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DATE: April 16, 2001

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
FISCAL POLICY AND RESOURCES
ANALYSIS**

BILL #: CS/HB 1121

RELATING TO: Drivers' Licenses/County Tax Collectors

SPONSOR(S): Committee on Local Government & Veterans Affairs and Representative Byrd

TIED BILL(S): None

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

- (1) LOCAL GOVERNMENT & VETERANS AFFAIRS (SGC) YEAS 6 NAYS 0
- (2) FISCAL POLICY AND RESOURCES YEAS 12 NAYS 0
- (3) COUNCIL FOR SMARTER GOVERNMENT
- (4)
- (5)

I. SUMMARY:

This bill allows any county tax collector to be an exclusive agent of the Department of Highway Safety and Motor Vehicle's (DHSMV), for that county only, to administer driver license services. The bill provides a schedule of fees that are to be paid to county tax collectors acting as exclusive agents of DHSMV for services provided by county tax collectors.

The Revenue Estimating Conference adopted a total, revenue impact of zero. There will be a (\$24.7m) reduction in the General Revenue Trust Fund and a (\$31.0m) reduction in the Highway Safety Trust Fund as a result of lost fee revenue. However, this will be offset by a \$55.7m gain to local governments from new fee revenue when the program is transferred.

There will be a reduction in costs (i.e., operating costs) of \$8.4m from the General Revenue Trust Fund and \$28.9m from the Highway Safety Trust Fund, as a result of moving the issuance of drivers licenses to the country tax collectors.

On April 17, 2001 the Committee of Fiscal Policy and Resources adopted a strike-everything amendment. The contents of the amendment provided some definitional changes. Defined more clearly the intent of the original language. Provided that the fiscal affect to the state as a result of this language be revenue neutral. Removed specific fees that were stated in CS/HB 1121. Created a task force to recommend the allocation of cost between the Department of Highway Safety and Motor Vehicles and tax collectors to administer driver's license services authorized by this chapter.

SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|-----------------------------------------|-----------------------------|-----------------------------------------|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

The Department of Highway Safety and Motor Vehicles (DHSMV)'s mission is to make highways safe through service, education and enforcement. To accomplish this mission, DHSMV has a budget of \$340 million and almost 5,000 positions. Each year DHSMV collects more than \$1.2 billion in revenue through its licensing and regulatory responsibilities. The Department is organized into five major units: the Florida Highway Patrol, the Division of Driver Licenses, the Division of Motor Vehicles, the Division of Administrative Services, and Information Systems Administration.

This Division of Driver Licenses (Division) promotes safety on the highways by licensing qualified drivers, controlling and improving problem drivers, ensuring drivers are financially responsible for their actions, and maintaining records for driver evaluation. The Division provides services to the driving public through a network of 146 field offices (including selected county tax collector offices) located throughout the state. The Division's nine bureaus are organized into three functional areas: licensing services, educational services, and financial responsibility.

Licensing services are administered by the following seven bureaus: North Field Operations, Central Field Operations, South Field Operations, Customer Service, Records, Driver Improvement, and Administrative Review. Licensing services include the following major activities:

- Issuing driver licenses, including the administration of knowledge (written) and skills (road) tests, and identification cards;
- Administering the Commercial Driver License, Organ Donor, and Motor Voter programs;
- Identifying and controlling problem drivers by revoking, canceling, or suspending driving privileges;
- Assisting customers by resolving questions pertaining to driver licenses, financial responsibility, suspensions and reinstatements; and
- Maintaining driver records and conducting administrative hearings involving hardship license reinstatements, suspension, medical competency, and financial responsibility.

The Bureau of Driver Education and DUI Programs is responsible for educational services which include monitoring driver improvement courses and commercial driving schools, training and licensing instructors, and monitoring motorcycle safety programs and instructors.

The Bureau of Financial Responsibility is responsible for ensuring drivers acquire and maintain adequate motor vehicle insurance and for identifying uninsured motorists.

Tax Collectors

There are approximately 270 tax collector offices and their agents who perform statewide motor vehicle registration and title services as agents of the Department. Since 1996, county tax collectors have been authorized to provide driver license services as agents of DHSMV (s. 322.135, F.S.). Currently, 21 tax collectors are providing driver license services at 29 locations. Services available through the tax collectors include new licenses, renewals, duplicates, learner's permits, and identification cards. In addition, tax collectors are authorized to provide commercial driver license (CDL) services. However, a number of the participating tax collectors have opted not to administer the skills (road) test. A service fee of \$5.25 is charged for driver license services obtained through a tax collector office. One dollar of this service fee is deposited into the Highway Safety Operating Trust Fund and the remaining \$4.25 is retained by the tax collector.

An OPPAGA survey of tax collectors revealed a number of reasons why many tax collectors have elected not to offer driver license services. Insufficient office space and staff were the most frequently cited reasons. A number of tax collectors reported that an existing state driver license office is too close to the tax collector's office to provide a substantial increase in customer service. Some respondents said the \$4.25 fee retained by tax collectors is insufficient given the work required, and several stated this additional service fee is unfair to citizens.

Currently, all driver license fees are deposited into the General Revenue Fund. Allowing the tax collectors to keep a portion of these fees would entice additional tax collectors to provide driver license services.

Additional Outsourcing Activities

DHSMV has several initiatives underway to outsource specific components of driver license testing. For example, there are currently 456 third-party testers conducting the CDL skills test. These third-party testers account for 87 percent of the CDL skills tests administered. There are presently 13 third-party testers performing the motorcycle skills and knowledge tests. The Department also has agreements with 54 school districts to conduct testing through their school-based driver education programs.

The Department is currently monitoring a pilot project in which seven vendors are providing skills testing for non-CDL operator licenses. Participants in this pilot project include commercial driving schools, a non-profit safety council, and an adult education center. The vendor contract does not specify a fee structure. In fact, several vendors have advised DHSMV that they do not intend to charge a fee but will offer the skills test as part of their driving instruction curriculum. Effective January 1, 2001, these vendors are also authorized to conduct knowledge testing.

The Department has recently expanded the role of technology in the delivery of motor vehicle and driver services. In most cases, DHSMV has relied on private vendors for the development and operation of these "e-commerce" applications. In addition to enhanced customer convenience, these applications eliminate the manual effort typically required by using automation technology to process each transaction from start to finish with the exception of mailroom processing. Several of these technology-based services are summarized below.

The Department website contains a feature ("Express Lane") allowing Florida motorists to perform driver license renewals and address changes on-line. In order to renew a license using this system an individual must have a Visa or Master Card. In addition to the renewal fee (\$15) or the change of address fee (\$10), a service fee of \$3 is applicable. This service fee is used to offset the credit card service fee and vendor processing.

C. EFFECT OF PROPOSED CHANGES:

This bill allows any county tax collector to be an exclusive agent of the Department of Highway Safety and Motor Vehicle's (DHSMV), for that county only, to administer driver license services. The bill provides a schedule of fees that are to be paid to county tax collectors acting as exclusive agents of DHSMV for services provided by county tax collectors.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. A new subsection (5) is added to s. 322.02, F.S., to require the Department of Highway Safety and Motor Vehicles (DHSMV) to allow any county tax collector that elects to do so to be an exclusive agent of the DHSMV, for that county only, to administer driver license services authorized in chapter 322, F.S.

Section 2. A new subsection (5) is added to s. 322.135, F.S., to provide a schedule of fees that are to be paid from the various trust funds of the DHSMV to county tax collectors acting as exclusive agents of DHSMV for services provided by county tax collectors. The schedule includes:

Issuing original driver's licenses and conducting road test	\$20.00
Issuing original driver's license or learner's permit without road test	\$10.00
Renewal of driver's license	\$4.50
Issuing original and duplicate identification cards	\$3.00
Re-instatement of driver's license because of revocation or disqualification	\$15.00
Issuing a duplicate of an instruction permit or driver's license	\$5.00
Issuing a replacement license	\$5.00
Issuing change of address sticker	\$2.00

The section provides for the fees to be adjusted biennially by a percentage equal to the increase in the cost of living index published by the United States Department of Commerce. In addition to the fees listed above, the section authorizes the county tax collector who is the exclusive agent of DHSMV to charge and retain as income to his or her office those fees enumerated in s. 322.20(11)(a), F.S.

Section 3. An effective date of July 2, 2002, is provided.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues

The Revenue Estimating Conference adopted a total, revenue impact of zero. There will be a (\$24.7m) reduction in the General Revenue Trust Fund and a (\$31.0m) reduction in the Highway Safety Trust Fund as a result of the lost fee revenue. However, this will be offset by a \$55.7m gain to local governments from new fee revenue when the program is transferred.

2. Expenditures:

There will be a reduction in costs (i.e., operating costs) of \$8.4m from the General Revenue Trust Fund and \$28.9m from the Highway Safety Trust Fund, as a result of moving the issuance of drivers licenses to the country tax collectors.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

It is anticipated that tax collectors would receive \$55.7m from processing driver license and driver records transactions. This bill also provides for fees to be adjusted biennially by a percentage equal to the cost of living index published by the United State Department of Commerce.

2. Expenditures:

There may be additional costs not anticipated or covered by the revenues generated by the program.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None

D. FISCAL COMMENTS:

III. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill will not reduce the authority of countries and municipalities to raise total aggregate revenues.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the total aggregate percent of state tax shared with counties or municipalities.

IV. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

Technical Comment

The effective date provided in section 3 of the bill is July 2, 2002. The effective date should be the beginning of the fiscal year, July 1, 2002.

Senate Transportation Interim Project Report 2001-026

During the 2001 Legislative Interim, the Senate Transportation Committee conducted an interim project and produced a report entitled "Privatization or Transfer of Functions of the Department of Highway Safety and Motor Vehicles." Substantial portions of the "Present Situation" section of the analysis were taken from this report. The report examines current and potential privatization or outsourcing initiatives within the Department of Highway Safety and Motor Vehicles (DHSMV). While the report includes an overview of the entire agency, the focus of the report is on motor vehicle and driver licensing functions. The report found that there are a number of additional outsourcing options relating to the delivery of motor vehicle and driver license services which the Legislature may wish to consider. For example, one option is to authorize DHSMV to contract with private agents to issue driver licenses and motor vehicle titles and registrations. The report also notes that in addition to outsourcing options, there are several related policy considerations which the Legislature may wish to address. For example, recent changes in the delivery of motor vehicle and driver services have altered the long established roles of DHSMV and its agents and generated uncertainty surrounding future service delivery responsibilities. The report suggested the Legislature may wish to provide additional guidance regarding the future responsibilities of DHSMV and its agents.

Specifically regarding the expansion of driver license services in tax collector's offices, the report suggested one option to encourage more tax collectors to provide driver license services would be to revise driver license fees to allow tax collectors to retain more revenue. Currently, all driver license fees are deposited into the General Revenue Fund. Allowing the tax collectors to keep a portion of these fees would entice additional tax collectors to provide driver license services. Depending on the amount of the fee retained, there would be a corresponding fiscal impact on the General Revenue Fund.

V. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On March 27, the Committee on Local Government & Veterans Affairs considered HB 1121, adopted a strike-everything amendment, and passed the bill as a committee substitute. HB 1121 made extensive changes to chapter 322, F.S., in order to allow county tax collectors to be an authorized agent of DHSMV and be charged with the local administration and function of enforcing general laws governing drivers' licenses. As drafted, HB 1121 granted county tax collectors authority to adopt standards governing a variety of issues related to drivers' licenses. HB 1121 also provided for the redirection of revenues derived from drivers' license services from DHSMV and the General Revenue Fund to county tax collectors choosing to provide full drivers' license services.

CS/HB 1121 amends two sections of chapter 322, F.S. The bill allows any county tax collector to be an exclusive agent of DHSMV, for that county only, to administer driver license services. The bill does not grant county tax collectors the authority to adopt standards governing drivers' licenses. CS/HB 1121

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also provides a schedule of fees that are to be paid to county tax collectors acting as exclusive agents of DHSMV for services provided by county tax collectors.

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VI. SIGNATURES:

COMMITTEE ON LOCAL GOVERNMENT & VETERANS AFFAIRS:

Prepared by:

Staff Director:

Thomas L. Hamby, Jr.

Joan Highsmith-Smith

AS REVISED BY THE COMMITTEE ON FISCAL POLICY AND RESOURCES:

Prepared by:

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Adam Shamy

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