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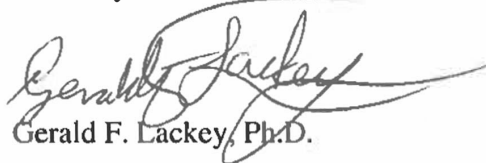
Dear Laura Wilborn:

I am pleased to transmit to you the accompanying report on the DMV Select Program in accordance with Appropriation Act - Item 426 P. (Regular Session, 2025).

Questions about the report may be directed to

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Sincerely,


Gerald F. Lackey, Ph.D.

DMV Select Compensation

Final Report

Virginia Department of Motor Vehicles
December 2025

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Executive Summary

The DMV Select Program is a partnership, authorized under § 46.2-205 of the *Code of Virginia*, between the Department of Motor Vehicles (DMV) and local agents (Select Agents) to offer limited-service outlets to supplement full-service DMV Customer Service Centers (CSCs). There are currently 59 DMV Select locations. 35 of these locations are operated in partnership with Constitutional Officers. The remaining 24 locations are split evenly between private entities and town governments or localities. Select Agents offer a range of vehicle transactions and are paid based on a percentage of annual gross revenue collections. The payment scheme for DMV Selects is set in the budget bill that is passed by the legislature.

During the 2025 session, the General Assembly enacted an amendment to the budget, introduced by Delegate Hodges, which added paragraph P to Item 426. Paragraph P requires DMV to “conduct an analysis of the DMV Select Program to evaluate its potential financial impact on participating localities, including any associated costs of program administration and operations” and to “complete the analysis and report its findings to the Chairs of the House Appropriations and Senate Finance and Appropriations Committees no later than December 1, 2025.”

In response, DMV has conducted an analysis and prepared this report, based on three areas of focus:

- start-up and ongoing costs associated with operating a DMV Select location and how these costs are allocated;
- total revenues earned by Select Agents and the adjusted unit cost per transaction, including such factors as labor costs and employee transaction time, for purposes of estimating profitability for Select Agents based on the frequency of income from certain transactions; and
- the characteristics and business practices of DMV Selects that would increase the profitability of Select Agents.

In conducting its analysis, DMV excluded auto auctions and the VIADA processing center, as they are outside of the scope of the analysis required by Item 426(P).

After researching and analyzing the available information, DMV determined that DMV Select locations that are operated by localities and Constitutional Officers are less impacted by key expenses associated with the operation of a DMV Select location, such as advertising costs and labor costs, when compared to private Select Agents. DMV Select locations operated by localities can utilize existing staff to reduce or eliminate labor costs. Moreover, DMV Select locations operated by localities are often operated out of buildings owned by the localities, which reduces or eliminates rent, mortgage, and property tax expenses. DMV Select locations operated by localities also can utilize several free or low-cost advertising methods that are not available to privately operated DMV Select locations.

DMV’s research and analysis also revealed two important details regarding DMV Select compensation. Analysis of Select data shows that the highest earning Select Agents also have the highest number of out-of-state transactions. DMV does not have information relating to agreements that DMV Selects may have with out-of-state dealerships to process titling

transactions, but a Select Agent that processes an unusually high volume of original title transactions and also processes a very high volume of out-of-state transactions¹ would likely have an arrangement with one or more out-of-state dealers. While these types of transactions are inconsistent with the purpose of the Select program, these agreements are not prohibited in the *Code* or any agreements between DMV and Select Agents. Given the significant impact that these out-of-state transactions seem to have on revenue generation for Select Agents, DMV has concluded that establishing an agreement with out-of-state dealers and pursuing original title transactions is a key practice of the most successful Select Agents.

DMV's analysis also revealed that certain transactions, when accounting for labor costs, could result in a net loss for Select Agents. While a potential increase or modification in the DMV Select compensation structure might resolve this issue, any such changes would need to be tied to a broader study of DMV's fee structure to avoid impacting DMV's budget or the Commonwealth Transportation Fund and is beyond the scope of this study.

¹ An out-of-state transaction is one in which the customer is located outside of the Commonwealth.

History of the DMV Select Program

DMV first began utilizing private sector “License Agents” more than 80 years ago, with partnerships established in Abingdon, Berryville, Bowling Green, Cape Charles, and Chatham. These License Agents were established in rural areas of the state to provide DMV services to customers who had to travel long distances to CSCs. Initially, License Agents collected forms and payments that were then mailed to DMV headquarters for processing rather than processing transactions themselves. Once DMV headquarters completed processing a customer’s submission, the appropriate credential or product would be mailed to the customer.

Throughout this period, the License Agent program expanded and contracted based on the opening of new CSCs, population changes, and the introduction of other means of conducting transactions. At its largest, the License Agents program had 154 participants to supplement the agency’s 10 CSCs. Initially, these License Agents were paid up to \$0.50 per set of license plates. In 1979, the compensation system was changed to a percentage of annual collections, with License Agents receiving 3.5% for the first \$250,000 collected and then dropping off at higher volumes.

Beginning in 1994, DMV enabled License Agents to process transactions on-site by allowing them to link directly to DMV’s system. In 2002, budget reductions led to significant reductions in DMV CSCs and personnel. This significant reduction in customer service led the agency to increase the number of License Agents. In 2004, based on the recommendations of an internal “Alternative Services Study,” the License Agent program changed into the current DMV Select program. At this time, a significant investment was made in technology to allow the Select Agents to process transactions via a web-based application.

Today, there are 59 DMV Select locations, comprised of 12 that are privately operated, 12 that are operated by a town or locality, and 35 that are operated by a Constitutional Officer. While the program has changed significantly since its inception over 80 years ago, the purpose of the program, to provide access to DMV services for residents of the Commonwealth, remains consistent. Select Agents offer a limited number of transaction types, including title transactions, registrations, special and personalized license plate orders, trip permits and overload permits. Select Agents are not permitted to increase the fees for any transaction type that is offered at their location. Instead, DMV Select base compensation is dictated by the Commonwealth’s budget, which currently provides that during each fiscal year a Select Agent will receive 4.5% of gross collections for the first \$500,000, and 5% of gross collections in excess of \$500,000.

Previous Studies on DMV Selects

2011 DMV Select Study

In 2011, the Chair of the Senate Committee on Transportation requested that DMV conduct a study on the DMV Select program. This study addressed several issues, including the financial sustainability of the Select program for DMV, the potential expansion of services at Select locations, and whether the Commissioner should retain exclusive authority to partner with Selects on an as-needed basis. The study, published in October of that year, found that between

1994 and 2010 the number of Selects increased by 148%, from 23 to 57. The study also found that, during that same period, the number of transactions increased by 146%, from approximately 402,000 (in 1994) to approximately 989,000 (in 2010), and annual gross revenue collected increased by 281%, from \$23.1M to \$88M.² The study additionally found that the increase in the cost of the program to DMV far outpaced growth in the number of Select transactions and gross revenue collected. During that same time period, the cost of the program increased by 690%, with the program costing the agency over \$4.3 million in annual payments in 2011.³ The agency determined that this represented a “significant underfunded and unsustainable liability, at a time when the agency is predicting to face a substantial budget shortfall due to the implementation of the 8 year drivers’ license.”⁴ One of the recommendations included in the study to mitigate the ballooning cost of the DMV Select program, Recommendation 7(3), was incorporated in the comprehensive DMV service and safety changes bill in the 2012 General Assembly session.⁵ Based on the study’s projections, the revenue saved by implementing this recommendation accounted for less than 7% of the over \$4.3 million in annual payments to Select Agents.

As part of DMV’s 2011 study, the agency polled Select Agents on a variety of important issues, including factors that could influence the decision on a new Select’s location, staffing, number of years in operation, and operating hours. One set of questions regarding compensation alternative preferences was particularly relevant to the subject of this report. The question posited to the Select Agents sought the alternative compensation methods preferred by Selects to address the rising costs of Selects incurred by DMV. The choices that Select Agents were asked to rank included an increase to statewide charge or fee, such as stop fees or title fees, lowering Select compensation rates to 3.5 percent, offering Select Agents the option of doing unlimited dealer work with a \$10 transaction charge that would be paid by dealers, and adding a service charge up to \$5 per transaction that would be paid by customers.

Of the options presented, 57% of Select Agents chose the increase to a statewide charge or fee as their preferred option. Select Agents indicated that their second choice was lowering Select compensation rates to 3.5 percent, followed by the option to do unlimited dealer work with a \$10 transaction charge paid by dealers. 55.9% of Select Agents indicated that their least preferred option would be adding a service charge up to \$5 per transaction that would be paid by customers.

2015 JLARC DMV Study

In 2015, the Joint Legislative Audit and Review Commission (JLARC) completed a report assessing the performance of DMV. This study found that, in FY 2014, DMV Selects processed more than one million transactions, which accounted for approximately 7% of DMV’s total

² Virginia Department of Motor Vehicles, DMV Select Study (Oct. 2011), <https://rga.lis.virginia.gov/Published/2011/RD291/PDF>, p. 1.

³ *Id.*

⁴ *Id.*

⁵ The 2011 DMV Select Study’s recommendations are included in Appendix B; See Chapters [215](#) and [222](#) of the 2012 Acts of Assembly.

transactions. The most common transactions at Selects were registration renewals and title transactions, which accounted for 38% and 24% of total business respectively.⁶

JLARC's study determined that the Select program improved access to DMV in-person services for citizens of the Commonwealth. The study found that 95% of Virginia residents are within a 30-minute drive of a CSC and 79% are within a 15-minute drive of a CSC.⁷ When including DMV Select locations, these numbers increased to 99% of Virginia residents within a 30-minute drive of a CSC or Select and 85% within a 15-minute drive of a CSC or Select.⁸ Thus, DMV Select locations accounted for a 4% increase in access for residents that would otherwise not be within a 30-minute drive and a 6% increase in access for residents that would otherwise not be within a 15-minute drive. Further, the increase in access for residents that were outside of a 30-minute drive from a CSC improved access within 26 rural localities.⁹

JLARC's study determined that compensation for Select Agents fluctuated based on legislative changes that impacted the costs associated with the transactions that were processed by Select Agents.¹⁰ JLARC's analysis found that legislative changes resulted in an increase to reimbursement to Select Agents in FY 2014 and a decrease in reimbursement to Select Agents in FY 2015.¹¹ The study forecasted an increase in DMV Select reimbursement for FY 2016 based on the changes made during the 2015 General Assembly session.¹² The JLARC study also identified that a DMV cost saving measure for dealer-conducted titling processes was a factor in reducing the volume of certain titling transactions at Selects.

Finally, the JLARC study discussed compensation at DMV Selects. The study stated that, while some Selects had raised concerns with reimbursement, there was "inadequate information necessary to evaluate the adequacy of reimbursement."¹³ The JLARC study found that "[m]any Selects reported reimbursement amounts that were very different than DMV records"¹⁴ and that "Selects also reported widely varying levels of resources devoted to performing DMV functions relative to the transactions they conduct."¹⁵ The study hypothesized that Select reimbursement may become less relevant if the trend of customers opting to use the internet to conduct transactions continues to increase, rendering in-person options impractical or not financially viable. The JLARC study provided certain factors to consider, in the short term, when analyzing if Select reimbursement should be increased.

⁶ Joint Legislative Audit & Review Comm'n, Assessing the Performance of Virginia's DMV 4 (Oct. 2015), <https://jlarc.virginia.gov/pdfs/reports/Rpt474.pdf>, pp. 3-4, 40.

⁷ *Id.* at p. 26.

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.* at p. 29.

¹¹ *Id.* at pp. 29-30.

¹² *Id.*

¹³ *Id.* at p. 30.

¹⁴ *Id.*

¹⁵ *Id.*

Scope of the Analysis and Report

DMV has identified three areas of focus for this analysis and report. First, the analysis examined the start-up and ongoing costs associated with operating a DMV Select location and how these costs are allocated. Next, the analysis examined the total revenues earned by Select Agents and the adjusted unit cost per transaction, including such factors as labor costs and employee transaction time, to estimate profitability for Select Agents based on the frequency of certain transactions and associated income. This analysis excluded optional services, such as transactions related to EZ-Pass and handicapped license plates, that are not offered by all Select Agents. Finally, the analysis examined the characteristics and business practices of DMV Selects to determine those that would increase the profitability of Select Agents. DMV determined that the analysis would exclude auto auctions and the VIADA Processing Center, as they operate under a different compensation structure than Select Agents and are therefore outside of the scope of the analysis required by Item 426(P).

Revenue and Cost Allocation

As discussed above, the DMV Select reimbursement rate is dictated by the Commonwealth's budget. The current reimbursement rate, which has remained constant since 2007, provides that during a fiscal year a DMV Select shall receive 4.5% of gross collections for the first \$500,000, and 5% of all gross collections in excess of \$500,000. In FY 2025, Select Agents collected gross revenues of approximately \$182 million and were paid approximately \$9.1 million under the current reimbursement rate. DMV Select payments are paid using Motor Vehicle Special Fund, which is appropriated funds by the General Assembly, with certain exceptions.

Most of the revenues collected by Select Agents are distributed to funds or agencies outside of DMV. An analysis of funds collected by Select Agents that was performed for FY 2022 shows that 87.3% of all collected funds are distributed to the Commonwealth Transportation Fund. An additional 2% of all collected funds are distributed to the Virginia Department of Health, 0.4% of all collected funds are distributed to Virginia State Police, and 5.1% of all collected funds are distributed to localities. 5.2% of all collected funds, only slightly more than what is paid to Select Agents, are distributed directly to DMV. Unless otherwise indicated above, Select Agent compensation is paid to Select Agents from the 5.2% of collected funds that are distributed to DMV. Figure 1 below shows the distribution of Select collected revenues for FY 22.

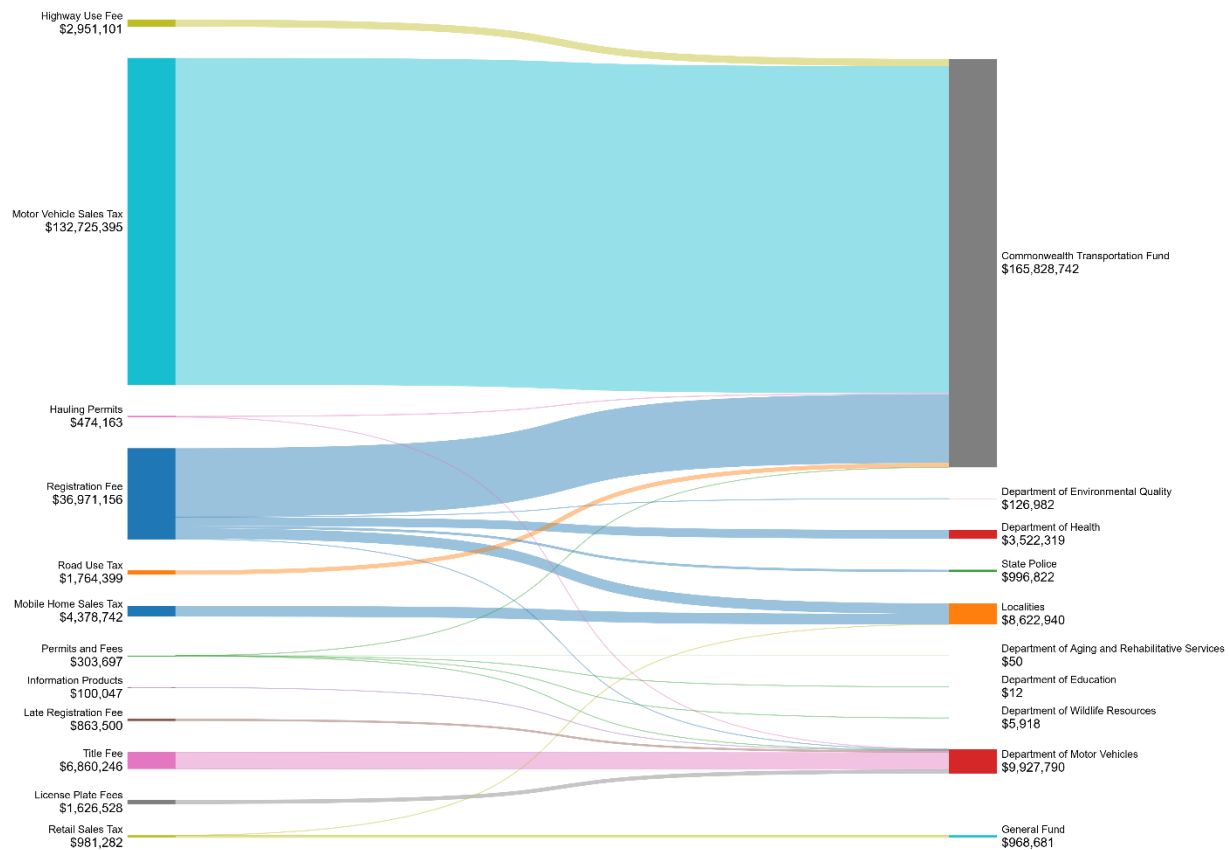


Figure 1: FY 2022 DMV Select Gross Revenue Distribution
Source: DMV internal data

DMV Select start-up costs, depicted in Figure 2, are assumed by both DMV and Select Agents. Start-up costs are assumed predominantly by DMV with an approximate 75%-25% split. These costs to DMV include inventory, credit card terminals, signage, office stamps and stamp pads, and new employee training. These start-up costs, in total, are estimated to cost DMV \$9,200 per new DMV Select location. Costs assumed by Select Agents include one printer, toner, personal computers, safe and cash drawers, and DMV system access. These start-up costs are estimated to cost the Select Agent approximately \$3,000.

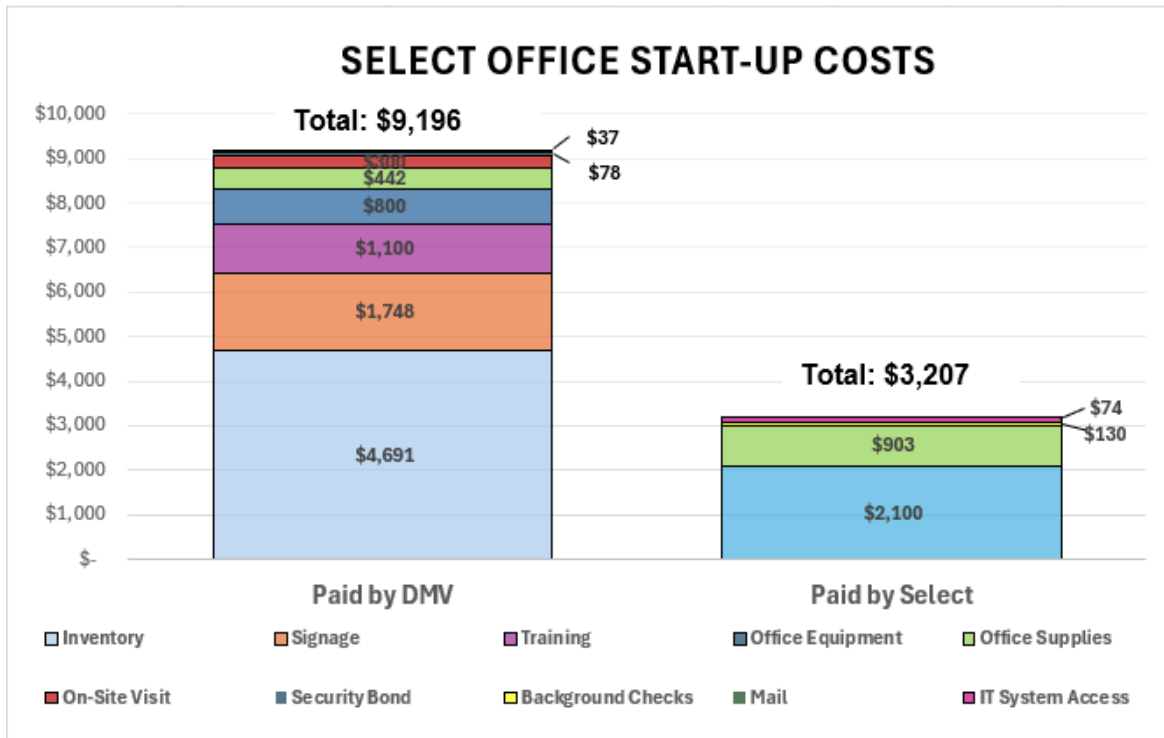


Figure 2: Select Office Startup Costs
Source: DMV internal data

Recurring annual costs related to the operation of a DMV Select are also assumed by both DMV and the Select Agents, with DMV assuming a much larger portion of the associated costs. DMV's assumed costs include replacing inventory stock, office stamps and stamp pads, UPS mailing costs, and certain USPS mailing costs. These recurring costs are estimated to cost DMV \$3,820 per DMV Select per year and overall, approximately \$225,380 annually. DMV also assumes any costs related to the replacement of any credit card terminals that do not meet Payment Card Industry standards. Because there is not sufficient information to anticipate the timeline in which these machines break, the costs associated with replacing non-compliant credit card terminals are excluded from DMV's analysis of ongoing costs. The sole recurring annual cost assumed by the Select Agent is toner for the DMV Select printer, which is estimated to cost the Select Agent \$400 annually. The calculation of Select Agent annual costs does not include non-recurring costs such as the replacement of printers or computers. These costs are excluded because, like the credit card machines, there is insufficient information to anticipate the timeline in which these machines would need to be replaced. Figure 3 below depicts the distribution of both the start-up and ongoing costs associated with opening and operating a DMV Select location.

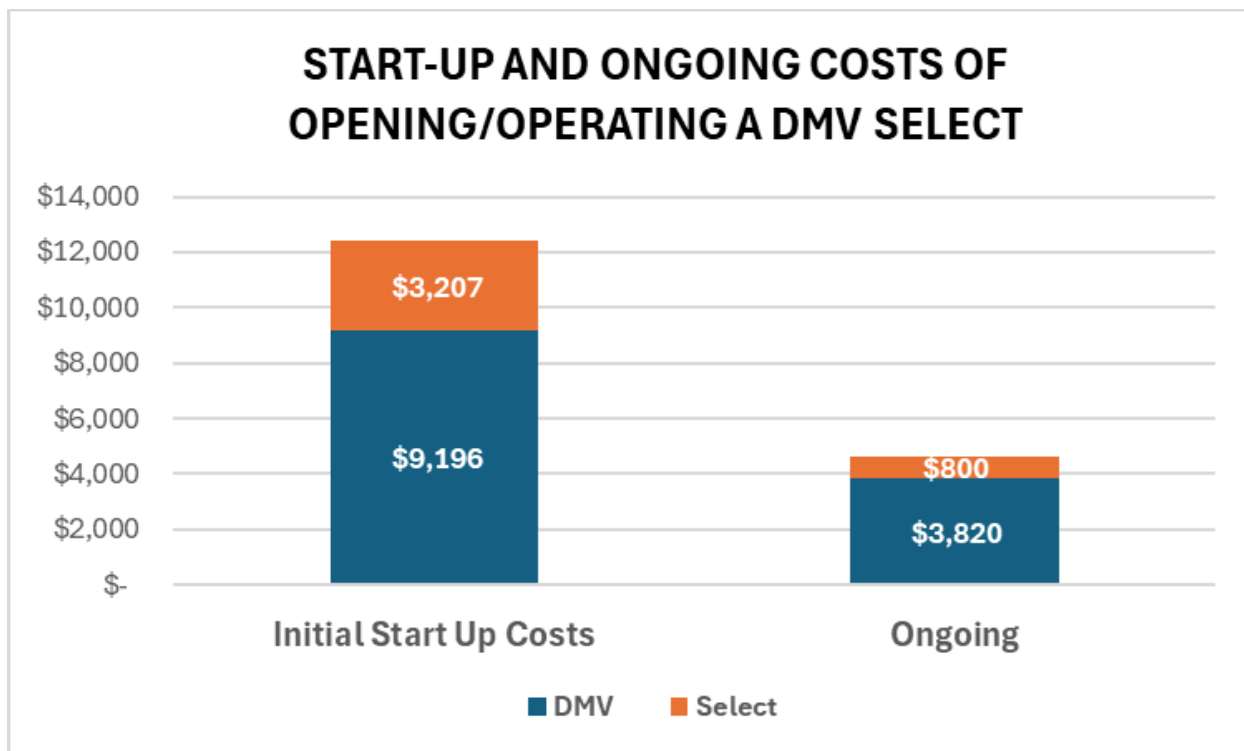


Figure 3: Start up and Ongoing Costs of Opening/Operating A DMV Select

Source: DMV internal data

DMV Select Agents also incur labor costs associated with processing DMV Select transactions. To synthesize the total labor costs incurred by Select Agents, DMV took the average hourly salary for a Select employee, based on DMV's records, and applied that rate to the average transaction time for each transaction type. The resulting labor costs associated with each transaction type were totaled to arrive at a labor cost of \$4.3 million incurred by Selects to process all DMV Select transactions in FY 2025.

Because of the lack of data available to DMV, these labor costs represent a ceiling rather than an actual value of labor costs associated with all Select Agent transactions. For instance, these labor costs do not account for instances where DMV Select locations that are operated by localities or Constitutional Officers utilize existing employees to handle DMV Select transactions. Based on 2015 JLARC's finding that 56% of Select Agents could utilize existing staff and facility capacity to reduce labor costs,¹⁶ the prevalence of this practice could significantly reduce the actual labor costs incurred by DMV Selects associated with administration of the program.

Including labor costs, utilizing the ceiling calculated by DMV, and the ongoing expenses discussed above, DMV estimates that DMV Selects received a net profit of approximately \$4.9 million during FY 2025 for administration of the program. This estimated net profit does not include any expenses for which DMV does not have any information, such as the cost of rent, mortgage, and property tax expenses for Select locations.

¹⁶ JLARC Study, p.31.

DMV Select Transactions

As mentioned in the Previous Studies on DMV Selects section above, the JLARC study noted that vehicle registrations made up nearly 40% of DMV's business in FY 2014.¹⁷ The prevalence of registration transactions has only increased since that time, with registration renewals accounting for approximately 33.2% of all DMV Select transactions and original registrations accounting for approximately 20.6% of all DMV Select transactions. Registration transfers, reissues, and card issuances are less common and together account for approximately 8.8% of all DMV Select transactions.

Titling is the next most common transaction type with original title transactions accounting for 16.6% of all DMV Select transactions and title transfers accounting for approximately 14.3% of all DMV Select transactions. Replacement copies of titles are less common and account for approximately 2.4% of all DMV Select transactions. The remaining transaction types account for the remaining approximate 4.1% of all DMV Select transactions. Figure 4 depicts the relative distribution of DMV Select transaction types.

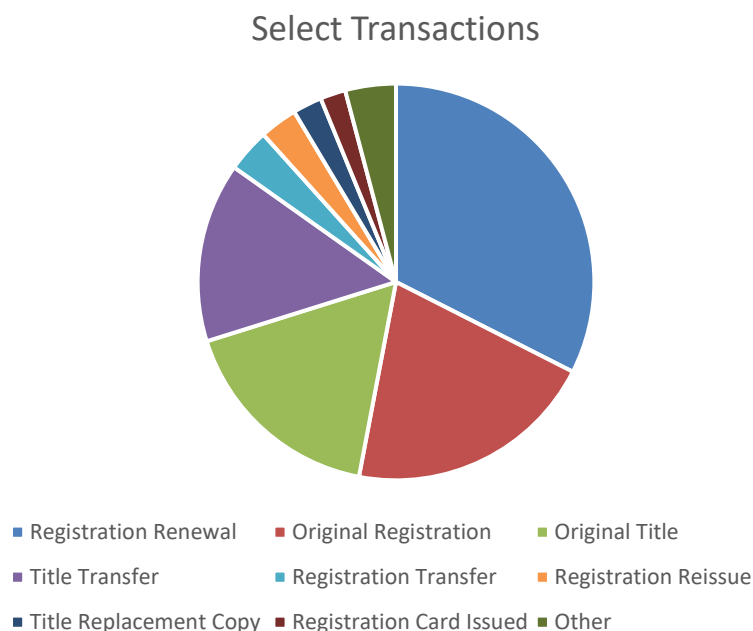


Figure 4: Select Transactions

Source: DMV internal data

While original title transactions only account for 16.6% of all DMV Select transactions, this transaction type accounts for 60.3% of the total gross revenues paid to Selects in FY 2025. Registration renewals account for 18% of gross revenues, followed by title transfers, which account for 12% of gross revenues. Of the remaining 9.7% of gross revenues, original registration transactions account for 8.8%, with all other transactions making up the remaining 0.9%. See Figure 5

¹⁷ *Id.* at p. 2.

DMV Select Gross Revenues by Transaction Type

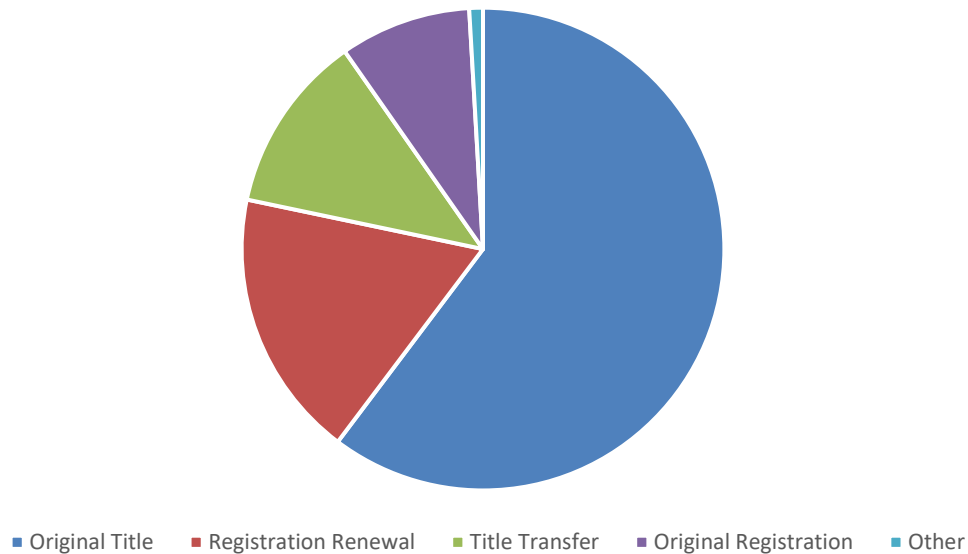


Figure 5: DMV Select Gross Revenues by Transaction Type

Source: DMV internal data

When factoring in labor costs, the ranking of the top three transaction types remains unchanged, but the degree to which these transactions account for Select Agents' total revenues shifts to more heavily favoring original title transactions. As discussed above, the labor costs associated with each transaction type were synthesized by taking the average hourly salary for a DMV Select employee, based on DMV's records, and applying that rate to the average transaction time for each transaction. These labor costs do not account for instances where DMV Select locations that are operated by localities or Constitutional Officers utilize existing employees to handle DMV Select transactions. Factoring in the labor costs associated with processing these transactions across all DMV Select locations, original title transactions account for 81.5% of the total adjusted revenues paid to Select Agents in FY 2025. Registration renewal transactions account for 14.6% of the total adjusted revenues paid to Select Agents in FY 2025 and title transfer transactions account for 3.6% of the total adjusted revenues paid to Select Agents in FY 2025. Overload permits, additional sales and use tax collection, return check payments, changes to registration, and miscellaneous collections account for the remaining 0.3%. See Figure 6.

DMV Select Revenues by Transaction Type — Adjusted for Labor Costs

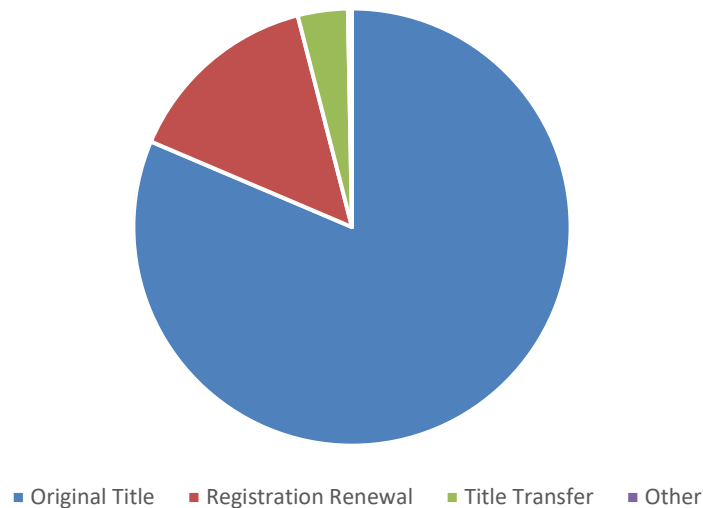


Figure 6: DMV Select Revenues by Transaction Type—Adjusted for Labor Costs
Source: DMV internal data and analysis

Finally, arriving at the adjusted unit cost per transaction analysis, factoring in the labor costs discussed above, two transactions clearly earn significantly more per transaction than any other transaction type. The most lucrative transaction type for Select Agents is the collection of additional motor vehicle sales and use taxes, which is estimated to have an adjusted unit cost of \$48.97 per transaction, or \$244.83 per hour, in net revenue. However, for DMV Selects, this transaction type is rare. During FY 2025, only 95 such transactions occurred across all DMV Select locations. The second most lucrative transaction type is original titling transactions. This transaction type is estimated to have an adjusted unit cost of \$26.87 per transaction, or \$97.12 per hour, in net revenue. This transaction type is far more common, with DMV Select locations processing over 167,000 transactions of this type during FY 2025.

There are two other transaction types with sufficient volume to be reliable income generators for Select Agents. The most common of these two transaction types is registration renewals. Select Agents processed nearly 335,000 registration renewal transactions during FY 2025, which generated an estimated \$2.41 per transaction, or \$20.40 per hour, in net revenue. The other common income generating transaction type for Select Agents is title transfers. Select Agents processed nearly 144,000 title transfer transactions during FY 2025, which generated an estimated \$1.36 per transaction, or \$4.93 per hour, in net revenue.

The adjusted cost analysis also revealed several common transaction types that, when factoring in DMV's projected labor costs, amounted to a net loss for Select Agents. The most common of these transaction types is the original registration transaction type. This transaction type was processed by Select Agents over 207,000 times in FY 2025 and resulted in a calculated net loss of -\$2.53 per hour. Four other relatively common transaction types, with numbers between slightly more than 21,000 and nearly 32,000 transactions, reflected relatively significant

calculated net losses. These transactions were Title Replacement Copy transactions (-\$17.69 per hour), Registration Reissue transactions (-\$20.08 per hour), Registration Transfer transactions (-\$20.93 per hour), and Registration Card Issued transactions (-\$20.71 per hour). As mentioned above, the labor costs associated with these calculations are likely exaggerated when discussing DMV Selects operated by localities because the majority of these Select Agents can use existing staff to process these transactions.¹⁸ While these transaction types represent the highest net losses for Select Agents, there are other transaction types that also resulted a minor net losses to Select Agents. Figure 7 below depicts the total annual adjusted losses by transactions type across all Select Agents.

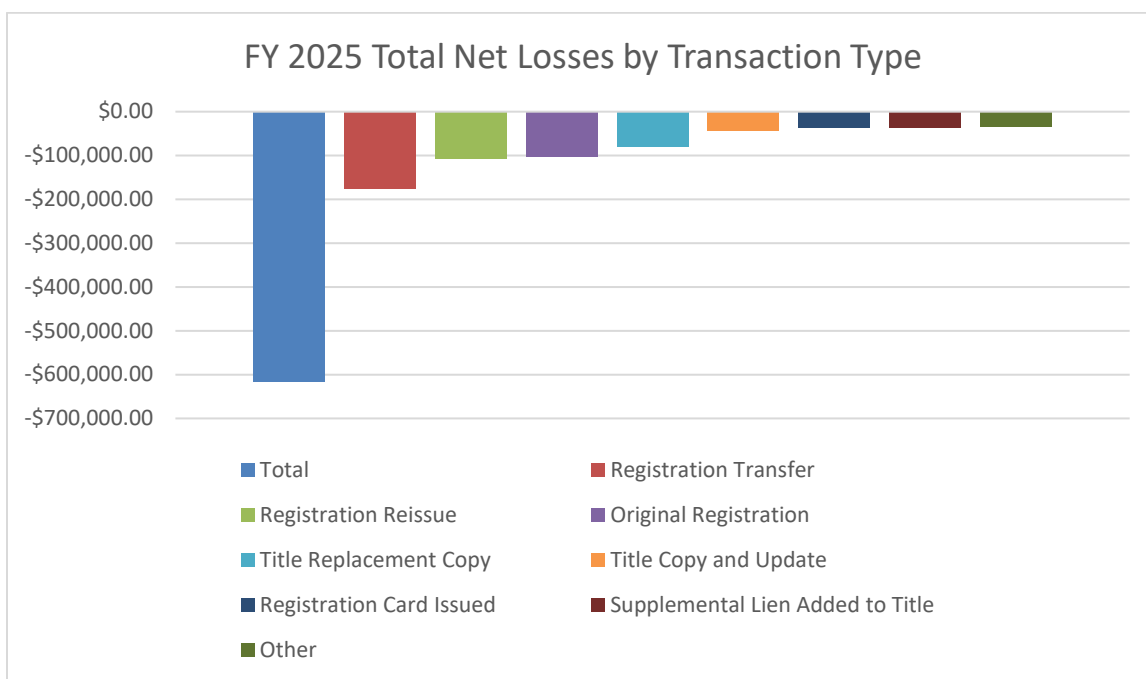


Figure 7: FY 2025 Total Net Losses by Transaction Type
Source: DMV internal data and analysis

This adjusted unit cost analysis only provides an overview of the profitability of transactions across the DMV Select program. Certain transaction types that are considered profitable under this analysis may still result in a net loss to Select Agents. While the labor costs associated with processing these transaction types remain consistent, certain factors, such as the value of the vehicle being titled or the number of years on a registration, significantly impact Select Agent compensation. The table below illustrates the impact of these factors per transaction on Select Agent compensation.

¹⁸ *Id.* at p.31.

	Customer Payment	Select Compensation	Select Cost	Net Profit
Title - Minimum Sales and Use Tax	\$75.00	\$3.75	\$10.14	-\$6.39
Title - \$10k Used Car	\$415.00	\$20.75	\$10.14	\$10.61
Title - \$50k New Car	\$2,075.00	\$103.75	\$10.14	\$93.61
Registration Renewal - 1 Year	\$30.75	\$1.54	\$4.34	-\$2.80
Registration Renewal - 2 Year	\$61.50	\$3.08	\$4.34	-\$1.26
Registration Renewal - 1 year & \$30 Highway Use Fee	\$60.75	\$3.04	\$4.34	-\$1.30
Registration Renewal - 3 year & \$130 Highway Use Fee	\$480.00	\$24.00	\$4.34	\$19.66
Original Registration - 1 year	\$30.75	\$1.54	\$7.33	-\$5.79
Original Registration - 2 year	\$61.50	\$3.08	\$7.33	-\$4.26
Original Registration - 1 year w/ \$30 Highway Use Fee	\$60.75	\$3.04	\$7.33	-\$4.29
Original Registration - 2 year w/ \$130 Highway Use Fee	\$321.50	\$16.08	\$7.33	\$8.74

Utilizing the data discussed above, DMV charted the success of DMV Selects within the Commonwealth based on total gross profits and volume. This chart clearly shows nine DMV Select locations with significantly more revenues with another group of ten reasonably successful DMV Select locations positioned closer to the remainder of the DMV Select locations. Certain attributes related to the success, or lack thereof, of these DMV Select locations are discussed below.

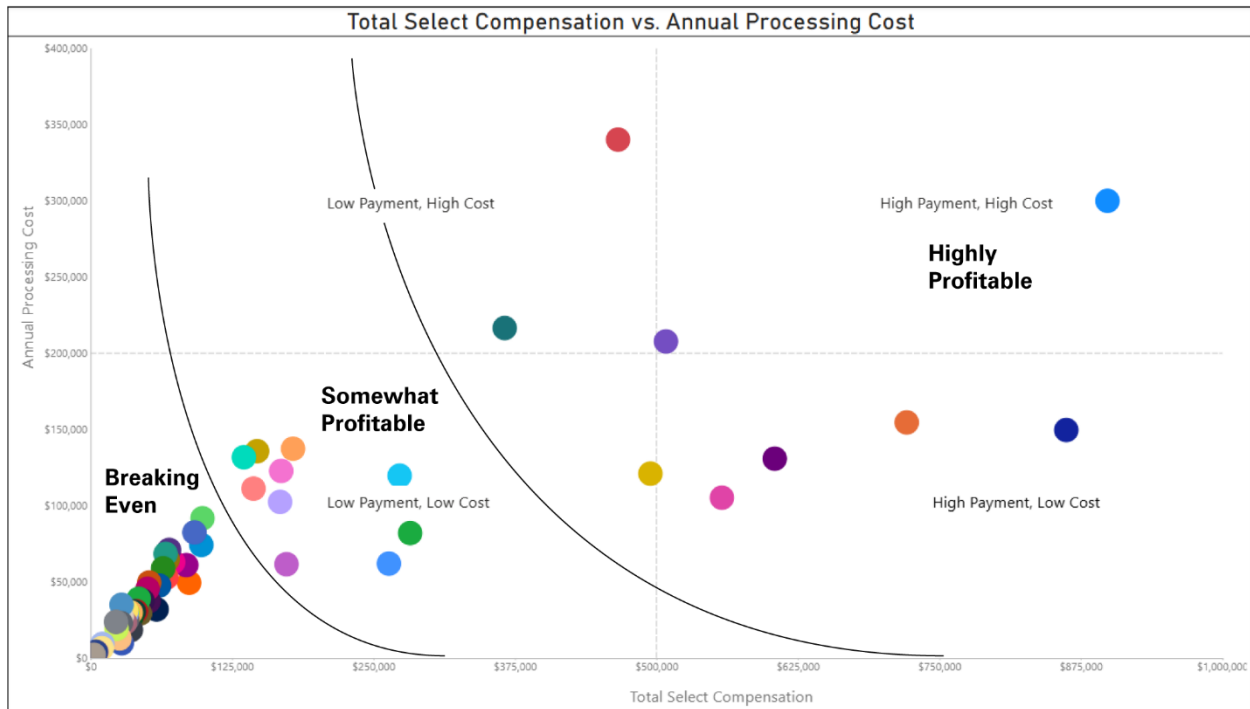


Figure 8: Total Select Compensation vs Annual Processing Cost

Source: DMV internal data and analysis

Characteristics and Business Practices

To better address the financial impact on participating localities, including any associated costs of program administration and operations, DMV analyzed available data to identify practices that had a strong correlation between success and failure. This analysis identified one key business practice that was common to the most successful Select Agents and one business practice that was integral to the success or failure of new DMV Select locations. These two business practices are discussed in greater detail below.

In analyzing the practices of the top ten revenue generating Select Agents, all ten locations processed a high volume of original title transactions. For these locations, over half of their total gross revenue was generated by processing this transaction type. This percentage increased when analyzing the top five revenue generating DMV Selects, with those locations receiving over 80% of their revenue from this transaction type.

Based on the information discussed in the DMV Select Transactions section above, the impact of original title transactions on Select Agents revenues is not surprising. The question this information raises, however, is why do these locations have such significant original title transactions as compared to other DMV Selects. In most cases, the location of the Select Agent likely plays a part in this. Select Agents that are located in more affluent areas would, logically, receive more money from transactions such as the original title transaction that are based on the value of the vehicle. However, in reviewing other data associated with these Select Agents, there is another contributing factor that is likely responsible for the large number of original title transactions at these locations.

In addition to the high percentage of original title transactions, the top ten revenue-generating Select Agents were also the top ten Select Agents for transactions originating outside of the Commonwealth. DMV is aware that certain Select Agents have agreements with out-of-state dealers to process title transactions; however, DMV does not have direct knowledge of any specific agreements between out-of-state dealers and Select Agents and does not provide guidance to either party on how such a relationship is established. While these types of transactions are inconsistent with the purpose of the program, these agreements are not prohibited in the *Code* or any agreements between DMV and Select Agents. While DMV does not have specific knowledge of these agreements, it's likely that a Select Agent that processes an unusually high volume of original title transactions and also processes a very high volume of out-of-state transactions would have an arrangement with one or more out-of-state dealers. Given the significant impact that these out-of-state transactions seem to have on revenue generation for Select Agents, DMV concludes that establishing an agreement with out-of-state dealers and pursuing original title transactions is a primary feature of the most successful Select Agents.

The other business practice that was identified pursuant to DMV's analysis was the impact of advertising on the success of Select Agents. Established Select Agents can utilize advertising to broaden their visibility to customers or to solicit transaction types that would be most profitable for them. While use of advertising is crucial to the continued growth of a DMV Select location, advertising is most vital during the startup process for a DMV Select when local customers may be unaware of the availability of services at the DMV Select location.

When entering a discussion with a potential Select Agent, DMV staff discuss advertising as an important feature of what will make a DMV Select location successful. Without advertising, the public will not know that the DMV Select location has opened or that members of the public can use the new DMV Select location to process many of their DMV-related transactions. As part of the initial discussions, DMV staff inform the potential Select Agents that advertising is vital to becoming financially successful by increasing their transaction numbers quickly. DMV data shows that Select Agents that advertise usually see increased growth in approximately 12-15 months from when Select Agents begin advertising.

Recognizing that advertising is necessary for the success of a new DMV Select location, DMV provides the new Select Agent with certain free material to assist with advertising. First, DMV provides the new Select Agent with DMV signs and sample plates that can be displayed at their location to inform citizens of the availability of DMV services at that location. The signs that are provided to the Select Agent include a building sign with their Select name, signs detailing the hours of operation, and trailblazer and directional signs. The cost of these signs to DMV is included in DMV's discussion of startup costs above. DMV also establishes a webpage for the DMV Select location on the DMV main website that includes office information, pictures of the inside and outside of the location, a map of the area, and transactions that the Select Agent can process.¹⁹ Finally, DMV will set up a buddy system with a nearby DMV full-service CSC that alerts customers of the new Select Agent and informs customers of the opportunity to have their work processed at that DMV Select location.

¹⁹ A list of the DMV Select location websites can be found at <https://www.dmv.virginia.gov/locations/dmv-selects>.

Select Agents are also encouraged to utilize other forms of advertising to inform the public about the availability of DMV Select services at the location. Because the Select Agent is representing the agency with their advertisement all language used for these advertisements needs prior approval from DMV before the advertisement is used to ensure accuracy. The agency provides DMV Select logo information free of charge to DMV Selects locations to advertise their DMV services. DMV also provides recommendations to Select Agents regarding low-cost or free advertising options they can use to inform the public about the availability of DMV Select services. Free options for localities include advertising on the locality's website and social media accounts, soliciting business from title service companies to have their customer's DMV work processed by the Select Agent, and promoting DMV Select services at town hall meetings or community functions.

A low-cost advertising option that is recommended by DMV to new Select Agents is using flyers to advertise DMV services. These flyers can be passed out to businesses, companies, and dealerships located near the Select Agent and mailed to their out-of-state counterparts to solicit business. Flyers can be posted or handed out at festivals, holidays, or parades that are held near the Select Agent. DMV Select locations that are operated by localities or Constitutional Officers can also insert flyers in personal property tax bills.

It is important to note that some Select Agents, particularly those operated by localities or Constitutional Officers, are not seeking to increase their transaction numbers. Rather, they view DMV Select as an additional service that is convenient for citizens. These Select Agents are seeking merely to provide DMV Select services as an added benefit at an existing location to increase convenience to customers. Even in these cases, many of the free advertising options discussed above would benefit the Select Agents by ensuring that citizens are aware of the added convenience being offered.

Conclusion

Localities operating DMV Select locations are uniquely situated to eliminate many of the highest costs associated with operations. As shown in the Select Transactions section above, one of the biggest expenses for Select Agents is labor costs. DMV concurs with the JLARC study's assessment that these costs can be mitigated by DMV Select locations operated by localities which use existing staff to process DMV Select transactions as part of their duties. For localities that are low-volume or struggling to attract business, the use of existing staff would eliminate a significant expense and allow them to operate at lower volumes than privately operated DMV Select locations while remaining profitable. DMV has no data associated with rent, mortgage, and property tax expenses for DMV Select locations. Despite this lack of data, DMV can assume that DMV Select locations operated by localities, which are usually operated out of buildings owned by localities, are able to mitigate or avoid this significant cost as well.

As discussed in the Characteristics and Business Practices section above, DMV Select locations operated by localities also have a greater range of free or low-cost advertising options. Localities can include advertising on the locality's website and social media accounts, promoting DMV Select services at town hall meetings or community functions, and include flyers in personal property tax bills. Given the importance of advertising to the success of Select Agents,

particularly during the startup phase, the ability for localities to advertise without cost to the locality offers a significant benefit to DMV Select locations that are operated by localities.

While soliciting tilting transactions from out-of-state dealerships may be another method of increasing Select Agent revenues, this approach falls outside of the scope of DMV's analysis. DMV does not have any knowledge of the process by which Select Agents solicit this type of transaction and cannot provide guidance to either party in the establishment of such relationships.

While certain transactions, such as the aforementioned title transactions, can be a significant revenue stream for Select Agents, it is noted that certain DMV Select transactions result in a net loss when accounting for labor costs.

In summary, the key findings of this study are outlined below:

1. Consistent with JLARC's analysis in their 2015 study, DMV Select locations that are operated by localities potentially reduce the impact of labor costs by utilizing existing staff to conduct DMV transactions.
2. Select Agents that are seeking to expand their business could utilize advertising to inform the public of the availability of DMV Select services and target transaction types that are more likely to provide more compensation. If the DMV Select location is operated by a locality, the Select Agent could make use of the free or low-cost advertising options that are unique to localities, such as local websites, social media and personal property tax bills. Select Agents that are struggling to effectively advertise should contact DMV staff to receive additional guidance.

Appendix A: 2025 Budget Bill Item 426

Item 426	First Year - FY2025	Second Year - FY2026
Ground Transportation Regulation (60100)	\$230,505,286	\$230,505,286
Customer Service Centers Operations (60101)	\$165,449,062	\$165,449,062
Ground Transportation Regulation and Enforcement (60103)	\$49,264,535	\$49,264,535
Motor Carrier Regulation Services (60105)	\$15,791,689	\$15,791,689
Fund Sources:		
Commonwealth Transportation	\$223,058,686	\$223,058,686
Trust and Agency	\$5,446,600	\$5,446,600
Federal Trust	\$2,000,000	\$2,000,000

- A. The Department of Motor Vehicles shall work to increase the use of alternative service delivery methods, which may include offering discounts on certain transactions conducted online, as determined by the department. As part of its effort to shift customers to internet usage where applicable, the department shall not charge its customers for the use of credit cards for internet or other types of transactions under \$10,000. For credit card transactions \$10,000 and over, the agency may impose a 1.5 percent convenience fee. however, this No convenience fee restrictions shall not apply with respect to any credit or debit card transactions the department conducts on behalf of another agency, provided (i) the other agency is authorized to charge customers for the use of credit or debit cards and (ii) the merchant's fees and other transaction costs imposed by the card issuer are charged to the department.
- B. In order to provide citizens of the Commonwealth greater access to the Department of Motor Vehicles, the agency is authorized to enter into an agreement with any local constitutional officer or combination of officers to act as a license agent for the department, with the consent of the chief administrative officer of the constitutional officer's county or city, and to negotiate a separate compensation schedule for such office other than the schedule set out in § 46.2-205, Code of Virginia. Notwithstanding any other provision of law, any compensation due to a constitutional officer serving as a license agent shall be remitted by the department to the officer's county or city on a monthly basis, and not less than 80 percent of the sums so remitted shall be appropriated by such county or city to the office of the constitutional officer to compensate such officer for the additional work involved with processing transactions for the department. Funds appropriated to the constitutional office for such work shall not be used to supplant existing local funding for such office, nor to reduce the local share of the Compensation Board-approved budget for such office below the level established pursuant to general law.
- C. The base compensation for DMV Select Agents shall be set at 4.5 percent of gross collections for the first \$500,000 and 5.0 percent of all gross collections in excess of

\$500,000 made by the entity during each fiscal year on such state taxes and fees in place as a matter of law. The commissioner shall supply the agents with all necessary agency forms to provide services to the public, and shall cause to be paid all freight and postage, but shall not be responsible for any extra clerk hire or other business-related expenses or business equipment expenses occasioned by their duties.

- D. Out of the amounts identified in this Item, an amount estimated at \$416,356 the first year and \$416,356 the second year from the Commonwealth Transportation Fund shall be paid to the Washington Metropolitan Area Transit Commission.
- E.1. Notwithstanding any other provision of law, the department shall assess a minimum fee of \$15 for all titles. The revenue generated from this fee shall be set aside to meet the expenses of the department.
- 2. Notwithstanding any other provision of law, the department shall assess a \$10 late fee on all registration renewal transactions that occur after the expiration date. The late fee shall not apply to those exceptions granted under § 46.2-221.4, Code of Virginia. In assessing the late renewal fee the department shall provide a ten day grace period for transactions conducted by mail to allow for administrative processing. This grace period shall not apply to registration renewals for vehicles registered under the International Registration Plan. The revenue generated from this fee shall be set aside to meet the expenses of the department.
- 3. Notwithstanding any other provision of law, the department shall establish a \$20 minimum fee for original driver's licenses and replacements. The revenue generated from this fee shall be set aside to meet the expenses of the department.
- F. The Department of Motor Vehicles is hereby granted approval to renew or extend existing capital leases due to expire during the current biennium for existing customer service centers.
- G. The Department of Motor Vehicles is hereby appropriated revenues from the additional sales tax on fuel in certain transportation districts to recover the direct cost of administration incurred by the department in implementing and collecting this tax as provided by § 58.1-2295, Code of Virginia.
- H. The Department of Motor Vehicles is hereby granted approval to distribute the transactional charges of the Cardinal accounting system to state agencies, when the transactions involve funds passed through the department to the benefiting agency. This paragraph shall not pertain to Direct Aid to Public Education.
- I. The Department of Motor Vehicles is hereby granted approval to distribute a portion of its indirect cost allocation charge to another state agency when the charge is related to revenue collected and transferred by the department to the state agency. Such transfers shall be based on the agency's proportionate share of the department's total transactions in the immediately preceding fiscal year. The Department shall annually submit to the Department of Planning and Budget a summary of the transfer amounts and the transaction volumes used to allocate the internal cost amounts.

- J. Notwithstanding § 46.2-342, Code of Virginia, the Department of Motor Vehicles shall not be required to include organ donation brochures with every driver's license renewal notice or application mailed to licensed drivers.
- K. The Commissioner shall only refuse to issue or renew any vehicle registration pursuant to subsection L of § 46.2-819.3:1 of an operator or owner of a vehicle who has no prior resolution, whether that resolution is by settlement or conviction, for offenses under § 46.2-819.3:1 if, in addition to the conditions set forth in subsection L of § 46.2-819.3:1 for such refusal, the toll operator has offered the individual a settlement of no more than \$2,200.
- L. The Department is authorized to impose a \$10 surcharge on all first issuances of REAL ID compliant credentials that are acceptable for federal purposes.
- M. Notwithstanding § 4-2.03 of this act, the Virginia Department of Motor Vehicles shall be exempt from recovering statewide and agency indirect costs from the federal grants until an indirect cost plan can be evaluated and developed by the agency.
- N. The Commissioner, in consultation with the Secretary of Administration and the Governor's Chief Transformation Officer, is authorized to issue a Request for Information for (i) updating customer-facing web applications; (ii) pursuing the use of artificial intelligence in day-to-day activities; (iii) the issuance of digital passports and mobile driver's licenses; (iv) improving customer service, specifically through smart phone technologies and the use of self-service kiosks; and (v) other innovative technologies to improve the overall customer experience. The Commissioner is further authorized to enter into agreements with surrounding states for the purpose of building a multi-state consortium to improve the overall customer experience across state lines.
- O. The Department of Motor Vehicles shall coordinate with the Department of Corrections to provide identification cards to inmates through the DMV Connect program.
- P. *The Department of Motor Vehicles shall conduct an analysis of the DMV Select Program to evaluate its potential financial impact on participating localities, including any associated costs of program administration and operations. The Department shall complete the analysis and report its findings to the Chairs of the House Appropriations and Senate Finance and Appropriations Committees no later than December 1, 2025.*

Appendix B: 2011 DMV Select Study Recommendations

Recommendations

Based upon the survey results, visits by Commissioner Holcomb, and the responses of members of the Technical Resource Panel, it is clear that Select Agents share the agency's view that the DMV Select program is a valuable part of the agency's service delivery model. In addition, both DMV and its partners are committed to taking the steps necessary to place the program on a funding path that is sustainable over the long term. Finally, DMV has made a commitment to be the best partner that it can be in terms of providing the support needed to Selects.

Taking all of this into account, the following recommendations are made. Based upon feedback received, these recommendations are supported by both DMV and its Select partners.

Recommendation 1: That the Select Program be continued and placed on sustainable financial footing.

Previously, there had been some question as to whether or not the Select program was in a position to be financially sustainable under any scenario. However, all parties to this study believe strongly that the Select program is an integral part of the DMV customer service delivery model, and are firmly committed to the continuation of this program.

Recommendation 2: That the Select Program be maintained as a limited service partner.

While there was some desire on the part of Select Agents to expand the line of currently offered services to offer Driver transactions (such as Drivers Licenses) or Motor Carrier transactions, DMV strongly feels that an expansion of this nature could create significant issues in terms of document security. Additionally, adding these services would require significant expenditures on the part of Select Agents, with limited increased revenue as a result.

Recommendation 3: That the DMV Commissioner retains the authority to choose where to locate Selects as a supplement to full-service CSCs, and that the Commissioner be able to partner with any entity, public or private, as appropriate.

Legislation proposed during the 2011 General Assembly session would have removed the Commissioner's discretion in terms of the location and number of Selects, and would have restricted new Select locations to partnerships with local revenue officers. The former would have potentially led to a massive and unaffordable expansion of the program, and the latter would have severely restricted the ability to locate a Select partner in an underserved area, if local revenue officers were uninterested in a partnership.

The DMV Commissioner must retain the exclusive authority to partner with Selects on an as-needed basis in conjunction with the agency's business needs, and the needs of its customers.

Recommendation 4: That DMV commits to continue the enhancement of the support it provides to its Select partners.

These items have been initiated by DMV, and are in the process of being implemented, as noted in brackets.

1. Enhanced Training – DMV will offer training for new Select employees and refresher training for existing employees. [Refresher training began September 7, 2011 and will continue through the remainder of the year. New employee training will begin October 17 and go through March, 2012]
2. Improved Signage – DMV will replace old "License Agent" signs and improve the trailblazer signs to emphasize the "DMV Select" brand. [Artwork for signs has been approved and new signs are on order.]
3. Improved Web Pages – A picture of each Select office will be placed on the DMV website, similar to the pictures DMV currently posts for its CSCs. [DMV is collecting photos of each Select for posting to its website.]
4. Mobile Units – DMV's Mobile Unit, DMV2Go, will be available to offer Driver Transactions at Select locations. [DMV's Mobile unit has been deployed to a number of Select locations, with more scheduled.]
5. IT Enhancements – The server for the Select program will be upgraded to improve reliability and reduce down time. [Upgrade scheduled for Fall 2011.]
6. Manuals – Driver, Commercial (CDL), and Motorcycle Manuals will be made available to Selects as a customer service enhancement. [Selects were made aware in May of 2011 that they could begin ordering all manuals.]
7. CSC Buddy List – All Selects will be assigned a Customer Service Center, the manager of which will be a point of contact for help and information sharing. A list of partners can be found in Appendix H.
8. Annual Meeting – The 2010 annual Select meeting was cancelled because of budgetary concerns, but these meetings were reinstituted, starting with a September 15, 2011 meeting, to facilitate the continued improvement of communication between DMV and Select Agents.

Recommendation 5: That additional funding for the Select Program not conflict with DMV's need to close the agency's projected budgetary gap.

DMV estimates that it will face a budgetary shortfall of \$15M annually beginning in July of 2013. This shortfall will be caused in large part by the implementation of an 8-year driver's license in 2008, which allowed the agency to avoid an estimated \$26M deficit at the time, essentially by accelerating revenue collections. However, collecting an additional 3 years of license revenue "up front" will result in significantly lower collections in the near future as the last of the previously issued 5-year licenses are renewed and removed from circulation.

While the agency has taken a number of steps to balance its budget based on its current revenue model, external factors such as the rising costs of IT support, postage, fringe benefits rate changes for VRS and healthcare, utilities and rental rates will likely require new revenues. The agency must ensure that any proposed revenue sources to support the Select program do not conflict with the overarching need to find adequate resources to support DMV's core functions and essential operations.

Recommendations

- Recommendation 6: That additional funding for the Select Program not create an inequitable fee structure in which customers are charged more for a transaction at a Select than they would be at a traditional DMV Customer Service Center, and vice versa.

The Select program should not be funded by charging more for a transaction at a Select than the same transaction at a DMV Customer Service Center. Many Select locations are in rural areas where access to full-service CSCs is restricted by distance, or in urban areas where large populations can increase wait times at CSCs, or traffic considerations make travelling even a short distance to a CSC problematic. Conversely, transaction fees at CSCs should not be established or maintained at levels higher than their Select counterparts.

- Recommendation 7: That the following funding package be adopted as a means to place the DMV Select program on sound and sustainable financial ground for the foreseeable future. Additional revenue generated by these items would go to DMV's special fund, and be earmarked to ensure that DMV is able to meet its financial obligations to its Select partners, while maintaining the current percentage-based payment system.

1. Charge a \$5 walk-in fee for vehicle registration renewals at Selects consistent with what is charged at a CSC. Currently, a \$5 fee is assessed on vehicle transactions completed in-person at a CSC, when the transaction could have been completed either on-line, over the phone, or through the mail. This is done as a means to encourage customers to complete their transactions in ways that cost the Commonwealth less money than an in-person transaction.

When this fee was imposed by the General Assembly, Selects were excluded. Including Selects would create parity between DMV's two in-person service options.

Estimated additional revenue: \$1,800,000.

2. Increase the fee charged by localities to remove vehicle stops placed for non-payment of local taxes, fines, and fees by \$10 (from \$20 to \$30). DMV currently partners with localities to place stops on vehicles of citizens who owe money to their county or city. These stops prevent citizens from being able to renew their vehicle registration. In order to have the stop removed, individuals must pay their debt to the locality in question, along with a (currently) \$20 surcharge, which is remitted to DMV to cover administrative costs. This program has been extremely successful in encouraging individuals to pay outstanding balances. The increase from \$20 to \$30 would only affect customers who have failed to meet their financial obligations in a timely fashion.

Estimated additional revenue: \$3,200,000.

Recommendations

3. Charge a \$10 fee for a one-time 1 month vehicle registration extension when a stop is in place. This would be a new product offered by DMV, and would serve as a customer convenience as well as a revenue-generating item. Customers would pay DMV for 1 month of valid vehicle registration during the initial transaction, plus a \$10 convenience charge, and be issued a "month" sticker to note their extended registration. After the customer has cleared his or her stop with the locality, they can then obtain a normal 1, 2, or 3 year registration from DMV. While the initial one month extension would need to be conducted in-person (at either a DMV CSC or Select) due to the stop in place, the follow-up registration could be conducted through any of DMV's service outlets, including phone or internet, saving the customer a return trip.

Currently, customers with locality-imposed stops on their records are not able to settle this debt at the DMV CSC, and must pay the locality directly. Offering an optional one-month extension would allow customers in these situations more time to pay money owed to localities, while not encouraging them to drive with expired registrations.

Additionally, although DMV CSC's are open on Saturdays, most local government offices are not, which leads to a situation in which the customers are unable to complete their DMV transaction until the local offices open the following Monday. Previously, DMV has recommended that it be allowed to accept payment on behalf of localities, but this proposal has been rejected. This item represents a partial solution to this issue.

This service would be provided to all individuals with stops placed by localities, regardless of the day of the week.

Estimated additional revenue: \$300,000, possibly higher.

Taken together, these recommendations would raise additional annual revenue of at least \$5,300,000.

DMV estimates that this will be enough to fund the program at its current level of service for the foreseeable future, while allowing for unforeseen increases in costs, or potential expansion of the program.

Appendix C: Bibliography

Joint Legislative Audit & Review Comm'n, Assessing the Performance of Virginia's DMV (Oct. 2015), <https://jlarc.virginia.gov/pdfs/reports/Rpt474.pdf>.

Virginia Department of Motor Vehicles, DMV Select Study (Oct. 2011), <https://rga.lis.virginia.gov/Published/2011/RD291/PDF>.