

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 530 (Delegate Weir, *et al.*)
Environmental Matters

Motor Vehicle Administration - Driver Licensing - Examination of Applicants

This bill authorizes the Motor Vehicle Administration (MVA) to adopt regulations that allow independent third-party contractors to administer driver's license examinations or any portion of a driver's license examination to qualified applicants and charge a fee. Except for the required vision test, the MVA may waive any driver's license examination or any portion of an examination under specified circumstances.

Fiscal Summary

State Effect: Potentially significant increase in Transportation Trust Fund (TTF) expenditures in FY 2009 only for computer reprogramming changes. Revenues would not be affected.

Local Effect: None.

Small Business Effect: Potentially meaningful. The bill could provide additional responsibilities and sources of income to private testing centers; depending on the number of tests administered, this could be significant.

Analysis

Current Law: The MVA is required to establish qualifications for the safe operation of various classes, types, sizes, or combinations of vehicles and examine each applicant to determine the applicant's qualifications. Except as otherwise provided, the MVA must examine each applicant for an original driver's license or for a class of license higher than that currently held by the applicant. An examination must include a test of the

applicant's vision, ability to read and understand highway signs, and knowledge of traffic laws. An examination must include a demonstration of the applicant's ability to reasonably control a motor vehicle and any other physical or mental examination that the MVA considers necessary to determine an applicant's fitness to safely drive a motor vehicle.

If an applicant is qualified to take a driver's license examination, the applicant must appear in person at an MVA office. For a driver skills or road examination, each applicant must provide an appropriate motor vehicle that may be driven under the license class for which the applicant is being tested. The holder of a learner's instructional permit must be accompanied by a qualified individual who is licensed to drive a motor vehicle. The holder of a Class M (motorcycle) learner's instructional permit may transport the motorcycle to the driving test by truck or other vehicle or may be accompanied by a qualified person.

If the applicant does not pass the examination, the MVA may issue the applicant any license of a lower class for which the applicant is qualified. The MVA may waive any driver's examination if the applicant: (1) has a valid Maryland-issued driver's license; (2) is applying for a Class M license and successfully completed the approved basic motorcycle safety course; or (3) holds a valid license from another state, a U.S. territory or possession, the District of Columbia, the Commonwealth of Puerto Rico, or a province or territory of Canada. However, the MVA may not waive a required vision examination.

Background: This bill authorizes the MVA to use a third party to create a certification test for driver education graduates based on the State's mandated curriculum. The third party would be responsible for implementing a business plan, supplying test sites, and test administration. An applicant for a learner's permit would no longer be required to go to the MVA to take the written knowledge of traffic laws test. Instead, the applicant would go to one of the vendors approved by the MVA and take the test. The applicant would pay a fee to the vendor. The applicant would also continue to pay the MVA required fee (currently \$45) for issuance of a new license.

According to the MVA, seven other states currently allow third parties to handle the written driver knowledge tests. These states are Alaska, Arizona, Colorado, Florida, Idaho, Maine, and Montana. Six of these states (Alaska, Arizona, Colorado, Florida, Idaho, and Montana) also permit third parties to handle driver skills tests, as do Iowa, Michigan, Oregon, Pennsylvania, Utah, and Vermont.

State Revenues: The MVA has authority to set fees for the issuance of driver's licenses through regulation. Implementation of this bill would not require the MVA to reduce or otherwise adjust fees for driver's licenses because of testing by third parties. New

driver's license applicants would pay a separate fee to a private vendor to take the written knowledge test.

State Expenditures: The MVA advises that although authority to outsource administration of licensing tests would be provided by this bill, it would not be prepared to implement outsourcing for at least three years. At that time, the MVA would consider outsourcing only the written portion of the noncommercial licensing test (knowledge of traffic laws test).

Currently, the driver's license system has no capability to electronically transmit test results from possible vendors to an MVA office. As a result, the MVA advises that TTF expenditures could increase by \$472,950 in fiscal 2009 only to make computer programming changes that provide the links necessary to transmit test results from vendors to the MVA. However, Legislative Services advises that if other legislation is passed requiring computer programming changes, economies of scale could be realized. This would reduce computer programming costs associated with this bill and other legislation affecting the MVA system. Furthermore, Legislative Services advises that the increased expenditure is an estimate and that the MVA may be able to handle the changes at a lower cost than currently estimated.

Implementation of this bill could result in operating efficiencies for the MVA by reducing the wait times for customers in branch offices. Currently, the MVA uses about 24 full-time positions to administer the noncommercial knowledge of traffic laws tests and 43 full-time positions to administer the noncommercial driver skills test. In fiscal 2004, 304,387 noncommercial knowledge tests and 155,324 noncommercial driver skills tests were administered. The MVA advises that the personnel resources gained from outsourcing the knowledge of traffic laws testing function would be reallocated to auditing of testing vendors and reducing wait times in branch offices. In fiscal 2004, the wait time per customer at an MVA branch office for a driver's license system was an average of 56 minutes, and 367,485 new licenses were issued.

Small Business Effect: Small businesses that become a third-party contractor would have an increase in business due to administering tests. For illustrative purposes, if 25% of all noncommercial knowledge tests were administered by third-party contractors and each contractor charged a \$10 fee, such contractors would realize \$760,968 in revenues. The MVA advises that it would be unlikely to authorize driver education schools to administer tests as it would be a conflict of interest.

Additional Information

Prior Introductions: An identical departmental bill, SB 157, was introduced in the 2004 session but received an unfavorable report from the Senate Judicial Proceedings Committee.

Cross File: None.

Information Source(s): Office of Administrative Hearings, Maryland Department of Transportation, Department of Legislative Services

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