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AGENCY'S DISCUSSION AND ANALYSIS

SCDMV AGENCY OVERVIEW

In SFY25, the South Carolina Department of Motor Vehicles (SCDMV) continued to meet its mission of administering state and federal motor vehicle laws and regulations to provide quality, secure, and efficient driver, vehicle, and identity services to citizens of the Palmetto State. The agency's workforce of 1,493 employees strives to make every customer interaction a positive and convenient experience by accomplishing every transaction with the utmost competence, commitment, and courtesy. Our team of dedicated DMV employees endeavors to find a "pathway to yes" in providing essential government services that improve the lives of South Carolinians.

South Carolina is one of the fastest-growing states in the United States. The continually expanding population of the state places ever-increasing demands on state government services. The SCDMV is proud to be the front door to the Palmetto State for new residents, often serving as the first interaction a new resident will have with state government. We take seriously our responsibility in validating and establishing a citizen's identity as a resident of South Carolina and understand that the driver's licenses and identification cards we issue provide an indispensable pathway to unlocking other state governmental services for citizens. Consequently, it is imperative that the vetting processes we employ establish a customer's identity accurately to ensure we get it right for the citizen and the state.

In SFY2025, the SCDMV continued to serve customers through a multitude of service platforms., The agency's 66 branch offices are strategically located throughout the State with at least one branch office in each of South Carolina's 46 counties. These branch offices provide driver, vehicle, and identity services to customers through in-person transactions as well as the following specialized services:

- 30 branch offices provide service to international customers, up from 28 in SFY2024.
- 16 branch offices offer skills testing for commercial driver's licenses (CDL), up from 13 in SFY2024. The agency continues to offer CDL knowledge tests in all branch office locations. In SFY 2026, the SCDMV will complete its multi-year CDL modernization initiative by adding two more testing sites, bringing the total to 18, which is double the number of locations offered just four years prior.
- Eight branch offices process International Fuel Tax Agreement (IFTA) and International Registration Plan (IRP) transactions for large (26,001+lbs) commercial motor carriers.

The SCDMV also operates 17 Customer Inquiry Response Centers, which provide prompt response to customer telephone and email inquiries. These centers are co-located in branch offices throughout the state where lower or intermittent customer volumes allow employees to provide customer service across a variety of platforms by answering customer phone calls or responding to customer emails when there are no customers awaiting in-person service. This initiative has increased efficiency and productivity in the offices and reduced customer wait times for telephone and email responses. Further, this decentralized customer service approach allows the agency to employ the initiative in areas of the state where employment opportunities may be more limited, eliminating the need for employees to commute to and from their communities and creating long-term stability for both employees and the agency.

In addition to the customer service platforms mentioned above, the agency continues to offer online transaction capability through the SCDMVonline.com website. In SFY2025, the agency increased online transactions to more

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than 1.2 million, a more than 10% increase. Additionally, our customer self-service terminals, known as SCDMV Express and located in grocery stores, completed their first full fiscal year of service. Despite the agency only having kiosks in three locations across the state, customers completed 1,538 transactions through this convenient option. In the coming year, the agency anticipates a sizable increase in use of self-service terminals after integrating the ability for customers to pay county property taxes at kiosks to complete their vehicle registration renewal. Citizens expect and deserve a convenient, one-stop customer service option that allows them to satisfy their property tax and vehicle registration requirements to receive their new registration form and decal, even after county and state government business hours. Adding the ability to pay personal property taxes at the kiosk will likely lead to increased use of kiosks by customers which will result in more of the self-service terminals throughout the state.

The agency also provides support to customers from its agency headquarters, located near Columbia, where business units process customer transactions received through the mail, provide reach-back subject matter expertise support to our customer-facing branch office employees, and service a wide array of business customer needs. Across all its internal customer service platforms, the SCDMV processed more than 18.4 million customer transactions during SFY2025.

The agency leverages a strong network of partners who provide convenience to customers by initiating or processing driver and vehicle-related transactions on behalf of the SCDMV. County Treasurer, Tax Collector, and Auditor offices provide vehicle registration forms and decals at their offices using the SCDMV's County Issuance of Decal and Registration Service 2 (CIDRS2). In SFY2025, Greenville County joined the CIDRS2 network, becoming the 36th county in the state to offer this convenience for its residents. Likewise, automobile dealers throughout the state use the SCDMV's automated Electronic Vehicle Registration (EVR) system to expedite the registration and titling of vehicles they sell. The robust network of partners, which includes those mentioned and as well as a number of other entities, aided the SCDMV in processing nearly 45 million additional customer transactions in SFY2025.

In addition to the enduring customer service platforms discussed above, the SCDMV maintains mobile platforms designed to temporarily extend the agency's reach to customers during times of emergency. The Community Area Response and Emergency Services (CARES) vehicle and Self-contained Hazardous Area Response Kits (SHARKs) allow the agency to serve residents anywhere across the state in the aftermath of natural disasters, during branch office renovations, or even to augment branch office operations in the event that customer volumes unexpectedly exceed office capacity.

Products and services provided by SCDMV through internal or partner-assisted transactions have an immense impact on state government fiscal operations. In SFY2025, the agency collected, reconciled, and distributed more than \$836.5 million in revenue to a number of state government agencies and organizations to facilitate internal operations. Revenues generated from SCDMV products and services fund numerous state requirements, including essential infrastructure projects like road repairs.

The SCDMV contributes to the state in many other ways, including aiding the return of individuals being released from the SC Department of Corrections and the SC Department of Juvenile Justice by providing identity documents for use after periods of detention. In SYF2025, the agency provided 1,642 identity documents to assist individuals returning to society from incarceration. Additionally, through our partnership with Donate Life SC, the SCDMV remains the largest registrant of organ donors in the state. In SFY2025, the agency registered more than 30,139 customers as organ donors, facilitating potentially lifesaving services to those in need of organ or tissue transplants. Finally, the General Assembly's passage of the South Carolina Hands-Free and Distracted Driving Act (Act 40 of 2025) ensured that the Federal Motor Carrier Safety Administration continued to recognize the SCDMV

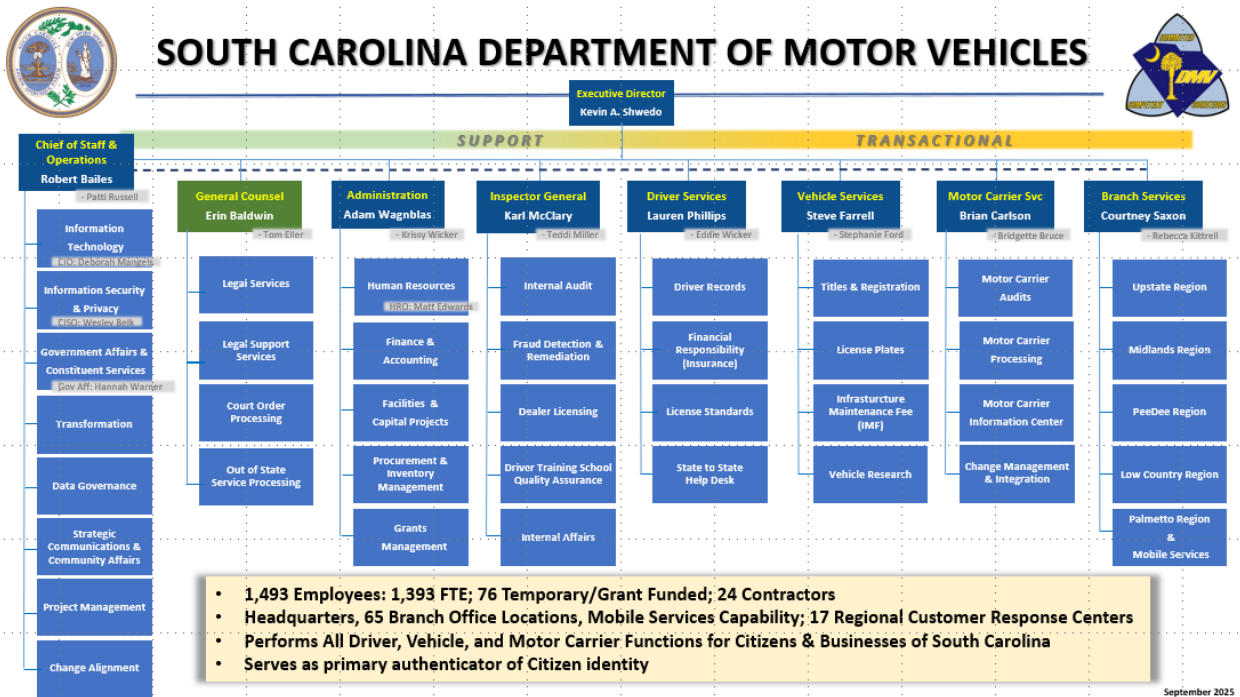
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as the State Driver License Authority for issuing Commercial Driver’s Licenses (CDL) to the state’s commercial drivers.

Connecting to the communities where we live and work remains a key focus for the SCDMV. The agency rallied around co-workers and local communities impacted by the devastating effects of Tropical Storm Helene in September 2024. In addition to participating in multiple “Team South Carolina” events, where state government agencies provided on-site assistance to citizens, SCDMV employees collected and distributed truckloads of food, water, supplies, and pet care products to fellow employees and neighbors of impacted communities. This charitable effort garnered recognition from the American Association of Motor Vehicle Administrators (AAMVA), and the agency was awarded a 2025 Community Service Award. Our employees graciously support several charitable causes, including the United Way’s annual “Live United” fundraising campaign as well as book drives that support efforts to improve literacy in early age children in underserved regions of the state.

AGENCY ORGANIZATION

Following is the SCDMV Organization Chart, including the names of key senior leaders and a summary of the primary responsibilities that fall within each of the agency’s lines of business:



SFY2025 HIGHLIGHTS

Modernization. The SCDMV remains focused on modernizing technology and products in order to provide the most efficient and convenient customer service options for citizens. In SFY2025, the agency took significant steps on major innovations and enhancements.

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The agency completed the analysis and development of a request for proposal to procure a modernized information technology (IT) system, which will provide the required automation and processing efficiency to accommodate the state’s rapidly growing population as well as transform the agency’s ability to deliver customer service to residents. In addition to detailed market research and demonstrations from seven solution providers, the SCDMV conducted in-person and virtual visits with a number of state DMVs who have recently modernized their agency IT systems. Collaboration with Georgia, Maryland, Arizona, Montana, Wyoming, and Nevada provided invaluable insights that were helpful in informing the SCDMV procurement document. The SCDMV anticipates awarding an IT system modernization contract and beginning transformation efforts in SFY2026.

The SCDMV also moved closer to modernization of the driver’s license and identification cards it issues to citizens. This effort commenced in SFY2024 and saw considerable technical and business process development in SFY2025, including approval of the enhanced card design in May 2025. As a result of the progress made in SFY2025, the agency completed the transition to the new card design and issuance process during the first quarter of SFY2026. The new card design and issuance process provides notably enhanced security features that prevent card manipulation and counterfeiting to better protect citizens from the threat of identity theft. The SCDMV successfully completed the strategic migration of all organizational computing devices to the Windows 11 operating system in October 2024, a full year ahead of the Microsoft-imposed end of support date for Windows 10. This allowed the agency to embrace the latest operating system security measures provided by Windows 11 and benefit from the increased performance resulting from the enhanced efficiencies built into Windows 11.

Finally, in November 2024, the SCDMV concluded replacement of the point-of-sale credit card reader devices in every office, which resulted in expanded payment options for customers. The upgrade of more than 760 reader devices in offices throughout the state allows customers to now pay with EMV tap and chip cards as well as contactless payment systems such as Apple Pay that provide convenience and enhanced protection for customers who elect to pay with credit cards.

Process Improvement. Upholding our commitment to continuous improvement, the SCDMV refined, expanded, or implemented a number of processes in SFY2025, improving the services and products offered to customers. In November 2024, the agency implemented a quality assurance phase to its existing Electronic Vehicle Registration (EVR) system, a phase which sought to identify and correct errors with automated vehicle titling and registration documents submitted to the agency by automobile dealers. The SCDMV partnered with a provider who reviews every South Carolina automobile dealer vehicle sale by electronic submission for accuracy and completeness before transmitting the final documents to the SCDMV for processing and issuing registrations, license plates, and titles.

In June 2025, the SCDMV completed a noteworthy improvement to the way it captures forms and documents presented by customers in our branch offices. These documents were previously photocopied in branch offices and then packaged and shipped to the agency’s headquarters, where they were subsequently scanned into a digital document repository for future use. The previous process resulted in documents not being available to view by employees for several days. With the improved process, documents are scanned at the branch office at the time a customer presents them and are immediately available in the document management system. An added benefit of the new process is the substantially improved image quality of documents scanned. In SFY2025, the SCDMV took considerable strides to modernize and expand Commercial Driver License (CDL) skills testing capability in the state. Before beginning this initiative in SFY2024, the agency offered CDL skills testing at nine locations throughout South Carolina. However, to comply with requirements of the Federal Motor Carrier Safety Administration’s modernized CDL skills test, the SCDMV undertook an initiative to upgrade

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the nine existing sites while simultaneously establishing nine additional sites capable of providing the test. At the close of SFY2025, the agency offered CDL skills testing at 15 locations, with three remaining sites scheduled to come online in the first six months of SFY2026. Upon completion of the project, the SCDMV will have doubled the number of locations offering CDL skills testing, providing appreciably more flexibility and convenience for commercial drivers.

Mandates. In SFY2025, the SCDMV successfully accomplished a number of state or federally mandated requirements.

In August 2024, the SCDMV finalized the eighteen-month migration of agency IT computing and data storage to the Department of Administration’s Shared Services Environment in accordance with Governor Executive Order 2022-03 and Proviso 117.112 of 2021 SC Act 94 Part 1B, which required state agencies to use shared services provided by the Department of Administration. The agency developed an efficient plan and migrated 225 servers and 125 terabytes of data with minimal interruptions to agency operations and public services.

In November 2024, the SCDMV completed the requirements of Act 146 of 2024 as passed by the South Carolina General Assembly. This Act amended the length of time a person 18 years or older is required to hold a South Carolina Beginner’s Permit (BP) before they are eligible for full licensure, shortening the time from 180 days to 30 days while maintaining the 180-day hold period for individuals under 18 years of age.

In April 2025, the SCDMV successfully completed the Department of Administration’s Division of Information Security (DIS) Information Security Assessment. This triennial security assessment is a requirement for all South Carolina state government agencies. DIS leveraged a third-party industry expert to conduct an in-depth review of SCDMV’s information security protocols, procedures, and policies. The assessment resulted in an overall superior rating for the SCDMV and garnered the agency numerous favorable comments from evaluators regarding SCDMV’s information security program.

The U.S. Department of Homeland Security’s enforcement of REAL ID compliant identity documents took effect on May 7th, 2025. At that point, the SCDMV had issued more than 2.91 million REAL ID compliant driver’s licenses and identification cards to South Carolina residents since the implementation of REAL ID in February 2018. At the enforcement date, more than 63.04% of all driver’s licenses and identification cards issued by the SCDMV were compliant with REAL ID requirements. The agency continues to increase the percentage of REAL ID compliant cards issued to residents, closing SFY2025 with more than 65.48% of all issued credentials meeting REAL ID requirements.

RISK AND MITIGATION STRATEGIES

The greatest risk faced by the SCDMV remains the ability to maintain the agency’s current IT system. The outdated technology of the system’s core platform and lack of automated testing make the system particularly vulnerable to unforeseen errors when applying coding changes or attempting to integrate modern technologies into the base system. The agency has experienced a marked increase in system disruptions following code updates in the last two years. These temporary disruptions result in loss of system functionality and prevent the agency from providing service to more than 2,000 customers every hour the system is unavailable. Additionally, system disruptions negatively impact law enforcement and numerous businesses who rely on continuous access to the SCDMV system in the conduct of their daily duties.

While the agency has been able to overcome all temporary outages to date, these outages portend the potential of a long-term system outage or catastrophic failure, which would have far-reaching and crippling impacts to the

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state. In addition to millions of citizens not being able to complete DMV transactions, the state would stand to lose nearly \$70 million of revenue for every month the SCDMV system would be unavailable; public safety would be jeopardized due to the inability of law enforcement to access SCDMV information in the prosecution of duties; and commerce throughout the state would be severely impacted among businesses such as automobile dealers, insurance providers, motor carrier service providers, and transportation service providers such as rental car agencies, taxis, and rideshare providers. While the SCDMV is resolute in its determination to protect customer information and commits substantial resources for this purpose, the failure of the current IT system could also put customer personal information at risk of exposure. Finally, the impact of a SCDMV system outage would extend beyond the state boundaries, impacting the real time interaction between South Carolina and every other US state.

The lack of an IT system based on modern technology hinders the SCDMV's ability to efficiently integrate the emerging driver and vehicle-related technologies being realized in other states. Mobile driver's licenses and electronic titles are a few examples of technological advancements becoming commonplace in DMVs across the U.S. However, not only is the SCDMV's current IT system incapable of effectively integrating these technologies but attempts to integrate modern technologies or add services that increase the demand on the current, outmoded IT system pose unnecessary and avoidable risks to the system and the agency.

The SCDMV began plans for an IT system modernization in SFY2024 and completed the requirements documents for a new system in SFY2025. The agency anticipates beginning transformation of its IT system in SFY2026, with full implementation of the new system projected to occur in SFY2030. The ability to sustain the current system for another five years while simultaneously developing, testing, and implementing a new IT system that accurately reflects SCDMV business processes and complies with state and federal laws and regulations poses a tremendous challenge and enormous risk for the agency. The focused and undivided attention of SCDMV resources—not merely IT assets, but business analysts and leadership from each of the agency's directorates—will be essential to ensuring operations are sustained to support customers and to guarantee a successful transition from the old system to the new platform. Minimizing changes to the coding of the current system will mitigate the risk of service disruptions and system outages. Further, delaying integrations of new functionality until the SCDMV completes transition to a modernized IT system allows the agency to maintain an uninterrupted focus on supporting customers and ensuring the accuracy of the new IT system.

The continuing rise of cyber intrusions directed against the SCDMV network as well as attempts by fraudsters to gain unauthorized access to customer accounts present a persistent peril for the agency. While the SCDMV focuses on sustaining a strong and secure cyber security posture and is vigilant in safeguarding the customer information it maintains, attempts to access the agency's network or deny services are a persistent reality. Included as a pillar of SCDMV's information security program is recurring information security training that is mandatory for all employees. The agency is also working toward implementing additional stronger identity verification measures to help mitigate fraud on its customer service platforms.

Though the agency's preventive efforts help lessen the probability of a cyber incident, the impact of such an event, if it were to occur, could be significant to the state and its citizens. Insufficient appropriations in both the agency's operating and salary budgets pose an increasing risk to the agency. Greater than 66% of SCDMV employees in Classified General Positions (Gen5 and above), including 51% of Information Technology Positions (Tec4 and above) and 100% of Unclassified Positions (Executive Compensation), currently fall below the state government salary average for their position. As a result, the

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agency has seen an increase in employees departing the agency to take similar but higher-paying positions with other state agencies.

Likewise, the agency's appropriated operating budget has not appreciably increased in over a decade, while costs incurred by the agency for contracted services and products have risen considerably during the same time period. While the agency has offset shortfalls in previous fiscal years by delaying innovation projects or application of carry forward funding, the rate of inflation has exceeded SCDMV's ability to continue to absorb the escalating operational costs the agency faces without additional operating budget appropriations.

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