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Issue Brief: Self-Funding E-Services

For government, online solutions have demonstrated a higher return on investment for delivering citizen services than ever before. Experience has shown that states with robust portals are avoiding traditional expenses because it is more cost-effective to provide services on-line, rather than over the counter. Moreover, businesses and citizens alike expect government services to be accessible, convenient, and to operate at the speed of now.

The self-funded approach proposed by the Department of Technology, Management & Budget (DTMB) would answer these challenges by drawing on a model already in use by 29 other states, including Texas, Indiana, Maine and Utah. It would enable the development of web-based services and technology solutions for citizens without increasing the tax burden on citizens or business.

DTMB's Proposal

Under the self-funded approach, a convenience fee would be assessed to data aggregators and high-volume purchasers that profit from repackaging and reselling Department of State (MDOS) data, including bulk purchasers of driver and vehicle histories.

Through Fiscal Year 2013, MDOS charges \$7.00 per record for commercial customers. In Fiscal Year 2014, the proposed charge per record for commercial customers is \$8.00. Commercial and governmental customers have access to the records through a web-based interface to the MDOS driver and vehicle databases.

Self-funding partners typically charge a \$1 to \$2 convenience fee per record, depending on the scope of services. This fee would be introduced by the private sector partner and approved by the State through a competitive bid process. Based on historical sales, MDOS sells approximately 3.5 million records annually; this increase of \$1 to \$2 could generate \$3.5 to \$7 million in revenue for the private sector partner and would be formalized during contract execution after a competitive bid.

The self-funding partner would provide instant online direct access to data through a private delivery channel, which would enable better service for individuals and business customers. All records would continue to be owned by MDOS and the self-funding partner would provide an electronic means of distributing and handling transactions for all commercial service customers including data resellers. The self-funding partner would collect and distribute the existing statutory fee into a State account within 24 hours of each transaction, while keeping a small convenience fee.

In return for the convenience fee revenue, the partner would establish a dedicated team to develop software and implement projects for the State. At present, it is expected that the private sector partner's responsibilities would include:

- Replacement of the existing Michigan.gov portal and development of citizen facing portal.
- All hardware, network infrastructure, and hosting services for the identified websites and applications.
- Maintenance and ongoing support of infrastructure and associated software.
- Dramatically expanding new digital mobile services with several dedicated e-Government resources.
- Enhancing the State's mobile platforms and optimizing web services.
- Securing payment processing and providing electronic records to data aggregators for MDOS's Direct Access Program.

To implement DTMB's proposal, a statutory change would need to be introduced and approved by the legislature. Amending a section in MCL 257.208b(1) of the Motor Vehicle Code is required to build in the operational cost. The proposed amendatory language is included below:

MCL 257.208b Sec. (1) The secretary of state **OR PRIVATE ENTITY ACTING ON BEHALF OF THE SECRETARY OF STATE IN CARRYING OUT THE AGENCY'S FUNCTIONS** may provide a commercial look-up service of records maintained under this act. For each individual record looked up, the secretary of state **OR PRIVATE ENTITY ACTING ON BEHALF OF THE SECRETARY OF STATE** shall charge a fee specified annually by the legislature, ~~or~~ **AND CREDIT FEES COLLECTED TO THE TRANSPORTATION ADMINISTRATION COLLECTION FUND.** IF the legislature does not specify a fee, a market-based price shall be established by the secretary of state. The secretary of state **OR PRIVATE ENTITY ACTING ON BEHALF OF THE SECRETARY OF STATE** shall process a commercial look-up request only if the request is in a form or format prescribed by the secretary of state. ~~Fees collected under this subsection on and after October 1, 2005 through October 1, 2015 shall be credited to the transportation administration collection fund created in section 810b.~~ **A PRIVATE ENTITY MAY ADD AN ADDITIONAL FEE TO THE FEE SPECIFIED ANNUALLY BY THE LEGISLATURE UPON APPROVAL OF THE SECRETARY OF STATE THAT SHALL BE UTILIZED FOR STATE OF MICHIGAN WEB PORTAL DEVELOPMENT. THE ADDITIONAL FEE MAY ALSO BE CHARGED BY THE SECRETARY OF STATE AND DEPOSITED INTO THE TRANSPORTATION ADMINISTRATION COLLECTION FUND IF THE COMMERCIAL LOOK-UP SERVICE IS PROVIDED BY THE SECRETARY OF STATE DIRECTLY.**

Once the web portal fees are established through legislative approval, DTMB would issue a request for proposal and go through a competitive bid process to solidify a self-funding partner.