



**House
Legislative
Analysis
Section**

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UPDATE DRIVER'S LICENSE

House Bill 4285 (Substitute H-4) First Analysis (11-1-95)

Sponsor: Rep. Jan Dolan
Committee: Transportation

THE APPARENT PROBLEM:

The Michigan Vehicle Code authorizes the secretary of state to provide for the design and issuance of the official state driver's license, which at present contains certain identifying information about its owner such as his or her birthdate, height, weight, address, and so forth. The license also indicates whether its holder has corrected vision and what type of driving privileges he or she is granted (for instance, whether the person is licensed to drive for commercial purposes). The secretary of state contracted with a private vendor for the design and manufacture of the driver's license in 1990, and the contract is scheduled to expire at the end of 1995.

With the current contract's expiration date approaching, the Department of State has been studying ways in which information contained on the license might be electronically stored and more efficiently used by the secretary of state's branch offices. For instance, a driver's license now uses an image of its holder that is obtained via normal photographic methods at the time of application. Under this system, however, the secretary of state is prohibited from keeping on file a negative of the photo taken for the person's license. This means someone who, for instance, loses his or her license must apply to the secretary of state for a replacement and come into a branch office to have another photo taken, while the secretary of state must process the application using paper forms and other inefficient procedures--a time-consuming process. By electronically storing a computer-generated image of a person as well as other identifying information, the secretary of state says it could provide this and other services more quickly to customers and dispense with the keeping of paper records.

Moreover, digitizing this information could aid both law enforcement agencies' efforts to more accurately identify motorists and financial institutions' efforts to thwart fraud, help retailers' attempts to avoid selling alcohol to minors, and save retailers time and money by enabling their customers to use a "magnetized strip" or bar code that would be used with the new license in a special electronic reader for quick identification. And finally, it has been suggested that such a system might

also contain certain voter registration data. The secretary of state has requested legislation authorizing it to provide for the design and development of a new driver's license containing current information as well as certain other data, but with a system that would allow the information to be stored and retrieved electronically.

THE CONTENT OF THE BILL:

The bill would amend the Michigan Vehicle Code to authorize the secretary of state to provide for the redesign of the driver's license, where a person's "image" (rather than a photo) and other information would be stored electronically and could be reproduced for use on the license. The bill specifies that, until January 1, 2002, a service fee of \$1 would be added to each fee collected for an original, renewal, duplicate, or corrected driver's license and "used to defray the [secretary of state's] expenses." The bill would take effect January 1, 1997, and is tie-barred to House Bill 4541, which would permit redesign of the official state identification card in digitized form.

Under the bill, the secretary of state could retain and use a person's image only for programs administered by the secretary of state and, except for this purpose, could not use the image unless written permission was granted by the applicant or specific legislation was enacted permitting the use. However, law enforcement agencies would have access to any information retained by the secretary of state on the license, and could use it for any law enforcement purpose allowed by law. The act now allows the secretary of state to issue (except in the case of commercial driver's licenses) a renewal driver's license for an additional four-year period by mail; the bill would permit this to be done "by other methods prescribed by the secretary of state."

The bill specifies the digitized license could contain an identifier for voter registration purposes. Also, information could be stored in electronic or machine readable codes needed to conduct a transaction with the secretary of state, and the license would have to identify encoded information. This would include the person's driver's license number, birth date, license expiration

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date, and other information necessary for use with electronic devices, machine readers, or automatic teller machines. The digitized license, however, could not contain a person's name, address, driving record, or other personal identifier, nor could it contain a fingerprint or finger image of the card-holder.

MCL 257.307 and 257.310

FISCAL IMPLICATIONS:

The House Fiscal Agency says the bill would generate approximately \$2 million in additional annual revenue, until January 1, 2002, for the Department of State from a \$1 service fee that would be added to the cost of each original, renewal, duplicate, or corrected driver's license. Currently, the department spends about \$760,000 annually to administer the driver's license program, which is generated from a surcharge on driver's licenses. Thus, under the bill the department could spend approximately \$2.7 million annually, until 2002, to implement its provisions. The agency estimates the department's costs to implement the bill would be approximately \$5 million the first year, \$3 million the second year, and \$1.7 million for each year thereafter. (10-31-95)

ARGUMENTS:

For:

As the current contract for the official driver's license expires at the end of 1995, the secretary of state has proposed developing a new system that would allow information contained on the license to be stored and retrieved electronically. Such a system would have numerous advantages over the present one. For example, at present the secretary of state takes a photograph of a person who applies for a license (or to renew one) and places the photo on the license. But if the license is then lost or mutilated beyond recognition, the individual must apply for a new license in person at a secretary of state branch office and have a new picture taken. This is both inconvenient for the licensee and time-consuming for the department.

Conversely, the system envisioned by the secretary of state would allow the person to apply for a new license by phone where all the information needed to produce a new one, including the person's "image," could be retrieved electronically. Also, digital imaging would allow the secretary of state to process transactions more efficiently by eliminating paper forms and inventory. A redesigned license would contain a "magnetic strip" or bar code similar to those used on credit cards or bank cards which would allow its holder to simply swipe the license through electronic card readers used by many

retailers so that accurate identification can be made more quickly than is possible now. More importantly, such a license would enable police officers to make quicker and more accurate checks of motorists as the image used would be clearer than the photo image used on the current license. The secretary of state also plans to use a format similar to that used in other states where the licenses issued to minors could be easily distinguished from those issued for older persons--perhaps by placing a minor's image on the right side and all others on the left side of the license--which would make it more difficult for minors to buy alcohol illegally. Finally, the secretary of state would like to include voter registration data on the new license. Twenty-nine other states already use a digital imaging licensing system, and most others are in the process of adopting one.

For:

The bill would authorize the secretary of state to impose an additional \$1 service fee on original, renewal, duplicate, or corrected driver's licenses, and would sunset this fee on January 1, 2002. The fee would generate an estimated \$2 million in additional revenue to defray the department's costs to implement the bill, which the House Fiscal Agency estimates would be about \$5 million the first year, \$3 million the second year, and \$1.7 million for each year after that. The department currently spends about \$760,000 annually, paid for out of a surcharge on driver's licenses, to administer the driver's license program. Thus, the bill ensures the department would begin to recoup its costs about three years after its effective date, and then would slowly build up a surplus each year until the year 2002 when the fee would sunset. Although estimates suggest the department would face a shortfall in revenue compared to its costs after 2002, testimony provided by the department before the House Transportation Committee indicated the department could realize additional cost savings due to efficiencies under a digitized licensure system. Nonetheless, the legislature could decide prior to the fee sunset whether the department's costs for the program would justify extending the sunset.

Response:

The bill currently states that the service fee "shall be used to defray the expenses of the secretary of state." This essentially would permit the department to use revenue generated from the fee for purposes other than those specified in the bill. An amendment is needed to clarify that the department could only use fee revenue to defray its costs in implementing the bill's provisions.

Against:

Moving toward a digitized driver's license could jeopardize the privacy rights of individuals by granting

government agencies access to personal information about licensed drivers.

Response:

The bill specifically would prohibit the new license from containing information of a personal nature, such as a person's driving record, criminal history, and the like. In fact, the digitized license would differ from the current one only in that it would contain an electronic image and signature of the person, rather than a regular photograph and actual signature, as well as other data encoded for electronic use that specifically related to the license itself (e.g., the person's driver's license number, birth date, and when the license expires).

POSITIONS:

The Department of State supports the bill. (10-31-95)

The Department of State Police supports the bill. (11-1-95)

The Michigan Bankers Association supports the bill. (10-31-95)