

SESSION OF 2006

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2553

As Amended by Senate Committee of the Whole

Brief*

HB 2553, as amended, would enact new law to prohibit the Kansas Department of Revenue, on and after the effective date of the act, from entering into, or renewing, any contract that authorizes the renewal of drivers' licenses at any office or other business location except after the issuance of a request for proposal (RFP) through the competitive bid process. Prior to the initiation of the bid process, the Department would be required to conduct an independent evaluation or receive a Legislative Post Audit Study of the Department's current pilot project as to: the benefits to state government; benefits to persons reviewing their licenses; and any other impacts on the public or private sector.

Background

The bill was requested by Representative Rob Olson whose testimony indicated that the contract between the Kansas Department of Revenue and the American Automobile Association (AAA) represented a serious violation of free market principles and created an unfair advantage. The bill also was supported by the Kansas Insurance Department who suggested that if the contracts were continued, they should be issued to each and every group seeking them. Other supporters of the bill included American Family Insurance, Farmers Insurance Group, State Farm Insurance Companies, the Kansas Association of Insurance Agents, the Kansas Association of Property and Casualty Insurance Companies, the Kansas County Treasurer's Association, and two independent insurance agents.

The bill was opposed by AAA, Kansas Region, and the Kansas Department of Revenue. The Department official indicated that no Request For Proposal (RFP) was issued because this was a pilot project and that ongoing reviews show increased service to drivers'

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

license renewals at a low cost to the state. The AAA representative indicated that no insurance quotes have been given to any DMV customer and the office is instead motivated by its heritage in traffic safety and interest in driver licensing.

The Senate Committee of the Whole amendment removes the prohibition that the Department of Revenue would not be allowed to enter into or renew any contract for drivers' license renewal at any office or location of an insurance producer. The amendment would require that prior to the Department entering into or renewing a contract, it would either have to conduct an independent evaluation or study conducted by the Division of Legislative Post Audit to evaluate the Department's current pilot project (at the Lawrence office of the American Automobile Association).

The fiscal note prepared by the Division of the Budget on the introduced version of the bill indicates that passage of the bill would have no effect on state revenues and the effect on agency operations would be negligible.