

AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3142

24

1 essential health care services.

2 (b) An individual or employer may purchase health care insurance for health  
3 care services in addition to the essential health care services required under  
4 AS 21.54.200 - 21.54.310.

5 (c) If an employer does not provide a health care insurance plan for all  
6 employees or provides a health care insurance plan that meets or exceeds coverage for  
7 essential health care services but does not enroll at least 25 percent of the employer's  
8 employees in the plan or does not offer to pay at least 33 percent of the premium for  
9 health care insurance under the plan, the employer shall pay the department as  
10 follows:

11 (1) if an employer's annual gross payroll paid to employees who are  
12 required to participate in the Alaska health care plan under AS 21.54.240 is \$500,000  
13 or less, no payment is required;

14 (2) if an employer's annual gross payroll paid to employees who are  
15 required to participate in the Alaska health care plan under AS 21.54.240 is greater  
16 than \$500,000 but less than \$1,000,000, the employer shall pay one percent of the  
17 gross payroll; or

18 (3) if an employer's annual gross payroll paid to employees who are  
19 required to participate in the Alaska health care program under AS 21.54.240 is  
20 \$1,000,000 or greater, the employer shall pay two percent of the gross payroll.

21 (d) An employer that establishes a cafeteria plan under 26 U.S.C. 125 (Internal  
22 Revenue Code) that offers employees the option to elect health care insurance  
23 coverage that meets or exceeds essential health care services is not subject to the  
24 payment requirements under (c) of this section, regardless of whether an employee  
25 elects to receive the offered health care insurance.

26 (e) In this section, "essential health care services" means those services set out  
27 in AS 21.54.250.

28 **Sec. 21.54.270. Health care insurance plan; children's coverage.** (a) A  
29 health care insurance plan that is approved by the director that provides coverage for  
30 essential health care services under AS 21.54.200 - 21.54.310 and meets the other  
31 requirements established under this title may be offered through the Alaska health care

1 clearinghouse.

2 (b) A health care insurance plan offered through the Alaska health care  
3 clearinghouse may not deny enrollment to an eligible individual.

4 (c) A health care insurance plan offered through the Alaska health care  
5 clearinghouse may include

6 (1) different benefits for network or out-of-network providers;

7 (2) varied levels of copayment, coinsurance, deductible amounts, out-  
8 of-pocket maximums;

9 (3) high deductible health plans as defined by 26 U.S.C. 223(c)(2)  
10 (Internal Revenue Code); and

11 (4) special insurance terms applicable only to individuals between 18  
12 and 30 years of age.

13 (d) A health care insurance plan offered through the Alaska health care  
14 clearinghouse that covers children must provide that the coverage will continue until  
15 the earlier of the child's reaching 25 years of age or two years after the child no longer  
16 resides with the family.

17 **Sec. 21.54.280. Alaska health care fund.** (a) The Alaska health care fund is  
18 established as a separate trust fund of the state. The fund consists of

19 (1) state money appropriated to the fund;

20 (2) federal money appropriated to the fund;

21 (3) private employer and employee health care contributions or fees  
22 received by the department and appropriated to the fund;

23 (4) health care premiums received by the department and appropriated  
24 to the fund;

25 (5) other appropriations by the legislature;

26 (6) contributions appropriated to the fund from the United States  
27 government and its agencies, or from any other source, public or private, provided for  
28 purposes that are consistent with the goals of the Alaska health care program; and

29 (7) interest earnings from investments of the fund appropriated to the  
30 fund.

31 (b) Contributions may be made to the fund by an employer, employers, or an

1 individual that is specified for a particular beneficiary. If a contribution is made to the  
 2 fund for the benefit of a particular beneficiary, the beneficiary shall receive a health  
 3 care voucher in the amount of the contribution that may be used to purchase a health  
 4 care insurance plan. Money collected under AS 21.54.260(c) is not considered made  
 5 for the benefit of a particular beneficiary.

6 (c) The board may use the fund for the purpose of administering the Alaska  
 7 health care program consistent with AS 21.54.200 - 21.54.310.

8 **Sec. 21.54.290. Disputes and appeals.** A person is entitled to notice and an  
 9 opportunity for a hearing under regulations adopted by the Alaska Health Care Board  
 10 if

11 (1) the board or the Alaska health care clearinghouse denies enrollment  
 12 to the person;

13 (2) an accountable health care plan refuses to enroll an individual or  
 14 fails to provide essential health care services; or

15 (3) the person is adversely affected or aggrieved by a decision of the  
 16 board or the clearinghouse.

17 **Sec. 21.54.300. Reporting.** The Alaska Health Care Board shall submit a  
 18 written report on the operation of the Alaska health care program to the commissioner  
 19 and to the legislature by January 1 of each year. The report must include

20 (1) the number of individuals enrolled in the Alaska health care  
 21 program;

22 (2) the cost savings to the state, to employers, and to health care  
 23 providers;

24 (3) a measure of patient satisfaction;

25 (4) an assessment of patient access to essential health care services;

26 (5) a description of the changes or adjustments made to the program  
 27 during the period covered by the report;

28 (6) a discussion of the state agencies delivering redundant services, if  
 29 any, relating to health care benefits;

30 (7) an evaluation of state programs that regulate or deliver health care  
 31 benefits;

1 (8) recommendations for legislative changes necessary to meet the  
2 goals of the program;

3 (9) an evaluation of and recommendations on the following topics:

4 (A) the use of electronic health records;

5 (B) children's health insurance programs;

6 (C) the effectiveness of Medicaid and the potential expansion  
7 of the Alaska Medicaid program, including a comparison between the costs of  
8 expanding the Alaska Medicaid program and the cost of providing benefits  
9 through the Alaska health care program;

10 (D) the effect of mandated benefits;

11 (E) prescription drug bargaining;

12 (F) evidence-based treatment procedures including a  
13 comparison of the use of evidence-based treatment in other states;

14 (G) the recruitment and retention of medical professionals in  
15 the state;

16 (H) expanding offerings of the University of Alaska in medical  
17 fields;

18 (I) maximizing federal funding to implement the program;

19 (J) innovations that could produce health care cost savings,  
20 including waivers under 42 U.S.C. 1315 (sec. 1115, Social Security Act),  
21 which allows experimental, pilot, or demonstration projects likely to assist in  
22 promoting the objectives of the Medicaid statute.

23 **Sec. 21.54.310. Regulations.** The Alaska Health Care Board shall adopt  
24 regulations under AS 44.62 (Administrative Procedure Act) consistent with  
25 AS 21.54.200 - 21.54.310.

26 \* **Sec. 3.** AS 21.54.500 is amended by adding new paragraphs to read:

27 (30) "alien" means a person who is not a citizen or national of the  
28 United States;

29 (31) "board" means the Alaska Health Care Board;

30 (32) "fund" means the Alaska health care fund;

31 (33) "resident" or "residency" has the meaning given in AS 01.10.055.

1 \* Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to  
2 read:

3 TRANSITIONAL PROVISIONS. Notwithstanding AS 21.54.210, enacted by sec. 2  
4 of this Act, the initial terms for members of the Alaska Health Care Board, except for the  
5 commissioner of health of social services who serves ex officio, are as follows:

6 (1) four members shall be appointed to serve for a term ending December 31,  
7 2009;

8 (2) four members shall be appointed to serve for a term ending December 31,  
9 2010; and

10 (3) the remaining members shall be appointed to serve for a term ending  
11 December 31, 2011.

12 \* Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section to  
13 read:

14 TRANSITIONAL PROVISIONS: REGULATIONS. The Alaska Health Care Board  
15 established under AS 21.54.210, enacted by sec. 2 of this Act, may proceed to adopt  
16 regulations necessary to implement this Act under AS 21.54.310, enacted by sec. 2 of this  
17 Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not  
18 before the effective date of the statutory changes.

19 \* Sec. 6. AS 21.54.210, 21.54.220, and 21.54.230, enacted by sec. 2 of this Act, and sec. 5  
20 of this Act take effect immediately under AS 01.10.070(c).

21 \* Sec. 7. Except as provided in sec. 6 of this Act, this Act takes effect January 1, 2009.

25-LS1630A  
Mischel  
4/3/08

**SENATE CONCURRENT RESOLUTION NO.**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FIFTH LEGISLATURE - SECOND SESSION**

**BY**

**Introduced:**

**Referred:**

**A RESOLUTION**

1 **Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State**  
2 **Legislature, concerning House Bill No. 2, relating to the vocational education account**  
3 **and appropriations from that account.**

4 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 That under Rule 54, Uniform Rules of the Alaska State Legislature, the provisions of  
6 Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, regarding  
7 changes to the title of a bill, are suspended in consideration of House Bill No. 2, relating to  
8 the vocational education account and appropriations from that account.

# FISCAL NOTE

STATE OF ALASKA  
2008 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: SCS HB2  
( ) Publish Date: \_\_\_\_\_

Identifier (file name): HB002SCS(FIN)-UA-SPS-04-11-08 Dept. Affected: University of Alaska  
Title An act relating to unemployment contributions for the Alaska RDU Statewide Programs and Services  
technical and vocational education program Component Systemwide Education/Outreach  
Sponsor Rep. Neuman, Lynn, Harris, Samuels, et al.  
Requester \_\_\_\_\_ Component Number \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
<b>OPERATING EXPENDITURES</b>							
Personal Services							
Travel							
Contractual	1,180.7		1,180.7	1,180.7	1,180.7	1,180.7	1,180.7
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>1,180.7</b>	<b>0.0</b>	<b>1,180.7</b>	<b>1,180.7</b>	<b>1,180.7</b>	<b>1,180.7</b>	<b>1,180.7</b>

<b>CAPITAL EXPENDITURES</b>							
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<b>CHANGE IN REVENUES ( )</b>							
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**FUND SOURCE** (Thousands of Dollars)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1151 Tech Voc Ed Program	1,180.7		1,180.7	1,180.7	1,180.7	1,180.7
<b>TOTAL</b>	<b>1,180.7</b>	<b>0.0</b>	<b>1,180.7</b>	<b>1,180.7</b>	<b>1,180.7</b>	<b>1,180.7</b>

Estimate of any current year (FY2008) cost: \_\_\_\_\_

**POSITIONS**

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Full-time						
Part-time						
Temporary						

**ANALYSIS:** *(Attach a separate page if necessary)*

TVEP funding has been instrumental in UA's ability to meet Alaska's workforce training and educational needs and continues to be the key source of funds for that purpose. This bill reduces the proportion of TVEP funds the University of Alaska receives from the current 55% to 50%, with 45% to University of Alaska (all campuses) plus 5% designated specifically for UAS. Although the percent allocated has been reduced, UA's amount will increase because the overall amount allocated to the TVEP account increased from 0.10% to 0.15% of the UI program. Therefore, total amount allocated to the University of Alaska increases by \$1,180.7. See page 2 for additional detail.

Prepared by: Michelle Rizk  
Division: University of Alaska  
Approved by: Pat Pitney  
University of Alaska

Phone 907-450-8187  
Date/Time 4/11/08 12:00 PM  
Date 4/11/08 12:00 PM

FISCAL NOTE

Identifier (file name):HB002SCS(FIN)-UA-SPS-04-11-08

BILL NO. SCS HB 2

Analysis continued from page 1:

Current UA FY09 budget distribution is: SW \$150.5; UAA \$1,682.3; UAF \$341.9; UAF-Community Campuses: \$608.1; UAS \$760.1.

The change affects Systemwide Education and Outreach. This allocation will increase by \$1,180.7. The funds will be used as follows: (1) system-wide high demand program delivery: \$298.3; and, (2) Fairbanks Pipeline Training Center: \$882.4.

The table below provides a summary by allocation:

	FY08 Allocation	FY09 Original Allocation Total	FY09 Revised Allocation (HB2)
Statewide Programs & Services	150.5	150.5	150.5
Systemwide Education/Outreach		-	1,180.7
Statewide Programs & Services Total	150.5	150.5	1,331.2
<hr/>			
Anchorage Campus	1,314.3	1,452.3	1,452.3
Kenai Peninsula College	200.0	-	-
Kodiak College		-	-
Matanuska-Susitna College	90.0	180.0	180.0
Prince William Sound Community College	50.0	50.0	50.0
Univ of Alaska Anchorage Total	1,654.3	1,682.3	1,682.3
<hr/>			
Fairbanks Campus	290.0	341.9	341.9
Fairbanks Organized Research			-
Univ of Alaska Fairbanks Total	290.0	341.9	341.9
<hr/>			
Bristol Bay Campus		-	-
Chukchi Campus		-	-
College of Rural & Comm. Dev	60.0	60.0	60.0
Cooperative Extension Service		-	-
Interior-Aleutians Campus		-	-
Kuskokwim Campus		-	-
Northwest Campus	75.0	75.0	75.0
Tanana Valley Campus	240.0	473.1	473.1
UA Community Campuses Total	375.0	608.1	608.1
<hr/>			
Juneau Campus	457.5	443.1	443.1
Ketchikan Campus	207.0	317.0	317.0
Sitka Campus		-	-
Univ of Alaska Southeast Total	664.5	760.1	760.1
<hr/>			
University of Alaska Total	3,134.3	3,542.9	4,723.6

25-LS0006M  
Mischel  
4/3/08

SENATE CS FOR HOUSE BILL NO. 2( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES NEUMAN, Lynn, Harris, Samuels, Stoltze, Foster, Joule, Nelson, Chenault,  
Dahlstrom, Wilson, Seaton, Johansen, LeDoux

SENATOR McGuire

A BILL  
FOR AN ACT ENTITLED

1 "An Act relating to unemployment contributions for the Alaska technical and vocational  
2 education program and to the allocation of money appropriated to the Alaska  
3 Workforce Investment Board; relating to the vocational education account and  
4 appropriations from that account; and providing for an effective date."

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

6 \* Section 1. AS 23.15.835(a) is amended to read:

7 (a) In the manner provided in AS 23.20 and for the benefit of the program,  
8 the department shall collect from each employee an amount equal to .15 [ONE-  
9 TENTH OF ONE] percent of the wages, as set out in AS 23.20.175, on which the  
10 employee is required to make contributions under AS 23.20.290(d). The department  
11 shall remit to the Department of Revenue, in accordance with AS 37.10.050, money  
12 collected under this subsection.

13 \* Sec. 2. AS 37.10 is amended by adding a new section to read:

14 Article 4A. Vocational Education Account.

15 Sec. 37.10.200. Vocational education account. (a) The vocational education

1 account is created in the general fund.

2 (b) The account consists of

3 (1) appropriations made by the legislature to the fund;

4 (2) gifts, bequests, and contributions; and

5 (3) income and earnings of the account.

6 (c) Money in the vocational education account may be appropriated by the  
7 legislature to the state and political subdivisions of the state, including regional  
8 educational attendance areas and municipal school districts, for vocational education  
9 programs and courses approved by the commissioner of labor and workforce  
10 development in consultation with the commissioner of education and early  
11 development for any other public purpose.

12 (d) Nothing in this section dedicates funds for a specific purpose.

13 (e) in this section, "vocational education" includes vocational training  
14 programs and courses taught at the secondary and postsecondary level of education.

15 \* Sec. 3. The uncodified law of the State of Alaska enacted in sec. 1, ch. 102, SLA 2001, as  
16 amended by sec. 48, ch. 86, SLA 2002, and sec. 1, ch. 133, SLA 2004, is amended to read:

17 Section 1. ALLOCATION OF APPROPRIATIONS FOR FISCAL YEARS  
18 ENDING JUNE 30, 2009 [2005], THROUGH JUNE 30, 2014 [2010].  
19 Notwithstanding AS 23.15.840(a), for the fiscal years ending June 30, 2009 [2005],  
20 through June 30, 2014 [2010], the money collected under AS 23.15.835 or otherwise  
21 appropriated to the Alaska Workforce Investment Board (formerly known as the  
22 Alaska Human Resource Investment Council) shall be allocated directly in the  
23 following percentages to the following institutions for programs consistent with  
24 AS 23.15.820 - 23.15.850 and capital improvements:

25	University of Alaska	<u>36</u> [55] percent
26	<u>University of Alaska Southeast</u>	<u>5</u> percent
27	Galena Project Education Vocational Training Center	<u>3</u> [4] percent
28	Kotzebue Technical Center	<u>9</u> [11] percent
29	Alaska Vocational Technical Center	<u>17</u> [22] percent
30	<u>Northwestern Alaska Career and Technical Center</u>	<u>3</u> percent
31	Southwest Alaska Vocational and Education Center	<u>3</u> [4] percent

1	Yuut Elitnaurviat, Inc. People's Learning Center	<u>9</u> [4] percent
2	<u>Delta Career Advancement Center</u>	<u>3</u> percent
3	<u>Alaska Works Partnership</u>	<u>10</u> percent
4	<u>New Frontier Vocational Technical Center</u>	<u>2</u> percent.

5 \* Sec. 4. This Act takes effect July 1, 2008.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

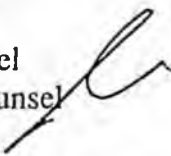
State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

March 12, 2007

**SUBJECT:** Sectional Summary of HB 2 (Work Order No. 25-LS0006\C))

**TO:** Representative Mark Neuman  
Attn: Rex Shattuck

**FROM:** Jean M. Mischel  
Legislative Counsel 

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Creates and describes a vocational education account in the general fund.

JMM:lmb  
07-052.lmb

RECEIVED  
APR - 4 2008

SCS HB 2 ( ) version M

TVEP, Technical and Vocational Education Program

	Current	FY 08	FY 09	Proposed	FY 09
	%	Allocation	Allocation	%	Revised Allocation
Costs (DOLWD)		344.8	356.9		356.9
University of Alaska	55	3,134.3	3,542.9	36	3,401.0
UAS				5	472.4
Galena (DEED)	4	228.0	257.7	3	283.4
Kotzebue (DOLWD)	11	626.9	708.6	9	850.2
AVTEC (DOLWD)	22	1,253.7	1,417.2	17	1,606.0
SAVEEC (DOLWD)	4	228.0	257.7	3	283.4
Niut (DOLWD)	4	228.0	257.7	9	850.2
Delta (DOLWD)				3	283.4
NACTEC (DOLWD)				3	283.4
AWP (DOLWD)				10	944.7
NFVTEC (DOLWD)				2	189.0
TOTAL		6,043.7	6,798.6	100	9,804.0

# Alaska's Construction Spending *2007 Forecast*

*Fourth Annual Report  
for the  
Construction  
Industry  
Progress Fund  
and the  
Associated  
General Contractors  
of Alaska*

*By  
Scott Goldsmith  
and Mary Killorin  
Institute of Social  
and Economic Research  
University of Alaska  
Anchorage*

**CIPF**  
Construction Industry  
Progress Fund



Dear Alaskans,

The Construction Industry Progress Fund (CIPF) and the Associated General Contractors of Alaska (AGC) are pleased to provide you with this Alaska Construction 2007 Spending Forecast.

This vital, informative review and estimate of construction activity in the State of Alaska is in its fourth year of publication.

Compiled and written by Scott Goldsmith and Mary Killorin of ISER at the University of Alaska Anchorage, the forecast looks at construction activity, projects and spending by both the public and private sectors for 2007.

Construction is the third-largest industry in the state, pays the state's second highest wages, employs nearly 22,000 workers with a payroll over \$1 billion, accounts for 20% of Alaska's economy and currently contributes more than \$7 billion annually to the state's economy.

I hope you enjoy reading this publication. When the construction industry is vigorous, so is the state's economy.

Sincerely,



J. A. Fergusson  
CIPF President



## Overview

Total construction spending in Alaska in 2007 that "hits the street" will be \$7 billion, an increase of 7% from a revised figure of \$6.56 billion in 2006.<sup>1</sup>

However, construction spending excluding the oil and gas sector—which by itself will account for 38% of the total—will be down from \$4.525 billion to \$4.365 billion, a drop of 4%.<sup>2</sup>

Because of increases in the cost of materials during 2006, construction industry employment, narrowly defined, will be essentially flat in 2007 even though total

spending is expected to be higher than last year. Nevertheless, 2007 will be another very strong year for the construction industry, particularly among firms working for the oil and gas sector.

This year private-sector construction spending is projected to be \$4.55 billion, up 15% over 2006, driven by a 30% increase in spending by the oil and gas sector. Public spending will be \$2.45 billion, down 6% from 2006, due to a decline in federal spending that will not be totally offset by an increase in spending from state funding sources.

<sup>1</sup> Our original projection for 2006 was \$6.525 billion. We subsequently revised mining down slightly to reflect a slowdown in development of Kensington and Rock Creek mines. We increased our estimates of residential and commercial construction marginally to reflect higher construction costs. For the 2007 projection, we reclassified local road construction from state and local government to highways. The net effect was an increase of \$30 million.

<sup>2</sup> We define total construction spending broadly to include not only the construction industry as defined by the U.S. Department of Commerce and the Alaska Department of Labor but also other activities. Specifically, our construction spending figure encompasses all the spending associated with construction occupations (including repair and renovation, but excluding design and planning), regardless of the type of business where the spending occurs. For example, we include the capital budget of the oil and gas and mining industries in our figure, except for large, identifiable equipment purchases such as new oil tankers.

<sup>3</sup> A significant share of the state capital budget is for the purchase of equipment, for capitalizing funds such as the Power Cost Equalization Fund, and for various operating programs.

Uncertainty in the forecast for 2007 comes from several sources. The decline in the crude oil price in recent months may cause some firms working in the oil patch to re-evaluate their capital budget decisions and slow their rate of investment in exploration and development. All sectors of the industry are continuing to experience rapid increases in construction material costs that will undoubtedly cause some projects to be canceled or postponed, as has been the case in the last several years.

Public construction spending estimates are complicated by the fact that a federal budget for the 2007 fiscal year, which began in October of last year, has yet to be passed. In the absence of a budget, federal agencies have generally planned on program funding at the same

level as last year. That could change when the budget is finally passed. The state capital budget enacted for 2007 is much larger than in it was in 2006, but the new governor may decide not to fund or to delay the funding of some projects it contains.<sup>3</sup>

As in past years, some firms are reluctant to reveal their investment plans, because they don't want to alert competitors, and some have not completed their 2007 planning. Large projects often span two or more years, so estimation of cash that will "hit the street" this year is difficult. And tracing the path of federal spending coming to Alaska without double counting is a challenge. We are confident of the overall pattern of the forecast, but some surprises should be expected, as is always the case.

## Alaska Construction Spending 2007 Forecast

	Level	Change
<b>PRIVATE</b>	<b>\$ 4,550,000,000</b>	<b>15%</b>
Oil and Gas	2,650,000,000	30%
Mining	195,000,000	-
Other Rural Basic Industry	20,000,000	-60%
Residential	750,000,000	3%
Other Commercial	350,000,000	8%
Hospitals	200,000,000	-9%
Utilities	385,000,000	-4%
<b>PUBLIC</b>	<b>\$ 2,455,000,000</b>	<b>-6%</b>
National Defense	570,000,000	-22%
Highways	425,000,000	-17%
Airports and Ports	360,000,000	9%
Alaska Railroad	100,000,000	25%
Denali Commission	100,000,000	-
Education	350,000,000	13%
Other Federal	365,000,000	-9%
Other State & Local	185,000,000	32%
<b>TOTAL</b>	<b>\$ 7,005,000,000</b>	<b>7%</b>

Source: Institute of Social and Economic Research

## **PRIVATE CONSTRUCTION**

Privately funded construction projects will account for about 65% of total construction spending in 2007. This represents a 15% increase in spending compared to the total of \$3.96 billion in 2006.

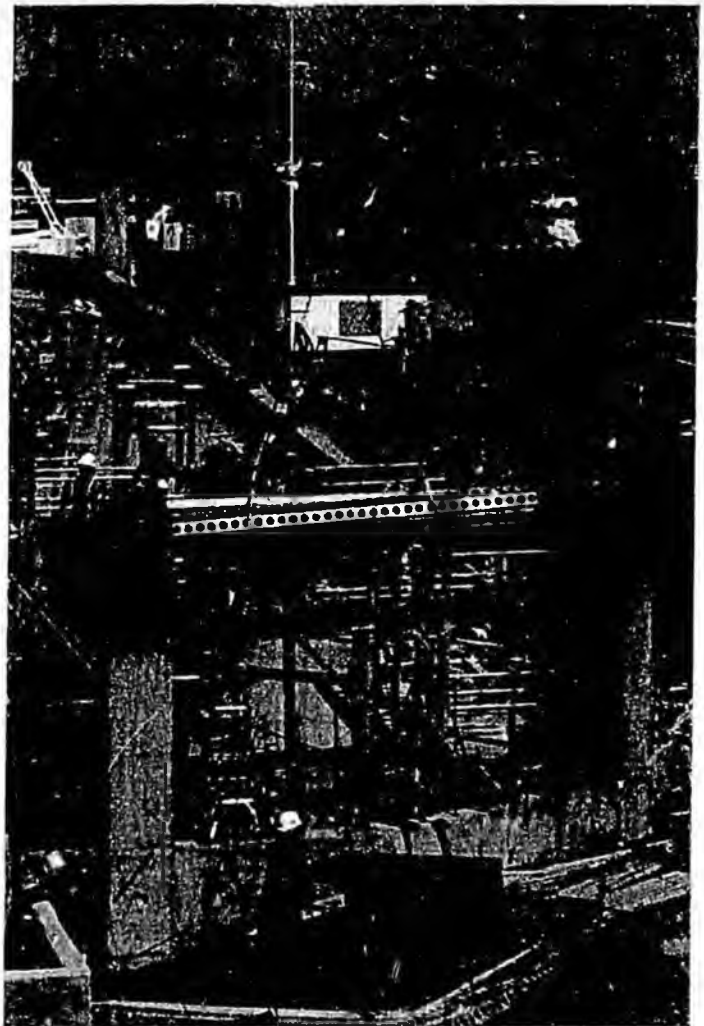
### **Oil and Gas: \$2,650 Million**

Spending in 2007 is expected to be about 30% above the level of last year due to an increase in exploration and development activity, primarily on the North Slope, by both the major producers and smaller independents. Although part of the increase is due to higher construction costs, the companies have announced plans to add additional workers and drill more wells. It is possible, of course, that some companies may re-evaluate their announced capital expenditures in light of crude oil prices, which have fallen significantly in the last few months.

The North Slope majors—BP, Conoco-Phillips, and Exxon—expect to invest over

\$1.6 billion in their Alaska operations in 2007. This will be concentrated on North Slope exploration and development because, unlike in past years, they will not be spending any of their Alaska capital budget on the purchase of tankers. Work will concentrate on, among other projects, the Alpine satellites, West Sak heavy oil, continued development of the Prudhoe Bay and Kuparuk areas, and construction of an ultra-low-sulfur diesel production facility. The completion date for the major reconfiguration of the trans-Alaska pipeline has been pushed back at least through this year, but netting that out of the total still leaves an increase in spending over last year for North Slope activity.

Activity on the North Slope by independents is up sharply from last year. We estimate spending will be \$813 million. Shell has announced plans to drill four offshore exploratory wells and undertake a significant seismic program. Other companies that have announced plans to drill include Eni, Anadarko, Pioneer, FEX, Brooks Range Petroleum, and Savant.



*Parking Garage, Ted Stevens Airport, Anchorage*

In Cook Inlet, we expect exploration and development spending by Chevron, Marathon, and others will be modestly higher than last year at \$182 million.

No significant new construction is anticipated at the refineries and other petroleum manufacturing facilities around the state.

### **Mining: \$195 Million**

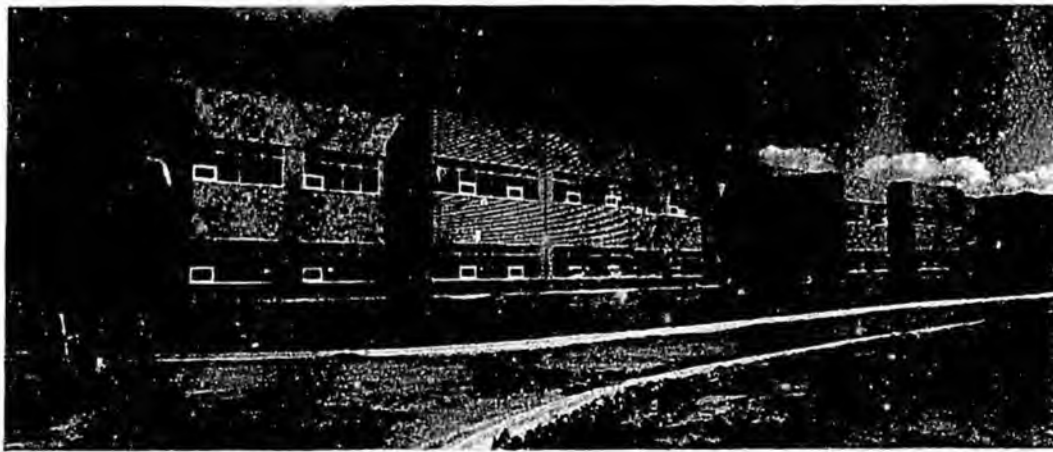
We anticipate spending by the mining industry—on exploration, development, and construction of new mines as well as upgrading existing mines—to be about the same as last year.

The largest share of development spending will be devoted to the continued construction of the Kensington Mine near Juneau and the Rock Creek Mine outside Nome. Construction schedules for both have been delayed and are complicated by ongoing legal challenges.

Exploration work will continue to be centered at the Pebble prospect west of Anchorage and the Donlin



*Mile 276 Parks Highway*



*Nicholas J. Begich Middle School, Anchorage*

Creek prospect northeast of Bethel. Although development plans for one or both of these projects may be forthcoming in the near future, it is likely to be several years before construction could occur at either of these large mining prospects.

Most of the other large operating mines will have more modest construction budgets this year, including the Red Dog, Pogo, Ft. Knox, Nixon Fork, Greens Creek, and Usibelli mines.

Exploration continues at a number of different prospects, buoyed by high metal and energy prices.

### **Other Rural Basic Industries: \$20 Million**

Although no large construction projects have been announced for the tourism, seafood, timber, and manufacturing sectors this year outside of the urban areas, we expect that normal maintenance associated with existing facilities will result in about \$20 million in spending, down from \$50 million last year.

### **Utilities: \$385 Million**

Major telecommunication firm spending will increase

modestly this year, to \$160 million, and natural gas utility spending at \$23 million will also be higher because of a project to augment service to Fairbanks with LNG trucked from the North Slope.

Electric utility capital spending will be down from last year (at \$170 million) with the completion of the Golden Valley Electric Association capacity expansion.

Private air freight facility expansion at Ted Stevens International Airport in Anchorage and small private port projects in the southeast will add about \$40 million to the total.

### **Hospitals: \$200 Million**

Non-military hospital construction is projected to be down slightly from 2006. The Providence Health System is projected to have the largest construction budget this year, and a new Veterans Administration clinic in Anchorage will be under construction.

Most other private, public, and nonprofit hospitals around the state have smaller expansion plans. The new hospitals planned for Nome and Barrow are on hold this year pending funding from the federal government.

### **Other Commercial: \$350 Million**

Private commercial construction spending consists of a wide range of building types including retail, office, medical, hotel, and warehouse space.<sup>4</sup> Some spending is driven by both the size of and growth in the economy, but the level of spending in this sector tends to be somewhat volatile given the small size of most commercial real estate markets. A few large projects have a big influence on the total for the year.

We expect spending to be higher this year, at \$350 million, driven by a continued strong economy and a few large projects.

The largest projects are the expansion of the Anchorage museum and the new convention center. A number of large office buildings are also in various stages of planning,

<sup>4</sup> Our commercial construction figure is not comparable to the published value of commercial building permits reported by Anchorage and other communities. Sometimes municipal reports of the value of construction permits include government-funded construction, which greatly increases the total. We report all government construction in different categories. In addition, we have excluded hospitals, utilities, and private transportation facilities from our commercial total and reported them elsewhere.



*Fence Addition, Fort Richardson, Anchorage*

PHOTO COURTESY ACME FENCE

as are several large retail establishments, some of which are new to Alaska. However, the rapid increase in construction costs in the last several years will probably cause some developers to reconsider their plans.

Additional retail space will continue to be the most important component of commercial construction for the Mat-Su Borough.

Fairbanks commercial construction spending will be strong, as a result of population growth stemming from military expansion.

Activities in the other smaller markets of the state will be mixed, depending on local economic conditions.

### **Residential: \$750 Million**

Rising prices will drive total residential construction spending higher this year in spite of a softening of the market in response to those higher prices. The number of new units should be down from previous highs for this reason.

The higher prices will continue to shift demand away from single-family and toward multifamily and rehabilitation of existing units.

We will continue to see a shift in new residential construction in Southcentral Alaska—which accounts for about 80% of new construction—away from Anchorage and toward the Mat-Su Borough. Anchorage residential construction will be increasingly composed of multifamily units and higher-value single-family homes.

Activity in Fairbanks will be robust due to an increase in military personnel.

Activity in the rest of the state will be mixed, depending on local economic conditions. Juneau and the Kenai Peninsula, in particular, will see strong residential spending.

### **PUBLIC CONSTRUCTION**

Public construction spending in 2007 is expected to be about \$2.45 billion, down 6% from last year due to a modest decline in spending financed by the federal government.

The majority of funding for public construction comes from the federal government, with smaller amounts from state and local sources financed by current revenues and bonds.

There are numerous ways to categorize public construction spending. For ease of collecting information about them, we have put them into eight categories.

### **National Defense: \$570 Million**

Defense spending will be down \$160 million from last year. The drop is due to completion of the large military hospital at Fort Wainwright and a decision to slow the pace of expenditure of funds for construction activities at the main Alaska bases.

This budget consists of all military expenditures for defense purposes, as well as Corps of Engineers spending for environmental remediation and civil works—such as flood control. In recent years



*Canyon Lodge, Denali National Park*

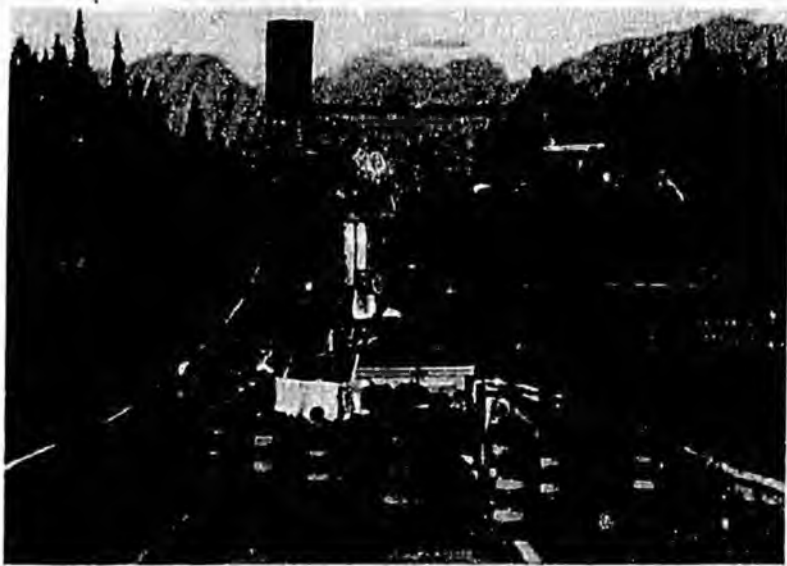
Alaska has benefited from an exceptionally large share of the total defense budget, and that is likely to remain high for several more years. In 2005 Alaska received over 7% of the entire budget of the Army Corps of Engineers, making Alaska the third largest recipient of Corps of Engineers construction dollars.

### **Highways: \$425 Million**

Although the amount of federal money authorized for highway construction in Alaska has increased in recent years, actual expenditures this year are expected to be down about \$25 million from last year.



*Fairbanks Imaging Center*



**Little Coal Creek, Parks Highway**

Federal funding will be down \$125 million. This is due to uncertainty over the use of funds that have been earmarked in federal legislation for two large Alaska projects—the bridge over Knik Arm in Southcentral Alaska and the bridge between Ketchikan and Gravina Island in Southeast.

The drop in federal funding will be partially offset by an increase in funding from state sources of \$41 million.

### **Airports and Harbors: \$360 Million**

The budget for airports and harbors will be up \$30 million from last year to \$360 million.

As in past years, the largest share of funding comes from about \$200 million in federal funds from the Federal Aviation Administration. This will be spent on airport construction projects in the \$5- to \$10-million range throughout the state.

Spending at the major airports in Anchorage and Fairbanks will be \$110 million, up \$20 million from 2006. Most of the activity will be at the Ted Stevens International Airport in Anchorage, but a major upgrade at Fairbanks International Airport will get underway this year as well.

Spending at the Anchorage Port will be \$36 million on renovations and upgrades. The port is still in the process of putting together its large-scale expansion project, which will cost upwards of \$300 million. This will boost construction spending for airports and ports in future years.

State funded projects will add \$10 million to the total.

### **Alaska Railroad: \$100 Million**

The capital construction program for modernizing and upgrading the Alaska Railroad will continue this year at an increased level, up from \$80 million last year. Funding will come from a variety of federal

sources as well as retained earnings. The focus of the program this year will be on track rehabilitation, siding extensions and upgrades, bridge replacement and upgrades, passenger equipment, and a collision avoidance system.

### **Denali Commission: \$100 Million**

Spending by the Denali Commission, created by Senator Ted Stevens to more efficiently direct federal capital spending to rural Alaska's infrastructure needs, will be about the same this year as last.

The commission is moving into the funding of transportation projects, including roads and waterfront development. It continues to fund energy projects—including bulk storage units—and health facilities. Development work has begun on hospitals in Nome and Barrow but construction is not expected to begin this year.

The Denali Commission's inventory of project needs is quite long, and we can expect a continuation at least at the current level as long as there is federal support for this program.

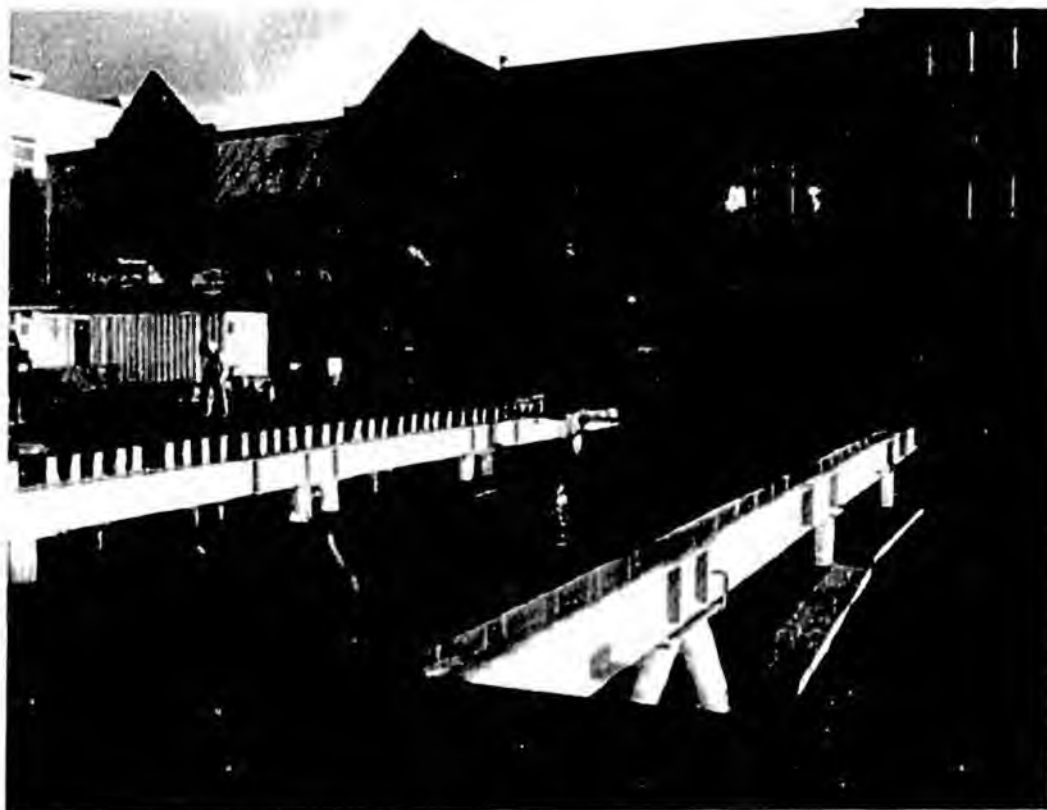
### **Education: \$350 Million**

Education funding will be \$30 million higher than last year.

Primary and secondary funding is estimated to be \$225 million, funded by state grants and local bond authorizations for school construction and maintenance. An additional \$20 million is locally funded.

The state school construction priority list contains projects totaling more than \$1 billion for both construction and maintenance, so K-12 education spending should continue to be strong in the coming years.

University of Alaska construction projects will total \$105 million, concentrated in



**Ketchikan Dock Replacement**

PHOTO COURTESY WASTY CONSTRUCTION



PHOTO COURTESY KEN GRAHAM PHOTOGRAPHY

***Afognak Native Corporation, Alutiiq Center, Anchorage***

Anchorage with work on the new integrated science building. Other capital spending will be spread among the campuses at Fairbanks, Juneau, and elsewhere.

**Other Federal:  
\$365 Million**

National defense; transportation spending for roads, airports, and ports; and the Denali Commission make up the largest and most visible part of federal construction spending in Alaska. We forecast an additional \$365 million of federal capital spending in Alaska for other types of projects. This is down from \$400 million last year.

\* It is difficult to track all the federal dollars that find their way into construction spending in the state because there are so many pathways, and they change every year. The possibility of double counting funds as they pass from agency to agency, or become part of a larger project, also creates difficulties for the analyst.

In a normal year, most of the state capital budget is funded by federal grants. Excluding transportation projects, the largest category is rural sanitation projects, based on grants from the Environmental Protection Agency, Indian Health Service, and other federal agencies. This initiative will be contributing \$100 million to state construction spending—\$10 million more than last year—to fund the village safe water program. Other state departments with significant federal funding for capital projects include Commerce, Natural Resources, Veterans Affairs, and Public Safety.

The federal government also provides grants and other construction funding to Alaska tribes, nonprofit organizations, and local governments across the state. The most important recipients

of these grants are Native nonprofit corporations, housing authorities, and health care providers. The largest single program is the Native American Housing Self Determination Act (NAHSDA) that provides funds for housing construction in Native communities through a large number of Native housing authorities throughout the state. Grants for health care not associated with a hospital or passing through the Denali Commission are also counted here. We expect spending for these programs to be down from \$150 million last year to \$120 million this year.

We expect the level of direct construction spending by other federal departments to be down significantly from last year—from \$110 million to \$70 million. This includes construction spending by the Department of the Interior (the National Park Service, U.S. Fish and Wildlife Service, and Bureau of Land Management), the Postal Service, the Department of Agriculture, and the National Oceanic and Atmospheric Agency (NOAA). For example, the Barrow Climate Change Laboratory is still waiting for funding to move forward.

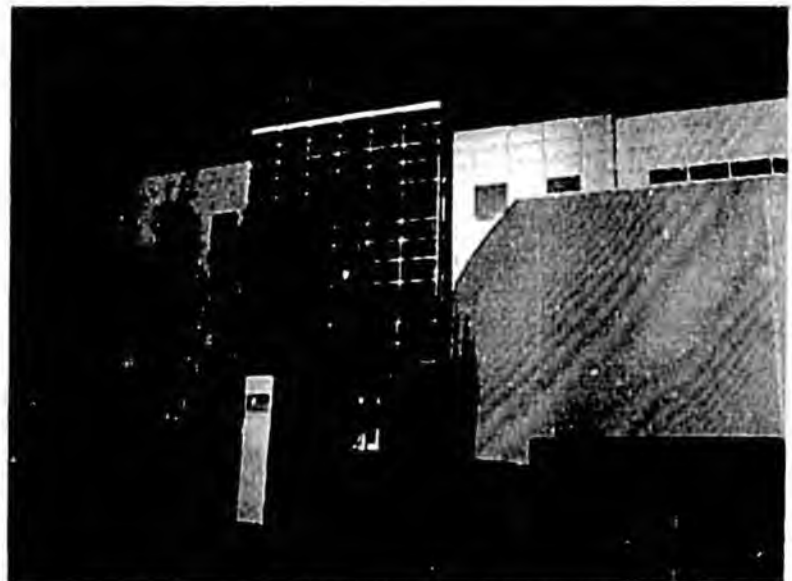
**Other State  
and Local:  
\$185 Million**

Other state and local government capital spending from own sources (not federal or state) will be \$185 million, an increase of \$45 million from 2006.<sup>6</sup>

We expect state-funded construction spending that is neither based on federal grants nor related to transportation or education to be about \$80 million, a significant increase from the previous year due to the large size of the 2007 fiscal year capital budget. These projects fall primarily in the Departments of Commerce, Community, and Economic Development, Health and Social Services, Corrections, Military Affairs, and Public Safety. A new prison, estimated to cost \$300 million, is in the planning stages, but is unlikely to be under construction until 2008.

Local government capital spending, from both general and enterprise funds, is estimated to be \$105 million. The largest component in this category is the Anchorage Water and Wastewater utility, which plans to spend \$62 million this year.

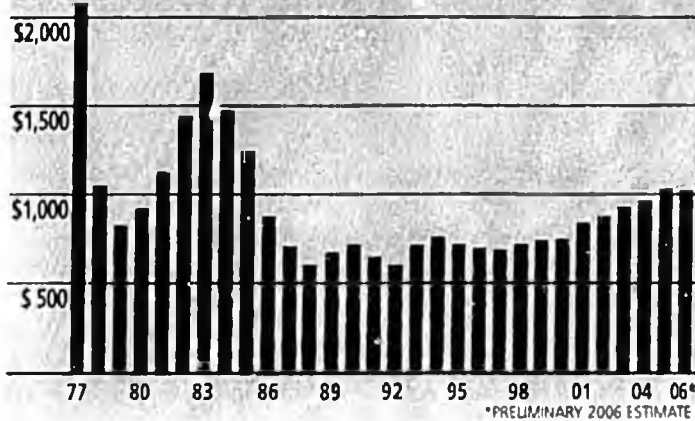
<sup>6</sup> This category excludes state and local spending for education, highways, airports, and ports.



***Orthopedic Physicians Building, Anchorage***

## Construction Industry Payroll

In Millions of 2005 Dollars



### WHAT'S DRIVING SPENDING?

Construction activity—measured by total spending, jobs, payroll, or gross product—has experienced strong growth for more than a decade, driven largely by growing federal capital grants to Alaska, large federal agency capital budgets, and oil and gas spending.

These large external sources of construction funds not only fuel public spending and oil patch spending but also give a general boost to the economy—and thus add to the aggregate demand for new residential, commercial, and private infrastructure spending.

This growth is evident in the construction industry payroll (Alaska Department of Labor) shown in the graph above, which surpassed \$1 billion in 2005 for the first time since 1985. The values in years before 2005 are adjusted upward to account for inflation.

### CONSTRUCTION IN THE OVERALL ECONOMY

Construction spending is one of the important contributors to overall economic activity in Alaska. It supports firms not only in the construction industry itself but also construction activity



PHOTO COURTESY AMERICAN MARINE CORPORATION

Sitka Blue Lake Hydroelectric Project

“hidden” in other sectors of the economy such as oil and gas and mining.

In addition, construction spending generates activity in a number of industries that provide input to the construction process. These “backward linkages” include, for example, sand and gravel purchases (mining), equipment purchase and leasing (wholesale trade), design and administration (business services), and construction finance and management (finance).

When the “hidden” construction activity and the “backward linkages” are

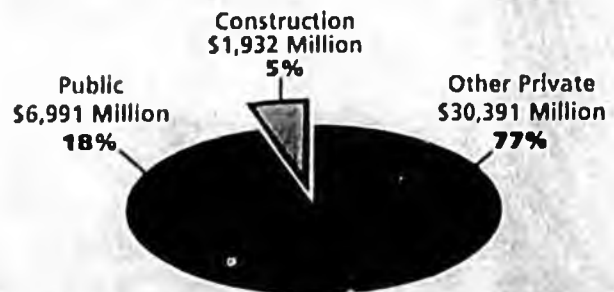
included, the contribution of construction spending to the economy is considerably greater than is reflected in Alaska's Gross State Product.

Measured by Gross State Product (GSP), the construction sector is only 5% of the economy (see chart below). But this consists mostly of the payroll of construction firms and does not reflect either construction “hidden” in other sectors or “backward linkages” to other industries. Including these would significantly increase the importance of construction as a component of GSP.



Mile 1 Seward Highway

### Alaska Gross State Product 2005: \$39 Billion



Source: U.S. Department of Commerce

Cover: Den'aina Civic & Convention Center, Anchorage

All photos by Danny Daniels Photography unless otherwise noted

Alaska

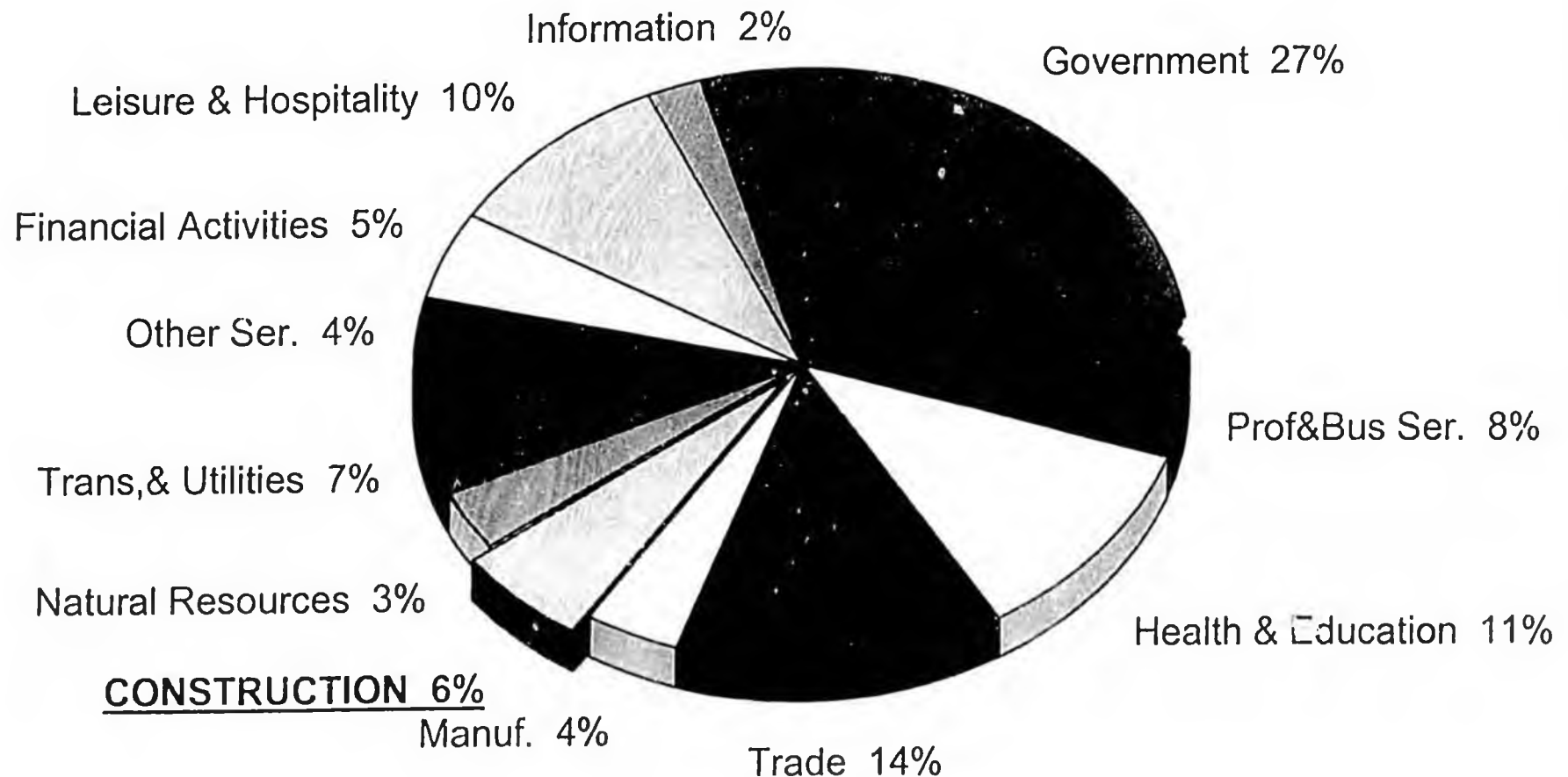
Associated General Contractors of

Richard Cattamach

**Are there enough?**

WORKERS

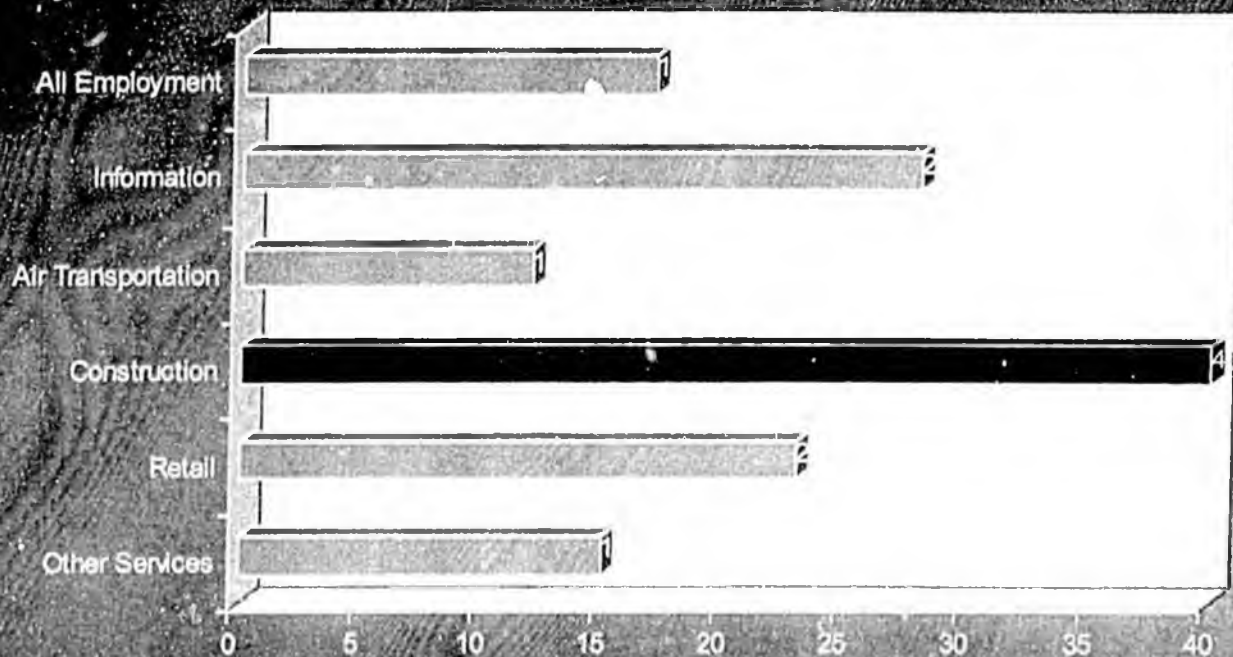
# Alaska's Construction Industry Employment 2004



Source: Alaska Department of Labor and Workforce Development, Research and Analysis.

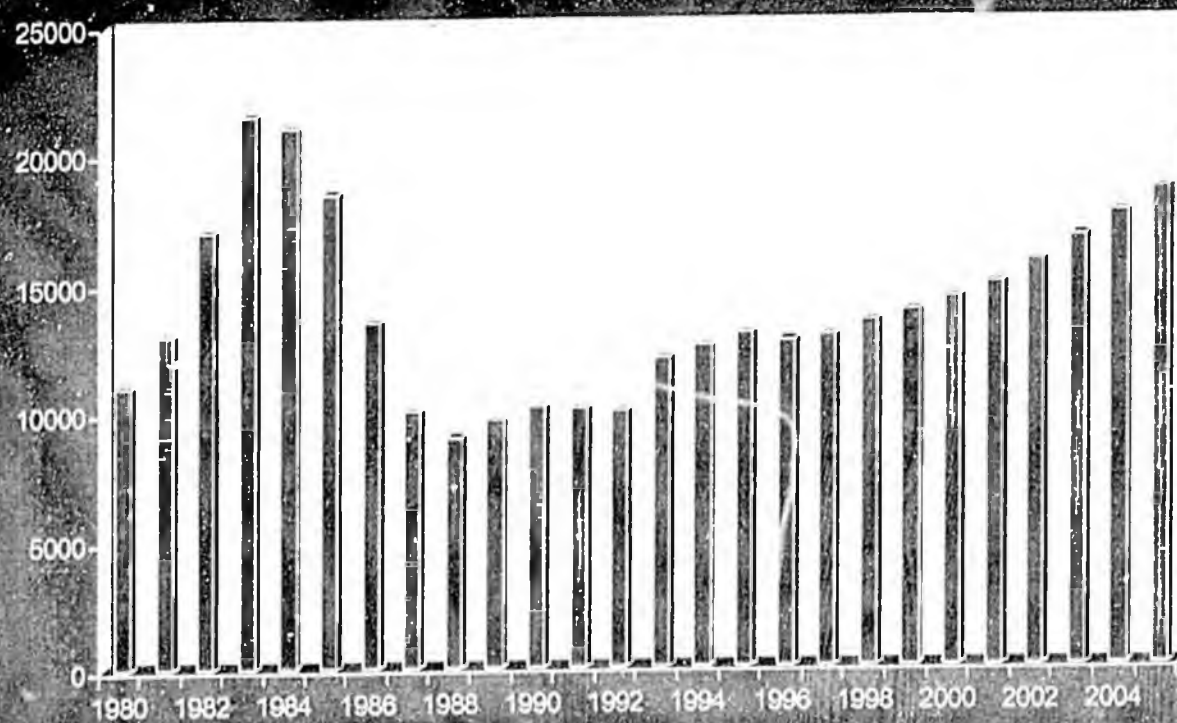
# Construction has been one of the employment stars over the past decade

Labor Growth over the Past Decade

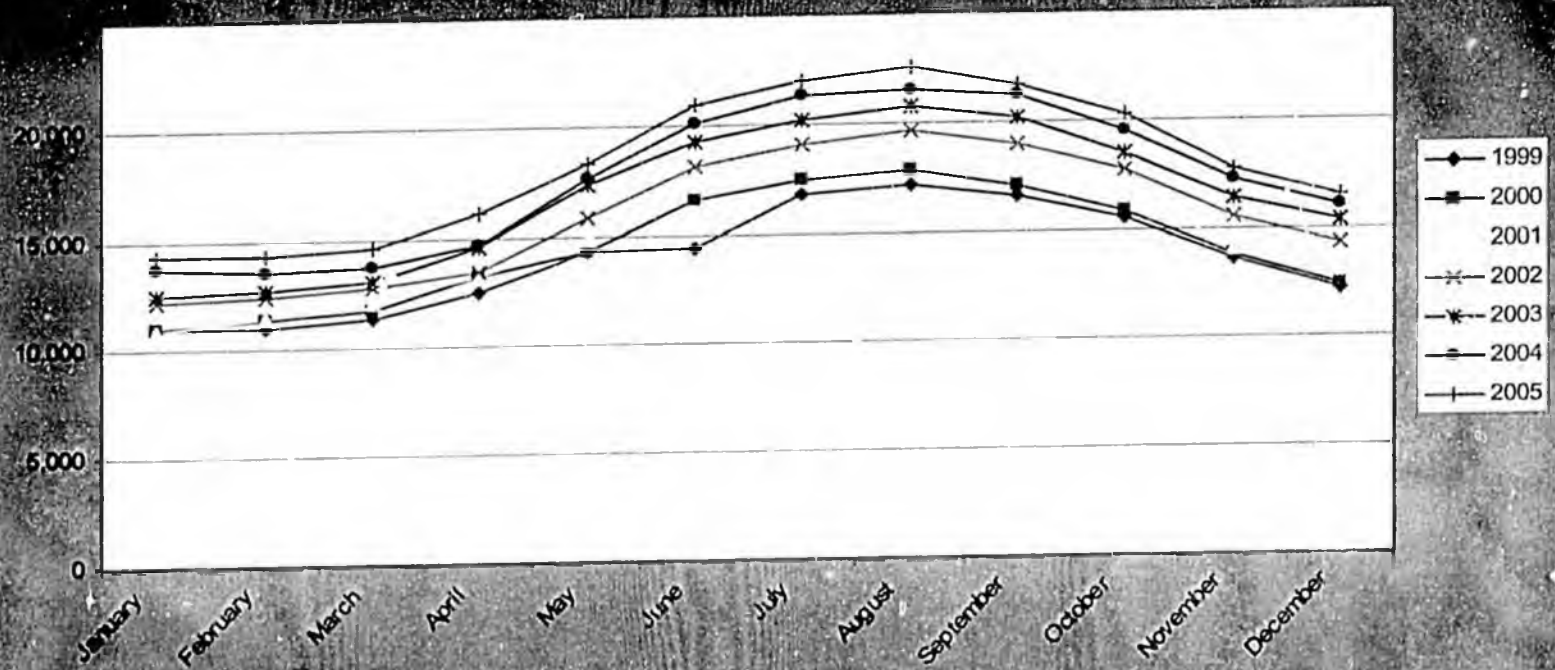


# Construction Industry since 1980

Industry Employment Since 1980



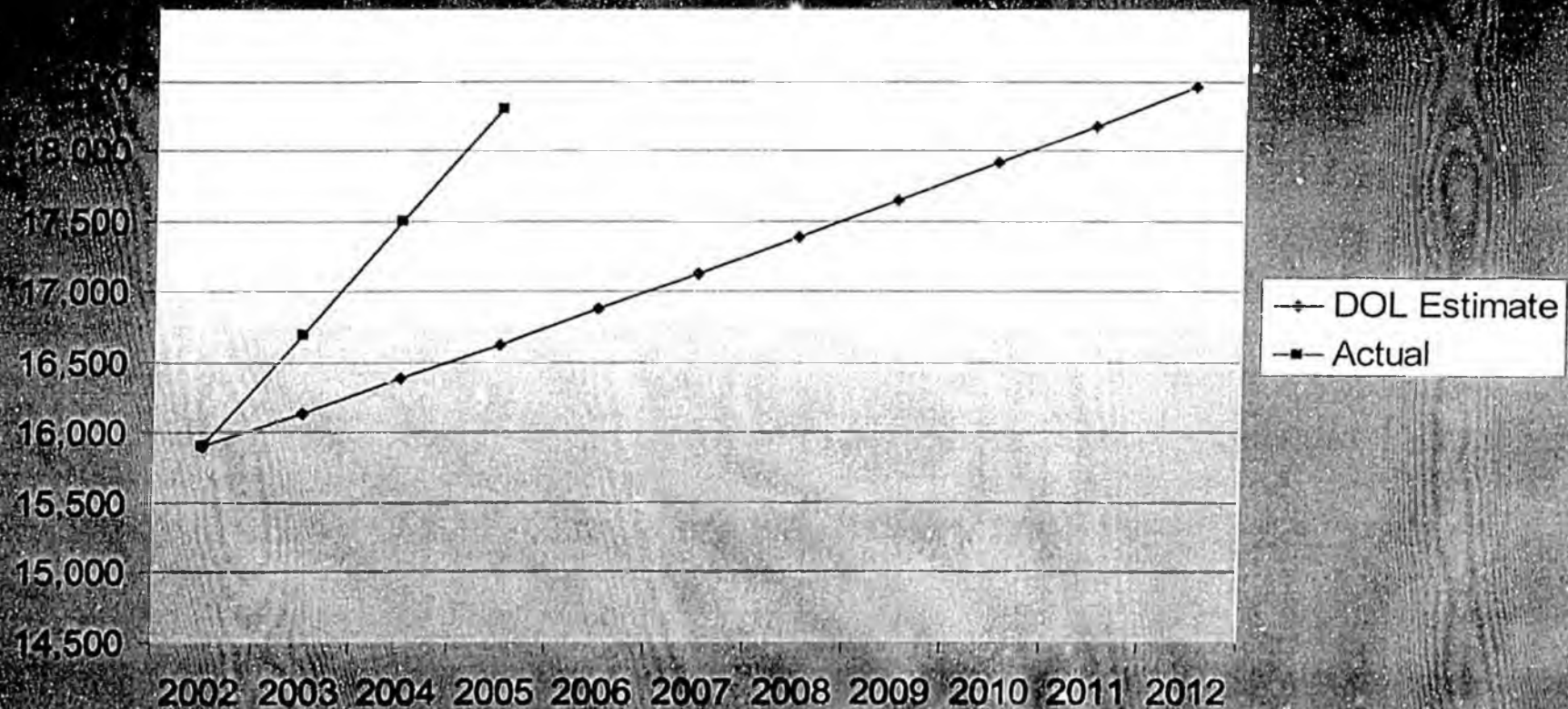
# Construction Employment – 1999-2005

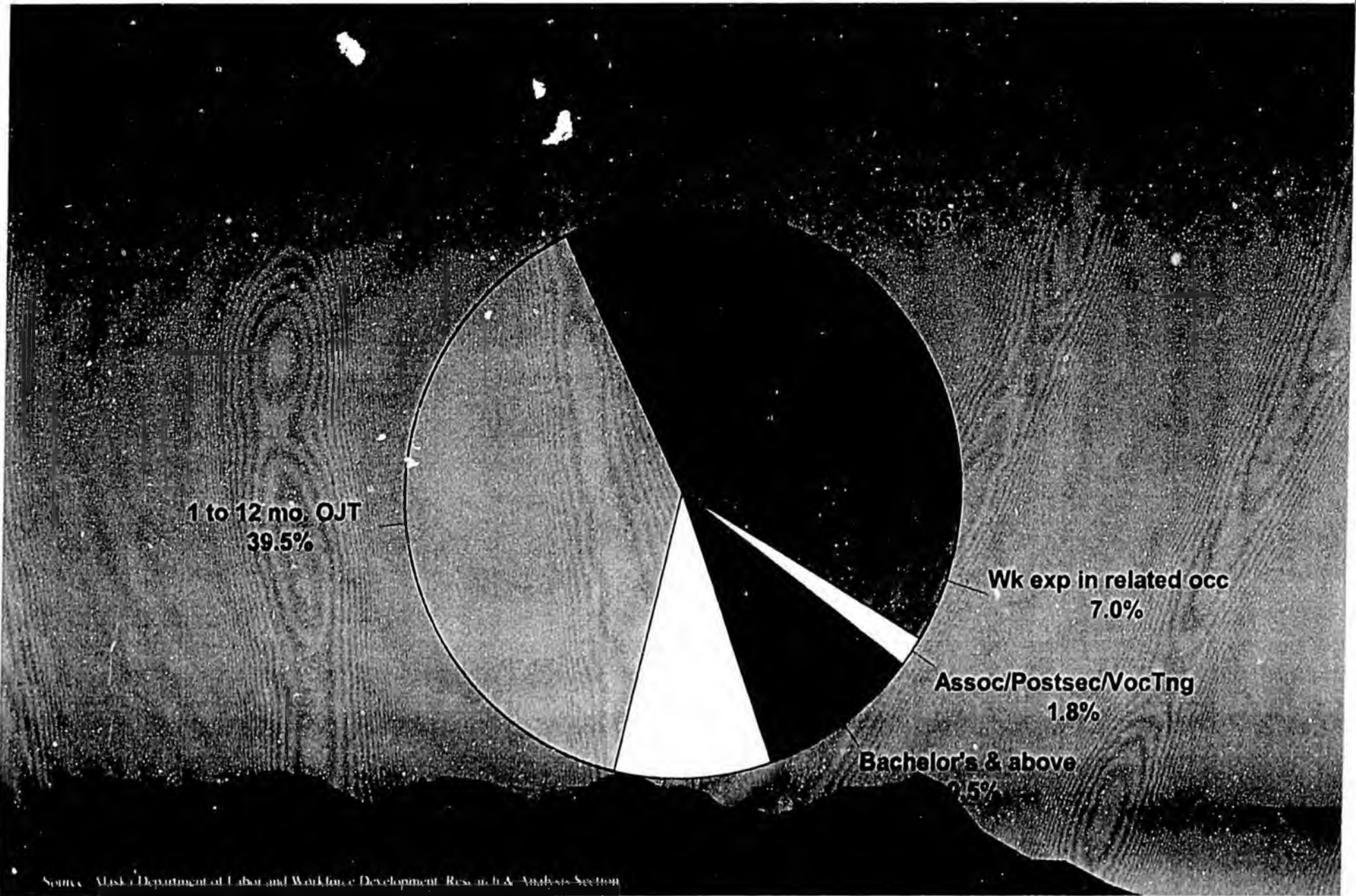


# Construction Pays High Wages



# Projected Employment Growth





Source: Alaska Department of Labor and Workforce Development, Research & Analysis Section

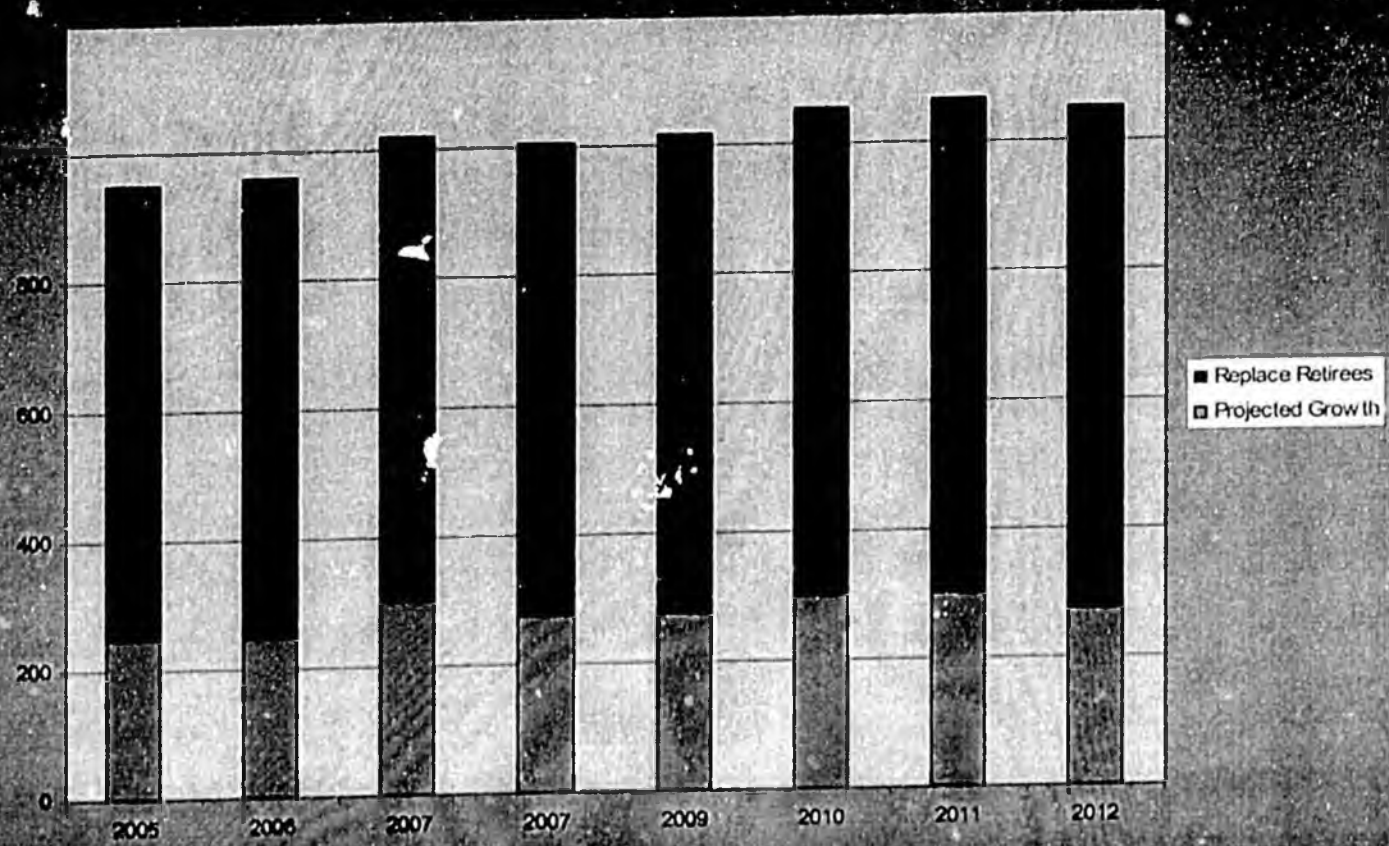
# Problem Areas - Selected Crafts

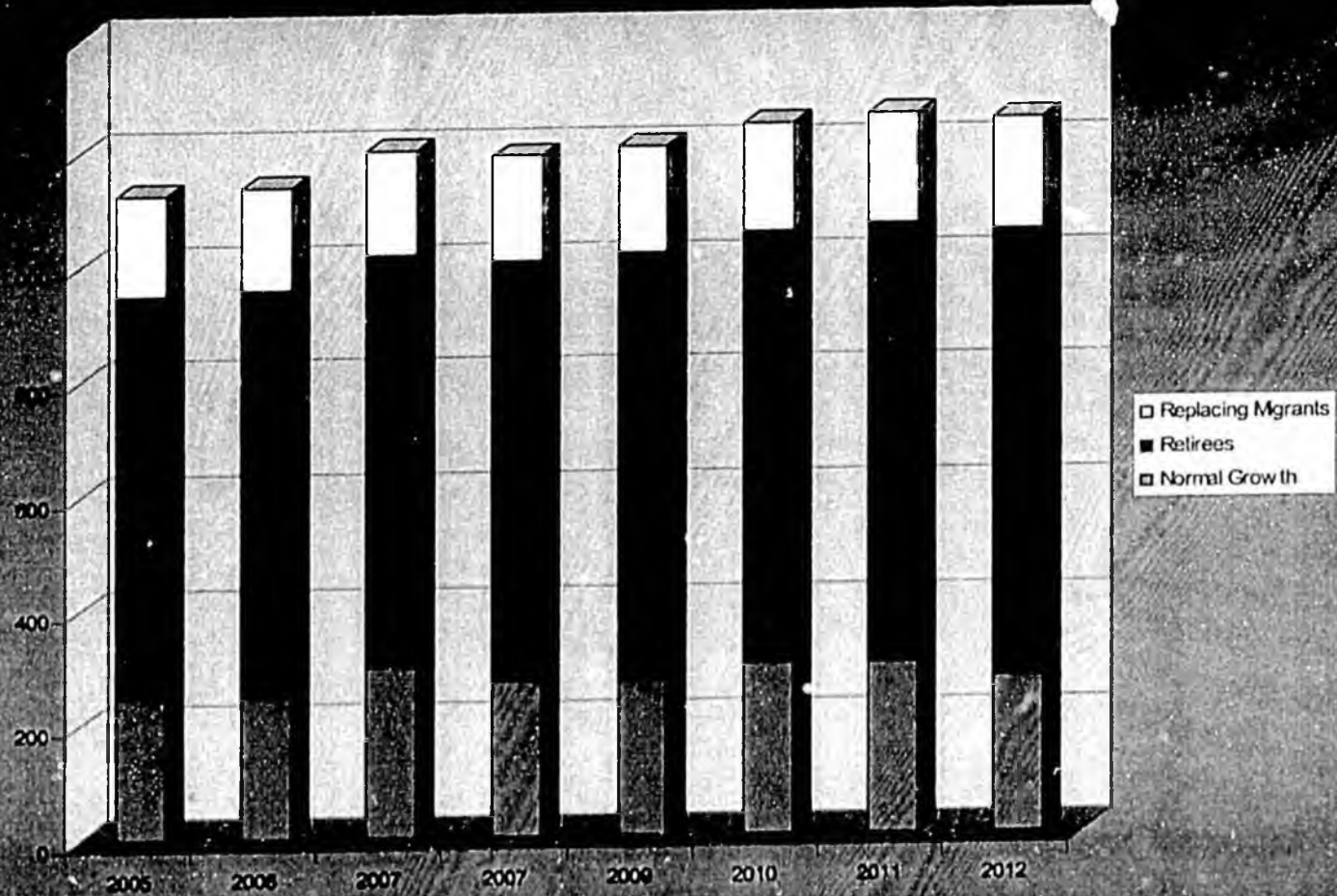
	Non-Resident Workers % <sup>13</sup>	Workers 45+ % <sup>14</sup>
<b>Carpenters</b>	17.4	30.1
<b>Construction Laborers</b>	16.8	22.6
<b>Electricians</b>	19.5	31.4
<b>Plumbers, Pipefitters, and Steamfitters</b>	17.6	29.2
<b>Operating Engineers and Other Construction Equipment Operators</b>	17.2	45.2
<b>Construction Managers</b>	16.7	56.3
<b>Truck Drivers, Heavy &amp; Tractor-Trailer</b>	14.7	42.2

<u>Craft</u>	<u>Increase</u>	<u>Retirees</u>	<u>Non-Res</u>
Carpenters	528	1218	359
Laborers	627	679	245
Electricians	307	566	206
Plumbers	224	363	113
Op. Engineers	820	1032	197
Painters	129	150	128
Roofers	31	53	44
Supervisors/Mgrs	454	866	274
Const & Bldg Insp	55	100	29

<u>Craft</u>	<u>Total Need</u>	<u>Annual Need</u>
Carpenters	2,105	210
Laborers	1,551	155
Electricians	1,079	108
Plumbers	700	70
Op. Engineers	2,049	205
Painters	407	41
Roofers	128	13
Supervisors/Mngrs	1,594	160
Const & Bldg Insp	184	18

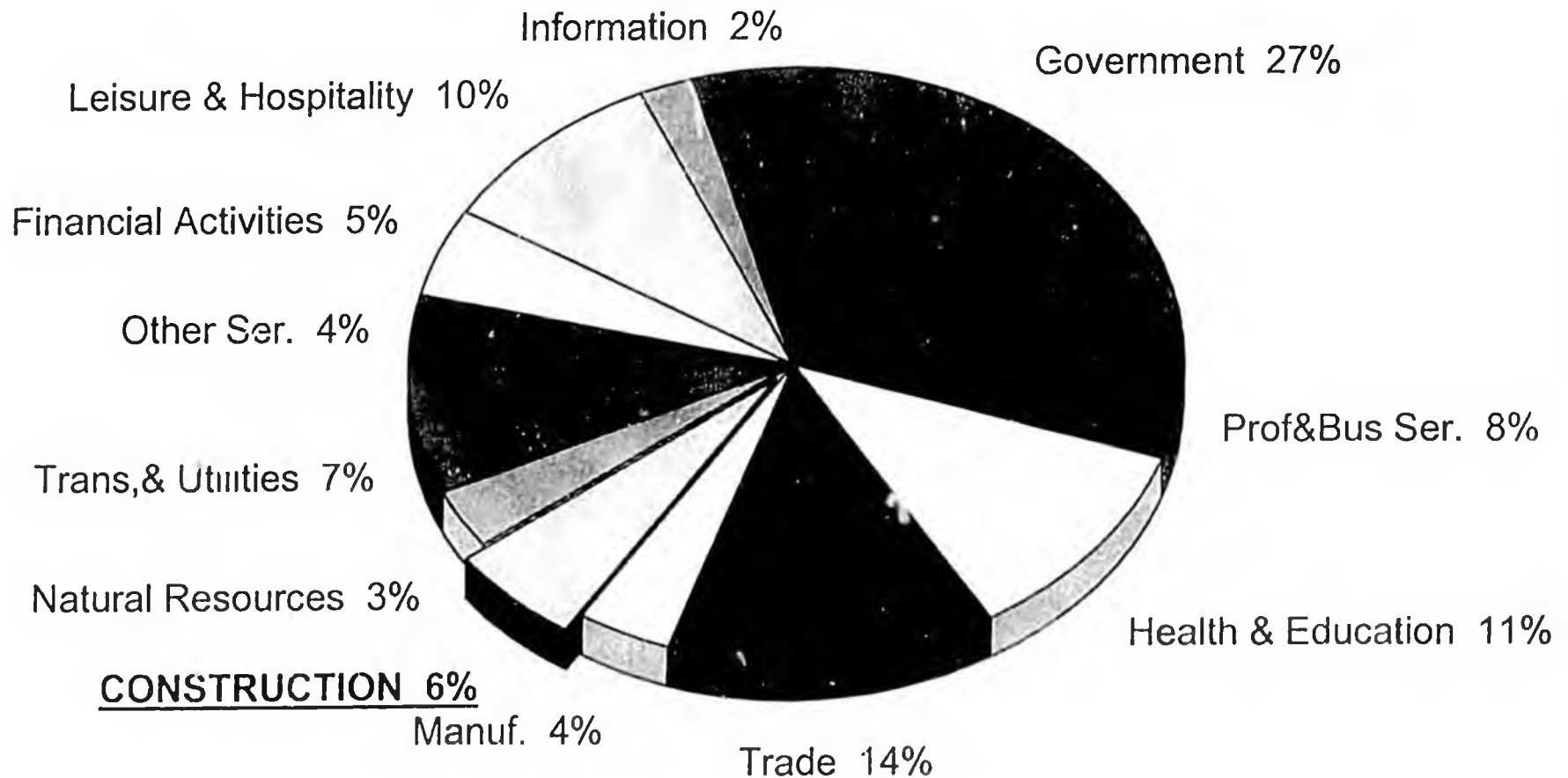
• Craft	Total Need	Employment	%
Carpenters	2,105	4,855	43%
Laborers	1,551	3,605	43%
Electricians	1,079	2,164	50%
Plumbers	700	1,492	47%
Op. Engineers	2,049	2,741	75%
Painters	407	909	45%
Roofers	128	394	32%





- High School Graduates –
  - Average 1999- 2003 7,000
- Number going to College 30%
- Available to enter workforce 4,900
- Construction Needs 2006 1,150
- Percentage of New Graduates Needed 23%

# Alaska's Construction Industry Employment 2004



Source: Alaska Department of Labor and Workforce Development, Research and Analysis.

# Potential Labor Shortages – Pipeline

Craft	Current	Pipeline
Plumbers, Pipefitters	1,492	450
Equipment Operators	2,741	2,100
Truck Drivers	293	1,700
Laborers	3,605	1,300

# Potential Labor Shortages

Plumbers & Pipefitters	30%
Equipment Operators	77%
Truck Drivers	580%
Laborers	36%

# What's Being Done

- Current Apprenticeship Programs
  - 1855 total apprentices
  - 798 Newly registered apprentices, 363 cancelled
  - 166 Completed Training in 2005
  - 15% of Need
- State Efforts
  - Long term strategy completed 2005
  - \$20 million training funds for Gas line

# What's Being Done

## AGC Efforts

- Build Up
- NCCER
- UAA
- Career Academy – Mat-Su/AGC
- Construction Academy – AGC, DOLWD, ASD, AHB, AWP, CITC



## ASSOCIATED GENERAL CONTRACTORS of ALASKA

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March 28, 2007

Representative Mark Neuman  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, Alaska 99801-1182

Re: HB 61 and HB 2

Dear Representative Neuman:

For years, a legislative priority of the Associated General Contractors of Alaska has been to seek a change in the approach to providing and funding vocational education in Alaska's schools. The shop classes of the past have been replaced by advanced placement and exotic elective classes. Required classes geared toward preparing students for the world of college allowed little flexibility for students opting for the world of work and left these students ill prepared to enter Alaska's workforce.

As a result of these changes in our educational priorities, the seventy percent of the high school graduates that do not go to college and the thirty percent of high school freshmen that drop out of high school are not prepared to become productive, working Alaskans. HB 2 and HB 61 represent a step in changing the attitudes toward career and technical education and create a means by which Alaskan businesses can direct their tax dollars to support educational programs that benefit their industries and the development of their workforce.

AGC supports the passage of these bills and applauds your leadership and foresight in creating this approach to deal with the problem.

Sincerely,

*Richard Cattanach*  
Richard Cattanach  
Executive Director

---

**From:** Vince Beltrami [vbeltrami@alaska.net]  
**Sent:** ~~Wednesday, March 28, 2007 4:07 PM~~  
**To:** Rep. Mark Neuman  
**Cc:** donre@ptialaska.net  
**Subject:** support for HB 2  
**Follow Up Flag:** Follow up  
**Flag Status:** Green

March 28, 2007

Mr. Mark Neuman  
Representative  
House of Representatives  
Room 432  
State Capitol  
Juneau, AK 99801

Dear Representative Neuman,

Alaska's building trades unions have made a huge financial commitment to workforce development for over 50 years.

In 2005 our training programs spent over \$10 million in training apprentices to be ready for major future construction projects in our state. As a long time trustee and former statewide training director of the Alaska Joint Electrical Apprenticeship & Training Trust I have interviewed thousands of applicants to our program. One of the sad re-occurring themes among most applicants was not enough access to post-secondary vocational training or preparation for vocational training while they were in high school.

HB 2, if passed, is a step in assuring that Alaska's high school students will become better prepared to enter the workforce through our apprenticeship programs. This investment will better prepare Alaskans for transitioning into the workforce, making them better applicants and allowing them to hit the ground running with a basic exposure in high school to the skills necessary to make them successful apprentices in their chosen vocation.

We have an historic opportunity to begin preparing tomorrow's construction workforce now, for the construction of a gas pipeline and other major capital projects to come. I urge your support in passing HB 2 for the good of the Alaskan workforce and for the strength of our future economy.

Sincerely,

Vince Beltrami  
President  
Alaska AFL-CIO

Statement In Support of House Bill 2  
An act relating to the vocational education account

Our member school districts endorse the goal of expanding vocational education opportunities for Alaska's young people. Under the current foundation formula for K-12 schools, the state earmarks 20 percent of its financial support for special education, bilingual education and vocational education programs. In the face of chronic federal funding shortfalls for the Individuals with Disabilities Education Act (IDEA), the 20 percent earmark leaves most school districts with few financial resources to address any program other than that mandated for special education students. Thus, a fund that collects and distributes financial support for vocational education would be welcomed by our member districts.

For further information, contact:

Carl Rose, Executive Director  
586-1083 or [crose@aab.org](mailto:crose@aab.org)



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Anchorage, AK 99501  
(907) 569-4711 tel  
(907) 569-4716 fax (admitt)  
(907) 569-4720 fax (programs)  
(866) 297-9566 toll free

P.O. Box 74313  
Fairbanks, AK 99707  
(907) 457-2597 tel  
(907) 457-2591 fax  
(866) 457-2597 toll free

March 8, 2007

Mr. Mark Neuman  
Representative  
House of Representatives  
Room 432  
State Capitol  
Juneau, AK 99801-1182

Dear Representative Neuman,

I am writing to you to express my support for House Bill No. 2, "An Act related to the vocational education account and appropriations from that account; and providing for an effective date." HB 2, if passed, would be a major step forward in strengthening vocational education across Alaska. I strongly believe that investing in vocational education today will result in a more prosperous and healthy Alaska in the future.

We have an opportunity to build a highly educated and highly skilled workforce so long as our citizens and businesses are willing to invest in vocational and technical education. These investments will increase the number of students who complete high school and go on to postsecondary career and technical training, and will better prepare our state for the future in a highly competitive global economy.

Your bill provides a simple way for government to invest in secondary and postsecondary vocational education. In order for Alaska to prosper and be a great place to live in the years ahead, we must invest in vocational education now. Please let me know how I can help.

Sincerely,

Mike Andrews  
Director

**Alaska State Chamber of Commerce**  
**2007 Priority**  
**Support for Excellence in Education**

The Alaska State Chamber of Commerce has strongly supported excellence in education, making it a top priority in the Chamber's legislative agenda. In times of economic decline, state investment in education is critical to address the needs of its citizenry. In times of economic prosperity, state investment in education assures a strong and vibrant economy, providing economic development through a trained and educated workforce. There has never been a more opportune time to step forward and fully support and promote education in Alaska, from pre-kindergarten through post-doctoral. The Alaska State Chamber of Commerce urges the Administration and the Legislature to support Alaska's educational needs to meet the demand for a strong and viable economy and citizenry.

**Action Items:**

Establish a career and technical education outreach program where employers partner with the State of Alaska, the University of Alaska, local schools, and tribal partners to assist students (P-16), parents, out-of-school youth, and employed/unemployed Alaskans to learn about training, internship, apprenticeship, and employment opportunities. Provide tax credit to encourage employers where possible.

Build ALEXSYS and appropriately market an internet-based training and employment clearing center to help students and unemployed Alaskans find training and employment opportunities; and employers find qualified employees and candidates for training programs.

Establish, in collaboration with private sector employers, a clearly articulated career and technical education program that:

- Is funded over the long term,
- Utilizes existing education facilities more fully including evenings, weekends, and summers,
- Uses a broad range of educational resources, not limited to the University of Alaska,
- Includes a broad range of options including apprenticeship, internship, and private career and technical education programs,
- Specifically targets rural Alaskans, and out-of-school youth, and
- Use distance learning capabilities where available.

The Governor and Legislature should restructure the Alaska Workforce Investment Board (AWIB) by establishing a direct reporting relationship to the Governor, making it industry driven, and establishing full time professional staff to support the Board.

**HB**

**3**

**HFIN**

**FILE**

# Alaska State Legislature

**Chairman**  
State Affairs Committee

**Vice-Chairman**  
Economic Development, Trade & Tourism  
Committee

**Member**  
Judiciary Committee  
Joint Armed Services Committee

**Finance Subcommittees**  
Corrections  
Labor and Workforce Development  
Military and Veterans' Affairs  
Public Safety



*A Communication From*  
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District 31 Anchorage

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## Sponsor Statement HB 3

HB 3 requires an applicant for an Alaska driver's license to have a legal presence in the United States and, by extension, a legal presence in the State of Alaska. HB 3 also has safeguards that will insure that Alaska license or identification card holders are who they say they are. We require our citizens to provide the documentation for a license or ID; we must also require the same of others.

HB 3 is not the Federal Real ID Act. In fact, I sponsored HB 40 in 2003, similar to my current HB 3 driver's license bill. That's two years before the Federal Real ID Act became law. This bill can and should be judged on its own merits. HB 3 is not even Real ID compliant and here is why.

If you're a present Alaska Driver license or ID holder and have not allowed your card to expire past 90 days, you will not have to show proof of who you are. However, if you are obtaining your first Alaska driver's license or if yours has been taken away (i.e. revoked by DUI) then you must go back to step one and start the process all over again with all the appropriate documents. That alone makes HB 3 noncompliant with the "Real ID Act." Those are the facts.

But even if there was no Real ID Act, this bill would still make sense to require a legal presence in order to get an Alaska driver's license. Why should someone have the right to drive a car down the street when they don't have the legal presence to walk down the street?

The Alaska Division of Motor Vehicles has the statutory mandate to determine if an applicant has the necessary documents to receive a license – and this bill simply adds verification that the applicant has a legal presence in the places where the driver's license is issued and that a person's driving privileges ends when that person's legal presence ends.

I value my privacy, just like other Alaskans. I also value common sense and the sovereign right of the State of Alaska to decide who does and who does not qualify for an Alaska driver's license. Alaska is a sovereign state in a sovereign nation, and we should act like one by passing HB 3.

# Alaska State Legislature

Chairman  
State Affairs Committee

Vice-Chairman  
Economic Development, Trade & Tourism  
Committee

Member  
Judiciary Committee  
Joint Armed Services Committee

Finance Subcommittees  
Corrections  
Labor and Workforce Development  
Military and Veterans' Affairs  
Public Safety



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District 31 Anchorage

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## Sectional Analysis CSHB 3 (JUD) and Changes from IIB 3 (STA) to Version\C to CSIB 3 (JUD) Version\L

"An Act relating to issuance of identification cards and to issuance of driver's licenses, and providing for an effective date."

**Section 1:** Conforming amendment for AS 18.65.310(a) to allow the validity period of an identification card (ID) to be longer or shorter than the standard 5 year validity period by adding the following new text:

Page 1, lines 8-10 *Except as provided in (g) and (i) of this section, an identification card expires on the person's birthday in the fifth year following issuance of the card.*

**Section 2:** Amends AS 18.65.310(g) to require an 8 year validity period for an ID card issued to a person who is 60 years of age or older by adding the following new text:

Page 1, Line 14 & Page 2, Lines 1-2 *Except as provided in (i) of this section, an identification card issued to a person who is 60 years of age or older expires on the person's birthday in the eighth year following issuance of the card.*

**Section 3:** Creates new subsections referencing legal presence and validity dates.

**AS 18.65.310(h):** requires proof that the applicant for an ID card is a citizen or legal resident of the United States.

**AS 18.65.310(i):** allows an ID card to be issued to a temporary resident of the United States under certain circumstances. Requires the temporary resident to present the documents in person. Requires the ID's expiration date to match the expiration date on the United States Government's temporary resident document. For applicants with indefinite temporary status, the ID must expire one year from date of issue. ID can be renewed with documentary evidence that the US Government has extended the stay. The Department may regulate what constitutes valid, documentary evidence for an ID card except it cannot approve matriculation consular cards.

On May 1, 2007 the House Judiciary Committee passed a committee substitute to HB 3 with the following changes to HB 3 version\C to CSIB 7 version\M

**New Text Underlined [Deleted Text Bracketed]**

Version\C Page 2, Line 11 the following language was [deleted]:

[the person's legal status and presence in the United States.]

Version\M Page 2, Lines 11-16 the new language added reads:

(1) a valid, unexpired nonimmigrant visa or nonimmigrant visa status for entry into the United States, (2) a pending or approved application for asylum in the United States, (3) entry into the United States in refugee status, (4) a pending or approved application for temporary protected status in the United States, (5) approved deferred action status, or (6) a pending application for adjustment of status to legal permanent residence status or conditional resident status.

**Section 4:** Amends AS 28.15.031(b) to prohibit the issuance of a driver's license to a person who privilege to drive has been suspended, revoked, cancelled or disqualified. Creates a new paragraph with subparagraphs referencing legal presence and validity dates by adding the following new text:

Page 2, Lines 30-31 or cancelled, or who is disqualified from obtaining a license,

AS 28.15.031(b) (8) (A) prohibits the issuance of a driver's license to a person who has not presented proof that the person is a citizen or legal resident of the United States. Exempts a person with an Alaska driver's license from the proof requirements as long as the driver's license has not been expired for more than 90 days or been cancelled, suspended, revoked, or disqualified. Exempts a person with an Alaska driver's license from the proof requirements unless the department is notified by a government agency that the person is not a citizen or a legal resident. The Department may regulate what constitutes valid, documentary evidence for a driver's license except it cannot approve matricula consular cards.

On May 1, 2007 the House Judiciary Committee passed a committee substitute to HB 3 with the following changes to HB 3 version\C to CSIB 3 version\M

**New Text Underlined [Deleted Text Bracketed]**

Version\C Page 3, Line 20 the following language was [deleted]:  
[expired]

Version\M Page 3, Line 25 the new language added reads:

been expired for more than 90 days

AS 28.15.031(b) (8) (B) allows a driver's license to be issued to a temporary resident of the United States under certain circumstances. Requires the applicant to present the documents in person. Prohibits a license renewal without proof that temporary status has been extended by the United States Government. Prohibits a name change unless name change also corresponds to the United States Government authorizing documents. Prohibits the issuance of a duplicate license without proof that the temporary status is still valid and in effect. The Department may regulate what constitutes valid, documentary evidence for a driver's license except it cannot approve matricula consular cards.

On May 1, 2007 the House Judiciary Committee passed a committee substitute to HB 3 with the following changes to HB 3 version\C to CSHB 3 version\M

*New Text Underlined [Deleted Text Bracketed]*

Version\C Page 3, Lines 30-31 the following language was [deleted]:

[the person's legal status and presence in the United States;]

Version\M Page 4, Lines 4-11 the new language added reads:

(i) a valid, unexpired nonimmigrant visa or nonimmigrant visa status for entry into the United States, (ii) a pending or approved application for asylum in the United States, (iii) entry into the United States in refugee status, (iv) a pending or approved application for temporary protected status in the United States, (v) approved deferred action status, or (vi) a pending application for adjustment of status to legal permanent residence status or conditional resident status;

**Section 5:** Conforming amendment for AS 28.15.101(d) to allow the validity period of a driver's license to be shorter than the standard 5-year validity period by adding the following new text to line 26, page 4, subsection (a):

and in (d) of this section

**Section 6:** Creates a new subsection in AS 28.15.101 for driver's license validity dates.

AS 28.15.101(d) requires the license's expiration date to match the expiration date on the United States Government's temporary resident document. For applicants with indefinite temporary status, the license must expire one year from date of issue.

**Section 7:** Effective date is January 1, 2009.

CS FOR HOUSE BILL NO. 3(JUD)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY THE HOUSE JUDICIARY COMMITTEE

Offered: 5/1/07  
Referred: Finance

Sponsor(s): REPRESENTATIVE LYNN

A BILL  
FOR AN ACT ENTITLED

1 "An Act relating to issuance of identification cards and to issuance of driver's licenses;  
2 and providing for an effective date."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 \* Section 1. AS 18.65.310(a) is amended to read:

5 (a) Upon payment of a \$15 fee, the department shall issue a card identical to  
6 the motor vehicle operator's license provided for in AS 28.15.111, except that the card  
7 shall be of a different color and shall state in bold type letters across the face of it that  
8 it is for identification purposes only. Except as provided in (g) and (i) of this  
9 section, an identification card expires on the person's birthday in the fifth year  
10 following issuance of the card.

11 \* Sec. 2. AS 18.65.310(g) is amended to read:

12 (g) If the person applying for the identification card provided for in (a) of this  
13 section is 60 years of age or older, charge may not be made for issuance of the card.  
14 Except as provided in (i) of this section, an identification card issued to a person

1 who is 60 years of age or older expires on the person's birthday in the eighth year  
 2 following issuance of the card.

3 \* Sec. 3. AS 18.65.310 is amended by adding new subsections to read:

4 (h) The department may not issue an identification card under (a) of this  
 5 section to a person who has not presented to the department valid documentary  
 6 evidence that the person is a citizen of the United States, a national of the United  
 7 States, a legal permanent resident of the United States, or a conditional resident alien  
 8 of the United States.

9 (i) Notwithstanding (h) of this section, the department may issue an  
 10 identification card to a person who presents in person valid, documentary evidence of  
 11 (1) a valid, unexpired nonimmigrant visa or nonimmigrant visa status for entry into the  
 12 United States, (2) a pending or approved application for asylum in the United States,  
 13 (3) entry into the United States in refugee status, (4) a pending or approved application  
 14 for temporary protected status in the United States, (5) approved deferred action  
 15 status, or (6) a pending application for adjustment of status to legal permanent  
 16 residence status or conditional resident status. The identification card authorized under  
 17 this subsection is valid only during the period of the time of the person's authorized  
 18 stay in the United States and must clearly indicate that expiration date. If the period of  
 19 authorized stay is indefinite, the expiration date for the identification card is one year  
 20 from the date of issue. The identification card authorized under this subsection may be  
 21 renewed only upon presentation of valid, documentary evidence that the status by  
 22 which the person qualified for the temporary identification card has been extended by  
 23 the proper United States government authority. The department may by regulation  
 24 specify what is valid, documentary evidence under this subsection except that the  
 25 department may not specify that a matricula consular card is valid, documentary  
 26 evidence.

27 \* Sec. 4. AS 28.15.031(b) is amended to read:

28 (b) The department may not issue an original or duplicate driver's license to,  
 29 nor renew or reinstate the driver's license of, a person

30 (1) whose license is suspended, [OR] revoked, or cancelled, or who is  
 31 disqualified from obtaining a license, except as otherwise provided in this chapter;

1 (2) who fails to appear in court for the adjudication of a certain  
2 vehicle, driver, or traffic offense when the person's appearance is required by statute,  
3 regulation, or court rule;

4 (3) who is an habitual user of alcohol or another drug to such a degree  
5 that the person is incapable of safely driving a motor vehicle;

6 (4) when the department, based upon medical evidence, has  
7 determined that, because of the person's physical or mental disability, the person is not  
8 able to drive a motor vehicle safely;

9 (5) who is unable to understand official traffic control devices as  
10 displayed in this state or who does not have a fair knowledge of traffic laws and  
11 regulations, as demonstrated by an examination;

12 (6) who has knowingly made a false statement in the person's  
13 application for a license or has committed fraud in connection with the person's  
14 application for, or in obtaining or attempting to obtain, a license, or who has not  
15 applied under oath on the form provided for the purpose of obtaining or attempting to  
16 obtain a license or permit; [OR]

17 (7) who is required under AS 28.20 to furnish proof of financial  
18 responsibility and who has not done so; or

19 (8) who has not presented to the department

20 (A) valid documentary evidence that the person is a citizen  
21 of the United States, a national of the United States, a legal permanent  
22 resident of the United States, or a conditional resident alien of the United  
23 States; a person who is seeking a renewal of, duplicate of, or change of  
24 legal name on a license is presumed to meet the requirements of this  
25 subparagraph if the license has not been expired for more than 90 days or  
26 been cancelled, suspended, or revoked and the person has not been  
27 disqualified from obtaining a license; if the department has been notified  
28 by a local, state, or federal government agency that the person seeking a  
29 renewal of, duplicate of, or change of legal name on a license is not a  
30 citizen of the United States or is not legally in the United States, then the  
31 presumption available in this paragraph does not apply; the department

1 may by regulation specify what is valid, documentary evidence under this  
 2 subparagraph except that the department may not specify that a  
 3 matricula consular card is valid, documentary evidence; or

4 (B) in person valid, documentary evidence of (i) a valid,  
 5 unexpired nonimmigrant visa or nonimmigrant visa status for entry into  
 6 the United States, (ii) a pending or approved application for asylum in the  
 7 United States, (iii) entry into the United States in refugee status, (iv) a  
 8 pending or approved application for temporary protected status in the  
 9 United States, (v) approved deferred action status, or (vi) a pending  
 10 application for adjustment of status to legal permanent residence status or  
 11 conditional resident status; a license issued under this subparagraph may  
 12 be renewed only upon presentation of valid, documentary evidence that  
 13 the status by which the person qualified for the license has been extended  
 14 by the proper United States government authority; a change of name for a  
 15 license issued under this subparagraph may be made only upon  
 16 presentation of valid, documentary evidence that the person's name has  
 17 been changed with regard to the status by which the person qualified for  
 18 the license; a duplicate license for a license issued under this  
 19 subparagraph may be issued only upon presentation of valid,  
 20 documentary evidence that the person's status by which the person  
 21 qualified for the license remains valid and in effect; the department may  
 22 by regulation specify what is valid, documentary evidence under this  
 23 subsection except that the department may not specify that a matricula  
 24 consular card is valid, documentary evidence.

25 \* Sec. 5. AS 28.15.101(a) is amended to read:

26 (a) Except as otherwise provided in this chapter and in (d) of this section, a  
 27 driver's license expires on the licensee's birthday in the fifth year following issuance of  
 28 the license. A license may be renewed within one year of its expiration upon proper  
 29 application, payment of the required fee, and except when a license is renewed under  
 30 (c) of this section, successful completion of a test of the licensee's eyesight.

31 \* Sec. 6. AS 28.15.101 is amended by adding a new subsection to read:

1           (d) A driver's license issued under AS 28.15.031(b)(8)(B) is valid only during  
2           the period of the time the person is authorized to stay in the United States and must  
3           clearly indicate the expiration date. If the period of authorized stay is indefinite, the  
4           expiration date of the license is one year from the date of issue.

5           \* Sec. 7. This Act takes effect January 1, 2008.



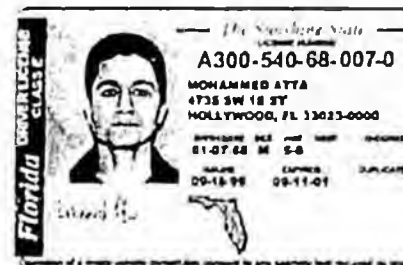
## Drivers Licenses for illegal aliens

Issues

The open borders lobby routinely lobbies state legislatures to issue drivers licenses to illegal aliens as one of the keys to erasing the distinction between legal citizens and illegal aliens.

In the U.S., the drivers license is our de facto universal identification card. Yet many states do not thoroughly verify applicants' identities. Many states do not require a valid Social Security number to get a license and many will issue a state ID number for those without a Social Security number.

This makes it very easy for illegal aliens to obtain drivers licenses. These licenses become "breeder documents" which allow the recipient to obtain additional documents, based upon the false premise that he is a U.S. citizen. For example, all of the 9/11 hijackers had driver's licenses or state-issued non-driver's identification cards, which they then could use when opening bank accounts, renting housing, and boarding planes.



Eleven states issue drivers licenses to illegal aliens, including Alaska, Connecticut, Idaho, Louisiana, Montana, Nevada, New Mexico, North Carolina, Ohio, Rhode Island, Tennessee, Utah, Washington and West Virginia. In 2003, California's Governor Davis signed into law a bill that would give illegals drivers licenses. It is widely believed that this was the final act that contributed to his 2003 recall. Immediately after this law was signed, hundreds of thousands of signatures were collected that would have placed the question on the March 2004 general election ballot. Incoming Governor Schwarzenegger annulled the law, purportedly so that the electorate would not have a chance to vote on the issue.

One of the arguments in favor of issuing drivers licenses to illegal aliens is that it will make our roads safer. This is not likely, as someone who has broken U.S. law to come here will most likely continue to break our laws - including traffic laws - and to drive without insurance and to obtain "breeder" licenses under false names.

For more information, see:

- 1 Driver's License Security by the Federation for American Immigration Reform.
- 2 Should illegal aliens get driver's licenses?, by Phyllis Schlafly, May 13, 2003.
- 3 Immigrant Access to Drivers Licenses - a handbook from a coalition of anti-American organizations to promote driver's licenses for illegal aliens.
- 4 MAIDEP Profoundly Disappointed With Governor Schwarzenegger's Veto of Driver License Bill, September 22, 2004.

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## Next week, DMV won't have to look away

*Posted: March 27, 2007*



**Patrick  
McIlheran**

Come Sunday, some Wisconsin bureaucrats will feel relief. This is a good sign.

The bureaucrats, who work for the state Motor Vehicles Division, are relieved they won't be helping to break the law. Until now, they've been unwillingly doing that, providing driver's licenses, a basis for a legally documented American life, to people here illegally. State law says the agency can't deny a license to someone for being an illegal immigrant, say officials. That ends Sunday.

Wisconsin is one of 10 states that doesn't require proof of lawful presence, as it's known. This has meant that illegal immigrants came here to get a license they couldn't get in Illinois, Minnesota or elsewhere. That's fraud. Gary Guenther, who oversees the DMV's field services, says the agency took steps to cut down on it, investigating addresses and changing procedures. But Sunday's change, ending our status as the Island of Easy Licenses, will do much more, he says.

Then you've got people who genuinely do live in Wisconsin but are illegal immigrants. That the agency had to give them licenses anyhow, helping them stay, grated on some people, including some DMV employees.

Ex-employee Lee Steines said it bothered him enough that he quit his customer service job at the agency a year ago. The question, he said, was,

"Am I going to do this, or am I going to face myself in the mirror in the morning?"

He and other agents said they knew they were licensing illegal immigrants. Often, it was when they'd ask the customer for a Social Security number, something the state long has done. There's a form for applicants without one, mainly to handle religious objections. But Steines says he had applicants tell him they didn't have a number because they were in the U.S. illegally. Other agency employees have related similar stories. There wasn't anything they could do.

"It just wasn't right," Steines says. "And people knew in their hearts it wasn't right."

Steines doesn't fault the agency, limited by law and its state mandate. As Guenther puts it, "We have to operate in a way that supports the laws." His staff is good at spotting fake documents, he says, and it can decipher foreign-language birth certificates. But until Sunday, the agency doesn't have the authority to say no to someone in the U.S. illegally.

That's what changes: Along with proof of one's birth date, name, identity and Wisconsin home, the state will require proof an applicant's here legally.

Guenther is careful to note the change has pluses and minuses. It all serves a good purpose, he says. "You have to protect the integrity of the product" - the license.

This is not to say that most illegal immigrants are getting a Wisconsin license to cause trouble. They're doing it to drive to work. They broke U.S. law in coming here not because they wanted to be criminals but because they were looking for a better life.

But the better life is reflected in a pay stub with a Social Security number on it that isn't theirs. Steines says applicants would tell agents that. The pay stub that proved their Wisconsin residency bore a number that would come up invalid if checked. Whatever the intentions, illegal immigration involves fraud.

Protesters marched last weekend in Madison against the new rules, saying they'll "marginalize" people. Being here illegally already did that. If anything,

the explosion in illegal immigration threatens the welcome we extend to *legal* immigrants.

In lieu of persuading Americans to change our immigration laws, the advocates of illegal immigrants demand we ignore the distinction between legal and illegal immigration. They demand we accept that illegal immigrants will drive no matter what, so we might as well give them IDs.

That's not right. More immigration would be good for America if it's handled properly. Accepting people who sneak in or who overstay visas while millions around the world wait a decade or more to get in the legal way doesn't seem to be a good way of handling it.

Telling state employees that they must, by law, ignore the fact a license applicant is here unlawfully isn't right, either. It shows contempt for law and for those who take it seriously. That this comes to an end on Sunday is good.

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**Institute rates Alaska DMV as one of most lax in U.S. -****LICENSES: State disputes claim that it deserves an "F" in verifying applicants' identities.**

Anchorage Daily News (AK)

April 22, 2004

Author: RICHARD RICHTMYER

Anchorage Daily News

Staff

Estimated printed pages: 4

Alaska's Division of Motor Vehicles is among the nation's most lax when it comes to verifying the identities of driver's license applicants, according to a new study.

"The findings, frankly, are stunning," said Amital Etzioni, director of the Institute for Communitarian Policy Studies at George Washington University, which examined the safeguards in place at motor vehicle offices in all 50 states.

The Institute, which promotes a balance between individual rights and social responsibility, looked into the subject because driver's licenses are widely used as the definitive ID, and the Sept. 11, 2001, terrorists got theirs through other lax states, namely Florida and Virginia, Etzioni said.

Those states have since shored up their systems, making states that haven't done so attractive destinations for future terrorists looking to acquire false identification from a valid source, Etzioni said.

"We know that the terrorists always discover where the weakest links are," he said.

Officials at the DMV and the state's Division of Homeland Security called the study's conclusions unfair, arguing that it did not take into account all of the identity-verification measures in place, only a select few that aren't.

The Institute established four steps it said states should take, at a minimum, to ensure effective screening for fraudulent applications and assigned a grade based on how many they used.

The steps were verifying Social Security numbers using an online database system; requiring proof that the applicant is legally in the United States and a resident in the state; linking license expiration dates to visa expiration dates for foreigners; and using biometric information, such as fingerprints or retinal scans, to verify identity.

Alaska is one of only four states that got an "F" for not taking any of those steps, Etzioni said. Wisconsin, Michigan and Oregon also flunked the Institute's test.

DMV director Duane Bannock acknowledged that Alaska's system isn't perfect, but he argued that Alaska doesn't deserve a failing grade and the Institute's study only looked at part of the system.

Although Social Security cards are allowed as one form of acceptable identification, they are not required, and Bannock said it's easy to get a fake number that would check out on a database.

Applicants for an Alaska driver's license are required to present two pieces of identification, a "primary," that proves date of birth, and a "secondary" to prove identity. An applicant furnishing two primary forms of identification is not required to show a secondary form, Bannock said.

Acceptable primary identification documents include an original or certified birth certificate, a court order, another state's driver's license, a copy of a driver's record from another state, and a military ID card, Bannock said.

Social Security cards are on a list of about two dozen acceptable forms of secondary identification, which also includes health insurance cards, photographic employee identification cards and even income tax returns, Bannock said.

Workers who process driver's license applications across the state receive regular training in how to spot fake birth certificates, Social Security cards and other identifying documents, Bannock said.

Alaska's DMV has no immediate plans to put in place a Social Security number verification system, nor is it likely that applicants will be fingerprinted or retinal scanned any time soon, Bannock said.

However, he said the idea of making driver's licenses for foreigners expire when their travel or work visas expire is a good one, and he called the Institute's criticism on that point fair.

"I would expect that's going to be changed here very soon," he said.

Meanwhile, state lawmakers next week are expected to resume debate on a bill that would require proof of citizenship or legal residency as a condition for getting an Alaska driver's license, which has been a hot-button in statehouses across the nation recently.

Alaska's bill, sponsored by Rep. Bob Lynn, R-Anchorage, has languished in Juneau since January 2003. Lynn said he hopes to get it passed out of the State Affairs Committee and onto the House floor before the Legislature adjourns the session in three weeks.

"I don't want Osama bin Laden or any of his friends to be able to get Alaska driver's licenses, and the way it is now, that in fact could happen," Lynn said.

An aide to State Affairs Committee Chairman Bruce Weyhrauch said he has put it on the hearings calendar for next week.

Tom Burgess, deputy director of the state's Division of Homeland Security and Emergency Management, said the institute's grading system was flawed, and that the state doesn't deserve an "F."

"Things like this do cause us concern, and we'd like to see something done in all these different areas," Burgess said.

"But I don't know that there's a bunch of holes in the system, and I haven't seen any indications that we have a problem," Burgess said. "People have to look at more criteria before they start assigning grades to states. A more thorough analysis is appropriate here."

Daily News reporter Richard Richtmyer can be reached at richtmyer@ndn.com or 257-4344.

**RANKING**

**GRAPHIC:** A look at the criteria on which state DMVs were graded along with a list of the best and worst state DMVs.

[Back Page](#)

**LICENSE TO HIDE:** To read the report on drivers license screening in all 50 states, and how each state ranks, just follow the links.

[www.adn.com/links](http://www.adn.com/links)

**Caption:**  
Illustrated by Ron Engstrom

**ILLUSTRATION SHOWS**

**Alaska's DMV fails test**

A study shows Alaska often fails to verify the identities of driver license applicants

**Criteria**

States were graded on how well they complied with four basic criteria:

- 1 Electronic verification of Social Security number
- 2 Requiring proof of legal residency in the nation and state
- 3 Linking license expiration dates to visa expiration dates for foreigners
- 4 Using biometric information such as fingerprints to verify identities

States that failed all criteria:

Alaska

Michigan

Oregon

Wisconsin

States that met all criteria:

Colorado

Kentucky

West Virginia

**Caption:**

Photo 1: ADM144\_011004.jpg

Photo 2: 00DMV chart\_011004.jpg

**Editor:** Tina  
**Section:** Man

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Tuesday, May 1, 2007

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## Should Illegal Aliens Get Driver's Licenses?

[email column](#)

May 14, 2003

The hottest controversy in state legislatures today regards allowing illegal aliens to obtain driver's licenses. Americans were shocked to discover that most of the 19 hijackers on 9/11 carried driver's licenses from Virginia, Florida or New Jersey.

A driver's license is the pass to board a plane as well as the license to drive a car. It confers a sort of quasi-citizenship and, as described by one illegal alien in Texas, "The driver's license ends up becoming our pass to be in this country."

Since 9/11, 21 states have enacted new legislation to make it harder to get driver's licenses, and legislation has been introduced in another 22 states. Even in Idaho, State Senator Cecil Ingram told a public hearing, "This has turned out to be a bigger problem than I thought."

The states embarrassed by the 9/11 hijackers have gotten the message. Virginia passed a bill to stop issuing driver's licenses to illegal aliens, and Florida and New Jersey passed legislation to coordinate driver's licenses with immigration visas.

New Jersey, where driver's licenses have been made of paper and do not require a photo, has long been the target of document fraud and counterfeiters. The state is now converting to state-of-the-art digitized driver's licenses with a dozen covert and overt security features, including a mandatory photo, bar code, hologram, and digital signature.

Peter Gadiel, whose 23-year-old son James died in the World Trade Center attack, has traveled from Connecticut to Virginia, Maryland, North Carolina and Tennessee to support beefed-up identification laws. Twenty states do not require applicants to prove they are legally in the United States.

Tennessee, another state known to be lax about issuing driver's licenses to illegal aliens, is considering a measure that would require driver's license applicants to present a document showing they are legally in this country. A Tennessee legislative committee also heard testimony about the need to tighten driver's license rules from April Gallop, a survivor of the 9/11 attack on the Pentagon.

Minnesota is trying to address the controversy through rulemaking by the Department of Public Safety. The proposed rule would require visitors to present documents to prove they are in the country legally, and the license would expire when their visas expire.

Georgia would seem an unlikely state for immigration controversies, but an estimated 435,000 Hispanics live in Georgia, a 300 percent increase over 1990, according to the U.S. Census. A lively big group showed up at a hearing in Gainesville from the town of Hall, where at least 19 percent of the

population is Hispanic and 85 percent of those are not citizens.

Georgia has been wrangling over a bill that would allow driver's licenses to be obtained by illegal aliens who come only from the "Free Trade Area of the Americas," i.e., from Canada, Latin America, and some Caribbean islands.

Among those who spoke against the proposed legislation was retired Col. A.R. "Mac" MacCahan (whose Army unit lost 206 of 212 men fighting in the Korean War). He asked, "What part of illegal don't you understand?" Others ask, why reward people who have committed at least three felonies: illegal entry into the U.S., purchasing fraudulent documents to get a job, and misrepresenting the legality of those documents at the workplace?

Kentucky was once one of the easiest states for illegal aliens to get a driver's license. That changed after a 1998 incident in which the Immigration and Naturalization Service arrested a vanload of illegals from Russia who had traveled from New York to Louisville to get driver's licenses.

After that, Kentucky reinstated a policy of requiring that noncitizens applying for licenses take a written test. County Circuit Clerk Tony Miller said, "We try to be helpful. We offer that test in 21 languages," but Miller doesn't explain how it promotes safety to license drivers who can't read the road signs.

Arizona and Mississippi have killed bills to make it easier for illegal aliens to get a driver's license. California Governor Gray Davis has twice vetoed a bill to allow illegal aliens to obtain driver's licenses, but the legislature is still debating this issue.

INS public affairs officer Garrison Courtney identified one of the biggest problems: "If they were illegal when they came here, it's very difficult to determine who they really are because they've created illegal IDs for themselves." The Seattle Times reported that one U.S. Department of Justice raid discovered piles of cash totaling \$95,262 plus \$10,000 worth of computer equipment and specialty papers that had been used to print 800 fake driver's licenses, green cards, work permits, Mexican birth certificates, and Social Security cards.

Many are concerned about the danger from issuing licenses to terrorists who might use trucks loaded with gasoline or other hazardous materials in the same way that hijackers used commercial airliners on 9/11. The U.S. Transportation Department reported last year that we lack sufficient safeguards, particularly from the many states that do not require applicants to prove they are legally in the country.

*Phyllis Schlafly is the author of "Feminist Fantasies" (Spence Pub. Co., 2003)*

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## No Driver's Licenses for Calif. Illegal Immigrants

By Kimberly Edds  
Special to The Washington Post  
Friday, September 24, 2004; Page A04

LOS ANGELES, Sept. 23 -- Gov. Arnold Schwarzenegger (R) late Wednesday vetoed a bill that would have given as many as 2 million illegal immigrants California driver's licenses, saying the measure failed to provide sufficient security provisions at a time of heightened terrorism fears.

"This bill does not adequately address the security concerns that my Department of Homeland Security and I have, and I cannot support it," Schwarzenegger said in a brief veto message.

Ten states allow illegal immigrants to apply for licenses, and the issue has long been important to Latino lawmakers here. They accused Schwarzenegger of backing out of a deal to work together to reach a mutually acceptable bill.

"He chose to veto the best driver's license bill proposal in the nation -- one that strengthens national security and public safety while holding immigrants to the highest level of responsibility in the nation," said state Sen. Gil Cedillo (D-Los Angeles), who sponsored the bill and three previous versions. Supporters say that illegal immigrants contribute to the state's economy and that the bill would have improved road safety by forcing them to take driving tests and get insurance.

But opponents argued the measure would reward people who are in the country illegally and could make it easier for terrorists to assimilate. Polls show a majority of California voters are against allowing undocumented immigrants licenses.

"Illegal immigrants are in direct violation of our federal immigration laws. These laws require them to be deported, not accommodated," Republican state Sen. Tom McClintock said.

In an effort to emphasize the added safety measures, the bill had been

renamed the Immigrant and Security Act. Illegal immigrants would have to pay for extensive background checks and be fingerprinted. The cost would have been \$141, compared with \$24 for a standard license.

The legislature approved a similar proposal last year which then-Gov. Gray Davis (D) signed into law. Davis had long opposed the measure but changed his stance amid his tough, and eventually unsuccessful, effort to stave off being recalled.

Schwarzenegger opposed the measure. After his election last year, legislators repealed the law.

Some lawmakers said they voted for the repeal only after being told Schwarzenegger was committed to a new proposal with increased security measures. But negotiations on the proposal stalled when Schwarzenegger insisted there be an identifying mark on the license to distinguish the holder as a noncitizen -- a requirement rejected by Latino lawmakers as discriminatory.

Schwarzenegger pledged to veto the measure when legislators approved it Aug. 27 without the mark provision.

More than 20 states, including Virginia, prohibit illegal immigrants from getting licenses.

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## Rewards for Illegal Aliens – Driver's Licenses

State-issued driver's licenses and identification cards open doors of opportunity in the United States. Not only does the driver's license grant Americans the privilege to operate a vehicle, it also is widely accepted as an identification card that enables the bearer to access a plethora of services and benefits. Driver's licenses and ID cards are used to rent apartments and cars, open bank accounts, cash checks, enter secure buildings, buy guns, and board commercial aircraft, among other things.

Acceptance of these documents as proof of identity has become so commonplace in America that presenting a different document, like a passport, may attract attention and lead to increased scrutiny, even if the alternative document is actually more secure. This is why driver's licenses and ID cards are so valuable to terrorists and illegal aliens, who use them to hide in plain sight without attracting unwanted attention. As the 9/11 Commission noted in its final report, reliable identification is vital for security reasons. Fraudulent licenses and IDs "complicated the government's ability to adequately ensure public safety at vulnerable facilities including airport terminals, train stations, bus stations, and other entry points."

Driver's licenses and ID cards are particularly valuable to illegal aliens since they are accepted as proof of identity on the I-9 form employers are required to complete to establish that new employees are legally eligible to work in the United States. With a driver's license and a stolen or counterfeit social security card, an illegal alien has everything he needs to secure a job and all the other necessities of life in America.

Despite the fact that licenses and ID cards are the identity documents of choice in America, some states are disturbingly careless about to whom they are issued and for how long they remain valid. These two issues – eligibility and duration of validity – largely determine whether illegal aliens are able to obtain licenses and ID cards.

Currently, 26 states have laws that require applicants for licenses and ID cards to present proof of lawful presence in the United States, as the table below indicates. In these states, applicants must present documents establishing that they are U.S. citizens, lawful permanent residents (immigrants), temporary workers or visitors (nonimmigrants), or aliens who are otherwise authorized by the Federal government to be in this country. Another seven states and the District of Columbia effectively require proof of lawful presence by limiting the documents applicants may present to establish identity. Three states require proof of lawful presence either by regulation or by practice, and four states require such proof only from applicants who do not have a social security number. Only two states – California and Florida – use the Department of Homeland Security's automated Systematic Alien Verification for Entitlements (SAVE) system to verify the validity of immigration documents presented by applicants. In those states that do not require verification of documents, illegal aliens can only obtain licenses by presenting fraudulent documents.

That leaves 10 states that do not require proof of lawful presence at all, and so intentionally issue driver's licenses and ID cards to illegal aliens. These states are rewarding violators of our immigration laws and making them more difficult to track and deport. They also are likely to be the destinations of choice for terrorists seeking to blend into American society.

One-third of the estimated 10 million illegal aliens currently residing in the United States are thought to have entered legally and then overstayed their visas, according to DHS. Even in states that require proof of lawful presence from applicants, these aliens often are able to obtain licenses and ID cards that expire long after the alien's visa expires. Mohammed Atta, for example, entered the United States on a six-month tourist visa but was issued a Florida driver's license with an expiration date of 09/01/07 – six years to the day after he flew an airplane into the North Tower of the World Trade Center.

## Summary of States' Licensing Requirements

State	Lawful presence requirement?	Expiration tied to visa?
AL	Yes by statute	Yes
AK	Yes by document requirements	NO
AZ	Yes by statute	Yes
AR	Yes by statute	NO
CA	Yes by statute (verifies w/ SAVE)	Yes
CO	Yes by statute	Yes
CT	Yes by statute	NO
DE	Yes by regulation	NO
DC	Yes by document requirements	Yes
FL	Yes by statute (verifies w/ SAVE)	Yes
GA	Yes by statute	NO
HI	NO	NO
ID	Yes by statute	NO
IL	Yes by statute	Yes
IN	Yes by statute	NO
IA	Yes by statute	Yes
KS	Yes by statute	NO
KY	Yes by statute	Yes (tourists not eligible)
LA	Yes by statute (except ag workers)	Yes
ME	Only if applicant doesn't have SSN	NO
MD	NO	NO
MA	Only if applicant doesn't have SSN	NO
MI	NO	NO
MN	Yes by statute	Yes (short-term licenses marked)
MS	Yes by statute	Yes (short-term licenses marked)
MO	Yes by statute	Yes (after 07/01/05)
MT	NO	NO
NE	Only if applicant doesn't have SSN	NO
NV	Yes by document requirements	Yes
NH	Yes by statute	May be tied, but not required
NJ	Yes by statute	Yes (short-term licenses marked)
NM	NO	NO
NY	Yes by document requirements	Yes (short-term licenses marked)
NC	NO	NO
ND	Yes by document requirements	NO
OH	Yes by statute	Yes (short-term licenses marked)
OK	Yes by statute	Yes
OR	NO	NO
PA	Yes by statute	Yes (tourists not eligible)
RI	Only if applicant doesn't have SSN	NO

SC	Yes by statute	Yes
SD	Yes by statute	Yes
TN	Yes by statute (except driving cert.)	Yes (driving certificates marked)
TX	Yes by document requirements	NO
UT	NO	NO
VT	Yes by document requirements	Yes
VA	Yes by statute	Yes
WA	NO	NO
WV	Yes by document requirements	Yes
WI	NO	NO
WY	Yes by statute	Yes

### Myth vs. Reality

Illegal-alien advocacy groups rely on the assertions below to justify the issuance of driver's licenses to illegal aliens. Each appears reasonable on its face, but none holds up under scrutiny.

*Myth 1: Illegal aliens are going to drive no matter what so issuing them licenses will improve the safety of our roads by ensuring that they have passed a driving test and purchased automobile insurance.*

In 2004, automobile accidents resulted in about 42,000 deaths and more than 100,000 injuries in the United States. The vast majority of the people involved in these accidents were licenses, insured drivers, so the correlation asserted by the advocates is tenuous at best. Moreover, most illegal aliens are low-wage workers who send a significant portion of their earnings to their home countries in the form of remittances. They have little incentive to spend their wages on car insurance, and even less incentive to wait for the police to arrive after an accident, since contact with law enforcement authorities could result in deportation. Finally, this suggestion that we just accept the inevitability of illegal aliens' presence in the United States and treat them as lawful residents undermines our belief in law and fairness. No one would suggest that we not lock our doors because burglars are going to break in anyway.

*Myth 2: Law enforcement officials will be better able to track illegal aliens if they are licensed, since their personal data will be entered into driver's license databases.*

This claim holds out the promise that law enforcement officials would actually use DMV data to locate and remove illegal aliens. Of course, the very same advocacy groups that use this argument would protest endlessly if such enforcement were proposed. More importantly, though, illegal aliens would not apply for licenses – and certainly would not provide their real names or addresses – if they knew the data would be used to track them. Many already use false names and/or addresses to obtain licenses, just as the 9/11 terrorists who obtained licenses in Virginia did.

*Myth 3: DMV employees would have to become immigration experts in order to know which documents they can accept as proof of lawful presence.*

It would, in fact, be burdensome if DMV employees had to know which immigration documents are legitimate and which are not. That is precisely why the federal government created the Systematic Alien Verification for Entitlements (SAVE) system. SAVE is an automated system that allows state and local government officials to verify immigration documents. DMV employees would simply have to enter the document number and the name of the bearer into the computer and wait for an answer. Welfare agencies and certain employers have been using the SAVE system for years to verify immigration documents, so there is no reason DMV employees could not use it as well.

In response to the 9/11 attacks, the American Association of Motor Vehicle Administrators (AAMVA) acknowledged the importance of ensuring that state-issued driver's licenses and ID cards are accurate and can be relied upon as proof of the bearer's identity. Betty Serian, Chairwoman of NumbersUSA Education and Research Foundation

AAMVA's Special Task Force on Identification Security, acknowledged that driver's licenses are much more than just a license to drive. As the most widely accepted identity document, their reliability has a direct affect on homeland security: "When you can verify an individual's identity you are one step closer to preventing fraud, protecting privacy and saving lives."

In post-9/11 America, security is of the utmost importance. There is now a greater need for reliable identification to ensure that our planes, trains, buildings and communities are protected against terrorist threats. The issuance of state ID cards and driver's licenses to illegal aliens undermines our safety. The 9/11 Commission addressed this issue squarely:

*Secure identification should begin in the United States. The federal government should set standards for the issuance of birth certificates and sources of identification, such as drivers licenses. Fraud in identification documents is no longer just a problem of theft. At many entry points to vulnerable facilities, including gates for boarding aircraft, sources of identification are the last opportunity to ensure that people are who they say they are and to check whether they are terrorists. (Final Report, p. 390)*



## Driver's License Integrity

### Executive Summary

States have moved rapidly to address a variety of issues that were highlighted by the terrorist attacks of September 11, 2001 related to driver's license issuance, administration and enforcement, and verifiability. (See Appendix A) Although not essential to or directly related to the atrocities committed on 9-11, discovering that many of the terrorists held driver's licenses - some fraudulently issued and some from states with lax issuance standards - has focused state leaders' attention on the many opportunities to improve driver's license integrity for a host of important public safety reasons. In 2000 alone, drivers with invalid licenses killed over 6,200 people and the total economic impact of invalid drivers in that one-year is estimated to have exceeded \$25 billion. (National Highway Traffic Safety Administration) Enhancing issuance standards, driver's license document authenticity, and driver information verifiability will significantly improve the driver's license for its only required use - to prove state sanction to operate a motor vehicle - and for its many permissive uses that relate to proving identity. States are also increasingly cognizant of incidents of fraud and neglect that pervade many driver's license issuing authorities, an issue at the heart of comprehensive driver's license program reform.

Federal legislation to preempt states' control of their driver's license programs is currently being considered in Congress. This legislation is unnecessary because states are rising to the challenge of addressing this important issue, subject to significant legal challenge, and likely would create a huge unfunded mandate for states. Additionally, it would be considerably less effective than state action.

The purpose of this document is to define the issues that states must address in order to improve driver's license integrity and to propose a variety of options for state officials' consideration.

### Background

Rhode Island passed the first driver's license law in 1908. Since then, every state and territory has established a host of statutory provisions and administrative regulations to govern the privilege of driving. Driver's licenses were created for the purpose of protecting public safety by recognizing those individuals who met the necessary standards to receive state sanction to operate a motor vehicle. Generally, those standards include age, knowledge of traffic laws, physical capability to drive, and practical driving competence. Today, although driver's licenses are also used for many permissive purposes tied to verifying identity - from obtaining a library card to cashing a check to boarding an aircraft - the principal purpose of a driver's license remains unchanged; the only required use of a driver's license is to prove state sanction to drive. And, except for the commercial driver's license (CDL), states retain control of the standards governing driver's license issuance and enforcement. All states have required drivers to be licensed since 1954.

Driver's licenses are issued by states under the Constitutional authority of the Tenth Amendment, which reads "The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people." The result is that individual states have adopted driving standards appropriate to their own residents and have vested the authority to issue driver's licenses in a variety of state agencies. While a majority of states leave it to their respective Departments of Motor Vehicles or Departments of Transportation, this authority in some states is under the jurisdiction of the Secretary of State or even the State Tax Commission. (See Appendix B)

A driver's license represents a tool that affords its holder vastly increased mobility to move within a state and among states. Therefore, states have collaborated to ensure the safety of the nation's roads. Two interstate compacts - contractual agreements among the states - govern states' administration of drivers. The Driver License Compact (DLC) and the Nonresident Violator Compact (NRVC) provide a means for state cooperation and information sharing. These compacts were developed by the states and are currently administered by the American Association of Motor Vehicle Administrators (AAMVA). The DLC, created in 1961, ensures that a driver's home state receives and processes information about traffic violations committed by that driver in another state. Forty-five states have adopted the DLC. The NRVC standardizes methods used by different jurisdictions to process traffic citations received by out-of-state residents. Forty-four states have adopted the NRVC since its development in 1972. These compacts, while limited in scope, illustrate the states' ability for cooperative action.

In 1986, under its authority to regulate interstate commerce, the federal government enacted the "Commercial Motor Vehicle Safety Act" (CMVSA). This act established national standards for the issuance of the CDL. Commercial drivers have required a CDL since 1992. According to the US Department of Transportation (USDOT), CDL's represent approximately 5% of the total number of driver's licenses issued in the United States. The USDOT reports that the United States has approximately 190 million licensed drivers.

### Current Issues

A more effective structure for states to comprehensively enforce driving laws would significantly enhance public safety, as would individual state action. Such enhancements would include the following elements:

- Integrity of license issuance - Ensuring that the person receiving a license meets necessary driving competency standards and has a verifiable identity.
- Verifiability - Providing access to appropriate law enforcement officials to verify the authenticity of the license document, driving history, and identity of the license holder.

#### Integrity of License Issuance

All states verify the identity of a potential license holder before issuing a driver's license. The documents used to verify identity for this purpose are known as "foundation documents" because they provide the building blocks of personal information on which the license is issued. Foundation documents range from birth certificates, to utility bills, to passports, to other state's driver's licenses. The principal challenge related to foundation documents is states' ability to verify their authenticity and validity. States do not routinely verify, for instance, that the foundation documents with which they're presented are authentic (i.e. that the document is genuine) or valid (i.e. that the document is eligible to be used). For example, a deceased individual's birth certificate may be authentic, but it is invalid for use as a foundation document for a driver's license. Richard Varn, CIO of the State of Iowa provides a detailed discussion of this issue. In sum, Varn says that states must increase their ability to verify the authenticity and validity of foundation documents. He also provides the outline of an information infrastructure framework for doing so. Currently, few states actively verify foundation documents. Additionally, relying on an individual state employee's ability to recognize authentic documents is nearly impossible. Indeed, the Secret Service recently reported that the United States produces more than 16,000 different kinds of birth certificates.

A second but related issue is the process by which a state ensures that the individual presenting valid foundation documents is indeed the individual to whom those documents belong. It is possible, in other words, for Jane to present Sally's birth certificate and get a valid driver's license in Sally's name. The birth certificate itself is an authentic document but it does not belong to the person presenting it. Varn suggests that the use of foundation documents alone to prove identity is inadequate.

Then, of course, there's fraud. Fraudulent issuance of driver's licenses comes in two forms - fraud that occurs without the cooperation of the licensing authority and fraud that occurs with it. It is clear that the current system provides an individual who chooses to produce fraudulent foundation documents with a significant opportunity to illegally hold a valid license or licenses. As will be discussed later, such documents provide the ability to assume the identity of another individual in order to affirmatively commit a host of criminal offenses or to avoid responsibility for previously committed acts. It is in states' interests to create a system that significantly hampers criminals' ability to misuse the driver's license system.

The most comprehensive system, however, is only as strong as its weakest link. In many states, the weak link has proven to be licensing authority employees. News stories about such incidents abound and as the driver's license system is improved and the driver's license becomes a more secure and valuable document, if unaddressed, will increase.

On October 1, 2000, for instance, the "Orange County Register" reported that California Department of Motor Vehicle (DMV) employees were selling fraudulent driver's licenses for up to \$4000 a piece and that 60 active cases of fraud existed. In New Jersey, rings of DMV employees selling licenses for thousands of dollars a piece were uncovered by law enforcement during a two-year investigation according to "The Star-Ledger." Additionally, at least one state's motor vehicle administrator has stated publicly that her state does not input all relevant driving citations into the appropriate database. It is likely that the known incidents of fraud (and neglect) are merely the "tip of the iceberg" of issues related to driver's license administration.

#### Verifiability

Although most driver's license holders may very well believe that a law enforcement official in one state can quickly and accurately verify driver history on a driver from another state, the reality is much different. Although systems exist for this purpose, it can take from 30 to 60 minutes or longer to access driver record information in another state. The result is a practical inability to verify license information and driver history in real time. It is possible, then, that an individual stopped for a traffic offense could produce a counterfeit license - in the name of an individual who does not even exist - and escape detection. Another scenario is that an individual could produce a license in his or her own name that the law enforcement official could not immediately learn had been revoked or suspended. This is a significant public safety issue, since according to the National Highway Traffic Safety Administration (NHTSA) individuals with invalid driver's licenses caused approximately 11% of fatal accidents in 2000. The cost in human life - over 6,200 fatalities - injuries, property damage, and increased insurance premiums is enormous. In fact, based on available NHTSA data, the economic cost of these fatal accidents alone was over \$6 billion. And, the economic impact of all accidents in 2000 caused by invalid drivers is estimated to have exceeded \$25 billion.

In addition to the acknowledged law enforcement need to verify the authenticity and validity of the license document and have real-time access to driver history information, it is also clear that the document must belong to the person holding it. The concept of collecting and using uniquely individual personal identifiers to tie driver's license holders to their license is decades old. Most states require a picture

and even physical description to appear on license documents. The issue, though, is whether states should incorporate additional kinds of uniquely individual personal identifiers (e.g. fingerprints, retinal scans, etc.) into their licensing process and license documents to strengthen the connection between the license holder and the document and to decrease fraudulent issuance and use. Additional measures to improve verifiability are certainly warranted.

#### Misconceptions Regarding Current Driver's License Issues

There are many compelling public safety reasons to improve driver's license programs in individual states and the system for sharing information among states. It is difficult to defend, for instance, issuing authentic licenses to imposters and failing to adequately share information about unsafe drivers. However, those interested in laying the foundation for a national identification system, make two obviously false arguments for system reform. It's important to understand these arguments in order to fully appreciate the implications of pending driver's license system reform currently before Congress - legislation that would "federalize" the driver's license.

First, it is factually accurate that many of the September 11<sup>th</sup> terrorists held driver's licenses. Several terrorists were issued licenses under false identities and others held licenses in their own names. While it is clear that no state licensing authority would ever intentionally issue a driver's license to a terrorist, it is impossible to conceive of a driver's license system that could screen out individuals intending to use the license in the commission of some future crime. Certainly, recent experience in the Midwest involving a college student planting explosives in mailboxes proves that. (It is interesting to note, too, that a driver's license in that case proved to have a much more direct relationship to the crimes committed than did the licenses held by the September 11<sup>th</sup> terrorists. It has even been suggested that "federalizing" the sale of box cutters, an admittedly absurd suggestion, would be a more relevant response to the September 11<sup>th</sup> attacks than "federalizing" the driver's license.)

It must also be understood that the federal government has sole responsibility for admitting, regulating, and monitoring foreign nationals in the country. With regard to foreign terrorists, the federal government must prevent these individuals from entering the country in the first place. With regard to foreign nationals it chooses to admit, the federal government must at least make information about these individuals available to states in real time so that visas and other documents can be verified. The federal government may even want to consider certifying certain foreign nationals as eligible to receive a driver's license. And, states may wish to re-evaluate whether issuing licenses to "non-status" immigrants is appropriate, despite important public safety reasons for doing so. Should the federal government attempt to shift responsibility for monitoring foreign nationals to the states, the costs and liability issues for the states are enormous. Regardless of the approach, the federal government must provide significant leadership and direction to states on these matters and must be held accountable when it fails to do so. The best driver's license system will not and cannot stop terrorism. The suggestion that it could hamper important reform efforts.

Second, the problem of "identity theft" in the United States is significant. Indeed, it is used as a principal argument for improving the verifiability of driver's licenses. The argument is this - There are over 500,000 cases of identity theft a year. The driver's license is the most widely used form of personal identification. Improving the current driver's license system and creating a better driver's license document can eliminate identity theft. (See Betty Serian's testimony to Congress, April 16, 2002.)

A close examination of this argument reveals its significant flaws. First, the term "identity theft," as used by the Federal Trade Commission (FTC), is an umbrella designation for a variety of crimes that require the criminal misuse by one person of another person's personal information, even including the digital signature of a cell phone. The FTC's own statistics show that the vast majority of "identity theft" is actually credit fraud and bears little relation to the issuance of a driver's license. Indeed, although the FTC's Identity Theft Hotline telephone counselors do not specifically ask callers whether a false driver's license was implicated in their case, callers are offered the opportunity to volunteer that information. Fake driver's licenses are reported in 2.7% of cases.

Second, the "over 500,000" figure is exaggerated by as much as 500 percent. The number comes from self-reporting by the three major credit-reporting agencies (Equifax, Experian, and TransUnion) to the General Accounting Office (GAO). Because these agencies became concerned that individuals were placing "fraud alerts" on their accounts prophylactically, whether they had actually been victims of credit fraud or not, the agencies changed their fraud alert procedures. Now, fraud alerts come in two forms. The first is a 30-day fraud alert, placed following an initial report of credit fraud. The second is a permanent fraud alert, placed upon request after the initial 30-day fraud alert expires. That change has reduced the estimated number of "identity theft" cases from over 500,000 to approximately 100,000 cases per year.

The result is that the best data available from the FTC suggests that the number of cases of identity theft per year, in which a falsified driver's license is implicated, is about 2,700, far fewer than the 500,000 plus cases suggested in recent Congressional testimony. It must also be noted that a breakdown of how those 2,700 licenses were issued does not exist. The vast majority of those could involve fraudulent issuance by licensing authority employees, for instance. This is important because it suggests that any reform of individual driver's license programs or the cooperative driver's license system must begin with a close examination of fraud in driver's license administration offices.

It is also important to note that those who advocate the use of the driver's license to stop this much larger and vaguely related problem of "identity theft" in its various forms admit that they want to expand the *required* use of a driver's licenses to non-driving purposes (e.g. the verification of identity for a host of other activities - banking, health care, etc.). This has enormous implications. Doing that

would require tying public and private databases together. Such a system could certainly not be characterized as anything less than a "national identification system," with significant opportunities for misuse of information, violations of privacy, and license holder "tracking." Additionally, a large percentage (approximately 33%) of American citizens, residents, and visitors don't have driver's licenses because they don't drive. It is probable that such proposals would ultimately lead to the requirement that everyone be "licensed" in some form by the government whether they intend to drive or not. In other words, the driver's license would become an identity license.

#### The Scope of the Real Solution

By arguing that driver's licenses are more than they are and that any possible "fix" to the current driver's license system must address a range of unrelated collateral matters, advocates for an enhanced "identity security" system cloud the real issues and hamper an appropriate and effective solution. States should move to improve the integrity of issuance of driver's licenses and the verifiability of those licenses because doing so will address important public safety concerns related directly to the primary purpose of a license - state sanction to operate a motor vehicle - and will improve the license document for a host of other permissive uses. The scope of a real solution, then, must address the following elements:

1. **Issuance Standards** - States should consider adopting standards for issuing driver's licenses that include the use of verifiable (e.g. authentic and valid) foundation documents. Such standards will necessarily involve enhancement of the control and verifiability of foundation documents within states, among states, and between states and the federal government.
2. **Driver Information - Collection, Sharing, and Exchange** - States should consider enhancing their ability to share information about drivers with one another by consistently collecting and sharing driver information. This information should then be available to appropriate law enforcement officials in real time.
3. **State Operation and Enforcement** - States should consider examining their own driver's license authorities and should consider whether their lead law enforcement organization should take an enhanced role in administering the driver's license program. Although the integrity of current licensing authorities clearly varies from state to state, fraud in offices that issue licenses is a significant issue and cannot be ignored. An enhanced law enforcement role in licensing administration would likely greatly reduce fraud, ensure compliance with established standards, and promote government efficiency by tying the issuance of licenses to the enforcement of them. Additionally, states should consider additional penalties for criminal activity related to the improper issuance or manufacture of driver's licenses.
4. **Tamper and Counterfeit-Proof Features** - States should consider making the driver's license document more tamper resistant and difficult to counterfeit.
5. **Accurate and Reliable Personal Identifiers** - States should consider enhancing the type of uniquely individual personal identifiers they use to tie a driver to a driver's license document. This information should be verifiable in real time by appropriate law enforcement officials.
6. **Verifiability** - States should consider enhancing their communications and information infrastructure to allow real time access to driving history information, as well as the ability to verify the authenticity of the driver's license document.

#### State Driven Solutions

The acknowledged issues with the current driver's license system provide states with a significant opportunity to drastically increase public safety and reduce the associated costs of unsafe drivers. Although some argue that the federal government must preempt the states' authority in this area and mandate national driver's license standards, such an approach is unnecessary and substantially less effective than states acting independently and in concert with one another. State approaches have included and can include:

- Establishing a "State Clearinghouse for Best Practices" to promote effective regulatory and legislative changes in states that mirrors the on-going efforts of CSG, The National Conference of State Legislatures (NCSL), and The National Governor's Association (NGA) on a wide array of issues. Information would be posted electronically and made available through annual or semi-annual written reports. The clearinghouse would document legislative enactments, regulatory changes, executive orders, interim committee reports and judicial decisions and provide links to related articles, publications and reports. Additionally Clearinghouse staff could provide necessary technical support to states.
- Drafting model legislation related to the issuance and verification processes. Model legislation would be collaboratively drafted by CSG, NCSL, and NGA or by an organization experienced with the production of model legislation. Recently, CSG, NCSL, and NGA drafted model legislation to streamline sales and use tax collection. Model legislation would identify issues that have surfaced in all or most states regarding driver's license issuance and verification and create a marker for individual states to target for making changes and modifications.
- Developing uniform minimum standards that could be adopted by states for issuance and verification of driver's licenses through a joint CSG, NCSL, and NGA effort. States would have flexibility to go beyond the minimum standards and, therefore, continue to

test additional ways of enhancing the integrity of the overall system. Intergovernmental agreements to ensure compliance could also be adopted.

- A new "Interstate Compact on Driver's License Integrity" could be developed. Modeled on CSG's recent experience with the development and adoption of the Compact on Adult Offender Supervision, a new compact would replace the existing compacts, which were never designed as comprehensive and are inadequately administered. As a contract among states, the new compact would provide a mutually agreeable and enforceable framework for cooperative state action. Key advantages and elements of a new interstate compact, could include:
  - Speed of Enactment - The compact can be developed and implemented by states in as few as 30 months, consistent with CSG's experience with the adult offender compact. Compact development involves a consensus approach in which all states will have the opportunity to participate.
  - Fifty State and Full Territorial Adoption - The compact's language can encourage all states to adopt it in order to provide protection from unsafe drivers for their own residents and lower associated insurance and other costs. For instance, the language of the compact can preclude the sharing of driver information with non-compacting states. Additionally, compacting states could refuse to honor the driver's licenses from non-compacting states.
  - Administration and Enforcement - The compact can establish an Interstate Commission to oversee its administration and enforcement. This Commission could be granted authority to make and enforce rules in a far more effective and dynamic way than can the federal government, which can only establish static requirements. Enforcement provisions could include a range of mechanisms from alternative dispute resolution to fines and costs assessment, suspension and termination of membership in the compact, and judicial enforcement. The Commission would also oversee the development of an integrated information sharing system that preserves state control of driver information.
  - Cost - Development and enactment of the compact could initially be undertaken for approximately 1% of the funding authorized in recently introduced legislation to federalize the driver's license. Long-term costs would be addressed in the compact itself. This cost analysis is consistent with CSG's experience with the adult offender compact.
  - Standards - States could mutually agree to much more rigorous standards than have been proposed in federal legislation.

States welcome the opportunity to engage the federal government in appropriate partnerships to ensure prompt enactment of these proposed solutions.

#### The "Federalized" Driver's License

Three pieces of federal legislation that would "federalize" the driver's license are currently under review by Congress.

#### Driver's License Modernization Act of 2002 (DLMA)

This act, introduced by Rep. Jim Moran and Rep. Tom Davis of Virginia, requires that within five years states will implement driver's license programs with the following requirements:

- Driver's licenses will become smart cards with computer chips that store a variety of information.
- Biometric data to match the license with its owner will be collected.
- States' participation in national databases will be required.
- Tamper-resistant security features will be incorporated into all license documents.
- States will adopt and implement procedures for accurately documenting the identity and residence of an individual before issuing a driver's license.

This legislation directs the Secretary of Transportation to establish necessary standards within six months of its adoption in consultation with the American Association of Motor Vehicle Administrators (AAMVA), the General Services Administration, and the National Institute of Standards and Technology. The bill also authorizes the federal government to appropriate \$315 million for grants to states to help offset initial costs of this new system. The specific language of the bill should be of interest to state leaders, however. It repeatedly directs the Secretary of Transportation to set standards but doesn't require federal funding to pay for new federally imposed requirements.

#### Driver's License Integrity Act of 2002 (DLIA)

Similar to the DLMA, this legislation drafted by Sen. Richard Durbin of Illinois would require:

- Minimum uniform standards for issuance and administration of state-issued driver's licenses.
- Interstate sharing of driving information for verification with enhanced privacy protection within five years of enactment.
- Enhanced ability for verification and authentication of the driver's license.
- Prevention of abuse and enhanced penalties for internal fraud.
- Similar state funding allocation.

DLIA requires the Secretary of Transportation to develop the minimum set of verification and identification requirements and supervise state implementation.

#### HR 4043

This legislation, introduced by Rep. Jeff Flake of Arizona, would bar Federal agencies from accepting a State-issued driver's license for any identification-related purpose unless the State requires licenses issued to nonimmigrant aliens to expire upon the expiration of the aliens' nonimmigrant visa.

Advocates for "federalizing" the driver's license argue that the state run driver's license system is broken and cannot be fixed without federal intervention and oversight. It has been argued that the national scope of the problem, the need to act quickly, and the associated remedial costs require a federally mandated solution. However, there are a number of significant weaknesses inherent in this approach. They include:

- Federal legislation that deals with non-commercial driver's licenses would be subject to years of legal challenges on constitutional grounds and might be struck down.
- The federal government took six years to implement the CDL license after passing the enacting legislation; six years to address a pool of licenses that is 1/20<sup>th</sup> the size of non-commercial driver's licenses. And, in May 2002, Daniel Hartman, who manages the division at the US Department of Transportation that oversees the CDL process, stated the most significant problem that system faces - 16 years after its enactment - is fraud in the licensing authority offices that administer the system.
- "Federalizing" the driver's license would require a host of additional federal administrative and legislative action beyond the initial legislation in order to effectively administer and enforce the federal directives.
- The "federalized" driver's license is "the on-ramp to the national ID highway" because it logically requires the federal government to assert control of the driving and personal data collected by states. This data could then be used for a host of non-driving related purposes without state consent.
- The "federalized" driver's license that includes so-called "smart technology," as required by the DLMA, opens the driver's license document - without state consent - to a host of other required uses. It creates a document that could hold personal identifying information as well as credit and other information. Currently, the technology does not exist to make such a document tamper-proof. The difficulty of disclaiming use of a fraudulently produced version by the legitimate holder would be much greater as well.
- Federal legislation requires the setting of standards without requiring the availability of funding to pay associated costs. These costs could extend far beyond the technology required to implement the federal approach and would likely include increased administrative costs for states and an increased burden to enforce violations of federal law.
- Federal legislation, particularly the DLMA, entrenches the role of motor vehicle administrators as the issuers of driver's licenses at the state level. The federal government should not preclude states from reviewing whether their leading law enforcement organization should take an enhanced role in administering driver's license issuance in order to reduce fraud and promote government efficiency.

#### Conclusion

States have moved expeditiously, both independently and in concert, to address the issues with the current driver's license system. Although much work remains, state leaders increasingly understand the appropriate universe of issues that must be addressed and the urgency of action. State leaders welcome the cooperative efforts of the federal government through appropriate national organizations, but resist "federalizing" the driver's license. CSG and NCSL, in concert with other national organizations, remain committed to working closely together, and through their members - every elected and appointed state official in the nation - to improve the integrity of the state issued driver's license.