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**DATE:** April 19, 2001

**HOUSE OF REPRESENTATIVES  
AS FURTHER REVISED BY THE  
COUNCIL FOR SMARTER GOVERNMENT  
ANALYSIS**

**BILL #:** CS/CS/HB 1121  
**RELATING TO:** Drivers' Licenses/County Tax Collectors  
**SPONSOR(S):** Council for Smarter Government, Committee on Local Government & Veterans Affairs & 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 YEAS 11 NAYS 0
  - (4)
  - (5)
- 

I. SUMMARY:

This bill allows county tax collectors to be designated the exclusive agent of the Department of Highway Safety and Motor Vehicles (DHSMV) for the local administration of driver license services. The bill establishes an application process for tax collectors to apply to DHSMV to serve as the exclusive agent. The bill provides that the administration of driver license services by the tax collector as the exclusive agent of DHSMV must be revenue neutral with no adverse state fiscal impact and with no adverse unfunded mandate to the tax collector.

This bill provides for the creation of a Cost Determination and Allocation Task Force to determine and recommend the allocation of costs between the department and tax collectors for the administration of driver license services. The bill also provides for the development of transition plans to facilitate, where applicable, the orderly transfer of service responsibilities to the tax collector.

The Estimating Conference has not considered CS/CS/HB 1121. As noted above, the bill requires the administration of driver license services by the tax collector as the exclusive agent of DHSMV to be revenue neutral with no adverse state fiscal impact and with no adverse unfunded mandate to the tax collector.

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 county tax collectors to be designated the exclusive agent of the Department of Highway Safety and Motor Vehicles (DHSMV) for the local administration of driver license services. The bill establishes an application process for tax collectors to apply to DHSMV to serve as the exclusive agent. The bill provides that the administration of driver license services by the tax collector as the exclusive agent of DHSMV must be revenue neutral with no adverse state fiscal impact and with no adverse unfunded mandate to the tax collector.

This bill provides for the creation of a Cost Determination and Allocation Task Force to determine and recommend the allocation of costs between the department and tax collectors for the administration of driver license services. The bill also provides for the development of transition plans to facilitate, where applicable, the orderly transfer of service responsibilities to the tax collector.

**D. SECTION-BY-SECTION ANALYSIS:**

**Sections 1.** Section 322.02, F.S., is amended to provide legislative intent and to allow a tax collector in and for his or her county to be designated the exclusive agent of the Department of Highway Safety and Motor Vehicles (DHSMV) to implement and administer the provisions of chapter 322, F.S., as provided in s. 322.135(5).

**Section 2.** Section 322.135, F.S., is amended to allow the county tax collector at his or her option to apply to DHSMV for approval by the Executive Director to be the exclusive agent of DHSMV for his or her county to administer driver license services. An application must be submitted by September 1 to be effective for the state's subsequent fiscal year beginning July 1. The application must include the following information, unless this information has been included in the report submitted by the Cost Determination and Allocation Task Force:

- Location of the general region or regions of the county where office(s) and branch offices from which driver license services are proposed to be performed.
- The designation by the tax collector of the driver license functions to be performed by the tax collector in the designated regions of the county.
- Any anticipated capital acquisition or construction costs.
- A projection of equipment available or to be provided by the department.
- All anticipated operating costs including facilities, equipment, and personnel to assume responsibility for administering driver license services.

The section is amended to provide that DHSMV must review applications on or before September 1 of each year, and must compare the costs included in the submitted information with the related costs incurred by DHSMV to accomplish the same level of services. DHSMV must approve or deny

an application within 60 calendar days after the application is received unless it and the applicant agree mutually to a specific alternative date. DHSMV is authorized to provide technical assistance upon request.

The section provides that the administration of driver license services by the tax collector as the exclusive agent of DHSMV must be revenue neutral with no adverse state fiscal impact and with no adverse unfunded mandate to the tax collector. The section provides for the creation of a Cost Determination and Allocation Task Force. The task force is to be composed of two representatives appointed by the Executive Director of DHSMV, two tax collectors appointed by the President of The Florida Tax Collectors, Inc., one person appointed by the Speaker of the House of Representatives, one person appointed by the President of the Senate, and a Governor's appointee. If requested, the Auditor General must provide technical assistance to the task force. The task force is to prepare a written report no later than January 1, 2002, which addresses construction and operating costs of DHSMV and the applicable tax collectors, appropriate allocations of costs between DHSMV and the tax collectors, and fee recommendations to assure that the fees paid for these driver license services do not result in a loss of revenue to the state in excess of costs incurred by the state. The task force is abolished on January 1, 2002.

The section provides that upon approval by DHSMV for a tax collector to provide exclusive driver license services in a county, DHSMV and the applicable tax collector must develop a transition plan for the orderly transfer of service responsibilities to the tax collector. This plan must include the following information:

- The specifics of any possible use of any state-owned or leased facilities giving consideration to lease expiration date, cancellations provisions, and possibilities for sub-lease of such facilities;
- Considering staffing needs of tax collector, either the assumption by the collector or DHSMV relocation of employees adversely affected; and
- The execution of a standard agreement between DHSMV and the tax collector for providing driver license services.

Finally, the section provides that a county tax collector serving as the exclusive agent of DHSMV must be paid fees for driver license services.

**Section 3.** An effective date of upon becoming a law is provided.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

### A. FISCAL IMPACT ON STATE GOVERNMENT:

#### 1. Revenues

See "Fiscal Comments" section.

#### 2. Expenditures:

See "Fiscal Comments" section.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See "Fiscal Comments" section.

2. Expenditures:

See "Fiscal Comments" section.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None

D. FISCAL COMMENTS:

The Estimating Conference has not addressed CS/CS/HB 1121. The Estimating Conference did review CS/HB 1121 and 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. 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.

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 counties 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:

**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:

**Differences Between CS/CS/HB 1121 and CS/HB 1121**

On April 17, 2001 the Committee of Fiscal Policy and Resources considered CS/HB 1121, adopted a strike-everything amendment, and passed the bill as amended. On April 18, 2001, the Council for Smarter Government considered CS/HB 1121, and passed the bill as a CS/CS/HB 1121.

- CS/CS/HB 1121 differs from CS/HB 1121 in several ways. CS/CS/HB 1121 provides that county tax collectors may be designated the exclusive agent of the Department of Highway Safety and Motor Vehicles (DHSMV) for the local administration of driver license services, and establishes an application process for tax collectors to apply to DHSMV to serve as the exclusive agent. CS/HB 1121 required DHSMV to allow a county tax collector to administer driver license services. CS/CS/HB 1121 provides that the administration of driver license services by the tax collector as the exclusive agent of DHSMV must be revenue neutral with no adverse state fiscal impact and with no adverse unfunded mandate to the tax collector. CS/HB 1121 did not contain this provision. CS/CS/HB provides for the creation of a Cost Determination and Allocation Task Force to determine and recommend the allocation of costs between the department and tax collectors for the administration of driver license services. CS/CS/HB 1121 also provides for the development of transition plans to facilitate, where applicable, the orderly transfer of service responsibilities to the tax collector. CS/HB 1121 included neither provision. Finally, CS/CS/HB 1121 does not include specific fees that were stated in CS/HB 1121.

**Differences Between CS/HB 1121 and HB 1121**

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 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.

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:

Staff Director:

Adam Shamy

Greg Turbeville

AS FURTHER REVISED BY THE COUNCIL FOR SMARTER GOVERNMENT:

Prepared by:

Staff Director:

Thomas L. Hamby, Jr.

Don Rubottom