



DVS Driver & Vehicle Services

Legislative Report

DVS competitive bidding study

October 31, 2025

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DVS competitive bidding study

Background

Two primary operations of the Minnesota Department of Public Safety's Driver and Vehicle Services (DVS) division are regulated by Minnesota Statute, chapters 168 and 171. Each chapter allows the commissioner of the Department of Public Safety (DPS) to delegate authority for the prescribed duties to individuals, public entities or private businesses. [Minnesota Statute section 168.33](#) names the DPS commissioner as the registrar of vehicles for the state of Minnesota and provides the legal authority to appoint deputy registrars (DRs). [Minnesota Statute section 171.061](#) provides legal authority for the DPS commissioner to appoint driver's license agents (DLAs) to assist with licensing drivers in Minnesota.

[State law requires](#) DVS "evaluate and analyze the appointment process for a replacement deputy registrar or driver's license agent" upon the closure of an approved office location, according to [2024 Session Law, Chapter 127, Article 3, Sec. 128](#). It further requires DVS to evaluate certain existing laws, which mandate the commissioner use a competitive bidding process in appointing successors when a DR or DLA office closes. The statute prohibits the commissioner from giving preference to "partner, owner, manager, or employee" of the DR or DLA office that has closed, and the commissioner "must adopt rules to administer and enforce a competitive bidding process to select a replacement" DR or DLA in accordance with existing Minnesota Rules, chapters [7406](#) and [7404](#) respectively.

The commissioner must follow certain standards when considering an application for a new appointment. Those standards are found in the existing rules. Standards on a new location focus on geographic location and the business impact for existing offices near the new location. These rules provide an application process for new appointments and requirements for bonding and background checks. Both chapters also provide standards to consider when an existing office requests a move. The current rules do not specify criteria the commissioner must consider when multiple applicants compete to operate a previously approved location after it closes.

Commissioner's proposal

When an approved DR or DLA office closes, the commissioner proposes aligning the new competitive bidding process as closely as possible to existing rules for establishing a new office. This ensures an equitable and fair process for new and replacement offices while recognizing DR and DLA office locations and services have changed since the inception and establishment of existing rules.

Notice to public

The commissioner proposes to provide public notice to public and private entities, similar to vacancy notifications to the public as outlined in Rules 7404.0360 and 7406.0360. The posting will allow interested parties to consider the vacancy and apply if interested. The commissioner will publish the notice in a qualified newspaper in the county where the vacated office is located. The notice will provide details of the office, authority to make the appointment, responsibilities of the appointed agent, contact information and application requirements. The deadline to apply will be 14 days from the posting in the newspaper.

Reasons for denial of an application

The commissioner proposes a similar process for denying applications as outlined in existing rules.

The proposed reasons for denial are:

- Incomplete, false or misleading application
- Conflict of interests such as an ownership stake in:
 - A driver training program

- Vehicle insurance sales
- DVS kiosks site owner (such as Cub Foods or Hy-Vee, Inc)
- Electronic vehicle and title registration vendor
- Motor vehicle dealers
- DVS kiosk vendors
- Existence of a criminal history
- Delinquent taxes
- Involvement in bankruptcy proceedings

Competitive process

All applicants must include a written plan that will be evaluated against key criteria as detailed below.

Category	Description	Key factors	Weight
Location	Suitability of facility, proximity to prior service area and impact to existing offices.	Same-site continuity, parking, public transit access, Americans with Disabilities Act (ADA) compliance.	40%
Service plan	Ability to provide high-quality, accessible customer service to the public.	Hours of operation (evenings/weekends), multilingual staff, ADA accessibility.	35%
Experience	Qualifications of management to perform appointed duties.	Staff training plan, number of staff, prior experience in regulated services.	15%
Community benefit	Added value to community beyond minimum requirements.	Outreach to underserved populations, partnerships with local government and nonprofits, workforce diversity, demonstrated commitment to equitable service.	10%

Proposals will be reviewed and scored by an evaluation panel named by the commissioner. The panel will score applications, and the commissioner will make a preliminary award to the highest-scoring qualified bidder. The highest-scoring bidder will then be subject to background processing. A successful background verification will result in the appointment of the new office.

In the result of a failed background check, the commissioner will award the next highest-scoring bidder contingent on a background check.

Input from surrounding offices

Existing offices will be provided an opportunity to give feedback on the location when a proposed office overlaps the existing boundaries of an established office. This feedback will not be scored but must be considered by the commissioner. This proposal aligns with existing practices in regard to moving established office locations.

Recommended legislation

The competitive bidding process could be achieved with rulemaking or statutory changes. The rules already govern the majority of DR and DLA services, so the commissioner recommends rulemaking to complement existing rules, respectively.

Analysis of interactions with existing rules

This section outlines the currently established rules on the DPS commissioner's role in approving DR and DLA office locations and issuing certificates of appointment.

Minnesota Rules, chapter 7404 include provisions for the appointment, operation and oversight of DLA locations that assist the public with driver's license applications.

Minnesota Rules, chapter 7406 include provisions for the appointment, operation and oversight of DR locations that assist the public with motor vehicle services, such as title and vehicle registration transactions.

These chapters define responsibilities for the DPS commissioner and appointees. The rules govern processes for establishing new offices, moving offices, and disallowing the transfer of appointments. The rules establish first right of refusal, offering appointment vacancies first to a closed office's county board then to the municipality where the office was located. Both establish a process for public notice of the vacancy and provide criteria the commissioner must consider when reviewing applications. Neither chapter provides procedures for evaluating competing applications, nor provide a competitive bidding process when appointing a DR or DLA upon the elective closure of an approved office location by an existing appointee.

Provisions of Minnesota Rules, chapter 7406 relating to DR appointments

- Rule 7406.0300: proposing deputy registrar office locations
 - Outlines criteria and procedures for establishing new DR office locations.
 - Sets parameters for distance and minimum application volumes in three categories; for metropolitan counties, municipalities with over 50,000 population, and other areas.
 - Stipulates only one proposal for new locations will be considered at a time within 30-miles of the proposed location until the expiration of an appeal windows for disapprovals.
- Rule 7406.0310: office location considerations
 - Defines factors the commissioner must evaluate when approving a proposed DR office location.
 - Establishes appeals of disapproval must be made to the Office of Administrative Hearings within 30 days.
 - Ensures the establishment of DR offices is thoughtfully considered, balancing public access and convenience with state resources.
- Rule 7406.0330: move of existing office location
 - Establishes registrar appointments are location specific.
 - Creates criteria under which DRs are allowed to move locations:
 - Must be approved by the commissioner.
 - Cannot be to a different county.
 - Provides due process
 - Variance applicants have 30 days to submit.
 - Commissioner has 60 days to respond.
 - Applicants can contest denial but must request a hearing within 15 days of denial.
- Rule 7406.0350: county official as deputy registrar; procedure
 - Outlines process for appointing a county official to serve as a DR.
- Rule 7406.0355: city official as deputy registrar

- Outlines process for appointing a city official to serve as a DR and ensures they adhere to the same standards as other DRs.
 - Provides authority to transfer appointments from one city official to another.
- Rule 7406.0360: deputy registrar appointment by commissioner
 - Outlines the procedure the commissioner follows when appointing a DR, particularly when a county or municipality does not designate an individual for the role.
 - Sets office locations standards.
 - Establishes vacancies are first offered to the county board then to the municipality of the approved location.
 - Set expectation commissioner should evaluate if the appointment is in the public interest if the county and municipality decline the appointment.
 - Establishes criteria of public notice if the county and municipality decline the appointment:
 - Published for two successive weeks in a “qualified newspaper in the county where the approved offices are located.”
 - Posted within 30 days of the county and municipality declining the appointment.
 - Must contain the geographic location, how to apply and submission deadline.
 - Limits commissioner to considering only one application for a location with a 15-mile radius of the location being considered:
 - Applications for other locations cannot be considered until all appeal deadlines have passed.
 - Provides application criteria.
 - Requires existing DR appointees to notify commissioner of changes from application information.
 - Defines reasons for denial of DR appointment.
- Rule 7406.0370: certificate of appointment of deputy registrar
 - Establishes who shall execute a certificate of appointment.
 - Grants commissioner authority to withdraw appointments if applicant fails to provide an operational office within 12 months of appointment.
 - Establishes that if the county is appointed, then county auditors are the appointee who maintain responsibility for that DR.
- Rule 7406.0380: bond
 - Sets bond requirements for DRs at \$10,000 or two days of average daily receipts, whichever is greater. Bonds must be adjusted:
 - Every five years for established offices.
 - After month 24 of being open for new offices.
- Rule 7406.0400: deputy registrar office requirements
 - Ensures agents maintain professional, secure and proficient establishments.
 - Provides DRs with a variance request process.
 - Defines minimum location characteristics:
 - Separate public and processing areas
 - Secure, non-public area for inventory
 - Technological infrastructure; DR is responsible for cost
 - Minimum of 300 square feet
 - ADA compliant
 - Prominently display signage identifying the office
 - Defines DR conflicts of interest
 - Deputy registrars may not own or be a 5 percent shareholder of a financial institution, motor vehicle dealership or automobile insurance business.
 - Offices located adjacent to these businesses must maintain physical separation from those businesses.
- Rule 7406.0700: exception to volume and distance requirements

- Allows commissioner to appoint a new DR whose office does not comply with requirements for distance or number of applications for registration processed.

Provisions of Minnesota Rules, chapter 7404 relating to DLA appointments

- Rule 7404.0300: Location of agent office; proposed by third party
 - Outlines criteria and procedures for proposed new locations.
 - Establishes parameters to consider for three areas; metropolitan counties, municipalities over 50,000 population and other areas:
 - Establishes geographic radius to existing locations which a new location cannot open within.
 - Sets transaction volume minimums for new locations.
 - Stipulates only one new location proposal will be considered until all appeal windows for disapprovals have expired.
 - Ensures new agent offices are strategically located to serve the public efficiently without oversaturating areas with existing services.
- Rule 7404.0305: additional office location considerations
 - Establishes commissioner must approve a location before appointing an agent
 - Outlines factors commissioner must consider when approving a proposed agent office location when processing driver license applications:
 - Accessibility.
 - State's cost to "audit, monitor and train the agent."
 - Public's convenience.
 - Include procedures for disapproval and appeals.
 - Disapproval must notify applicant of appeals process.
 - Applicant has 30 days from disapproval mailing to request a hearing under Minnesota Statute, chapter 14.
 - Establishes pertinent to competitive bidding only when a new DLA is appointed but will not be operating in the closed approved location, similar to 7404.0300.
- Rule 7404.0307: office location proposed by commissioner
 - Establishes criteria for commissioner to propose a new DLA location.
 - Establishes procedure and criteria for public notice:
 - Response deadline at least 14 days after the initial date of posting.
 - Establishes procedure of notification to existing DLA offices
 - Special considerations for locations within distances specified in rule.
 - Agents within the distance radius are considered for appointment to the location, closest offices first.
 - Does not prevent a state-operated application site from opening at a location for public convenience or the efficient and effective delivery of state services, subpart 2 (F).
- Rule 7404.0310: exceptions
 - Allows for flexibility in establishment and maintenance of DLA offices, ensuring public access to driver license service is maintained even in low-volume or unique circumstances.
- Rule 7404.0330: move of existing office location
 - Ensures relocation of agent offices is conducted transparently and in compliance with established criteria, maintaining consistent service delivery to the public:
 - Moves must be within the same county.
 - Provides a variance process.
 - Commissioner has 60 days to decide.
 - Applicant has 15 days to request a hearing upon denial.
- Rule 7404.0350: agent appointment procedure; referral to county board
 - Establishes criteria for appointing a DLA when a new office location is approved.
 - Refers appointment for new offices first to the county board where the new office will be located.

- Creates a 60-day deadline for county board response.
- Ensures appointment process involves local governance and provides a clear procedure for establishing new agent offices.
- Rule 7404.0360: commissioner’s appointment procedure
 - Outlines the procedure commissioner follows when appointing a DLA, particularly when a county or municipality does not designate an individual for the role.
 - Establishes vacancies are first offered to a county board then to the municipality of the approved location.
 - Establishes criteria of public notice if the county and municipality decline the appointment.
 - Provides agent application criteria.
 - Defines reasons for denial of agent appointment.
- Rule 7404.0370: appointment of agent
 - Defines criteria and procedures for:
 - General criteria agents must meet
 - Procedures for the certificate of appointment
 - Bond requirements
 - Procedures for agents designated by county or municipality
 - Transfer of appointment not allowed without the approval of the commissioner
- Rule 7404.0400: agent office requirements
 - Ensures agents maintain professional, secure and proficient establishments.
 - Provides DLA with a variance process.
 - Defines minimum location characteristics.
 - Defines DLA conflicts of interest.

Effect on service outcomes and fiscal sustainability

DVS and the DPS commissioner can secure additional value for Minnesotans by establishing a competitive bidding process to replace DRs and DLAs that permanently close an office location. This process will promote transparency, encourage competition and help ensure high-quality services continue to be offered to residents whenever possible.

As part of the competitive bidding process, DVS will establish criteria prospective service providers will need to consider as they generate submissions. Criteria will be based on existing rules in addition to other best practices as appropriate. By firmly setting these expectations and judging bids accordingly, DVS can help ensure the applicant selected reflects a provider who can best meet the needs of their community and provide the services that Minnesotans have come to expect from DVS and their local DR and DLA offices.

In addition, state statute stipulates the newly chosen DRs and DLAs be required to use the existing office location if possible. This will help reduce impacts associated with acquisitions and renovations, as well as limit disruptions to services in affected communities. Overall, existing rules and establishing a competitive process will limit an oversaturation of service locations in one area while also identifying applicants best suited for appointment.

The 2024 Financial Sustainability Assessment Report identified several common themes within existing DRs and DLAs across the state. These include:

- Overstaffing
- Lack of skill sets or training often leading to staff attrition
- Inconsistent and casual metrics for internal evaluation
- Lack of uniformity in services offered

While these will require ongoing discussions and collaboration with key stakeholders, the competitive bidding process can be used to make progress in some of these areas. Using the minimum requirements and bid materials, DVS can lay the groundwork for a business relationship with prospective DRs and DLAs that

strikes a balance between efficiency and effectiveness. This will set them up for financial success while ensuring customers receive the services they deserve.

Impacts on business development for people seeking appointment as a DR or DLA

DVS is committed to ensuring state services are available to all Minnesotans, including opportunities for partnership and business development. This competitive bidding process is another tool DVS can use to assist local businesses and help them develop as they seek to offer crucial state services to their communities.

As laid out in Minnesota Statute sections 168.33 and 171.061, DVS will not give preferential treatment to business partners, owners or employees of the existing DR or DLA being replaced. This ensures new voices are entering the market and helps DVS find the best fit in a fair and objective manner.

Minnesota has resources to help state procurement officials and small businesses develop and connect to form partnerships that promote equal opportunities in employment and contracting while promoting engagement in civic life. DVS will be able to collaborate with the Minnesota Department of Administration's Office of Equity in Procurement to incorporate best practices into processes and connect with small businesses.

While rules already exist in chapters 7404 and 7406 detailing the application criteria for DRs and DLAs, this is an opportunity to further examine those criteria and incorporate additional criteria to reflect best practices where appropriate.

Expected fiscal impact for creating and administering a competitive bidding process

Minnesota Session Law, chapter 127, article 3, section 128, part 6 requires the DPS commissioner to report on the expected fiscal impact to the agency while creating and administering a competitive bidding process when an office location permanently closes.

DVS has identified three primary areas of fiscal impact.

1. **Administrative and staff costs:** DVS will incur costs associated with administering the competitive bidding process. This includes developing and implementing new procedures, evaluating proposals and ensuring compliance with the new regulations. These new procedures will affect both driver and vehicle program areas and will require subject matter expert input. Due to the statutory requirements and rulemaking process, DVS legal staff will also be involved.
2. **Rulemaking and compliance monitoring:** The statutes require the commissioner to adopt rules to administer and enforce the competitive bidding process. This rulemaking process involves legal and administrative expenses, including public notices, hearings and drafting of regulations. Ongoing compliance monitoring will necessitate staffing and operational expenses.
3. **Implementation costs:** Implementing the competitive bidding processes may involve up-front costs, such as developing systems supports, creating application forms, training staff and communicating requirements to existing stakeholders. It is anticipated start-up costs will diminish over time, but the majority of costs will occur during implementation.

No appropriations were made from the Minnesota Legislature to DPS in support of rulemaking or start-up processes. It is difficult to estimate the administrative costs DVS will incur implementing the competitive bidding process. DVS will implement these statutory requirements with existing staffing levels and resources and will absorb the administrative costs, but doing so will decrease DVS' resources in other areas such as driver exams, title processing or call center operations.

Evaluation of impact to existing locations

Minnesota Session Law, chapter 127, article 3, section 128, part 7, requires an evaluation of “the impact of implementing a competitive bidding process on existing DR and DLA locations.”

The competitive bidding process will establish a formal procedure for appointing a new DR or DLA when an existing one permanently stops operations at an office location. The competitive bidding statutes, Minnesota Statute section 168.33, subdivision 8b, and section 171.061, subdivision 5a, provide that the replacement appointee should continue operations at the office location which closed if available. These statutes require the DPS commissioner to give preference to appointees committing to operating in the closed office location. No impacts will be felt on existing DR and DLA offices when an appointee resumes operations in the previously approved location.

If the approved office location is no longer available or not available to the preferred appointee, existing rules govern criteria the commissioner must consider in approving a new DR or DLA office location. The commissioner is restricted by the rules and cannot encroach on existing office locations geographically. Should the proposed new location move drastically from the previously approved location or to a different municipality, parts of chapters 7404 and 7406 require the commissioner to consider the impacted population and anticipate the impact to transactions. The existing rules regulating how DR and DLA office locations are approved already consider and aim to reduce impacts to existing offices when a new appointee does not resume operations in a previously approved office location.

Feedback from existing deputy registrars and driver’s license agents

The Minnesota Deputy Registrars Association (MDRA) and the Deputy Registrar Business Owners Association (DRBOA) boards gathered and provided similar feedback and concerns on the competitive bidding process. MDRA and DRBOA expressed their support to fill office closures as quickly as possible with minimal impact to surrounding DR and DLA offices.

Open competition for all bidders

The boards expressed support for equitable and open competition to all bidders when an office is closed, including county and local government. Neither counties nor local government should be provided preference as part of the bidding process. The commissioner’s proposal addresses these concerns. The commissioner’s proposal opens the process to all bidders, and the proposed scoring does not include additional preferences for counties or local government.

Minimizing impacts to surrounding offices

- MDRA and DRBOA identified concerns about how close a replacement office will be to existing offices if it can’t be located where it was when it was previously shut down. DVS should weigh bids favorably that are closest to the existing site with increasingly negative weight for bids closer to surrounding DR offices.
- New office locations may disrupt the balance in the service area of existing offices creating financial instability for area offices who remain in operation.
- A mile one way or the other can make a significant impact to other DR offices in the area. While not unique to the Twin Cities Metro Area, it is especially delicate there.
- DVS should take special care when reviewing bids to consider the impact on surrounding DR offices.

- DVS should solicit feedback from surrounding offices on proposed locations for the new DR and consider this when reviewing bids.

The commissioner's proposal includes a heavily weighted section of the scoring that addresses proposed locations. Locations will be scored based on their ability to serve the same community and minimize disruption to existing offices. The proposal also includes an opportunity for impacted surrounding offices to weigh in on applicants the commissioner must consider before awarding the office appointment.

Conflicts of interest

MDRA and DRBOA identified additional individuals and entities that should be included as conflicts of interest. This includes DVS kiosk vendors, motor vehicle dealers, and electronic vehicle and title registration vendors. The commissioner's proposal incorporates the entities as suggested by the boards.

