

HB

175

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. HB 175

Revision Date: _____
 Title: Private Motor Vehicle licensing/testing....
 Sponsor: Representative Vezey
 Requestor: H. TRAN

Department Affected: Administration
 BRU: Motor Vehicles
 Component: Field Services
 COMPONENT SERIAL NO. 0502

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 97) cost: \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

This bill gives the Division the authority to utilize contract agents to provide services. The Division already has in place a number of contract agents to provide service. The \$0 amount in this fiscal note is based on the assumption that the Division will maintain the existing contract and agreements.

The Division will continue to explore the feasibility of adding additional contract agents or additional agreements with agents where justified by the workload or where cost efficiencies can be shown. It is recognized that in the future years there may be start up costs associated with the training and administrative requirements for new agents. These costs will be addressed as budget increments in the years agents are established.

Prepared by: Juanita M. Hensley
 Division: Motor Vehicles

Phone: 465-2650
 Date: 4/21/97

Approved by Commissioner: Mark Boyer
 Agency: Department of Administration

Date: 4/22/97

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Representative Al Vezey

SPONSOR STATEMENT

HB 175

"An Act relating to issuance of motor vehicle registrations and titles, and to licenses and permits to operate a motor vehicle."

Although the Department of Motor Vehicle has made some progress towards privatizing DMV, there is more that can be done to eliminate long lines, excessive waiting, and public dissatisfaction.

Additional service to the public, at no cost to the taxpayers, could be provided by those in the private sector. Car dealers, fleet operators, and others, would have incentives to attract customers to their place of business.

The legislature is faced with controlling government spending. Hiring more state employees and building more public office buildings does not make sense when the private sector is willing to provide these services at no cost to the taxpayer.

Many states now use third parties for testing the driving skills of operators of commercial vehicles, vehicle titling, and driver's license examinations.

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MEMORANDUM

April 22, 1997

SUBJECT: Sectional Summary of HB 175.

TO: Representative Al Vezey
Attn: Joseph

FROM: Michael F. Ford 
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Adds a new chapter requiring the Department of Administration to establish a third-party motor vehicle registration, titling, and testing program.

Sec. 28.12.010 - Establishes the authority given to third-party agents and requires that agents be individuals.

Sec. 28.12.020 - Provides a certification process for third-party agents.

Sec. 28.12.030 - Imposes requirements for an individual in order to be certified as a third-party agent.

Sec. 28.12.040 - Imposes requirements for an individual in order to be certified as a third-party registrar.

Sec. 28.12.050 - Imposes requirements for an individual in order to be certified as a third-party examiner.

Sec. 28.12.060 - Requires that a third-party agent or examiner comply with certain professional conduct requirements.

Sec. 28.12.070 - Requires that a third-party agent, registrar, or examiner provide notice to the department when certain events occur.

Sec. 28.12.080 - Imposes certain driving skills testing requirements.

Sec. 28.12.090 - Provides for termination of a third-party agent, registrar, or examiner if certain grounds exist.

Sec. 28.12.100 - Allows a third-party agent, registrar, or examiner to collect statutory fees, and allows the third-party agent, registrar, or examiner to set their own fee.

Representative Al Vozey

April 22, 1997

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Sec. 28.12.110 - Provides that the department may reject an application approved by a third-party agent, registrar, or examiner, if the application fails to meet the requirements of law.

Sec. 28.12.120 - Establishes the provisions of a contract for a third-party agent, registrar, and examiner.

Sec. 28.12.130 - Allows the department to conduct onsite inspections and audits of a third-party agent, registrar, and examiner. Provides for minimum contents of an examination or audit. Requires a written report of the examination or audit.

Sec. 28.12.140 - Imposes restrictions on advertising by a third-party agent, registrar, or examiner.

Sec. 28.12.150 - Imposes insurance requirements on a third-party agent or examiner.

Sec. 28.12.160 - Provides that a third-party agent, registrar, or examiner is not civilly liable for functions relating to registration, titling, and licensing.

Section 2. Requires the Department to implement the provisions of this Act by July 1 of the year following the effective date of the Act.

MFF:glc
97-262.glc



Alaska State Legislature

Please enter into the record my testimony to the Transportation Committee
committee name
committee on HB 175 dated April 22, 1997.
bill/subject

To allow third party agents to perform functions of the DMV currently performed by Motor Vehicle Representatives. These functions would include but possibly not limited to: Issuing, transferring, renewing registrations, titles and driver's licenses.

Also to limit third party agents to individuals, parties who are not professionally related to vehicle dealerships. I am highly concerned about the ease with which possible criminal intent could arise. I do believe this may be the reason some states do not allow dealerships to perform these functions.

Third party agents to contract with the State of Alaska, to operate an office that will provide quality customer service, remain on-line in real time with the DMV, collect fees, taxes, etc. for the State of Alaska to be deposited daily in a supervised account, and perform the functions named above. In lieu of a salary the filing fees would be retained by the third party agent. This would reduce state spending by eliminating the need to open future DMV offices to satisfy the needs of our growing population.

Signed: Cheryl D. Young (Cheryl D. Young)
Testifier

Representing (Optional)
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Address

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(8am - 4pm)

Privatization Survey

Summary of Results

April, 1997

Prepared by:

**AAMVA's
Privatization Working Group**

Privatization Survey Summary

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Summary of Privatization Survey Results

Forty-nine jurisdictions responded to all or party of the survey developed by the Privatization Working Group. Responding jurisdictions include: Alabama, Alaska, Alberta, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Manitoba, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Brunswick, New Jersey, Newfoundland, North Carolina, North Dakota, Nova Scotia, Ohio, Oklahoma, Pennsylvania, Quebec, Rhode Island, Saskatchewan, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and Wyoming. A summary of survey responses follows.

Drivers License Issuance

Jurisdictions were asked if they have outsourced all or part of their driver licensing functions, including new, renewal, duplicate and transfer licenses. Eighteen jurisdictions outsource all or part of their drivers license issuance functions.

News - Thirteen jurisdictions outsource issuance of "new" drivers licenses: Alaska, Alberta, Arizona, Florida, Idaho, Iowa, Michigan, Minnesota, Missouri, New Jersey, Ohio, Saskatchewan and West Virginia. Maryland is making plans to outsource new DL issuance.

Renewals - Connecticut, Maine, Oklahoma, Quebec, Pennsylvania and the 13 jurisdictions listed above outsource renewal drivers license issuance. Vermont is making plans to outsource DL renewals.

Duplicates - Fifteen jurisdictions including Alaska, Alberta, Arizona, Florida, Idaho, Iowa, Michigan, Minnesota, Missouri, New Jersey, Ohio, Oklahoma, Pennsylvania, Saskatchewan, West Virginia outsource the issuance of duplicate licenses. Maryland is making plans to privatize issuance of duplicate licenses.

Transfers - Eleven jurisdictions privatize issuance of transfer licenses. They include; Alaska, Alberta, Arizona, Florida, Iowa, Michigan, Missouri, New Jersey, Ohio, West Virginia and Saskatchewan.

Skills Testing

Jurisdictions were asked to report what part of their skills testing program is outsourced and 23 reported having such a program.

Non-CMV Testing - Ten privatize non-CMV testing; Alberta, Arizona, Florida, Idaho, Indiana, Iowa, Montana, Pennsylvania, Utah and Vermont.

CMV Testing - Twenty-one have third party CMV testing programs. They are: Alabama, Alberta, Arizona, Arkansas, Florida, Idaho, Indiana, Iowa, Kansas, Louisiana, Michigan, Minnesota, Missouri, Montana, Nebraska, Ohio, Pennsylvania, Saskatchewan, South Dakota, Utah and Virginia. Rhode Island has a third party program for school buses only. South Carolina is making plans to develop a third party CMV testing program.

Motorcycle Testing - Thirteen jurisdictions have third party testing programs for motorcycles. They include: Alabama, Alberta, Arizona, Florida, Idaho, Iowa, Minnesota, Montana, Nebraska, New Jersey, Pennsylvania, Saskatchewan and Utah.

Written Testing

Jurisdictions were asked what part of their written testing programs are outsourced.

Non-CDL - Nine jurisdictions currently privatize non-CDL knowledge testing. They include: Alaska, Alberta, Arizona, Florida, Idaho, Iowa, Missouri, Montana, Saskatchewan and Texas. Maryland is making plans to outsource non-CDL written testing.

Motorcycle - Alaska, Alberta, Arizona, Florida, Idaho, Iowa and Nebraska privatize motorcycle knowledge testing.

Vision Screening

Nine jurisdictions, including Alaska, Alberta, Arizona, Florida, Idaho, Iowa, Maine, Minnesota and Montana outsource vision testing.

Registration Functions

Jurisdictions were asked what part of their registration functions including new, renewal and duplicate applications, are outsourced. Twenty-six jurisdictions privatize all or part of their registration functions.

News - The following outsource new registrations: Alabama, Alaska, Alberta, Arizona, Connecticut, Delaware, Idaho, Iowa, Louisiana, Maryland, Michigan, Minnesota, Missouri, Montana, New Jersey, Ohio, Quebec, Saskatchewan, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington and West Virginia. New Brunswick is making plans to outsource new registrations.

Renewals - Twenty-five jurisdictions privatize renewal registrations. They include, Alabama, Alaska, Alberta, Arizona, Connecticut, Idaho, Iowa, Maryland, Minnesota, Montana, New Brunswick, New Jersey, Ohio, Pennsylvania, Quebec, Rhode Island, Saskatchewan, South Carolina, South Dakota, Texas, Vermont, Virginia, Washington, West Virginia and Wisconsin. Illinois is piloting privatizing renewals and New Brunswick is making plans to outsource renewals.

Duplicates - Eighteen jurisdictions privatize the issuance of duplicates; Alabama, Alaska, Alberta, Arizona, Connecticut, Idaho, Iowa, Minnesota, Montana, New Brunswick, New Jersey, Pennsylvania, Quebec, Saskatchewan, South Dakota, Texas, Washington and West Virginia. New Brunswick is making plans to outsource issuance of duplicate licenses.

Insurance Verification

Alberta, Arizona, Connecticut, Minnesota, New Jersey, Ohio and Texas outsource insurance verification. New Brunswick is making plans to outsource this function.

Emissions Testing

Thirteen jurisdictions outsource emissions testing. They are: Alabama, Arizona, Connecticut, Iowa, Minnesota, New Jersey, Ohio, Pennsylvania, Tennessee, Texas, Virginia, Washington and West Virginia.

Title Issuance

Eight jurisdictions privatize title verification functions. They include; Arizona, Delaware, Maryland, Minnesota, New Jersey, Pennsylvania, Tennessee and Utah. Wisconsin began a pilot in December, 1996.

Safety Inspections and Theft

Six jurisdictions outsource safety functions; Arizona, Arkansas, Connecticut, New Brunswick, New Jersey and Saskatchewan.

Two jurisdictions, Arizona and Washington, privatize theft functions.

Motor Carrier Functions

Jurisdictions were asked which, if any, of their motor carrier functions, including IRP, IFTA, Single State Registration System, oversize, safety and heavy duty are privatized.

IRP - Delaware, Rhode Island and Virginia privatize IRP functions. Arizona is piloting a privatization program and Wisconsin is making plans to outsource IRP functions.

IFTA - Delaware, New Jersey, South Carolina, Virginia, West Virginia and Wisconsin outsource IFTA. Arizona is currently piloting a third party IFTA program.

Single State Registration System - No jurisdiction reported that they outsource SRSS.

Oversize - Tennessee outsources oversize functions. Arizona is currently piloting outsourcing of their oversize program.

Safety and Heavy Duty - New Brunswick privatizes their motor carrier safety and heavy duty functions. Arizona is currently piloting their heavy duty program.

General Functions

Jurisdictions were asked to report on any general functions they privatize.

Telephone Functions - Arizona, Pennsylvania, Saskatchewan and Vermont outsource part or all of their telephone functions

Correspondence - Arizona and Idaho outsource correspondence functions. Mississippi is making plans to do so.

Driver Improvement - Eleven jurisdictions report outsourcing of their driver improvement program. They are: Arizona, Connecticut, Iowa, Kentucky, Maryland, Minnesota, New Brunswick, Nova Scotia, Ohio, Rhode Island and West Virginia.

Defensive Driving - Twelve jurisdictions including Connecticut, Delaware, Idaho, Minnesota, New Jersey, Nova Scotia, Ohio, Rhode Island, Saskatchewan, Utah, Virginia and West Virginia privatize their defensive driving programs.

Accident Records - Three jurisdictions, Alberta, Tennessee and Virginia outsource accident records.

Computer Service

Jurisdictions were asked about privatizing of computer services.

Computer Design - Alberta, Texas and Wyoming contract with third party providers for computer design.

Computer Maintenance - Alberta, Pennsylvania, Texas, Virginia, West Virginia and Wyoming privatize computer maintenance.

Key Entry - Ten jurisdictions outsource key entry functions. They are: Alberta, Connecticut, Idaho, Illinois, Oklahoma, Pennsylvania, Quebec, Tennessee, Texas and Virginia.

Legislation and/or Rule and Regulation

Jurisdictions were asked whether they needed legislation or rule and regulation to privatize, or whether they can simply implement a privatization program. A number of jurisdictions checked more than one box on the survey.

Legislation - Alabama, Alberta, Arizona, Arkansas, California, Connecticut, Delaware, Florida, Idaho, Iowa, Kentucky, Louisiana, Maine, Maryland, Michigan, Missouri, Montana, Nebraska, New Jersey, Ohio, Oklahoma, Pennsylvania, Saskatchewan, South Carolina, Texas, Utah, Vermont, Wisconsin and Wyoming.

Rule and Regulation - Alabama, Alberta, Arizona, California, Connecticut, Florida, Maine, Mississippi, Missouri, Montana, New Brunswick, New Jersey, Oklahoma, Saskatchewan, Texas, Utah and Vermont.

Did / Can Do At Anytime Without Outside Agency Approval - Alaska, Arizona, Kansas, Idaho, Kentucky, Maryland, Texas, Virginia and West Virginia.

Other - Arizona, California, Connecticut, Idaho, Kentucky, Maine, Minnesota, Nebraska, Newfoundland, North Dakota, Nova Scotia, Rhode Island, Saskatchewan, Tennessee, Utah and Wisconsin.

Effectiveness of Privatization Programs

Thirty five jurisdictions report that their outsourcing programs are working well. Three jurisdictions indicate that their programs are not working well. Two have mixed feelings about their programs.

Pennsylvania reports that customers like the on-line messenger program because they have immediate access to driver and vehicle services. Outsourcing of their customer call center resulted in a 20% increase in calls handled. Issuers in Saskatchewan provide valuable contact and visibility in small communities. Texas reports that outsourcing data entry, microfilming, plates and stickers are working well. Title issuance is too new to assess at this time. Utah reports that current programs are adequate, but another approach which would require legislation could be structured more efficiently. Alabama reports that outsourcing of data entry required a change in work flow to insure against loss of documents which was a problem. New Brunswick said inspections have worked well when supervision was good. They feel their computer is too new and commented that expertise in the DMV is still needed to manage the program and ensure quality efficient service.

Connecticut reports mixed results. Driving school re-training is not working well because they cannot track students or evaluate the success of the program. An insurance compliance program was discontinued due to problems. Inventory control of secured documents is labor intensive. Iowa reports a lack of authoritative control over

local government offices administering the drivers license program. Quality, consistency, uniformity and integrity of the DL system has suffered through outsourcing at an increased cost.

New Jersey is concerned that the private agents are primarily interested in profit and are having trouble with quality control and the acceptance of fraudulent documents that result in the issuance of bad documents. Oklahoma reports that they have too many locations and agents which are difficult to keep up with. They have also experienced increased equipment costs as a result of privatization. South Carolina writes that monitoring of applicants who have been licensed through a third party remains difficult. They add that spot checking is not necessary to ensure the integrity and credibility of such a program.

Rhode Island reports that control is sometimes a problem. Tennessee said their county title program is ineffective because of inadequate training of county personnel and incompatible county systems.

Things to do Differently

Jurisdictions were asked what they learned in outsourcing that they would do differently.

Connecticut would prefer an on-line insurance system and would like companies to report in a standard format. For driver re-training, they would track student's records to evaluate which program (skills or attitude) leads to fewer violations. Allowing many schools to offer training causes inconsistencies in instructor quality and course content. Kansas suggests contracts not be open ended. Pennsylvania would complete a more in-depth review of business operations before signing the contract. Wisconsin would start the contract development and bid process earlier. They state that charging a fee to the customer may inhibit usage of the third party.

Alberta said that outsourcing requires a very close monitoring and auditing process and recommends strong training and support for private agents. They also suggested third parties be educated to understand "our" business better. Arizona said that more staff is needed initially to accommodate oversight and growth of the third party programs. Delaware would produce a method for handling system changes and would keep everyone informed.

Idaho would make changes in their CDL skills testing program to include provisions in the contract for mandatory return of all materials. They would also have the authority to cancel the contract at any time. Iowa reports that outsourcing their DL program would likely not be recommended. Maine said they should have mandated longer training sessions. Maryland reports that more detail should be included in the contract, including provisions for non-compliance. If possible, they recommend coordination and oversight through one division and more detail in the monitoring program. Michigan

said they would increase vendor responsibilities for equipment installation, compatibility with the existing mainframe platform and maintenance of the system during implementation.

Minnesota recommends keeping politics out of any privatized program. They add that as a regulator agency, the jurisdiction must have rules and policies in place prior to outsourcing. Montana recommends a pilot project be completed before any program is implemented on a state wide basis. New Brunswick said to keep the rules simple, have inspectors for oversight and have the commitment of the Department to maintain the policy. New Jersey would include quality control requirements in the initial contract that are strong, enforceable and that result in termination when they are not met.

Nova Scotia suggests enough time be allowed to market the proposals. Texas reports that an attempt to outsource part of their data entry failed a few years ago because the vendor was not meeting standards and did not have sufficient communications. They currently use temporary employees on site to do the keying which has been successful due to more controls. Missouri said the CMV third party testing program decreases the workload for the Highway Patrol. Fee offices are strategically located for customer service and the state's workload is reduced. Nebraska would implement more audit requirements and have the ability to eliminate Third Party Examiners who are not following Department policies.

Utah suggests that routine functions be outsourced and that non-routine functions be centralized to keep errors at a minimum. They said long-term contracts for facilities need to be considered when entering into outsourcing contracts. They were two years into an 11 year lease when their largest county opted to perform services. They are still paying for the lease and the third party is using the building. Virginia said that better communication between the third parties and the DMV is needed before the contract begins. West Virginia reports that better controls need to be in place and said that some activities can be done more effectively in-house.

Outsourcing Discontinued

Jurisdictions were asked if they plan to discontinue outsourcing any part of their operations. Thirty four responded that they are not and three indicated they are. One said they are reviewing their program and are not prepared to make any recommendation at this time.

Wisconsin reports that they have discontinued IRP contract audits as they found that state auditors were twice as efficient. Delaware reports that they are planning on discontinuing some outsourcing but will maintain those projects that cannot be handled internally. Iowa said if the decision was theirs, outsourcing would be discontinued.

Why Outsource

Jurisdictions were asked what led to outsourcing; statutory mandate, budget cuts, agency initiative or other. Many jurisdictions checked multiple reasons. Seventeen jurisdictions indicated a statutory mandate led to outsourcing. Sixteen indicated privatization due to budget cuts. Twenty-one stated that outsourcing was completed as a result of an agency initiative and twenty listed other reasons.

Changes Resulting from Privatization

Jurisdictions were asked if what changes they have experienced as a result of outsourcing drivers license, registration or motor carrier functions.

Connecticut reports no changes in outsourcing driver licensing. They have seen fewer errors in data entry and a faster update of the master file. Kansas indicates a lighter workload in the CDL stations by outsourcing skills testing. Wisconsin reports that they are able to direct staff to focus on exception processing which leads to a more efficient process and frees staff for other functions. Alabama reports additional work to insure against loss of documentation. Alaska writes of the need for more agency oversight. Alberta has more offices, better access and longer hours.

Arizona eliminated the backlog of fleet renewals and registration of new and resale vehicles. Delaware said project completion is handled in a more timely manner. Florida has a better ratio of service provides (both outsourced and state) to the customer base which results in less customer waiting times. Idaho implemented more efficient clerical and data entry functions and have less backlog which frees up employees to do other functions. They also offer more convenient service to the public.

Iowa reports that the DL program at outsourced locations is less efficient because the DL program is not their primary function or their profession. As a result, personnel are not as knowledgeable or familiar with the DL program as their regular staff. Field offices in Louisiana can concentrate on offering more efficient service to the walk-in customers. Maine has less waiting time in branch offices for license renewals. South Carolina said outsourcing is more efficient, but is not always trusted. Texas required fewer employees to do the work.

Errors in Utah increased and the central office had to put resources into training and oversight. Using public school driver education teachers to administer written and road tests has allowed the division to maintain field staff FTEs at the same level since 1982. CDL third party skills testing has resulted in no CDL staff increase since 1989. West Virginia found a need to develop more operational controls for functions that are outsourced.

Facilities, Staff, Equipment, Fixed Costs

Jurisdictions were asked about the impact outsourcing had on their facilities, staff, equipment and fixed costs.

Facilities - Alabama reported elimination of a third shift of data entry employees. Alberta closed numerous government facilities as private agents lease their own offices and created more offices across the jurisdiction. Connecticut said that overall, the DMV has fewer offices than six years ago. Branch closing caused the Department's involvement in partnerships and increased security concerns. Dealer / licensing cut back on lines in branches and leasing reduced the mail-in registration work. Privatizing in Florida and Minnesota resulted in more field locations. Iowa reported that some of the existing facilities at outsourced locations do not meet the needs of the DL program. Security of controlled items has also been a serious problem. Maryland said outsourcing will eventually reduce the need for large facilities and facilities in more remote areas. Michigan reports that third party CMV testing saved the Department the expense of building sites and the yearly maintenance costs.

Staff - Alberta had staff lay offs, who were hired by private offices. Connecticut experienced no significant in staff levels, but did some shifting of responsibility to oversight responsibilities. Florida reassigned staff and found that state employees were hired by third parties at a higher rate of pay, equal benefits and continuation in the Florida Retirement System. Idaho reduced staff levels by seven FTE. Illinois, Kentucky, Vermont, Virginia and Wisconsin reassigned employees to other functions. Indiana eliminated overtime by state driver examiners to administer motorcycle skills tests. Previous staff in Iowa were displaced as a result of the legislative mandate to privatize, but they were fortunate to be able to absorb them at other locations where openings existed. Maine staff now has more time to handle complicated transactions. Maryland reassigned some staff to other positions and lost some positions through attrition. Minnesota reassigned staff to handle oversight responsibilities. New Brunswick decreased employees used in other capacities. Pennsylvania eliminated 63 positions through outsourcing of their customer call center. Saskatchewan needs less government staff to deliver services.

Equipment - Connecticut needed more equipment for licensing. Current equipment in Florida did not suffice. They found that additional equipment is needed when supplying more locations for the same customer base; equipment utilization was decreased. Equipment did suffice for data entry outsourcing in Idaho, but they will require additional equipment to privatize in the future. Iowa needed six complete sets of equipment to cover the same area previously served by one DL team with one set of equipment. Michigan had to purchase additional network routers, servers and PCs to run proprietary software supplied by the vendor to handle phone renewals. New Brunswick sold their equipment to new providers. Outsourcing security allowed Virginia to eliminate the need to purchase or maintain police equipment.

Measuring Success

Jurisdictions were asked how customer service is / will be solicited, measured and analyzed for those offices / functions that are outsourced.

Pennsylvania and Alberta conducts customer surveys with the involvement of a private contractor. Outsourcing in Wisconsin and Alabama is transparent to the customer and they feel that measures for success are not needed. Florida, Maryland, Ohio, Missouri, West Virginia, Michigan and Iowa measure success through customer service surveys and public contacts. Minnesota, New Jersey, Ohio, Texas and Maine measure volumes and error rates. Montana measures the success of their driver education program through testimony of parents and students. Virginia utilizes quality control checks and customer response. Measuring success in Quebec is a problem they intend to solve with the next third party contract signed. Saskatchewan has no regular measure of customer service, but they do follow-up on complaints received.

Results of Outsourcing

Jurisdictions were asked what they have recognized through privatization. Many jurisdictions indicated a number of results. The task is listed below, followed by the number of jurisdictions who indicated they experienced that result.

Driver Licensing - cost savings - 12; increased customer service - 22; improved employee morale - 2; cost avoidance - 11; decrease in wait times - 19; enhanced public perception - 14; increase in revenues - 0; better customer satisfaction - 15; and reduction in backlogs - 13.

Motor Vehicle - cost savings - 14; increased customer service - 15; improved employee morale - 0; cost avoidance - 15; decrease in wait times - 9; enhanced public perception - 8; increase in revenues - 0; better customer satisfaction - 8 and reduction in backlogs - 8.

Motor Carrier - cost savings - 4; increased customer service - 7; improved employee morale - 1; cost avoidance - 4; decrease in wait times - 3; enhanced public perception - 5; increase in revenues - 0; better customer satisfaction - 6 and reduction in backlogs - 4.

General Functions - cost savings - 6; increased customer service - 6; improved employee morale - 1; cost avoidance - 4; decrease in wait times - 2; enhanced public perception - 4; increase in revenues - 0; better customer satisfaction - 5 and reduction in backlogs - 6.

Differences Between Third Party Offices and Jurisdiction Offices

Jurisdictions were asked to report on any differences between third party offices and jurisdictional offices. A compilation of responses follows.

Third Party Offices - higher error rate; less quality concern; lower error rate because oversight is higher; state run vs. third party offices are basically equal; these offices generally operate other businesses in addition to performing DMV functions; offer more convenient locations for customers; county run offices do not have the same level of customer service commitment; higher error rate in collecting fees;

Jurisdictional Offices - more attention to detail; better knowledge of the driver licensing system; customer receives better, more complete information; jurisdiction offices tend to handle more complex transactions because they are dedicated issuing outlets; more convenient to discuss service problems and service recovery efforts due to managerial responsibilities;

Examiners - state examiners are easier to monitor; state examiners and third party examiners are fairly consistent;

Pros and Cons of Outsourcing

Jurisdictions to tell us what they see as the pros and cons of outsourcing. Here's what they had to say.

Pros - more / more convenient locations for customers; improved service options for customers; cost savings; ability to use existing overhead of other agencies or companies to expand services or locations; more flexibility by county / city agencies or companies with employee salaries and benefits; convenience to the public with no expansion in government; ability for public after DMV's normal work hours and on weekends; reduced customer lines; reduced lines at exam stations; competition; partnership; possible cost reduction in equipment and maintenance cost; frees up field office space; more efficient processing; ability to maintain current staffing levels; reduction in volume in state offices; decrease / elimination in need to provide facility, staff and equipment; eliminate need for DMV examiners to work overtime to complete motorcycle testing; more input from private sector; reduced backlogs; perception to have easier product corruption countered by strong mechanism and auditing; checks and balances built into system to validate data access; elimination of middle man; cost avoidance on additional equipment and/or personnel; guaranteed turnaround; competitive pricing; - prevents backlog from other divisions within department

Cons - reduced employee morale at DMV and vendor; higher error rates; lost the level of in-house expertise; buy in from MVD employees and territorial issues; loss of control; increase in fraud; increase in errors; unreliable database; increase in training and monitoring, partially due to high turnover rates; higher costs; loss of employee

accountability; inconsistent methods in driver training; inconsistent instructor quality and content; reduction in staff after outsourcing makes it difficult to monitor compliance; need for third party employee training; increased management duties; constant monitoring to ensure third party follows policies / procedures; accountability; decentralized system is expensive to equip and support; security; time limits; implementation of changes to system requires DMV to deal with 67 elected public officials; growth is faster than we can handle; lack of auditing procedures; lack of security of records; decreases workload in field offices; legal issues; if company becomes financially unstable or pulls out, there is the possibility of a major disruption in service; private courier services have proven to be difficult; quality of work is lacking; cost to manage and correct mistakes is more time consuming than value received;

Third Party Selection

Jurisdictions were asked how third parties are identified or selected. Most jurisdictions marked more than one box. Responses follow.

Appointed - Michigan, Minnesota, Missouri, New Jersey, Oklahoma, Pennsylvania, Saskatchewan, Tennessee, Virginia, Vermont and Washington

Application Made by Third Party - Alabama, Alberta, Arizona, Arkansas, Florida, Idaho, Indiana, Kansas, Louisiana, Maine, Maryland, Missouri, Montana, Nebraska, New Brunswick, New Jersey, Pennsylvania, Quebec, Saskatchewan, Utah, Virginia, Washington and West Virginia

Negotiated or Bid Contracts - Alabama, Alaska, Connecticut, Idaho, Indiana, Kentucky, Maryland, New Brunswick, New Jersey, Ohio, Pennsylvania, Texas, Vermont, Virginia, West Virginia and Wisconsin

Defined by Statute - Alabama, Florida, Idaho, Louisiana, Maryland, New Jersey, Oklahoma, Utah, Texas, Washington and West Virginia

Other - Alabama, Arizona, Connecticut, Idaho, Kentucky, Maine, Maryland, Michigan, Minnesota, Missouri, New Jersey, Quebec, Saskatchewan, South Carolina, Texas, Utah and Washington

Third Party Funding

Jurisdictions were asked how third party agents / entities receive funding for processing DMV functions. Choices and responses follow.

User Fee is Added to Each Transaction - Alabama, Alberta, Alaska, Arizona, Connecticut, Florida, Idaho, Louisiana, Maine, Maryland, Minnesota, Missouri, New Brunswick, New Jersey, Ohio, Oklahoma, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, Virginia, Washington, West Virginia and Wisconsin

Third Party Takes Fee Up Front - Alabama, Alberta, Arizona, Florida, Idaho, Iowa, Louisiana, Maine, Maryland, Michigan, Minnesota, Missouri, Nebraska, New Brunswick, Oklahoma, Pennsylvania, Rhode Island, Texas, Vermont, Washington and West Virginia

Reimbursement is Completed after Monies / Reports are Received by the DMV - Alberta, Idaho, New Brunswick, New Jersey, Tennessee, Texas, Virginia and West Virginia

Agent Receives Flat Monthly Compensation - Connecticut and Wisconsin

Other - Alabama, Alaska, Arizona, Arkansas, Connecticut, Indiana, Kansas, Kentucky, Maryland, Michigan, Missouri, Montana, New Jersey, Nova Scotia, Ohio, Quebec, Saskatchewan, South Carolina, Texas, Virginia, West Virginia and Wisconsin

Third Party Contracts

Thirty seven jurisdictions reported having written contracts with their third party agents. Iowa does not. New Jersey is negotiating their contracts now.

Jurisdictions were asked what they learned from experience that should also be included in the written third party contract.

Kansas suggests a renewal clause be added requiring the contract to be re-negotiated at least every two years. Alabama would include standards of performance and more control by the DMV. Alberta suggests the service level standard be included. Florida plans to add employee training requirements prior to state approval to administer examinations and issuance of DL's and IDs. Indiana would be specific regarding certification or training, customer service and policies and procedures.. Maine would mandate the number of hours of training for every person using their equipment. Minnesota would revise the contract to clearly state what actions will disqualify a third party. Montana would require third party examiners to administer a certain number of tests per year. New Jersey would define parameters before establishing the system; i.e., spell out specifics and require the third party to accept the parameters or find someone who will. Ohio wants assurance that sufficient hours are worked by the contractor. Quebec would add more precision on quality, cost of training, termination rules, hours of operation, insurance, industry, security. Virginia would strengthen operational controls.

Terminating a Third Party Contract

Jurisdictions were asked how contracts with third parties are terminated.

Nearly all respondents indicated they can terminate a contract at any time for any reason. However, most will not cancel the contract unless the third party agent violates

a provision of the contract and some can cancel the contract for only this reason. Jurisdictions give from 10 - 30 days before cancellation is effective.

Third Party Training

Classroom - Nearly all jurisdictions with third party programs offer some type of initial classroom training. Length of training ranges from one day to two weeks. A number of jurisdictions also offer classroom refresher training which ranges from one day to 120 hours.

On-the-Job Training - Again, nearly all jurisdictions offer on-the-job training for third party providers. Length of initial on-the-job training ranges from 1-2 days to four days to 1-2 weeks. Most offer training prior to start-up. A number of jurisdictions also offer refresher on-the-job training. Some visit the office while others complete training via phone conversations and e mail messages. Time frame for offering refresher training varies from annually to semi-annually to once every three years.

Equipment / Supplies

Jurisdictions were asked to provide information on the equipment / supplies they provide to third party agencies.

All Equipment - Connecticut, Florida, Idaho, Maine, Maryland, Minnesota, New Brunswick, New Jersey, Quebec, Saskatchewan, South Dakota, Texas, Utah, Vermont, Virginia, Washington and West Virginia

Computer Equipment - Florida, Idaho, Iowa, Kentucky, Missouri, Montana, New Jersey, Ohio, Quebec, Saskatchewan, Tennessee, Utah, Virginia, Washington and West Virginia

Vision Charts / Machines - Alaska, Florida, Idaho, Minnesota, New Jersey, Ohio, South Dakota, West Virginia

Phones - Idaho, Kentucky, New Jersey

Office Supplies - New Jersey, Tennessee, West Virginia

Forms - Alabama, Idaho, Indiana, Iowa, Kansas, Minnesota, Missouri, Nebraska, Saskatchewan, South Carolina, Texas and Utah

Office Space - Kentucky, Maryland, New Jersey, Utah (one site only), and West Virginia

Phones / Computer Lines - Alberta, Florida, Idaho, Iowa, Minnesota, Missouri, Montana, New Jersey, Ohio, Quebec, Saskatchewan, Texas, Washington and West Virginia

Audit Authority / Responsibility

Jurisdictions were asked who had performance / fiscal review audit authority over third party agencies?

Performance Review

Drivers License / Motor Vehicle Agency - Alabama, Alaska, Alberta, Connecticut, Florida, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Michigan, Minnesota, Missouri, Montana, Nebraska, New Brunswick, New Jersey, Ohio, Pennsylvania, Quebec, Saskatchewan, South Dakota, Texas, Utah, Vermont, Virginia, Washington, West Virginia and Wisconsin

Auditor's Office - Arizona, Connecticut, Florida, Idaho, Kansas, Maryland, Minnesota, Saskatchewan, Texas, Utah and Virginia

Other - Arizona, Arkansas, Idaho, Louisiana, Maryland, Michigan, Missouri, New Brunswick, Pennsylvania, South Carolina, Utah, Washington and West Virginia

Fiscal Review

Drivers License / Motor Vehicle Agency - Alabama, Alaska, Connecticut, Florida, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Minnesota, Missouri, Montana, New Jersey, Ohio, Quebec, Saskatchewan, South Dakota, Texas, Utah, Vermont, Virginia, West Virginia and Wisconsin

Auditor's Office - Alabama, Arizona, Connecticut, Florida, Idaho, Illinois, Iowa, Maryland, Minnesota, Missouri, Saskatchewan, South Carolina, South Dakota, Texas and Virginia

Other - Arizona, Arkansas, Connecticut, Florida, Idaho, Michigan, Missouri, South Carolina, Utah, Washington, West Virginia and Wisconsin

Type of Audit / Review

Jurisdictions were asked to provide information on how and how often performance reviews and fiscal audits are completed. A number of jurisdictions indicated different timeframes depending on the function being audited. In those cases, the most frequent timeframe is listed.

Performance Review - Review of Records - Random - Alabama, Florida, Indiana, New Jersey, Pennsylvania, Texas; Daily - Alaska, Connecticut, Illinois, Maine, Minnesota, Missouri, Ohio, Washington, Wisconsin; Weekly - Maryland, South Dakota; Monthly - Iowa, Michigan, Montana, Utah, Virginia; Yearly - Alberta, Arizona, Arkansas, Idaho,

Indiana, Kansas Nebraska, West Virginia; Every 3 Years - Saskatchewan; Timeframe Not Listed - New Brunswick, New Jersey, Vermont

Performance Review - On-site Review - Random - Alabama, Florida, Indiana, Texas, Utah; Weekly - Maryland; Monthly - Maine, Minnesota, New Jersey, Ohio; Quarterly - South Dakota; Semi-Annually - Connecticut, Montana; Yearly - Alberta, Arizona, Arkansas, Idaho, Indiana, Iowa, Kansas, Michigan, Missouri, Nebraska, Pennsylvania, Virginia, Washington, West Virginia; Every 3 Years - Saskatchewan; Every 5 years - Quebec; Timeframe Not Listed - New Brunswick, New Jersey, Vermont

Performance Review - Electronic Review - Random - Florida, Montana, Texas; Daily - Alaska, Ohio, Virginia; Weekly - Maryland; Yearly - Alberta, Arizona, West Virginia; Every 3 Years - Saskatchewan; Timeframe Not Listed - Idaho, New Jersey

Fiscal Audit - Review of Records - Random - Alabama, Maryland; Daily - Alaska, Minnesota, Ohio, Texas; Monthly - Montana; Semi-Annually - Missouri; Yearly - Arizona, Indiana, Kansas, Virginia, West Virginia, Wisconsin; Every 2 Years - Alberta; Every 3 Years - Saskatchewan; Timeframe Not Listed - Connecticut, Iowa, Utah, Vermont

Fiscal Audit - On-Site Review - Random - Alabama, Maryland, Utah; Monthly - Ohio, Texas; Semi-Annually - Missouri, Montana; Yearly - Arizona, Indiana, Kansas, Kentucky, Minnesota, Virginia, West Virginia; Every 2 Years - Alberta; Every 3 Years - Saskatchewan; Timeframe Not Listed - Connecticut, Iowa, Vermont

Fiscal Audit - Electronic Records - Random - Maryland, Montana; Daily - Alaska, Ohio, Texas; Yearly - Arizona, Virginia, West Virginia; Every 2 Years - Alberta; Every 3 Years - Saskatchewan

Written Audit Procedures

Jurisdictions were requested to advise whether or not they have written audit procedures. The following jurisdictions reported that they do have written procedures.

Alabama, Alberta, Arizona, Connecticut, Idaho, Indiana, Maryland, Michigan, Minnesota, Missouri, Nebraska, Ohio, Pennsylvania, Quebec, Saskatchewan, Utah, Virginia and Washington. Louisiana is writing procedures at this time.