Via Email
August 17, 2026
Legislative Reference Library
sonars@lrl.leg.mn

Re: In the Matter of the Proposed Permanent Rules Relating to Driver's License Agents and Deputy Registrars; Revisor's ID No. R-4975; CAH Docket No. 25-9018-41749

Dear Legislative Reference Library:

The Minnesota Department of Public Safety intends to adopt rules on driver's-license agents and deputy registrars, and on August 17, 2026, the department will publish in the *State Register* a Notice of Intent to Adopt Rules Without a Public Hearing.

As required under Minnesota Statutes, section 14.131, we are sending the library an electronic copy of the department's Statement of Need and Reasonableness.

If there are any questions or concerns, please contact me at ian.lewenstein@state.mn.us.

Sincerely,

Ian Lewenstein
Administrative and Legislative Drafting Program Manager

Enclosure: Statement of Need and Reasonableness

STATEMENT OF NEED AND REASONABLENESS

Department of Public Safety

Proposed Permanent Rules Relating to Driver's License Agents and Deputy Registrars

Revisor's ID No. R-4975
CAH Docket No. 25-9018-41749

August 17, 2026

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General Information

Availability. All required rulemaking notices and documents, including the SONAR and proposed rule, are available on the department's rulemaking web page (https://dps.mn.gov/about-dps/programs-and-legislative-requirements/rulemaking). The SONAR has been available for public review since August 17, 2026.

Rule records. You can track this rulemaking proceeding and search past department rulemaking records by using the Minnesota Rule Status System, located on the revisor's office website (https://www.revisor.mn.gov/rules/status/).

Alternative format. If you would like this SONAR in another language or an alternative format, such as large print, braille, or audio, please contact Ian Lewenstein, administrative and legislative drafting program manager, ian.lewenstein@state.mn.us, 651-201-7180, or the Department of Public Safety, 445 Minnesota St., St. Paul, MN 55101.

Abbreviations

APA: Administrative Procedure Act

CAH: Court of Administrative Hearings

MMB: Minnesota Management and Budget

SONAR: Statement of Need and Reasonableness

Table 1. Statute- and rule-level tags

Statute	Rule
Subdivision: 1, 2, 3, etc.; Subdivision 1 and then Subd. 2, Subd. 3, etc.	Subpart: 1, 2, 3, etc.; Subpart 1 and then Subp. 2, Subp. 3, etc.
Paragraph: (a), (b), (c), etc.	Item: A., B., C., etc.
Clause: (1), (2), (3), etc.	Subitem: (1), (2), (3), etc.
Item: (i), (ii), (iii), etc.	Unit: (a), (b), (c), etc.
Unit: (A), (B), (C), etc.	Subunit: i., ii., iii., etc.

Shorthand	Shorthand
Minn. Stat. § 168.33, subd. 7(e)(2): Minnesota Statutes, section 168.33, subdivision 7, paragraph (e), clause (2)	*Minn. R. 7404.0300, subp. 3(C)(1):* Minnesota Rules, part 7404.0300, subpart 3, item C, subitem (1)

Unless indicated otherwise, all statutory citations are to the 2024 *Minnesota Statutes* publication, and rule citations are to the 2025 *Minnesota Rules* publication.

Introduction and Overview

1. The department's Driver and Vehicle Services division regulates driver's-license agents and deputy registrars.

"DVS is committed to ensuring state services are available to all Minnesotans."[1]

Among other duties, the department's Driver and Vehicle Services division is responsible for issuing driver's licenses, identification cards, instruction permits, and other driver-related documents. Driver and Vehicle Services also oversees vehicle-related services such as vehicle registration, title transfers, and license plates.

While licensing and vehicle services are offered at department offices statewide, the department delegates some of these services to local driver's-license agents and deputy registrars. This delegation has allowed Minnesotans to conveniently receive services close to where they live and to choose the office where they want to receive these services—whether for convenience, available or offered services, customer service, or any other reason.

An office may offer licensing (driver) services or vehicle services, or both, with slightly different requirements for each office type. For example, a driver's-license agent must be an individual appointed by a city or county, while a deputy registrar may be a public or private entity appointed by or for a city or county (counties can also establish a county license bureau).[2] At the same time, if a city or county doesn't want to provide the services of either a driver's-license agent or deputy registrar, a private business (corporation) can provide the services of either the deputy registrar or both the deputy registrar and driver's-license agent.[3] An office that offers both licensing and vehicle services at a single location is known as a full-service provider.[4]

[1] Minnesota Department of Public Safety, *Legislative Report: DVS Competitive Bidding Study* (October 31, 2025), 9.
[2] Minn. Stat. §§ 373.32-.38.
[3] The legislature first allowed corporations to be appointed as deputy registrars in 1984. While the legislature attempted to sunset corporations as deputy registrars, the legislature eventually removed the sunset in 2010.
[4] This term is statutorily defined. *See* Minn. Stat. § 168.002, subd. 12a.

Last, the department—through the commissioner—serves as the registrar of vehicles for the state. The department offers both licensing and vehicle services and operates state-examination sites for driver's licensing.

This system for providing driver and vehicle services to Minnesotans has been characterized as "complex, with many different constituents, each playing an important role."[5] But regardless of the service model or whether the service provider is public or private, the department directly supports both driver's-license agents and deputy registrars while pairing this support with effective oversight and accountability.

a. **The department.** Although the department delegates some licensing and vehicle services to local driver's-license agents and deputy registrars, the department also provides licensing services through over ten regional offices and driver's-license exams at about 95 stations.[6]

b. **Driver's-license agents.** Driver's-license agents provide services for applicants applying for a driver's license, provisional license, restricted license, duplicate license, instruction permit, Minnesota identification card, or motorized bicycle operator's permit.

   Compared to deputy registrars and full-service providers, few driver's-license agents operate solely as a standalone office offering only licensing services in part because "recent factors such as Real ID, Enhanced ID, and Driver's License for All have impacted the workload and resourcing of local providers."[7]

   There are about 16 driver's-license agents who provide licensing services only.

c. **Deputy registrars.** Deputy registrars serve people who need vehicle-related services such as registration, title transfers, and license-plate issuance and renewals. Deputy registrars can offer limited driver's-license services, and some also offer supplementary services such as passports; notarization; boat, snowmobile, and ATV transactions; and hunting and fishing licenses on behalf of the Department of Natural Resources.

[5] Rick King et al., *Driver and Vehicle Services: Report of the Independent Expert Review* (January 12, 2022), 6.
[6] Most of these exam stations are low-volume locations, open only one or two days a week.
[7] BerryDunn and Minnesota Department of Public Safety – Driver and Vehicle Services, *Financial Sustainability Assessment Report* (January 2, 2025), 16.

Deputy registrars have been regulated for much longer than driver's-license agents (*see* page 13), and there are about 168 deputy registrars.

d. **Full-service providers.** The public is better served if driver and vehicle services are located in the same office. This dual-service model is what a full-service provider accomplishes. By combining the functions of both driver's-license agents and deputy registrars, full-service providers serve as "convenient one-stop shops,"[8] offering Minnesotans a seamless customer experience.

   There are about 141 full-service providers.

Over 180 delegated providers of driver and vehicle services fulfill the licensing and vehicle needs of Minnesotans. But regardless of the service model, both the providers and the department continually strive for exceptional customer service to "help ensure high-quality services continue to be offered to residents whenever possible."[9]

Figure 1. Comparison of service types

Driver's-license agents	Deputy registrars	Full-service providers
• Licensing services • Smallest number of providers • Public	• Vehicle services • May also be a limited licensing agent • Public or private	• Both licensing and vehicle services • Highest number of providers • Public or private

2. The department regulates driver's-license agents and deputy registrars in two separate rulemaking chapters.

The department oversees two rulemaking chapters governing driver's-license agents and deputy registrars: Chapter 7404 governs driver's-license agents, while chapter 7406 governs deputy registrars. Over the years, the department has striven to make the rule chapters consistent, to the extent allowed under the respective statutory schemes.

[8] *Id.*, 1.

[9] Department of Public Safety, *Legislative Report*, 8.

The rule chapters prescribe how the department must appoint a new driver's-license agent or deputy registrar. An appointment may be either to an existing office or for a new office location. If an applicant requests to open a new office location, the department must review how the new office location may affect existing offices or evaluate whether to allow an existing office to move to another location. Office-location requirements are important for several reasons:

a. **Public convenience.** A provider serves the public, and thus public convenience is the driving factor for the department when determining whether to approve a new office location. In a previous rulemaking, the department stated how it's "important that the office locations be in the best interest of the public, conveniently located so that quality service is available and the cost of maintaining the office to all parties is not prohibitive."[10]

b. **Service area and cost-effectiveness.** Provider locations can be cost-effective by being close to the area being served and by being efficiently spaced throughout the state:

> If more than one deputy is located in an area of low population that cannot support the business of two or more deputy offices, it wastes state resources in training, personnel time, and supplies provided to the deputies. The interest of convenience to the public is not served in this manner and state tax dollars are not put to efficient use.[11]

c. Viability. To be viable, a provider must be capable of processing a certain number of licensing applications or conducting a certain number of motor-vehicle transactions. This viability number depends on several factors, the most important being whether the office is in a metropolitan or rural area:

> If an office is too small, they do not transact enough business to become familiar with all of the types of transactions that are necessary to operate the business. It has been the registrar's experience that an office that is not familiar with all of the procedures associated with the transactions leads to a greater number of errors from the office.[12]

[10] Minnesota Department of Public Safety, *Statement of Need* (June 21, 1982), 1.

[11] Minnesota Department of Public Safety, *Statement of Need and Reasonableness* (January 14, 1985), 2.

[12] Minnesota Department of Public Safety, *Statement of Need and Reasonableness* (December 4, 1995), 11.

Cost-effectiveness and viability are important because they determine whether a public office or a provider's business is sustainable and because of the cost to the state to train providers, supply equipment, and monitor the office's operations.

> "Financial sustainability is one of the largest challenges facing public and private service providers."[13]

The importance of public convenience, service area, and viability for well-functioning offices were all reflected in recent legislative directives requiring the department to submit a report on the operations and sustainability of driver's-license agents and deputy registrars.[14]

While all offices are supported by statutorily established filing fees,[15] this long-standing model is under strain. For example, a 2022 report found that some deputy registrars were "having difficulty maintaining a viable operation"[16] and that public deputy registrars were better able to maintain viability through local taxpayer subsidies.[17]

The financial concerns of deputy registrars were further reflected in the department's 2025 Financial Sustainability Assessment Report, in which the department was directed to "evaluate and make recommendations on how to implement financial sustainability for deputy registrars and driver's license agents."[18]

To fulfill this legislative directive, the department contracted with BerryDunn, an accounting and consulting business, to help the department research, analyze, and report on seven legislatively mandated research topics. A key takeaway from the report was how all providers were "experiencing an increase in the volume of complex, lengthier transactions, for which the compensation of is generally not covering an office's expenses."[19]

[13] BerryDunn, *Financial Sustainability Assessment Report*, 40.
[14] 2021 Minn. Laws, 1st SS ch. 5, art. 4, secs. 144, 145; 2023 Minn. Laws, ch. 68, art. 6, sec. 15.
[15] Minn. Stat. §§ 168.33, subd. 7; 171.061, subd. 4. Some offices may also conduct transactions for the Department of Natural Resources, for the local city or county, or for passport services.
[16] King et al., *Driver and Vehicle Services*, 6.
[17] *Id.*, 15.
[18] 2023 Minn. Laws, ch. 68, art. 6, sec. 15.
[19] BerryDunn, *Financial Sustainability Assessment Report*, 17.

As a result, most providers questioned whether they could continue to provide services: "Private offices communicated concerns over profitability and rising costs of supplies and labor. Public offices voiced concerns over local/county governments' willingness to continue to deliver a state service as budgets tighten each year."[20]

In response to these financial concerns, the legislature passed legislation, in 2025, requiring the department to reimburse driver's-license agents and deputy registrars for certain transactions.[21] The legislature also directed the department to adopt a process for replacing a driver's-license agent or deputy registrar when either permanently closes their office and stops offering services.

3. The department must establish and administer a competitive-bidding process when a driver's-license agent or deputy registrar office closes.

> "The purpose behind the DVS ecosystem is to ensure the roads are safe, with people tested and licensed to prove their competence to drive, and vehicles registered and licensed to keep roads maintained and safe to drive on."[22]

While the legislature has attempted to address the financial concerns of driver's-license agents and deputy registrars, the legislature has also identified a gap in the department's rulemaking chapters for how to replace driver's-license agents and deputy registrars when they permanently close an office and stop offering services. Neither rule chapter prescribes how the department must evaluate competing applications when a driver's-license agent's or deputy registrar's approved office location closes.

Accordingly, the legislature decided that one measure to help address the financial tenuousness of providers was to require the department to create a competitive-bidding process for replacing a driver's-license agent or deputy registrar when either permanently stops offering services at their approved office location and permanently closes the approved office location.

Before this legislation, a driver's-license agent or deputy-registrar appointment reverted to the department when an office closed, such as if a corporate deputy

[20] *Id.*, 41.
[21] Minn. Stat. §§ 168.33, subd. 7a; 171.061, subd. 4a.
[22] King et al., *Driver and Vehicle Services*, 8.

registrar couldn't find a buyer for their business. But now, the department must use a competitive-bidding process when replacing an appointment at a closing driver's-license agent or deputy-registrar office. Most of this proposed process was outlined in a 2025 department legislative report.[23]

When establishing the competitive-bidding process, the legislature created three caveats. First, the competitive-bidding process applies only when a provider "stops offering services at the approved office location *and* permanently closes the approved office location."[24] This caveat means that the process doesn't apply when the department discontinues an appointment (by immediate suspension, suspension, or revocation). Nor does it apply when a provider retires, dies, or vacates the office. This is because the office—operated under the county or city—hasn't closed; rather, the individual or corporation appointed to operate the office has left.[25]

Second, the replacement driver's-license agent or deputy registrar must continue to offer services at the approved office location that is closing unless the location is unavailable. This emphasis on office continuity suggests that the legislature wants to "help reduce impacts associated with acquisitions and renovations, as well as limit disruptions to services in affected communities."[26]

An office's availability is outside of the department's control and is mainly subject to a building's lease agreement or a property owner's willingness (such as a city or county) to continue leasing to a new provider.[27] When evaluating the proposed legislation for a fiscal note, the department assumed that city- and county-run offices that close "may opt not to offer space rental for continued business operation and would not be required to continue service."[28]

If the office location is unavailable, the department must approve the new location, which must serve "a similar service area."[29] By requiring the new location to be in a similar service area, the legislature again emphasizes

[23] Department of Public Safety, *Legislative Report*.
[24] *See* Minn. Stat. §§ 168.33, subd. 8b; 171.061, subd. 5a (emphasis added).
[25] For example, a county auditor responsible for an office "vacates" an office if the county auditor loses an election.
[26] Department of Public Safety, *Legislative Report*, 8.
[27] *See, e.g.,* Minn. R. 7406.0330, subp. 2(H): "Destruction or other loss of the existing office building, including loss of building lease."
[28] Legislative Budget Office, Consolidated Fiscal Note, *SF3250 - 0 - Open Bidding Process Requirement* (March 11, 2024), 5.
[29] Minn. Stat. §§ 168.33, subd. 8b(a); 171.061, subd. 5a(a).

continuity, which benefits the population served by the office and is also similar to existing rule language about an office serving the "same community or neighborhood" and being close to the original location.[30]

And third, the legislature insisted that the competitive-bidding process should be truly competitive—that is, the department must not "give a preference to a partner, owner, manager, or employee of the deputy registrar that has permanently stopped offering services at the closed office location."[31]

Overall, the legislature was clear: The new competitive-bidding process should prioritize continuity of service for the affected community and avoid oversaturating service locations. These two goals are reflected in the department's existing and proposed rules, and the goals are shared by both the department and organizations representing driver's-license agents and deputy registrars.

The department's proposed rules show that the department is committed to supporting Minnesotans who serve as the primary customer for driver and vehicle services, "believing that a customer experience done well is a catalyst for improving trust in government."[32]

[30] Minn. R. 7406.0330, subp. 2(D).

[31] *See* Minn. Stat. §§ 168.33, subd. 8b; 171.061, subd. 5a.

[32] King et al., *Driver and Vehicle Services*, 9.

Summary of Proposed Rule Changes

The department's proposed rules seek to accomplish four main goals.

1. Establish a competitive-bidding process.

When the legislature directed the department to establish a competitive-bidding process for appointing a replacement driver's-license agent or deputy registrar at a closing office, the legislature also required the department to study what this process would look like. The department had to recommend legislation for establishing the process and analyze how the process would interact with existing department rules.[33]

In the department's 2025 legislative report, the department determined that while the competitive-bidding process could be established in statute, "the rules already govern the majority of DR and DLA services, so the commissioner recommends rulemaking to complement existing rules . . . ."[34]

Consistent with previous rule amendments to chapters 7404 and 7406, the department seeks to develop a process that promotes transparency, encourages competition, and helps ensure that providers continue to offer high-quality services to the public. As the senate author of the legislation discussed at a legislative hearing, competitive bidding should offer transparency and fairness.[35]

2. Emphasize public service and convenience.

When establishing statutory requirements for driver's-license agents and deputy registrars, the legislature has emphasized "the public interest and convenience."[36] The department has extended this public-service focus by adopting rules that further the high-quality driver and vehicle services that Minnesotans expect to receive. As the department stated in its most recent rulemaking for driver's-license agents, "The department must continue to be sensitive to the access needs of its customers."[37]

[33] 2024 Minn. Laws, ch. 127, art. 3, sec. 128.

[34] Department of Public Safety, *Legislative Report*, 5.

[35] Senate Transportation Committee, Senate File No. 3250, 93rd Legislature, https://www.lrl.mn.gov/media/file?mtgid=1049494 (March 11, 2024).

[36] *See* Minn. Stat. §§ 168.33, subd. 2(a); 171.061, subd. 2(b).

[37] Minnesota Department of Public Safety, *Statement of Need and Reasonableness: Licensing Agent Rule Amendments, Chapter 7404* (April 25, 2007), 22.

3. Make technical changes and remove obsolete language.

Because of the cost and time to adopt rules, the department is using this rulemaking opportunity to remove obsolete requirements and make related technical changes. For example, the department's standards on reporting and depositing practices for applications and transactions don't reflect how driver's-license agents and deputy registrars use the department's electronic information system. Accordingly, these standards are updated to reflect current practice and to ensure better communication between offices and the department when either finds a discrepancy—whether by error or intentional misrepresentation—with a deposit.

The department, in these rule chapters and in its other rule chapters, must still follow obsolete appeals practices that require the department to appoint a hearing examiner and hold internal suspension and revocation hearings. Additionally, associated sanctioning standards are inconsistent between rule chapters or don't reflect current department practice. Updating both appeals and sanctioning standards are needed and reasonable to establish clear procedures and to ensure due process for driver's-license agents and deputy registrars.

4. Embed plain language.

In addition to these three goals, the department's proposed revision is written in plain language. By using plain language, the department aims to ensure that its requirements are clear and accurate for department staff, stakeholders, and the public. This commitment to plain language complies with Governor Walz's Executive Order 19-29, which requires state agencies to use plain language "to communicate with Minnesotans."[38]

[38] Executive Order 19-29 (April 5, 2019).

Statutory Authority

Before the department was established in 1969, the secretary of state was the state's registrar for motor vehicles, and it wasn't until 1983 when the department amended the secretary of state's rules on deputy registrars. The department has the statutory authority to adopt rules on deputy registrars under its deputy-registrar statute and its general standing authority.[39] And the department must also adopt rules for establishing a competitive-bidding process to replace a closing deputy-registrar office:

> The commissioner must adopt rules to administer and enforce a competitive bidding process to select a replacement deputy registrar. If the replacement deputy registrar elects to not offer services at the office location of the prior registrar, Minnesota Rules, chapter 7406, governing the selection of a proposed office location of a driver's license agent, applies.[40]

The department also has the statutory authority to adopt rules to administer the main statute for driver's-license agents.[41] This statute wasn't created until 1997, and the department's corresponding rules were adopted in 1999. As with driver's-license agents, the department must adopt rules to replace a closing driver's-license-agent office under a competitive-bidding process:

> The commissioner must adopt rules to administer and enforce a competitive bidding process to select a replacement driver's license agent. If the replacement driver's license agent elects to not offer services at the office location of the prior agent, Minnesota Rules, chapter 7404, governing the selection of a proposed office location of a driver's license agent, applies.[42]

[39] Minn. Stat. §§ 168.33, subd. 9; 299A.01, subd. 7.
[40] Minn. Stat. § 168.33, subd. 8b(c).
[41] *Id.* § 171.061, subd. 6.
[42] *Id.*, subd. 5a(c).

Regulatory Analysis

As part of its SONAR, the department must analyze eight factors.[43]

1. **A description of the classes of persons that probably will be affected by the proposed rule, including classes that will bear the costs of the proposed rule and classes that will benefit from the proposed rule.**

1.1. Classes of persons that probably will be affected by the proposed rule.

The department's proposed rules are likely to affect:

a) all driver's-license agents and deputy registrars;

b) the Minnesota Deputy Registrar's Association and the Deputy Registrar Business Owners Association;[44]

c) all customers applying for licenses and other licensing documents and customers who require motor-vehicle services;

d) all counties and cities—including county and city license bureaus—that appoint driver's-license agents and deputy registrars;

e) the Association of Minnesota Counties, the League of Minnesota Cities, and the Minnesota Association of Townships; and

f) the Minnesota Association of County Officers.

1.2. Classes that will bear costs from the proposed rule.

The main class to bear costs are applicants applying to replace a closing driver's-license-agent or deputy-registrar office—an applicant may be either an existing driver's-license agent or deputy registrar or a person applying for a new appointment. The department estimates that—compared to the standard appointment process—the new competitive-bidding process will be used about once every two years. The new process will be seldom used because private offices usually sell before permanently closing, and public offices want to stay open to provide these vital licensing and vehicles services to their communities.

1.3. Classes that will benefit from the proposed rule.

All classes should benefit from the proposed rule, as the rule establishes a transparent and equitable process for replacing a driver's-license agent or deputy

[43] Minn. Stat. § 14.131.

[44] No organization represents standalone driver's-license agents.

registrar when they close their office. Most important, the public will benefit because the department's proposed rules will help ensure that a new service provider will best meet the needs of the affected community and provide the driver and vehicle services that Minnesotans rely on.

2. The probable costs to the agency and to any other agency of the implementation and enforcement of the proposed rule and any anticipated effect on state revenues.

The department will incur initial costs for establishing the competitive-bidding process and then minor costs for administering it. For example, the department will incur costs to develop new procedures for evaluating competitive-bidding applications and ensuring compliance with the new rules. The department will also incur costs for developing systems to support the application process, creating application forms, training staff, and communicating requirements to existing providers.

Under the standard appointment process, the department must publish a notice in a local newspaper, review an office location for compliance with the rule's distance and viability requirements, conduct site visits, and provide initial equipment and inventory to the office. These startup costs average about $10,000 depending on the office. Because the proposed competitive-bidding process closely mirrors existing rule requirements, the department anticipates that initial costs for the competitive-bidding process will be similar to costs for the standard appointment process and will diminish over time.

The department also proposes to streamline its appeals process when the department suspends or revokes an appointment of a driver's-license agent or deputy registrar. Like most licensing agencies, the department wants any appeals that suspend or revoke a regulated party's license to be heard as a contested case by the Court of Administrative Hearings. By requiring a deputy registrar or driver's-license agent to appeal directly to CAH, the department removes a timely and costly intermediary step of an internal department hearing.

Other state agencies are unaffected by the proposed rules and aren't expected to incur any costs.

3. A determination of whether there are less costly methods or less intrusive methods for achieving the purpose of the proposed rule.

As detailed in the department's 2025 legislative report, the department determined that the competitive-bidding process could be incorporated into either statute or rule. While coding the process in statute avoids the standard agency rulemaking costs, adding the requirements into rule allows for public transparency and accountability with a formal public-comment period, possibility for a public hearing, and legal review by an administrative law judge.

And because the two rule chapters govern most of the requirements for driver's-license agents and deputy registrars, it's more efficient to incorporate the competitive-bidding process into the rule chapters. Accordingly, driver's-license agents, deputy registrars, the department, and the public can benefit by following comprehensive rule chapters as opposed to bifurcated requirements in statute and rule.

In its report, the department also discussed the best way to notify the public that an office has closed and that a person may bid to replace the closing office. Current rule requires the department to publish certain notices in a newspaper in the county where the office is located. A possible alternative would be communicating this notice electronically to existing driver's-license agents and deputy registrars. But while electronic delivery is less costly than printed newspaper notices, it would not provide notice to members of the public who may want to become a driver's-license agent or deputy registrar. To ensure equal opportunity for bidders, the department decided against this approach.

4. **A description of any alternative methods for achieving the purpose of the proposed rule that were seriously considered by the agency and the reasons why they were rejected in favor of the proposed rule.**

Because the legislature directed the department to establish a competitive-bidding process, the department knows of no feasible alternative method to achieve the purpose of the proposed rules (aside from coding the requirements into statute as discussed above). The department did, however, consider how much the competitive-bidding process should conform with or otherwise mirror existing rule requirements. The department also weighed whether the requirements for a proposed office location under the new competitive-bidding process should follow existing rule or incorporate new standards.

The department discusses these decisions in the rule-by-rule analysis. The department believes that its proposed rules provide regulatory flexibility to those applying under the competitive-bidding process while also meeting the legislature's intent to ensure continuity of services for the community affected by an office closure.

5. **The probable costs of complying with the proposed rule, including the portion of the total costs that will be borne by identifiable categories of affected parties, such as separate classes of governmental units, businesses, or individuals.**

The main costs for complying with the proposed rules are borne by applicants applying to replace a closing office. For example, as part of their bid, an applicant must develop a service plan and explain how their appointment will affect other offices in the surrounding area. Many of these service-plan requirements mirror existing rule standards, and an application shouldn't be a substantial cost for current driver's-license agents or deputy registrars or applicants familiar with the work of a driver's-license agent or deputy registrar. But an applicant new to providing driver or vehicle services may incur a higher cost as they develop their service plan and explain how they will comply with the existing rule requirements upon being appointed.

If an applicant is proposing to establish an office in a new location, the applicant must notify other existing offices within a 30-mile radius so the offices can comment on the proposed location. This notification cost will depend on the office location, as there are more offices in metropolitan areas and large cities, but notifying other offices in writing should overall be a minimal cost. Offices will also be informed of a closure when the department publishes a notice of vacancy in a newspaper in the county where the office is located.

A closing office must provide supporting documentation on the planned closure such as a statement affirming the intent to close or, for a public entity, a resolution from the county board or city council. This follows long-standing department practice, reflects local government practices, and should be a minimal cost.

While there are costs for applicants bidding to replace a closed office, existing driver's-license agents and deputy registrars may see reduced costs due to other department-proposed amendments seeking to streamline hearings and appeals. For example, the department proposes to transition from contested cases to less-formal department reviews for appeals unrelated to suspensions and revocations.

For suspensions and revocations, the department proposes to remove an internal department hearing process that mirrors contested cases and to instead require appellants to proceed directly to a contested case. These changes will also result in reduced department costs.

The department proposes to remove obsolete language on reporting and depositing practices—these changes will reflect current practice and allow for electronic reporting. The department adds new minor notification requirements for a driver's-license agent or deputy registrar if they have depositing issues or suspect fraudulent activity. As a whole, changes to reporting and depositing practices should have a neutral effect on office costs.

Once an applicant is appointed as a driver's-license agent or deputy registrar, they will need to comply with all existing statutory and rule requirements for operating an office and providing services to customers. These aren't new costs, and the costs stem from the regulatory schemes established in statute.

6. The probable costs or consequences of not adopting the proposed rule, including those costs or consequences borne by identifiable categories of affected parties, such as separate classes of government units, businesses, or individuals.

The impetus for the legislative changes to closing offices indicates how this rule can be one tool to reduce the financial challenges that driver's-license agents and deputy registrars face. For example, part of the rationale to use a competitive-bidding process is to help prevent new offices from encroaching on existing service areas. This encroachment can negatively affect the financial viability of existing offices, compounding issues identified in the department's 2024 report on the financial sustainability of existing offices.

Both the Minnesota Deputy Registrar's Association and the Deputy Registrar Business Owners Association have communicated that any new office should have minimal impact to existing offices,[45] and the rules are consistent with this shared goal.

Perhaps most important, not establishing a competitive-bidding process that emphasizes continuity of services will hinder the ability of Minnesotans to access license and vehicle services close to where they live. This lack of service can erect barriers to Minnesotans and their ability to drive for work, medical appointments, and other daily activities.

[45] Department of Public Safety, *Legislative Report*, 10.

7. **An assessment of any differences between the proposed rule and existing federal regulations and a specific analysis of the need for and reasonableness of each difference.**

There are no known differences between the proposed rule and federal regulations because there are no federal standards for appointing, discontinuing, and otherwise overseeing driver's-license agents and deputy registrars.

8. **An assessment of the cumulative effect of the rule with other federal and state regulations related to the specific purpose of the rule.**

The only relevant federal regulation that the department identified is that a federal background check is required for anyone who processes a REAL ID-compliant license and that only US citizens can process an application for an enhanced identification card. The department's proposed rules don't affect these requirements.

With no federal regulations directly affecting the two rule chapters on driver's-license agents and deputy registrars, the cumulative effect of the proposed rule with federal law should be minimal.

The competitive-bidding process is a new appointment process, applicable only when an office closes and permanently stops offering services. But because this process applies only to bidders applying for an appointment to replace a closing office, any cumulative effect for all driver's-license agents and deputy registrars should be minimal.

Performance-Based Rules

The department must describe how it considered and implemented performance-based standards that emphasize (1) superior achievement in meeting the department's regulatory objectives, and (2) maximum flexibility for the regulated party and the department in meeting these goals.[46]

When developing the 2025 legislative report, the department consulted with the Minnesota Deputy Registrar's Association and the Deputy Registrar Business Owners Association. The department continued this consultation while drafting the rules to help the department analyze whether the proposed amendments would help to ensure performance-based rules.

When developing the proposed rule changes, the department shared rule drafts with both organizations and existing offices, asked for comments, and solicited feedback from other members of the public.

Some of the department's engagement included the following:

- communications through the department's rulemaking subscription list and to all driver's-license agents and deputy registrars;
- presentations at department-organized monthly meetings with driver's-license agents, deputy registrars, and representatives from both associations; and
- additional meetings and other outreach with affected parties.

This consultation and engagement helped the department craft rule amendments for a competitive-bidding process that demonstrates performance-based standards. First, the proposed process mirrors—as much as possible—existing rule requirements such as those on public notice of an office vacancy and applications for a new appointment.

And second, when an applicant is proposing a new office location under the competitive-bidding process, the department decided to propose new, streamlined standards that focused on continuity of service as opposed to existing viability requirements that—while important—can be complex for applicants to understand.

[46] Minn. Stat. §§ 14.002, .131.

The department also continues to offer flexibility to offices with its various variance processes and by removing obsolete reporting and depositing requirements.

Additional SONAR Requirements

1. Consulting with MMB on local government impact.

The department must consult with MMB to help evaluate the fiscal impact and benefits of the proposed rule on units of local governments.[47] To consult with MMB, the department sent MMB the SONAR and proposed rules to help it determine the impact and benefits of the proposed rule on units of local governments.

MMB determined that the department's proposed rules will have minimal fiscal impact and benefits to local governments.[48] MMB determined that there will be minimal impact because the new competitive-bidding process will be infrequently used and because the process is like the standard appointment process for driver's-license agents and deputy registrars. MMB also determined that other proposed rules streamline requirements and conform to current department practice; accordingly, these changes will not have a notable fiscal impact or benefit to local governments.

2. Cost for small business or small city to comply with proposed rule.

The department must determine if the cost of complying with the proposed rule in the first year after the rule is effective will exceed $25,000 for **(a)** a business that has less than 50 full-time employees, or **(b)** a statutory or home rule charter city that has less than ten full-time employees.[49]

Most providers are small businesses, and their main cost under the rule will be—if they choose—applying to replace an existing office that is planning to close. There are also small city offices that employ only a couple of employees. While it's unlikely that these offices or a small city would submit a bid, the same costs would apply to them if they applied for a new appointment. Based on past inquiries from small cities about opening a new office, the department doesn't expect small cities to submit bids because of the cost and time to open and run

[47] *Id.* § 14.131.

[48] *See* MMB's determination on the department's rulemaking web page: https://dps.mn.gov/about-dps/programs-and-legislative-requirements/rulemaking.

[49] Minn. Stat. § 14.127.

an office.[50] Once the department explains the process, costs, and time commitment to open and operate an office, small cities usually decline to apply for an appointment.

Considering the proposed rule amendments, the department estimates that the cost of complying with the proposed rule will not exceed $25,000 for any business or statutory or home rule charter city because most application costs reflect existing rule requirements, and these costs currently don't exceed $25,000. Additionally, in a fiscal note for the legislation, the department estimated that there wouldn't be a local fiscal impact.[51]

Besides not incurring costs over $25,000, affected small businesses and small cities should experience the same reduced costs as other classes because of the department's proposed changes that streamline hearings and appeals.

3. Determining whether the rules require local implementation.

The department must determine whether a local government will be required to adopt or amend an ordinance or other regulation to comply with the department's proposed rule.[52] The office location of any driver's-license agent or deputy registrar must comply with local ordinances or regulations. Because the department's proposed rules don't affect these ordinances or regulations, the rules won't require local implementation.

4. Impact on farming operations.

The proposed rule doesn't affect farming operations.

[50] Unlike offices in small cities, larger offices can better incorporate other city or county services such as permitting to account for financial shortfalls associated with providing licensing or vehicle services.

[51] Legislative Budget Office, Consolidated Fiscal Note, *SF3250*.

[52] Minn. Stat. § 14.128.

Additional Notice Plan

The department's Additional Notice Plan gives notice to persons or classes of persons that may be affected by the proposed rules. The department will email the rules, SONAR, and Notice of Intent to Adopt Rules Without a Public Hearing to the legislature and everyone registered on the department's rulemaking list.[53] Because the notice is within two years of the effective date of the law granting the department authority to adopt the proposed rules, the department is notifying the chief house of representatives and senate authors of the amendment granting rulemaking authority.[54]

The department didn't notify the commissioner of agriculture because the rules don't affect farming operations.

The proposed rules, SONAR, and other notices will be published on the department's rulemaking web page. Additionally, an announcement about the rules will be posted on the home page of the department's Driver and Vehicle Services division.

The department's Additional Notice Plan complies with the APA because the department will publish notice of the proposed rules and SONAR in the *State Register* and will email copies of the notice, proposed rules, and SONAR to the department's rulemaking list and the following groups:

a) all driver's-license agents and deputy registrars;

b) the Minnesota Deputy Registrar's Association and the Deputy Registrar Business Owners Association;

c) the Association of Minnesota Counties, the League of Minnesota Cities, and the Minnesota Association of Townships; and

d) the Minnesota Association of County Officers.

[53] Minn. Stat. §§ 14.14, subd. 1a(a), .116(b).

[54] The rulemaking authority was included in a delete-everything amendment adopted in conference committee for House File No. 5247, 93rd Legislature. Because the rulemaking authority wasn't included in the introduced bill, the department is notifying the chief authors of the rulemaking amendment (the conference-committee report), not the chief authors of the bill. Minn. Stat. § 14.116(c).

Rule-By-Rule Analysis

1. Each proposed rule requirement must be needed and reasonable.

In the rule-by-rule analysis, the department explains its reasoning behind every proposed rule requirement. For each proposed rule requirement, the department must explain why the rule is both needed and reasonable.

A rule can be needed if the department has identified a regulatory problem such as the need to establish a competitive-bidding process that ensures transparency and fairness when replacing a driver's-license-agent or deputy-registrar office that closes.

The department's choice to solve this regulatory problem must also be reasonable. A rule is reasonable if it is based on an affirmative presentation of facts and evidence that rationally connect with the department's proposed regulatory choice. The department's proposed regulatory choice doesn't need to be the "best," but the proposed choice must be one that a rational person could have made and one that is not arbitrary or otherwise devoid of articulated reasons.

2. The rule-by-rule analysis is organized in numerical order of chapters 7404 and 7406, divided into multiple categories.

At the beginning of each rule category, the department establishes a general overview of the need for the rule amendments within the category. This overview is meant to better inform the public about the requirements in each category and helps establish the department's argument for adopting the proposed rules.

Both rule chapters can be read as two parts. The first part establishes how a person can be appointed as driver's-license agent or deputy registrar by a city, a county, or the commissioner; how a person can propose a new office location; and how an existing driver's-license agent or deputy registrar can move their office. It is in this first part that the department adds the new legislatively required competitive-bidding appointment process.

The second part of the rule chapters establishes the office requirements that all driver's-license agents and deputy registrars must follow. Other changes in this part update obsolete reporting and deposit practices and the sanctioning actions that the department can take to discontinue an appointment.

Table 2. Rule-by-rule analysis

Category	Rule Parts
Definitions	7404.0100; 7406.0100
Office location	7404.0300; 7406.0300
Office considerations	7404.0305; 7406.0310
Moving existing office	7404.0330; 7406.0330
Appointment procedure	7404.0370; 7406.0370
Competitive-bidding process	7404.0380; 7406.0365
Office requirements	7404.0400; 7406.0400
Reporting and depositing practices	7404.0450; 7406.0450
General office practices	7404.0500; 7406.0500
Suspensions and revocations	7406.1000
Miscellaneous conforming and obsolete changes	Various rule parts

Last, the department discusses a detailed rule-by-rule analysis within each rule chapter, arguing for the need and reasonableness of each rule amendment. Because both chapters mirror each other, the department analyzes the changes to both rule chapters together.

To help justify its proposed rules, the department relied on past department SONARs and legislative reports. All sources are cited in the footnotes, and all the sources are publicly available through the Legislative Reference Library or through other means.

Definitions (7404.0100 and 7406.0100)

1. Defining the new term of *underserved*.

The department's main change in these two definition parts is adding a new term: *underserved*. This term defines an existing rule concept on inadequate access to service and is needed to ensure that a competitive bidder will support underserved customers. For example, existing rule language refers to customers who may be underserved and allows the department to propose a new office location to:

A. meet an emerging or demonstrated application site need;

B. address an emerging or demonstrated population need; or

C. improve public access or service delivery.[55]

In addition to aligning with existing rule, the new term accounts for instances when customers may be underserved by existing offices because of service capacity, community access, language access, geographic needs, and office proximity. For instance, some people may require service for complex transactions or face-to-face service because of "digital literacy and comprehension, language, physical, cognitive and other challenges."[56]

The department will analyze a competitive bid for the bidder's commitment to underserved populations so that any new office will fulfill the department's goal of equitable service access throughout the state.

2. Other amendments.

In chapter 7404, both *applicant* and *application* are already defined, so the department proposes two new terms of *bid* and *bidder* to differentiate the competitive-bidding process from the standard appointment process for a new driver's-license agent. But because chapter 7406 doesn't contain conflicting terms, the department uses *applicant* and *application* in this chapter without defining the terms, as their plain meaning is clear from their context.[57]

Other changes in the two chapters make conforming changes, correct statutory cross-references, and reflect statutory changes. For example, the department updates the definition of *corporation* in chapter 7406 to reflect how a deputy

[55] Minn. R. 7404.0307, subp. 1.

[56] King et al., *Driver and Vehicle Services*, 17.

[57] The department uses both *bidder* and *applicant* interchangeably in the SONAR.

registrar can be a corporation under Minnesota Statutes, chapter 302A or 317A.[58]

[58] Minn. Stat. § 168.33, subd. 2(g).

Office Location (7404.0300 and 7406.0300)

This part contains requirements that a driver's-license agent or deputy registrar must follow when proposing a new office location. These requirements are meant to ensure that a new location will not impede or encroach on other existing offices (distance requirements) and can function as a viable business (viability requirements).

Distance and viability requirements for the standard appointment process demonstrate the department's two goals of ensuring equitable service access and being responsive to existing offices and their business needs.

1. Adhering to the legislature's intent for a competitive-bidding process while adhering to existing distance and viability requirements.

Both distance and viability are long-standing pillars of the department's rules for driver's-license agents and deputy registrars. At the same time, when the legislature established the competitive-bidding process, the legislature didn't directly require the department to follow these existing rule requirements and instead directed that "the replacement office location must be at a location that must be approved by the commissioner and must serve a similar service area as the existing office location."[59]

With this flexibility, the department proposes language to implement the legislature's directive while still adhering to the goals underpinning the rule's existing distance and viability requirements. This proposed language applies only if the closing office will be unavailable to the replacement driver's-license agent or deputy registrar.

2. Establishing proposed distance requirements.

When the legislature wrote that a replacement driver's-license agent or deputy registrar must "service a similar service area," the legislature didn't define *similar service area*, nor did it prescribe how the department must approve a new location if the existing office is unavailable. When considering the legislative language, the department weighed whether to align the competitive-bidding process with existing rule requirements for establishing a new office location. The department eventually determined that it was reasonable to be consistent with the rule's current distance requirements (to avoid encroaching on existing

[59] *Id.* § 168.33, subd. 8b(a).

offices) and to additionally require an applicant to notify existing offices within a 30-mile radius of the applicant's proposed office location.

Notified offices can then submit comments supporting or opposing the proposed office location. In addition to being consistent with existing rule,[60] this notification process is a reasonable way to allow potentially affected offices to express any concerns about a proposed office location.

To determine the notification radius, the department examined different distance requirements in rule, which are tied to whether an office is in a metropolitan county, large city, or small city. For a proposed office under the competitive-bidding process, the department determined that requiring an applicant to notify other offices within a 30-mile radius was needed to reasonably reach as many affected offices as possible and to conform with an existing requirement on how the department approves proposed office locations.[61]

To clarify what constitutes a similar service area, the department also examined existing rule, which requires an office moving to another location to be in the same county or a new deputy-registrar office to be in the same city.[62]

Additionally, other standards on moving an office ask whether a moved office would "serve the same community or neighborhood and is in close proximity to the original location."[63] While this requirement is reasonable (and the department will examine this standard when evaluating competitive bids), the department instead proposes to tie a proposed office location to the same county and city as the closing office. This requirement is also consistent with existing rule and will provide clearer notice to an applicant of what constitutes a similar service area.

3. Accounting for viability requirements.

The legislature doesn't provide exceptions to conducting an initial competitive-bidding process, so the department must always conduct one (or at least post a notice of vacancy), even if application and transaction data demonstrates that an

[60] *See* Minn. R. 7404.0307, subp. 2(C), .0330, subp. 2(B)(6).
[61] Minn. R. 7404.0300, subp. 6: "When a request for a proposed office location is submitted to the commissioner, no other requests for a proposed office location shall be considered for any location or a location *within a 30-mile radius* of the proposed office location . . . ." (emphasis added)
[62] *Id.* 7404.0330, subp. 1, 7406.0700(A).
[63] Minn. R. 7404.0330, subp. 2(B)(4).

existing office location isn't viable. For example, a deputy registrar's office in Silver Bay recently closed, and the transaction data shows that the office was a "low-volume location."[64] A low-volume location is one that is noncompliant with the rule's minimum number of required applications or transaction requirements. These minimum application transaction amounts protect against frequent office closures, escalating department training costs from repeatedly training new office staff, and disrupted service for customers.

While existing rule allows exceptions for low-volume locations, the statutory framework for competitive bidding does not. Accordingly, the department will incur a cost for training, equipment, and other resources when establishing a new driver's-license agent or deputy registrar office in a nonviable location. At the same time, the department anticipates that applicants will most likely avoid bidding for a nonviable location. In this case, the appointment reverts to the department, and the standard appointment process applies.[65]

4. Other amendments.

In addition to establishing the new competitive-bidding language, the department makes several other technical and conforming changes:

- Remove redundant language in part 7404.0300 (*licensing agent*).
- Distinguish *existing office* as used in the competitive-bidding context from the existing term for clarity in both parts 7404.0300, subpart 7, and 7406.0300, subpart 3.
- Change the distance radius for small municipalities in part 7406.0300 to conform to the distance radius in part 7404.0300.

[64] *Id.* 7404.0310, subps. 2, 3. For example, a rule requires a location like Silver Bay to process at least 4,000 transactions each year. But for the two years before the office closed, it processed only around 3,715 transactions, *including* driver's-license transactions, not just motor-vehicle transactions. Minn. R. 7406.0300, subp. 2.

[65] Minn. Stat. § 171.061, subd. 5a(c).

Office Considerations (7404.0305 and 7406.0310)

The department proposes changes to update its process for disapproving proposed office locations. The department disapproves a proposed location about once every six years. These changes will apply to both the existing process for replacing a driver's-license agent or deputy registrar and the new competitive-bidding process.

1. Subpart 1 (technical amendments).

Subpart 1 makes plain-language changes to better structure the subpart and remove legalese.

2. Subpart 2 (denying proposed office location).

In subpart 2, the department will notify a person proposing a new office location why their proposed location has been denied. Previously, the department notified a person only if their location didn't satisfy the rule's distance or viability requirements. For consistency and to provide fair notice, the department finds it needed and reasonable to notify every person whose proposed office location has been denied, regardless of the reason. The proposed change will also require the department to notify an applicant under the competitive-bidding process, where viability requirements don't apply.

The department will state any action that a person can take to correct the denial and that they may request the department reconsider its denial. Currently, the rule requires a contested case, but the department is making other changes to chapters 7404 and 7406 to require a contested case only if a person's appointment is being suspended or revoked. The department is also actively considering rules on its ignition-interlock program, where the draft rules create a sanctioning framework that includes internal department reconsideration requests. As such, it's reasonable for the department to plan to adopt rules with consistent reconsideration frameworks across its rule chapters.

Additionally, the department's proposed change here is reasonable and consistent with other established department rules in chapters 7404 and 7406 that prescribe a review process outside of contested cases for variances and correction orders, where a disapproval or denial is not subject to a contested-case hearing and where a reconsideration request must be submitted within 15 days (as opposed to 30 days when a contested-case hearing is allowed).[66]

[66] Minn. R. 7404.0330, subp. 4, .0500, subp. 8c; 7406.0500, subp. 7c, .1000, subp. 7.

Moving Existing Office (7404.0330 and 7406.0330)

With department approval, a driver’s-license agent or deputy registrar may move an existing office to another location. Because moving an office may affect other offices and the ability of the moving office to comply with viability requirements, the rule establishes stringent requirements that a driver’s-license agent or deputy registrar must meet for the department to approve an office move.

The change in these rule parts is made in subpart 4, which governs an appeal process for when the department denies an office move. Consistent with the department’s other proposed requirements on appeals, the department seeks to establish internal reconsideration requests rather than contested-case proceedings.

Appointment Procedure (7404.0370 and 7406.0370)

This part makes conforming and technical changes to align the language for the standard appointment process with the department's proposed competitive-bidding process.

1. 7404.0370 (driver's-license agents).

In subpart 1, clarifying cross-references and conforming language are added. For example, under the existing appointment process, the commissioner makes an appointment on the basis of an application. In item A, the department adds a new clause (2) to clarify that for the competitive-bidding process, the commissioner will also make an appointment on the basis of an application and the requirements specific to a bid, such as the applicant's service plan and the commissioner's application review.

The rest of the subpart is organized for readability and clarity, and ambiguous and vague language is amended or removed. In item C, the department clarifies that provisions on a certificate of appointment and surety bonds also apply to appointments made under the competitive-bidding process.

Subparts 2, 4, and 5 make technical, conforming, and plain-language changes. In subpart 2, item C, the department replaces the word *cancel* with *discontinue*, which is the defined term for sanctioning actions such as revocations and suspensions. In subpart 5, the department replaces a vague standard with a clarifying cross-reference that refers to existing requirements on transferring agent appointments.

2. 7406.0370 (deputy registrars).

In part 7404.0370, subpart 2, the commissioner must execute the certificate of appointment, but in part 7406.0370, the person appointed as a deputy registrar is executing the certificate of appointment. As in part 7404.0370, the commissioner should be responsible for executing the certificate, and the department amends the language accordingly.

Otherwise, the proposed amendments in this part mirror those in part 7404.0370.

Competitive-Bidding Process (7404.0380 and 7406.0365)

> "Each community benefits when it can easily access a full suite of deputy registrar services, performed with a high degree of service and efficiency. In contrast, inaccessible, unaffordable, inefficient, inaccurate services cause harm. It is in the best interest of Minnesotans that its wide distribution of deputy registrar offices remains viable, service-oriented and well-aligned with customer self-service opportunities."[67]

The department has never established a process to replace a driver's-license-agent or deputy-registrar office when the office closes and permanently stops offering services. In accordance with the legislature's intent, the department's proposed competitive-bidding process will establish clear and transparent requirements for when an office closes that allows both applicants and existing driver's-license agents or deputy registrars to participate in the process and bid to serve customers at the existing office location or a new location serving a similar area or population.

When establishing this process, the department didn't have any other department rules to examine for guidance. Even existing statutes on state procurement involving competitive bids apply more to expenditures or to building and construction contracts.[68] Other agency rules on competitive bidding—the few that exist—provided little guidance or were specific to topics such as commemorative artwork on the Capitol grounds.[69]

With few comparable examples, the department's guiding reference was its 2025 legislative report, consistency with existing rules, and adherence to legislative intent.

[67] King et al., *Driver and Vehicle Services*, 15.
[68] *See* Minn. Stat. §§ 16C.25-.28.
[69] Minn. R. 2400.2703.

1. Subpart 1 (applicability).

This subpart establishes that the competitive-bidding process applies according to statute—that is, when a driver's-license agent or deputy registrar has permanently stopped accepting applications or processing transactions and has closed their office.

The department also clarifies that the competitive-bidding process doesn't apply to department offices such as the department's central office in St. Paul, where it conducts driver examinations, among other duties. Statute makes the department the state's registrar,[70] and the department has the power to open new offices "at a location for public convenience or the efficient and effective delivery of state services."[71]

2. Subpart 2 (public notification).

After a driver's-license agent or deputy registrar notifies the department that the office is closing, the department provides public notice by publishing a notice of vacancy in the county where the approved office location is located. This publication notice, including the 60-day timeline, is consistent with existing requirements for proposed office locations and vacancy notices.[72]

3. Subpart 3 (vacancy notice).

The proposed requirements for a vacancy notice follow existing rule requirements,[73] but the department modifies the requirements to account for situations when an existing office might be unavailable (for leasing or property-damage reasons), cross-references to other proposed competitive-bidding statutory and rule requirements, and provides a needed exception to the existing term *existing office* to clarify that when used in this part the term means the office location of the previous driver's-license agent or deputy registrar.

4. Subpart 4 (bid/application requirements).

This subpart establishes the application requirements for a bidder, including cross-referenced requirements in item A that an applicant must be at least 18 years of age or older and that an applicant must notify the commissioner if any of the application information has changed or will change.

[70] Minn. Stat. § 168.33, subd. 1.
[71] Minn. R. 7404.0307, subp. 2(F).
[72] *Id.* 7404.0307, subp. 2(A), .0360, subp. 2.
[73] Minn. R. 7404.0360, subp. 2.

The rest of the subpart (item B) is organized into five parts and accounts for whether an existing office will be available or unavailable:

- **Subitem (1).** So that the department can continue its focus on public service and supporting existing office locations, an applicant should demonstrate how other offices will be affected if the existing office continues to operate and how the public will benefit from the office's continued operation.
- **Subitem (2).** The requirements in this subitem ensure that an applicant is complying with the distance and location requirements in parts 7404.0300, subpart 7, and 7406.0300, subpart 3. These parts emphasize the importance of public convenience and evaluating how a new office location may affect existing offices.
- **Subitem (3).** This subitem requires a bidder to develop a service plan. The service-plan requirements were developed after the department consulted with existing offices and were subsequently included in the department's 2025 legislative report. While the requirements are new and distinct from the standard appointment process, they complement both proposed and existing rule requirements. For example, the department will evaluate a bidder's ability to process applications (viability), the bidder's hours of operations (existing standard), and the office location's compliance with accessibility law (existing standard).

  The department also incorporates some existing requirements on office moves (from parts 7404.0330 and 7406.0330). For example, an existing provision requires an applicant to describe the new office location and to solicit comments from affected offices. This requirement to solicit feedback from other offices is incorporated into the proposed competitive-bidding process because it's also reasonable that an applicant proposing a new office location solicits feedback from nearby offices.[74]
- **Subitems (4) and (5).** These subitems complement existing application requirements such as in subitem (4), where the department will evaluate an office's staff-training plan (existing standard).

  Subitem (5), however, establishes a new requirement on an office's commitment to underserved populations. An underserved population includes people with unequal access to the services that driver's-license

[74] Proposed Minn. R. 7404.0380, subp. 4(B)(2)(e); 7406.0365, subp. 4(B)(2)(e).

agents and deputy registrars provide. As the department has emphasized, these services are critical to public safety and to ensuring safe roads and drivers. While this underserved concept has never been expressly written into rule, both rule chapters refer to public convenience, which is also reflected in office operating standards. For new offices, advertising or communicating services (this may include partnering with the local city or county) can help inform people of an office's licensing and vehicle services.

And last, because of the myriad of services that an office may offer, an office shouldn't favor one type of application or transaction over any other.

5. Subpart 5 (denying bid/application).

Existing rule governs when the department must deny an appointment, and it's reasonable that these standards consistently apply to the competitive-bidding process to avoid conflicts of interest, to avoid appointing people convicted of certain crimes, and for other reasons listed in rule.[75]

6. Subpart 6 (reviewing bids/applications).

After receiving all bids with the required information, department staff will holistically review each bid to determine the best-value bid—that is, the bid that will best serve the public convenience. This focus on public convenience is consistent with existing rule and the department's underlying statutes for driver's-license agents and deputy registrars.

The scoring process deviates from what the department originally proposed in its 2025 legislative report, in which the department proposed to score each portion of an application according to a fixed percentage. But when developing the rule, the department found that this weighted scoring would be confusing and cumbersome in practice and that it was difficult to justify the reasonableness for each weighted percentage. A best-value bid, on the other hand, will reasonably ensure that an office can comply with the rule and best serve customers.

The rest of the subpart establishes that an applicant must pass a criminal-history check, which is an existing requirement for other offices. If the applicant doesn't pass the criminal-history check, the department will continue to the next-highest-scoring applicant and so on. For new office locations, a person cannot be appointed until the office location has been approved, a reasonable and needed requirement that is also consistent with existing rule.

[75] *See, e.g.,* Minn. R. 7404.0360, subp. 7.

7. Subpart 7 (reverting appointment to department).

An appointment of a closing office subject to the competitive-bidding process reverts to the department if an applicant for the appointment doesn't want to offer services at the existing office (this is distinct from a person being *unable* to offer services at an existing location).[76] Similarly, existing rule requires appointments to revert to the department if an appointee dies, discontinues service, retires, or vacates the office.

In addition, any equipment, inventory, or property that the department provided to the office must be returned to the department in accordance with statute or existing rule.[77]

8. Subpart 8 (applicability to other rule parts).

This subpart provides a much-needed applicability section. As discussed on page 25, the rule chapters are structured in two parts. The first part governs the appointment process, while the second part governs compliance with requirements for processing applications and handling transactions. In both parts, the department states when a requirement applies to competitive-bid appointees and when exceptions to the general rule apply.

[76] Minn. Stat. § 171.061, subd. 5a(c).

[77] *Id.*, subd. 5(b); Minn. R. 7406.0900, subp. 3, .1000, subp. 5.

Office Requirements (7404.0400 and 7406.0400)

These parts contain general office requirements on variances, equipment, and accessibility under the Americans with Disabilities Act.

1. 7404.0400 (driver's-license agents).

Subpart 1 is restructured for readability and adds a vertical list, while the department clarifies that the part applies to all appointed driver's-license agents. Subpart 2 makes a conforming change by adding an office closure as another condition for when a variance expires.

In subpart 4, the department strikes an unnecessary statutory cross-reference and language that conflicts with statutory requirements on returning equipment and inventory, which requires, upon an appointment's termination, that "all equipment provided by the department reverts to the department."[78] The department also adds a needed and reasonable conforming change to have this requirement apply to office closures under the competitive-bidding process.

In subpart 6, the department amends language on accessibility to refer to the Americans with Disabilities Act.

2. 7406.0400 (deputy registrars).

The department amends obsolete variance language in this part on office requirements because most of the requirements on applying for and granting variances no longer apply, as a deputy registrar must have applied for a variance within six months after July 1, 1996.[79]

These variance requirements apply to either the minimum required square footage of an office area or restrictions on conflicting deputy-registrar business interests (for example, a financial institution, a motor-vehicle dealership, or an automobile insurance office).

Because the varied requirements are important for public service and to separate similar businesses and the services that they offer, the department considered whether to repeal all the existing variances. But while this approach is ideal, the department rejected it because the affected offices have been operating under

[78] Minn. Stat. § 171.061, subd. 5(b).
[79] Minn. R. 7406.0400, subp. 1a.

these variances for 30 years and because the department has other tools such as a corrective-action plan or discontinuance action if the variance affects the office's compliance with other rule requirements.

The department makes minor amendments to differentiate between corporate deputy registrars and county- and city-operated offices when prescribing a variance's expiration. For example, because many county-run offices are housed in the county seat in government buildings from the early to mid-1900s, an office under an existing variance may find it impracticable, if not impossible, to expand and conform to the rule's minimum square-footage requirements. As such, a variance for these offices should expire only if the office moves to another location. A private office, on the other hand, is usually located in a rental office or smaller building and isn't subject to the same location obstacles as a public office.

In subpart 5, the department amends language on accessibility to refer to the Americans with Disabilities Act.

Reporting and Depositing Practices (7404.0450 and 7406.0450)

These parts prescribe how a driver's-license agent and deputy registrar must record the applications and transactions that they process and the fees they collect. Driver's-license agents and deputy registrars previously recorded this information by hand, but they now electronically enter this information into the department's driver and vehicle services information system, or MNDRIVE.[80] The previous paper method necessitated driver's-license agents and deputy registrars to send daily reports to department staff. But because this information is entered into MNDRIVE, rule references to reports and associated requirements are obsolete.

As the department amends and removes obsolete language, the rule is restructured into coherent vertical lists, duplicate information is removed, and changes are made to make the two rule chapters consistent.

1. MNDRIVE.

As driver's-license agents and deputy registrars process applications and transactions, they enter application and transaction information into MNDRIVE. There is thus no longer a daily report that must be sent to the department.

In addition to obsolete language on reports, the rules also contain obsolete language on office records. For instance, the rules require application, transaction, and fee information to be entered by the close of each working day, and the department makes this requirement consistent throughout. But in some subparts, the rule refers to "close of daily records." This phrase refers to an obsolete practice in which some offices would close in the early afternoon so that staff could then compile the daily reports. The offices would be closed but still open for purposes of entering daily records.

Ultimately, any work completed by an office should be entered by the end of the working day so that department staff can begin reviewing the information for any discrepancies and because statute dictates that the money collected must be deposited in the state treasury.

[80] Minn. Stat. § 171.12, subd. 1a.

The department also clarifies that supporting documents for applications and transactions must be submitted electronically by the end of the working day. Most offices already do this (and the documents are submitted as they are entered into MNDRIVE), but existing rule allows offices to also mail or hand deliver the documents. Because a few offices still mail the documents, the department clarifies that the documents must be delivered within a business week.

Last, in chapter 7404,[81] the department accounts for other licensing transactions such as those from the Department of Natural Resources and county license bureaus. This amendment also covers dishonored payments[82] and reflects how not all reinstatement fees require an application.

2. Credit- and debit-card transactions.

When the department first adopted rules on credit- and debit-card transactions, the department required offices to physically maintain all signed copies of the transaction receipts and to bundle these receipts. But because of MNDRIVE, these practices are now obsolete and are stricken in the rule. They are also stricken because the rule already requires offices to maintain credit- and debit-card transactions for applications and transactions.

3. Issues with depositing application fees and taxes.

A driver's-license agent or deputy registrar may encounter issues with a deposit (the collected fees and taxes from an application or transaction). For example, a driver's-license agent or deputy registrar may be late in depositing their daily transactions because they are having a problem matching the final deposits with the expected deposits. If a transaction is overcharged, the amount comes out of their office.

For these overages, the department must identify them, contact the office, and then wait for the office to respond. This process is inefficient and only compounds issues with the deposit. For example, the SWIFT network[83] is set up to automatically reconcile deposits when they come in the next day. If the deposits are late or don't match the amount that SWIFT is expecting from the

[81] Proposed Minn. R. 7404.0450, subp. 1(C).

[82] A dishonored payment is when a bank refuses to process a transaction because of insufficient funds or incorrect payment details, or for a related reason.

[83] SWIFT is the state's online financial management system for business processes. SWIFT includes financial, procurement, and reporting systems to help agencies manage, report, and use state financial and procurement data.

department's daily MNDRIVE report, both the department and MMB must manually reconcile the discrepancy. This is a timely and staff-intensive process that should be corrected to require offices to better communicate deposit issues.

To prevent these deposit issues, the department proposes standards that will require an office to proactively notify the department about a deposit problem so that department staff can work with the office to correct the issue and ensure compliance with statutory and rulemaking requirements.

4. Fraudulent discrepancies.

While the proposed language on deposits seeks to encourage collaboration between the department and the offices, the department likewise proposes requirements to encourage collaboration on identifying fraudulent transactions in MNDRIVE. Both rule chapters already prescribe grounds for a sanction if an office employee forges or alters transaction documents or provides false or fraudulent information to the department or the public.[84] To complement this focus on preventing and reporting fraud, the department proposes language that requires an office to notify the department if the office suspects a transaction or other information entered into MNDRIVE may be fraudulent.

This proposed language is important for preventing and deterring fraud as shown in recent criminal charges filed in Ramsey County against a former employee at a deputy-registrar office in Ramsey County who allegedly committed theft by swindle by conducting fraudulent motor-vehicle transactions in MNDRIVE.[85] In this case, the defendant was alleged to have defrauded the state of more than $7,000.

The proposed language is also needed and reasonable because it's consistent with existing rule language on fraudulent or misleading applications[86] and gives the department another enforcement tool, requires a duty to report, and supports the department's data statute.[87]

5. Late-payment charges.

Existing rule allows the department to charge a late payment when an office doesn't timely enter a deposit. The requirements between both chapters are slightly different, and the department amends both chapters to be consistent.

[84] Minn. R. 7406.1000, subp. 2(D).
[85] *State v. Johnathan Madrigal Vega*, Ramsey County Court File No. 62-CR-26-1766.
[86] Minn. R. 7406.0360, subp. 7(H).
[87] Minn. Stat. § 171.12.

For example, chapter 7404 allows the department to continue charging monthly late-payment charges, which doesn't make sense because the charge is tied to each violation, not a period. The word "monthly" is also inconsistent with chapter 7406, which (correctly) doesn't use the term.

Another inconsistency is that chapter 7406 refers to charging not just for a late deposit but also for a late report, while chapter 7404 refers to only a late deposit. Because the daily reports are now obsolete and handled by MNDRIVE, charging for late application or transaction information is unreasonable and essentially imposes a double penalty on an office.

Both rule chapters require the department to send a warning notice to an office and state that if another late payment occurs within 180 days, that the department will impose a late-payment charge. An office can appeal a late-payment charge by seeking an administrative review.[88]

While the department rarely levies a late-payment charge, these proposed changes are nonetheless reasonable and needed for consistency between rule chapters and for consistency with the department's other proposed changes relating to reporting and depositing procedures.

[88] Minn. R. 7404.0450, subps. 4, 7; 7406.0450, subps. 5, 8.

General Office Practices (7404.0500 and 7406.0500)

This part contains requirements for when an office requests a variance to temporarily close its office. The department adds new language for when an office plans to close permanently, which then triggers the competitive-bidding process and the department's notice of vacancy.

1. Intent to close office.

Because the department must verify a driver's-license agent's or deputy registrar's intent to close and must then consult with either person to ensure a smooth closing process, the department proposes to receive at least 30 days' notice before a planned closure. This notice will also give the department enough time to prepare its notice of vacancy for the competitive-bidding process and to coordinate a closure with a public office to prevent or minimize any public access to services.

Generally when a driver's-license agent or deputy registrar retires or otherwise no longer wants to serve as an appointee, the city or county for which the agent or deputy registrar is appointed to will take action at a city-council or county-board meeting.[89] Submitting this proof of intent to close an office allows the department to verify that the underlying local government unit has approved an office closure.

Because a deputy registrar may be a corporation acting on behalf of a city or county, the deputy registrar in this case would submit a notice of their intent to close.

2. Other amendments.

Other amendments in these two parts are plain-language and conforming changes. For example, in part 7406.0500, subpart 9, the department makes a conforming change to reflect the proposed changes in part 7406.0450 on reporting and depositing practices.

In both chapters, the department makes a technical change to clarify that a driver's-license agent's or deputy-registrar's office must be open at least 40 hours each business week. This change is needed to reflect long-standing

[89] This resolution process is the same for county license bureaus. Minn. Stat. §§ 373.34, .37.

department guidance to offices—and current practice by most offices—and to ensure that the public can be served Monday through Friday. Nothing prevents an office from being open more than 40 hours a week, and some offices offer services on the weekends as a competitive advantage.

Suspensions and Revocations (7406.1000)

> "In keeping with our goal to keep people safe and our roads in good condition, Minnesota should strive to provide high quality service in an efficient and effective way, using appropriate technology along the way."[90]

Existing department rules on suspension and revocation hearings for driver's-license agents and deputy registrars direct the department to appoint a hearing examiner to conduct the hearings under department procedural rules. These procedural rules were copied from the Court of Administrative Hearings' procedural rules and serve no reasonable purpose other than requiring a costly intermediary step of an internal department hearing.

The department hasn't conducted a hearing in decades and, like most licensing agencies, wants any appeals that revoke or suspend a regulated party's license to be heard as a contested case by CAH. The department already allows contested cases if a driver's-license agent or deputy registrar wants to appeal an immediate suspension or a hearing examiner's decision,[91] and the department removes a timely and costly intermediary step of an internal department hearing by repealing parts 7406.1100 to 7406.2600. The department will instead proceed directly to a contested case with CAH.

In subpart 4, the department amends the language to provide fair notice to appointees who have been suspended or revoked and allows them to appeal by filing a contested case with CAH. Conforming and plain-language changes are made in subparts 6 and 7.

Because chapter 7404 was adopted after chapter 7406, chapter 7404 cross-references to the existing sanctioning process in chapter 7406; accordingly, technical changes are made in chapter 7404 to reflect the amendments to parts 7406.1000 to 7406.2600.

[90] King et al., *Driver and Vehicle Services*, 43.
[91] Minn. R. 7406.2600: "A person may appeal the hearing examiner's decision and order issued under part 7406.2500 and request a contested case hearing. The contested case hearing must be conducted according to Minnesota Statutes, chapter 14, and the rules of the Office of Administrative Hearings."

Miscellaneous Conforming and Obsolete Changes

In the following parts, the department makes conforming changes to align with its proposed competitive-bidding process and makes other nonsubstantive technical changes to general rule parts in both chapters.

1. 7404.0300.

In subpart 4, the department strikes “licensing agent” because this phrase is unnecessary when referring to a driver’s-license-agent office—the term *office* means an existing office for an appointed agent.

2. 7404.0310.

An obsolete date is stricken in subpart 4.

3. 7404.0340.

In subpart 1, an obsolete date is stricken, and a cross-reference is added to clarify that the part applies to deputy registrars appointed under the competitive-bidding process.

4. 7404.0345.

Two obsolete dates are stricken, and a cross-reference is added to clarify that the part applies to deputy registrars appointed under the competitive-bidding process. In item A, a redundant term is corrected.

5. 7404.0360.

This part makes plain-language and conforming changes.

In subpart 3, conforming changes are made to clarify that the requirements for an appointment application also apply to a person submitting a competitive bid. Subpart 7 adds a helpful cross-reference to the department’s driver-education rules.

6. 7404.0800.

The department strikes a cross-reference to the existing hearing process for department sanctioning actions, which the department is replacing with contested-case provisions under CAH. Subdivisions are added for readability.

7. 7406.0350.

Plain-language changes are made in subpart 6, and an exception is added to distinguish the notification requirement to trigger a competitive-bidding process from the existing requirement when a county auditor must notify the commissioner upon vacating an office.

8. 7406.0355.

An erroneous cross-reference is corrected in subpart 1, and a plain-language change is made.

9. 7406.0360.

Similar changes to the ones proposed in part 7404.0360 are made. A clarifying cross-reference is added, and a plain-language change is made.

10. 7406.0380.

An obsolete cross-reference is stricken in item C, and an obsolete date is stricken in item D.

11. 7406.0450.

Subpart 1 is repealed because it duplicates other requirements on an office's hours of operations and to remove an obsolete reference to "daily close of office records."

12. Term change.

The term "licensing agent" in chapter 7404 is redundant, as all agents are considered licensing agents under statute and rule. The defined term is "agent."[92]

13. Repealer.

The repealed rule parts are all obsolete, duplicative, or unnecessary. The need and reasonableness for the repealed rule parts and subparts have been explained in the parts that they are repealed in.

[92] *Id.* 7404.0100, subp. 2.

Conclusion

In the SONAR, the department has established the need for and the reasonableness of each of the proposed amendments to Minnesota Rules, chapters 7404 and 7406. The department has provided the necessary notice and complied with all applicable APA rulemaking requirements.

Based on the evidence and information in the SONAR, the proposed amendments are both needed and reasonable.

Bob Jacobson, Commissioner
Department of Public Safety

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