

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Pete Brungardt at 3:30 a.m. on January 17, 2007 in Memorial Hall.

All members were present except:

- Senator James Barnett- excused
- Senator Karin Brownlee- excused
- Senator Anthony Hensley- excused

Committee staff present:

- Kathie Sparks, Kansas Legislative Research Department
- Dennis Hodgins, Kansas Legislative Research Department
- Ken Wilke, Revisor of Statutes Office
- Connie Burns, Committee Assistant

Conferees appearing before the committee:

- Sheri Steisel, NCSL
- Molly Ramsdell, NCSL

Others attending:

See attached list.

National Conference of State Legislature presentations on Immigration.

Sheri Steisel, Federal Affairs Counsel, Senior Director, Human Services Committee, presented on "How States and the Federal Government are Addressing Immigration Reform." (Attachment 1) Immigration related State Legislation:

- 1997 202 bills (50 enacted; 9 vetoed)
- 1998 136 bills (22 enacted; 3 vetoed)
- 1999-2004 (50-100 range)
- 2005 300 bills (38 enacted; 6 vetoed)
- 2006 Enacted focus - employment, human trafficking, congressional resolutions, public benefits, law enforcement
- Expect more for 2007

The 1997 State Legislation there were 202 bills introduced:

- 82 public assistance
- 55 health
- 35 nutrition
- 202 naturalization assistance
- 50 were enacted and 9 vetoed

The 1998 State legislation 136 bills were introduced:

- 54 public assistance
- 29 health
- 12 nutrition
- 17 naturalization
- 22 were enacted and 3 vetoed

2005 State Legislation the interest in immigration issues spiked:

- 300 bills were introduced, 46 passed legislature
- 39 bills enacted in 25 states; 6 bills vetoed; 2 required no gubernatorial action
- Topics: benefits 5, education 3, employment 5, trafficking 9, ID's 9 (2 vetoed), law enforcement 3 (2 vetoed)

2006 State Legislation the interest in immigration issued exploded:

- 570 bills were introduced, at least 90 passed legislature, doubling over 2005
- 84 bills enacted in 32 states; 6 bills vetoed

CONTINUATION SHEET

MINUTES OF THE Senate Federal and State Affairs Committee at 3:30 a.m. on January 17, 2007 in MEMORIAL HALL

- Topics: broad range similar to 2005; highest attention to employment and human trafficking. The Georgia Security and Immigration Compliance Act - GA SB 529 which covered employment, enforcement, and benefits.

Employment:

- Requires public employers and subcontractors to participate in a federal work authorization program for all new employees beginning July 1, 2007
- denies certain deductible business expenses unless workers have been authorized, beginning in 2008
- requires 6% income tax withholding for those who fail to provide a correct taxpayer identification

Enforcement:

- Increases penalties for human trafficking
- Authorizes MOU with DHS regarding enforcement of federal immigration and customs laws
- Requires immigration status check for persons charged with a felon or drunk driving and confined to jail

Benefits:

- Requires standards for non-licensed attorneys providing immigration services
- Requires state agencies to verify lawful presence for public benefits.

Exempts:

children under 18, emergency assistance, immunizations, treatment for communicable disease, prenatal care, and post secondary education

Colorado had a package of 12 laws following the Georgia model of employment, enforcement, and benefits. Ten were enacted and two placed on ballot. In addition to the Georgia model Colorado added to pursue reimbursement from the feds for costs of illegal immigration and makes voting without proper authorization a felony.

Thirty-eight states introduced 107 bills on work-site enforcement, and 14 states enacted legislation that require work authorization and denying state contracts/licenses/tax deductions by not complying and added fines.

In 1986, the Immigration Reform and Control Act (IRCA) prohibited the employment of unauthorized workers; the law also states "the provisions of this section preempt any State or local law imposing civil or criminal sanctions (other than through licensing and similar laws) upon those who employ, or recruit or refer for a fee for employment, unauthorized aliens"

Employee Verification: Basic Pilot Program has four goals: effective, nondiscriminatory, protective of privacy, and non-burdensome. The advantages are easier than I-9 system, and employers feel more confident with results. The disadvantages are that the results are inaccurate 10% of the time and fewer than 1% of employers use the voluntary program.

Both state and federal government have trafficking laws; the federal government declared human trafficking a federal crime with the Trafficking Victims Protection Act 2000 and created a Task-force in 2002. The state government, Washington State in 2003 passed the first law that made trafficking a felony and created a task-force. By 2006, 21 states have enacted trafficking legislation.

Molly Ramsdell, Senior Committee Director, Budgets and Revenues, presented on The Real ID Act of 2005, Real Issues....Real Costs. ([Attachment 2](#))

History of the Real ID:

The Intelligence Reform and Terrorism Prevention Act of 2004 was enacted December 17, 2004 (P.L. 108-458) was implemented as part of the 9/11 Commission recommendations and established a negotiated rule making process for DIs/IDs. The Real ID Act of 2005 was enacted May 11, 2005.(P.L. 109-13) was added to an emergency supplemental spending bill. It terminated negotiated rule making and established prescriptive standards for DIs/IDs. The Real ID law requires states to adopt new federal standards for DIs/IDs by May 11, 2008, or the federal government will not recognize a state's DIs/IDs for federal purposes. This includes:

- Boarding a commercial aircraft
- Entering federal buildings
- Entering nuclear power plants

CONTINUATION SHEET

MINUTES OF THE Senate Federal and State Affairs Committee at 3:30 a.m. on January 17, 2007 in MEMORIAL HALL

- Any other purposes that the Secretary determines (this item can be an issue for concern)
- Establishes prescriptive requirements DL/ID card design
- Subject all persons who manufacture DL/IDs to appropriate security clearance requirements
- Ensure the physical security of locations where DLs/IDs are produced and the security of document materials and papers from which the DLs/IDs are produced
- Subject each person applying for a driver's license or identification card to a mandatory facial capture (digital)
- Provide all other states electronic access to information contained in the motor vehicle database, including information on violations, suspensions and points on license
- Capture digital images of identity source documents and retain them in electronic storage in a transferable format
 - Retain paper copies of source documents for 7 years or images of source documents for 10 years.
- Issue non-conforming DLs/IDs if there are clear physical indicators that it cannot be used for a federal purpose
- Requires states to issue temporary licenses to certain categories of individuals
- Requires states to verify with the issuing agency the validity of all identification documents
 - This includes evidence of lawful status.

Evidence of Lawful Status is valid documentary evidence that the person

1. Is a citizen or national of the United States
2. Is an alien lawfully admitted for permanent or temporary resident of the U.S.
3. Has a conditional permanent resident status in the U.S.
4. Has an approved application for asylum in the U.S. or has entered the U.S. in refugee status
5. Has a valid, unexpired nonimmigrant visa or nonimmigrant visa status for entry into the U.S.
6. Has a pending application for asylum in the United States
7. Has a pending or approved application for temporary protected status in the U.S.
8. Has approved deferred action status; or
9. Has a pending application for adjustment of status to that of an alien lawfully admitted for permanent residence in the U.S. or conditional permanent resident status in the U.S.
(5 - 9 may only receive temporary DL/ID)

Real ID does not prevent states from issuing DLs/IDs to unauthorized immigrants and other individuals not meeting the requirements. Non-conforming license must:

- clearly states on its face that it may not be accepted by any Federal Agency for federal identification or any other official purpose; and
- uses a unique design or color indicator to alert Federal agency and other law enforcement personnel that it may not be accepted for any such purpose

NCSL Major Recommendation on the Real ID Act (Attachment 3)

General:

- Extend the compliance deadline
- Provide funds necessary for state to comply with Real ID
- Grant the secretary of Homeland Security the Flexibility to recognize innovation at the state level

Re-enrollment:

- Implement a 10 year, progressive re-enrollment schedule
- Allow reciprocity for persons already vetted by the federal government

Verification:

- Provide the federal electronic verification systems necessary to comply with the law
- Require states to employ verification systems only as they become available
- Adopt uniform naming conventions to facilitate electronic verification between files

DL/ID Design Requirements:

- Establish card security criteria based on performance - not technology

The meeting was adjourned at 5:00 pm. The next scheduled meeting is January 18, 2007.

**SENATE FEDERAL AND STATE AFFAIRS COMMITTEE
GUEST LIST**

DATE 1-17-07

NAME	REPRESENTING
Walter R. Richards, Jr.	TOPEKA NAACP
Anna Staatz	Topeka Capital Journal
Sara Natividad, Nancy Lopez, Rep. Delia Garcia	Rep. Delia Garcia
Dave Ranney	KS Health Institute
Kob	KS Contractors Assoc
Angela Stalldraemer	Intern. Sen. Ostromeyer
Gina McDonald	KS Childrens Service League
Barbara Gibson	KS Dept of Health & Env.
John Gen	Senator Jack Schmidt
Villie Davis	K. Livestock Association
David R. Corbin	KDOR
Ann R. Hamm	AAA
TERRY HOLDREN	KANSAS FAEM BUREAU
John Polzar	KDOL
Dustin Haroldson	Senator Anthony Hensley
George Vega	D of A
Kevin Mullinix	Sen. Vratil
[Signature]	Sen Vratil
Chase Finwell	KHPA
Mary Gulligan	KIRD
Jackie Smith	KIRD
[Signature]	Senator
MIKE PETERSEN	26TH DISTRICT
Jay Scott Emler	Senate



NATIONAL CONFERENCE of STATE LEGISLATURES
The Forum for America's Ideas

How States and the Federal Government are Addressing Immigration Reform

Presentation by Sheri E. Staisel
Federal Affairs Counsel
Senior Director, Human Services Committee
National Conference of State Legislatures

Kansas Legislature
January 17, 2007

For further information, please contact Sheri Staisel (sheristaisel@ncsl.org) or Amanda Naughton (amanda.naughton@ncsl.org), or at (202) 624-4400

Immigration Related State Legislation

- 1997: 202 bills (50 enacted; 9 vetoed)
- 1998: 136 bills (22 enacted; 3 vetoed)
- 1999-2004: (50-100 range)
- 2005: 300 bills (38 enacted; 6 vetoed)
- 2006: at least 570 (at least 83 enacted; 6 vetoed)
- 2006 Enacted focus – employment, human trafficking, congressional resolutions, public benefits, law enforcement
- Expect more for 2007

1997 State Legislation

- 202 bills introduced:
 - in public assistance (82),
 - health (55)
 - nutrition (35),
 - naturalization assistance (202).
- 50 were enacted and 9 vetoed.

1998 State Legislation

- 136 bills were introduced
 - public assistance (54)
 - health (29)
 - Nutrition (12)
 - naturalization (17)
- 22 were enacted, and 3 vetoed.

2005 State Legislation

Interest in immigration issues spiked.

- 300 bills were introduced; 46 passed legislature
- 38 bills enacted in 25 states; 6 bills vetoed; 2 required no gubernatorial action
- Topics: benefits (5); education (3); employment (5); trafficking (9); IDs (9; 2 vetoed); law enforcement (3; 2 vetoed)

States That Enacted Immigrant Legislation in 2006



2006 State Legislation

Interest in immigration issues exploded.

- 570 bills were introduced; at least 90 passed legislature, doubling over 2005
- 84 bills enacted in 32 states; 6 bills vetoed
- Topics: broad range similar to 2005; highest attention to employment and human trafficking

Main Topics in 2006	Enacted Bills	# of states
Resolutions	12 bills	6 states
Education	3 bills	3 states
Employment	14 bills	9 states
Human Trafficking	13 bills	9 states
ID/Driver's License issues	6 bills	5 states
Law Enforcement	8 bills	6 states
Legal Services	5 bills	5 states
Omnibus	1 bill	1 state
Public Benefits	10 bills	7 states
Miscellaneous	4 bills	6 states
Voting Issues	6 bills	6 states
Total	84 bills	32 states

Georgia's omnibus bill

8 provisions:

- Employment
- Enforcement
- Benefits

GA SB 529:

The Georgia Security and Immigration Compliance Act

Employment:

- Requires public employers and subcontractors to participate in a federal work authorization program for all new employees beginning July 1, 2007.
- denies certain deductible business expenses unless workers have been authorized, beginning in 2008.
- requires 6% income tax withholding for those who fail to provide a correct taxpayer identification number.

GA SB 529 cont'd

Enforcement:

- Increases penalties for human trafficking
- Authorizes MOU with DHS regarding enforcement of federal immigration and customs laws.
- Requires immigration status check for persons charged with a felony or drunk driving and confined to jail

GA SB 529 cont'd

Benefits

- Requires standards for non-licensed attorneys providing immigration services
- Requires state agencies to verify lawful presence for public benefits. Exempts: children under 18; emergency assistance, immunizations, treatment for communicable disease, prenatal care, post-secondary education

Colorado

- Package of 12 laws following Georgia model: employment, enforcement, benefits
 - 10 enacted; 2 placed on ballot
- In addition to Georgia:
 - pursue reimbursement from feds for costs of illegal immigration
 - Makes voting without proper authorization a felony

Worksite Enforcement

- 38 states introduced 107 bills
- 14 states enacted legislation:
 - Require work authorization
 - Deny state contracts/licenses/tax deductions
 - Adds fines

Preemption challenge

- In 1986, the Immigration Reform and Control Act (IRCA) prohibited the employment of unauthorized workers. The law also states: "the provisions of this section preempt any State or local law imposing civil or criminal sanctions (other than through licensing and similar laws) upon those who employ, or recruit or refer for a fee for employment, unauthorized aliens."

Employee Verification: Basic Pilot Program

- 4 goals: effective, nondiscriminatory, protective of privacy, non-burdensome
- Advantages: Easier than I-9 system, and employers feel more confident with results
- Disadvantages: Results are inaccurate 10% of the time; fewer than 1% of employers use the voluntary program

Trafficking: Another Intersection

- Both state and federal governments have trafficking laws.
- Federal Government: Declared human trafficking a federal crime with the Trafficking Victims Protection Act 2000 and created a Taskforce in 2002
- State Government: In 2003, WA passed first law that made trafficking a felony and created a taskforce.
- By 2006, 21 states have enacted trafficking legislation.

Immigration Reform at end of 109th Congress

- HR 4437; passed by a vote of 239 - 182
- S 2611; passed by a vote of 62 - 36
- No Compromise

Key State Issues

- Health
- Education
- Law Enforcement

- New Mandates in House
- Cornyn Amendment in Senate

Cornyn Amendment

- Funded by New Fee
- Estimated \$7.5 Billion
- Appropriated by Legislatures
- Health & Education Needs
- 30% Spent on Locals

Looking to the 110th Congress...

- Not one of the 1st agenda items
- Still a White House priority



Sheri Steisel
NCSL's Immigrant Policy Project
<http://www.ncsl.org/programs/immig/>

The Real ID Act of 2005 Real Issues...Real Costs

Briefing for the Senate Committee on Federal
and State Affairs, Kansas Legislature

Molly Ramsdell
Sr. Committee Director
National Conference of State Legislatures

January 17, 2007

The Real ID

- History of the Real ID
- What we have
- What we don't have
- NCSL Activity
- Cost to Implement the Real ID
- Recommendations for Change
- Congressional Activity

History of the Real ID

Intelligence Reform and Terrorism Prevention Act of 2004

- Enacted Dec. 17, 2004 (P.L. 108-458).
- Implemented 9/11 Commission recommendations.
- Established a negotiated rulemaking process for DLs/IDs.

The Real ID Act of 2005

- Enacted May 11, 2005 (P.L. 109-13).
- Added to an emergency supplemental spending bill.
- Terminated negotiated rulemaking.
- Established prescriptive standards for DLs/IDs.

Real ID: What we have

- A law that requires states to adopt new federal standards for DLs/IDs by May 11, 2008, or the federal government will not recognize a state's DLs/IDs for federal purposes. This includes:
 - Boarding a commercial aircraft
 - Entering federal buildings
 - Entering nuclear power plants
 - Any other purposes that the Secretary determines

Real ID: Select Federal Standards

- Establishes prescriptive requirements DL/ID card design.
- Subject all persons who manufacture DL/IDs to appropriate security clearance requirements.
- Ensure the physical security of locations where DLs/IDs are produced and the security of document materials and papers from which the DLs/IDS are produced.
- Subject each person applying for a driver's license or identification card to a mandatory facial capture (digital).
- Provide all other states electronic access to information contained in the motor vehicle database, including information on violations, suspensions and points on license .

Real ID: Select Federal Standards

- Capture digital images of identity source documents and retain them in electronic storage in a transferable format.
 - Retain paper copies of source documents for 7 years or images of source documents for 10 years.

- Issue non-conforming DLs/IDs if there are clear physical indicators that it cannot be used for a federal purpose.

- Requires states to issue temporary licenses to certain categories of individuals.

- Requires states to verify with the issuing agency the validity of all identification documents.
 - This includes evidence of lawful status.

Evidence of Lawful Status

Valid documentary evidence that the person:

1. is a citizen or national of the United States;
2. is an alien lawfully admitted for permanent or temporary resident of the U.S.;
3. has a conditional permanent resident status in the U.S.;
4. has an approved application for asylum in the U.S. or has entered the U.S. in refugee status;
5. has a valid, unexpired nonimmigrant visa or nonimmigrant visa status for entry into the U.S.;
6. has a pending application for asylum in the United States;
7. has a pending or approved application for temporary protected status in the U.S.;
8. has approved deferred action status; or
9. has a pending application for adjustment of status to that of an alien lawfully admitted for permanent residence in the U.S. or conditional permanent resident status in the U.S.

(5-9 may only receive temporary DL/ID)

What Real ID does not do?

Real ID does NOT prevent states from issuing DLs/IDs to unauthorized immigrants and other individuals not meeting the requirements.

Non-conforming license must:

- clearly states on its face that it may not be accepted by any Federal agency for federal identification or any other official purpose; and
- uses a unique design or color indicator to alert Federal agency and other law enforcement personnel that it may not be accepted for any such purpose.

Real ID: What we don't have

- **Regulations**
 - No regulations from DHS.

- **Verification Systems**
 - The act contemplates states will need to have access to 5 national databases, only one is fully operational.

- **Time**
 - 16 months to deadline.

- **Money**
 - Only \$40 million appropriated for state implementation.

Real ID: NCSL Activity

(with NGA and AAMVA)

- Feb. 2006: Submitted recommendations for implementation of the Real ID to DHS
- Sept. 2006: Released Impact Survey
 - 114 multi-part questions
 - Based on NCSL/NGA/AAMVA recommendations and what we have learned from DHS
 - 46 states and the District of Columbia responded, representing 89.6 percent of all state issued DL/ID cards

Real ID: What's the real cost?

- \$11 billion (\$1 billion for upfront costs and \$10.1 billion for ongoing costs over the first five years)
 - \$8.48 billion – reenrollment
 - \$1.42 billion – new verification processes
 - \$1.1 billion – DL/ID card design requirements
 - \$.04 billion – support costs

- Major disruption to customer service

Major Recommendations for Change

- Extend the compliance deadline.
- Provide funds necessary for states to comply with Real ID.
- Grant the Secretary of Homeland Security the flexibility to recognize innovation at the state level.
- Implement a 10-year, progressive re-enrollment schedule.
- Allow reciprocity for persons already vetted by the federal government.

Major Recommendations for Change

- Provide the federal electronic verification systems necessary to comply with the law.
- Require states to employ electronic verification systems only as they become available.
- Adopt uniform naming conventions to facilitate electronic verification between files.
- Establish card security criteria based on performance—not technology.

Real ID: NCSL Activity

- Hill Briefings
- Funds in the President's FY 2008 Budget and the FY 2008 Budget Resolution
- NCSL Policy Resolutions
- www.ncsl.org/RealID

Congressional Activity

S. 4117: *Identification Security Enhancement Act*

Introduced by Senators Akaka and Sununu on December 8, 2006

Repeals the Real ID and replaces it with a negotiated rulemaking process:

- Standards to be released within 12 months of enactment.

Implementation Deadlines:

- Requires states to begin issuing Real ID conforming DL/IDs within 2 years after the promulgation of standards, in order to be recognized for federal purposes.
 - Secretary may provide a states an extension, up to 2 years.
- Requires states to reissue (convert) all DLs/IDs within 5 years after the issuance of regulations.
 - Secretary may provide states with alternative date for full compliance.

Provides for a specific authorization:

- \$300 million for each of FYs 2007-2013.
- Each state to receive at least .5 percent of grant funds made available.

Provides for additional privacy protections

Contact Information

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For more on the Real ID visit:
www.ncsl.org/RealID



Chart of Immigrant Eligibility for Federal Programs

Food Stamps

Legal immigrant children (benefits restored as of October 1, 2003)
 Legal immigrants with 5 years residence in the U.S. (benefits restored as of April 1, 2003)*
 Legal immigrants with 40 work quarters
 Refugees
 Elderly, resident in the U.S. on or before 8/22/96
 Disabled or blind immigrants, regardless of when they entered the U.S.
 Veterans, active military and their spouses and dependents

TANF

Legal immigrants residing in the U.S. on or before 8/22/96 at state option
 Legal immigrants who enter the U.S. after 8/22/96: barred for first 5 years*
 Legal immigrants with 40 work quarters
 Refugees
 Veterans, active military and their spouses and dependents

Medicaid

Legal immigrants residing in the U.S. on or before 8/22/96 at state option
 Legal immigrants who enter the U.S. after 8/22/96: barred for first 5 years*
 Legal immigrants with 40 work quarters
 Refugees (eligible for first 7 years of residence)
 Veterans, active military and their spouses and dependents
 SSI recipients

SCHIP

Legal immigrant children residing in the U.S. on or before 8/22/96
 Legal immigrant children who enter the U.S. after 8/22/96: barred for first 5 years*
 Refugees (eligible for first 7 years of residence)
 Children of veterans and active military (unmarried, dependent)

SSI

Legal immigrant SSI recipients resident in the U.S. on or before 8/22/96
 Legal immigrants resident on or before 8/22/96 who are or become disabled
 Legal immigrants with 40 work quarters
 Veterans, active military and their spouses and dependents
 Refugees (eligible for first 7 years of residence)

NOTES: "Refugee" on this chart also includes asylees, Cuban-Haitian entrants, Amerasians, and those whose deportation has been withheld. Victims of domestic abuse and victims of trafficking may be eligible for the above programs, but they must still meet eligibility requirements (for example, 5 years residence or 40 work quarters.)

*Sponsor-to-immigrant deeming will apply to legal immigrants who have signed a legally binding affidavit of support on or after December 19, 1997. The income and resources of the sponsor are counted as available to the immigrant when determining the immigrant's eligibility.

Last updated April 21, 2004

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The Real ID Act: National Impact Analysis

Presented by:
National Governors Association
National Conference of State Legislatures
American Association of Motor Vehicle Administrators

NATIONAL
GOVERNORS
ASSOCIATION



American Association of
Motor Vehicle Administrators

September 2006

Sen Fed & State

Attachment 3

1-17-07

Executive Summary

On May 11, 2005, Congress passed the Real ID Act (Real ID) as part of the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief Act (P.L. 109-13), creating national standards for the issuance of state driver's licenses (DLs) and identification cards (IDs). The act establishes certain standards, procedures and requirements that must be met by May 11, 2008 if state-issued DL/IDs are to be accepted as valid identification by the federal government. These standards are likely to alter long-standing state laws, regulations and practices governing the qualifications for and the production and issuance of DL/IDs in every state. They also will require substantial investments by states and the federal government to meet the objectives of the act.

To ensure Congress and the federal government understand the fiscal and operational impact of altering these complex and vital state systems, the American Association of Motor Vehicle Administrators (AAMVA) in conjunction with the National Governors Association (NGA) and the National Conference of State Legislatures (NCSL) conducted a nationwide survey of state motor vehicle agencies (DMVs). Based on the results of that survey, NGA, NCSL and AAMVA conclude that Real ID will cost more than \$11 billion over five years, have a major impact on services to the public and impose unrealistic burdens on states to comply with the act by the May 2008 deadline. The organizations also provide practical and cost effective solutions for Congress and the Department of Homeland Security (DHS) to address these shortcomings and meet the objectives of the act.

PROCESS

In February 2006, NGA, NCSL and AAMVA provided a section-by-section analysis of Real ID to DHS that identified several critical issues for states and made recommendations on the most feasible means to implement the law.

The organizations followed that report with detailed surveys of DMV officials to estimate the potential costs of the legislation. The surveys included approximately 114 multi-part questions and required 6-8 weeks to complete. Since DHS has yet to publish regulations to guide state estimates, the surveys relied on the earlier state recommendations and information from ongoing discussions with the federal government to establish baseline assumptions. Responses were completed by 47 of 51 polled jurisdictions representing 89.6% of all state issued DL/ID cards.

The findings contained in this report have likely underestimated the full impact of Real ID. Costs could escalate significantly if federal regulations differ substantially from the recommendations states used to form baseline assumptions. Lacking regulatory guidance, states were unable to estimate several elements of the act that will almost certainly contribute additional cost and administrative burdens to the compliance process including:

- facility security requirements;
- development of federal verification systems and transaction costs;
- expansion of the AAMVAnet system to support additional verification connectivity requirements;
- law enforcement training and technology deployment;
- expanded public education/data privacy protection; and
- increased customer demand/care/advocacy.

KEY FINDINGS

Real ID will cost more than \$11 billion to implement. One time upfront costs approach \$1 billion, while ongoing costs total more than \$10.1 billion over the first five year period.

- **Re-enrollment** **\$8.48 billion**
States based their analysis on the assumption that to implement Real ID, all 245 million U.S. DL/ID holders must be re-credentialed within five years of the May 2008 compliance deadline. This standard will require an in-person visit by every current DL/ID holder as well as new applicants to review and verify all required identification documents and re-document information for the new license including place of principal residence, new photographs and new signatures. Efficiencies from alternative renewal processes such as Internet and mail will be lost during the re-enrollment period, and states will face increased costs from the need to hire more employees and expand business hours to meet the five year re-enrollment deadline.
- **New Verification Processes** **\$1.42 billion**
Real ID supplants traditional DMV vetting processes by requiring states to independently verify each identification document with its issuing agency. While the act contemplates the use of five national electronic systems to facilitate verification, currently only one of these systems is available on a nationwide basis. System development, programming, testing and training will take considerable time and investment that far exceed the deadlines or funds provided by the act or Congress.
- **DL/ID Design Requirements** **\$1.11 billion**
The act calls for states to incorporate security features into DL/ID cards to prevent tampering and counterfeiting. Although most states have incorporated security features into their card designs, the contemplated regulations are likely to mandate the use of a single security configuration that will maximize cost by minimizing state flexibility in card design and production. Depending on the technology chosen, such a requirement could dictate DMV business practices by effectively requiring DMVs to move away from over-the-counter issuance systems and toward central issuance systems.
- **Support Costs** **\$0.04 billion**
Real ID contains several other requirements that will affect state business practices and budgets including requirements to conduct security clearances on all employees involved in the production and issuance process and mandatory fraudulent document recognition training.

Real ID will reduce efficiencies and increase wait times for citizens. To comply with the requirement that all DL/ID card holders re-verify their identity with the state, individuals must gather and present all their identification documents, which may more than double the length of time they spend at their DMVs. Real ID will also effectively reverse state practices designed to ease an applicant's interaction with motor vehicle agencies (e.g., Internet, mail in renewal, over-the-counter issuance).

MAJOR RECOMMENDATIONS

Governors, state legislators and motor vehicle administrators are committed to improving the security and integrity of state DL/ID systems, but the timelines and requirements mandated by REAL ID are unrealistic. In order to meet the objectives of the act, Congress and DHS should at a minimum incorporate the following recommendations into the law and any final regulations¹:

- **General**
 - **Extend the compliance deadline.**

It will be impossible for states to comply with Real ID by the May 2008 deadline. DHS has yet to issue regulations and most of the major systems necessary to comply do not exist.
 - **Provide funds necessary for states to comply with Real ID.**

As this report indicates, the projected cost of complying with the act far exceeds the Congressional Budget Office estimate and will require a more significant investment by Congress.
 - **Grant the Secretary of Homeland Security the flexibility to recognize innovation at the state level.**

Several states have updated their systems to meet objectives similar to those of Real ID. The Secretary of Homeland Security should have the discretion to recognize state practices and innovations that accomplish the goals of the act.
- **Re-enrollment**
 - **Implement a 10-year, progressive re-enrollment schedule.**

It is impracticable for states to renew all 245 million DL/IDs in five years. States should be given the flexibility to delay re-verifying certain populations in order to maximize resources and avoid severe disruptions to customer service.
 - **Allow reciprocity for persons already vetted by the federal government.**

States could realize significant savings and reduced transaction time if individuals whose identities have already been verified for certain federal identification cards are considered pre-qualified for a Real ID compliant DL/ID.
- **Verification**
 - **Provide the federal electronic verification systems necessary to comply with the law.**

Only one of the five national electronic systems required to verify identification documents is fully operational. It will take considerable time and testing for the federal government to update its systems to meet the information requirements of the act.

¹ Additional recommendations are included in the Impact Analysis section of this report and the February 2006 NGA, NCSL, AAMVA section-by-section report.

- **Require states to employ electronic verification systems only as they become available.**
Until electronic systems are fully operational, states must be allowed to use existing verification processes to comply with the act.
- **Adopt uniform naming conventions to facilitate electronic verification between files.**
An individual's name is a person's most common identifier. For electronic systems to work seamlessly, the federal government must adopt and universally apply common naming conventions to its systems.
- **DL/ID Design Requirements**
 - **Establish card security criteria based on performance—not technology.**
Limiting states to a single technology configuration increases risks and reduces innovation.

CONCLUSION

Governors, state legislators, motor vehicle administrators and federal officials share the goal of improving the security of state-issued DL/ID cards and the integrity of the issuance process.

As evidenced by this analysis, the Real ID Act presents significant operational and fiscal challenges to states and the federal government. Officials at all levels of government must also recognize the personal impact Real ID will have on individual citizens. The four major categories described in this report represent the most critical challenges facing states and consumers as the act's implementation deadline approaches. Even with full funding and aggressive state implementation plans, however, the difficulties of complying with yet unpublished regulations by the statutory deadline of May 2008 are insurmountable.

Our organizations strongly believe the recommendations presented here offer reasonable and workable solutions to help states meet the objectives of Real ID. It is our intention to work towards implementation of the act in a cost-effective and reasonable manner. Governors, state legislators and motor vehicle administrators encourage DHS to adopt regulations and Congress to pass legislation that incorporates the recommendations of this report. We also urge Congress to appropriate sufficient funds to allow states to implement the act. The objectives of Real ID are laudable, but only by working together will state and federal governments succeed in meeting the challenges presented by Real ID.

Impact Analysis

The following analysis details the effects of the Real ID Act (Real ID) on states, state licensing systems and individual driver's license and identification card (DL/ID) holders. The analysis is organized by the four major requirements that will have the greatest affect on states: re-enrollment, verification, DL/ID design and support requirements. The findings in each section are based on responses by state motor vehicle administrators to a survey sponsored by the American Association of Motor Vehicle Administrators (AAMVA) along with the National Governors Association (NGA) and National Conference of State Legislatures (NCSL).

1. Re-Enrollment

**\$8.48 billion
Over 5 years**

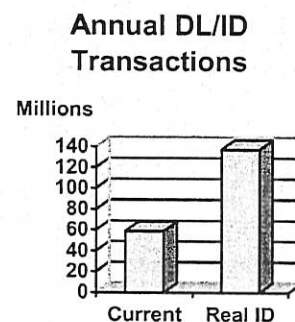
The Real ID Act will require all applicants to present their original identification credentials in person in order to be issued a Real ID compliant driver's license or identification card. More than 245 million existing cardholders and all new applicants must obtain and provide original identification documents to their state licensing agency for electronic verification and the scanning and storing of images before a Real ID compliant DL or ID card may be issued.

Findings

Federal officials have indicated they likely will require states to re-enroll all DL/ID card holders over a five-year period. This requirement will place an onerous fiscal and operational burden on states. States estimate the five-year re-enrollment cost at more than \$8.48 billion, which represents 71% of the total estimated known cost for implementing Real ID.

The primary cost drivers behind re-enrollment are the amount of additional time and resources required to re-enroll all DL/ID card holders over a five year period. Prior to Real ID, states anticipated handling more than 295 million DL/ID issuance transactions over the next five years.² Of those, nearly 38 million (13%) would have been original issuance transactions, which typically require an individual to appear in person and produce three to four identification documents. The remaining 257 million transactions (87%) would have been renewals—32 million of which would have taken place through alternative channels such as mail, Internet, and kiosk services. The typical in-person renewal takes one-half the time of an original issuance, while alternate renewals take one-fourth the time.

New Real ID requirements will more than double the workload of state motor vehicle departments (DMV) by increasing the number of individuals who must appear to renew their licenses and the time it takes



² States' re-enrollment analysis is limited to original and renewal transactions only and does not include approximately 21 million annual DL/ID transactions such as requests for duplicates, replacements or reinstatements.

to complete each transaction. Twenty-four states with existing renewal periods greater than five years will need to accelerate their renewal process to meet the new deadline. Because of this change DMVs will need to service nearly 30 million additional individuals during the next five years. Per-person transaction times will increase because every renewal will be processed as an original issuance, requiring an in-person visit and the production and verification of identification documents. The net effect of these changes will be to increase DMV workloads on average by 132.4% and more than double transaction times for renewals of existing DL/IDs.

The increased workload attributed to re-enrollment will also exceed the existing capacity of most state licensing agencies. A majority of states indicate they are operating at full capacity to meet existing demand. If states are to maintain their present levels of service while incorporating the added transaction volumes mandated by Real ID, states will need to:

- hire additional employees and increase service hours;
- expand or increase the number of facilities to accommodate additional customer volume;
- purchase additional equipment to support personnel;
- create and implement public education campaigns to inform customers; and
- anticipate and handle increases in calls, complaints, and return visits due to confusion and adjustments resulting from the new requirements.

Re-enrollment alone will require significant investments in DMV systems, personnel and facilities. However, even if full funding were provided, meeting the five-year re-enrollment deadline would result in severe customer service disruptions due to the increase in annual transactions. Providing states with flexibility to manage enrollment over a greater length of time would still meet the objectives of the act while reducing the fiscal effect on states and minimizing service disruptions for customers.

Recommendations

- Adopt a progressive re-enrollment period of at least 10 years. Currently, 24 states have a renewal period longer than five years. Extending the re-enrollment period beyond the proposed five-year period would negate some costs relating to expanding capacity and allow the remaining cost to be spread over a longer period of time.
- Allow for alternative renewal processes to continue during the re-enrollment period, provided existing customer data can be validated before issuance. This approach could include comparison of each existing Social Security number to the DMV's complete data file and Social Security Administration file, as well as comparison of each photograph against the complete photo file for that state.
- Allow for a waiver of verification requirements to facilitate applicants who have already been through an identity vetting process by the federal government (e.g., military ID, federal employee credential, U.S. passport.)
- Allow applicants with valid and compliant Real ID document(s) to transfer state-to-state without further documentation other than proof of residence, provided critical information has not changed. The previous state of record must transfer the applicant's record and image files to allow this provision to be acceptable.

- Exempt segments of applicants based on certain requirements related to applicable risk such as year of birth or duration of continuous relationship with the state of licensure.

2. New Verification Processes

**\$1.42 billion
Over 5 years**

Verification processes comprise the second largest category influencing Real ID implementation costs, accounting for approximately 12.8% of the \$11 billion known costs—or a total of \$1.42 billion over 5 years. The largest contributing factor is the more than 2.1 million computer programming hours states will need to adapt their systems for new requirements involving eligibility verification, business process re-engineering, photo capture and database design.

2.1 Verification of Eligibility: \$408 million

The Real ID Act requires DMVs to independently verify the validity of an applicant's identification documents with the appropriate issuing agency. This requires states to be able to contact all issuers of birth certificates and other name records, the U.S. Citizenship and Immigration Services, the U.S. State Department, the Social Security Administration and every other state motor vehicle administration prior to issuing a Real ID.

Findings

Confirming the validity of an identification document with the issuing agency will be one of the most expensive requirements of Real ID. Because DMVs will need to verify at least three identification documents for each applicant, states can anticipate processing more than 1 billion verification transactions over the next 5 years. In addition, the Real ID verification process also requires new conventions for capturing full legal name, processing photos and signatures, determining lawful presence and retaining images of identification documents.

Verification costs are expected to exceed \$408 million over five years. Of this amount, \$129 million is for one-time costs primarily related to states establishing connections with verification systems once they are made available. The remaining \$278 million is for ongoing operational costs during the five-year enrollment period. These estimates do not include transaction fees that may be required for states to access these systems or the cost of developing and maintaining required information systems.

Compliance with the eligibility verification requirement is contingent on the completion and implementation of at least five national identity verification systems and the necessary time for states to complete the required systems integration. States anticipate spending more than \$400 million, primarily in programming hours, to design, connect and test their issuance systems once the verification systems are available to states. Complicating these efforts will be the need to comply with state and federal procurement requirements, system security measures and data privacy laws.

The five verification systems are:

1. **All-State DL/ID Records System**—A system is necessary to ensure an applicant is not already licensed in another state or fraudulently holding multiple DL/ID cards. Such a system could be modeled after the existing Commercial Driver's License Information System (CDLIS), which supports verification requirements for all

commercial drivers. It also is necessary to verify the validity of an existing Real ID DL/ID card should that be submitted as proof of identify in another state.

2. **Department of State**—While the Department of State U.S. Passport database already includes birth records of U.S. citizens born overseas, there is no way for states to access this information. Implementation of the Real ID Act would require the Department of State to define the requirements for such a system, construct the system and test and work with the states to make it available for deployment prior to the May 2008 deadline.
3. **EVVER** (Electronic Verification of Vital Events Records)—States have worked with AAMVA to pilot the EVVER system to verify birth information. The pilot does not involve all states and does not include information concerning marriage, divorce and death records. In addition, the system is still in its early development stage.
4. **SSOLV** (Social Security On-Line Verification)—Currently 46 states have the ability to verify applicants' Social Security numbers with the Social Security Administration.
5. **SAVE** (Systematic Alien Verification for Entitlements)—Initially this system was created to verify eligibility for federal benefits. The system will have to be retrofitted to fulfill its expanded role under Real ID. At least 21 states currently are using SAVE or are in the process of gaining access to the system.³ Once the system is constructed, all jurisdictions would need time to test and certify the system before the May 2008 deadline.

Recommendations

- To utilize all funding possibilities more efficiently, the U.S. Department of Transportation's Federal Motor Carrier Safety Administration (FMCSA) and DHS should coordinate and re-assess their approach to funding implementation of Real ID requirements.
- Prohibit federal agencies from charging transaction fees to the states for the required electronic verification of federal information.
- Establish a cooperative effort between the DMVs, the National Association for Public Health Statistics and Information Systems (NAPHSIS), and state vital records agencies to provide reliable data and acceptable fees related to the verification of birth, marriage, divorce and death information.
- To ensure the successful implementation of verification systems supporting Real ID, it is imperative for states to be required to employ electronic verification systems only as they become available.
- Consolidate and synchronize system development schedules in a cooperative effort to maximize resources, ensure system efficiency and minimize the impact on state and federal systems.

³ States have indicated a preference to utilize the AAMVAnet environment to accomplish this verification. AAMVAnet is a secure network connecting 51 motor vehicle agencies (and their various legacy systems). It currently supports CDLIS and other highway safety systems. The motor vehicle agencies already access SSOLV through AAMVAnet.

2.2 Record system: \$48 million

Electronic verification processes will require states to record verification results and make that information part of the driver history record.

Findings

Record system changes will cost approximately \$48 million over five years. Many states will need time to seek legislative changes, solicit and award contracts and make system upgrades. Of the \$48 million, \$30.9 million is for one-time implementation costs and \$17.3 million is for total ongoing costs over the five years.

Currently, states are not required to capture or store verification information. System changes will be required for states to be able to capture, store and share information, photos and signatures with other states. States must also be able to share applicants' identity information with other relevant state and federal systems for law enforcement purposes. One of the most significant impacts to record systems is increasing the number of characters to accommodate a full legal name. Currently, there is a considerable variance in name formats and character allowance between states. (For more information on requirements regarding the use of full legal name, see 2.5)

Twenty-one states report investing \$289 million over the last five years to modernize their DMV information systems. To become Real ID compliant, many of these investments will be lost and systems will need to be modified to store data required by Real ID.

2.3 Photo Capture: \$248 million

Real ID requires a mandatory facial image capture for each person applying for a DL/ID card. This differs from existing practices that capture only images of those who ultimately are issued a DL/ID card.

Findings

Capturing images of all applicants will require states to take photos at the beginning of the licensing process. Only seven states currently capture photos at the beginning of the process. To change state practices requires modifications with a projected cost of \$248 million over five years, which includes \$72.3 million in one-time costs for items such as equipment and software and \$175.9 million in total ongoing costs.

Currently all states capture photos as part of their normal issuance process. Laws in 32 states, however, allow exceptions for individuals such as religious objectors, overseas military personnel and persons who are unable to visit a service center due to physical disabilities.

This projected cost does not include facial imaging recognition software to compare captured images with existing images in any state database. Although photo capture of all applicants is a useful tool, its effectiveness is diminished greatly without a significant investment in facial recognition technology.

Recommendation

- As long as a facial image is captured when a credential is issued and before a credential is denied, states should be provided the flexibility to engineer their system and business processes.

2.4 Lawful Presence: \$95 million

Real ID requires non-citizens to present evidence of lawful presence in the United States before states issue a Real ID credential. Therefore, states must verify the validity of the documents presented to prove lawful status in addition to all other required information (i.e., name, date of birth, Social Security number and address.) In addition, the expiration date on the DL/ID card must coincide with the end of the applicant's authorized stay. If the length of stay is indefinite, the DL/ID card must be renewed on an annual basis. Regardless of a state's renewal cycle, the expiration date of the DL/ID card for non-citizens must expire the same day as the end date on the presented immigration document.

Findings

Lawful presence accounts for approximately \$95 million of the known implementation costs over the five-year enrollment period. This amount includes \$65.5 million in one-time costs and \$29.6 million in total ongoing costs.

According to federal statistics from 2005, more than 11 million⁴ unauthorized immigrants are in the United States, as well as an estimated 32 million nonimmigrants⁵—those here on a temporary business or visitors visa. Tying the expiration date of DL/ID cards to the end dates on the presented immigration document will increase the total number of required transactions and necessitate new system requirements.

In states that require lawful presence as a condition for obtaining a DL/ID card, state officials must review numerous complex documents to properly determine immigration status. Currently, 21 states have access to, or are in the process of gaining access to, DHS's SAVE system to electronically verify lawful presence. However, insufficient information is available for states to reliably identify and validate an individual's "pending" immigration status. States also report real-time verification is not attainable approximately one-quarter of the time, which necessitates a time-consuming process to meet this requirement. Improved SAVE functionality is necessary to effectively implement this requirement.

Recommendations

- Limit the acceptance of the foreign documents to official passports accompanied by appropriate and clearly defined U.S. immigration documents.
- Limit document verification to what can be accomplished through an enhanced SAVE program that is fully developed, operational in real-time and accessible to all jurisdictions at no cost to states.
- DHS should establish a state working group to ensure the appropriate use of the SAVE system for purposes of this act.

⁴ Office of Immigration Statistics, Department of Homeland Security, *Estimates of the Unauthorized Immigrant Population Residing in the United States: January 2005*, (Washington, D.C.: DHS, 2005).

⁵ Office of Immigration Statistics, Department of Homeland Security, *Temporary Admissions of Nonimmigrants to the United States: 2005*, (Washington, D.C.: DHS, 2005).

- Expand the SAVE database to include Certificates of Naturalization.
- SAVE operability must allow for reliable real-time response in a high-volume hub-based query environment, which can be integrated into DMV transaction processes similar to SSOLV.
- Provide states time to pass legislation to require lawful presence for the issuance of a Real ID-compliant DL/ID, synchronize the DL/ID card expiration date with the authorized end-of-stay date and train employees to verify lawful presence through the SAVE system.

2.5 Full Legal Name: \$242 million

Real ID requires each state to include a person’s “full legal name” on a Real ID-compliant credential. DHS is considering requiring a name field that would capture between 125 and 175 characters.

Findings

The name is a critical data element used by states to collect, record, store, display and match identification data. Collecting and linking all name variations (e.g. William, Will, Bill) is necessary to prevent the issuance of multiple licenses and identification cards as various events may affect the base name record (e.g., adoption, marriage, divorce, court orders).

Currently, state databases capture anywhere from 27 to 125 characters for the name field. Only six states reported meeting the 125 character requirement.

The full legal name requirement would cost \$242 million over five years, which includes \$186 million in one-time system costs and \$56 million in ongoing costs. Over 1.1 million required programming hours are the primary driver of these costs, along with interface changes and testing. Additional unmeasured costs could be significant since state databases interface with numerous other systems, known as feeder systems, which may also need to be changed.

Most Common Feeder Systems
Boards of Elections
Child Support monitoring agencies
Courts/Jury Pools
Department of Homeland Security
Financial support systems
Game and Fish Departments
Insurance Companies
Organ Donor Registries
Police/Highway Patrol
Secretary of State
Social Security Administration
Third Part Verification Systems
Transportation/Public Works Department
US Selective Service
US State Department, Passport Services
Veterans Affairs
Vital Records verification systems

Costs also may be incurred from the need to change documents, forms and related fields to accommodate full legal name requirements. Reconciling truncation practices when states have to reduce a full legal name of up to 125 characters in its database down to the 39 characters available on the front of the DL/ID is also a major concern to states.

Recommendations

- Common conventions for the full legal name must be defined and universally applied to all federal document issuers for this requirement to be effective.

- Truncation guidelines should be developed with input from states and applied to all systems accessed for Real ID.

2.6 Address of Principal Residence: \$200 million

The Real ID Act requires states to verify and include an address of principal residence on the DL/ID card.

Findings

This requirement presents states with a significant challenge as there is no defined standard for principal address that can be used on the DL/ID card. A consequence of America's mobile society is frequent relocations and ownership of multiple properties and mobile homes, which may not include a permanent address.

Address changes are a normal, frequent occurrence and constitute the largest number of driver record change transactions. Many states accommodate this volume through address changes in their record systems without requiring the issuance of a replacement DL/ID card until the next scheduled renewal. Since this is one of the most common changes made to an individual's DL/ID between renewal cycles, a requirement to re-verify address change documents will significantly increase in-person visits.

The \$200 million to implement the principal address requirement over five years includes \$53.7 million in one-time costs and \$146.8 million in ongoing costs. Primary cost factors include the redesign of forms and changes to business process to verify addresses and enter them into the database.

All states retain at least one address in each motor vehicle record, but there is a wide variety of protocols used. Six states do not utilize a standard protocol, and 25 states allow masking—the option of not printing the address of principal residence on the card—for persons in protected classes (e.g., law enforcement purposes, judges, victims of domestic violence).

Recommendations

- Address of principal residence should be determined by having the applicant provide an affidavit and corroborating documentation.
- "Masking" of an address should be permitted on the credential for persons in certain protected classes while securely retaining the information in the database.
- States should be allowed to propose interim methods of tracking address changes between renewal cycles without the requirement for the full issuance of a replacement credential.

2.7 Records Retention: \$175 million

The Real ID Act requires states to retain copies of identification documents for a minimum of seven years or images of source documents for a minimum of 10 years.

Findings

Record retention accounts for approximately \$175 million over the five-year enrollment, with \$64.5 million coming from one-time costs and \$110.2 million attributable to ongoing costs. This does not include additional costs states would face if required to capture and

store documents presented to verify address of principal residence or the cost of record storage over the life of a valid Real ID-compliant DL/ID.

On average, states utilize three or four identification documents to process name, date of birth, Social Security number and lawful presence status. States will be required to capture images of more than 1 billion identification source documents over the five-year enrollment period. Twenty-two states plan to save digital images separately, rather than integrating them with their motor vehicle record systems.

States also expressed concern regarding the application of the Drivers Privacy Protection Act (DPPA) to the records retention and information sharing requirements of Real ID. The DPPA is a federal law that regulates how a DMV releases and shares the information in DMV records. DPPA forbids states from distributing personal information to direct marketers, but allows sharing of personal information with law enforcement officials, courts, government agencies, private investigators, insurance underwriters and similar businesses.

Recommendations

- The federal government must reconcile the new requirements of Real ID with the existing Driver Privacy Protection Act (DPPA) (18 U.S.C. Sec. 2721, et. sec.) to reflect the new responsibilities of DMVs and advances in technology since the DPPA was passed.
- States should not be required to capture documents presented by an applicant to verify address of principal residence.

3. DL/ID Design Requirements

**\$1.1 billion
Over 5 years**

The Real ID Act requires states to incorporate security features into the DL/ID card to prevent tampering, counterfeiting or duplication for fraudulent purposes.

3.1 Security Configuration: \$1 billion

The regulations likely will require a uniform security configuration that prescribes a specific substrate or cardstock and set of security features for use on all DL/ID cards issued by U.S. jurisdictions.

Findings

Protecting the DL/ID card from tampering, counterfeiting or fraudulent duplication is essential to improving the overall security of DL/ID cards nationwide. However, requiring one single acceptable configuration will limit jurisdictions' ability to adapt to changing threats in their particular environment and may drive up costs unnecessarily. Although it is not realistic to expect significant improvements to be made while keeping the cost per card at or near current levels, improving the level of security for the DL/ID card can be achieved at significantly less cost than a single stringent configuration.

While the anticipated regulations will likely provide a good security configuration based on currently available technology, restricting all state-issued DL/ID cards to a single security configuration could introduce new security vulnerabilities rather than protect the DL/ID card against fraud. States recognize the risk of relying on a single technology and now include provisions in their card security contracts that call for periodic re-evaluations of their document security configuration and allow for changes in design when needed. Such re-evaluations provide opportunities to alter configurations that have been copied or simulated and adopt new technologies that provide superior or more cost effective performance. If all DL/ID cards have the same basic configuration, counterfeiters will only need to overcome one configuration to be able to counterfeit any jurisdiction's card. DL/ID cards would be more secure if states are given the flexibility to use multiple security technologies, thereby forcing counterfeiters to overcome multiple and different technologies in each jurisdiction.

A specific card configuration is also likely to maximize cost by mandating a certain technology and forcing all states to alter existing systems. No state currently employs the security configuration contemplated by DHS. Mandating a new technology will require significant investments in new production systems and training that will force states to move to central issuance systems to reduce start-up costs and eliminate over-the-counter issuances. A specific technology will also reduce the ability of states to choose between competing security technologies and make cost effective purchases.

States' estimate the five-year cost to implement the proposed security requirement at \$1 billion. These costs include \$237 million in one-time costs and \$767 million in total ongoing costs.

Recommendations

- Promulgate regulations that establish performance requirements for DL/ID cards rather than mandating use of a specific set of security features.
- Initiate an advisory group composed of document security experts from federal and state agencies to establish national performance criteria.
- Create a testing program in cooperation with states to determine the resistance of DL/ID cards to tampering, counterfeiting or duplication for fraudulent purposes.

3.2 Non-Conforming DL/ID Card: \$68 million

Real ID requires DL/ID cards that do not satisfy federal requirements to state clearly on the face of the card that it may not be accepted by any federal agency for identification or any other official federal purpose. The DL/ID card must use a unique design or color indicator to alert a federal agency or official that it may not be accepted for any such purpose.

Findings

Eleven states indicated they may offer non-conforming DL/ID cards as permitted by the act. Design of non-conforming cards will cost those 11 states an estimated \$68 million to incorporate language and color requirements. These costs include \$14 million in one-time costs and \$54 million in total on-going costs over five-years. A majority of this cost stems from programming hours associated with system design and testing. In addition, some states will incur increases in fees to outside vendors and costs for on-going equipment replacements.

Recommendation

- Allow states to meet the requirement at reduced cost by placing a restriction code on the front of license, with clarifying language on back.

4. Support Costs

**\$44 million
Over 5 years**

4.1 Fraudulent Document Recognition Training: \$33 million

The Real ID Act requires states to establish fraudulent document recognition training programs for designated employees engaged in the issuance of DL/ID cards.

Findings

Fraudulent document recognition training is a critical component of securing the DL/ID issuance process. Forty-one states currently conduct fraudulent document recognition training programs. Of these, 34 states use AAMVA's Fraudulent Document Training program. Many states are concerned that training cost could increase significantly if DHS does not recognize these existing state training programs.

Meeting the requirements of the act could require more than 35,000 existing employees, and all new hires, to receive 12 hours of level one fraudulent document training. Of these, 10,000 employees who serve in supervisory roles will require level two advanced fraudulent document recognition training. In addition, all certified employees must attend an annual four-hour re-certification class.

Fraudulent document recognition training will cost states \$12.6 million in the first year of Real ID compliance and \$20.4 million in total on-going costs over the five-year enrollment period. The primary costs for the training program are class fees, facility costs, instructor salaries, materials and providing coverage for front-line employees while they attend training.

Recommendation

- The regulations should allow the current AAMVA fraudulent document recognition training program to be used to meet the act's requirements.

4.2 Employee Background Check: \$8 million

The Real ID Act requires states to conduct appropriate security clearance background investigations on all people authorized to manufacture or produce driver's licenses and identification cards.

Findings

To meet this requirement, states will incur costs of approximately \$4.32 million in the first year of Real ID compliance and \$3.55 million in total on-going costs over five years. This does not include security clearances required for employees of vendors and suppliers, which likely will be passed on to states through increased contract costs.

Most states that undertake background checks only perform them at the time of hiring. Of the 29 states that currently carry out some level of employee background checks, only two conduct credit checks.

In addition, this requirement will have a significant effect on many states' labor contracts. Numerous employees were hired under terms and conditions not requiring a security clearance. Should these employees be disqualified under the new regulations, states may be obligated to provide them with alternative employment or severance. States could also face additional costs associated with recruiting, hiring and training replacement employees.

Recommendation

- Provide states maximum flexibility to implement the regulations in a manner that is specific to the needs of their jurisdiction and avoids unnecessary confusion and disruption in services.

4.3 Certification: \$3 million

Real ID requires the secretary of the DHS to determine every three years whether a state is meeting the requirements of the act.

Findings

Certification will cost \$3 million over the initial five-year implementation period. For the purpose of this survey, DMVs used the costs and time associated with the Commercial Driver's License (CDL) certification process to extrapolate estimated costs for the Real ID certification process.

Successful implementation of Real ID will depend on the flexibility afforded states through the secretary's use of authority to extend deadlines for non-compliance. Additional authority may be needed to allow the secretary to recognize state innovations and practices that meet the objectives of Real ID, but differ from mandated requirements.

Recommendations

- The secretary must employ reasonable use of the extension authority to allow successful implementation of the act and recognize state flexibility.
- Extensions must be granted consistently; when a legitimate reason for extension exists for one state, it should apply equally to all states.
- Provide the secretary with the authority to recognize state innovations and practices that meet the objectives of Real ID.
- Provide states ample opportunity for review and appeal of decisions regarding their self-certification.

Conclusion

Governors, state legislators, motor vehicle administrators and federal officials share the goal of improving the security of state-issued DL/ID cards and the integrity of the issuance process.

As evidenced by this analysis, the Real ID Act presents significant operational and fiscal challenges to states and the federal government. Officials at all levels of government must also recognize the personal impact Real ID will have on individual citizens. The four major categories described in this report represent the most critical challenges facing states and consumers as the act's implementation deadline approaches. Even with full funding and aggressive state implementation plans, however, the difficulties of complying with yet unpublished regulations by the statutory deadline of May 2008 are insurmountable.

Our organizations strongly believe the recommendations presented here offer reasonable and workable solutions to help states meet the objectives of Real ID. It is our intention to work towards implementation of the act in a cost-effective and reasonable manner. Governors, state legislators and motor vehicle administrators encourage DHS to adopt regulations and Congress to pass legislation that incorporates the recommendations of this report. We also urge Congress to appropriate sufficient funds to allow states to implement the act. The objectives of Real ID are laudable, but only by working together will state and federal governments succeed in meeting the challenges presented by Real ID.

TABLE 1: REAL ID IMPLEMENTATION COSTS

	One Time Costs	On-going Costs for 5 year period	Total Five-Year Cost
1. Re-Enrollment			
Re-Enrollment	N/A	\$8,481,299,660	\$8,481,299,660
Subtotal	N/A	\$8,481,299,660	\$8,481,299,660
2. New Verification Processes			
2.1 Verification of Eligibility	\$129,188,744	\$278,316,015	\$407,504,759
2.2 Record Systems	\$30,961,607	\$17,283,505	\$48,245,112
2.3 Photo Capture	\$72,350,410	\$175,851,005	\$248,201,415
2.4 Lawful Presence	\$65,456,640	\$29,549,065	\$95,005,705
2.5 Full Legal Name	\$185,700,476	\$56,041,958	\$241,742,434
2.6 Address of Principal Residence	\$53,743,884	\$146,783,173	\$200,527,057
2.7 Records Retention	\$64,545,738	\$110,214,475	\$174,760,213
Subtotal	\$601,947,499	\$814,039,196	\$1,415,986,695
3. DL/ID Design Requirements			
3.1 Security Configuration	\$270,186,383	\$767,454,973	\$1,037,641,356
3.2 Non-Conforming DL/ID Card	\$14,227,981	\$53,973,695	\$68,201,676
Subtotal	\$284,414,364	\$821,428,668	\$1,105,843,032
4. Support Costs			
4.1 Fraudulent Document Training	\$12,634,712	\$20,627,105	\$33,261,817
4.2 Employee Background Checks	\$4,320,983	\$3,546,178	\$7,867,161
4.3 Certification	\$1,106,384	\$1,475,177	\$2,581,561
Subtotal	\$18,062,079	\$25,648,460	\$43,710,540
Grand Total	\$904,423,942	\$10,142,415,984	\$11,046,839,927

Table 2: Re-enrollment

Real ID Enrollment	BEFORE: 5-year Transactions without Real ID	Real ID Impact: Increased transactions due to accelerating renewals for states with expirations periods longer than five years	Real ID Impact: 100% increase in equivalent in-person renewal transactions due to full vetting taking twice as long as renewals	Real ID Impact: 300% increase in equivalent alternative channel transactions due to full vetting taking four times as long.	AFTER: 5-year Equivalent Transactions With Real ID
Original Issuance Transactions	37,871,139				37,871,139
In Person Renewal Transactions	225,733,093		225,733,093		451,466,186
Alternative Channel Renewal Transactions	31,665,468			94,996,403	126,661,871
Real ID Impact: Increased in-person renewals due to accelerating longer expirations into five years		24,630,241	24,630,241		49,260,482
Real ID Impact: Increased alternative channel renewals due to accelerating longer expirations into five years		5,202,024		15,606,071	20,808,095
Total Transactions	295,269,700				686,067,773
Percent Growth					132.4%
5-year budget for License/ID transactions	\$6,408,094,050				\$14,889,393,720
Increased budget impact for REAL ID re-enrollment (base budget x percent increased "equivalent" transactions)					\$8,481,299,670

REAL ID ENROLLMENT TRANSACTION IMPACTS			
Real ID Acceleration	29,832,265	7.63%	\$647,435,069
Real ID Full Process in lieu of renewal	250,363,334	64.06%	\$5,433,513,133
Real ID Loss of Alternative Channels	110,602,474	28.30%	\$2,400,351,469
TOTAL	390,798,073	100.00%	\$8,481,299,670

Table 3: Data on State Issuance of DL/IDs (Spring 2006)

Data Topic	TOTAL	States With Less Than 2 Million DL/IDs	States With Between 2 and 5 Million DL/IDs	States With More Than 5 Million DL/IDs
# of states	51 States	17 States	17 States	17 States
# of Valid DL/ID Records				
DL	207,950,328	12,259,106	51,670,390	144,020,832
ID	37,266,029	1,925,578	7,636,709	27,703,742
Total	245,216,357	14,184,684	59,307,099	171,724,574
Annual Volume Totals				
Annual total of DL original and renewal transactions	59,053,940	4,558,299	15,836,602	38,659,039
States Issuance Processes				
# of states that have central issuance	16	6	3	7
# of states that have over the counter issuance	31	10	13	8
Alternative Issuance Methods				
Combined issuance total	9,360,408	107,158	866,141	8,387,109
% of states that provide alternative issuance	85%	88%	82%	88%
% of total DL/ID issuances	12%	2%	4%	15%
Maximum Valid Issuance Term				
DL issuance > 8 years for at least some populations	3	0	2	1
ID issuance > 8 years for at least some populations	10	2	4	4
DL issuance > 5 years for at least some populations	21	4	10	7
ID issuance > 5 years for at least some populations	23	5	10	8
Issuing Sites and Service Centers (including 3rd parties)				
Total # of issuance, production, and storage facilities	7,091	969	2,130	3,992

Data Topic	TOTAL	States With Less Than 2 Million DL/IDs	States With Between 2 and 5 Million DL/IDs	States With More Than 5 Million DL/IDs
# of Characters for Full Legal Name in Database				
# of states with length ≤35	14	4	5	5
# of states with length between 40 and 124	18	7	7	4
# of states with length ≥125	7	3	2	2
Programming Hours for Verification Systems				
# of programming hours	2,003,794	331,652	599,874	1,072,268
Funds spent by States in Record Systems in the last 5 Years				
# of states	21	8	5	8
Total amount of funds	\$289,026,586	\$34,952,000	\$77,400,000	\$176,674,586
Barcode/Magnetic Stripe on DL/ID Card				
% using Barcode	47	13	17	17
Storage of Digital Images				
# of states who plan to save images on a separate system	19	8	2	9
# of states that plan to integrate saved images with their motor vehicle records system	9	5	2	2
Synchronization of DL Expiration Date with VISA Length of Stay				
Of those states that issue a temporary immigrant DL, # with DL renewal period equal to length of stay on immigration documents	26	7	9	10
SSN Verification via SSOLV				
# of states that use SSOLV	46	17	14	15
Legal Presence Verification via SAVE				
# of states that use SAVE	19	4	5	10

Data Topic	TOTAL	States With Less Than 2 Million DL/IDs	States With Between 2 and 5 Million DL/IDs	States With More Than 5 Million DL/IDs
Upfront Photo Capture				
# of states that currently capture photos at the beginning of the DL/ID Issuance process	8	1	3	4
Issue DL/ID without Photographs				
# of states with DL/ID photograph exceptions	32	11	11	10
Annual issuance of Non-Photo DL/IDs				
Total	1,083,832	21,843	90,650	971,339
DL without photograph	264,103	2,725	74,440	186,938
ID without photograph	1,389	28	110	1,251
Learner's permit without photograph	818,340	19,090	16,100	783,150
Masking Addresses				
# of states that allow masking of addresses	25	8	8	9
Employee Background Check				
# of states that provide some level of background check	34	11	11	12
# of employees requiring a background check	35,521	4,221	11,791	19,509
Average turnover rate for employees who will need a background check	13.32%	8.95%	16.32%	14.93%
Fraudulent Document Training Program				
# of states with fraudulent document training programs	42	11	16	15
# of states that use AAMVA's training program	35	10	14	11
# of states that use in-house training programs	10	2	3	5
# of employees requiring entry level training	25,754	2,587	8,535	14,632
# of employees requiring supervisory level training	5,126	762	2,369	1,995
Average annual turnover rate for employees who will receive training	13.41%	9.47%	17.02%	14.70%