

MINUTES
SENATE FINANCE COMMITTEE
May 01, 2002
9:49 AM

TAPES

SFC-02 # 83, Side A
SFC 02 # 83, Side B

CALL TO ORDER

Co-Chair Pete Kelly convened the meeting at approximately 9:49 AM.

PRESENT

Senator Pete Kelly, Co-Chair
Senator Dave Donley, Co-Chair
Senator Jerry Ward, Vice Chair
Senator Gary Wilken
Senator Alan Austerman
Senator Lyman Hoffman
Senator Donald Olson
Senator Loren Leman

Also Attending: LADDIE SHAW, Special Assistant, Office of Veteran Affairs, Department of Military and Veterans Affairs; PAT CAROTHERS, Chair, Alaska Veterans Advisory Council; NEIL SLOTNICK, Deputy Commissioner, Department of Revenue; JOHN JENKS, Chief Investment Officer, Treasury Division, Department of Revenue; LINDA SYLVESTER, Staff to Representative Pete Kott; MARY MARSHBURN, Director, Division of Motor Vehicles, Department of Administration;

Attending via Teleconference: Off-net: KEN SHERWOOD, Alaska Mill and Feed Company; DENNIS GREEN, Owner, Green and Son; ROBERT THOM, Budget Feed and Farm Store; HERB SIMON; ROBERT WELLS, Director, Division of Agriculture, Department of Natural Resources; From Delta Junction: PETER FELLMAN, Staff to Representative John Harris; PHIL KASPARI Cooperative Extension Service, University of Alaska-Fairbanks

SUMMARY INFORMATION

SB 353-AGRICULT. PROG.COORDINATOR/ANIMAL FEED

The Committee heard testimony from industry representatives, the

Department of Natural Resources and the University of Alaska. An amendment was adopted and the bill was held in Committee.

SB 54-ALASKA VETERANS ADVISORY COUNCIL

The Committee heard testimony from the Department of Military and Veterans Affairs and the Alaska Veterans Advisory Council. Two amendments were adopted and the bill moved from Committee.

SB 267-ALASKA VETERANS' MEM.ENDOWMENT FUND

The Committee heard from the Department of Military and Veterans Affairs and the Department of Revenue. The bill was held in Committee.

HB 344-INCREASE DRIVER'S LICENSE/PERMIT FEES

The Committee heard from the sponsor and the Department of Administration. The bill moved from Committee.

SB 311-STATE TRUST FUND MONIES

This bill was scheduled but not heard.

#SB353

CS FOR SENATE BILL NO. 353(RES)

"An Act relating to the labeling of animal and poultry feeds and to the agriculture program coordinator; and providing for an effective date."

This was the second hearing for this bill in the Senate Finance Committee.

Senator Ward noted Senator Olson's intent to change the funding source for this legislation from general funds to receipt supported services funds.

Senator Olson informed he has spoken to industry representatives to get their input on this bill, as the legislation would impact them.

KEN SHERWOOD, Alaska Mill and Feed Company, testified via teleconference from off-net site that he does not oppose this legislation because the company complies with the labeling laws of the State of Washington. He expressed he would like the requirements to be identical to federal regulations. He was concerned that the language in the bill is "vague".

DENNIS GREEN, Owner, Green and Son, testified via teleconference from an off-net site in Delta Junction about the activities of the company. He stated he would prefer the legislation not be enacted at this time, as it would place a "strain" on those affected. He understood a statute would be necessary at some point, but requested a delay.

ROBERT THOM, Budget Feed and Farm Store, testified via teleconference from an off-net site in Palmer that the company has been producing feed in Alaska for 25 years. He stressed the need to regulate feed imported into the State. He spoke of chemical additives used to "boost" the protein content of feed, which Alaska manufacturers are currently unable to produce but this legislation would allow.

Senator Olson asked for clarification of whether the previous witness favored or opposed the legislation.

Mr. Thom indicated he supports the legislation.

HERB SIMON testified via teleconference from an off-net site in Nelchina that he has been manufacturing and selling feed for 25 years. He opposed the bill because it requires "manpower increases in the overall State structure", which he asserted is "diametrically opposed" to an appropriate legislative mandate. He was unfamiliar with the organic farming and weed control portions of the bill. He asserted the feed manufacturing industries would be unable to comply with the new statutes because of a lack of infrastructure and the time involved to obtain laboratory results on the exact protein content. He continued that Alaska has been known as a "dumping ground" for outdated feed products and he surmised the protein content listed on product labels would be considerably less because the protein level reduces quickly, especially if the product is not properly stored. He opposed the imposition of mandated standards that are impossible to achieve.

PETER FELLMAN, Staff to Representative John Harris, testified via teleconference from Delta Junction that although Alaska has a "truth in labeling" law, there is insufficient manpower in the Division of Agriculture to enforce it. This legislation, he stressed, would provide staff to implement the existing law. He informed of the laboratories available to perform nutrition testing. He remarked if feed is properly stored as instructed on the package, the nutrition level should be maintained. He spoke to the lack of labeling requirements in Alaska that are present in every other state. He surmised that if a manufacturer is producing nutritional feed, there should be no problem with complying with

these provisions. He asserted that those feeding pets and farm animals have a right to know that the feed purchased is nutritious.

Senator Lemman asked if the witness agreed with the fiscal note that a full time position is necessary to implement this statute or whether the duties could be shared with existing staff or a part time staff.

Mr. Fellman told of the three duties this legislation would create and agreed that one full-time position is unnecessary for each duty. However, he noted the combination of the duties would amount to the necessity of a full-time position.

Senator Lemman asked if one person could be found who is qualified to perform all three duties.

Mr. Fellman replied this is possible and emphasized that successful performance of the duties would require good organization and attention to detail. He qualified some training would be required to educate the employee about testing feed samples and to become a organic certifier. He informed this training is not difficult.

Co-Chair Kelly referred to Section 5 of the bill relating to civil liability that increases the amount of the fines levied. He asked the purpose of changing this provision from regulatory to statutory.

Mr. Fellman was unprepared to respond to this issue and offered to research the matter.

PHIL KASPARI Cooperative Extension Service, University of Alaska-Fairbanks, testified via teleconference from Delta Junction that he is available to address questions relating to noxious weeds.

Co-Chair Kelly suggested Senator Lemman and Senator Olson work with Senator Green on revising the fiscal note.

Senator Lemman expressed his intent to review the workload of the proposed position, as it did not appear to require full time attention.

Co-Chair Kelly indicated hesitation to change the fiscal note without input from the bill's sponsor, Senator Green, who was absent from this meeting due to illness.

Senator Lemman addressed the amendment he had offered at the prior hearing for this bill, which was adopted and which changed the effective date of the new position. He pointed out the adoption of

regulations does not conform to this change and that a correction is necessary.

AT EASE 10:12 AM / 10:14 AM

Amendment #1: This amendment provides that Section 7 of this committee substitute, which stipulates that this legislation does not apply to meat, fish or poultry, take effect July 1, 2002. This amendment also inserts a new Section 14 to provide that Section 8, AS 03.60.006. Agriculture program coordinator, of the committee substitute take effect January 1, 2003.

Senator Lemman moved to rescind action taken at the previous hearing to adopt this amendment.

There was no objection and the action adopting this amendment was RESCINDED.

Senator Lemman offered a motion to withdraw this amendment.

The amendment was WITHDRAWN without objection.

Amendment #2: This amendment inserts a new Section 14 to provide that Section 1 and Section 8 of the committee substitute take effect January 1, 2003. Section 1 relates to AS 03.05.010(a)(7) establishing requirements for the labeling of animal and poultry feeds, and Section 8 adds a new section to AS 03.60: AS 03.60.006. Agriculture program coordinator.

Senator Lemman announced he would NOT OFFER this amendment.

Amendment #3: This amendment provides that Sections 1 and 8 take effect January 1, 2003.

Senator Lemman moved for adoption.

The amendment was ADOPTED without objection.

Senator Wilken referenced page 1, line 12 of the bill and asked if farmed shellfish would qualify as a raw or processed aquaculture product under the organic certification provision of this legislation.

Mr. Kaspari understood that aquatic products are not included in the provisions of this legislation and deferred to Mr. Wells for confirmation.

ROBERT WELLS, Director, Division of Agriculture, Department of

Natural Resources, testified via teleconference from off-net site in Palmer that the Department of Environmental Conservation has responsibility over the inspection of meat and seafood products. He stressed this legislation only addresses land-based, terrestrial products, i.e. vegetables, etc.

Co-Chair Kelly ordered the bill HELD in Committee.

AT EASE 10:18 AM / 10:18 AM

#SB54

SENATE BILL NO. 54

"An Act establishing the Alaska Veterans Advisory Council; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

LADDIE SHAW, Special Assistant, Office of Veteran Affairs, Department of Military and Veterans Affairs, testified this bill establishes in statute, the Alaska Veterans' Advisory Council. He noted this organization was created under Administrative Order #164 in 1996.

Mr. Shaw explained this organization assists the Department in identifying the needs and concerns of veterans in the State of Alaska, their dependants and survivors, as well as identifying methods to better address those needs. He detailed the Council's duties including making recommendations concerning veterans' priority service, needs, developing public and private partnerships to meet those needs and providing coordination and information regarding veterans' benefits and services in the State.

Mr. Shaw stated that the Council consists of 20 members appointed by the governor. He listed that one or more members are affiliated with a veterans' organization; one or more members represent a State agency that manages programs affecting veterans; and one or more members of the general public "familiar with veterans' issues". He emphasized that members serve without compensation beyond per diem and travel expenses.

PAT CAROTHERS, Chair, Alaska Veterans Advisory Council, and Lieutenant Colonel, US Marine Corps, Retired, testified in support of establishing the Council in statute. He cautioned that a future governor could "abolish" this Council and that the efforts of the past seven years undertaken on behalf of Alaska's veterans would be

"just about down the tube" with the exception of legislation already adopted.

Lt. Col. Carothers remarked the Council operates on a statewide basis and he described the process whereby "problems within the veterans' community" are brought before service officers of the veterans' organizations and handled on an individual basis. He noted the Council has representation in each veteran organization and that each veteran organization has representation on the Council. Therefore, he informed that many issues are presented to the Council, and if it is determined that a problem affects more than the individual, the Council addresses the matter. He explained the Council makes recommendations and pointed out that most of these recommendations have been implemented by the appropriate State agencies. He characterized this process as the Council serving as "the eyes and ears of the Administration" as well as the Legislature.

Lt. Col. Carothers asserted the \$3,500 cost of this legislation is minimal. He informed that the Council holds three meetings annually: one each in Anchorage and Juneau, plus one teleconference meeting.

Lt. Col. Carothers stressed the importance of an entity to coordinate veteran service organizations to receive suggestions for improvement. He remarked, "A healthy veteran community is a good asset for any legislator to have in his constituency."

Lt. Col. Carothers stressed that the members of the Council would be "very very disappointed" if this bill did not pass and the Council were eliminated. He stated the Council is bi-partisan, assuring that he is "not in the Administration's club" and that he serves the veterans of Alaska, as do the other Council members.

Senator Wilken was concerned with the assertion that the new governor would choose to eliminate the Council as it has been in place since 1996. He asked why the witness surmised this would occur.

Lt. Col. Carothers informed that Governor Wally Hickel had abolished the Council when he took office.

Senator Wilken commented that a 20-member Council appears large, although he did not object if the Council is able to operate with a budget of \$3,500. He commented that the Council could reduce its membership to ten seats and hold more efficient meetings more frequently.

Co-Chair Kelly suggested that the governor should appoint ten members with the remaining ten appointed by the legislature.

Senator Olson commended Lt. Col. Carothers and other members of the Council for their involvement. He wanted to know the number of veterans in Alaska.

Lt. Col. Carothers replied that 68,000 veterans reside in Alaska, which is more per capita than in any other state.

Senator Olson asked the geographical distribution of veterans in the State.

Mr. Shaw answered that approximately 43 percent of the veterans in Alaska reside in Anchorage and the Mat-Su Valley; the second largest concentration is in Fairbanks, with the remaining 25 to 27 percent living elsewhere in the State.

Senator Olson commented, "It sounds like a very good bill Mr. Chairman."

Co-Chair Kelly asked if the witnesses would object to amending the legislation to provide that five Council members are appointed by the President of the Senate, five by the Speaker of the House and ten by the governor.

Amendment #1: This conceptual amendment provides that appointment of the 20 Council members shall be determined by the following entities: governor, ten seats; Senate leadership, five seats; House of Representatives leadership, five seats. This amendment also provides this change takes effect as the Council members' current terms expire.

Senator Leman moved for adoption.

Senator Ward clarified this would not impact current Council memberships.

The amendment was ADOPTED without objection.

Senator Hoffman asked the percentage of rural members serving on the Council.

Mr. Carothers responded that approximately one-third of the membership reside in Bethel, and other small communities.

Co-Chair Kelly thanked the witnesses and those members of the public for their service in combat.

Senator Hoffman asked how the appointment of the Council positions would be rotated.

Co-Chair Kelly suggested the next vacancy could be filled by an appointee of the governor, the second vacancy by the Senate and the third vacancy by the House of Representatives, with the process repeating in this manner for subsequent vacancies.

Senator Leman agreed to this process.

Mr. Shaw stated this method is possible. He pointed out that currently appointments are made based on the recommendations of local veterans organizations. He assumed this process could continue regardless of the appointing authority.

Co-Chair Kelly surmised that the rotation of appointing authority would assure fair consideration of the veteran organizations' recommendations.

Co-Chair Kelly suggested the amendment should be conceptual to allow the drafter to conform the language to the intent of the Committee.

Amendment #2: This conceptual amendment provides that the first vacant seat would be filled by appointment of the governor, the second vacant seat would be filled by appointment of the Senate leadership, the third vacant seat would be filled by appointment of the House of Representatives leadership, and subsequent vacancies would be filled in this rotating order.

Senator Leman moved for adoption of this conceptual amendment to accommodate the Committee's intent to provide fair distribution of Council membership.

There was no objection and the amendment was ADOPTED.

Senator Ward offered a motion to "move Senate Bill number 54 amended out of Committee with individual recommendations and the accompanying note."

Without objection, CS SB 54 (FIN) with accompanying \$3,500 fiscal note #2 from the Department of Military and Veterans Affairs dated 2/9/02, MOVED from Committee.

#SB267

SENATE BILL NO. 267

"An Act establishing the Alaska veterans' memorial endowment fund and providing for credits against certain taxes for contributions to that fund; relating to other tax credits for certain contributions; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

LADDIE SHAW, Special Assistant, Office of Veteran Affairs, Department of Military and Veterans Affairs read a statement into the record as follows.

SB 267 sets up an endowment fund to support the maintenance of existing and construction of new memorials, to Alaska veterans and the military. Today Alaska has over 70 memorials to our veterans. These tributes range from small plaques to memorials like Byers Lake. Funds to maintain these existing memorials are few.

The bill before the Committee would allow the Department of Revenue to accept donations from the private sector of legislative appropriations, to invest the funds to earn a real rate of return of at least 5%, and identify amounts available for appropriation each year.

The Department of Military and Veterans Affairs, with the assistance of appropriate veterans' organizations would grant the appropriated funds to organizations that would maintain the monuments or memorials. If funds were available, new memorials or monuments could be constructed. Regulations would be promulgated to describe this process.

In addition, the bill allows a tax credit to taxpayers that choose to donate money to the endowment fund. Credits would be limited to 50% of the first \$100,000 and 100% of the second \$100,000. The tax credit mirrors the structure of the existing education tax credit. A taxpayer's total credit under both of these credits would be limited to \$150,000.

By providing a mechanism to take care of the existing veterans' memorials in Alaska and to building additional in the future, this bill recognizes the contribution that veterans and the military have made to our state.

Co-Chair Kelly referenced language in Sec. 4 on page 3, lines 21 through 25, which reads as follows.

Article 8. Alaska Veterans' Memorial Endowment Fund.

...

Sec. 37.14.730. Use of the fund. (a) As soon as practicable after July 1 of each year, the commissioner of revenue shall determine the average month-end market value of the fund for the immediately preceding three fiscal years. The commissioner shall identify five percent of that amount as available for appropriation by the legislature for uses described in (b) of this section...

Co-Chair Kelly asked if this would essentially create a "sinking fund" in the event of a period of poor earnings on the investment, noting the requirement that five-percent must be appropriated.

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NEIL SLOTNICK, Deputy Commissioner, Department of Revenue, deferred to Mr. Jenks to explain how this would be avoided.

JOHN JENKS, Chief Investment Officer, Treasury Division, Department of Revenue, assured that the "investment features" of this endowment are designed to ensure a "stable payout" over time, despite fund performance. He noted the amount available for appropriation is limited even in those years in which the fund earnings are high. He furthered that this legislation also directs the Department of Revenue to manage the endowment in a manner that provides a five-percent "real or inflation-adjusted return over time."

Co-Chair Kelly posed a scenario whereby earnings in the first two years of the fund's existence are less than five percent and surmised that the corpus of the fund would immediately "erode" under the provisions of this legislation.

Mr. Jenks agreed the value of the fund would decline.

Co-Chair Kelly suggested amending the bill to stipulate that an appropriation would not be made using funds from this endowment before a year in which the endowment has realized a five-percent rate of return.

Mr. Jenks replied that such a provision is possible, but cautioned it would defeat the purpose of establishing a link between the long-term investment policy i.e., the long-term expected earnings, and the payout of the fund. He acknowledged the corpus of the endowment could be reduced in the first two years, but assured that

long-term performance is the higher priority.

Co-Chair Kelly qualified his expertise on the matter is limited, but wanted to ensure that the principal of the endowment would not be compromised. He informed this has occurred with other endowments.

Mr. Jenks reiterated that such action would be inconsistent with the intended management of the fund.

Mr. Slotnick clarified that the language in the bill stipulates that the funds would be identified and made available for appropriation. However, he stressed the language does not require that an appropriation actually be made. He foresaw the Department issuing an annual report on the condition of the fund, and the legislature making the determination as to whether an appropriation is appropriate in a given year.

Co-Chair Kelly indicated this is satisfactory.

Senator Ward agreed.

Senator Wilken referenced Sections 1, 2 and 3 of the bill and asked if the tax credits proposed in this legislation are comparable to donations made to the University of Alaska.

Mr. Slotnick affirmed this legislation is modeled after the University of Alaska endowment program.

Co-Chair Kelly noted the presence of students from Floyd Dryden Middle School in Juneau who were attending the meeting as part of the Close Up Program. He directed them to introduce themselves.

Senator Wilken asked about other tax credit programs.

Mr. Slotnick responded two programs are in existence, both relating to the University of Alaska and postsecondary education.

Senator Wilken noted this legislation would establish a third tax credit program.

Co-Chair Kelly directed attention to multiple statutory references in the bill relating to "credits taken during the taxpayer's tax year". He asked for elaboration.

Mr. Slotnick noted the "seven different tax types" for which a contribution credit would be eligible, pointing out that "overlapping" credits is disallowed. He exemplified an oil and gas

company providing a contribution and explained the credit could be taken against the company's oil and gas property tax, oil and gas severance tax, or oil and gas corporate income tax in an amount not to exceed the maximum allowed \$150,000. He listed fisheries business tax, fisheries landing tax, license tax, insurance premium tax, and the three aforementioned oil and gas taxes as the seven tax types. He qualified that other tax types are ineligible for this tax credit program including motor fuel tax and tobacco tax.

Co-Chair Donley questioned the 100 percent tax credit allowed for the second \$100,000 contribution and asked who made the decision to include this provision.

Mr. Slotnick answered this legislation was drafted to model the University of Alaska endowment tax credit program.

Co-Chair Donley wanted to know the "human being" who made the public policy decision to provide the 100 percent tax credit.

Mr. Slotnick was unaware of who made the decision. He emphasized the intent is to provide an incentive for a second \$100,000 contribution.

Co-Chair Donley pointed out this would result in a "100 percent loss to the treasury" of those funds.

Mr. Slotnick explained the rationale that the first \$100,000 contribution is only available for 50 percent tax credit.

Co-Chair Donley recalled the extensive debate on this issue at the time the University of Alaska endowment program was established. He expressed he did not support this structure in the University of Alaska endowment program and does not support it as proposed for the veterans' memorial fund. He stated this method does not benefit the State's treasury and predicted that rather than the government determining the best use of funds, companies would make donations in lieu of paying taxes.

Co-Chair Donley disagreed with using the University of Alaska endowment program as a model for this legislation. He cautioned against "just blindly be copying mistakes of the past" without debating the issue.

Senator Wilken suggested the fiscal note must be corrected, as it does not reflect the subsequent reduction of the credited donations from the general fund.

Senator Ward requested the Department of Military and Veterans

Affairs speak to the 100 percent tax credit for the second \$100,000 contribution.

Mr. Shaw qualified his limited understanding of the tax credit system. He predicted that actual donation amounts would be less than \$100,000, citing information indicating actual donations average less than \$5,000. He stated this legislation includes a \$125,000 legislative appropriation to match the \$125,000 the Department has already collected.

Co-Chair Kelly ordered the bill HELD in Committee.

#HB344

CS FOR HOUSE BILL NO. 344(STA)

"An Act increasing fees for driver's licenses, instruction permits, and identification cards; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

LINDA SYLVESTER, Staff to Representative Pete Kott, Chair of the House Rules Committee, testified this bill was introduced at the request of the Division of Motor Vehicles. She informed this legislation would increase fees for noncommercial driver licenses from \$15 to \$20, and learner's permits by \$10, as well as increase the fees for identification cards. She stated the bill would also enable the Division of Motor Vehicles to implement a conversion to a digital license system, noting the Division requests \$500,000 to implement the IT component to support the digital system. She assured this appropriation would be offset by fee increases, which would generate between \$750,000 and \$900,000 per year.

Ms. Sylvester pointed out an inaccuracy in Section 1(a) on page 1, lines 11 and 12, which reads as follows.

(3) Alaska is one of four remaining states that has yet to convert from 1950s era technology to digital driver licenses and personal identification cards.

Ms. Sylvester informed that since this bill was introduced, the other three states have made the conversion and Alaska remains the only state still operating with the outdated technology.

Ms. Sylvester stressed that the current Polaroid system, which has remained virtually unchanged since 1954, operates manually and is

"uniquely susceptible" to fraud. She assured that by updating the technology, the integrity of the nation's personal identification system would be improved. She spoke of discussions occurring following the terrorism incidents of September 11, 2001, regarding the security of the identification system. She stated that these discussions have resulted in an emphasis in strengthening the states' systems. She emphasized that states have a responsibility for the integrity of identification systems.

Ms. Sylvester stressed that obtaining a driver license signifies more than passage of a driving examination, given the reliance on these documents for identification for security and financial reasons. She characterized Alaska's driver licenses and identification cards as "breeder documents", explaining that once in hand, airline tickets, passports, checking accounts, firearm permits, credit cards, etc., could be parlayed. She remarked that driver licenses are a key component of the theft identity "phenomenon," which resulted in a loss of \$7 billion the previous year. She furthered that fraudulent manufacturing and use of Alaska identification cards for certain purchases by underage users is another problem.

Ms. Sylvester detailed the simple way to obtain a duplicate or fraudulent driver license, and shared anecdotal stories. This included a college student with an enlarged "picture" of a driver license in which a person could pose for a photograph standing in front of a yellow curtain covering the photo section of the driver license; the photograph of the person and the picture of the license would then be laminated, thus producing a realistic, but fraudulent driver license.

Ms. Sylvester also spoke to difficulties of Alaska residents in utilizing their Alaska identification while traveling outside the State, explaining that the identification is sometimes not accepted because it "looks too hokey." She furthered that the Division is unable to issue replacement photo driver licenses to Alaskans in the event their identification is lost or stolen during travel because the Division does not maintain photographs. She qualified that identification that does not include a photo is available, however, airline security and other venues often require photo identification.

Ms. Sylvester noted that the State's current identification system relies on Polaroid for equipment and supplies and informed that the company filed for Chapter 11 bankruptcy protection in October 2001 and that Chapter 7 bankruptcy protection is likely to follow. She stated that the company's identification system has since been sold to a company that serves 37 other states with identification

systems. She stated that replacement cameras for the current system are no longer available and that film would be unavailable at the end of the calendar year as well.

Senator Ward asked if any states currently utilize private contractors to fully operate their driver license and identification programs using privately owned equipment.

MARY MARSHBURN, Director, Division of Motor Vehicles, Department of Administration was unaware of any states that contract for these services. She told of "turnkey" systems available, but emphasized these are primarily used for private security systems.

Senator Ward understood the state of Vermont might utilize a private contractor.

Ms. Marshburn was unsure.

Senator Ward wanted to research the matter of operations in Vermont before making a decision to support this legislation.

Senator Hoffman asked if the Division could acquire and install the new equipment to be operational by the July 1, 2002 effective date of this bill.

Ms. Marshburn answered no, and explained the effective date applies to the date the fees would be increased fees to garner the necessary funding to begin process to begin the conversion process to a digital system. She informed 18 months would be required before the new system is operational.

Senator Hoffman asked if licenses would continue to be valid until the printed expiration date.

Ms. Marshburn affirmed. She anticipated that many people would choose to renew before the expiration date given the greater protection against fraud.

Senator Hoffman asked if an additional fee would be imposed for early renewal.

Ms. Marshburn replied that the current fee for obtaining a duplicate of an unexpired license would be levied.

Senator Olson asked that amount.

Ms. Marshburn answered \$10.

Ms. Marshburn then explained the current Polaroid system, which is somewhat difficult to alter or replicate, although significantly easier than a digital system. She pointed out for Senator Leman's benefit that engineering students tend to be the most inspired to attempt to alter or create fraudulent identification.

Ms. Marshburn described the digital license technology that would be used for production of licenses and identification as well as for data storage. She informed the new licenses and identifications would not require subtraction of birth dates from the current year to determine the age of the holder. She furthered that licenses for holders under the age of 21 would be oriented horizontally rather than vertically to allow for ready recognition.

Senator Olson asked about the process to obtain a duplicate driver license if the original is lost while traveling out of State.

Ms. Marshburn responded it is not possible to produce a duplicate license if the holder is not present. She detailed the current system of two photographs taken, with one placed on the face of the license or identification and the other forwarded to the Department of Public Safety. She stated that in the event of a lost or stolen license, the Division could research the driving history of the holder and verify that a valid driver license does exist for that holder then fax that information to the holder. However, she noted this does not verify that the holder of this document is the person claimed, as no photograph is included.

Senator Hoffman asked if it is possible to hold two licenses. He was told that possessing more than one is punishable with a \$25,000 fine.

Ms. Marshburn was unaware of the fine system. She shared that she obtained a State of Alaska identification card to utilize while traveling. She therefore is less likely to lose her driver license.

Senator Hoffman commented that \$25,000 was a large amount for such an offense.

Senator Leman supported the conversion to digital licenses. He was concerned about the ease of altering current licenses. He was also concerned about the cost involved with such a conversion. However, he agreed the funding mechanism proposed in this legislation is acceptable.

Senator Leman noted the Division had indicated to him a request to amend language contained in the intent section of the bill.

Ms. Marshburn remarked that the change should not be made.

Senator Leman "moved to report committee substitution House Bill 344 from Committee with individual recommendations and the accompanying fiscal notes."

Co-Chair Donley requested a "definitive written answer" to Senator Hoffman's question about the possession of more than one driver license.

Without objection CS HB 344 (STA) MOVED from Committee with accompanying \$500,000 fiscal note #1 from the Department of Administration, dated 2/20/02.

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ADJOURNMENT

Co-Chair Pete Kelly adjourned the meeting at 11:14 AM