



## Legislative Fiscal Bureau

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March 8, 2004

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 442/Assembly Bill 833: Third-Party Testing for Class D License Skills Tests

Senate Bill 442 was introduced on February 9, 2004, and referred to the Committee on Transportation and Information Infrastructure. On February 18, 2004, that Committee recommended the bill for passage on a vote of 3 to 2. On March 2, 2004, the bill was referred to the Joint Committee on Finance.

Assembly Bill 833 was introduced on February 11, 2004, and referred to the Committee on Transportation. On February 17, 2004, that Committee recommended the bill for passage on a vote of 10 to 5. On February 23, 2004, the bill was referred to the Joint Committee on Finance.

### **CURRENT LAW**

DOT is authorized to enter into a contract with an entity, including a state or local government agency, or a private employer of commercial motor vehicle drivers to conduct the skills tests required to receive a commercial motor vehicle license and the skills tests required to receive a school bus endorsement. DOT must abide by the following requirements and restrictions with respect to these third-party testing contracts: (a) the Department may not enter into a third-party testing contract with a private driver training school or other private institution (this restriction does not prohibit DOT from entering into a contract with a company that wishes to test its own employees to qualify them to drive commercial motor vehicles for the company); (b) the third-party testing contract must require all tests to be the same as those given by the Department; (c) the contract must specify that DOT or the Federal Highway Administration may conduct random examinations, inspections, and audits of the third-party tester without any prior notice; (d) the Department is required to conduct an annual, on-site inspection of the third-party tester to

determine compliance with the contract and to evaluate the testing conducted by the third-party tester, which may include having a DOT employee be tested as an applicant or re-testing a sample of applicants to compare pass-fail rates; (e) the examiners employed by the third-party tester must meet the same qualifications and training standards as DOT's license examiners; and (f) the Department is required to take prompt and appropriate remedial action against a third-party tester if it is determined that the third-party tester has failed to comply with testing standards or any provision of the contract.

## **SUMMARY OF BILLS**

Senate Bill 442/Assembly Bill 833 would authorize DOT to enter into a contract with a third-party tester for the administration of skills tests required for receiving a regular Class D license (for the operation of automobiles and other passenger vehicles). Under the bills, the same requirements that currently apply to third-party testers for commercial driver's license tests would apply to third-party testers administering Class D skills tests (except that the Federal Highway Administration would not have a role in conducting random examinations, inspections, and audits).

By DOT policy, third-party testers for commercial driver license skills tests may not charge more than \$70 for administering a skills test. DOT indicates that the skills tests provided for Class D licenses would also be limited if SB 442/AB 833 were to be passed, although it has not been determined what the maximum fee would be. SB 442/AB 833 would not require DOT to establish such a limit.

## **FISCAL EFFECT**

In its fiscal estimate for SB 442/AB 833, DOT estimates that 5% of Class D skills tests would be conducted by third-party testers in the first year after passage of the bills and about 10% annually thereafter, which would be about 7,000 tests in the first year and 14,000 tests annually thereafter. DOT estimates that this reduction in tests conducted by the Department would result in net savings of \$40,900 in the first year and \$128,700 annually thereafter. These amounts are the net effect of: (a) savings in staff time devoted to conducting tests and savings associated with a reduced usage of the Department's automated road test scheduling system (totaling \$87,900 in the first year and \$175,700 annually thereafter); and (b) increased costs associated with one additional position to audit new third-party testers and conduct other administrative functions related to the program (\$47,000 annually). The net position impacts associated with this estimate are a reduction of 0.9 FTE in the first year and 2.8 FTE in the second year.

The bills would not reduce the appropriation or positions provided to the Division of Motor Vehicles associated with these savings, which would allow DMV to devote the savings to conducting skills tests or other purposes within the Division.

The reduction in skills tests conducted by DOT would also result in a reduction in transportation fund revenue collected from driving skills test fees. DOT charges \$15 per applicant for up to three Class D skills tests. Because not all applicants need three tests to pass, the average fee per test conducted is \$10.60. The estimated reductions in tests administered by DOT, therefore, would result in an estimated transportation fund revenue loss of \$74,200 in the first year and \$148,300 annually thereafter.

If it is assumed that the first-year estimates in DOT's fiscal note would correspond to fiscal year 2004-05, then the effect of SB 442/AB 833 on the 2003-05 biennium-ending balance of the transportation fund would be a reduction of \$74,200.

Prepared by: Jon Dyck