

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 267 CS Driver License Services

SPONSOR(S): Bogdanoff

TIED BILLS: **IDEN./SIM. BILLS:** SB 268

| REFERENCE | ACTION | ANALYST | STAFF DIRECTOR |
|--|------------------------|-----------------|-----------------------|
| 1) <u>Transportation Committee</u> | <u>11 Y, 1 N, w/CS</u> | <u>Thompson</u> | <u>Miller</u> |
| 2) <u>Local Government Council</u> | <u></u> | <u>Smith</u> | <u>Hamby</u> |
| 3) <u>Transportation & Economic Development Appropriations Committee</u> | <u></u> | <u></u> | <u></u> |
| 4) <u>State Infrastructure Council</u> | <u></u> | <u></u> | <u></u> |
| 5) <u></u> | <u></u> | <u></u> | <u></u> |

SUMMARY ANALYSIS

HB 267 W/CS requires the Department of Highway Safety and Motor Vehicles (DHSMV) to study the outsourcing of driver’s licensing services to a provider or other governmental agency, in whole or in part, while retaining responsibility and accountability for the services. The bill requires DHSMV to present their recommendations to the Governor, the President of the Senate, and the Speaker of the House of Representatives by January 1, 2007. The study must provide the following:

- A detailed description of services to be outsourced and a description of the department’s current performance of the service;
- A cost-benefit analysis including a detailed plan and implementation timeline;
- A statement of the potential effect on applicable revenues and expenditures;
- A public-records compliance plan; and
- A transition and implementation plan addressing personnel issues and performance standards.

This bill also expands current law to allow DHSMV to use county constitutional officers, other than tax collectors, as driver license service agents in those counties where the tax collector is not elected or where the tax collector does not provide the services.

This bill will have no fiscal impact on the department and will take effect upon becoming law.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

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FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide limited government – This bill requires DHSMV to study the out-sourcing of driver's licensing services to a provider or other governmental agency. This bill also authorizes DHSMV's to contract with other county constitutional officers for driver license services in certain counties.

B. EFFECT OF PROPOSED CHANGES:

Present Situation

Chapter 322, F.S., provides for laws related to Drivers' Licenses. The DHSMV's Division of Driver Licenses, Driver License Program administers driver license-related activities, which are intended to increase consumer protection and promote public safety by licensing only those drivers who demonstrate the necessary knowledge, skills, and abilities to operate motor vehicles on Florida's roads; controlling and improving problem drivers by suspending and revoking the licenses of drivers who abuse their driving privileges; monitoring drivers to ensure they carry the required insurance to be financially responsible for their actions; and maintaining driver history records. According to DHSMV, there were an estimated 15,483,582 licensed Florida drivers in 2004-05. The DHSMV estimates in 2005-06 there are an estimated 15,888,511 licensed Florida drivers and 7,780,552 applicants to be processed in field offices.

Driver license-related activities are divided into 4 service categories: (1) Driver Licensure Service Category which provides licensing services including issuing driver licenses and identification cards; answering customer inquiries over the telephone and Internet; maintaining comprehensive driver history; and maintaining the statewide traffic citation system; (2) Motorists Financial Responsibility Compliance Service Category which is responsible for ensuring licensed drivers comply with Florida automobile insurance laws and requirements to carry Personal Injury Protection (PIP) and Property Damage Liability (PDL) insurance coverage, and Bodily Injury Liability coverage if required; (3) Identification and Control of Problem Drivers Service Category which is responsible for identifying and controlling problem drivers through suspending, revoking, disqualifying, and canceling driving privileges, conducting administrative reviews for issuance of limited restricted licenses for offenders, and approving course curriculum and evaluating driver improvement-related course programs; and (4) Executive Direction and Support Services Service Category which administers general business functions, provides leadership and direction, and supports all driver license-related activities.

There are seven state bureaus responsible for activities that support the acquisition or suspension of driving privileges. The Driver License Program consists of the following Bureaus:

- The Bureau of Field Operations. There are three field operations bureaus (North Field Operations, Central Field Operations, and South Field Operations) that include 158 state and local county tax collector offices that issue driver licenses and identification cards. The tax collector offices function as licensing agents of the Department of Highway Safety and Motor Vehicles. Staff administers knowledge, skill, and visual examinations to determine driver qualification, process forms that show proof a person has obtained motor vehicle insurance, and provide a process for designating on the license application contribution to five charitable organizations (Election Campaign, Organ donor, Prevent Blindness Florida, and Florida Council on Blindness).
- The Bureau of Customer Service. The bureau assists customers in the interpretation of motor vehicle laws and requirements. It provides telephone access for all citizens, and it analyzes and resolves all inquiries regarding driving activities.
- The Bureau of Records. This bureau provides documentation of all driver license activities which include issuance, suspension, revocation, cancellation, reinstatement, renewal,

replacement, and processing all traffic citations. It controls all information recorded on individual driver history records and ensures public access to these records.

- The Bureau of Financial Responsibility. The bureau suspends driving privileges for non-compliance with appropriate laws, verifies insurance coverage through review of documents submitted by drivers, reinstates suspended driving privileges upon compliance, and updates driving history records.
- The Bureau of Driver Improvement. This bureau is divided into two sections, the Driver Services Section and Medical Section. The bureau suspends, revokes, and cancels licenses for violation of motor vehicle laws, fraudulent activity, medical reasons, and inadequate vision.
- The Bureau of Administrative Review. This bureau has 33 field offices located throughout the state. Hearing officers schedule and conduct driver license administrative hearings involving hardship license reinstatements, records review, post-suspension formal and informal reviews, medical competency and financial responsibility reviews, and special driver examinations.
- The Bureau of Driver Education and DUI Programs. The bureau's activities cover licensing commercial drivers, motorcycle safety, and driver improvement schools; approving instructor credentials; approving and evaluating curriculum; inspecting and approving DUI and motorcycle rider schools; and conducting research on improving current and developing future education methods.

DHSMV issues driver licenses through local driver license examination offices. Four different classes of driver licenses are issued:

- Class A, B, and C licenses are for drivers of commercial motor vehicles such as large trucks and buses. A commercial vehicle is defined as a motor vehicle weighing 26,001 pounds or more, designed to transport 16 or more persons, or carry hazardous materials.
- Class E licenses are for drivers of non-commercial vehicles and those who are exempt by law from obtaining a commercial driver license.

Driver License Services – County Tax Collectors

Section 322.135, F.S., allows DHSMV upon application, to authorize the tax collectors in the state to serve as its agent for the provision of specified driver's license services. These services include new licenses, renewals, duplicates, learner's permits, and identification cards. Each tax collector who is authorized by the department to provide driver's license services is to bear all costs associated with providing those services. A fee of \$5.25 is charged, in addition to any other fees, for any driver's license issued or renewed by a tax collector. Currently, 28 county tax collectors are providing driver license services at 59 locations.

Driver License Services – Current Outsourcing Contracts

Additionally, DHSMV outsources commercial driver skills testing, contracting with approximately 450 third party testers to conduct commercial driver license (CDL) skills tests. The DHSMV also contracts with private organizations and community and technical colleges to provide motorcycle safety courses and skills tests. Furthermore, the DHSMV contracts with schools to conduct driver education and testing for the Driver Education Licensing Assistance Program; contracts with a private vendor to provide driver license equipment, software and human resources to produce centrally issued driver licenses and identification cards; and is conducting a pilot project by contracting with providers of on-line courses of traffic law and substance abuse education to conduct Florida Class E (operator) driver license knowledge tests.

Proposed Changes

This bill requires DHSMV to study the outsourcing of driver's licensing services and present recommendations to the Governor, the President of the Senate, and the Speaker of the House of Representatives by January 1, 2007. The bill defines the term "outsourcing" to mean the process of

contracting with an external service provider or other governmental agency to provide a service, in whole or in part, while the department retains the responsibility and accountability for the service.

This CS provides requirements for DHSMV with respect to issues to be included in the study. Specifically, as part of the study, DHSMV must provide a description of the services to be outsourced and must consider, but need not be limited to, the following issues:

- A detailed description of services to be outsourced;
- A cost benefit analysis of direct and indirect costs or savings with a detailed plan and timeline for implementation of actions to ensure the desired benefits are achieved;
- A statement of potential effect on federal, state and local revenues and expenditures and the possible direct or indirect impact on federal funding and cost allocations;
- A plan to ensure compliance with public-records law; and
- A plan for the transition and implementation which addresses the changes in the number of the department's personnel and related transition issues and business processes, including the department's plan to resume the operation of the service should the contractor fail to perform within performance standards and provisions of the contract and identifying the full-time equivalent positions and resources subject to outsourcing.

This bill also amends s. 322.135, F.S., to allow DHSMV to use county constitutional officers, other than tax collectors, as driver license service agents in those counties where the tax collector is not elected or where the tax collector does not provide the services. These other constitutional officers would have the same powers and duties as tax collectors (including collection of the \$5.25 service charge) when acting as DHSMV's driver license agents. This change will increase the department's options for providing driver licensing services in certain counties. According to DHSMV, currently there are two counties (Broward and Calhoun) in which there are discussions regarding using constitutional officers other than tax collectors as driver's license agents.

The tax collector is an elected constitutional officer in 64 counties. In the following counties, the tax collector is appointed by the county commission: Miami-Dade, Broward and Volusia.

C. SECTION DIRECTORY:

- Section 1.** Directs DHSMV to study outsourcing its driver licensing services; requires DHSMV to submit a report to the Governor, the President of the Senate and the Speaker of the House of Representatives by January 1, 2007; provides issues to be studied; and requires a cost-benefit analysis and a transition and implementation plan.
- Section 2.** Amends subsection (2) of s. 318.15, F.S., providing for certain elected county officials used by DHSMV as driver licensing agents to collect a drivers license suspension clearance service charge.
- Section 3.** Amends subsection (1) of s. 322.02, F.S., providing legislative intent for certain elected county officials to be used by DHSMV as driver licensing agents.
- Section 4.** Amends subsection (10) of s. 322.135, F.S., providing for certain elected county officials to be used by DHSMV as driver licensing agents.
- Section 5.** Provides that the bill will take effect upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

DHSMV has indicated that the study and report required by this bill can be performed with existing department resources.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

This bill does not appear to have a significant direct economic impact on the private sector.

D. FISCAL COMMENTS:

The Driver License Program (Division of Driver Licenses) is funded from driver license fees that the Driver License Program collects and from general revenue. In fiscal year 2005-06, the Driver License Program has a budget of \$83.6 million with 1,317 authorized positions. In fiscal year 2004-05 the Driver Licenses Program collected about \$186 million from driver license fees and from other driver license related revenues. The Division currently operates 100 field offices distributed throughout the state. Almost 1,000 of the Division's positions are assigned to field operations.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable because the bill does not appear to: require counties or cities to spend funds or take action requiring the expenditure of funds; reduce the authority that cities or counties have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with cities or counties.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

The Federal Motor Carrier Safety Administration rules and regulations prohibit States from allowing third parties to administer CDL knowledge exams and, therefore, this area could not be contracted out by DHSMV.

According to DHSMV, certain types of privatized driver license testing, such as commercial vehicles skills tests that require special equipment, may save enough public expense to justify the investment of rigorous oversight needed to offset the risk of fraud. However, DHSMV has detected several major cases and numerous lesser instances of fraud in the course of monitoring privatized driver license testing. In instances of fraudulent CDL activity, DHSMV has decertified contracts with third party testers and recalled the drivers to state facilities for retesting.

DHSMV stated that a three-year pilot project for outsourcing of the Class D and E driver license testing began in the spring of 2000. The project involved seven third party administrators (TPAs) throughout the State. The department's final evaluation of this project revealed tendencies toward less rigorous

testing, with a need for strong oversight. Many issues were found involving record keeping and road test performance. The monitors experienced difficulty accessing customer files and viewing the performance of testers. A review showed that in all cases, the conviction, crash and insurance suspension rates were significantly higher for customers who went to a TPA than for those individuals who tested at a driver license office.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

On December 6, 2005 the Committee on Transportation amended HB 267 to provide for DHSMV to use county constitutional officers, other than tax collectors, as driver license service agents in those counties where the tax collector is not elected or where the tax collector does not provide the services. The committee then voted 11-1 to report the bill favorably with committee substitute.