

Date of Hearing: April 18, 2016

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 1714 (Brough) – As Amended April 12, 2016

SUBJECT: Department of Motor Vehicles: services: third-party contracts

SUMMARY: Expands the types of transactions for which the Department of Motor Vehicles (DMV) may establish contracts with private industry partners to include processing and payment programs for driver's license renewals.

EXISTING LAW:

- 1) Requires an applicant for an original or renewal of a driver's license to provide DMV with information including the applicant's true full name, age, sex, mailing address, residence address, social security account number or proof of legal presence in the United States or proof of residency in California, and a full-face photograph of the applicant.
- 2) Requires DMV to report information from an applicant for a driver's license or identification card relating to voter registration to the Secretary of State.
- 3) Requires the renewal of a driver's license every 5 years.
- 4) Authorizes DMV to conduct driver's license renewals by mail for persons under the age of 70 who have not renewed their license by mail twice consecutively.
- 5) Authorizes DMV to establish contracts for electronic programs that allow qualified private industry partners to provide services that include processing and payment programs for vehicle registration and titling transactions.
- 6) Requires a new motor vehicle dealer to use electronic programs provided by a specific type of private industry partner to register a vehicle the dealer sells or leases if DMV permits the transaction to be processed electronically, except for off-highway or recreational vehicles.

FISCAL EFFECT: Unknown

COMMENTS: Existing law, [SB 46 (Polanco), Chapter 127, Statutes of 2001], establishes DMV's Business Partner Automation (BPA) program and authorizes the department to enter into contracts that allow private industry partners to process specific vehicle-related transactions, such as vehicle registration and titling. Under this program, a business partner communicates with DMV either directly or through a service provider to complete the transaction. In 2011, AB 1215 (Blumenfield), Chapter 329, Statutes of 2011, required licensed new motor vehicle dealers to participate in the BPA program and electronically process all vehicle sales and leases. Since that time, the BPA program has grown to become the primary processing method for these transactions, and more than \$1.2 billion in annual vehicle-related state revenue is received by the state through the BPA program.

AB 1714 would similarly allow DMV to conduct transactions through private industry partnerships relating to driver's license renewals.

According to the author, AB 1714 would improve DMV customers' experiences with the department by streamlining the role DMV plays in providing license renewal services through a public-private partnership with industry partners. The author intends this bill to alleviate the wait times that DMV customers often encounter in local DMV field offices. The author cites the 25 million customer transactions handled by DMV in 2013 and the growth in the proportion of Californians eligible for driver's licenses under AB 60 (Alejo), Chapter 524, Statutes of 2013, as evidence of the significant volume of work undertaken by DMV that could be lessened through additional private industry participation.

As the author notes, the Administration has indicated a shift towards eliminating the need for some DMV transactions to be conducted in field offices through an \$8 million proposal in the 2016-17 state budget to fund self-service kiosks to conduct DMV transactions in places like grocery stores.

According to the American Association of Motor Vehicle Administrators, 18 other states outsource some motor vehicle functions to private industry.

Committee concerns: While the BPA program has been successful in demonstrating the potential for streamlining DMV functions through the use of private industry participation, the transactions authorized to be conducted under that program are constrained to vehicle registration and titling. The complexity of those transactions and information involved is significantly different from that of driver's license renewals.

In addition to basic identification information, driver's license renewals require the applicant to provide additional information, for example, information relating to social security, immigration status, and voter registration. That information must all be verified by DMV with the Social Security Administration, the Department of Homeland Security, and the Secretary of State. While it is often necessary for government agencies to share this kind of information, authorizing private vendors to collect and examine that information is inappropriate. Furthermore, encouraging DMV customers to share that information with private vendors would likely create a threat to those customers' privacy and identification security. If DMV were to be required to collect and verify that information as part of the transactions conducted by industry partners, it would likely eliminate whatever value was added by outsourcing those functions.

The functions that DMV performs related to identification are also closely related to ensuring that license holders are appropriately certified for safely operating motor vehicles. While DMV currently has extensive control over who is able to receive a driver's license and how an applicant's abilities are tested, delegating that control to private industry could result in substandard enforcement of requirements, unsafe licensure, or fraud. For example, the holder of a highly-regulated commercial driver's license might be subjected to all the requirements established by state and federal law when renewing that license through DMV, but when renewing through a private vendor, inconsistencies in how that vendor operates compared to the department could lead to a renewal that would not otherwise meet state and federal requirements. In that example, since federal requirements on interstate trucking include rules on commercial licenses, a worst-case scenario in improper licensure through a private vendor could result in the state's forfeiture of some federal transportation funds.

While there may be some functions of DMV that might be appropriate for delegation to private industry partners, as shown by the success of the BPA program, the transactions specified in this bill are not those functions.

Double referral: This bill will be referred to the Assembly Public Employees, Retirement & Social Security Committee should it pass out of this committee.

Related legislation: AB 2107 (Frazier), authorizes DMV to enter into agreements with qualified private industry partners to carry out certain electronic registration transactions related to the International Registration Plan. AB 2107 passed out of this committee on April 4, 2016, with a vote of 16-0, and is currently awaiting a hearing in the Assembly Appropriations Committee.

Previous legislation: AB 1215 (Blumenfield), Chapter 329, Statutes of 2011, required new car dealers to participate in a program to electronically title and register vehicles that they sell and to post specified warning notices on some used cars.

SB 46 (Polanco), Chapter 127, Statutes of 2001, established the BPA program, allowing qualified private industry partners to process specific vehicle-related transactions and electronically transmit the transaction information to the department's vehicle registration database.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

None on file

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