

Arizona Administrative Register / Secretary of State
Notices of Supplemental Proposed Rulemaking

8. The preliminary summary of the economic, small business, and consumer impact:

The rulemaking is anticipated to have a moderate economic impact on rural hospitals with less than 100 beds and minimal economic impacts on contractors and the AHCCCS Administration.

9. The name and address of agency personnel with whom persons may communicate regarding the accuracy of the economic, small business, and consumer impact statement:

Name: Mariaelena Ugarte
Address: AHCCCS
Office of Legal Assistance
701 E. Jefferson, Mail Drop 6200
Phoenix, AZ 85034
Telephone: (602) 417-4693
Fax: (602) 253-9115
E-mail: AHCCCSRules@azahcccs.gov

Proposed rule language will be available on the AHCCCS web site www.ahcccs.state.az.us the week of November 14, 2005. Please send written comments to the above address by 5:00 p.m., January 3, 2006. E-mail comments are accepted.

10. The time, place, and nature of the proceedings for the making, amendment, or repeal of the rule or, if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:

Date: January 3, 2006
Time: 2:00 p.m.
Location: AHCCCS
701 E. Jefferson
Phoenix, AZ 85034
Gold Room
Nature: Public Hearing

Date: January 3, 2006
Time: 2:00 p.m.
Location: ALTCS: Arizona Long-term Care System
110 S. Church, Suite 1360
Tucson, AZ 85701
Nature: Public Hearing

Date: January 3, 2006
Time: 2:00 p.m.
Location: ALTCS: Arizona Long-term Care System
3480 E. Route 66
Flagstaff, AZ 86004
Nature: Public Hearing

11. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

None

12. Incorporations by reference and their location in the rules:

None

13. The full text of the rules follows:

TITLE 9. HEALTH SERVICES

**CHAPTER 22. ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM
ADMINISTRATION**

ARTICLE 7. STANDARDS FOR PAYMENTS

Section

R9-22-701. Standard for Payments Related Definitions

R9-22-712.07. Rural Hospital Inpatient Supplemental Payment Allocation

R9-22-712.08. Rural Hospital Inpatient Supplemental Payment

ARTICLE 7. STANDARDS FOR PAYMENTS

R9-22-701. Standard for Payments Related Definitions

In addition to definitions contained in A.R.S. § 36-2901, the words and phrases in this Article have the following meanings unless the context explicitly requires another meaning:

“Accommodation” means room and board services provided to a patient during an inpatient hospital stay and includes all staffing, supplies, and equipment. The accommodation is semi-private except when the member must be isolated for medical reasons. Other types of accommodation include hospital routine medical/surgical units, intensive care units, and any other specialty care unit in which room and board are provided.

“Aggregate” means the combined amount of hospital payments for covered services provided within and outside the service area.

“AHCCCS inpatient hospital day or days of care” means each day of an inpatient stay for a member, beginning with the day of admission, including the day of death, but excluding the day of discharge, provided that all eligibility, medical necessity and medical review requirements are met.

“Ancillary department” means the department of a hospital that provides outpatient services and ancillary services, as described in the Medicare Provider Reimbursement Manual.

“APC” means the Ambulatory Payment Classification system under 42 CFR Part 419 used by Medicare for grouping clinically and resource similar procedures and services.

“Billed charges” means charges for services provided to a member that a hospital includes on a claim consistent with the rates and charges filed by the hospital with Arizona Department of Health Services (ADHS).

“Capital costs” means capital-related costs such as building and fixtures, and movable equipment as described in the Medicare Provider Reimbursement Manual.

“Cost-To-Charge Ratio” (CCR) means a hospital’s costs for providing covered services divided by the hospital’s charges for the same services. The CCR is the percentage derived from the cost and charge data for each revenue code provided to AHCCCS by each hospital.

“Covered charges” means billed charges that represent medically necessary, reasonable, and customary items of expense for AHCCCS-covered services that meet medical review criteria of AHCCCS or a contractor.

“Critical Access Hospital” is a hospital certified by Medicare under 42 CFR 485 Subpart F and 42 CFR 440.170(g).

“CPT” means Current Procedural Terminology, published and updated by the American Medical Association, which is a nationally accepted listing of descriptive terms and identifying codes for reporting medical services and procedures performed by physicians and provides a uniform language to accurately designate medical, surgical, and diagnostic services.

“Date of eligibility posting” means the date a member’s eligibility information is entered into the AHCCCS Pre-paid Medical Management Information System (PMMIS).

“DRI inflation factor” means Global Insights Prospective Hospital Market Basket

“Encounter” means a record of a medically related service rendered by an AHCCCS registered provider to an AHCCCS member enrolled with a capitated Contractor on the date of service.

“Existing outpatient services” means a service provided by the hospital prior to the hospital filing an increase in its charge master, regardless of whether the service was explicitly described in the hospital charge master before filing the increase, or how the service was described in the charge master before filing the increase.

“Free Standing Children Hospital” means a separately standing hospital dedicated to provide the majority of services to children with at least 120 pediatric beds.

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“Global Insights Prospective Hospital Market Basket” means the Global Insights CMS Hospital price index for prospective hospital reimbursement, which is published by Global Insights.

“ICU” means the intensive care unit of a hospital.

“HCPCS” means the Health Care Procedure Coding System, published and updated by Center for Medicare and Medicaid Services (CMS), which is a listing of codes and descriptive terminology used for reporting the provision of physician services, other health care services, other substances, equipment, supplies or other items used in health care services.

“HIPAA” means the Health Insurance Portability and Accountability Act of 1996, as defined under 45 CFR Part 162, which establishes standards and requirements for the electronic transmission of certain health information by defining codes sets used for encoding data elements, such as tables of terms, medical concepts, medical diagnostic codes, or medical procedure codes.

“Level I Trauma Center” means any acute care hospital that is defined under R9-22-2101(F).

“Medical education costs” means direct hospital costs for intern and resident salaries, fringe benefits, program costs, nursing school education, and paramedical education, as described in the Medicare Provider Reimbursement Manual.

“Medical review” means a clinical evaluation of documentation conducted by AHCCCS or a contractor for purposes of prior authorization, concurrent review, post payment review, or medical necessity. The criteria for medical review are established by AHCCCS or a contractor based on medical practice standards that are updated periodically to reflect changes in medical care.

“New hospital” means a hospital for which Medicare Cost Report claim and encounter data are not available for the fiscal year used for initial ratesetting or rebasing.

“NICU” means the neonatal intensive care unit of a hospital that is classified as a Level II or Level III perinatal center by the Arizona Perinatal Trust.

“Non-IHS Acute Hospital” means a hospital that is not run by Indian Health Services and is not a free standing psych hospital, such as an IMD, that is paid via ADHS rates.

“Operating costs” means an AHCCCS allowable accommodation and ancillary department hospital costs excluding capital and medical education costs.

“Outlier” means a hospital claim or encounter in which the operating costs per day for an AHCCCS inpatient hospital stay meet the criteria described under Article 7 of this Chapter and A.R.S. § 36-2903.01(H)

“Outpatient hospital service” means a service provided in an outpatient hospital setting that does not result in an admission.

“Ownership change” means a change in a hospital’s owner, lessor, or operator under 42 CFR 489.18(A).

“Peer group” means hospitals that share a common, stable, and independently definable characteristic or feature that significantly influences the cost of providing hospital services, including specialty hospitals that limit the provision of services to specific patient populations, such as rehabilitative patients or children.

“PPS bed” means Medicare-approved Prospective Payment beds for inpatient services as reported in the Medicare cost reports for the most recent fiscal year for which the Administration has a complete set of Medicare cost report for every rural hospital as determined as of the first of February of each year.

“Procedure Code” means the numeric or alphanumeric code listed in the CPT or HCPCS manual by which a procedure or service is identified.

“Prospective rates” means inpatient or outpatient hospital rates defined by AHCCCS in advance of a payment period and representing full payment for covered services excluding any quick-pay discounts, slow-pay penalties, and first-and third-party payments regardless of billed charges or individual hospital costs.

“Public Hospital” means a hospital that is owned and operated by county, state or hospital health care district.

“Rebase” means the process by which the most currently available and complete year Medicare Cost Report data and AHCCCS claim and encounter data of the corresponding year, are collected and analyzed to reset the Inpatient Hospital Tiered Per Diem rates, or the Outpatient Hospital Capped Fee For Service Schedule.

“Reinsurance” means a risk-sharing program provided by AHCCCS to contractors for the reimbursement of certain contract service costs incurred by a member beyond a certain monetary threshold.

“Remittance advice” means an electronic or paper document submitted to an AHCCCS registered provider by AHCCCS to explain the disposition of a claim.

“Revenue Code” means a numeric code, which identifies a specific accommodation, ancillary service or billing calculation, as defined by the National Uniform Billing committee for UB-92 forms.

“National Standard code sets” means codes that are accepted nationally in accordance with federal requirements under 45 CFR 160 and 45 CFR 164.

“Tier” means a grouping of inpatient hospital services into levels of care based on diagnosis, procedure or revenue codes,

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peer group, or NICU classification level, or any combination of these items.

“Tiered per diem” means an AHCCCS capped fee schedule in which payment is made on a per-day basis depending upon the tier (or tiers) into which an AHCCCS inpatient hospital day of care is assigned.

R9-22-712.07. Rural Hospital Inpatient Supplemental Payment Allocation

- A.** Each state fiscal year, the Administration shall allocate Rural Hospital Supplemental Payment funds to the following three pools:
1. Rural hospitals with fewer than 26 PPS beds.
 2. Rural hospitals with 26 to 75 PPS beds.
 3. Rural hospitals with 76 to 100 PPS beds.
- B.** Each state fiscal year, the Administration shall allocate the Rural Hospital Supplemental Payment funds for that year to each pool in the following manner:
1. Calculate total payments to all rural hospitals as the sum of the claims paid amount used in the Milliman study for all rural hospitals plus all disproportionate share hospital payments made by AHCCCS to rural hospitals during federal fiscal year 2002 and all critical access hospital payments made by AHCCCS to rural hospitals during state fiscal year 2002.
 2. For each pool, calculate total payments to all rural hospitals in the pool as the sum of the claims paid amount used in the Milliman study for all rural hospitals in the pool plus all disproportionate share hospital payments made by AHCCCS to rural hospitals in the pool during federal fiscal year 2002 and all critical access hospital payments made by AHCCCS to rural hospitals in the pool during state fiscal year 2002.
 3. Calculate the target cost coverage percentage by dividing the sum of the total payments to all rural hospitals as determined in subsection (1) and the Rural Hospital Supplemental Payment Funds by the sum of the calculated costs for all rural hospitals.
 4. Calculate the average cost coverage for each pool by dividing the sum of the claims paid amount used in the Milliman study for all rural hospitals in the pool and all disproportionate share hospital payments made by AHCCCS to rural hospitals in the pool during federal fiscal year 2002 and all critical access hospital payments made by AHCCCS to rural hospitals in the pool during state fiscal year 2002 by the total calculated cost for all rural hospitals in each pool.
 5. Calculate the cost-coverage weighting factor for each pool by dividing the target cost coverage percentage as determined in subsection (3) by the average cost coverage percentage for each pool as determined in subsection (4).
 6. Calculate each pool’s weighted payment by multiplying each pool’s cost-coverage weighting factor as determined in subsection (5) by the sum of claims paid amount for the prior state fiscal year and any disproportionate share hospital payments and any critical access hospital payments made to the hospital during the prior state fiscal year.
 7. Calculate the percent of the supplement fund allocated to each pool by dividing the weighted difference between the pool’s weighted payment to the pool as determined in subsection (6) and the total payments to all rural hospitals in the pool as determined in subsection (2) by the total supplemental fund payments to all rural hospitals.
 8. Allocate to each pool that portion of the Rural Hospital Supplemental Payment Funds equal to the percent calculated in (7) multiply by the rural hospital supplement payment funds.
- C.** Once each state fiscal year, the Administration shall calculate the Rural Hospital Supplemental allocations for each rural hospital in the following manner:
1. Calculate each hospital’s utilization percentage by dividing each hospital’s inpatient payments by the sum of inpatient payments for all rural hospitals in the same pool.
 2. Calculate each hospital’s estimated Rural Hospital Supplemental Payment by multiplying each hospital’s utilization percentage as determined in subsection (1) by the rural hospital supplemental payment funds allocated to that pool as determined in subsection (B)(7).
 3. Calculate each hospital’s estimated annual inpatient costs by multiplying the hospital’s annual inpatient covered charges by the hospital specific inpatient cost-to-charge ratios established by AHCCCS.
 4. If, for any hospital, the sum of the annual inpatient payments plus the estimated Rural Hospital Supplemental Payment to that hospital as determined in subsection (2) exceeds the hospital’s estimated annual inpatient costs as determined in subsection (3), the estimated Rural Hospital Supplemental Payment to that hospital shall be reduced by the difference.
 5. Any difference determined under subsection (4) shall be reallocated to the remaining hospitals in the pool.
- D.** For purposes of this rule, the words and phrases used in this rule have the following meanings unless the context specifically requires another meaning:
- “Claims paid amount” means the sum of all claims paid by AHCCCS and its contractors to a rural hospital for AHCCCS covered inpatient services.
- “Calculated Cost” means the rural hospital’s cost for providing AHCCCS covered services as calculated in the Milliman study.
- “Inpatient covered charges” means the sum of all charges billed by the hospital from AHCCCS or its contractors for covered charges for inpatient services during the state fiscal year preceding the most recently concluded state fiscal year (e.g., for Rural Hospital Supplemental Payments made in state fiscal year ending June 30, 2006, use total AHCCCS

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CCS inpatient covered charges for state fiscal year ending June 30, 2004).

“Inpatient payments” means the sum of: (1) the AHCCCS claims paid amount for the most recently concluded state fiscal year, (2) any disproportionate share hospital payments and any critical access hospital payments made to the hospital during the prior state fiscal year, and (3) any rural hospital supplemental payments made during the prior state fiscal year.

“Milliman study” means the report issued by Milliman USA on February 24, 2004 to the Arizona Hospital and Healthcare Association that updated the cost study portion of the hospital reimbursement study conducted pursuant to Arizona Laws 2001, Chapter 344, Section 109. A copy of each report is on file with the Administration.

“PPS bed” means Medicare-approved Prospective Payment beds for inpatient services as reported in the Medicare cost reports for the most recent state fiscal year for which the Administration has a complete set of Medicare cost report for every rural hospital as determined as of the first of February of each year.

“Rural Hospital” means a health care institution that is licensed as a non-IHS acute hospital, that has one hundred or fewer beds and that is located in a county with a population of less than five hundred thousand persons or a health care institution that is designated as a critical access hospital.

“Rural Hospital Supplemental Payment Funds” means any state funds appropriated by the Legislature for the purposes set forth in A.R.S. § 36-2905.02 and any federal funds that are available for matching those state funds.

R9-22-712.08 Rural Hospital Inpatient Supplemental Payment

- A.** Subject to CMS approval, the calculation as described in R9-22-712.07 will be paid as a lump sum allocation, will be integrated into the tier rates, or will be distributed through a combination of these two payment methodologies as described in subsections (B) through (D).
- B.** Subject to CMS approval, the allocation described in R9-22-712.07 may be paid as a lump sum allocation to the rural hospitals in either one or two installments by the end of the state fiscal year.
- C.** Subject to CMS approval, the administration shall use the allocations described in R9-22-712.07 to adjust the tier payments for those hospitals on a hospital specific basis in the following manner:
1. Determine the number of months in the state fiscal year that the tier payment will be increased, from implementation date of this rule to the end of the state fiscal year.
 2. For each hospital, determine the non-outlier bedday utilization for the time period in the most recently completed state fiscal year.
 3. For each hospital, divide the hospital’s allocation as calculated in R9-22-712.07 by the number of non-outlier beddays for the utilization period.
 4. For each hospital, increase “Total FFS Rate” for all tiers by the amount calculated in subsection (3).
 5. The Rural Hospital Supplemental Tier Payment will stay in effect until the end of that state fiscal year.
- D.** Subject to CMS approval, the administration shall pay the allocation described in R9-22-712.07 as a lump sum payment to rural hospitals and an increase to the rural hospital tier rates:
1. Determine the percentage of hospital allocations described in R9-22-712.07 that will be paid to the individual hospitals as a lump sum. Pay that amount in one installment by the state fiscal year end.
 2. Determine the remaining portion of each hospital’s allocation and distribute it according to the calculations set forth in subsection (C).

NOTICE OF SUPPLEMENTAL PROPOSED RULEMAKING

TITLE 17. TRANSPORTATION

**CHAPTER 7. DEPARTMENT OF TRANSPORTATION
THIRD-PARTY PROGRAMS**

[R05-421]

PREAMBLE

1. Register citation and date for the original Notice of Proposed Rulemaking:

Notice of Proposed Rulemaking: 11 A.A.R. 3429, September 9, 2005

2. Sections Affected:

R17-7-101
R17-7-201
R17-7-202
R17-7-203
R17-7-204

Rulemaking Action:

Amend
Amend
Amend
Amend
Amend

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R17-7-301	Amend
R17-7-302	Amend
R17-7-401	Amend
Article 5	New Article
R17-7-501	New Section
R17-7-502	New Section
Article 6	New Article
R17-7-601	New Section
R17-7-602	New Section
R17-7-603	New Section
R17-7-604	New Section
R17-7-605	New Section
R17-7-606	New Section
R17-7-607	New Section
R17-7-608	New Section
R17-7-609	New Section
R17-7-610	New Section
R17-7-611	New Section
Article 7	New Article
R17-7-701	New Section
R17-7-702	New Section
R17-7-703	New Section
R17-7-704	New Section
R17-7-705	New Section
R17-7-706	New Section
R17-7-707	New Section
Article 8	New Article
R17-7-801	New Section
R17-7-802	New Section

3. The statutory authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):

Authorizing statutes: A.R.S. §§ 28-366 and 28-363

Implementing statute: A.R.S. § 28-5101

4. The name and address of agency personnel with whom persons may communicate regarding the rule:

Name: Janette M. Quiroz
Address: Administrative Rules Unit
Arizona Department of Transportation
Motor Vehicle Division, Mail Drop 530M
1801 W. Jefferson
Phoenix, AZ 85007
Telephone: (602) 712-8996
Fax: (602) 712-3373
E-mail: jmquiroz@azdot.gov

Please visit the ADOT web site to track progress of this rule and any other agency rulemaking matters at <http://www.azdot.gov/mvd/mvdrules/rules.asp>

5. An explanation of the rule, including the agency's reasons for initiating the rule:

The Arizona Department of Transportation, Motor Vehicle Division (Division) proposes to consolidate and amend existing rules and create new rules for the Division's Third Party Programs.

Currently third party provisions are contained within 17 A.A.C. 5, Article 7 and 17 A.A.C. 7, Articles 1 through 4. This rulemaking action will consolidate the existing rules into one Chapter: 17 A.A.C. 7, Articles 1 through 8. In addition, the rules have been amended to improve clarity, conciseness, and understandability of the rules.

These rules provide the requirements necessary for the business community and the public to successfully participate in the Third Party Programs, including:

- Commercial driver licenses and instruction permits;
- Dealer licenses;
- Driver license examinations;
- Motor carrier permits;
- Motor vehicle record processing;

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- Noncommercial driver licenses, instruction permits, and identification licenses;
- Tax report processing;
- Title and registration; and
- Vehicle verification.

6. An explanation of the substantial change which resulted in this supplemental notice:

Currently rule language under R17-7-101 includes a definition of “Good Standing” which requires an applicant for authorization or certification to not have had a suspension, cancellation, revocation, or denial of a Division-issued license within the previous “three-years” of application date. All such references to suspension, cancellation, revocation, or denial of a Division-issued license should be consistent with this requirement. However, subsections R17-7-101(22)(a), R17-7-201(B) and R17-7-604(A)(1) requires a time-frame of 5 years. Consistent with current rule and Division policy, the time-frame should be three years throughout.

Additionally, the definition of “Good Standing” includes provisions for application by previous employees of the Division. The proposed rule indicated that a previous employee of the Division must not have been dismissed or have resigned their position within the previous five years. This provision should also give a time-frame of three years from application date.

7. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:

Not applicable

8. The preliminary summary of the economic, small business, and consumer impact:

The Division incurs substantial cost under the third-party program rules, to certify and train personnel who work for authorized third parties, to perform continuous quality assurance, conduct periodic audits, and to regulate authorized third parties, in the interest of protection of the public. However, the Division experiences a decrease in revenue spending as the responsibilities that would normally be performed by the Division are provided for by an authorized or certified third party. Consequently, the Division is not required to expend resources on personnel or equipment to perform such duties.

Authorized or certified third-party participants can incur moderate to substantial cost for facilities, security, equipment (such as computers, hardware/software), and costs associated with personnel. Conversely, the rules increase business opportunities of businesses and individuals meeting the authorization or certification requirements. Participants in the Third Party Title and Registration Program will experience an increased cost for the procurement of a third party bond for each branch office, whereas previously participants were required only one bond per company. This increase will not affect those third parties who are determined to be exempt per statute.

Consumers of authorized or certified third parties are required to pay a minimal convenience fee for services as authorized by A.R.S. 28-5101. Consumers experience non-quantifiable benefits of obtaining services at non-traditional times and locations by non-traditional media, and the ability to avoid wait time increases at Division field offices. Additionally, these rules protect consumers of services provided by authorized or certified third parties through Division oversight, as required by statute.

Implementation of these rules will not significantly increase the cost to the Division, or existing and potential third parties.

9. The name and address of agency personnel with whom persons may communicate regarding the accuracy of the economic, small business, and consumer impact statement:

Name: Janette M. Quiroz
Address: Administrative Rules Unit
Arizona Department of Transportation
Motor Vehicle Division, Mail Drop 530M
1801 W. Jefferson
Phoenix, AZ 85007
Telephone: (602) 712-8996
Fax: (602) 712-3373
E-mail: jmquiroz@azdot.gov

Please visit the ADOT web site to track progress of this rule and any other agency rulemaking matters at <http://www.azdot.gov/mvd/mvdrules/rules.asp>

10. The time, place, and nature of the proceedings for the making, amendment, or repeal of the rule or, if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:

An oral proceeding is not scheduled for these proposed rules. To request an oral proceeding or to submit written, faxed, or e-mail comments, please contact the rules analyst listed in #4 between the hours of 8:00 a.m. and 5:00 p.m., Monday through Friday, except legal holidays. If no request for an oral proceeding is made, the public record in this rulemaking will close on January 9, 2006.

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11. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

None

12. Incorporations by reference and their location in the rules:

None

13. The full text of the rules follows:

TITLE 17. TRANSPORTATION

**CHAPTER 7. DEPARTMENT OF TRANSPORTATION
THIRD PARTY PROGRAMS**

ARTICLE 1. DEFINITIONS AND APPLICABILITY

Section
R17-7-101. Definitions

ARTICLE 2. AUTHORIZATION

Section
R17-7-201. Authorization Application Requirements
R17-7-202. Notification of Authorization Approval or Denial and Hearing
R17-7-203. Authorization Agreement
R17-7-204. Authorized Third Party's Duties

ARTICLE 3. CERTIFICATION

Section
R17-7-301. Certification Application Requirements
R17-7-302. Notification of Certification Approval or Denial and Hearing

ARTICLE 4. AUDITS

Section
R17-7-401. Audits

ARTICLE 5. PRE-APPLICATION AND SELECTION PANEL

Section
R17-7-501. Definitions
R17-7-502. Pre-Application and Selection Panel

ARTICLE 6. DRIVER LICENSE EXAMINATION PROGRAM

Section
R17-7-601. Definitions
R17-7-602. Activities
R17-7-603. Pre-Application and Selection Panel Process
R17-7-604. Additional Authorization Application Requirements
R17-7-605. Additional Certification Application Requirements
R17-7-606. Driver License Examination Authorization Agreement
R17-7-607. Duties of Authorized Driver License Examination Program
R17-7-608. Duties of Certified Driver License Examiner
R17-7-609. Professional Conduct
R17-7-610. Enforcement

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R17-7-611. Denial, Cancellation, and Suspension; Appeal

ARTICLE 7. TITLE AND REGISTRATION PROGRAM

Section

R17-7-701. Definitions
R17-7-702. Authorization Application
R17-7-703. General Authorization Requirements
R17-7-704. General Duties of an Authorized Third Party and a Certified Individual
R17-7-705. Financial Requirements
R17-7-706. Corrective Action
R17-7-707. General Application Requirements for Certification

ARTICLE 8. THIRD PARTY INSPECTION PROGRAM

Section

R17-7-801. Definitions
R17-7-802. General Provisions; Additional Duties; Reporting Requirements

ARTICLE 1. DEFINITIONS AND APPLICABILITY

R17-7-101. Definitions

The following definitions apply to this Chapter unless otherwise specified:

1. "Accountable inventory" means an item that is reproduced by the Division in a consecutively numbered series for:
 - a. Recording the number of a completed, issued, or voided item in a log, and
 - b. Reporting the number of a completed, issued, or voided item to the Division.
2. "Activity" means a function or service that is provided by an authorized third party and performed by a certified individual.
3. "Agency head" or "political subdivision head" means the chief officer of an agency or political subdivision or another individual with authority to act for the agency head or political subdivision head.
4. "Application Date" means the date the application is signed by the applicant.
5. "Application Received Date" means the date the application is received as complete by the Division.
46. "Audit" means ~~an examination or inspection of the operations of an authorized third party to determine compliance with all applicable statutes, rules, contract terms, and Division policies but is not limited to, performing an inspection or attestation engagement of the operations of an authorized third party to determine compliance with applicable statutes, rules, contract terms, and Division policies.~~
7. "Attestation engagement" means an examination, a review, or the completion of specific testing procedures agreed upon with the Division, the result of which is a report issued by the Arizona Department of Transportation Office of Audit & Analysis.
58. "Authorized third party" means an entity that:
 - a. Has written permission from the Division to operate a business under A.R.S. Title 28, Chapter 13; and
 - b. Employs or contracts with at least one certified individual to provide third party services.
69. "Branch" means an authorized third party's business location that is:
 - a. In addition to the established place of business,
 - ~~a-b.~~ Division-approved; ,
 - ~~b-c.~~ Not used as a residence; ,
 - ~~e-d.~~ Authorized to perform contracted activities ~~at the third parties business location,~~ and
 - ~~d-e.~~ Located within the same county as the established place of business.
710. "Cancellation" means a Division action that withdraws an authorization or certification issued under A.R.S. Title 28, Chapter 13.
811. "Certified individual" means an individual who the Division certifies under A.R.S. Title 28, Chapter 13 to perform specified activities for an authorized third party as an employee or contractor. The Division may certify an individual as a:
 - a. Commercial driver license examiner,
 - b. Dealer license processor,
 - c. Driver license processor,
 - d. Noncommercial driver license examiner,
 - e. Tax report processor,

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- f. Title and registration processor,
 - g. Vehicle inspector, or
 - h. Vehicle permit processor.
912. “Classes of driver licenses” ~~is defined~~ means the same as prescribed in A.R.S. § 28-3101.
1013. “Commercial driver license examiner” means an individual certified by the Division to administer class A, B, or C driver license skills tests.
1114. “Contact individual” means ~~an a principle or designated individual, other than the principal~~ of an authorized third party who communicates with the Division on behalf of the authorized third party:
 - a. ~~Whose current name and telephone number the authorized third party submits to the Division in writing;~~
 - b. ~~Who communicates with the Division on behalf of the authorized third party.~~
1215. “Convenience fee” means the amount exceeding the statutorily prescribed fees and taxes that an authorized third party collects and retains for its services.
1316. “Department” means the Arizona Department of Transportation.
17. “Director” means the Division Director, Motor Vehicle Division, Arizona Department of Transportation or the Director’s designee.
1418. “Division” means the Arizona Department of Transportation, Motor Vehicle Division.
15. “Division headquarters” means 1801 West Jefferson Street, Phoenix, Arizona 85007.
1619. “Division-issued business license” means:
 - a. An automotive recycler license,
 - b. A broker license,
 - c. A distributor license,
 - d. A distributor branch license,
 - e. A factory branch license,
 - f. A manufacturer license,
 - g. A new motor vehicle dealer license,
 - h. A professional driver training school license,
 - i. A third-party authorization,
 - j. A title service company license,
 - k. A used motor vehicle dealer license,
 - l. A wholesale motor vehicle dealer license, or
 - m. A wholesale motor vehicle auction dealer license.
1720. “Driver license processor” means an individual certified by the Division to:
 - a. Review applications for driver licenses, instruction permits, and identification licenses;
 - b. Administer driver license tests;
 - c. Enter information related to the application in the Division’s database; and
 - d. Issue or deny specified classes of driver licenses, instruction permits, and identification licenses.
1821. “Established place of business” means an authorized third party’s primary business location that is:
 - a. Division-approved,
 - b. Not used as a residence, and
 - c. Performs third party activities on site. Where authorized third party activities are performed.
19. “Floor plan” means a Division-approved diagram of a building interior, as seen from above, that shows the interior dimensions and the location of doors, windows, and equipment. A floor plan includes:
 - a. A computer-generated graphic,
 - b. A blueprint or other photographic reproduction of an architectural plan or technical drawing, or
 - e. A non-technical drawing made by hand using a straightedge.
2022. “Good standing” means an authorized or certified ~~third party~~ third party applicant ~~does not have~~ has no:
 - a. ~~Within three years before the application date, a suspension~~ Suspension, cancellation, revocation, or denial of a Division-issued ~~authorized third party business license or certification;~~ or within the previous three years of the application date;
 - b. ~~On the application date, any delinquent~~ Delinquent fees, taxes, or unpaid balance owed to the Division; ~~and~~
 - c. ~~While holding a third party authorization or certification;~~
 - i. ~~A suspension, cancellation, revocation, or denial of another Division-issued license; or~~
 - ii. ~~Delinquent fees, taxes, or unpaid balance owed to the Division.~~
 - d. Unsatisfactory results from any outside source contacted by the Division, or
 - i. If the applicant is a former Department employee or authorized third party owner or employee:
Dismissal or resignation from position for cause, if the applicant is a former Department employee or authorized third party owner or employee within three years prior to the application date, to include:
 - i. A dismissal from position due to misconduct Misconduct;
 - ii. A resignation Resignation from position:
 - (1) In lieu of dismissal;

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- (2) By mutual agreement following allegations of misconduct; or
- (3) Under unsatisfactory conditions.
- iii. ~~A designation~~ Designation “not eligible for rehire.”
- ~~24~~ 21 “~~Inactive status~~” means a Division action taken at the request of an authorized third party that deactivates a third-party authorization for no more than six months.
- ~~22~~23 “Log” means a complete, chronological record of accountable inventories and activities performed and kept by the authorized third party, as prescribed by the Division.
- ~~23~~24 “Monthly reconciliation report” means an authorized third-party’s report ~~on~~ of accountable inventory use other than title and registration accountable inventory. ~~A monthly reconciliation report:~~
 - a. ~~Lists the number of each completed license, permit, or form;~~
 - b. ~~Lists the number of each voided license, permit, or form;~~
 - e. ~~Is signed by a principal or contact individual of the authorized third party; and~~
 - d. ~~Includes all voided licenses, permits, or forms.~~
- ~~24~~25 “Noncommercial driver license examiner” means an individual certified by the Division to administer class D, G, and M driver license tests.
- 26 “Principal” mean any of the following:
 - a. A sole proprietor.
 - b. A partnership, limited partnership, limited liability partnership, limited liability company, or corporation.
 - i. Partner;
 - ii. Manager;
 - iii. Member;
 - iv. Officer;
 - v. Director;
 - vi. Agent; and
 - vii. If a limited liability company or corporation, each stockholder owning 20 percent or more of the limited liability company or corporation; or
 - c. A political subdivision or government agency, the name of the political subdivision head or agency head.
- ~~25~~27 “Principal place of business” means an authorized third party’s administrative headquarters.
- ~~26~~28 “Skills test” means a set of tests, authorized and approved by the Division and administered by a commercial or non-commercial driver license examiner or driver license processor to determine whether the applicant possesses the required skills for the type of license for which the applicant applies.
- ~~27~~29 “Skills test route” means a public road or highway driving course, identified by an authorized third party and approved by the Division, for administering skills tests to driver license applicants.
- ~~28~~30 “Suspension” means a Division action that, for a stated period, prohibits:
 - a. An authorized third party from:
 - i. Providing at least one type of third-party activity, or
 - ii. Operating as an authorized third party.
 - b. A certified individual from:
 - i. Performing at least one type of third-party activity, or
 - ii. Working for an authorized third party.
- ~~29~~31 “Tax report processor” means an individual certified by the Division to:
 - a. Process ~~motor~~ fuel tax reports and interstate user fuel tax reports from fuel suppliers, fuel vendors, and motor carriers; and
 - b. File the reports with the Department.
- ~~30~~32 “Test site” means a location, identified by an authorized third party, for administering skills tests to driver license applicants that is:
 - a. Division-approved,
 - b. Permanently marked, and
 - c. Off the public road or highway.
- ~~31~~33 “Title and registration processor” means an individual certified by the Division to:
 - a. Review applications for vehicle certificates of title or registrations under A.R.S. Title 28, Chapter 7,
 - b. Enter information related to applications for vehicle certificates of title or registrations in the Division’s database, and
 - c. Issue or deny vehicle certificates of title or registrations.
- ~~32~~34 “Vehicle dealer license processor” means an individual certified by the Division to:
 - a. Review applications for vehicle dealer licenses under A.R.S. Title 28, Chapter 10;
 - b. Enter information related to the applications in the Division’s database; and
 - c. Issue or deny vehicle dealer licenses.
- ~~33~~35 “Vehicle inspector” means an individual certified by the Division to perform motor vehicle inspections.
- ~~34~~36 “Vehicle permit processor” means an individual certified by the Division to:

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- a. Review applications for permits or registrations under A.R.S. Title 28, Chapter 3, Articles 18 and 19, and Chapter 7.
- b. Enter information related to the applications in the Division's database; and
- c. Issue or deny permits or registrations.

ARTICLE 2. AUTHORIZATION

R17-7-201. Authorization Application Requirements

- A.** An applicant for third-party authorization shall provide to the Division:
1. The applicant's name, business name, and federal employer identification number;
 2. The applicant's bond status as exempt or nonexempt under A.R.S. §§ 28-5104 and ~~28-5105~~. If exempt, the applicant's name under subsection (A)(1);
 3. The name of the applicant's principal: ~~If the applicant is:~~
 - a. ~~A sole proprietor, state the sole proprietor's name;~~
 - b. ~~A partnership, limited partnership, limited liability partnership, limited liability limited partnership, limited liability company, or corporation, the name of each:~~
 - i. ~~Partner;~~
 - ii. ~~Manager;~~
 - iii. ~~Member;~~
 - iv. ~~Officer;~~
 - v. ~~Director;~~
 - vi. ~~Agent; and~~
 - vii. ~~If a limited liability company or corporation, each stockholder owning 20 percent or more of the limited liability company or corporation; or~~
 - e. ~~A political subdivision or government agency, the name of the political subdivision head or agency head;~~
 4. The name and telephone number of the applicant's contact individual;
 5. The activities for which the applicant seeks authorization;
 6. The address of the applicant's principal place of business and the address of each established place of business;
 7. A statement that the applicant is in good standing with the Division, ~~if applicable;~~
 8. The signature of:
 - a. The sole proprietor,
 - b. All partners,
 - c. A corporate officer,
 - d. A limited liability company manager, or
 - e. The political subdivision head or agency head;
 9. ~~An applicant shall provide to the Department documents~~ Documents relating to the applicant's business. ~~If if the applicant is a:~~
 - a. ~~A corporation~~ Corporation:
 - i. A copy of the articles of incorporation, including any amendments, filed with the Arizona Corporation Commission; and
 - ii. Any other official documents, including copies of board meeting minutes and annual reports, that reflect changes to the corporate name, structure, or officers;
 - b. ~~A limited~~ Limited liability company:
 - i. A copy of the articles of organization, including any amendments, filed with the Arizona Corporation Commission, and
 - ii. A copy of the application for registration as a foreign limited liability company filed with the Arizona Corporation Commission and a copy of the certificate of registration issued by the Arizona Corporation Commission to a foreign limited liability company; or
 - c. ~~A limited~~ Limited partnership, limited liability partnership, ~~or a limited liability limited partnership~~:
 - i. A copy of a valid certificate of existence issued by the Arizona Secretary of State, or
 - ii. A copy, stamped "Filed" by the Arizona Secretary of State, of a Certificate of Limited Partnership, Certificate of Foreign Limited Partnership, Limited Liability Partnership form, Foreign Limited Liability Partnership form, or Statement of Qualification for Conversion of Limited Partnership or Limited Liability Partnership ~~to a Limited Liability Limited Partnership;~~
 10. A floor plan for each established place of business;
 11. A map, drawing, or narrative description of each skills test route and a photograph or drawing of each test site;
 12. Unless exempt, proof of a surety bond according to A.R.S. § 28-5104; and
 13. Unless exempt, a full set of fingerprints for a criminal records check of each principal at least age 18 ~~named under subsection (A)(3)(a) or (A)(3)(b)~~. The applicant is responsible for the cost of finger printing and background check.

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Each full set of fingerprints shall be impressed on a fingerprint card:

- a. Supplied by the Division, and
 - b. Completed by a law enforcement agency.
- B.** Unless exempt, an applicant for a ~~third-party~~ third party authorization shall submit, ~~for the individual named under subsection (A)(3)(a) or (A)(3)(b) for each principle,~~ a statement on a form provided by the Division with the following information:
1. Name, including other names and birth dates used;
 2. Residence address;
 3. Any Division-issued business suspension, cancellation, revocation, or denial within ~~five~~ three years ~~before~~ prior to the application date;
 4. The individual's signature witnessed by a notary public or a Division agent designated under A.R.S. § 28-370(A); and
 5. Any other information requested by the ~~Division~~ Director.
- C.** The complete authorization application packet as provided under subsections (A) and (B) shall be received within 30 days of application date.

R17-7-202. Notification of Authorization Approval or Denial and Hearing

- A.** Notification. The Division shall send written and dated notification of approval or denial of third-party authorization:
1. By regular mail,
 2. To the mailing address provided on the application, and
 3. According to A.R.S. § 28-5107(A).
- B.** Hearing. A.R.S. §§ 28-5107(B) through 28-5107(D), A.A.C. R17-1-501 through R17-1-511, and A.A.C. R17-1-513 apply to a hearing on the denial of ~~third-party~~ third party authorization.

R17-7-203. Authorization Agreement

Before the ~~Department~~ Division issues a ~~third-party~~ third party authorization, an applicant receiving authorization shall sign a written agreement with the Division as to the terms and conditions of the ~~third-party~~ third party authorization.

R17-7-204. Authorized Third Party's Duties

- A.** While holding a third party authorization, an authorized third party shall have no:
1. Suspension, cancellation, revocation, or denial of another Division-issued license; or
 2. Delinquent fees, taxes, or unpaid balance owed to the Division.
- ~~A.B.~~ Until returned to the Division, an authorized third party shall retain the following records at each established place of business or at the principal place of business:
1. All logs and copies of completed, issued, or voided accountable inventory;
 2. All unused accountable inventory; and
 3. All other paper and electronic records, including all supporting documents, relating to the activities provided by the third party.
- ~~B.C.~~ Upon the request of the Department, a third party shall provide to the Division the records listed in subsections (A)(1) through (A)(3) (B)(1) through (B)(3) upon request of the Department.
- ~~C.D.~~ An authorized third party shall maintain a copy of the certificate relating to each type of authorized activity the certified individual performs at the business location where the certified individual works.
- ~~D.E.~~ An authorized third party shall retain a certified individual's personnel file for one year after the certified individual's last day of work. The ~~retained~~ personnel file shall include the certified individual's:
1. Dates of employment,
 2. All computer access forms (if applicable), and
 3. Computer access termination form (if applicable).
- ~~E.F.~~ An authorized third party shall submit by the fifth day of each month, a monthly reconciliation report. If the authorized third party fails to timely submit a monthly reconciliation report, the Division shall:
1. Give an oral or written warning for the first untimely report,
 2. Send a letter of concern for the second untimely report in a 12-month period, or
 3. Suspend or cancel the authorization for the third untimely report in a 12-month period.
- ~~F.G.~~ An authorized third party shall comply with the audit and inspection requirements of R17-7-401.
- ~~G.H.~~ An authorized third party shall obtain the Division's written approval before:
1. Changing the location or floor plan of an established place of business,
 2. Changing a skills test route or test site, or
 3. Performing an additional authorized activity.
- ~~H.I.~~ An authorized third party shall notify the Division, within two business days, of any change to the list of certified personnel, or the contact individual.
- ~~I.J.~~ An authorized third party that is open to the public shall post at each established place of business the sign required by A.R.S. § ~~28-5101(F)~~ 28-5101(G), and a sign provided by the Division that ~~is stating~~ states the business:
1. ~~The business is~~ Is a Division-authorized ~~third-party~~ third party provider, and
 2. ~~The business may~~ May charge the customer a convenience fee.

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- ~~J.K.~~ An authorized third party shall not represent that it is the State of Arizona, the Department, or the Division in any printed or electronic advertising or promotional material. comply with the requirements of R17-7-201 before:
1. Using a name different from the name on its Authorization Agreement, or
 2. An ownership change in the entity operating as the authorized third party.
- ~~K.L.~~ An authorized third party shall not employ or contract with a current Department employee to provide training for certification without the Department employee obtaining written approval from the Department. An authorized third party shall cooperate with an onsite audit by Department personnel or the Department's representative.
- ~~L.M.~~ An authorized third party shall comply with the requirements of R17-7-201:
1. Before using a name different from the name on its authorization, or
 2. Before an ownership change in the entity operating as the authorized third party.
- An authorized third party shall not represent that it is the state of Arizona, the Department, or the Division in any printed or electronic advertising or promotional material.
- ~~M.N.~~ An authorized third party shall cooperate with an on-site audit by Department personnel or the Department's representative. not employ or contract with a current Department employee to provide training for certification without the Department employee obtaining written approval from the Department.

ARTICLE 3. CERTIFICATION

R17-7-301. Certification Application Requirements

- A. A certification applicant shall provide to the Division the following:
1. The applicant's name, residence address, mailing address, telephone number, and date of birth;
 2. The activities for which the applicant seeks certification;
 3. The dates of any employment of the applicant by the Division;
 4. ~~Whether~~ If the Division previously denied an application for any certification of the applicant;
 5. For each previous certification issued to the applicant by the Division:
 - a. The effective dates of the certification, and
 - b. The activity the applicant was certified to perform;
 6. ~~Whether~~ If the Division suspended or canceled any certification listed under subsection (A)(5);
 7. ~~Whether~~ If the applicant previously worked as a certified individual, the names of ~~no more than~~ the last three authorized third parties that employed or contracted with the applicant, and the dates of the employment or contract work;
 8. The applicant's signature;
 9. A full set of fingerprints, on a fingerprint card supplied by the Division and completed by a law enforcement agency, for a criminal records check; and; A statement that the applicant is in good standing with the Division, if applicable;
 10. ~~The applicant's signature;~~ A full set of fingerprints, on a fingerprint card supplied by the Division and completed by a law enforcement agency, for a criminal records check; and
 11. If the applicant requests certification as a driver license processor or a driver license examiner, the applicant's driving record for the 39 months ~~before~~ prior to the application date.
- B. The applicant is responsible for the cost of finger printing and criminal records check.
- C. An applicant for a certification shall submit to the Division a statement with the information listed under R17-7-201(B).
- D. ~~An applicant is eligible for certification if the applicant:~~
- ~~1. Is at least age 18 on the application date;~~
 - ~~2. Is in good standing as defined in R17-7-101(20); and~~
 - ~~3. Successfully completes all training courses and continuing education courses required by the Division; or~~
 - ~~4. Agrees in writing to complete all training courses and continuing education courses required by the Division. The complete certification application packet as provided in subsections (A) through (C) shall be received within 30 days of application date.~~
- E. ~~An applicant who was previously employed by the Division is eligible for certification if the applicant:~~
- ~~1. Meets the requirements under subsection (D);~~
 - ~~2. Was not terminated by the Division for misconduct in performing official duties within three years before the application date; or~~
 - ~~3. Did not resign during a Division investigation of misconduct in performing official duties within three years before the application date.~~
- An applicant is eligible for certification if the applicant:
1. Is at least age 18 on the application date;
 2. Is in good standing as defined in R17-7-101(20); and
 3. Successfully completes all training courses and continuing education courses required by the Division; or;
 4. Agrees in writing to complete all training courses and continuing education courses required by the Division.
- F. An applicant who was previously employed by the Division is eligible for certification if the applicant:
1. Meets the requirement under subsection (D).

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2. Was not terminated by the Division for misconduct in performing official duties within three years prior to the application date, or
3. Did not resign during a Division investigation of misconduct in performing official duties within three years prior to the application date.

R17-7-302. Notification of Certification Approval or Denial and Hearing

- A. Notification. The Division shall send written and dated notification of certification approval or denial:
 1. By regular mail,
 2. To the mailing address provided on the application, and
 3. According to A.R.S. § 28-5107(A).
- B. Hearing. A.R.S. §§ 28-5107(B) through 28-5107(D), A.A.C. R17-1-501 through R17-1-511, and A.A.C. R17-1-513 apply to a certification denial hearing.

ARTICLE 4. AUDITS

R17-7-401. Audits

- A. During an on site audit or inspection, Department personnel, a law enforcement agency, ~~or federal personnel employees or agents of the Federal Motor Carrier Safety Administration~~ may:
 1. Review and copy paper and electronic records;
 2. Examine the site;
 3. Interview:
 - a. Employees, ~~and~~
 - b. ~~Customers.~~ Certified individuals, and
 - c. Customers
- B. If Department personnel or the Department's representative ~~conduct~~ conducts an onsite audit outside Arizona under A.R.S. § 28-5102(B)(3), the Department shall charge, and the authorized third party shall pay, for the audit.
 1. The audit charge and payment shall equal the Arizona Department of Administration reimbursement for out-of-state travel authorized by A.R.S. Title 38, Chapter 4, Article 2 and stated in ~~sections Section II-D-3 and sections II-D-6~~ of the Arizona Accounting Manual prepared by the Arizona Department of Administration.
 2. ~~Sections Section II-D-3 and II-D-6~~ of the Arizona Accounting Manual is available on the Arizona General Accounting Office web site at www.gao.state.az.us.

ARTICLE 5. PRE-APPLICATION AND SELECTION PANEL

R17-7-501. Definitions

The following term applies to this Article, unless the content otherwise requires:

"Selection Panel" means a committee, designated by the Director and composed of Department personnel, to review and evaluate potential applicants.

R17-7-502. Pre-Application and Selection Panel

- A. For the selection panel process, an applicant shall:
 1. Submit a completed Third Party Authorization Interest form under R17-7-201;
 2. Submit a business plan with designated information as required by the Division; and
 3. Attend a scheduled interview conducted by Division personnel.
- B. The Division selection panel shall evaluate documentation as required in subsections (A)(1) and (A)(2) for each potential applicant.
- C. The Division selection panel shall forward the results of the evaluation to the appropriate program.

ARTICLE 6. DRIVER LICENSE EXAMINATION PROGRAM

R17-7-601. Definitions

The following terms and phrases apply to this Article, unless the content otherwise requires:

1. "Arizona Commercial Driver License Manual" means the Division's approved reference material for Commercial Driver License applicants, containing specific requirements to obtain a CDL.
2. "Arizona CDL Examiners Manual" means the Division's approved curriculum for training CDL examiners for administering the CDL skills test.
3. "CDL" means Commercial Driver License.
4. "CDLE" means Commercial Driver License Examination.
5. "CDLE Coach/Transit Bus Activity" means the Commercial Drivers License Examination Program activity for administering examinations for a Passenger (P) endorsement on a Commercial Driver License (CDL).

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6. “CDLE School Bus Activity” means the CDL Examination Program activity for administering examinations for a School Bus (S) endorsement on a CDL.
7. “CDLE Truck Activity” means the CDL Examination Program activity for administering examinations for a Class A, B, or C truck CDL.
8. “Component Parts” means the safety related parts as listed on the “Third Party CDL Demonstration Test Score sheet.”
9. “Contractor” means an authorized third party that has entered into an agreement with the Division that employs Driver License Examiners as defined in R17-7-101.
10. “Demonstration Test” means a skills test as defined in R17-7-101.
11. “NDL” means Noncommercial Driver License, Class D/G or M.
12. “NDLE” means Noncommercial Driver License Examination.
13. “NDLE Operator Activity” means Noncommercial Driver License Examination Program activity for Class D and G driver licenses.
14. “NDLE Motorcycle Activity” means Noncommercial Driver License Examination Program activity for Class M driver license or endorsement.
15. “Pre-Trip Inspection Examination” means the process of examining the applicant’s ability to identify a commercial vehicle’s component parts, and to determine if those parts are in safe operating condition as required under federal and state law.
16. “Qualifying party” means a bona fide employee designated to qualify for authorization on behalf of the principal.

R17-7-602. Activities

The authorized and certified activities for the Driver License Examination Program are:

1. CDLE “Coach/Transit Bus.”
2. CDLE “School Bus.”
3. CDLE “Truck.”
4. NDLE “Motorcycle,” or
5. NDLE “Operator.”

R17-7-603. Pre-Application and Selection Panel Process

Interested parties seeking to apply for authorization in the Driver License Examination Program shall comply with the requirements of Article 5.

R17-7-604. Additional Authorization Application Requirements

In addition to the requirements of R17-7-201, an applicant approved by the Selection Panel shall:

1. Unless exempt, submit for each qualifying party, a statement on a form provided by the Division, with the following information:
 - a. Name, including other names and birth dates used;
 - b. Residence address;
 - c. Any Division-issued business license suspension, cancellation, revocation, or denial within three years before the application date;
 - d. The individual’s signature witnessed by a notary public or a Division agent designated under A.R.S. § 28-370(A); and
 - e. Any other information requested by the Director.
2. Provide the name, telephone number and e-mail address of the applicant’s qualifying party on the Authorization Application.
3. The qualifying party shall:
 - a. Be a bona fide employee whose principal employment is with the company for whom the applicant has qualified;
 - b. Have complete oversight, supervision, and responsibility of all operations necessary to ensure full compliance with all applicable statutes, rules, and program requirements; and
 - c. Meet all authorization requirements on behalf of the authorization applicant.
4. Submit a Site Inspection Request form for each of the following:
 - a. Principal Place of Business,
 - b. Established Place of Business,
 - c. Branch office, and
 - d. Test Site:
 - i. CDL: A diagram with the dimensions of any proposed CDL test site shall be attached to the inspection request. The dimensions shall be in compliance with the Arizona CDL Examiners Manual.
 - ii. Motorcycle: A diagram with the dimensions of any proposed motorcycle test site shall be attached to the inspection request. The dimensions shall be in compliance with the Motorcycle Safety Foundation requirements.
5. Maintain a valid agreement for the use of the land if the applicant does not own the land on which the test site is located.

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6. Ensure each Principal Place of Business, Established Place of Business, Branch office, and Test Site:
 - a. Meet all local zoning requirements, and
 - b. Is not be used as a residence.

R17-7-605. Additional Certification Application Requirements

In addition to R17-7-301 an applicant for certification as a Driver License Examiner shall:

1. Possess a valid Arizona driver license of the class and endorsement representative of the examinations to be administered;
2. Have no driver license suspensions, cancellations, revocations, or disqualifications within the 39 months prior to application date, including CDL medical suspensions as defined in R17-5-508, or convictions within the 39 months prior to application date relating to:
 - a. Driving under the influence of intoxicating liquors or drugs,
 - b. Reckless driving,
 - c. Racing upon a highway, or
 - d. Leaving the scene of an accident.
3. CDLE:
 - a. Be at least 21 years of age,
 - b. Have a minimum of three years of driving experience pertaining to the operation of a commercial vehicle representative of the type and class for which the applicant is seeking certification, and
 - c. A total of three years experience in:
 - i. Driver license issuance;
 - ii. Driver education instruction;
 - iii. Professional driving instruction, or
 - iv. Any combination thereof.
4. NDLE:
 - a. Be at least 18 years of age,
 - b. Have a minimum of one year driving experience, and
 - c. A total of one year experience in:
 - i. Driver license issuance;
 - ii. Driver education instruction;
 - iii. Professional driving instruction;
 - iv. Any combination thereof.
5. A contractor has the right to withdraw a certification application if the examiner applicant has failed to meet certification requirements.

R17-7-606. Driver License Examination Authorization Agreement

In addition to R17-7-203, the authorization agreement shall: Include an addendum identifying the specific requirements pertaining to the Driver License Examination Program and the selected activity.

R17-7-607. Duties of Authorized Driver License Examination Program

In addition to R17-7-204, after authorization, a Driver License Examination Program shall:

1. Comply with all federal and state laws, Division rules and contract provisions;
2. Maintain compliance with all authorization requirements set forth in these rules;
3. Attend all ongoing Division training;
4. Provide a safe work area adequate in size to accommodate the related test;
5. Ensure all vehicles used for examination are:
 - a. Representative of the class and type for which the individual is seeking a driver license,
 - b. Maintained in safe operating condition, and
 - c. In compliance with registration and insurance requirements set forth in Title 28, Arizona Transportation Laws;
6. Maintain approved commercial vehicles in compliance with applicable Federal Motor Carrier Safety Regulations and Arizona Commercial Driver License Manual;
7. Purchase and maintain the following examination equipment:
 - a. CDLE:
 - i. Fifteen or more 28" high traffic cones,
 - ii. Measuring tape,
 - iii. Clipboard, and
 - iv. At least two wheel chocks for placement in front of and behind the vehicle rear wheels for pre-trip inspection examination.
 - b. NDLE:
 - i. Clipboard,
 - ii. Fire Extinguisher (Class A,B,C),
 - iii. First aid kit,

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- iv. Proper vision screening equipment approved by the Division if providing vision examinations, and
- v. 75 4" or 6" high traffic cones (Motorcycle only).
- 8. Notify the Division within two business days of any change to the qualifying party; and
- 9. Notify the Division, within two business days, of any change to the list of certified personnel, or the contact individual.

R17-7-608. Duties of Certified Driver License Examiner

A Certified Driver License Examiner shall:

- 1. Comply with all federal and state laws, Division rules, and contract provisions;
- 2. Maintain compliance with all pre-certification requirements set forth in these rules;
- 3. Shall not administer any examination unless the applicant meets the requirements of all statutes, rules and policies governing driver licensing;
- 4. Attend ongoing Division training;
- 5. Provide written notice within 24 hours to both the Authorized Driver License Examination Program and MVD if the Examiner's driver license is suspended, revoked, canceled or disqualified including CDL medical suspensions as defined in R17-5-508 and revocations;
- 6. Conduct skills tests only on Division approved test routes;
- 7. Issue a skills test score sheet to an applicant who successfully completes the skills test. The score sheet shall be completed in the presence of the applicant at the time of the skills test, and is valid for 30 calendar days from the completion date of the skills test; and
- 8. Verify the CDL driver license applicant possesses a:
 - a. Valid Arizona driver license with photograph.
 - b. Valid Division issued commercial instruction permit for the class and endorsement of the vehicle to be used in administering the skills test, and
 - c. Sealed envelope from the Division containing a valid Arizona Driver License or Identification Card Application that names the applicant and indicates in the appropriate section that the applicant successfully completed the CDL written/knowledge test(s).

R17-7-609. Professional Conduct

A. The Driver License Examination Program Contractor or Examiner will not be permitted to:

- 1. Accompany any applicant into any MVD or third party office.
- 2. Solicit any individual on the premises rented, leased, or owned by the Division or third party.
- 3. Engage in any activity or behavior that would bring discredit or embarrassment to the Division, and
- 4. Behave in an unprofessional manner while dealing with the public in general or with Division staff.

B. The Driver License Examination Program Contractor or Examiner shall maintain high standards of honesty, integrity and impartiality, free from any personal consideration, favoritism or partisan demands.

R17-7-610. Enforcement

Upon termination from the Driver License Examination Program, whether voluntary or involuntary, the following shall be surrendered to the Division:

- 1. All authorization, certification and branch certificates issued by the Division;
- 2. All unused Division forms and unused accountable inventory;
- 3. All copies of completed or voided accountable inventory and logs; and
- 4. All records of driver license examinations conducted.

R17-7-611. Denial, Cancellation, and Suspension; Appeal

The authorization or certification shall be denied, canceled or suspended upon a determination by the Director that a Contractor or Examiner is no longer qualified for authorization or certification under this rule, or is in breach of the contract with the Division.

ARTICLE 7. TITLE AND REGISTRATION PROGRAM

R17-7-701. Definitions

The following terms and phrases apply to this Article, unless the content otherwise requires:

- 1. "Concentration Banking System (CBS)" means a type of state bank account, established by the Arizona State Treasurer's office for deposit of funds collected by an authorized third party.
- 2. "Floor plan" means a Division-approved diagram of a building's interior, as seen from above, that shows the interior dimensions and the location of doors, windows, and equipment.
- 3. "Vicinity" means the area adjacent to or in the immediate proximity of an authorized third party's Established Place of Business.

R17-7-702. Authorization Application

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In addition to the requirements in R17-7-201, an applicant for third party Authorization shall provide to the Division:

1. A floor plan that includes either:
 - a. A computer-generated graphic,
 - b. A blueprint or other photographic reproduction of an architectural plan or technical drawing, or
 - c. A non-technical drawing made by hand using a straightedge; and
2. A Third Party Bond for each established branch location unless otherwise exempt per statute.

R17-7-703. General Authorization Requirements

In addition to R17-7-201 and R17-7-204, the authorized third party shall:

1. Have facilities, including the vicinity and equipment, pre-approved by the Division;
2. Have an Established Place of Business as defined in R17-7-101;
3. Conduct all authorized activities only at the Established Place of Business;
4. Submit to the Division for review and approval any other businesses to be conducted by the authorized third party at the Established Place of Business; and
5. Maintain a Third Party Bond for each established place of business.

R17-7-704. General Duties of an Authorized Third Party and a Certified Individual

The authorized third party or certified individual shall:

1. Submit all documents and corrections, in accordance with all laws, rules, policies, procedures, Third Party Authorization Agreement, and other established Division guidelines;
2. Immediately notify ADOT/MVD of inappropriate actions relating to motor vehicle transactions;
3. Require the submittal of all supporting documentation relating to a title and registration or driver license transactions prior to updating the Motor Vehicle Division databases;
4. Maintain professional conduct;
5. Provide written notice within 24 hours to both the authorized third party Program and MVD if the processor's driver license is suspended, revoked, canceled, or disqualified including CDL medical suspensions as defined in R17-5-508;
6. Conduct skills tests only on Division approved test routes;
7. Not witness or notarize documentation relating to these transactions unless the appropriate identification is submitted;
8. Not accompany any applicant into any MVD or third party office;
9. Not solicit any individual on the premises rented, leased, or owned by the Division or third party;
10. Not engage in any activity or behavior that would bring discredit or embarrassment to the Division; and
11. Not behave in an unprofessional manner while dealing with the public in general or with Division staff.

R17-7-705. Financial Requirements

An authorized third party shall comply with the Division's specific financial requirements as follows:

1. Deposit all required money to be remitted to the Division under A.R.S. § 28-5101 by the business day following the transaction date in the designated:
 - a. CBS account, or
 - b. Account through an electronic method pre-approved by the Division.
2. Submit to the Division any additional money required within two days after notification.

R17-7-706. Corrective Action

A. Non-compliance with laws, rules, policies, procedures, Division guidelines, or contractual requirements may result in corrective action.

B. Corrective actions may include probation, suspension or cancellation of authorization or certification based on:

1. Non-compliance,
2. History of non-compliance,
3. Frequency and severity of the violation, or
4. Failure to maintain good standing status as defined in R17-7-101.

R17-7-707. General Application Requirements for Certification

In addition to the requirements in R17-7-301 an applicant requesting:

1. Certification shall:
 - a. Complete all additional application forms, and
 - b. Be employed or under contract for an employer applying for or authorized as a Title and Registration or Driver License Authorized Provider, as applicable.
2. Driver license certification shall:
 - a. Not have any driver license suspensions, revocations, cancellations, or disqualifications within the 39 months prior to application, including convictions related to:
 - i. Driving under the influence of intoxicating liquors or drugs,
 - ii. Reckless driving,
 - iii. Racing upon the highway, or

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- iv. Leaving the scene of an accident.
- b. Not have any CDL medical suspensions as defined in R17-4-508.

ARTICLE 8. THIRD PARTY INSPECTION PROGRAM

R17-7-801. Definitions

The following term applies to this Article, unless the content otherwise requires:

“Inspection” means vehicle verification as prescribed in A.R.S. § 28-2011.

R17-7-802. General Provisions; Additional Duties; Reporting Requirements

A. In addition to the Authorized Vehicle Inspection Provider provisions under R17-7-101 through R17-7-501, an Authorized Vehicle Inspection Provider shall:

1. Maintain all Vehicle Inspection forms in numerical order by the accountable form number;
2. Ensure that the Division receives the following by the fifth day of each month:
 - a. Completed Vehicle Inspection Monthly Reconciliation Report for the previous month;
 - b. Division copies of the Vehicle Inspection forms, along with any voided forms; and
 - c. If no inspections were completed during the previous month, a verification of Vehicle Inspection Monthly Reconciliation indicating zero inspections.
3. Retain all vehicle inspector copies of completed and voided Vehicle Inspection forms in numerical order by accountable form number, filed by month, and made readily accessible for audit purposes for a period of three years; and

B. In the event that the Division does not receive a Vehicle Inspection Monthly Reconciliation Report from the Authorized Vehicle Inspection Provider, as prescribed in R17-7-702, the Division shall take corrective action in accordance with Division policy.