

**Program Summary**  
**Department of Transportation**  
**Motor Vehicle Division Third Parties**

**Program Overview**

Administered by the Arizona Department of Transportation (ADOT), the Motor Vehicle Division (MVD) Third Parties Program allows the public to conduct certain MVD transactions through third parties instead of using MVD customer service offices. The program's stated goal is as follows:

- To provide service delivery alternatives to citizens and businesses for conducting transactions with MVD.
- To reduce the workload in MVD customer service offices and help lower the customer waiting time in those offices.
- To improve services and revenue collections through public/private partnerships.
- To ensure partners are producing accurate, effective services to the customers they serve.
- To improve MVD's service delivery capabilities through effective use of e-government/e-commerce.

ADOT has had a moratorium on new third parties for title and registration since mid-2002, and for vehicle inspections, driver schools, and driver license examiners since mid-2003. Subsequently, additional resources were appropriated and ADOT removed the moratorium on title and registration, and vehicle identification number inspection on May 23, 2006, and on commercial and non-commercial driver schools and driver license examiners on January 10, 2006. The moratorium remains in effect for motorcycle driver schools and traffic survival schools. However, additional resources were appropriated in FY 2009 for traffic survival schools.

The Third Parties Program includes 2 types of entities, both of which are commonly called third parties. First are entities who fall under the third party statutes and serve as contract agents in doing MVD work, such as title and registration transactions, driver license applications, driver license examiners, vehicle inspections, and 1 internet and telephone interactive voice response system provider (ServiceArizona). These third parties provide a convenient service for either the public, or for their own business or specific customer group. Third party data provided in the text of this Program Summary is as of the fourth quarter of FY 2008, unless otherwise identified. Currently there are 122 title and registration locations (2 also process driver license applications). The 122 title and registration locations include 93 that are open to the public (such

as car dealers, car auctions, rental car companies, and other small businesses), and 29 businesses with their own fleets of vehicles or automobile and trucking associations.

There are 475 vehicle identification number (VIN) inspection entities (mostly car dealers), who conduct VIN inspections on out-of-state vehicles being registered in Arizona to verify that the VIN has not been changed. This eliminates their having to take out-of-state vehicles to MVD to be inspected.

Driver license examination third parties include Commercial Driver License (CDL) examiners who can only give the skills exam by federal rule, and non-CDL driver license examiners who can give both written and skill exams. Currently there are 122 driver license examination entities employing 376 examiners. Currently there are no non-CDL driver license examination entities or examiners.

The second type of third parties are entities for whom MVD provides oversight of work that is not MVD work, such as driver training schools and traffic survival schools. Drivers with certain traffic violations are required by MVD or a court to attend and successfully complete a traffic survival school in order to avoid driver license suspension. MVD licenses schools and certifies instructors. Currently there are 65 driver training schools (19 CDL and 46 non-CDL), 77 traffic survival schools, and 76 high school driver education programs offered through the Arizona Department of Education.

ADOT received an increase of 5 FTE Positions in FY 2006 to allow commercial driver schools and up to 15 motorcycle entities to become authorized third parties to administer their respective driver license examination. ADOT removed the moratorium on CDL and motorcycle driver schools, and CDL and motorcycle driver license examiners on January 10, 2006. Due to a smaller than projected CDL workload, ADOT subsequently also removed their moratorium on non-CDL driver schools and non-CDL driver license examiners. After allowing 15 motorcycle driver schools to become authorized third parties, ADOT re-established their moratorium on motorcycle driver schools. ADOT's moratorium on motorcycle driver schools and traffic survival schools limits existing entities to their current number of licensed sites and prevents new entities from being licensed.

**Table 1**

<b>Third Party Program Funding History</b>						
<b>Fund</b>	<b>FY 2001</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
SHF	\$1,377,700	\$1,735,418	\$1,581,100	\$1,870,400	\$2,022,200	\$2,353,800
MVLIE	0	0	140,500	201,800	197,200	197,200
HURF	0	0	250,000	222,500	232,200	232,200
VITE	0	0	0	88,400	78,200	78,200
<b>Total</b>	<b>\$1,377,700</b>	<b>\$1,735,418</b>	<b>\$1,971,600</b>	<b>\$2,383,100</b>	<b>\$2,529,800</b>	<b>\$2,861,400</b>

**Program Funding**

The Third Party Program receives funding from 4 sources: the State Highway Fund (SHF), the Motor Vehicle Liability Insurance Enforcement Fund (MVLIE), Highway User Revenue Fund (HURF), and Vehicle Inspection and Title Enforcement Fund (VITE).

In FY 2009, the program is funded at \$2.9 million. This is an increase of \$331,600 (13.1%) over FY 2008. Additional monies were added for population growth and traffic survival schools. The FY 2009 funding level represents an increase of 107.7% from FY 2001 levels. *Table 1* displays historical funding information for the Third Party Program by fund source, using data from FY 2001, FY 2005, FY 2006, FY 2007, FY 2008, and FY 2009.

*History of Moratorium*

ADOT has had a moratorium on new third parties for title and registration since mid-2002, and for vehicle inspections, driver schools and driver license examiners since mid-2003 due to a lack of staff. Additional resources were appropriated to eliminate third party waiting lists and address workload growth in each fiscal year beginning with FY 2006 through FY 2009 as explained below. ADOT reports the status of third party moratoriums as follows: “relaxed” for title and registration, vehicle identification number inspection, and non-CDL driver schools and non-CDL driver license examiners; “lifted” for CDL driver schools and CDL driver license examiners; and, “in effect” for motorcycle driver schools, and traffic survival schools. Additional resources were appropriated in FY 2009 to address traffic survival schools and population growth. “Relaxed” means that ADOT would reinstate moratoriums for title and registration, vehicle identification number inspection, and non-CDL driver schools and non-CDL driver license examiners, when the number of third party applications exceeds MVD’s resources to monitor the third party entities.

The Third Party Section had 37 FTE Positions in FY 2005 and had workload backlogs and waiting lists for third party title and registration entities, vehicle identification number inspection entities, commercial

and non-commercial driver schools and examiners, and traffic survival schools.

The FY 2009 funding level includes 59 FTE Positions for the Third Party Section, an increase of 22 FTE Positions or 59% over FY 2005, to address these issues. The increase of 22 FTE Positions includes increases of 8 FTE Positions in FY 2006, 8 FTE Positions in FY 2007, 2 FTE Positions in FY 2008, and 4 FTE Positions in FY 2009.

The increase of 8 FTE Positions in FY 2006 included increases of 3 FTE Positions to address growth in the third party title and registration quality assurance workload from existing third parties (but not the moratorium on new third parties), and 5 FTE Positions to allow commercial driver schools and up to 15 motorcycle entities to become authorized third parties. The 8 FTE Positions added in FY 2007 included increases of 6 FTE Positions to address the third party title and registration waiting list and 2 FTE Positions to address the vehicle identification number inspection waiting list. The 2 FTE Positions added in FY 2008 were to address third party workload due to population growth to allow ADOT to maintain recent service improvements due to eliminating third party waiting lists. The 4 FTE Positions added in FY 2009 include 2 FTE positions each for population growth and traffic survival schools.

ADOT removed the moratorium on new title transaction third parties in FY 2006 and is processing applications for 59 entities, who are interested in becoming third parties. There are currently 122 existing third parties, including 21 new offices that have opened in FY 2008.

ADOT removed the moratorium on new vehicle identification number third parties in FY 2006 and is processing applications for 40 entities, who are interested in becoming third parties. There are currently 475 existing third parties, including 31 new offices that have opened in FY 2008.

ADOT removed the moratorium on new commercial and non-commercial driver schools and driver license examiners in FY 2006, and has eliminated the

waiting list. There are currently 65 driver training schools (19 CDL and 46 non-CDL), and 122 driver license examination entities.

ADOT still has a moratorium for motorcycle driver schools and traffic survival schools. ADOT began processing applications for 15 motorcycle dealers to become authorized third parties in FY 2006, before re-establishing their moratorium on motorcycle driver

school third parties. There are currently 22 motorcycle dealer third parties and 17 entities are on the waiting list. There are 77 traffic survival school third parties and 80 entities are on the waiting list.

Table 2 shows the approved FTE Positions for the MVD's Third Party Program in FY 2005, FY 2006, FY 2007, FY 2008, and FY 2009.

	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
Administration	5	5	5	5	5
Quality Assurance	20	23	29	31	33
VIN Inspections	2	2	4	4	4
ServiceArizona	4	4	4	4	4
Driver Schools	<u>6</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>13</u>
<b>Total</b>	<b>37</b>	<b>45</b>	<b>53</b>	<b>55</b>	<b>59</b>

**Performance Measures**

Table 3 includes the measures ADOT uses to assess the performance of MVD's Third Parties Program. None of the third party performance measures are included in the General Appropriation Act. However, the General Appropriation Act does contain the related measure of the percent of alternative vehicle registration renewal methods, which includes mail renewals in addition to third party and third party internet renewals. The majority of the other measures assess program output and third party waiting lists.

The number of transactions by statutory third parties increased from 1.4 million in FY 2001 to 2.2 million in FY 2007, or 57.1%. MVD estimates that these transactions will increase to 2.3 million in FY 2009 (a 1.4% increase over FY 2007). MVD's third party quality assurance section had a monthly backlog of 4,091 transactions to check (mostly title and registration) in FY 2007. MVD estimates having a 6,000 monthly quality assurance backlog in FY 2009, a 46.6% increase from FY 2007 due to the opening of additional locations and also due to the fact that in FY 2007 additional resources were used to decrease the backlog to 4,091. The backlog at the end of FY 2008 was 6,099.

ADOT should continue to track the performance measures in Table 3, to aid in future evaluations of MVD's Third Party Program.

Table 3

## Third Party Program Performance Measures

<u>Performance Measure</u>	<u>FY 2001 Actual</u>	<u>FY 2004 Actual</u>	<u>FY 2005 Actual</u>	<u>FY 2006 Actual</u>	<u>FY 2007 Actual</u>	<u>FY 2009 Estimate</u>
Title Transactions by Statutory Third Parties	1,405,800	1,487,700	1,287,100	2,120,059	2,236,336	2,267,701
Statutory Third Party Transactions as a % of Total Third Party & Like MVD Transactions	24.5	22.9	22	28	36	37
MVD Third Party Quality Assurance Monthly Backlog of Transactions to Check (mostly title and registration)	NA	50,100	53,000	11,279	4,091	6,000
Percent of Third Party Registration Renewals by Service Az.	16	27.9	32.8	37.7	40.9	46.2
Driver License Examination Third Parties	NA	192	189	165	129	137
Driver Training School Third Parties	NA	52	52	50	59	70
Traffic Survival School Third Parties	NA	92	84	79	77	77 <sup>1/</sup>
Waiting List for Third Party Title & Registration Entities	NA	62	103	118	0 <sup>2/</sup>	0 <sup>2/</sup>
Waiting List for Third Party Vehicle Identification Number Inspection Entities	NA	42	109	138	0 <sup>2/</sup>	0 <sup>2/</sup>
Waiting List for Dr. License Exam Third Parties - CDL	NA	15	35	0	0 <sup>2/</sup>	0 <sup>2/</sup>
Waiting List for Dr. License Exam Third Parties - non-CDL	NA	7	32	0	0 <sup>2/</sup>	0 <sup>2/</sup>
Waiting List for Dr. License Exam Third Parties - Motorcycle	NA	2	15	0	0 <sup>2/</sup>	0 <sup>2/</sup>
Waiting List for Driver School Third Parties - CDL	NA	28	32	0	0 <sup>2/</sup>	0 <sup>2/</sup>
Waiting List for Driver School Third Parties - non-CDL	NA	9	52	0	0 <sup>2/</sup>	0 <sup>2/</sup>
Waiting List for Driver School Third Parties - Motorcycle	NA	2	15	9	9	25
Waiting List for Traffic Survival School Third Parties	NA	30	30	51	58	95
<b>Related General Appropriation Act Performance Measure</b>						
Percent of alternative vehicle registration renewal methods (mail, internet, third party)	66	71.8	75.1	78.6	79.1	80

**Comments:** The agency did not submit information for any measure labeled as "NA."

<sup>1/</sup> ADOT has not yet updated the FY 2009 estimate to reflect 2 additional FTE Positions appropriated in FY 2009 to lift the moratorium on traffic survival schools.

<sup>2/</sup> ADOT reports having no waiting list, since they have either relaxed or lifted the moratorium.