

Office of
LEGISLATIVE AUDITOR GENERAL
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**A Review of the
Drivers' License Division
Checkoff Programs**



Administrative cost of the Drivers' License Division (DLD) Checkoff Programs appears acceptable and compare favorably to the costs of similar programs. Some of the concern for these costs is caused by timing issues and variations in donation amounts. DLD collects donations for blindness prevention, organ donation and mobility assistance through a voluntary checkoff program. The 2000 Legislature passed the Blindness Prevention Checkoff fund for blindness prevention education, screening and treatment. The 2002 Legislature passed the Organ Donation Checkoff fund for promotion and support of organ donations and the Mobility Assistance Checkoff fund for public transportation of seniors and people with disabilities.

Activity within the three funds in fiscal year 2003 is shown in Figure 1 while fiscal year 2004 activity is shown in Figure 2. Actual program funding (i.e., net donations) is determined by: the number of donations, the preset donation amount and agency collection costs. The **Utah Code** authorizes the DLD to recover all checkoff fund collection costs. To accomplish this, the DLD uses a revenue approach of assessing 10 percent of every dollar collected to cover on-going administrative costs.

Figure 1. Donations to and reimbursements from the Blindness Prevention Fund, the Mobility Assistance Fund, and the Organ Donation Fund for fiscal year 2003

	Blindness Prevention (\$1 Donation)	Mobility Assistance (\$1 Donation)	Organ Donation (\$2 Donation)
Donations	\$ 45,074	\$ 27,559	\$ 59,020
Administrative Costs	(4,507)	(2,756)	(5,902)
Programming Costs	---	(9,313)	(35,000)
Net Donation	\$ 40,567	\$ 15,490	\$ 18,118

Figure 2. Donations to and reimbursements from the Blindness Prevention Fund, the Mobility Assistance Fund and the Organ Donation Fund for fiscal year 2004.

	Blindness Prevention (\$2 Donation)	Mobility Assistance (\$1 Donation)	Organ Donation (\$2 Donation)
Donations	\$ 64,122	\$ 26,840	\$ 54,069
Administrative Costs	(6,412)	(2,684)	(5,406)
Programming Costs	---	(10,736)	(4,563)
Net Donation	\$ 57,710	\$ 13,420	\$ 44,100

On a cost per transaction basis, DLD's administrative cost assessment appears reasonable when compared to the Tax Commission's cost assessment. In fiscal year 2004, the DLD charged \$.10 per Mobility transaction and \$.20 per Blind and Organ transaction while the Tax Commission charged \$.40 per transaction for similar programs. Based on 2004 audit work performed in the Tax Commission's Division of Motor Vehicles, we believe that the Tax Commission's \$.40 transaction charge is reasonable for its Organ Donation and Blind Prevention Checkoff Programs. Since the DLD assessment falls well below this amount, it appears their administrative cost assessment is reasonable.

Further, the DLD reported during the 2002 general session that the creation of two new donations funds (Organ Donation and Mobility Assistance) would require the addition of one half-time employee. This additional employee was projected to cost approximately \$20,000 in salary and benefits. However, the yearly administrative costs collected from all three programs was only \$14,500 in fiscal year 2004. Given this comparison and the transaction cost assessment mentioned previously, it appears more likely that the DLD is undercharging rather than overcharging administrative costs.

Programming costs are also a legitimate collection cost. The Blind Prevention fund did not incur any additional programming costs because this fund was implemented at an opportune time in terms of system programming. This was not the case for the Mobility Assistance and Organ Donation funds and, consequently, both funds incurred additional programming costs.

According to the former DLD deputy director, at the time the Blind Prevention Fund was being considered (in late 1999 and early 2000), the new computerized drivers' license system was still being programmed by the outside contractor. When the deputy director learned of this possible checkoff fund, he requested the contractor include this possibility in the overall drivers' license system's programming. The contractor did this for no additional charge. So, the Blind Prevention Fund did not incur any additional programming charges.

However, because of a mis-communication between the DLD and the contractor, the two checkoff funds which followed were not so fortunate. It was the intent of the deputy director that the contractor program a flexible checkoff fund system. This desired flexibility would allow changes and would enable DLD to add other checkoff funds. However, the contractor did not write the program this way and, as a consequence, the Organ Donation and Mobility Assistance Funds could not be easily added to the existing system.

The outside contractor charged DLD \$80,750 to modify the programming to allow the addition of these two checkoff programs. According to the former deputy director, since the Organ Donation Fund had the better chance of being approved by the Legislature, the fiscal note was attached to the Organ Donation Fund. This, with the understanding

that if both checkoff funds passed, the \$80,780 of programming costs would be split evenly between the two.

Both checkoff funds passed in the 2002 General Legislative Session and so each fund was allocated \$40,000 in programming costs by DLD. The Organ Donation Fund was assessed \$35,000 in fiscal year 2003 to cover programming costs. This quick payment was the result of language in House Bill 3, a 2002 supplemental appropriations act that provided appropriate funding for all bills with a fiscal note. House Bill 3 did not address the Mobility Assistance Fund because it had no fiscal note. So, DLD is recovering the \$40,000 in programming costs from the Mobility Assistance Fund over a longer time period. It is DLD's goal to have the Mobility Assistance \$40,000 of programming costs re-paid to DLD by fiscal year 2006.

In conclusion, neither the administrative nor the programming costs assessed these three checkoff funds appears excessive. The reimbursement of these costs to the collecting agency is allowed by statute and, in our opinion, the amount of cost collected appears reasonable.