

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

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 05 Actual</u>	<u>FY 06 Working</u>	<u>FY 07 Allowance</u>	<u>FY 06-07 Change</u>	<u>% Change Prior Year</u>
Special Fund	\$125,459	\$131,942	\$139,563	\$7,621	5.8%
Federal Fund	<u>240</u>	<u>15</u>	<u>15</u>	<u>0</u>	
<b>Total Funds</b>	<b>\$125,699</b>	<b>\$131,957</b>	<b>\$139,578</b>	<b>\$7,621</b>	<b>5.8%</b>

- The fiscal 2007 allowance for the Motor Vehicle Administration (MVA) increases \$7.6 million (5.8%) compared to the fiscal 2006 working appropriation.
- Personnel costs increase by approximately \$6.0 million accounting for a majority of the increase in the fiscal 2007 allowance

***PAYGO Capital Budget Data***

(\$ in Thousands)

	<u>Fiscal 2005 Actual</u>	<u>Fiscal 2006</u>		<u>Fiscal 2007</u>	
		<u>Legislative</u>	<u>Working</u>	<u>Request</u>	<u>Allowance</u>
Special	\$8,170	\$19,391	\$18,369	\$26,294	\$27,033
Reimbursable	614				
<b>Total</b>	<b>\$8,784</b>	<b>\$19,391</b>	<b>\$18,369</b>	<b>\$26,294</b>	<b>\$27,033</b>

- The fiscal 2007 allowance totals \$27.0 million, an increase of \$8.6 million (47%) compared to the fiscal 2006 working appropriation.
- Spending during fiscal 2006 decreased approximately \$1.0 million due to cash flow changes in projects that were carried over into fiscal 2007.

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

For further information contact: Jonathan D. Martin

Phone: (410) 946-5530

***Operating and PAYGO Personnel Data***

	<b><u>FY 05</u></b> <b><u>Actual</u></b>	<b><u>FY 06</u></b> <b><u>Working</u></b>	<b><u>FY 07</u></b> <b><u>Allowance</u></b>	<b><u>FY 06-07</u></b> <b><u>Change</u></b>
Regular Positions	1,591.50	1,612.50	1,612.50	0.00
Contractual FTEs	<u>65.54</u>	<u>96.39</u>	<u>98.39</u>	<u>2.00</u>
<b>Total Personnel</b>	<b>1,657.04</b>	<b>1,708.89</b>	<b>1,710.89</b>	<b>2.00</b>

***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	51.44	3.19%
Positions Vacant as of 1/1/06	74.50	4.62%

- The fiscal 2007 allowance does not include any new positions. As of January 1, 2006, the agency had 74.5 positions vacant, with turnover expectancy set at 3.19% requiring 51.4 vacant positions.
- MVA is adding two contractual full-time equivalents (FTEs) for legislation passed during the 2005 session. One position will be responsible to title and register low speed electric vehicles. The second FTE will be responsible for customer contact with individuals with disabilities who have a combination of placards or plates exceeding two.

## *Analysis in Brief*

---

### Major Trends

**Gap Between Alternative Services Available and Used:** The percentage of MVA services available on-line is projected to increase to 87% in fiscal 2007; however, the percentage of transactions performed through alternative services, including Internet and telephone, peaked in fiscal 2005 at 46%. **The Department of Legislative Services (DLS) recommends that MVA discuss what actions need to be taken to increase the percentage of services performed through the Internet and other alternative service mechanisms.**

**Average Wait Time:** The average wait time of MVA customers is not projected to decrease even though MVA has a number of its services available on-line in an attempt to reduce office visits.

### Issues

**REAL-ID, What Is It?:** On May 11, 2005, President George W. Bush, Jr., signed the Real-ID Act (H.R. 1268; P.L. 109-13) as part of the Emergency Supplemental Appropriation for Defense, the Global War on Terror, and Tsunami Relief 2005, which requires federal agencies to only accept state-issued driver's licenses and personal identification cards after May 11, 2008, which have met certification standards. The legislation contains a number of provisions outlining broad requirements for issuing driver's licenses or personal identification cards which potentially could significantly change who and how individuals receive driver's licenses. **DLS recommends that the department provide an update to the committees highlighting what measures it is undertaking to implement the REAL-ID Act, what it foresees as the potential effect on the agency's capital and operating budgets, and its effect on citizens.**

### Operating Budget Recommended Actions

	<u>Funds</u>
1. Reduce funds for laundry services.	\$ 60,388
2. Reduce funds for office equipment.	20,000
3. Reduce funds for building/road repairs and maintenance for the agency.	35,000
4. Increase turnover expectancy for the agency.	225,063

*J00E00 – MDOT – Motor Vehicle Administration*

5. Adopt committee narrative requesting that the Motor Vehicle Administration provide an update on the impact of federal regulations issued for the REAL-ID Act.

**Total Reductions** **\$ 340,451**

**PAYGO Budget Recommended Actions**

	<u><b>Funds</b></u>
1. Reduce funding for minor projects in the Motor Vehicle Administration.	\$ 12,201,000
2. Reduce funds for the e-MVA Service Delivery Systems.	2,618,000
<b>Total Reductions</b>	<b>\$ 14,819,000</b>

**Updates**

**White Oak Is Open for Business:** On December 5, 2005, the full service White Oak branch office opened.

## ***Budget Analysis***

---

### **Program Description**

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

- licensing all passenger and commercial drivers;
- registering and titling vehicles;
- issuing tags and permits for persons with a disability;
- providing photo identification cards for nondriver residents;
- regulating motor vehicle dealers, vehicle rental companies, and driver education schools; and
- administering the compulsory insurance compliance program, vehicle emissions inspection program, and driver safety programs.

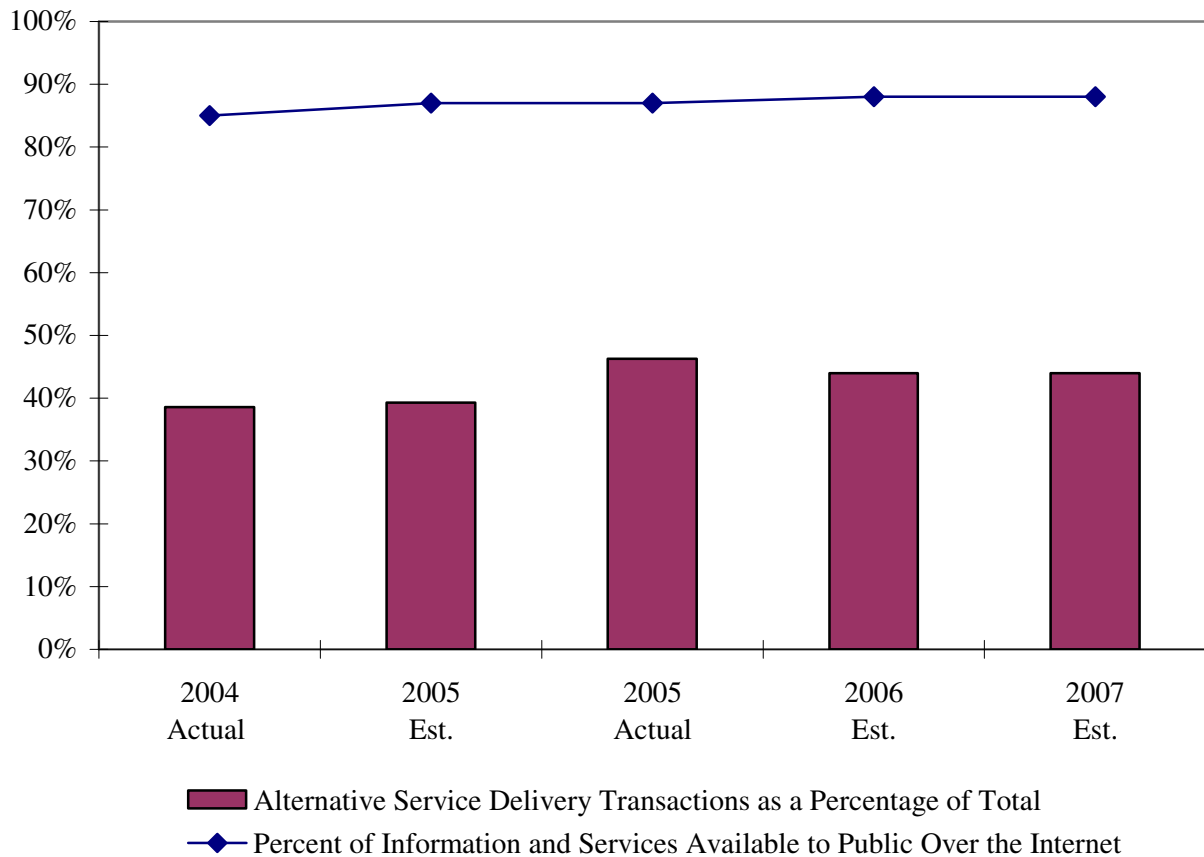
MVA serves its customers through a network of branch offices, e-MVA facilities (kiosks, Internet), a telephone call center, a mobile service center, and Vehicle Emissions Inspection Program (VEIP) stations.

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

MVA's mission is "to provide efficient and courteous service." To meet this mission, one goal of the MVA is to provide effective and efficient business processes. **Exhibit 1** displays the percentage of MVA services available on-line and alternative service delivery (e.g., on-line transactions, MVA kiosks, mail-in, or telephone call center) as a percentage of all transactions.

While the number of MVA services now available on-line has slowly increased through MVA's e-MVA service delivery systems capital investment, the utilization of these and other alternative services are estimated to remain stagnant in fiscal 2006 and 2007. In fiscal 2004, 38.6% of all transactions were completed through alternative service delivery and increased to 46.3% in

**Exhibit 1**  
**Motor Vehicle Administration Service Delivery**

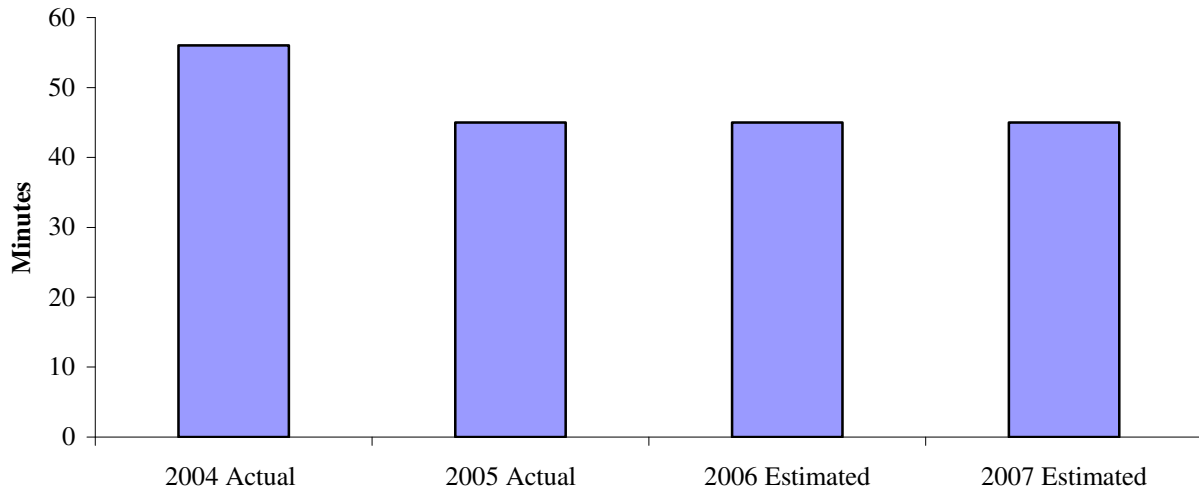


Source: Motor Vehicle Administration

fiscal 2005, above the fiscal 2005 estimate; however, the percentage is estimated to drop to 44% in fiscal 2006 and 2007 which still exceeds MVA's goal of 39%. The percentage of services available on-line has increased from 85% in fiscal 2004 to an estimate of 88% in fiscal 2007.

The goal of alternative service delivery and providing on-line services is to reduce the wait time for walk-in visits. **Exhibit 2** indicates that the average wait time of a customer is not projected to decrease from fiscal 2005 to 2007 despite the increased level of services available on-line and alternative service delivery options.

**Exhibit 2  
Average Customer Wait Time**



Source: Motor Vehicle Administration

---

**The Department of Legislative Services (DLS) recommends that MVA discuss what actions need to be taken to increase the percentage of services performed through the Internet and other alternative service mechanisms. Given the high level of services available over the Internet, increasing on-line service delivery participation would reduce the need for more branches and improve service delivery.**

### **Governor's Proposed Budget**

The fiscal 2007 allowance increases by \$7.6 million, or 5.8%, compared to the fiscal 2006 working appropriation. Approximately \$6.0 million of the increase, as seen in **Exhibit 3**, is attributed to an increase of personnel expenses, specifically:

- \$2,325,813 associated with the increased cost of health insurance for State employees and retired employees;
- \$1,418,020 for increments;
- \$773,202 for the employee pension system contribution; and

*J00E00 – MDOT – Motor Vehicle Administration*

- \$726,009 to reduce the cost of turnover expectancy.

Other significant changes in the fiscal 2007 allowance include a \$540,423 increase for the acquisition of software for technology enhancements to the motor voter software and case tools, a \$532,917 increase in the fee that MVA pays for each credit card transaction, \$440,410 for outside systems analysis and design, a \$409,941 increase due to the increased cost in the production of license plates and tags, a \$362,628 increase in postage, a \$229,361 increase for additional private security services, and \$213,654 for the upgrade of miscellaneous hardware components. In addition, there was a \$1,003,526 decrease in the cost of data processing and a \$370,501 decrease in the cost of temporary clerical support due to a shift to hiring contractual positions.

**Exhibit 3**  
**Governor's Proposed Budget**  
**MDOT – Motor Vehicle Administration**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>Special Fund</b>	<b>Federal Fund</b>	<b>Total</b>
2006 Working Appropriation	\$131,942	\$15	\$131,957
2007 Governor's Allowance	<u>139,563</u>	<u>15</u>	<u>139,578</u>
Amount Change	\$7,621	\$0	\$7,621
Percent Change	5.8%		5.8%

**Where It Goes:**

**Personnel Expenses**

Employee and retiree health insurance .....	\$2,356
Increments and other compensation .....	1,573
Employee retirement contribution .....	773
Turnover adjustments .....	726
Reclassification.....	200
Increase in deferred compensation match.....	185
Other fringe benefit adjustments .....	166

**Other Changes**

Software acquisition for the purchase of ongoing software support licenses .....	540
Increase in fees resulting from credit card transactions.....	533
Increase due to projected deficit in the Vehicle Emissions Inspection Program.....	440
Increase in the production price of metal license plates per State Use Industries .....	410
Increase in postage due to increase in mailing of agricultural and bay plates .....	363
Increase for security services for branch offices .....	229
Increase for the programmed purchase of computer equipment.....	214
Increase in office equipment.....	140
Increase in computer training .....	138
Decrease in ongoing computer support due to MVA taking over contract from vendor	-1,004
Decrease in clerical and secretarial support.....	-370
Other adjustments .....	9

**Total** **\$7,621**

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

## **PAYGO Capital Program**

### **Program Description**

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

### **Fiscal 2006 to 2011 Consolidated Transportation Program**

The fiscal 2007 allowance provides \$27 million for the MVA capital program with one project being added to the construction program and one project added to the development and evaluation program. As shown in **Exhibit 4**, a majority of the funds, \$19.8 million, are for system preservation and minor projects. The major ongoing project is the e-MVA Delivery Systems which provides for the development and implementation of MVA services through the Internet, kiosks, and telephones.

Funding for system preservation and minor projects include:

- \$4.2 million for Office of Information Resources office renovation;
- \$4.4 million for renovations to the Bel Air and Gaithersburg offices;
- \$2.1 million for computer equipment upgrades; and
- \$1.6 million for building and interior modifications for multiple branch offices.

### **Fiscal 2006 and 2007 Cash Flow Analysis**

The fiscal 2006 legislative appropriation decreased \$1.0 million as highlighted in **Exhibit 5**. This decrease was due to cash flow changes in several minor projects with the funds being carried over into fiscal 2007. The fiscal 2007 allowance increases approximately \$8.7 million compared to the fiscal 2006 working appropriation. This increase is due to the following:

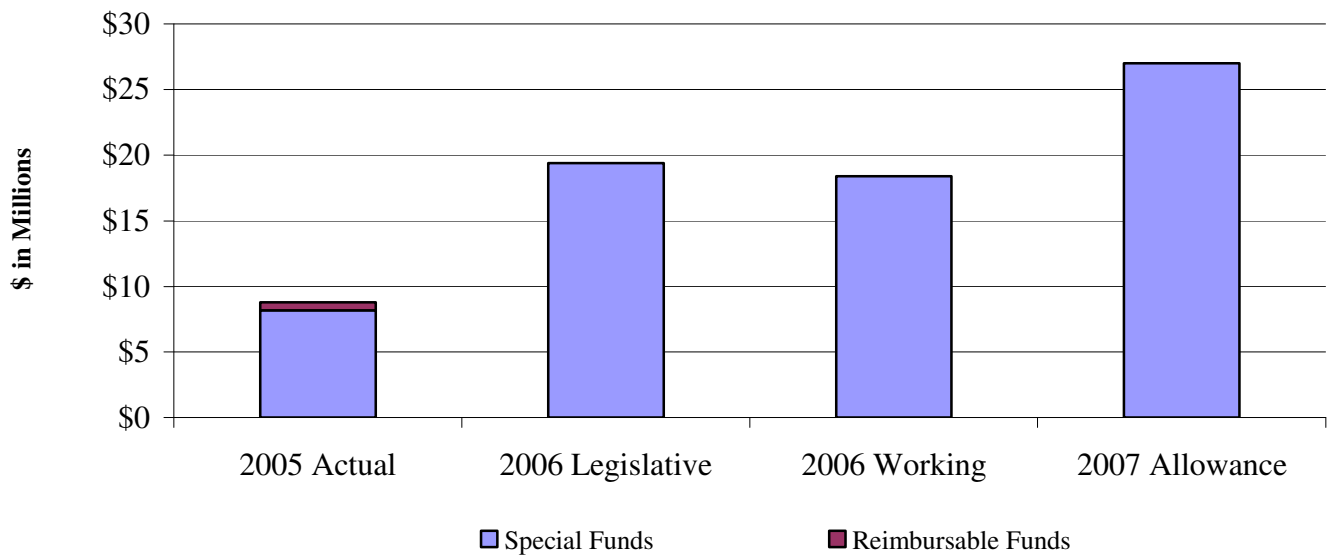
- \$3 million in system preservation;
- \$1.5 million increase for implementation of the REAL-ID Act; and
- the remaining funds are the result of several small system preservation project additions and funds from fiscal 2006 being carried over into fiscal 2007.

**Exhibit 4  
Major Ongoing MVA Projects  
(\$ in Thousands)**

<u>Jurisdiction</u>	<u>Project Description</u>	<u>FY 2007</u>	<u>Total Project Costs</u>
Statewide	Title and Registration Information System 2	\$700	\$16,235
Statewide	e-MVA Service Delivery Systems	2,618	13,273
Statewide	National Motor Vehicle Title Information System	100	4,200
Statewide	Accounts Receivable System and Flag Fee Processing	860	1,967
Statewide	System Preservation Minor Projects – Building Improvements	19,800	Ongoing
Statewide	Capital Salaries	900	Ongoing
	<b>Total Major Projects and Capital Facilities</b>	<b>\$24,978</b>	<b>\$35,675</b>

Source: Maryland Department of Transportation, 2006 – 2011 *Consolidated Transportation Program*

**Exhibit 5  
Cash Flow Changes  
Fiscal 2006 to 2007**



Source: Maryland Department of Transportation, 2006 – 2011 *Consolidated Transportation Program*

**MVA Projects Added to the Construction Program**

One project, accounts receivable system and flag fee processing, was added to the MVA's construction program for fiscal 2007 as shown in **Exhibit 6**. This project will cost \$247,000 in fiscal 2006 and \$860,000 in fiscal 2007, with a total project cost of almost \$2 million.

---

**Exhibit 6**  
**MVA – CTP Projects Added to the Construction Program**  
**Fiscal 2006 – 2007**  
**(\$ in Thousands)**

<u>Project</u>	<u>FY 06</u>	<u>FY 07</u>	<u>Total FY 06 – 07</u>	<u>Total Project Cost</u>
Accounts Receivable System and Flag Fee Processing	\$247	\$860	\$1,107	\$1,967

Source: Maryland Department of Transportation, 2006 – 2011 *Consolidated Transportation Program*

---

**MVA Projects Added to the Development and Evaluation (D&E) Program**

One project was added to the MVA development and evaluation program as seen in **Exhibit 7**. The REAL-ID Act implementation project was added to upgrade systems and policies within the MVA to comply with federal regulations. The REAL-ID Act is programmed for \$500,000 in fiscal 2006 and \$2 million in fiscal 2007 with a total project cost of \$3.5 million.

---

**Exhibit 7**  
**MVA – CTP Projects Added to the D&E Program**  
**Fiscal 2006 – 2007**  
**(\$ in Thousands)**

<u>Project</u>	<u>FY 06</u>	<u>FY 07</u>	<u>Total FY 06 – 07</u>	<u>Total Project Cost</u>
REAL-ID Act Implementation	\$500	\$2,000	\$2,500	\$3,500

Source: Maryland Department of Transportation, 2006 – 2011 *Consolidated Transportation Program*

---

## ***Issues***

---

### **1. REAL-ID, What Is It?**

On May 11, 2005, President George W. Bush, Jr., signed the Real-ID Act (H.R. 1268; P.L. 109-13) as part of the Emergency Supplemental Appropriation for Defense, the Global War on Terror, and Tsunami Relief, 2005. The REAL-ID Act (“the Act”) requires federal agencies to only accept state-issued driver’s licenses and personal identification cards after May 11, 2008, which have met certification standards. The legislation contains a number of provisions outlining broad requirements for issuing driver’s licenses or personal identification cards. The Act requires the Department of Homeland Security (DHS), in consultation with the U.S. Department of Transportation, to promulgate regulations clarifying the Act’s provisions. These regulations are expected to be issued soon.

#### **What Does REAL-ID Do?**

MVA is the State entity responsible for issuing State driver’s licenses and personal identification cards. As a result, MVA will be responsible for implementing the Act. While DHS has the final authority to clarify the Act through regulation, following are some of the broad provisions in the Act:

- uniformity amongst all states in the design and information contained on a personal identification card and/or driver’s license including a common machine-readable technology;
- require documentation including such documents as a birth certificate, Social Security card, and documentation of the person’s address that will need to be authenticated by MVA staff;
- immigration requirements that require each state to verify that an individual is “lawfully present” defined as (a) a U.S. citizen; (b) is an alien lawfully admitted for permanent or temporary residence; (c) has a conditional permanent resident status; (d) is a refugee or has been granted asylum; (d) has a valid, unexpired nonimmigrant visa or nonimmigrant visa status; and (e) has a pending or approved application for temporary protected status, asylum, deferred status, permanent residence, or conditional permanent resident status;
- security standards that will ensure the physical security of the locations where supporting documents are held and where the driver’s license and/or personal identification cards are produced; and
- technology requirements that will require digital imaging of documents presented for a form of identification and electronic access for other states to obtain information.

## **The Impact**

After May 11, 2008, individuals are unlikely to have same day service, as the verification process will be time intensive. The document verification element of the Act will likely require staff training on how to detect fraudulent documents as well as an understanding of what documents are acceptable to obtain a driver's license and/or personal identification card.

## **Funding Issues**

- **Cost to the State:** Estimating the cost to Maryland to implement the Act is not possible at this time. In the draft *Consolidated Transportation Program* (CTP) for fiscal 2006 through 2011, MVA has budgeted \$3.5 million to implement the REAL-ID Act.
- **Federal Grant Assistance:** DHS has the authority to provide grants to states to assist in conforming to minimum federal standards.
- **Cost Recovery:** Chapter 9, Acts of 2004 requires MVA to set the level of its miscellaneous fees to cover 95 to 100% of its operating and capital expenditures. Any additional capital investment or increased operating expenditures resulting from the Act's implementation will result in increased fees or reductions in other areas.

## **Policy Options**

1. **If Maryland Complies with the REAL-ID Act:** In complying with the federal legislation, Maryland will need to pass legislation that will meet the "lawfully present" portion of the REAL-ID Act. In doing so, individuals who do not meet the "lawfully present" requirement will not be allowed to obtain a Maryland driver's license or ID card. Those residents of Maryland who are considered "unlawfully present" would no longer be able to receive a State driver's license or ID. In complying, the cost of implementing the REAL-ID Act would be passed on through the fees assessed by MVA.
2. **If Maryland Does Not Comply with the REAL-ID Act:** By not complying with the REAL-ID Act, Maryland's driver's license and ID cards would not be recognized by federal agencies. As such, individuals would likely need to present a passport or some other form of identification to meet the REAL-ID requirements to board an airplane or enter a federal building. This option would not result in any budgetary impacts; however, individuals could be inconvenienced by not having an ID meeting federal standards.
3. **If Maryland Maintains Its Current System and Develops a New System That Complies with the REAL-ID Act:** The State would maintain its current system so that individuals who do not meet federal requirements could continue to obtain a State issued ID or driver's license. In addition, a separate driver's license or ID card would be developed that complied with the REAL-ID Act. This option would come the closest to meeting the needs of all residents of the State; however, this option would result in increased fees and duplicative State-issued IDs.

## **Technology Issues**

Implementing the REAL-ID Act will likely require a substantial technology investment on the part of MVA and State. All of the information collected by MVA for each individual requesting an ID will need to be stored electronically as well as be shared and accessible to other states nationwide. In addition, MVA will be required to verify each individual's birth record with the state that originally issued the document. The best way to efficiently manage this process is electronically and to link the information collected by MVA to the information collected by the Vital Statistics Administration of the Department of Health and Mental Hygiene and other relevant state agencies.

**DLS recommends that the department provide an update to the committee highlighting what measures it is undertaking to implement the REAL-ID Act, what it foresees as the potential effect on the agency's capital and operating budgets, and its effect on citizens. Furthermore, MVA should comment on the potential technology enhancements needed to implement the REAL-ID Act. In addition, MVA should comment as to how it foresees working with other Maryland agencies to efficiently exchange information through technology.**

**DLS also recommends that committee narrative be adopted requiring MVA to submit a report to the committees once federal regulations have been issued where the regulations, and their impact on the State, will be evaluated with initial cost projections included.**

## Operating Budget Recommended Actions

---

	<b><u>Amount Reduction</u></b>	
1. Reduce funds for laundry service equal to the fiscal 2006 working appropriation. Laundry increases by 188% in the fiscal 2007 allowance. Funds were budgeted based upon the actual expenditures in fiscal 2005 plus additional funding for the White Oak Office.	\$ 60,388	SF
2. Reduce funds for office equipment. This provides funding for office equipment equal to the fiscal 2005 actual.	20,000	SF
3. Reduce funds for building/road repairs and maintenance for the agency. This reduction provides for a \$32,000 increase over the fiscal 2006 working appropriation.	35,000	SF
4. Increase turnover expectancy for the agency. Turnover expectancy decreased \$726,009 in the fiscal 2007 allowance. This action sets turnover at 3.5%, closer to historical levels, meaning the agency must hold 56.44 positions vacant.	225,063	SF
5. Adopt the following narrative:		

**Update Once Federal Regulations for the REAL ID Act Are Issued:** The Motor Vehicle Administration (MVA) should provide an update to the committees once the Department of Homeland Security has issued federal regulations on the implementation of the REAL-ID Act. This update should include the following:

- a summary of the proposed regulations and their requirements;
- what impact each regulation will have on the operations of MVA;
- any constitutional or statutory issues for Maryland that may result from the federal regulations;
- a draft workplan and timeline for how MVA will begin the process of implementing the REAL-ID Act; and

*J00E00 – MDOT – Motor Vehicle Administration*

- information regarding what technology improvements and projected costs MVA will need to undertake to comply with federal regulations.

A report should be issued 60 days after federal regulations on the REAL-ID Act have been issued and should detail what the regulations are, their impact and projected cost on Maryland, and draft a workplan.

In addition, the committees should provide an update of the agency's actions in response to the federal regulations to the committees 6 months after the initial report.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Update Once Federal Regulations for the REAL ID Act Are Issued	MDOT	60 days after the issuance of federal regulations on the REAL-ID Act
<b>Total Special Fund Reductions</b>		<b>\$ 340,451</b>

## ***PAYGO Budget Recommended Actions***

---

	<b><u>Amount Reduction</u></b>	
1. Reduce funding for minor projects in the Motor Vehicle Administration. Specifically, this reduces funding for the following minor projects: Glen Burnie office improvements; Office of Information Resources renovation; system preservation, building and interior modification; Branch Office heating, ventilation, and air conditioning replacement; Gaithersburg office interior modifications and site work; Bel Air Office Interior Modifications; and Site Work. This reduction is necessary to realize \$29.3 million for restricted fiscal 2006 funds that were reprogrammed by the department. This reduction deletes funding for fiscal 2007; however, if the department identifies available cash during the fiscal year the department may process a budget amendment to fund these projects.	\$ 12,201,000	SF
2. Reduces funds for the e-MVA Service Delivery Systems. This action is necessary to identify \$29.3 million for funds restricted in fiscal 2006 that were reprogrammed by the department. Should the department find available cash to fund both the \$29.3 million in restricted funds as well as the e-MVA Service Delivery System, they can. This reduction deletes funding for fiscal 2007; however, if the department identifies available cash during the fiscal year the department may process a budget amendment to fund these projects.	2,618,000	SF
<b>Total Special Fund Reductions</b>	<b>\$ 14,819,000</b>	

## ***Updates***

---

### **1. White Oak Is Open for Business**

On December 5, 2005, the White Oak branch office in Montgomery County opened for business. This branch is a full service branch that is processing and issuing all types of MVA services and products. The White Oak branch office is expected to eventually serve between 170,000 and 225,000 customers.

***Current and Prior Year Budgets***

---

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

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2005</b>					
Legislative Appropriation	\$0	\$123,730	\$15	\$0	\$123,745
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	1,804	451	0	2,255
Reversions and Cancellations	0	-76	-226	0	-302
<b>Actual Expenditures</b>	<b>\$0</b>	<b>\$125,459</b>	<b>\$240</b>	<b>\$0</b>	<b>\$125,699</b>
<b>Fiscal 2006</b>					
Legislative Appropriation	\$0	\$129,463	\$15	\$0	\$129,478
Budget Amendments	0	2,479	0	0	2,479
<b>Working Appropriation</b>	<b>\$0</b>	<b>\$131,942</b>	<b>\$15</b>	<b>\$0</b>	<b>\$131,957</b>

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

---

## **Fiscal 2005**

Fiscal 2005 MVA expenditures totaled \$125.7 million, which is \$2 million more than the legislative appropriation of \$123.7 million.

Special funds increased a net of \$1.7 million with \$1.8 million in budget amendments and \$76,000 in cancellations. The amendments were (1) \$1.5 million for fiscal 2005 cost-of-living adjustment (COLA) and (2) \$300,000 for increased fuel and utility costs. \$76,000 was cancelled in employee and retiree health insurance.

Federal funds increased a net of \$225,000 with \$450,000 in a budget amendment and \$226,000 in cancellations. The \$450,000 amendment was as a result of additional grant funding from the U. S. Department of Transportation: \$215,000 was used to modify an existing database, \$140,000 was used to purchase additional equipment to authenticate and verify documents, \$70,000 was used for a study on the Motor Carrier Assistance Program, and \$25,000 for odometer fraud enforcement. \$226,000 in federal funds were cancelled due to (1) \$206,000 in delays associated with investigations, project implementation, and the purchase of security equipment; and (2) \$20,000 in grants being closed.

## **Fiscal 2006**

The fiscal 2006 special fund working appropriation increased \$2.5 million compared to the fiscal 2006 legislative appropriation. This increase is a result of the following budget amendments: \$1.5 million to fund cost increases associated with health insurance for active and retired State employees, \$1.1 million to fund the 1.5% COLA for State employees, a \$30,000 decrease in telecommunication costs that were transferred to the Secretary's Office, and a \$70,000 decrease associated with PIN transfers occurring after the submission of the budget.

## ***Audit Findings***

---

Audit Period for Last Audit:	January 1, 2001 – December 31, 2003
Issue Date:	November 2004
Number of Findings:	22
Number of Repeat Findings:	2
% of Repeat Findings:	9.09 %
Rating: (if applicable)	n/a

- Finding 1:** Driver’s licenses and related transactions were not subject to proper controls.
- Finding 2:** MVA did not ensure the accuracy of social security numbers on its licensed driver database.
- Finding 3:** Driver’s license suspensions and revocations were not adequately controlled.
- Finding 4:** MVA did not properly process certain driver’s license suspensions and revocations.
- Finding 5:** Driver’s licenses of individuals with child support payment arrearages were not suspended as required by State law.
- Finding 6:** MVA did not monitor and report to appropriate legislative committees significant delays in adjudicating alcohol-related traffic violations (policy issue).
- Finding 7:** MVA lacked adequate controls over certain vehicle titling and registration transactions.
- Finding 8:** Reports used to identify late payments of excise taxes and related fees from dealerships were not complete.
- Finding 9:** Audits of licensed dealerships were not comprehensive.
- Finding 10:** MVA did not obtain independent audits of the electronic vehicle registration and titling system.
- Finding 11:** **MVA did not take appropriate actions when lapses of insurance coverage were identified.**
- Finding 12:** Controls were not adequate to ensure that vehicle owners obtained required insurance coverage.

*J00E00 – MDOT – Motor Vehicle Administration*

- Finding 13:** Traffic citation forms distributed to State and local law enforcement agencies were not properly accounted for.
- Finding 14:** Instances of possible criminal conduct by MVA employees were not referred to the Office of the Attorney General.
- Finding 15:** MVA issued certain special registration plates and placards without obtaining required physicians' certifications.
- Finding 16:** **Review process for a critical mainframe database data was not adequately restricted.**
- Finding 17:** Access to certain critical database data was not adequately restricted.
- Finding 18:** Servers which support the e-MVA store were not adequately protected.
- Finding 19:** Internal controls over cash receipts were inadequate.
- Finding 20:** Proper internal controls were not established over the processing of critical purchasing and disbursement transactions.
- Finding 21:** Program inspection fees and related fee waivers granted to vehicle owners were not adequately controlled.
- Finding 22:** Physical inventories of equipment were not performed, related records were not maintained as required.

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

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

<u>Object/Fund</u>	<u>FY05 Actual</u>	<u>FY06 Working Appropriation</u>	<u>FY07 Allowance</u>	<u>FY06 - FY07 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	1580.50	1602.50	1602.50	0	0%
02 Contractual	65.15	95.93	97.03	1.10	1.1%
<b>Total Positions</b>	<b>1645.65</b>	<b>1698.43</b>	<b>1699.53</b>	<b>1.10</b>	<b>0.1%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 82,343,022	\$ 87,292,520	\$ 93,271,526	\$ 5,979,006	6.8%
02 Technical & Spec Fees	3,823,070	4,528,332	4,213,611	-314,721	-7.0%
03 Communication	6,769,939	5,465,369	5,821,788	356,419	6.5%
04 Travel	137,949	163,753	141,999	-21,754	-13.3%
06 Fuel & Utilities	1,589,335	1,964,512	1,788,255	-176,257	-9.0%
07 Motor Vehicles	771,681	890,022	838,195	-51,827	-5.8%
08 Contractual Services	24,478,296	26,905,686	28,012,968	1,107,282	4.1%
09 Supplies & Materials	1,327,786	1,160,809	1,165,054	4,245	0.4%
10 Equip - Replacement	244,707	74,178	113,299	39,121	52.7%
11 Equip - Additional	338,415	0	140,013	140,013	N/A
12 Grants, Subsidies, and Contributions	81,719	81,953	81,719	-234	-0.3%
13 Fixed Charges	3,793,089	3,430,042	3,989,436	559,394	16.3%
<b>Total Objects</b>	<b>\$ 125,699,008</b>	<b>\$ 131,957,176</b>	<b>\$ 139,577,863</b>	<b>\$ 7,620,687</b>	<b>5.8%</b>
<b>Funds</b>					
03 Special Fund	\$ 125,458,713	\$ 131,942,176	\$ 139,562,863	\$ 7,620,687	5.8%
05 Federal Fund	240,295	15,000	15,000	0	0%
<b>Total Funds</b>	<b>\$ 125,699,008</b>	<b>\$ 131,957,176</b>	<b>\$ 139,577,863</b>	<b>\$ 7,620,687</b>	<b>5.8%</b>

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.

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

<u>Program/Unit</u>	<u>FY05 Actual</u>	<u>FY06 Wrk Approp</u>	<u>FY07 Allowance</u>	<u>Change</u>	<u>FY06 - FY07 % Change</u>
01 Motor Vehicle Operations	\$ 125,699,008	\$ 131,957,176	\$ 139,577,863	\$ 7,620,687	5.8%
03 Facilities and Capital Equipment	6,438,645	11,931,008	20,754,714	8,823,706	74.0%
08 Major IT Development Projects	2,345,972	6,438,000	6,278,000	-160,000	-2.5%
<b>Total Expenditures</b>	<b>\$ 134,483,625</b>	<b>\$ 150,326,184</b>	<b>\$ 166,610,577</b>	<b>\$ 16,284,393</b>	<b>10.8%</b>
Special Fund	\$ 133,628,943	\$ 150,311,184	\$ 166,595,577	\$ 16,284,393	10.8%
Federal Fund	240,295	15,000	15,000	0	0%
<b>Total Appropriations</b>	<b>\$ 133,869,238</b>	<b>\$ 150,326,184</b>	<b>\$ 166,610,577</b>	<b>\$ 16,284,393</b>	<b>10.8%</b>
Reimbursable Fund	\$ 614,387	\$ 0	\$ 0	\$ 0	0.0%
<b>Total Funds</b>	<b>\$ 134,483,625</b>	<b>\$ 150,326,184</b>	<b>\$ 166,610,577</b>	<b>\$ 16,284,393</b>	<b>10.8%</b>

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.

**Budget Amendments for Fiscal 2006**  
**Maryland Department of Transportation**  
**Motor Vehicle Administration – Operating**

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$1,144,164	Special	This amendments funds the 1.5% COLA granted to all eligible State employees.
Approved	1,447,454	Special	Funds the increased cost to health insurance for active and retired employees.
Approved	-75,656	Special	Reallocates funds between MDOT modes for PIN transfers completed after the submission of the budget.
Approved	-36,675	Special	Consolidates all funds for State telecommunications under The Secretary's Office.
Pending	210,475	Federal	Provides federal funds to continue the Odometer, Motor Carrier Safety Assistance Programs and Investigation and Commercial Driver License grants.
Projected	1,142,000	Special	Covers increased costs associated with interpretation and translation services needed for individuals who speak a non-English language and increased costs due to increased credit card usage.
Projected	1,844,005	Special	Provides funding for turnover adjustment to hire adequate MVA staff to achieve a 35 minutes average customer visit time (987,005), postage increase of 5.4% effective January 1, 2006, and VEIP contract shortfall.
Projected	568,769	Special	Legislation – Provides funding for legislation passed in the 2005 session.

Source: Maryland Department of Transportation

**Budget Amendments for Fiscal 2006**  
**Maryland Department of Transportation**  
**Motor Vehicle Administration – Capital**

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$11,323	Special	This amendments funds the 1.5% COLA granted to all eligible State employees.
Approved	10,037	Special	Funds the increased cost to health insurance for active and retired employees.
Pending	127,500	Federal	Provides federal funds to continue the Odometer, Motor Carrier Safety Assistance Programs and Investigation and Commercial Driver License grants.
Projected	-1,043,500	Special	Adjusts the amended appropriation to agree with the anticipated expenditures for the current year as reflected in the fiscal 2006 – 2011 final CTP.

Source: Maryland Department of Transportation