

Legislative Analysis



DIGITAL LICENSE PLATE PRINTING METHOD AND DIGITAL PLATES

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Senate Bill 374 (H-2) as reported from House committee
Sponsor: Sen. Wayne Schmidt
House Committee: Transportation and Infrastructure
Senate Committee: Transportation
Complete to 12-19-18

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

Senate Bill 374 would amend the Michigan Vehicle Code to require the Department of State (DOS) to use, no later than one year after the bill takes effect, a *digital printing method* to create all standard design registration plates.

Digital printing method would mean a method of creating a registration plate using a retroflective sheeting material that is printed using UV-curable ink-jet technology to achieve the highest quality and speed of printing.

Also no later than one year after the effective date of the bill, DOS would have to allow a vehicle registrant to display a *digital registration plate* instead of the standard design registration plate.

Digital registration plate would mean an electronic display that is mounted on the rear of a vehicle in place of a registration plate issued by the Secretary of State.

Any data collected by DOS, or a vendee selected by DOS, through the use of digital registration plates would be the property of DOS, and any use of data collected through the use of a digital license plate would be nonexclusive and governed by the Code.

Senate Bill 374 is tie-barred to House Bill 4990, which means that it could not take effect unless House Bill 4990 were also enacted

The bill would take effect 90 days after its enactment.

MCL 257.224

HOUSE COMMITTEE ACTION:

The House Committee on Transportation and Infrastructure reported an H-2 substitute for the bill. The substitute added the provisions described above concerning data collected through the use of digital registration plates. The substitute also added a tie-bar to House Bill 4990, which would amend the section of the Code that deals with registration fees and is currently in the Senate.¹

¹ See <http://www.legislature.mi.gov/documents/2017-2018/billanalysis/House/pdf/2017-HLA-4990-6AEB979D.pdf>

FISCAL IMPACT:

The bill would result in a substantial increase in annual costs to the Department of State (DOS). DOS reports that it conducted an examination of license plate production costs in partnership with a leading digital license plate vendor to compare the current costs of producing embossed license plates with producing digital printed plates, also known as flat plates. A digital printed plate is distinguished from a “digital registration plate,” as provided under subsection (6) of the bill, which utilizes an electronic display to present a plate’s alpha-numerics among other images. The examination considered cost factors such as raw material (aluminum), labor, imaging material, equipment maintenance, inventorying, shipping, specialty plates, among other factors. The cost estimates are presented in the table below.

DOS has estimated the cost to produce the standard Pure Michigan license plate to be \$1.69 per plate. The cost to produce specialty license plates is higher. Including the cost of specialty plates, the average per-plate production cost in Michigan is \$1.75. DOS would likely have the option to pay the full equipment cost of a new digital printer, \$1.5 million, at the outset or distribute the initial equipment costs over a 7-year period. The estimated cost of producing a digitally printed plate *without* the initial \$1.5 million initial printer capital cost embedded is \$2.04 and is presented in the table below as Digital Printed A. The estimated cost with the cost of a printer distributed over a 7-year period is \$2.15 and is presented as Digital Printed B. Total cost and cost increase estimates below assume an annual plate production of 1,968,000 which is based on the total number of plates produced in Fiscal Year 2016-17. Annual plate production does not vary significantly from year to year.

License Plate Production Cost Comparison

Type	One-Time Capital Cost	Cost Per Plate	Total Annual Cost	Annual Cost Increase
<i>Embossed (Existing)</i>	\$0	\$1.75	\$3,444,000	-
<i>Digital Printed A</i>	\$1,500,000	\$2.04	\$4,015,000	\$571,000
<i>Digital Printed B</i>	\$0	\$2.15	\$4,321,000	\$877,000

A similar cost study conducted by the University of Kentucky in 2017 compared costs of embossed and digital license plates and projected a similar cost impact on the state of Kentucky if it changed from embossed plate to digital printed plate production.² The study found that Kentucky’s current per-plate cost for embossed plates was \$1.79 and estimated the per-plate cost for a flat plate *after* the initial one-time cost for new equipment to be \$1.96. This cost difference was estimated to result in an annual increase of \$124,000.

Furthermore, the study conducted a survey of other states’ per-plate costs and found an average increase in costs for states which use digital printed technology. Thirty-four states responded to the survey, of which 15 used embossed plates, 11 used flat plates, and 7 used a hybrid system of embossed and flat. The study found that, on average, the cost to a state for an embossed plate was \$1.98, a flat plate was \$3.89, and a plate produced under a hybrid system was \$3.08.

² Keathley, Valerie J.; Martin, Andrew; Kissick, Jerry; Forlines, Gray; and Walton, Jennifer R., "Kentucky Vehicle License Plate Study" (2017). *Kentucky Transportation Center Research Report*. 1560. https://uknowledge.uky.edu/ktc_researchreports/1560

The bill would also permit an owner of a vehicle to purchase a “digital registration plate.” These plates could be purchased by a vehicle owner at a retailer along with a service subscription, and DOS would serve as a conduit between the customer and the plate manufacturer. The plate manufacturer would then send an image to the plate display electronically through 3G Wi-Fi connection. There would be no production costs with these plates and likely little administrative costs.

POSITIONS:

Reviver indicated support for the bill. (12-11-18)

A representative of the Office of the Secretary of State offered testimony with a neutral position on the bill. (12-11-18)

A representative of the Department of Corrections testified in opposition to the bill. (12-11-18)

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.