

## Key Evaluation Objectives:

- Evaluate the changes in service delivery after the transition to Service Oklahoma.
- Assess Service Oklahoma's processes and outcomes.
- Assess the role of technology in modernizing the delivery of driver license services.
- Compare Oklahoma's service delivery and costs to other states.

## Executive Summary

In 2022, the Oklahoma Legislature created a new agency called Service Oklahoma to centralize the delivery of driver licenses and vehicle registrations. Previously, the services were provided between two state agencies. This action came after a prolonged effort to offer licenses compliant with federal REAL ID standards and COVID-era delays in issuing driver's licenses.

Service Oklahoma (SOK) uses a hybrid model to deliver motor vehicle and driver license services statewide, using both State-run facilities and third-party private

**Driver license services are provided by:**

**31**  
**State Run**  
**Facilities**

**234**  
**Licensed**  
**Operators**

businesses known as Licensed Operators. This creates two unique business models: a public-private partnership where profit dictates future operations, and the public service model where the service is provided regardless of profit.

With this evaluation, the Legislative Office of Fiscal Transparency (LOFT) sought to measure the changes in service delivery under the new agency and whether the model is providing the intended outcome of improved and consistent customer service to citizens. Additionally, LOFT examined the factors contributing to Oklahoma's high costs for obtaining a driver's license.

This evaluation resulted in three key findings:

### **Finding 1: Contrary to Legislative Intent, Citizens' Experiences Vary Between State and Private Operators**

LOFT found benefits to the hybrid service model; through privately run locations, services are provided in less populated areas of the state where it might not otherwise be financially feasible to have a location. However, the lack of centralization has some drawbacks, including inconsistent customer service, inconsistent use of technology platforms and tools, and limited enforcement over the private operators that are delivering a public service on behalf of the State.

LOFT observed licensed operators that were not in compliance with the contract terms established by Service Oklahoma. For example, one operator does not offer license services 1 hour prior to closing or during a 1.5 hour period in the middle of the day, in violation of the requirement to offer license services during the entirety of its operating hours. Online reviews revealed the greatest area of complaint from the public was with an operator's hours of operation.

Additionally, the difference in business models limits a direct comparison of performance. For example, in its first year of operation, Service Oklahoma reduced customer wait time from an average of 68 minutes to 24. However, metrics for customer wait times are only available for the 31 state-run Service Oklahoma locations.

## Finding 2: Oklahoma Offers Greater Access to Driver License Services than Similar Sized States

On a per capita basis, Oklahoma has a driver's license facility for every 12,000 people. LOFT compared Oklahoma's availability to two states with similar populations – Louisiana and Oregon – and found that Oklahoma has almost twice as many locations as Louisiana and more than four times the locations as Oregon.

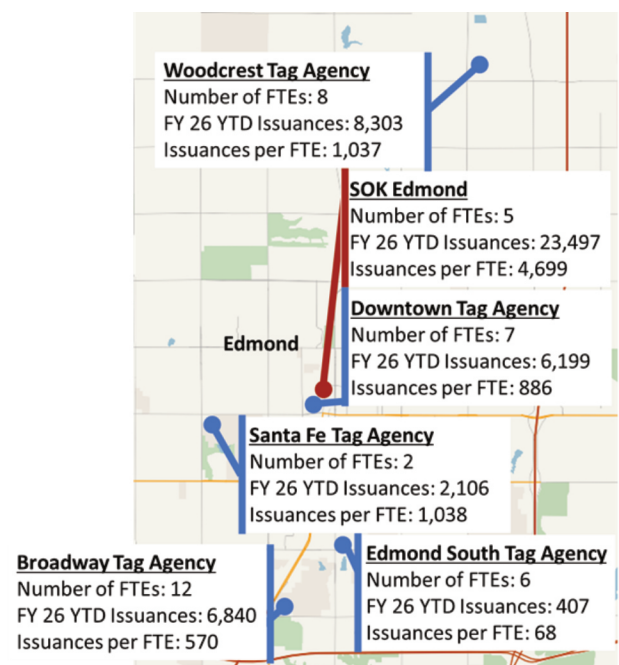
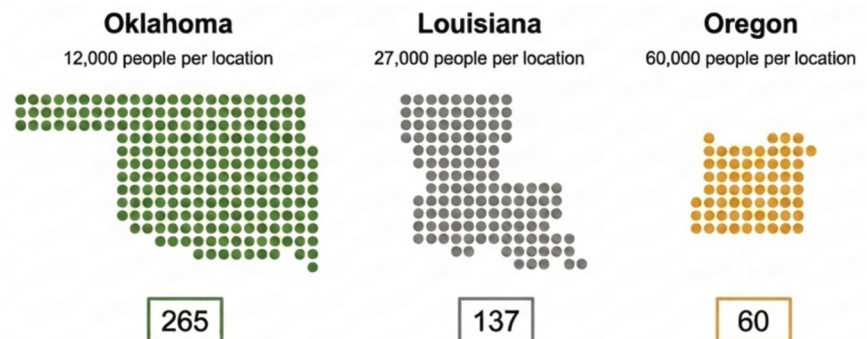
Statute states that every county "should" have at least one location from which citizens can obtain licenses; this can either be operated by Service Oklahoma or a Licensed Operator. Statute also states that Licensed Operators should

not be located within a three-mile radius of another location. LOFT found numerous violations of this provision. Four years after the statutory distance limitation was put in place, one location was approved even though there was another location 0.3 miles from it.

While Oklahoma has a relatively high number of license-issuing locations compared to similarly populated states, the number of locations alone does not indicate whether capacity aligns with demand. However, if it were determined that Oklahoma should have at least one location in every county, the state would have a total of 77 service locations. This would place Oklahoma between Louisiana and Oregon in terms of per capita service locations, with one location per 42,900 driving age residents. Currently, there are 28 counties that have one Licensed Operator. On average, the LOs in these counties serve approximately 14,000 residents per location.

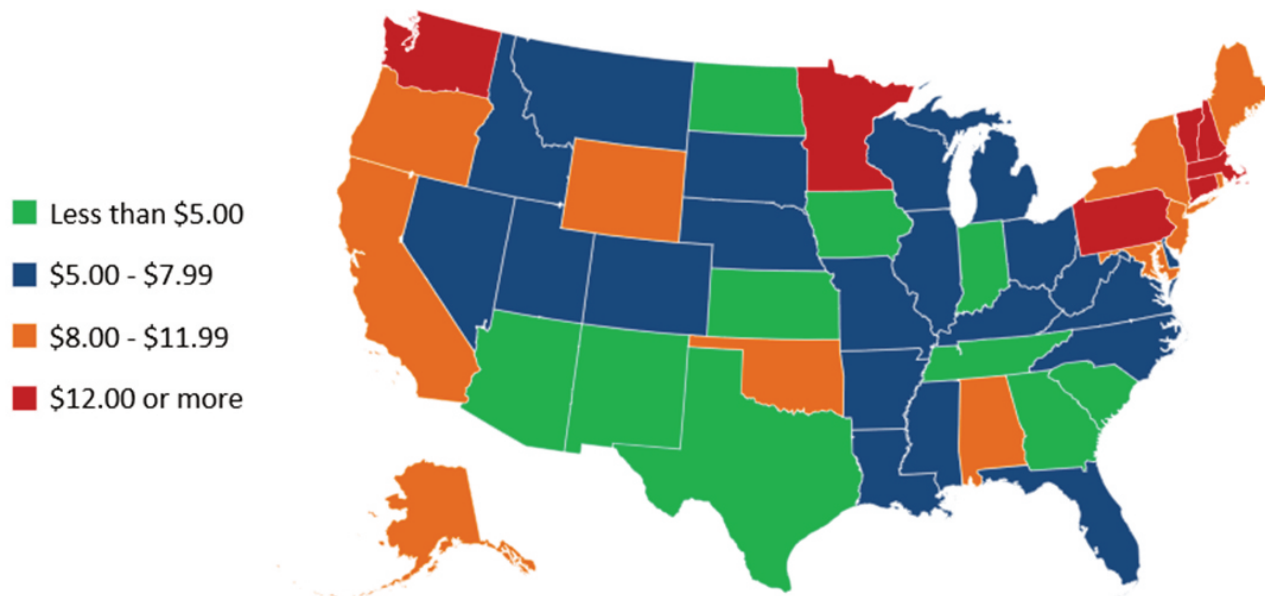
A low residents per location ratio may be hampering the state's ability to control costs. Setting a standard resident per location metric could assist in determining the appropriate number of operators needed to service Oklahomans without sacrificing customer satisfaction. For example, if the number of residents per location were set at 50,000, there would be 63 counties that could be served with one Licensed Operator. The shift to online renewals and the option to renew a license for 8 years has reduced the frequency of in-person visits. According to SOK, an Oklahoman will visit an LO or SOK location to obtain a license approximately every 5 years. A location serving 50,000 people over 4.75 years would have an annual workload of 10,526 transactions. If this ratio were in place, Oklahoma would need just 126 Licensed Operators as opposed to the current 234, a 46 percent reduction in locations.

Additionally, If the State sought to ensure greater consistency in customer access to services, as intended with the creation of Service Oklahoma, Service Oklahoma locations should provide all services to the public, similar to what is required of Licensed Operator locations. Currently, with the exception of its Oklahoma City headquarters, Service Oklahoma locations primarily provide identification credential services. LOFT's analysis of license issuance found that in urban markets – where there is a higher concentration of locations – Oklahomans preferred to obtain their licenses from Service Oklahoma locations over Licensed Operators.



### Finding 3: Oklahoma has the 10<sup>th</sup> Highest Driver's License Fees

Oklahoma's driver's license fees rank among the highest in the nation. The fees are set in statute and support the State's hybrid public-private service delivery model. The map below presents the annualized cost of each state's initial issuance of a REAL ID. The annualized national average for a REAL ID is \$7.89; 22 percent below Oklahoma's annualized cost of \$10.13 for a new license, ranking Oklahoma as the tenth-most expensive state to acquire or renew a REAL ID compliant driver's license.



LOFT found no correlation between a state's service model and costs. Arizona and New Mexico both use a hybrid model and rank among the lowest annualized costs. Conversely, Oklahoma and Minnesota both use a hybrid model and rank among the most expensive states to obtain a REAL ID. However, LOFT identified six states that allow private businesses to add a convenience fee to the state driver's license fee. Oklahoma's model instead compensates private businesses by allowing the Licensed Operators to retain 40 percent of the State's fees. Additionally, Service Oklahoma provides metric-based payments from the Licensed Operator Performance Fund. The fund is also used to reimburse operators for vehicle registrations issued to fully disabled veterans. While the Performance Fund's disbursements support the profitability of Licensed Operators in less populated areas, LOFT found the structure also allows those in counties with an above-average population to receive some of the highest payouts.

LOFT's analysis found that Licensed Operators generally issue fewer licenses per FTE than Service Oklahoma staff, and rural counties typically have lower issuance rates per FTE than other counties in the state. Together, these factors increase the cost of maintaining the current level of statewide access to driver's license services.

Currently, Service Oklahoma does not have authority over the State's entire system of delivering the services it is charged with overseeing. Instead, Service Oklahoma directly manages its locations, and an Operator Board has authority over all Licensed Operators. While this structure was designed to incorporate industry expertise into oversight, it has created a fundamental governance concern. For example, the Board has approved requests from 168 Licensed Operators to have hours that deviate from Service Oklahoma's standard hours of operation; some of which also contradict statutory direction that providers be open at least 4 hours outside of normal business hours or on a Saturday to accommodate the public. To fully realize the legislative goal of standardization, Service Oklahoma should have full operational authority over all license-issuing locations.

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## Summary of Policy Considerations and Agency Recommendations:

### The Legislature may consider the following policy changes:

- Convert the role of the Service Oklahoma Operator Board to be advisory in nature to alleviate conflicts.
- Vest full operational and regulatory authority of Service Oklahoma to the director.
- Direct Service Oklahoma to dedicate the primary use of the Licensed Operator Performance Fund to subsidize Licensed Operator locations that do not generate enough customer transactions to be profitable, with the goal of ensuring there is a minimum of one licensing facility in each county.
- Create a separate fund to reimburse Licensed Operators for the vehicle registration fees that are waived for disabled veterans.
- Direct the Service Oklahoma Operator Board to promulgate administrative rules requiring Licensed Operators provide annual financial statements, empowering the board to make decisions based on the reported financial position of Licensed Operators.
- Remove the statutory exemption for Licensed Operators operating prior to the creation of Service Oklahoma to adhere to the brand standards, requiring that each location make annual progress toward meeting the standards set for all service locations.

### Service Oklahoma should:

- Assess the ideal ratio of Licensed Operators to population.
- Create a process and dedicate personnel to review, report, and recommend action for poor customer service by Licensed Operators.
- Evaluate the metrics of the Licensed Operator Performance Fund to ensure they are measurable and accomplish the goals of consistent service delivery in rural areas of the State.
- During unannounced Operational Audits, Service Oklahoma should record the posted business hours and validate those hours with the hours of service reported to Service Oklahoma.
- Require the next Licensed Operator Compensation Evaluation examine the market impact of enforcing or eliminating the three-mile proximity rule. A copy of the evaluation should be provided to the Chairs of the respective oversight subcommittees of the Legislature.
- Issue vehicle registrations at all Service Oklahoma locations.
- Examine the new technology tools being used by other states to determine if they have the potential to improve the delivery of services or reduce costs.
- Require all Licensed Operators to utilize the same online queue system that Service Oklahoma uses, so the wait times of all locations can be displayed on Service Oklahoma's website.
- Implement a customer feedback form on Service Oklahoma's website that is easy to find and provides clear direction for submission. The agency should include a summary of the feedback in its annual report on driver's licenses and vehicle registrations.
- Design the Licensed Operator Compensation Evaluation RFP so that the same consultant cannot be used more than two times in a row, to ensure the report maintains objectivity.