2003 are currently being

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analyzed. MVA will be revising its performance data as trends are identified.

**Exhibit 1**

**MVA Customer Transactions  
Fiscal 2000 through 2004**



Source: Motor Vehicle Administration

**Fiscal 2003 Actions**

**Impact of Cost Containment**

The fiscal 2003 cost containment reflects the reversion of appropriations to support free transit ridership for State employees, contingent upon enactment of a provision in the Budget Reconciliation and Financing Act (BRFA) of 2003.

MVA advises that it expects to reduce the fiscal 2003 budget by an additional \$4.64 million, which may include reductions to salaries and wages due to the hiring freeze, reductions to contractual services such as advertising and reductions in the contract for the recovery of tags from uninsured vehicles, and reductions in maintenance contracts for information systems. As of February 5, 2003, however, neither the Board of Public Works nor the Maryland General Assembly had taken any actions on any of these potential reductions.

## Governor's Proposed Operating Budget

As shown in **Exhibit 2**, MVA's fiscal 2004 operating allowance is just over \$126.9 million, an increase of \$849,000 (less than 1%) over the fiscal 2003 working appropriation of just over \$126.1 million.

### Exhibit 2

#### Governor's Proposed Budget Motor Vehicle Administration (\$ in Thousands)

|                                      | <u>FY 02</u><br><u>Actual</u> | <u>FY 03</u><br><u>Approp</u> | <u>FY 04</u><br><u>Allowance</u> | <u>FY 03-04</u><br><u>Change</u> | <u>FY 03-04</u><br><u>% Change</u> |
|--------------------------------------|-------------------------------|-------------------------------|----------------------------------|----------------------------------|------------------------------------|
| Special Funds                        | \$121,335                     | \$125,652                     | \$127,597                        | \$1,945                          | 1.5%                               |
| Contingent & Back of Bill Reductions | 0                             | -59                           | -655                             | -596                             |                                    |
| <b>Adjusted Special Funds</b>        | <b>\$121,335</b>              | <b>\$125,594</b>              | <b>\$126,943</b>                 | <b>\$1,349</b>                   | <b>1.1%</b>                        |
| Federal Funds                        | 850                           | 513                           | 13                               | -500                             | -97.4%                             |
| <b>Adjusted Grand Total</b>          | <b>\$122,185</b>              | <b>\$126,107</b>              | <b>\$126,956</b>                 | <b>\$849</b>                     | <b>0.7%</b>                        |

#### Where It Goes:

##### Personnel Expenses

|  |         |
|--|---------|
| Employee and retiree health insurance.....           | \$2,852 |
| New regular positions.....                           | 422     |
| New full-time equivalent contractual positions ..... | 195     |
| Turnover adjustments.....                            | -71     |
| Workers' compensation premium assessment.....        | -246    |
| Retirement contribution cost increase.....           | -551    |
| Deferred compensation.....                           | -538    |
| Other fringe benefit adjustments.....                | -978    |

**Personnel Subtotal (Excluding New Positions) \$1,085**

##### Nonpersonnel Changes

|   |      |
|---|------|
| Maintenance of computer systems, including the Driver License System/Point of Sale Information Technology system and e-MVA systems..... | 954  |
| Replacement computer equipment .....  | 650  |
| Postage.....  | 505  |
| Operation of VEIP.....  | 315  |
| Contractual services for the drivers and vehicle policies programs.....   | -259 |
| Maintenance and contractual services for branch offices .....   | -270 |
| Contract for recovery of license plates from uninsured motorists .....  | -500 |
| Rent paid for district branch office facilities .....   | -698 |

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**Where It Goes:**

|   |              |
|---|--------------|
| Savings from the purchase of new equipment, including radios and communication equipment, data processing equipment, and office equipment ..... | -702         |
| <b>Other Changes</b>  | -231         |
| <b>Total</b>  | <b>\$849</b> |

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

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**Federal Fund Allowance**

Only \$13,200 of MVA’s fiscal 2004 operating allowance is provided by federal funds; this represents a decrease of \$500,000 in federal funds below the fiscal 2003 working appropriation. In fiscal 2003 the MVA received funds from two federal grant programs – the National Motor Carrier Safety Program (NMCSP) domestic assistance program and the Odometer Fraud Enforcement Program (a cooperative agreement). Funding through the NMCSP, which has covered costs associated with the development and operation of the Commercial Driver’s License database used to validate applicants’ social security numbers and incorporate them in personal identifier data, declines from \$472,455 in the fiscal 2003 working appropriation to \$13,200 in fiscal 2004. MVA does not anticipate requesting additional funding for current NMCSP-supported activities.

MVA holds a fiscal 2003 cooperative agreement under the Odometer Fraud Enforcement Program. The agreement provides approximately \$41,000 to support an interstate training conference that will bring together enforcement agencies from the United States and Canada to exchange intelligence information and information on techniques for investigating and prosecuting cases of odometer fraud. MVA intends to re-apply in September 2003 for continuation of this grant in fiscal 2004.

MVA has submitted proposals for three new federal grants to support:

- the purchase of driver training simulation systems (\$500,000);
- the purchase of additional security equipment for MVA headquarters building (\$112,000); and
- the study of the feasibility of utilizing two biometric identifier technologies (facial recognition and finger scanning) to verify the identification of license applicants (\$275,000).

**Special Funds Allowance**

There is a net increase of just over \$1.3 million in the special funding allowance for MVA’s operating budget. Specific changes in MVA’s subprograms are described below.

**Personnel**

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The allowance includes an increase of 8.0 contractual full-time equivalent positions; these additions are described below:

- 3.4 customer service positions are added at a cost of \$81,370 to increase customer service at the Mondawmin, Westminster, and Largo branch offices.
- 2 administrative positions are added at a cost of \$39,793 to support implementation of Chapter 4, Acts of 2001, which reduced the level of alcohol content that constitutes driving “under the influence” from 0.1 grams to 0.08 grams per 100 millimeters of blood.
- 1 administrative position is added at a cost of \$22,463 to support implementation of Chapter 683, Acts of 2000, which requires MVA to refuse to register or to transfer the registration of a vehicle if the owner is named in an outstanding arrest warrant.
- 0.6 customer service position is added at a cost of \$12,353 to increase customer service at the Vehicle Emissions Inspection Program (VEIP) Headquarters.
- 0.5 security guard position is added at a cost of \$21,073 to increase the security presence at the Glen Arden VEIP station.
- 0.3 administrative assistance position is added at a cost of \$7,748 to provide receptionist coverage for the Executive Director’s Office (this position is filled, and the addition of 0.3 to the allowance for this position creates 1 full-time equivalent (FTE) position).
- 0.2 administrative officer position is added at a cost of \$10,604 to provide management with statistical data and analysis on the performance of branch offices and the delivery of services through alternative means (this position is filled, and the addition of 0.2 FTE position to the allowance creates 1 FTE position).

### **Administration**

The allowance for MVA’s Administration subprogram shows a net decrease of nearly \$805,000. Decreases occur in the allowances for salaries and wages (\$605,000), contractual costs for services such as janitorial services and miscellaneous fees such as insurance and bank charges (\$312,000), and supplies (\$124,000). Additional decreases are seen in the allowances for travel, motor vehicles, and new equipment purchases (\$85,000), and in technical and special fees (\$57,000); there are other small offsetting decreases in additional objects. These decreases are offset by an increase of \$410,000 for communication, primarily due to an increase in postage costs.

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### **District Operations**

There is a net increase of nearly \$1.2 million in the fiscal 2004 allowance for the District Operations subprogram. Salaries increase by slightly more than \$800,000 due to the addition of 32.5 new customer service positions to staff the proposed Montgomery County Office and the addition of 3.4 new full-time equivalent contractual positions added to increase customer service at extant branch offices. An additional personnel-related increase occurs in the cost of health insurance (\$1.7 million).

These increases are offset by a decrease in the District Operations allowance of nearly \$700,000 in capital lease payments for MVA offices in Annapolis, Belair, Hagerstown, and Salisbury. Additional decreases are seen in the allowances for new equipment purchases (\$422,000) and in the allowance for building operation and maintenance services (\$270,000) such as snow removal, janitorial services, and garbage removal services.

### **Vehicle Emissions Inspection Program**

There is an overall increase of \$315,000 in the allowance for VEIP. VEIP is expected to require a total subsidy of \$4.4 million from the Transportation Trust Fund (TTF) in fiscal 2004 to cover operating costs associated with the program that are not presently recovered through test fees collected when an emissions test is administered.

### **Insurance Compliance**

There is a decrease of \$743,000 in the operating allowance for the Insurance Compliance subprogram. Decreases occur in salaries and wages (\$292,000) and in the allowance for contractual services (\$394,000). MVA will not renew its contract with a vendor hired to recover license plates from uninsured vehicles when it expires in March 2003. For the period July 2002 through January 7, 2003, a total of 19,002 pickup notices were issued to the vendor but only 1,087 tags were recovered. MVA believes the use of the new Automated Compulsory Insurance System (ACIS) will improve the administration of uninsured motorist policies, thereby reducing the need for tag pickups. MVA is, however, considering changing the mainframe computer system utilized by police officers to check driver information on traffic stops so that it indicates that a driver's tags are suspended and the police officer making the stop can then confiscate the tags.

### **Office of Information Resources**

The allowance for the Office of Information Resources increases by a net total of \$1.4 million. The largest increase (\$954,000) occurs in costs associated with the maintenance of MVA's computer systems, such as the e-MVA system, the Document Imaging and Workflow System, and the Driver License Point of Sale System, which is to be completed and fully operational in all branch offices by the end of fiscal 2004.

### **Additional Subprogram Allowance Changes**

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There is a slight increase of \$95,000 in the operating allowance for Driver and Vehicle Policies and Programs. The allowance for the Motorcycle Safety Program decreases by \$13,000.

**Impact of Cost Containment**

The fiscal 2004 allowance reflects the elimination of the appropriation for matching employee deferred compensation contributions up to \$600, contingent upon the enactment of a provision in the 2003 BRFA.

## PAYGO Capital Program

### Program Description

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

### Fiscal 2003 to 2008 Consolidated Transportation Program

**Exhibit 3** presents ongoing major MVA capital and information technology projects, including information on projected funding for fiscal 2003 and 2004 and total project costs. Specific information is presented below the exhibit on projects completed, projects added to the *Consolidated Transportation Program* (CTP), and projects delayed or removed from the CTP.

### Exhibit 3

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#### Major Ongoing Motor Vehicle Administration Projects (\$ in Thousands)

| <u>Jurisdiction</u> | <u>Project Description</u>                      | <u>FY 2003</u> | <u>FY 2004</u> | <u>Total Project Costs</u> |
|---------------------|---|----------------|----------------|----------------------------|
| Statewide           | Document Imaging and Workflow System Phase I    | \$2,707        | \$1,995        | \$12,494                   |
| Statewide           | CVISN   | 300            | 0              | 1,248                      |
| Statewide           | Electronic Lien, Title, and Registration System | 1,360          | 0              | 27,670                     |
| Statewide           | Drivers License – Point of Sale System          | 5,534          | 4,264          | 35,000                     |
| Statewide           | e-MVA Service Delivery Systems                  | 2,985          | 388            | 14,073                     |
| Statewide           | Document Imaging and Workflow System Phase II   | 250            | 500            | 750                        |
| Montgomery          | Montgomery County Branch Office                 | 100            | 3,049          | 3,149                      |
| Statewide           | System Preservation and Minor Projects          | 9,200          | 6,500          | Ongoing                    |
| Statewide           | Capital Salaries, Wages, and Other Costs        | 800            | 800            | Ongoing                    |

Source: Maryland Department of Transportation, 2003 *Consolidated Transportation Program*

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### Projects Completed

- **Document Imaging and Workflow System (DIWS) Phase I:** Phase I of the DIWS project is expected to be completed in fiscal 2004. This project is re-engineering MVA business processes to improve customer service in the driver control and administrative adjudication business process areas.

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Part of this project also involves scanning MVA records into a computer system to allow for interactive record availability and the transmission of information to multiple remote sites, thus eliminating reliance on paper records; to date, 22 million pages of data have been scanned. MVA is working to develop a Request for Proposals for DIWS Phase II, which will support the re-engineering of MVA business processes in the areas of business licensing, finance, accounting, and investigative and administrative services. While the total cost estimate for DIWS Phase II will be developed during the preliminary engineering phase of the project, it is expected that implementation of this project might cost as much as \$15 million.

- ***Drivers License System Point of Sale (DLS/POS):*** The DLS/POS system is also scheduled for completion in fiscal 2004. This system will replace the existing photo licensing system with a new point-of-sale system capable of creating a paperless license application process and storing driver license data, motor voter data, organ donor data, and related financial data. The system is expected to be installed and operational in all branches by the end of fiscal 2003; six months of additional work on the system will be required in fiscal 2004 to troubleshoot problems associated with the rollout of the system in MVA's branch offices.
- ***Commercial Vehicle Information Systems and Networks (CVISN):*** The credentialing portion of the CVISN project (which is the portion that is managed by MVA) will be completed in fiscal 2003. No capital funds are budgeted in fiscal 2004 in MVA's capital program for this project; however, capital funds are budgeted in the Secretary's Office to support continued implementation of the electronic screening portion of the project.
- ***Loveville Branch Office (St. Mary's County):*** The Loveville branch office opened on January 8, 2003, and is averaging approximately 170 transactions per day.

### **Projects Added to the CTP**

- ***Montgomery County Branch Office:*** The fiscal 2004 allowance includes \$3.049 million to support the construction of a proposed Montgomery County Branch Office; the total capital cost of constructing this office is projected to be nearly \$3.2 million. Construction of this office had been proposed in fiscal 2002, but funds were later removed as an appropriate site for the office could not be found at that time. MVA is now studying the feasibility of placing the proposed office on 2.5 acres of MVA-owned land adjacent to the current VEIP inspection station in White Oak off US 29 and Industrial Parkway. The administration is also continuing to identify other suitable sites in the north/central area of Montgomery County.

### **Projects Delayed and Removed**

Several changes were made to MVA's capital program due to the national economic slowdown and the transfer of funds from the TTF into the general fund; these changes are described below.

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Two large information technology projects each had phases delayed from fiscal 2004 to 2005.

- ***Electronic Lien, Title, and Registration System (TARIS 2) (\$4.3 Million)***: The TARIS 2 system is a computer system used to process all vehicle-related transactions, including titling, registration, permitting, and tag return. Two phases of this project will be delayed until fiscal 2005, including the National Motor Vehicle Title Information System (a national pilot project intended to deter auto theft by making it more difficult to title stolen vehicles) and the Parking Flag Processing System (a computer interface between the MVA system and approximately 180 jurisdictions in Maryland intended to allow real-time updating of information on parking citations).
- ***E-MVA Service Delivery Systems (\$3 Million)***: The e-MVA initiative is a set of projects that support the electronic delivery of MVA services through the Internet, MVA kiosks placed in branch offices and other locations, and telephone Interactive Voice Response systems. Due to the national economic slowdown, several planned projects will be delayed until fiscal 2005, including a duplicate driver license and ID card system, a business license renewal system, a lost/stolen license and tag reporting system, and a substitute tag/sticker ordering system.

In addition to the changes in the Information Technology projects, approximately \$2 million was removed from MVA's system preservation budget in the out-years of the CTP due to the need to reduce the capital budget in those years. Specific reductions in the system preservation/minor project agenda have not yet been identified.

### **Fiscal 2003 and 2004 Cash Flow Analysis**

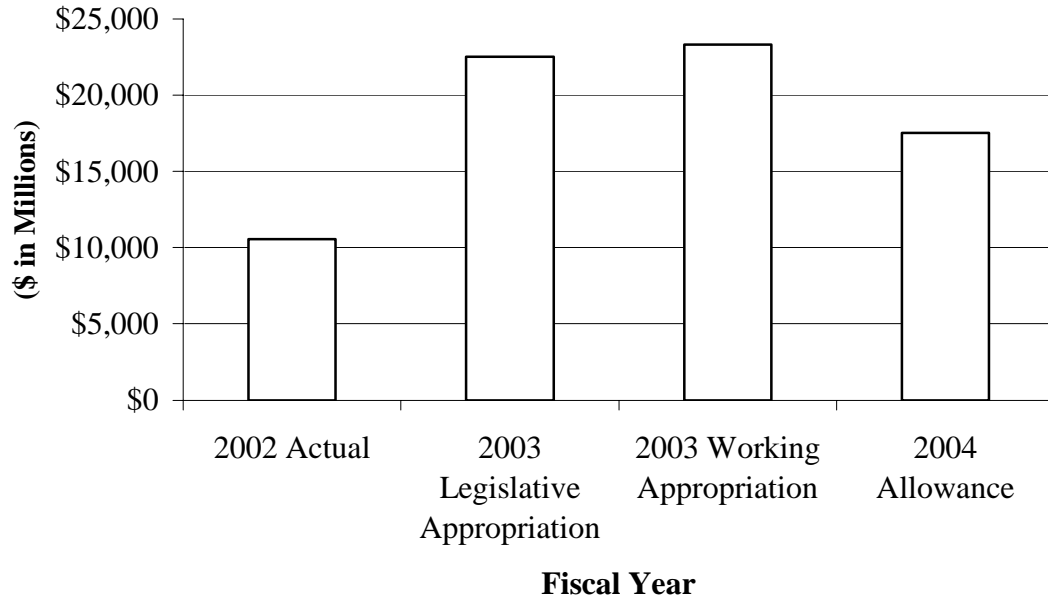
**Exhibit 4** presents the cash flow changes in the MVA's capital program from fiscal 2002 to 2004. The proposed fiscal 2004 allowance is \$17.5 million, which is \$5.8 million (25%) less than the fiscal 2003 working appropriation but nearly \$7 million (66%) over fiscal 2002 actual expenditures. Costs associated with MVA's capital program are funded entirely out of special funds.

There is a \$12.7 million increase between the fiscal 2002 actual capital program and the fiscal 2003 working appropriation. This increase is due primarily to cash flow changes in ongoing projects, including an increase of \$5.2 million in the DLS/POS due to a revised development schedule; an increase of \$2.5 million in the Baltimore City branch office renovation budget; an increase of \$1.2 million in costs associated with the construction of the Loveville branch office; and an increase of \$1.3 million in the e-MVA projects. In addition, a new minor project was added (\$450,000) and there were slight cash flow increases in the DIWS and TARIS 2 projects.

**Exhibit 4**

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**Fiscal 2002 to 2004 Cash Flow Changes<sup>1</sup>**  
**(\$ in Millions)**



<sup>1</sup> All funds are special funds.

Source: Maryland Department of Transportation, 2003 *Consolidated Transportation Program*

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## Issues

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Due to general fund transfers totaling \$300 million in fiscal 2003 and 2004 from the TTF, MDOT intends to remove projects from its capital program, sell debt sooner than estimated, and reduce system preservation spending. All three of the recommendations presented below support achievement of 100% cost recovery within MVA, thereby eliminating the need for the TTF to provide operating subsidies to this agency. Under current economic conditions, adoption of these recommendations would provide more than \$5 million additional dollars in the TTF in fiscal 2004 that could be used for capital expenditures; additional savings would be obtained in subsequent years.

### 1. MVA's Fee Recovery Rate Statutorily Limited to 85% and 90% of Operating Costs

Section 12-120 of the Transportation Article specifies that prior to the start of a fiscal year, MVA may alter the rates of its miscellaneous fees (defined as including all fees other than titling fees, vehicle registration fees, and that portion of a motorcycle registration fee that is in excess of \$13.50) so that the total amount of projected revenue from all miscellaneous fees for the upcoming fiscal year is at least 85%, but does not exceed 90% of the total operating budget of MVA for the fiscal year. MVA is not permitted to alter fees more than once a year, and is not required to reduce fees for an upcoming fiscal year if legislative budget modifications cause the projected fee schedule to result in a fee recovery rate that exceeds 90%.

MVA's cost recovery rates for fiscal 2002 through 2004 are presented in **Exhibit 5**.

#### Exhibit 5

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### MVA Fee Summary and Cost Recovery Rate Fiscal 2002 through 2004 (\$ in Millions)

|                                 | <b>FY 01</b>  | <b>FY 02</b>  | <b>FY 03</b>     | <b>FY 04</b>     |
|---------------------------------|---------------|---------------|------------------|------------------|
|                                 | <u>Actual</u> | <u>Actual</u> | <u>Estimated</u> | <u>Estimated</u> |
| MVA Operating Expenses          | \$112.8       | \$121.3       | \$125.2          | \$127.5          |
| Revenue from Miscellaneous Fees | 98.7          | 116.7         | 125.9            | 128.1            |
| Percent of Cost Recovery        | 87.5%         | 96.2%         | 100%             | 100%             |
| 85% of Operating Expense        | n/a           | \$103.1       | \$106.4          | \$108.4          |

Source: Motor Vehicle Administration

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MVA achieved a cost recovery rate of 96.2% in fiscal 2002 and projects cost recovery rates of 100% in both fiscal 2003 and 2004. However, full cost recovery is achieved in those years only because the fee schedules set prior to fiscal 2003 resulted in full cost recovery after the fiscal 2003 operating budget allowance was reduced following the transfer of TTF money to the general fund. Thus, in fiscal 2001,

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when MVA covered only 87.5% of its costs from revenue generated by fees, the TTF actually subsidized \$14.1 million of MVA's operating expenses. Similarly, current forecasts show that in fiscal 2006, MVA will have an operating budget of approximately \$142 million but will recover only \$124 million in miscellaneous fees, resulting in a subsidy of approximately \$18 million that will be needed from the TTF.

**DLS, therefore, recommends that the Maryland General Assembly amend Section 12-120(d) of the Transportation Article to require that the total amount of the projected revenues from all miscellaneous fees for an upcoming fiscal year total 100% of the operating budget of the administration (including the administration's portion of the cost for that fiscal year of the department's data center operations).**

## **2. Vehicle Emissions Inspection Program Has No Cost Recovery Requirement**

While MVA is currently required to recover at least 85% of its operating expenses from the fees charged for the services it provides, VEIP, which tests a car's emissions level to ensure that it complies with clean air standards, does not have a cost recovery requirement.

The costs of operating the VEIP program are comprised of the cost of the contract with the vendor that administers the tests, Environmental Systems Products, Inc. (ESP), and the cost of the contract with the Maryland Department of the Environment (MDE), which monitors VEIP stations to ensure compliance with clean air standards, as well as other incidental costs. ESP is responsible for collecting test fees and all applicable late fees. ESP retains the test fees and applies them toward attainment of the total contract amount; the vendor submits all late fees to the MVA. **Exhibit 6** presents the financial statement for the VEIP program for fiscal 2001 through 2004.

### **Exhibit 6**

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#### **MVA Vehicle Emissions Inspection Program Financial Statement Fiscal 2001 through 2004**

|                                      | <b>FY 01</b>         | <b>FY 02</b>         | <b>FY 03</b>         | <b>FY 04</b>            |
|--------------------------------------|----------------------|----------------------|----------------------|-------------------------|
| <b><u>Revenues</u></b>               | <b><u>Actual</u></b> | <b><u>Actual</u></b> | <b><u>Actual</u></b> | <b><u>Estimated</u></b> |
| Test fees collected                  | \$13,771,477         | \$17,960,950         | \$17,216,000         | \$16,461,494            |
| Late fees collected                  | 2,859,091            | 4,639,472            | 3,993,953            | 3,813,045               |
| <b><u>Expenditures</u></b>           |                      |                      |                      |                         |
| Contract amount                      | 18,118,013           | 18,991,046           | 18,873,000           | 18,757,494              |
| MDE administrative costs             | 1,287,791            | 1,548,555            | 1,644,555            | 1,344,555               |
| Other MVA VEIP-related costs         | 4,785,015            | 4,720,798            | 4,765,569            | 4,597,056               |
| <b>Shortfall (Subsidized by TTF)</b> | <b>-\$7,560,251</b>  | <b>-\$2,659,977</b>  | <b>-\$4,073,171</b>  | <b>-\$4,424,566</b>     |

Source: Motor Vehicle Administration

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As the financial statement demonstrates, the current \$14 fee charged for emissions inspections tests does not recover all the costs associated with the program (even when late fees are added to the total amount collected by the program). In fiscal 2002 the TTF provided a subsidy of nearly \$2.7 million to support the operation of the VEIP program. In fiscal 2003 and 2004 this subsidy is expected to increase to more than \$4 million per year under the current pricing structure.

Section 23-205 of the Transportation Article specifies that the fee for an emissions test may not exceed \$14. In fiscal 2003 a 100% cost recovery requirement for the VEIP program would have resulted in a test fee of approximately \$20.55 – a rate that is still generally less than that charged by other states (Virginia currently charges \$28, North Carolina charges \$30, Ohio charges \$19.50, and charges vary in Pennsylvania by location; West Virginia does not require an emissions test).

**DLS, therefore, recommends that the Maryland General Assembly:**

- **amend 12-120(d) of the Transportation Article to require the VEIP program to recover 100% of its projected costs in the upcoming fiscal year (including the cost of the vendor contract, the MDE contract, and all other associated VEIP costs) from emissions inspection fees; and**
- **amend or remove the statutory limit on VEIP fees as established in Section 23-205(a)(2) of the Transportation Article.**

### **3. MVA Expects to Pay More Than \$1.1 Million in Credit Card Fees in Fiscal 2004**

When a customer uses a credit card to pay a vendor for a purchase, the vendor is required to pay a small percentage of the total transaction amount to the credit card company as a fee for the use of the credit card. In fiscal 2004 MVA is expecting to pay just over \$1.1 million in such fees.

In order to avoid paying these fees – which constitute a subsidy by all MVA customers of the costs associated with some customers' usage of credit cards – several State agencies (including the Maryland Comptroller's Office and the Department of Labor, Licensing, and Regulation) and local governments (including Montgomery and Anne Arundel counties) have established accounts with a service that acts as the agency's vendor. Under this type of arrangement, when an MVA customer used his/her credit card to pay a fee, the person would actually be paying money to the vending service, which would collect the total amount of fees due to the State and remit them on a regular basis. The vending service adds a small convenience fee (charged as a percentage of the total transaction) to the amount of the transaction; this fee covers the credit card company's charges for the use of the service and the vending service's costs. No money is charged to the State by the vending service; the service obtains all its revenues from the convenience fees charged on transactions.

Several credit card companies expressly prohibit the application of surcharges that are applied exclusively to transactions processed on their cards – i.e., MasterCard prohibits vendors from applying fees (surcharges) exclusively to transactions processed on a MasterCard when such fees are not applied by a vendor to transactions on any other type of credit card. However, credit card companies generally allow the imposition of convenience fees such as those used by vending services as long as the same fee is

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calculated in the same way (i.e., flat rate, percentage-based, or tiered rate etc.) for all transactions and applied equally to all payment methods utilized by the vendor (i.e., in-person, via the Internet, or on telephone transactions etc.) and to all credit cards accepted by the vendor.

**DLS recommends that the Maryland General Assembly amend the Transportation Article:**

- **to expressly allow the MVA to enter into a contract with a vending service to handle credit card transactions by serving as its vendor; and**
- **to allow the vending service to charge a convenience fee (as a percentage of the total transaction fee) to MVA customers who pay via credit card to cover the cost of that credit card transaction.**

**DLS also recommends that the committees adopt budget language reducing MVA's fiscal 2004 allowance by \$1,127,637, contingent upon the adoption of these amendments to the Transportation Article.**

**Operating Budget Recommended Actions**

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|   | <b><u>Amount<br/>Reduction</u></b> |    | <b><u>Position<br/>Reduction</u></b> |
|---|------------------------------------|----|--------------------------------------|
| 1. Delete 32.5 new regular positions intended to staff the proposed new Montgomery County Branch Office, and delete funding for contractual services required to operate the office. The construction of the proposed new Montgomery County Branch Office should be delayed one year, and the customer service positions intended to staff the new office should be deleted.  | \$ 497,412                         | SF | 32.5                                 |
| 2. Delete unnecessary certificates of participation (COPs) payments for Motor Vehicle Administration (MVA) facilities. In 1992 and 1993, the Maryland Department of Transportation (MDOT) sold COPs to fund the purchase of various MVA facilities. MDOT advises that during fiscal 2003, it intends to retire COPs issued in 1992 and 1993. As a result, the COPs payment of \$508,560 is not needed in fiscal 2004 and should be deleted from the fiscal 2004 allowance.  | 508,560                            | SF |                                      |
| 3. Add the following language:  |                                    |    |                                      |
| <p><u>, provided that this appropriation shall be reduced by \$1,127,637 contingent upon enactment of an amendment to the Budget Reconciliation and Financing Act of 2003 that (1) permits the Motor Vehicle Administration to enter into a contract with a vending service that will handle all credit card transactions as its vendor; and (2) allows the vending service to apply to all credit card transactions a convenience fee that is calculated in the same way for all transactions and applied to all transaction methods (i.e., walk-in, Internet, telephone transactions etc.).</u></p> |                                    |    |                                      |
| <p><b>Explanation:</b> This language will reduce the Motor Vehicle Administration's (MVA) fiscal 2004 allowance by \$1,127,637 if the Transportation Article is amended to enable MVA to utilize a vending service to handle credit card transactions on its behalf; and to allow the service to apply a convenience fee to the credit card transactions it handles on behalf of MVA. By entering into a contract that allows a vending service to handle credit card transactions on its behalf, MVA will avoid the need to pay credit card fees for these transactions.</p>                         |                                    |    |                                      |
| <b>Total Special Fund Reductions</b>  | <b>\$ 1,005,972</b>                |    | <b>32.5</b>                          |

## ***Capital Budget Recommended Actions***

---

|   | <b><u>Amount<br/>Reduction</u></b> |
|---|------------------------------------|
| 1. Delete funds for construction of new Montgomery County Branch Office. The Maryland Department of Transportation advises that due to general fund transfers totaling \$300 million in fiscal 2003 and 2004 from the Transportation Trust Fund, it intends to remove projects from its capital program, sell debt sooner than anticipated, and reduce system preservation spending. Therefore, construction of the new Montgomery County Branch office should be delayed for one year due to reduced funding in the Transportation Trust Fund. The Motor Vehicle Administration (MVA) already owns the land next to the White Oak Vehicle Emissions Inspection Program station that is the proposed site of the office; construction can therefore be deferred one year at minimal additional cost to MVA. This reduction of more than \$3 million lessens the need to delete or delay projects and increase debt outstanding. | \$ 3,049,000 SF                    |
| <b>Total Special Fund Reductions</b>  | <b>\$ 3,049,000</b>                |

## *Updates*

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### **1. MVA Addresses Chronic Audit Findings**

An October 2001 audit of MVA revealed that the agency was still in noncompliance with some State policies regarding:

- the assessment and collection of uninsured motorist penalty fees;
- the assessment of fines against vehicle dealerships for late payment of excise taxes and related fees; and
- the suspension of the driver's licenses of individuals in arrears in child support payments.

MVA initially submitted a statistical report on October 1, 2002, concerning its efforts to resolve these audit findings as required by the 2002 *Joint Chairmen's Report*. After further discussion with the Office of Legislative Audits (OLA), MVA re-submitted its report on October 23, 2002. This revised report presented the statistics discussed below.

#### **Penalties Levied Against Uninsured Motorists**

Title 17 of the Transportation Article requires a valid security (insurance) as a pre-requisite for vehicle registration and requires that insurance companies notify MVA whenever a vehicle's insurance is terminated or lapses. Section 106 of this title specifies that MVA may assess the owners of an uninsured vehicle a fine of \$150 for lapses that last for a period of 1 to 30 days; the fine amount increases by a rate of \$7 each day thereafter up to a maximum amount of \$2,500 for each violation in a 12-month period.

**Exhibit 7** presents the statistics reported by MVA regarding the assessment, collection, and reduction of penalties levied against uninsured motorists in fiscal 2002 and 2001.

In its review of these data, OLA noted that while the data were obtained from the administration's automated database, the administration could not readily provide detailed support for the data; however, reported results on the value of penalties collected were found to agree with the State's financial accounting system.

**Exhibit 7**

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**Assessment, Collection, and Reduction of Penalties Levied Against Uninsured Motorists in Fiscal 2002 and 2001**

| <b><u>Uninsured Motorists Penalties</u></b> | <b><u>Fiscal 2002</u></b> | <b><u>Fiscal 2001 (October 2000-<br/>June 2002)</u></b> |
|---|---------------------------|---|
| Number of penalties <b>Assessed</b>         | 240,659                   | 95,502  |
| Value of penalties <b>Assessed</b>          | \$64,875,967              | \$42,308,042  |
| Average value of penalties <b>Assessed</b>  | \$269                     | \$443   |
| Number of penalties <b>Collected</b>        | 66,119                    | 33,334  |
| Value of penalties <b>Collected</b>         | \$38,582,025              | \$27,685,126  |
| Number of penalties <b>Reduced</b>          | 51,542                    | 20,186  |
| Value of penalties <b>Reduced</b>           | \$10,212,951              | \$3,954,859   |
| Number of <b>Registrations Suspended</b>    | 238,037                   | 108,043   |

Source: Motor Vehicle Administration

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In October 2000 MVA began using ACIS to improve administration of uninsured motorist policies. Previously, MVA received notification from insurers only when a vehicle insurance policy was terminated; the new ACIS system also receives positive notification whenever a new vehicle insurance policy is initiated. This allows MVA to track a vehicle's entire insurance history. The use of ACIS has increased MVA's ability to identify uninsured vehicles, which contributed in part to the significant increase in fiscal 2002 in the number of penalties assessed over fiscal 2001. These figures indicate that the average value of penalties assessed for lack of vehicle insurance has decreased from \$443 in 2001 to \$269 in 2002.

OLA reported that 200,000 accounts involving unpaid fines levied against uninsured motorists dating back to 1990 were abated by the Department of Budget and Management's Central Collection Unit (CCU) because of missing information. Approximately 116,500 additional accounts with unpaid balances of \$146 million were submitted by MVA to CCU before MVA had completed all required collection efforts. MVA reports that 71,000 of these cases have been re-submitted to CCU for collection, while 42,000 have been reviewed, updated, and are now pending in MVA's accounts receivable system. The system will be refreshed in February 2003; at that time, eligible cases will be re-submitted to CCU. The remaining 3,500 cases are being reviewed by MVA and sent to CCU manually as appropriate.

**Penalties Levied Against Automobile Dealerships for Late Payment of Excise Taxes and Fees**

Per Title 13, Section 113, of the Transportation Article, licensed automobile dealers are required to submit titling documents and all applicable taxes and fees to MVA within 30 days of the date of delivery of a vehicle. Title 15, Section 315 of the Transportation Article specifies that if a dealer fails to comply with any provisions of the Motor Vehicle Law related to the sale of a vehicle, MVA "may order the licensee to

pay a fine not exceeding \$1,000 for each violation.” Presented in **Exhibit 8** are the statistics submitted by MVA regarding fines levied against dealerships for late payment of excise taxes.

### **Exhibit 8**

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#### **Assessment, Reduction, and Collection of Penalties Levied Against Dealerships for Late Payment of Exercise Taxes in Fiscal 2002 and 2001**

| <b><u>Dealership Penalties</u></b>                  | <b><u>Fiscal 2002</u></b> | <b><u>Fiscal 2001</u></b> |
|---|---------------------------|---------------------------|
| Number of Penalties <b>Assessed*</b>                | 1,116                     | 745                       |
| Value of Penalties <b>Assessed</b>                  | \$1,115,425               | \$1,388,850               |
| Number of Penalties <b>Collected</b>                | 965                       | 545                       |
| Value of Penalties <b>Collected</b>                 | \$434,786                 | \$189,700                 |
| Total Number of Penalties <b>Waived and Reduced</b> | 560                       | 548                       |
| Total Value of Penalties <b>Waived and Reduced</b>  | \$664,246                 | \$1,199,150               |

\*The “Number of Penalties Assessed” actually refers to the number of letters issued to a dealership in the fiscal year. Each letter might identify multiple late transactions involving a single dealer. Further, as letters are issued every quarter, dealerships may receive up to 4 penalty letters every fiscal year.

Source: Motor Vehicle Administration

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In its review of these figures, OLA noted that the administration could not provided detailed support for the reported fiscal 2001 dealership late payment penalties assessed; however, the reported value of penalties assessed was found to be reasonably accurate.

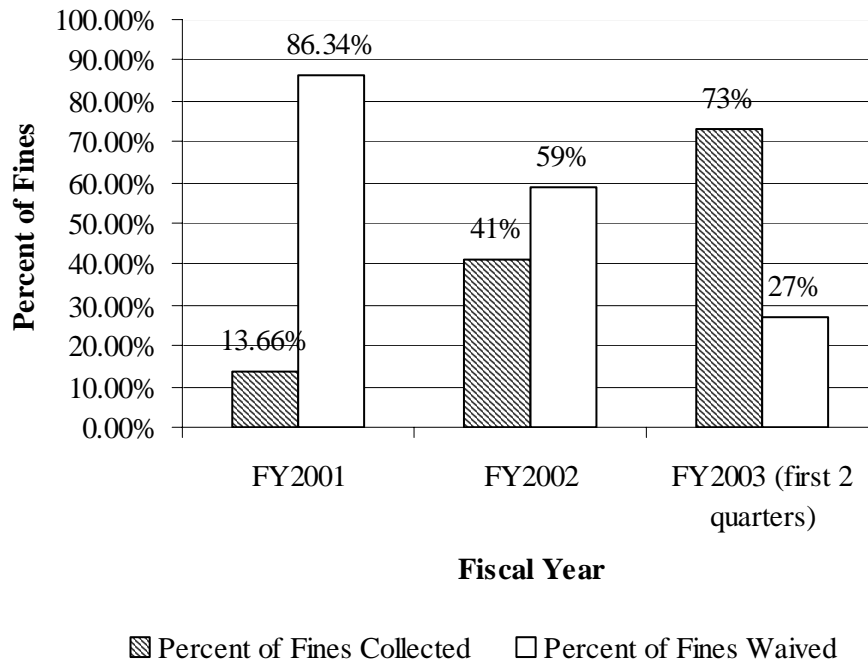
It is difficult to compare the data presented for fiscal 2001 and 2002 because MVA changed many of its procedures for administering this system during the two-year period covered by these statistics, including altering its method of calculating fines, automating the process for drawing data on late transactions (which increased the size of the pool of data that was being assessed in the process of calculating fines), and increasing the number of days allowed for dealers to submit tax and fee payments (as required by Chapter 376, Acts of 2001).

In general, these changes have improved the administration of the dealership late payment penalty system. In particular, MVA’s ability to identify transactions that are truly late and to assess the correct fine amount has increased as evidenced by a decline in the amount (as a percentage of total assessed amount of fine) that penalties are reduced or waived upon a dealer’s presentation of evidence of an error in fine calculation (or of other mitigating circumstances that affect fine amounts). This trend is illustrated in **Exhibit 9**.

**Exhibit 9**

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**Percent of Dealership Late Payment Fines Collected and Waived/Reduced  
Fiscal 2001 through 2003**



Source: Motor Vehicle Administration

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Further, audits performed by MVA's Internal Auditing Unit suggest that dealer compliance with regulations regarding timely payment of excise taxes has also increased. Thus, dealer audits conducted in the first quarter of 1999 found that 35% of the transactions reviewed had been submitted to MVA after the due date, while dealer audits conducted in the first quarter of fiscal 2003 found that only 13.75% of the audited transactions had been late.

**Suspension of Drivers Licenses of Individuals in Arrears in Child Support Payments**

OLA's audit report cited the administration for not ensuring that license suspensions were promptly initiated for licensed drivers who were in arrears in child support payments. MVA reported that this condition was caused by a computer programming deficiency that prevented the system from re-suspending those individuals who had come into compliance after an initial suspension. The computer programming deficiency was corrected effective July 1, 2001. This correction, coupled with an increase in the number of cases referred from the Child Support Enforcement Administration, increased the number of license suspensions from 9,685 in fiscal 2001 to 27,029 in fiscal 2002.

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In its response to MVA's revised statistical report, OLA stated that they had also identified several problems with MVA's methods for compiling and reporting data on child support-related suspensions. In particular, the administration's statistics included multiple instances of the same parent's license being suspended multiple times simultaneously for arrears on support for more than one child. In addition, OLA found that the statistics included license suspensions that were later found to have been applied erroneously and were rescinded. MVA has stated that it is working with the auditing staff to develop alternative data collection and reporting methods to ensure that its counts are correct.

## **2. Determining Medical Fitness to Drive**

As required by the 2002 *Joint Chairmen's Report*, MVA reported on its processes for determining a person's fitness to drive. In a normal year, between 10,000 and 12,000 drivers are referred to MVA for assessment of fitness to drive. Approximately half of this caseload is comprised of drivers whose licenses have been revoked due to alcohol-related convictions; the other 50% of the caseload is comprised of referrals from law enforcement officers, medical professionals, and family members, and of self-referrals.

All cases referred to MVA are evaluated by a member of the State's Medical Advisory Board (MAB), which is an advisory panel comprised of approximately 20 physicians practicing in a variety of specialties. The MAB physician reviews the case file, which includes a number of questionnaires completed by the driver and his/her physician, as well as the results of specialty exams, laboratory tests, and driving skills tests as appropriate; the physician may also interview the driver if necessary. Based on his/her findings, the MAB physician then makes a recommendation on driving status ranging from no change to the imposition of a suspension (which may range from a temporary suspension to permanent revocation of the license), or driving restrictions (time of day, radius from home etc.), and/or the use of adaptive equipment etc. A driver who disagrees with the MAB physician's findings can appeal the decision by requesting a hearing from the Office of Administrative Hearings.

As outlined above, MVA's process for judging driver fitness enables MAB to assess each driver on an individual basis and to recommend a driving status that balances the driver's need for independent mobility with the need to regulate drivers who pose a risk to public safety. The only medical condition to which this flexible process cannot be applied is epilepsy. Title 16, Section 208 of the Transportation Article, specifies that the suspension or revocation of a license due to epilepsy may not exceed a period of 90 days unless the driver experiences a seizure in that period. At the conclusion of a seizure-free 90-day period, MVA must issue or renew the license in question. The imposition of a specified suspension period for epilepsy means that restrictions for this condition cannot be based on the clinical or risk factors associated with the driver's condition.

## **3. MVA Supports Maryland's Implementation of the Help America Vote Act**

In October 2002 the U.S. Congress passed the Help America Vote Act, which establishes uniform election standards for every state. While primary responsibility for implementing the provisions of this Act rests with the State Board of Elections (SBE), MVA is required to verify data from licensed drivers and provide that data to SBE.

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SBE is required to collect the last four digits of a person's social security number from MVA, which is expected to have verified the number through the Social Security Administration (SSA). MVA, which had not previously validated the social security numbers provided on license applications, has begun validating the Social Security numbers of all 3.7 million driver license holders and all ID card holders. MVA has validated 250,000 numbers to date and is in the process of validating the next 250,000 records. As required by the Act, MVA is also working with SBE to formulate a Memorandum of Understanding regarding the process of data matching.

MVA projects the costs of supporting the implementation of the Help America Vote Act will be approximately \$137,000, of which \$43,200 will be covered by federal funds. The primary expense associated with this program is the cost of verifying records with the SSA (at a cost of 3 cents per record); additional costs (approximately \$8,000) are associated with modifications to forms used at MVA and with related computer programming changes.

***Current and Prior Year Operating Budgets***

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**Current and Prior Year Operating Budgets  
Motor Vehicle Administration  
(\$ in Thousands)**

|                                  | <b><u>General<br/>Fund</u></b> | <b><u>Special<br/>Fund</u></b> | <b><u>Federal<br/>Fund</u></b> | <b><u>Reimb.<br/>Fund</u></b> | <b><u>Total</u></b> |
|----------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------------|---------------------|
| <b>Fiscal 2002</b>               |                                |                                |                                |                               |                     |
| Legislative<br>Appropriation     | \$0                            | \$122,432                      | \$525                          | \$0                           | 122,957             |
| Deficiency<br>Appropriation      | 0                              | 0                              | 0                              | 0                             | 0                   |
| Budget<br>Amendments             | 0                              | 749                            | 483                            | 0                             | 1,232               |
| Reversions and<br>Cancellations  | 0                              | -1,845                         | -158                           | 0                             | -2,003              |
| <b>Actual<br/>Expenditures</b>   | <b>\$0</b>                     | <b>\$121,336</b>               | <b>\$850</b>                   | <b>0</b>                      | <b>\$122,186</b>    |
| <b>Fiscal 2003</b>               |                                |                                |                                |                               |                     |
| Legislative<br>Appropriation     | \$0                            | \$124,954                      | \$0                            | \$0                           | \$124,954           |
| Budget<br>Amendments             | 0                              | 639                            | 513                            | 0                             | 1,152               |
| <b>Working<br/>Appropriation</b> | <b>\$0</b>                     | <b>\$125,594</b>               | <b>\$513</b>                   | <b>\$0</b>                    | <b>\$126,107</b>    |

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

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Appendix 2

**Object/Fund Difference Report  
MDOT - Motor Vehicle Administration**

| <u>Object/Fund</u>          | <u>FY 02<br/>Actual</u> | <u>FY 03<br/>Working<br/>Appropriation</u> | <u>FY 04<br/>Allowance</u> | <u>FY 03 - 04<br/>Amount Change</u> | <u>Percent<br/>Change</u> |
|-----------------------------|-------------------------|--|----------------------------|-------------------------------------|---------------------------|
| <b>Positions</b>            |                         |  |                            |                                     |                           |
| 01 Regular                  | 1689.00                 | 1637.00                                    | 1669.50                    | 32.50                               | 2.0%                      |
| 02 Contractual              | 76.12                   | 76.12                                      | 102.15                     | 26.03                               | 34.2%                     |
| <b>Total Positions</b>      | <b>1765.12</b>          | <b>1713.12</b>                             | <b>1771.65</b>             | <b>58.53</b>                        | <b>3.4%</b>               |
| <b>Objects</b>              |                         |  |                            |                                     |                           |
| 01 Salaries and Wages       | \$ 78,850,392           | \$ 80,579,722                              | \$ 82,313,051              | \$ 1,733,329                        | 2.2%                      |
| 02 Technical & Spec Fees    | 3,602,363               | 4,430,793                                  | 4,440,861                  | 10,068                              | 0.2%                      |
| 03 Communication            | 6,246,530               | 5,637,800                                  | 6,178,068                  | 540,268                             | 9.6%                      |
| 04 Travel                   | 179,582                 | 238,633                                    | 149,472                    | -89,161                             | -37.4%                    |
| 06 Fuel & Utilities         | 1,390,247               | 1,402,867                                  | 1,422,293                  | 19,426                              | 1.4%                      |
| 07 Motor Vehicles           | 545,570                 | 639,144                                    | 613,789                    | -25,355                             | -4.0%                     |
| 08 Contractual Services     | 24,453,063              | 25,779,561                                 | 26,074,557                 | 294,996                             | 1.1%                      |
| 09 Supplies & Materials     | 1,454,757               | 1,520,103                                  | 1,421,688                  | -98,415                             | -6.5%                     |
| 10 Equip - Replacement      | 1,087,395               | 808,379                                    | 1,454,994                  | 646,615                             | 80.0%                     |
| 11 Equip - Additional       | 456,863                 | 987,707                                    | 285,351                    | -702,356                            | -71.1%                    |
| 12 Grants, Subsidies, Contr | 109,461                 | 57,553                                     | 81,433                     | 23,880                              | 41.5%                     |
| 13 Fixed Charges            | 3,809,195               | 4,083,421                                  | 3,175,138                  | -908,283                            | -22.2%                    |
| <b>Total Objects</b>        | <b>\$ 122,185,418</b>   | <b>\$ 126,165,683</b>                      | <b>\$ 127,610,695</b>      | <b>\$ 1,445,012</b>                 | <b>1.1%</b>               |
| <b>Funds</b>                |                         |  |                            |                                     |                           |
| 03 Special Fund             | \$ 121,335,341          | \$ 125,652,295                             | \$ 127,597,495             | \$ 1,945,200                        | 1.5%                      |
| 05 Federal Fund             | 850,077                 | 513,388                                    | 13,200                     | -500,188                            | -97.4%                    |
| <b>Total Funds</b>          | <b>\$ 122,185,418</b>   | <b>\$ 126,165,683</b>                      | <b>\$ 127,610,695</b>      | <b>\$ 1,445,012</b>                 | <b>1.1%</b>               |

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

Fiscal Summary  
MDOT - Motor Vehicle Administration

| <u>Unit/Program</u>                 | <u>FY 02<br/>Actual</u> | <u>FY 03<br/>Legislative<br/>Appropriation</u> | <u>FY 03<br/>Working<br/>Appropriation</u> | <u>FY 02 - 03<br/>% Change</u> | <u>FY 04<br/>Allowance</u> | <u>FY 03 - 04<br/>% Change</u> |
|-------------------------------------|-------------------------|--|--|--------------------------------|----------------------------|--------------------------------|
| 01 Motor Vehicle Operations         | \$ 122,185,418          | \$ 124,954,556                                 | \$ 126,165,683                             | 3.3%                           | \$ 127,610,695             | 1.1%                           |
| 03 Facilities and Capital Equipment | 5,491,705               | 22,534,629                                     | 10,748,629                                 | 95.7%                          | 10,898,524                 | 1.4%                           |
| 08 Major IT Development Projects    | 5,076,705               | 0  | 12,586,000                                 | 147.9%                         | 6,647,000                  | -47.2%                         |
| <b>Total Expenditures</b>           | <b>\$ 132,753,828</b>   | <b>\$ 147,489,185</b>                          | <b>\$ 149,500,312</b>                      | <b>12.6%</b>                   | <b>\$ 145,156,219</b>      | <b>-2.9%</b>                   |
| Special Fund                        | \$ 131,903,751          | \$ 147,489,185                                 | \$ 148,986,924                             | 13.0%                          | \$ 145,143,019             | -2.6%                          |
| Federal Fund                        | 850,077                 | 0  | 513,388                                    | -39.6%                         | 13,200                     | -97.4%                         |
| <b>Total Appropriations</b>         | <b>\$ 132,753,828</b>   | <b>\$ 147,489,185</b>                          | <b>\$ 149,500,312</b>                      | <b>12.6%</b>                   | <b>\$ 145,156,219</b>      | <b>-2.9%</b>                   |

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

**Budget Amendments for Fiscal 2003**

**Maryland Department of Transportation  
Motor Vehicle Administration**

| <b><u>Status</u></b> | <b><u>Amount</u></b> | <b><u>Fund</u></b> | <b><u>Justification</u></b>  |
|----------------------|----------------------|--------------------|--|
| <b>Approved (1)</b>  | \$697,739            | SF Oper            | Security - provides funding to: train branch office personnel to identify potentially fraudulent documents; implement document authentication systems; and improve the security connected with MVA issuance of ID's. MVA has determined that it is appropriate that these IDs be mailed to the address of record rather than be handed out over the counter.   |
| <b>Approved (2)</b>  | \$0                  |                    | Funding for major Information Technology (IT) project development is being transferred from existing programs to the new programs as required by Senate Bill 491 which was enacted during the 2002 legislative session.  |
| <b>Pending (3)</b>   | \$800,000            | SF Oper            | Provides funding for software licensing, annual software maintenance fees, and other support services related to system, application, and utility software products that run on the Maryland Department of Transportation (MDOT) data center's mainframe and other computer platforms. Also, to provide funding for the Private Branch Exchange/Interactive Voice Response Network Phase II Project in MVA. Both of these projects are being funded by the Transportation IT fund. |
| <b>Pending (4)</b>   | \$8,036,000          | SF Cap             | Allows MDOT's appropriation for major IT projects to match the cash flow projections reflected in the Draft CTP.   |
| <b>Pending (5)</b>   | \$513,388            | FF Oper            | Provides funds to continue the Odometer and Motor Carrier Safety Assistance Programs. Also, additional funds for the Investigation grant and the Social Security Number Validation for Commercial Driver License (CDL) grant.  |
| <b>Projected (6)</b> | \$(3,505,000)        | SF Cap             | Adjusts the amended appropriation to agree with the anticipated expenditures for the current year as reflected in the fiscal 2003 through 2008 Final CTP.  |
| <b>Projected (7)</b> | \$(4,531,000)        | SF Cap             | Adjusts the amended appropriation to agree with the anticipated expenditures for the current year as reflected in the fiscal 2003 through 2008 Final CTP for major IT projects.  |
| <b>Projected (8)</b> | \$(4,631,800)        | SF Oper            | Fiscal 2003 cost containment consisting of savings from hiring freeze, reductions to information technology budget, and a variety of other areas.  |
|                      | \$(5,500)            | SF Cap             |  |
|                      | <u>\$(4,637,300)</u> |                    |  |