

Research Report

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Best Practices for the Implementation of the REAL ID Act

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Best Practices for the Implementation of the REAL ID Act

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| 16. Abstract The REAL ID Act specifies the minimum standards that must be used to produce and issue driver's license and identification cards that are REAL ID compliant. Beginning in 2020, if a person does not possess a form of identification that meets REAL ID standards they will not be able to board an aircraft that is regulated by the Federal Aviation Administration. Currently, of the 56 states and jurisdictions required to implement the REAL ID Act, only 23 are in compliance. Although the Commonwealth of Kentucky has not yet implemented the REAL ID Act, an extension allowing Federal agencies to accept state driver's licenses is currently in effect. This report summarizes the eight REAL ID requirements, discusses the results of a survey that asked compliant states about their implementation experiences, identifies different strategies for implementation, and proposes recommendations. This should begin with development of a state security plan and execution of a public information campaign about REAL ID. It is recommended that Kentucky require Division of Driver Licensing (DLL) field offices to handle REAL ID applications, offer an online renewal system, and create a centralized distribution of driver's licenses and identification cards. Several KY Statutes will have to be amended to allow for changes in license renewal cycles, third party vendor distribution, and the resulting changes in license fees. | | | |
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Executive Summary

The REAL ID Act was signed into law in 2005. It specifies the minimum standards that are necessary to produce and issue REAL ID compliant driver's license and identification cards. The REAL ID Act enjoins some federal agencies from accepting state-issued driver's licenses and identification cards if they do not meet the standards required by the Department of Homeland Security (DHS). Beginning in 2020, if a person does not possess a form of identification that meets REAL ID standards they will not be able to board an aircraft that is regulated by the Federal Aviation Administration. Currently, of the 56 states and jurisdictions required to implement the REAL ID Act, only 23 are in compliance. Although the Commonwealth of Kentucky has not yet implemented the REAL ID Act, an extension allowing Federal agencies to accept state driver's licenses is currently in effect. This report summarizes REAL ID requirements, discusses the results of a survey that asked compliant states about their implementation experiences, identifies different strategies for implementation, and proposes recommendations.

To receive a compliance certification from the federal government, states must submit a security plan to DHS that meets the requirements of REAL ID. The eight requirements each state must comply with are:

- (1) Confirm physical security for the facilities that produce the driver's license and identification cards, and provide storage areas for card stock and other materials used in card production.
- (2) Maintain security of personally identifiable information (PII) at DMV locations.
- (3) Document the physical security features for the card, including a description of the state's use of biometrics.
- (4) Put access controls in place for facilities and systems, including employee identification, credentialing, and background checks.
- (5) Require periodic training in fraudulent documentation recognition (FDR) and in security awareness.
- (6) Create an emergency and incident response plan.
- (7) Set up internal audit controls.
- (8) Affirm that the state has the authority to produce, revise, expunge, and protect the confidentiality of REAL ID driver's licenses or ID cards for programs that require special licensing or identification.

Each requirement has implications for how Kentucky can proceed with implementation. If the security plan does not satisfy all of these requirements the state will not be certified as REAL ID compliant.

A survey was distributed to officials in compliant states, and the responses provided insight to security precautions as well as to the dynamics of issuing and renewing driver's licenses and identification cards. A total of ten survey responses were received. All states now issue driver's licenses and identifications cards from a centralized location. The only exception is South

Dakota, which also gives the option of acquiring driver's licenses and identification cards over the counter in some portions of the state. Aside from Connecticut and Maryland, all of the surveyed states provide temporary identification cards during the printing of the final version. Renewal cycles vary from four to eight years, while photo cycles (the amount of time that elapses between ID photo retakes) are between eight and 16 years. Many of the states have introduced public outreach campaigns so that people understand the purpose of REAL ID and what to expect when obtaining a REAL ID. Unfortunately, most states were unable to provide detailed cost breakdowns for implementation costs, although many received significant assistance from the federal government to establish a REAL ID program.

Based on a reading of the REAL ID legislation and interpretation of the survey results, there are several options Kentucky could use to implement REAL ID. The report estimates implementation costs under four scenarios — 1) a centralized print farm run by the Kentucky Transportation Cabinet (KYTC) without an option for online license renewal, 2) a centralized print farm located in the state but run by a third-party vendor without an option for online license renewal, 3) a centralized print farm run by KYTC with online renewal, and 4) a centralized print farm that is operated out of state by a third-party vendor. Under each scenario, PII would be collected by the Kentucky Division of Driver Licensing (DDL) at one of their 12 field offices. None of the scenarios leverage a de-centralized model of ID distribution. This is consistent with practices in other states, where distribution of driver's licenses and identification cards is entirely centralized. This report also provides revenue estimates if the state were to move from a four-year to eight-year renewal cycle for licenses and estimates the cost of shifting to online driver's license renewal.

Nine recommendations for implementing REAL ID in Kentucky are summarized below:

- 1) **Begin writing the State Security Plan as soon as possible:** This is a blueprint for how the state will implement REAL ID.
- 2) **Use DDL Field Offices to handle Real ID applications:** Special background checks and special identification badges are necessary for employees who will handle PII. The physical security of the building as well as the security of information technology systems will require significant enhancements.
- 3) **Move to centralized distribution for Real ID:** It would be unrealistic and extremely expensive to outfit each of the 142 Circuit Clerk Offices with the necessary security, printers for REAL IDs, and the needed staffing.
- 4) **Move to an online renewal system:** Kentucky should move to an online renewal process for non-compliant IDs and determine if online renewal for REAL ID should also be an option.
- 5) **Develop and implement a public information campaign:** A public information campaign will be necessary to educate Kentucky citizens about the purpose of REAL ID.

- 6) **Determine if Kentucky will offer a non-compliant DL/ID:** KYTC has the option to offer a non-compliant card because not everyone will opt for a REAL ID.
- 7) **License Issuance Authority:** There are three statutory amendments necessary for the implementation of REAL ID. The first is KRS 186.410. This statute must be amended to allow DDL to collect PII for REAL ID licenses, and to let a third-party vendor to produce and distribute licenses. The statute should be open-ended enough so that online renewals, standard licenses, and REAL IDs can all be distributed in this manner.
- 8) **8-Year Renewal Cycle:** Should KYTC ask for an 8-year renewal cycle instead of the current 4-year renewal cycle, current license prices (under KRS 186.531) will need to change to reflect the new license duration. KYTC cannot implement these cost increases without legislatively amending this statute.
- 9) **Distribution of License Fees:** Another component of KRS 186.531 is the manner in which license fees are distributed, which depends on the type of duplicate license one applies for. If the state moves from the current license distribution formula to a 4-year license, less money will go to the road fund, but will move to the cost of photo licenses. Under the proposed distribution for an 8-year license, the revenue in all categories will double because revenue is recovered less often. Given that the cost per license under a centralized distribution model with REAL ID is projected to cost as much as \$6.11, \$8 is a good estimate that should cover future increases, security, additional real estate, and equipment purchases.

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Introduction

The REAL ID Act—H.R. 1268 Title II—Improved Security for Drivers’ Licenses and Personal Identification Cards, was passed by the United States House of Representatives and Senate in 2005. The purpose of the REAL ID Act is to coordinate efforts by the states and the Federal Government to improve the reliability and accuracy of state-issued identification documents. The REAL ID Act “establishes minimum standards for the production and issuance of state-issued driver’s license and identification cards” and “prohibits federal agencies from accepting for official uses driver’s license and identity cards from states unless the Department of Homeland Security (DHS) determines that the state meets the standards.”¹ The primary impact the REAL ID Act has on the citizens of the Commonwealth of Kentucky is that a REAL ID or an alternative form of identification—such as a U.S. Passport—will be required for those wishing to board aircraft regulated by the Federal Aviation Administration (FAA). The requirements concerning REAL ID and a person’s ability to board an aircraft will go into effect in 2020. Currently, some federal facilities that require identification be presented upon entrance already require a REAL ID to enter.

The REAL ID Act affects 56 jurisdictions of the U.S. As of June 2015, 23 jurisdictions met the requirements of the REAL ID Act and are issuing REAL IDs. Twenty-seven jurisdictions have received an extension, allowing federal agencies to accept driver’s licenses from these states. Six jurisdictions are considered non-compliant, although federal officials can accept the enhanced driver’s licenses that are produced in New York and Minnesota. Table 1 provides an overview of the states and territories governed by the REAL ID Act and their status as of June 2015.

¹ <http://www.dhs.gov/real-id-public-faqs>

Table 1: States and Territories Governed by the REAL ID Act and their Compliance Status

| State or Territory | REAL ID Status | State or Territory | REAL ID Status |
|--------------------|----------------|--------------------|----------------|
| Alabama | Compliant | Montana | Extension |
| Alaska | Extension | Nebraska | Compliant |
| American Samoa | Noncompliant | Nevada | Compliant |
| Arkansas | Extension | New Hampshire | Noncompliant |
| Arizona | Noncompliant | New Jersey | Extension |
| California | Extension | New Mexico | Extension |
| Colorado | Compliant | New York | Noncompliant** |
| Connecticut | Compliant | North Carolina | Extension |
| Delaware | Compliant | North Dakota | Extension |
| DC | Compliant | North Marianas | Extension |
| Florida | Compliant | Ohio | Compliant |
| Georgia | Compliant | Oklahoma | Extension |
| Guam | Extension | Oregon | Extension |
| Hawaii | Compliant | Pennsylvania | Extension |
| Idaho | Extension | Puerto Rico | Extension |
| Illinois | Extension | Rhode Island | Extension |
| Indiana | Compliant | South Carolina | Extension |
| Iowa | Compliant | South Dakota | Compliant |
| Kansas | Compliant | Tennessee | Compliant |
| Kentucky | Extension | Texas | Extension |
| Louisiana | Noncompliant | Utah | Compliant |
| Maine | Extension | Vermont | Compliant |
| Maryland | Compliant | Virginia | Extension |
| Massachusetts | Extension | Virgin Islands | Extension |
| Michigan | Extension | Washington | Extension |
| Minnesota | Noncompliant** | West Virginia | Compliant |
| Mississippi | Compliant | Wisconsin | Compliant |
| Missouri | Extension | Wyoming | Compliant |

** Federal Officials may continue to accept Enhanced Driver's Licenses from these states.
Source: Department of Homeland Security 2015

Objective

The objective of this study is to develop best practices for the implementation of the REAL ID Act in Kentucky.

Methodology

The first task of this project was to research and summarize the requirements of the Real ID Act. This information, summarized in Chapter 2, was collected through online research and phone calls with Department of Homeland Security (DHS) officials. Next, a survey was developed to collect specific details on how other jurisdictions have implemented Real ID. This information is summarized in Chapter 3. Chapter 4 analyzes four different scenarios for printing Kentucky REAL ID licenses. Chapter 5 discusses the possibility of changing Kentucky's driver license renewal cycle from four years to eight years and points out the benefits of establishing on-line renewal. Information summarized in Chapters 2 through 5 was used to develop the best practices outlined in Chapter 6.

1. REQUIREMENTS OF THE REAL ID ACT

For full compliance certification, the REAL ID Act requires that states submit to DHS a REAL ID security plan. As outlined in 6 CFR Part 37, the security plan must have the following eight components:

- (1) Physical security for the facilities that produce the driver's license and identification cards, and provide storage areas for card stock and other materials used in card production.
- (2) Security of personally identifiable information (PII) that is maintained at DMV locations.
- (3) Document and physical security features for the card, including a description of the State's use of biometrics.
- (4) Access control for facilities and systems, including employee identification, credentialing, background checks, and controlled access systems.
- (5) Periodic training requirements in fraudulent documentation recognition (FDR) and in security awareness.
- (6) An emergency and incident response plan.
- (7) Internal audit controls.
- (8) An affirmation that the State has the authority to produce, revise, expunge, and protect the confidentiality of REAL ID driver's licenses or ID cards for programs that require special licensing or identification.

When a state has produced a security plan that meets the requirements of the REAL ID Act, that security plan will contain Sensitive Security Information (SSI) and must be protected in accordance with 49 CFR Part 1520. The *Department of Homeland Security REAL ID Security Plan Guidance Handbook* provides a series of best practices for how states can meet the eight requirements in 6 CFR Part 37. However, these are only recommendations for assisting states as they develop their own appropriate security plan.

The following sections address the recommendations produced by DHS for each of the above eight components. The goal is to guide Cabinet officials in determining how Kentucky can best meet the requirements in 6 CFR 37. Before completing the REAL ID security plan, DHS suggests that states conduct a gap analysis that compares current security practices to the recommended best practices. The American Association of Motor Vehicle Administrators (AAMVA) provides a checklist for states that are ready to submit their security plan to DHS. The checklist is provided in Appendix A.

Physical Security of Facility Access

(1) Physical security for the facilities used to produce the driver's license and identification cards and separate storage areas for card stock and other materials used in card production.

The following practices pertain to the physical security of REAL ID facilities that will be used to: (1) manufacture, (2) produce, (3) issue, and/or (4) operate where PII is accessible. Only “covered employees” will be permitted to access these facilities—where covered employees are defined as those who are involved in the manufacture or production of REAL IDs or who have the ability to affect the identity information that appears on the REAL ID.² Administration staff who are not covered should not have access to areas where REAL IDs are manufactured, produced, issued, or to where customer PII is accessible.

For example, during operational hours, access control systems should be used and the facility should be staffed by at least two covered employees at all times. When the facility is not in operation, it should be secured using high-security locks, intrusion detection alarms, surveillance cameras, and other barriers as needed. There are additional guidance procedures that recommend measurements and materials to be used for the facility's perimeter walls, doors, windows, air ducts and other openings; use of intrusion detection systems and cameras; proper storage of sensitive REAL ID components; and maintaining the security of the production equipment. These practices will be invaluable if KYTC decides to produce REAL IDs in-house.

If KYTC decides to outsource the manufacture, production, and issuance of REAL IDs to a third-party vendor, there are still physical security measures that must be implemented at facilities that accept and store PII. These facilities should be staffed by two covered employees at all times, so that DHS requirements are met. Safeguarding PII will be critical to securing REAL ID cards, since those employees will have the access to potentially alter the information that is provided and uploaded to the central state system. Further discussion of covered employees and their role in the security of PII is provided in the next section.

Security of Personally Identifiable Information (PII)

(2) Security of personally identifiable information that is maintained at DMV locations.

As a part of REAL ID compliance, Kentucky must develop and include a set of safeguards for the PII it collects, processes, and stores. These safeguards pertain to: (1) the information technology (IT) systems and data storage, (2) media containing PII, (3) a privacy policy concerning PII for the public, and (4) a Privacy Impact Assessment (PIA). The first two items impact the security of the IT network and data storage on the network. Only covered employees may have access to any IT system that supports the issuance of REAL IDs, including all

² The definition of a “covered employee” is defined and further discussed in the section on Facility Access and Personnel Security.

application processing, document verification, card production, storage of PII, and the digital images of applicants and their documents. Security requirements for laptops and portable storage media also are stringent and require encryption. Ideally, laptops that contain PII will not be removed from state-controlled workspaces. If any PII is stored on a portable media device, the state security plan should detail how inventory of those devices will be maintained and how they will be encrypted. Regardless of the media form that contains PII information, when the item is no longer needed, it should be destroyed.

The second set of safeguards recommended for inclusion in the state security plan relate to the development of a privacy policy for the public—including information concerning how the state will use and protect PII when individuals apply for a REAL ID. Kentucky should conduct a PIA, an internal document that outlines:

- What information will be collected for REAL ID?
- Why is the information being collected?
- How will the DMV use the information?
- With whom will the DMV share the information?
- What notices or opportunities for consent will be provided to individuals regarding the information collected and shared?
- How will the information be secured?

Physical Security Features of the Card

(3) Document and physical security features for the card, including a description of the state's use of biometrics.

Statute §37.15 requires the use of several Level 1, Level 2, and Level 3 security features that work together to prevent counterfeiting, altering, substituting, or creating fraudulent documentation from components of legitimate REAL IDs. The security guidance handbook indicates that when some security features are used together on the same card, they can cancel out the intended security benefits. Therefore, card design bidders should specify which integrated design features they will use.

Real IDs must be produced on serialized card stock where preprinted inventory control and Level 3 security features should be handled on a strict “need-to-know” basis. Additional physical security features include:

- Tools that discern the Level 3 security feature should be “expensive” and or not widely available.
- Forensic analysis by an expert is necessary to discern or identify the Level 3 security feature.

- The location of the Level 3 security feature on the REAL ID card is unknown to all but a few key officials on a need to know basis.
- The Level 3 feature cannot be verified when someone presents a card for visual verification.

Another security feature of REAL ID is the handling of the sensitive components of the card. Components of the card that are considered “sensitive” include the serialized card stock and the waste and spoilage material that is produced from card production. The state security plan should include strict inventory control, where routine inventory records should indicate the number of items on-hand, used, wasted, or destroyed. The state should also ensure a secure supply chain, where sensitive components are obtained from reliable sources. Sensitive components should be stored and handled by suppliers with the same care exercised by the state itself. Lastly, when disposing of the waste and spoilage material generated by card production, the material should be destroyed to a sufficient degree such that sensitive components and PII cannot be recovered from the remnants.

REAL IDs must also have secure markings that indicate the cards’ level of compliance with §37.17(n) of the REAL ID regulation. The compliant markings of the “star” or “star cut out” should appear in specifically designated areas of the card, and the initial design of the card should be submitted to DHS for a safety feature review. The markings on compliant cards and non-compliant cards should be secured in the same manner. For example, if a high security overlay is used for REAL ID compliant cards, the same overlay should be used for non-compliant cards.

§37.21 of the REAL ID regulation provides for the issuance of temporary or limited-term REAL ID cards to individuals who have temporary lawful status in the U.S. These cards must be clearly marked as temporary. If Kentucky chooses to issue ID cards that do not comply with REAL ID, those cards must also be clearly marked, “NOT FOR REAL ID PURPOSES.”

The State’s security plan should also provide a description of biometrics, including: 1) the type of biometric(s) used, (2) what type of technology will be used if a biometric is stored on the card, (3) the format in which the biometric is stored in a database and how it will be linked to other identifying data, (4) how the biometric is used, and (5) the list of technical standards used in the development or operation of the biometric system.

Facility Access and Personnel Security

- (4) Access control for facilities and systems, including employee identification, credentialing, background checks, and controlled access systems.*

Employee badges are the first layer of security recommended to control admissions into a facility where employees have access to REAL ID materials and/or PII. Badges are an effective way for covered employees to identify people who should not be in the secure area. Other

recommendations for facility control include the use of guards and automated systems (including the use of biometrics). In smaller facilities, covered employees can provide security where access is limited. Physical access to terminals where data are entered and stored should be limited only to those employees whose duties require admission to the area. Lastly, it is recommended that all facility visitors be escorted by covered employees at all times.

Personnel security and training is one of the most important aspects of ensuring the security of REAL ID production. All employees involved in the manufacture or production of REAL IDs or who have the ability to modify the personal identifiers that appear on the REAL ID are considered a “covered employee.” Any person who does any of the following activities is considered a covered employee:

- Accepts or reviews REAL ID applications or source documents
- Takes photos for REAL IDs
- Inputs data from REAL ID applications or source documents into the IT system
- Is involved in the decision-making processes that determine (1) if a REAL ID should be issued, or (2) the information that will appear on the card
- Has the ability to review, alter, or add data to the IT systems used to process and store data related to REAL IDs
- Is involved in the manufacture or production of REAL IDs
- Has unescorted access to secure facilities where REAL IDs are manufactured, produced, or issued
- Handles sensitive components or has access to secure storage for sensitive components
- Supervises or manages a covered person who performs any of these tasks

In accordance with §37.45 of the REAL ID legislation, states must conduct a background check for all covered employees. The program and procedures for conducting background checks should be developed by the state. All background checks for covered employees must be completed by the time the state enters full compliance. DHS recommends the following procedures for states conducting a background check for covered employees. First, gather employee references for those who have not been employed with the DMV for at least two years. Second, the state should conduct a name- and fingerprint-based criminal history records check using databases from the Federal Bureau of Investigation’s National Crime Information Center and Integrated Automated Fingerprint Identification System. Third, background checks should verify employment eligibility to ensure compliance with section 274A of the Immigration and Nationality Act.

The results of the state background check for covered employees can result in disqualifications under certain circumstances. The complete list of permanent disqualifying criminal offenses and interim disqualifying criminal offenses is available in 49 CFR 1572.103 (Appendix A). If a background check reveals that a covered employee has an interim disqualifying criminal offense,

the state may establish procedures to allow for that employee to work in a covered position. However, these procedures must be documented in the state's security plan. Under §37.45(b)(1)(iii) of the REAL ID regulation, if the background check shows that the person is wanted or under indictment for a felony at the time of the background check, they are disqualified from serving in a covered position until the warrant is no longer in effect.

Training Requirements for Fraudulent Document Recognition (FDR) and Security Awareness

(5) Periodic training requirements in fraudulent documentation recognition and in security awareness.

For states' security plans to meet REAL ID requirements, states must: (1) provide an initial training requirement for covered employees, (2) document the length of time between the refresher training courses, (3) document the training programs that will be used by the State, and (4) prepare a report of the percentage of covered employees that have received the training in the last three years. All covered employees must also undergo training courses on fraudulent document recognition (FDR) and security awareness. All covered employees should complete FDR and security awareness training before states issue REAL IDs.

The AAMVA FDR training program is an approved program for training covered employees in FDR. The state's security awareness training should cover security threats to REAL ID, including the following categories:

- Threat recognition
- Actions to take if security threat is discovered
- Security measures—including access control procedures, locks, and intrusion detection alarms for their facility
- Covered employees that are entrusted with SSI should receive training in the handling of SSI

Once the state determines how it will implement security awareness training and adopts the AAMVA FDR training, *Requirement (5)* necessitates that the state develop a refresher course for those who have already undergone training. Lastly, the state is required to track the frequency of when covered employees attend training refresher courses.

Emergency and Incident Response

(6) An emergency and incident response plan.

The sixth component of 6 CFR Part 37 requires that each secure facility have an emergency and/or incident response plan for that specific location. These plans should cover emergencies such as fire, bomb threats, severe weather, and medical emergencies. DHS recommends that state plans also cover events such as earthquakes, terrorist incidents, and disgruntled employees. Personnel safety should be the primary focus for the emergency and incident response plan. However, once personnel safety is assured, the primary security interest of these plans should focus on preventing the loss of sensitive materials and equipment. The plan should also account for the procedures to be followed in the event that sensitive components or specialized production equipment is unaccounted for after an incident. At a minimum, senior personnel should be prepared to make a report to the State police, the AAMVA Fraud Early Warning System, and the DHS REAL ID Program Office. Lastly, copies of the emergency and incident response plan should be available at every secure facility and available for inspection upon request.

Audit Controls

(7) Internal audit controls.

For the state to meet the requirements in §37.41 of the REAL ID regulation, the state security plan must outline the procedures for how it will maintain audit trails for the REAL ID system. At a minimum, the audit controls for the REAL ID system should:

- Create a record pertaining to when and where the REAL ID was issued as well as who issued it
- Create a record when a covered employee accesses PII, including who accessed the data, when it was accessed, and where it was accessed
- Create a record when a covered employee changes PII, including who made the change, when it was made, where it was made, and what information was changed

The state security plan should describe how the audit trail will be maintained to meet the criteria described above. The plan should ensure that each covered person performing a given action within the REAL ID system has a unique user account and that employees implicitly understand they should only access a workstation they are logged in with their own user account.

State Affirmation

(8) An affirmation that the State has the authority to produce, revise, expunge, and protect the confidentiality of REAL ID driver's licenses or ID cards for programs that require special licensing or identification.

The last aspect of the state security plan necessary to meet the requirements of the REAL ID act is the affirmation that a state (i.e., Kentucky) has the authority and the means to produce, revise,

expunge, and protect the confidentiality of REAL ID cards. The processes for REAL ID production must be conducted in coordination with other key authorities to ensure the procedures are effective, to prevent conflicting or inconsistent requests, and to keep procedures on a need-to-know basis so that the operation remains confidential. Lastly, the affirmation should include a statement concerning the state's commitment to notifying appropriate law enforcement officials and the United States Attorney if any action occurs that could compromise federal law enforcement interests.

2. SURVEY OF STATES

The primary objective of Task 2 was to develop and administer a survey to the 23 jurisdictions that have implemented the REAL ID Act. The purpose of the survey was to collect information from experienced states about: 1) REAL ID costs, 2) issuance and renewal processes, 3) public outreach, and 4) best practices and recommendations. Working directly with the Study Advisory Committee at the Kentucky Transportation Cabinet (KYTC), the research team developed a survey and emailed a survey link to state DOT officials. After several follow-up emails and phone calls to state DOT officials, the project team received 10 responses in June 2015, a response rate of 43 percent. The survey is included in Appendix C. Survey respondent states are listed below.

- | | |
|-----------------|----------------|
| 1.) Connecticut | 6.) Idaho |
| 2.) Nebraska | 7.) Iowa |
| 3.) Georgia | 8.) Indiana |
| 4.) Alabama | 9.) Maryland |
| 5.) Tennessee | 10.) Wisconsin |

Survey Results

Survey responses can be broken down into three categories: (1) REAL ID costs, (2) the issuance and renewal process, and (3) public outreach. The following section provides an overview of the survey results.

REAL ID Costs in Other States

The majority of survey respondents were unable to provide an exact cost breakdown for implementing REAL ID. However, four respondents stated that their states had received some implementation funding from DHS. For example, Maryland received \$3.6 million in federal funding, which was used for facility security, IT programming, and ID enhancements. Wisconsin also received federal funding (\$2.7 million) and funding from the state (\$6.7 million), which was spent on IT contractors to re-engineer the IT system, on upgrades to storage servers for scanned documentation, on purchasing barcode readers and scanners, and on making other design changes to the service center. For some of the initial IT upgrades, Connecticut included those costs in the contract with the vendor. For example, their document scanning solution and photo-kiosks were provided as a part of the contract with their license system vendor.

Georgia implemented a document imaging system, updated the state's DL business rules engine, and put a new DL/ID card production system in place. Prior to the implementation of the REAL ID security enhancements, Georgia's cost per card was \$1.19 for an over-the-counter (OTC) card issuance. With the REAL ID security enhancements Georgia's cost per card increased to \$2.49, which included an interim OTC paper card and a permanent REAL ID received through the mail.

REAL ID Issuance and Renewal Process

The state survey contained several questions about the issuance and renewal process for REAL ID. One striking survey result was that 100 percent of the states issue REAL IDs from a central location, although South Dakota does provide over-the-counter issuance for certain geographical areas of the state. Many of the states follow a similar procedure for collecting data and biometric information from persons applying for a REAL ID. For example, in Wisconsin, when a customer enters the REAL ID service center, there is a scanner at an information desk which scans their existing license. If no previous license exists, personal information can be entered manually. The customer is then sent to the photo capture workstation, where their photo is taken and application processed. Eligibility and verification checks are conducted, such as the Social Security Online Verification, the Systematic Alien Verification for Entitlements, and United States Passport Verification. All documents are scanned and the customer is offered a receipt and a temporary ID. Upon final approval, the REAL ID is printed and mailed to the customer within 7-10 calendar days.

Several respondents also included information about the length of time it takes for a customer to receive their REAL ID via mail. Several states provide the REAL ID within 7-10 days, although in Nebraska the process can take 15-20 days and in Alabama it can take up to 30 days. Seven of the 10 states surveyed provide a temporary ID while the REAL ID is being processed.

The states were also asked about their license renewal and photo update cycles. Five of the nine states surveyed have moved to or are in the process of moving to an eight-year license renewal cycle. For example, Iowa is using an algorithm to gradually shift to an eight-year renewal cycle. Tennessee is currently on a five-year renewal cycle, but is moving to an eight-year cycle. Maryland is also in the process of transitioning citizens to an eight-year cycle—all new customers receive a license valid for eight years and current license holders are on a staggered renewal schedule. An automatic program determines the length of the renewal period for citizens on the staggered renewal cycle. Georgia allows citizens to choose between an eight-year or five-year license cycle. Alabama currently issues driver's licenses for a four-year term and ID cards for an eight-year term. Of the states that responded, Alabama had the shortest renewal cycle. Two other surveyed states—Indiana and Nebraska—have renewal cycles of six years and five years, respectively.

As with the renewal cycle for driver's licenses and ID cards, there is variation among the states in the frequency of license or ID photo updates. Three of the states surveyed have a maximum of a 16-year photo cycle. A 16-year gap between photo updates is available when a citizen renews their driver's license online. Connecticut was the only state surveyed that required a customer to update their photo when they renew their driver's license. However, when Connecticut moves to a fully centralized issuance system (they are in the process), they are likely to move to an online

renewal system for one renewal cycle. Thus, Connecticut would institute a 12-year photo renewal cycle. The other states surveyed have a photo renewal cycle between eight and 12 years.

Table 2 provides a brief summary of the ID issuance point, whether or not a temporary ID is issued, the driver’s license renewal cycle, and the photo cycle for responding states.

Table 2: Summary of Surveyed States Issuance and Renewal Process

| State | ID Issuance Point | Issues Temporary ID? | Renewal Cycle | Photo Cycle |
|--------------|----------------------------------|----------------------|------------------------|-------------------------|
| Alabama | Centralized | Yes | 4 year DL 8 year ID | 8 year |
| Connecticut | Centralized | No | 6 year | 6 year |
| Georgia | Centralized | Yes | 5 year or 8 year | 16 year |
| Maryland | Centralized* | No | 8 year | 16 year |
| Wisconsin | Centralized | Yes | 8 year | 8 year DL 16 year ID |
| Nebraska | Centralized | Yes | 5 year | 10 year |
| Indiana | Centralized | Yes | 6 year | 12 year |
| Tennessee | Centralized | Yes | 8 year | 10 year |
| Iowa | Centralized | Yes | 8 year | 16 year |
| South Dakota | Centralized and Over the Counter | Yes | 5 years | 10 years |

*Will provide ID through Central Issuance by February 2016.

Several states described the point in the issuance process when they photograph the person applying for the ID.

Public Outreach

Since the passage of the REAL ID Act in 2005, there has been a significant amount of backlash and misinformation concerning state issuance of REAL ID. Therefore, a strong public outreach and education effort to inform the public on the intention and purpose of REAL ID is paramount for successful implementation. All states surveyed had established some form of public outreach and education; the focus was on who would be affected by the adoption of REAL ID and the type of documentation necessary to apply for a REAL ID.

Connecticut’s Department of Motor Vehicles (DMV) first targeted education efforts at citizens renewing their driver’s license. The Notice to Renew, a document sent to customers when it was time to renew, provided a list of documentation needed to obtain a REAL ID card. Connecticut DMV also created a one-page checklist for those renewing and applying for a REAL ID and placed additional educational material on the DMV website. Connecticut currently offers

customers the option of a non-compliant DL/ID, and approximately 30 percent of renewals opt for a REAL ID.

Similar to Connecticut, Wisconsin provided information directly to those customers who were eligible to renew their driver's license, by mailing them a letter about REAL ID and other options. Wisconsin DMV included on its website information that defined REAL ID and listed the documents required to obtain a REAL ID. The site also informed customers of the option to obtain a non-compliant ID/DL. Wisconsin DMV officials estimate that approximately 25 percent of their customers choose to obtain a REAL ID.

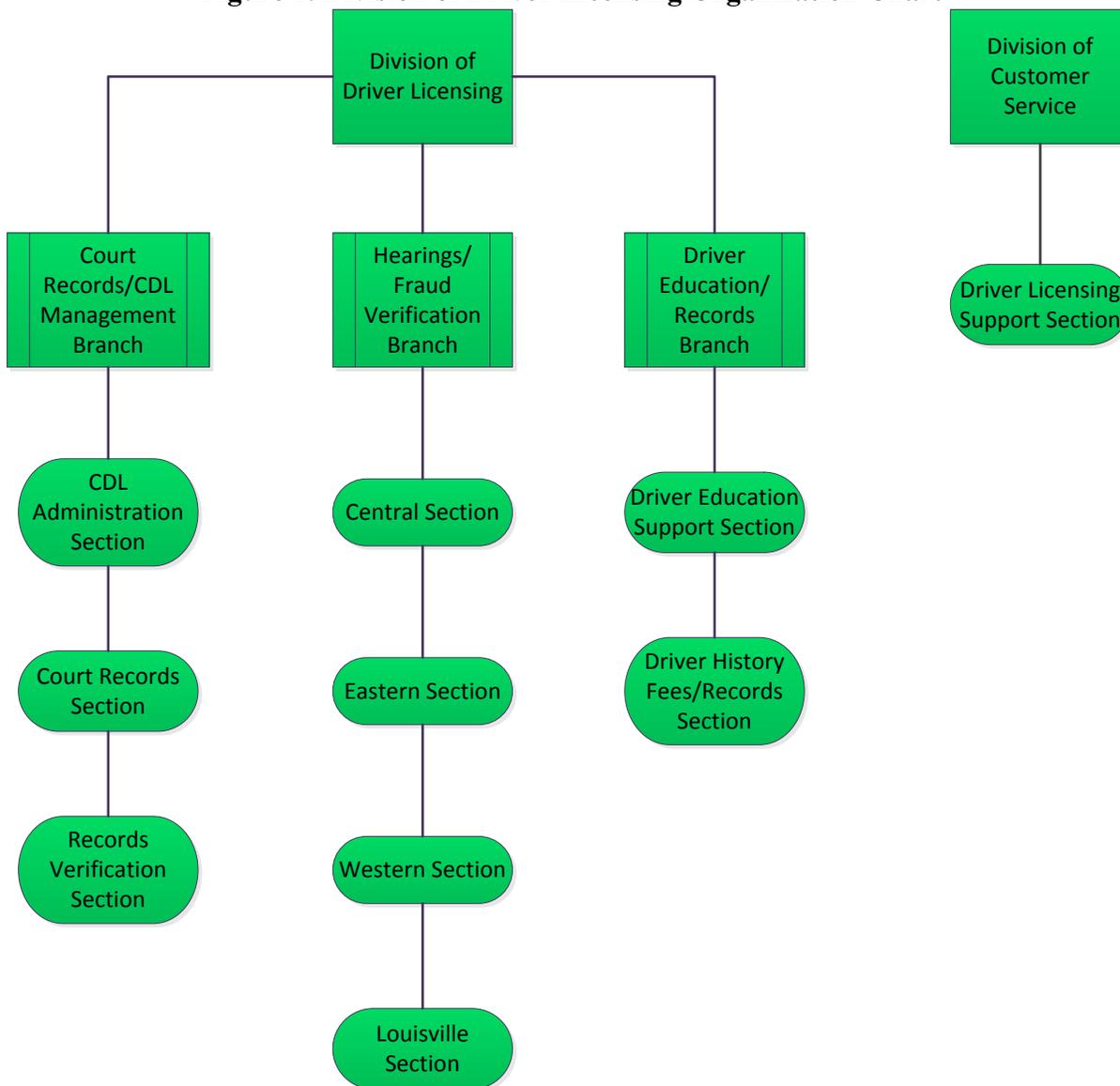
The DMVs in Georgia, Maryland, Nebraska, Alabama and South Dakota all conducted public outreach programs using a combination of DMV websites; press releases; radio and newspaper ads; flyers at each issuance location; and/or conducted public meetings with civic groups, government agencies, and other stakeholders. Tennessee hired a consulting firm to develop a media campaign via mailers. The Iowa DMV ensured its staff was educated about REAL ID and prepared employees to answer questions about the program.

3. Analysis of Printing Options for Licenses

Kentucky Division of Driver Licensing and Regional Field Offices

The Kentucky Division of Driver Licensing (DDL) is one of four major divisions in the Department of Vehicle Regulation, along with the Division of Motor Carriers, Division of Vehicle Licensing, and Division of Customer Service. The Division of Driver Licensing's branches and sections are shown in Figure 1. The three branches are Court Records and CDL Management, Hearings and Fraud Verification, and Driver Education and Records. Under the Court Records and CDL Management Branch are the CDL Administration Section, Court Records Section, and Records Verification Section. A tier below the Hearings and Fraud Verification Branch is a Central Section, Eastern Section, Western Section, and Louisville Section. The other branch is the Driver Education and Records Branch, which includes the Driver Education Support Section, and Driver History Fees and Record Section.

Figure 1. Division of Driver Licensing Organization Chart



The Kentucky DDL has a central office at the Kentucky Transportation Cabinet headquarters in Frankfort, Kentucky. As of August 2015, the central office has 55 employees. The DDL Frankfort branch office (the Frankfort equivalent of a field office) has six employees. The state has 11 other field offices, located in Bowling Green, Catlettsburg, Elizabethtown, Florence, Hazard, Lexington, Louisville, Madisonville, Paducah, Prestonsburg, and Somerset. Collectively, the Frankfort branch office and the 11 other field offices have 35 employees.

Table 3 displays the distribution of personnel by job title and site. Most of the employees are either Administrative Specialist III (15) or Transportation Hearing Officer I (14). Administrative specialists support DDL by processing documents related to license requests, issuing licenses, answering customer questions, ensuring state and federal regulations are followed, updating state databases and records, and various other administrative tasks. Transportation hearing officers

conduct hearings to determine whether a particular driver’s license should be suspended, probated, or have action taken because of failure to comply with KRS 186 and other related statutes and regulations. Four employees are administrative section supervisors. They plan, organize, supervise and review the work of employees in their section. Not all of the regional offices have an individual in this position, as there are other structural approaches to management used. Lastly, there is one program coordinator and one administrative assistant at the branch office in Frankfort. In total, 35 people are employed at these regional offices.

Table 3: Personnel Classification and Numbers at DDL Regional Offices, August 2015

| Field Office | Administrative Specialist III | Transportation Hearing Officer I | Administrative Section Supervisor | Program Coordinator | Administrative Assistant |
|---------------|-------------------------------|----------------------------------|-----------------------------------|---------------------|--------------------------|
| Bowling Green | 1 | 2 | 1 | 0 | 0 |
| Catlettsburg | 1 | 1 | 0 | 0 | 0 |
| Elizabethtown | 1 | 1 | 0 | 0 | 0 |
| Florence | 1 | 1 | 0 | 0 | 0 |
| Frankfort | 2 | 1 | 1 | 1 | 1 |
| Hazard | 1 | 1 | 0 | 0 | 0 |
| Lexington | 2 | 2 | 1 | 0 | 0 |
| Louisville | 3 | 1 | 1 | 0 | 0 |
| Madisonville | 1 | 1 | 0 | 0 | 0 |
| Paducah | 1 | 1 | 0 | 0 | 0 |
| Prestonsburg | 1 | 1 | 0 | 0 | 0 |
| Somerset | 0 | 1 | 0 | 0 | 0 |
| Total | 15 | 14 | 4 | 1 | 1 |

REAL ID Implementation Costs

REAL ID implementation costs are difficult to estimate because there are so many different facets of implementation. A 2006 study prepared by the National Governor’s Association (NGA) (in conjunction with the National Council for State Legislatures (NCSL) and the America Association of Motor Vehicle Administrators (AAMVA)) estimated that implementing REAL ID in all 50 states and Washington, D.C. would cost more than \$11 billion over the first five years of implementation.³ The study predicated its analysis on the assumption that all license holders would be required to re-enroll within five years of the federal government’s initial May 2008 deadline. Most of this—\$8.48 billion—was associated with re-enrollment costs. Other sources of expense would result from new verification processes, upgrading electronic databases, and other items, such as related programming, testing, and training costs. The estimate for this

³ Author(s) Unknown. (2006). *The Real ID Act: National Impact Analysis*. Prepared by the National Governors Association, National Conference of State Legislatures, and American Association of Motor Vehicle Administrators. Accessed 20 August 2015 at: http://www.ncsl.org/print/statefed/real_id_impact_report_final_sept19.pdf

component is \$1.42 billion in unadjusted dollars. New driver's license and personal ID design requirements were estimated to cost \$1.11 billion. Support costs, including fraudulent document training, employee background checks, and certification, totaled \$43.7 million.⁴ The estimates were based on questionnaires sent to every state and to the District of Columbia.⁵

The NGA/NCSL/AAMVA study does not account for the costs associated with: 1) modifying facility security, 2) developing federal verification systems, 3) transactions, 4) expanding AAMVA net, 5) law enforcement training and technology deployment, 6) broadening public education, 7) data security, and 8) increased customer relations. At the time, DHS had not yet published finalized regulations for the REAL ID security plans mandated by federal law. These plans are now detailed in *The Department of Homeland Security REAL ID Security Plan Guidance Handbook*, which was published in 2009. The requirements are detailed in Task 1 of this document. However, putting a price tag on facility modifications will require on-site visits by security firms to ascertain the needs of each office where PII is collected, as well as facilities where production and card issuance takes place. Aside from the building security costs, the other potential costs are indirect externalities that may have significant bearing, but it is difficult to predict just how substantial they will be until REAL ID implementation occurs.

Disagreement exists over REAL ID implementation costs. Some entities argue that early estimates were too high, and other entities provided estimates that were very different, largely owing to different assumptions about what would be required of states. For example, the DHS 2008 implementation cost estimate was \$3.9 billion. A Congressional Budget Office (CBO) score of the act estimated the cost of REAL ID implementation would only amount to \$100 million. But this estimate was only a partial accounting of the estimated cost, as it did not include the driver's license standards set forth in the National Intelligence Reform Act of 2004.⁶ The substantial variance of these estimates was largely due to differences in estimation techniques and to the assumptions made by researchers. It is also prudent to consider the divergent motivations for the state and federal government. Some states have pushed back on REAL ID laws and regulations for several reasons, including: (1) concerns with federal overreach into a function that historically has been left to the states, (2) unfunded mandates related to federal law and regulations, and (3) political fallout with residents concerned about privacy issues. Federal government officials tend to emphasize national security and immigration concerns, contending REAL ID is necessary to keep out individuals with malevolent intent and to reduce illegal immigration. Keeping these factors in mind, the state must be clear about the costs included in this implementation estimate. There are other factors to consider that are not included, due to lack of sufficient data with which to make an accurate cost estimate. There are several issues

⁴ The study, which was in 2005 dollars, can be adjusted to 2015 dollars by multiplying the 2005 numbers by a factor of 1.2219. The factor was based on the inflation calculator provided by the Bureau of Labor Statistics, which can be accessed at: http://www.bls.gov/data/inflation_calculator.htm

⁵ 47 of 51 jurisdictions completed the survey and responded.

⁶ Author(s) Unknown. *Real ID Cost Estimates*. National Council of State Legislatures. Accessed 20 August 2015 at: <http://www.ncsl.org/research/transportation/real-id-cost-estimates.aspx>

with the national studies. The NGA study, for example, used the cost of issuing a new REAL ID to every licensed driver in the country. First, this estimation approach ignored the baseline alternative, which was the cost of distributing licenses in their current form. Second, it is not clear why, given current requirements, all citizens would necessarily want or need a REAL ID. Regarding the DHS estimate, there was little available information about the assumptions used or exactly what processes are covered. The CBO scoring only included a very narrow range of activity required by the REAL ID Act of 2005, so this estimate excluded important costs such as card redesign or changes to vendor contracts.

National estimates typically have to make assumptions and apply them to an entire collection of states, which is problematic because each state has different institutional, political, legal, and economic realities. Some states, such as Indiana and Ohio, have a centralized DMV agency, whereas Kentucky has a decentralized license issuance process through its county-level Circuit Court Clerks offices. The number of issuance offices in a state, the number of employees participating in the license issuance process, property values, cost-of-living, any applicable state laws and regulations, procurement and contracting practices, area wages, and various other factors will greatly impact REAL ID implementation costs. Without detailed, state-level data, making assumptions about implementation costs for an individual state based on a national estimate is methodologically flawed.⁷ Instead of building on these estimates, a better approach is to sketch out the implementation components necessary for the state to implement REAL ID licenses and comply with federal requirements.

Table 4 shows the estimated first-year implementation costs based on several cost categories: print farm labor, information technology costs, production facility property and utilities, card redesign costs, vendor costs for REAL ID licenses, vendor costs for over-the-counter issuance of standard licenses, mailing costs for REAL ID, background checks, total vendor cost, total cost, vendor cost per card, and total cost per card. The table shows estimates for four scenarios depending on whether the cards are produced by KYTC employees or by vendor employees, whether the implementation is for REAL ID cards only, or whether online renewals are included.

Scenario 1 is where KYTC employees operate a print farm that produces REAL ID cards in a centralized, secure facility while having the Circuit Court Clerks continue distribution of standard licenses over-the-counter. Under Scenario 2, vendor employees operate a print farm in another state that produces REAL ID cards, with the clerks resuming over-the-counter production and distribution of standard driver's license. Scenario 3 is a KYTC print farm that is the same as Scenario 1, except that it also includes production and distribution of online renewals from the KYTC facility. Scenario 4 is a completely centralized license distribution model where all licenses (standard over-the-counter, REAL ID, online renewals) are printed in a vendor factory that operates in another state.

⁷ King, Gary. (1997). *A Solution to the Ecological Inference Problem: Reconstructing Individual Behavior from Aggregate Data*. Princeton University Press: Princeton, NJ. Accessed 21 August 2015 at: <http://gking.harvard.edu/files/gking/files/part1.pdf>

Table 4: First-Year REAL ID Implementation Cost Estimates (4 Scenarios)

| REAL ID ONLY | | | | |
|-------------------------------------|--------------------|-------------|----------------------|-------------|
| | 1. KYTC Print Farm | | 2. Vendor Print Farm | |
| Cost Category | Low | High | Low | High |
| Print Farm Labor | \$212,014 | \$269,545 | \$0.00 | \$0.00 |
| Field Office Labor | \$1,611,598 | \$2,047,425 | \$1,611,598 | \$2,047,425 |
| COT | \$176,800 | \$265,200 | \$176,800 | \$265,200 |
| KI | \$0 | \$0 | \$0 | \$0 |
| Print Farm Lease & Utilities | \$15,360 | \$18,150 | \$0 | \$0 |
| Card Redesign | \$50,000 | \$75,000 | \$50,000 | \$75,000 |
| Vendor Cost - Real ID | \$1,200,500 | \$1,239,000 | \$1,162,000 | \$1,190,000 |
| Vendor Cost - Standard | \$3,601,500 | \$3,717,000 | \$3,486,000 | \$3,570,000 |
| Mailing | \$171,500 | \$171,500 | \$171,500 | \$171,500 |
| Background Checks | \$2,720 | \$2,720 | \$2,720 | \$2,720 |
| Total Cost for Vendor | \$4,802,000 | \$4,956,000 | \$4,648,000 | \$4,760,000 |
| Total Cost to Kentucky | \$7,041,993 | \$7,805,540 | \$6,660,618 | \$7,321,845 |
| Vendor Cost Per Card | \$3.43 | \$3.54 | \$3.32 | \$3.40 |
| Total Cost Per Card | \$5.03 | \$5.58 | \$4.76 | \$5.23 |
| REAL ID & ONLINE RENEWAL | | | | |
| | 3. KYTC Print Farm | | 4. Vendor Print Farm | |
| Cost Category | Low | High | Low | High |
| Print Farm Labor | \$212,014 | \$269,545 | \$0.00 | \$0.00 |
| Field Office Labor | \$1,611,598 | \$2,047,425 | \$1,611,598 | \$2,047,425 |
| COT | \$176,800 | \$265,200 | \$176,800 | \$265,200 |
| KI | \$154,000 | \$330,000 | \$154,000 | \$330,000 |
| Print Farm Lease & Utilities | \$15,360 | \$18,150 | \$0 | \$0 |
| Card Redesign | \$50,000 | \$75,000 | \$50,000 | \$75,000 |
| Vendor Cost - Real ID | \$1,214,500 | \$1,249,500 | \$1,242,500 | \$1,288,000 |
| Vendor Cost - Standard | \$3,643,500 | \$3,748,500 | \$3,727,500 | \$3,864,000 |
| Mailing | \$308,700 | \$465,500 | \$686,000 | \$686,000 |
| Background Checks | \$2,720 | \$2,720 | \$2,720 | \$2,720 |
| Total Cost for Vendor | \$4,858,000 | \$4,998,000 | \$4,970,000 | \$5,152,000 |
| Total Cost to Kentucky | \$7,389,193 | \$8,471,540 | \$7,651,118 | \$8,558,345 |
| Vendor Cost Per Card | \$3.47 | \$3.57 | \$3.55 | \$3.68 |
| Total Cost Per Card | \$5.28 | \$6.05 | \$5.47 | \$6.11 |

Only Scenarios 1 and 3 directly account for print farm labor, because in Scenarios 2 and 4 vendors would provide labor to operate and maintain the printers at the centralized distribution facilities. A vendor maintains printers under the current model and the company would also provide technical support and maintenance assistance under Scenarios 1 and 3.

The low- and high-end estimates for print farm labor were calculated by adding the salary, healthcare, FICA, and retirement contributions for each employee, based on pay grade. Calculations assumed 37.5 hours a week per employee. The low-end estimates were calculated using the minimum permissible pay range for the pay grade attached to each job title. The high-end estimates used the midpoint for the appropriate pay range. Vendor payroll costs for production facilities were built into the vendor cost categories.

Table 5 shows the labor costs for a state-based print farm run by KYTC employees. These labor costs are based on the FY2016 personnel cost estimator provided by the Commissioner’s Office in the DVR. After conversations with officials in the DDL and vendors, the research team concluded that four employees would be needed to operate the facility. Such personnel would only cover a single shift, meaning all production would need to be completed within the 37.5-hour window. This includes a Section Supervisor, two Administrative Specialist IIIs, and an Administrative Specialist I. Total salary impacts FICA and retirement contributions, but the healthcare costs are fixed per employee. Total cost for an in-state print farm run by KYTC ranges from \$212,014 to \$269,545.

Table 5: KYTC Labor Costs for Kentucky Print Farm

Low-End Estimate

| Title | Grade | Annual Salary | FICA | Retire | Health | Total |
|-------------------------------|-------|---------------|---------|----------|----------|-----------|
| Section Supervisor | 15 | \$39,574 | \$2,876 | \$15,343 | \$8,700 | \$66,492 |
| Administrative Specialist III | 12 | \$29,720 | \$2,160 | \$11,522 | \$8,700 | \$52,102 |
| Administrative Specialist III | 12 | \$29,720 | \$2,160 | \$11,522 | \$8,700 | \$52,102 |
| Administrative Specialist I | 9 | \$22,335 | \$1,623 | \$8,659 | \$8,700 | \$41,317 |
| All Labor | N/A | \$121,349 | \$8,819 | \$47,047 | \$34,800 | \$212,014 |

High-End Estimate

| Title | Grade | Annual Salary | FICA | Retire | Health | Total |
|-------------------------------|-------|---------------|----------|----------|----------|-----------|
| Section Supervisor | 15 | \$52,413 | \$3,809 | \$20,321 | \$8,700 | \$85,243 |
| Administrative Specialist III | 12 | \$39,375 | \$2,862 | \$15,266 | \$8,700 | \$66,202 |
| Administrative Specialist III | 12 | \$39,375 | \$2,862 | \$15,266 | \$8,700 | \$66,202 |
| Administrative Specialist I | 9 | \$29,581 | \$2,150 | \$11,468 | \$8,700 | \$51,899 |
| All Labor | N/A | \$160,743 | \$11,682 | \$62,320 | \$34,800 | \$269,545 |

Circuit Court Clerk offices are one candidate for taking the PII from applicants for REAL ID; the other is the regional field offices operated by the DDL. In contrast to standard issuance handled by Circuit Court Clerks in each county, the state's regional offices currently handle the more complex licensing processes, such as hearings related to license suspension or revocation, and issuing licenses to non-citizens who have work visas or green cards. Some of these offices will need to be moved to larger spaces to handle the increased traffic that will inevitably materialize if responsibility for REAL ID issuance is vested with the DDL. Retrofitting each of the 142 Circuit Court Clerk locations to be compliant with all of the REAL ID Act's security requirements would be much more expensive than upgrading the 11 regional field offices. However, integrating REAL ID into the Circuit Court Clerk agencies would probably mean shorter lines and less waiting time for the average customer. Another compromise may be to outfit a combination of regional offices and Circuit Court Clerk's offices such that residents in each region of the state have a nearby option and no region goes underserved.

As discussed in Task 1, the PII must be collected by an individual with proper background clearances and training. These individuals must also work in the secure facilities that collect PII. Based on the state surveys detailed in Task 2, approximately 25 percent of residents in REAL ID-compliant states are obtaining the REAL ID license. In a related study, vendors projected that statewide card volume in Kentucky (REAL ID, standard driver licenses, and personal ID) would average 1.4 million licenses annually. If the adoption rate is 25 percent, then approximately 350,000 licenses will need to be processed in secure locations by clerks. All estimates assume roughly 350,000 REAL ID renewals per year as well. As such, the low- and high-end estimates are the same.

Another assumption is that one application can be processed and completed in an average of 10 minutes. That estimate was used to determine the number of licenses an employee could process per year. Once every 10 minutes is 6 per hour; working for 37.5 hours per week, and 50 weeks a year, an employee should issue about 11,250 licenses per year. Assuming current field office employees are unable to devote much, if any time to REAL ID issuance, the DDL will likely need to hire 31 employees to address issuance, especially during the first cycle where adding drivers to the system may take extra time. Both the demand for REAL ID and the speed of processing could significantly influence the number of hires.

Table 6 summarizes the costs associated with the additional field office labor. Personnel distributions were designed to be similar to that of the current field office personnel. There are three Administrative Assistant Is, 26 Administrative Assistant IIIs, and two Section Supervisors included in the field office labor cost component. As with the print farm labor estimate, there are low- and high-end estimates based on pay grade minimums and midpoints. The low-end estimate totals \$1.61 million, and the high-end totals \$2.05 million. These costs do not cover background checks, training, or the 27 employees already working in the DDL field offices on tasks unrelated to REAL ID.

Table 6: DDL Field Office Labor Estimates

Low-End Estimate

| Title | QTY | Salary | FICA | Retirement | Health | Total |
|------------|-----|-----------|----------|------------|-----------|-------------|
| Admin I | 3 | \$67,004 | \$4,870 | \$25,978 | \$26,100 | \$123,952 |
| Admin III | 25 | \$772,721 | \$56,157 | \$299,584 | \$226,200 | \$1,354,662 |
| Sect. Sup. | 2 | \$79,147 | \$5,752 | \$30,685 | \$17,400 | \$132,985 |
| Total | 31 | \$918,873 | \$66,779 | \$356,247 | \$269,700 | \$1,611,598 |

High-End Estimate

| Title | QTY | Salary | FICA | Retirement | Health | Total |
|------------|-----|-------------|----------|------------|-----------|-------------|
| Admin I | 3 | \$88,742 | \$6,449 | \$34,405 | \$26,100 | \$155,697 |
| Admin III | 25 | \$1,023,739 | \$74,400 | \$396,903 | \$226,200 | \$1,721,242 |
| Sect. Sup. | 2 | \$104,826 | \$7,618 | \$40,641 | \$17,400 | \$170,486 |
| Total | 31 | \$1,217,307 | \$88,468 | \$471,950 | \$269,700 | \$2,047,425 |

Kentucky’s current driver’s licensing information system (KDLIS) must also be interfaced with new vendor software as well as with an online customer-facing website and a new payment engine to process payments (in the event of the state adopting online renewal). Estimates provided by developers in the KYTC Office of Information Technology (OIT) and the Commonwealth Office of Technology (COT) include all of these tasks. These estimates were originally performed for the Online Driver License Renewal System study (SPR 15-509). Kentucky Interactive (KI), a private vendor who works with several state agencies to develop e-government services, would build the payment processing engine under its current contract with KYTC for no additional front-end cost. KI recoups its investment using a “self-funded” development model whereby a 2.75% transaction fee is applied to each online renewal. In the event the state does not pursue online renewal, KI will not necessarily be involved but another vendor for processing over-the-counter transactions will be required.

Most of the development will take place in COT, where the KDLIS system will have to be integrated with the new vendor software and any other electronic databases necessary to verify a driver’s identity. If online renewal is included, it must be integrated with the KI system so that records can be updated and verified. The amount of development work necessary will depend on the final specifications of the system. The estimate here accounts for the following:

- COT Web Service for portal
- Mainframe programming costs
- Information management system (IMS) for transaction processing
- Interface with the printing technology
- Maintenance
- Technical Support
- REAL ID Compliance (if needed)

- System Upgrades

Labor estimates range from six to nine months (26 to 39 weeks). Programmers work 40 hours per week. The average cost for a programmer is \$42.50 per hour, and the estimate calls for two programmers to be involved in the development process. As such, development costs are \$85 per hour. Table 7 shows the development timeframe as well as the total estimated cost. Depending on the number hours required to complete the tasks, development costs range between \$176,800 and \$265,200.

Table 7: REAL ID Development Costs for COT

| Labor Timeframe | Cost Per Hour | Total Labor Hours | Total Labor Cost |
|-----------------|---------------|-------------------|------------------|
| 26 Weeks | \$85 | 2,080 | \$176,800 |
| 39 Weeks | \$85 | 3,120 | \$265,200 |

Table 8 shows the costs for KI transaction fees. No costs will accrue to KI under Scenarios 1 and 2, because there is not an online renewal component. However, Scenarios 3 and 4 include online renewal. If one takes the estimates put together by KTC and MorphoTrust for online renewal (\$280,000 and \$600,000, respectively), the potential transaction costs per card are substantial. The 2.75 percent transaction cost on a standard \$20 license is 55 cents.⁸ Under the KTC projections the state would owe KI \$154,000; under MorphoTrust’s projections the state would owe KI \$330,000. In fairness to KI, over-the-counter license transactions also have a fee if credit cards are used. Those numbers, as they concern current issuance costs, were not available.

Table 8: KI Transaction Fees

| Scenario | Low/High | Cost |
|----------|----------|-----------|
| 1 | L | \$0 |
| 1 | H | \$0 |
| 2 | L | \$0 |
| 2 | H | \$0 |
| 3 | L | \$154,000 |
| 3 | H | \$330,000 |
| 4 | L | \$154,000 |
| 4 | H | \$330,000 |

For Scenarios 1 and 3, where Kentucky operates a print farm in-state, facility leasing and utilities should be included. Officials estimate that a printing facility, which would be located in Franklin

⁸ In 2014 the average transaction amount for all licenses (excluding CDLs) was \$18.26. Here we use \$20 as the average transaction cost because that is the standard transaction, and because there are some costs which may not be covered under the state’s agreement with Kentucky Interactive.

County, requires about 1,500 square feet. The cost per square foot is based on calculations provided by the Division of Real Properties in the Finance and Administration Cabinet. As shown in Table 9, the rate depends on whether the facility is publicly or privately owned, and whether or not utilities are included in the cost. Private buildings are generally cheaper than state-owned facilities. Officials in the Division of Real Properties said that one explanation for this could be that state-owned facilities tend to be older and less energy efficient. For this estimate, the private lease with paid utilities and public lease with paid utilities are used as the low- and high-end estimates so that both real estate and utilities are taken into account. That translates to an estimate ranging from \$15,360 to \$18,150 per year.

Table 9: Cost of Print Farm Lease and Utilities in Franklin County

| Public/Private | Paid Utilities? | Annual Rate per square foot | Cost Per Month | Cost Per Year |
|----------------|-----------------|-----------------------------|----------------|---------------|
| Public | No | \$8.24 | \$1,030.00 | \$12,360 |
| Public | Yes | \$12.10 | \$1,512.50 | \$18,150 |
| Private | No | \$8.02 | \$1,002.50 | \$12,030 |
| Private | Yes | \$10.24 | \$1,280.00 | \$15,360 |

REAL ID requirements stipulate that driver licenses have certain security protocols, markers, and other security features. These markers, commonly referred to as indicia, have to be incorporated into the current license design or license redesign. The costs associated with making these changes to the licenses were quoted by Kentucky’s current license materials vendor at between \$50,000 and \$75,000. These two figures comprise the low- and high-end estimate for card redesign under all four scenarios.

The next two cost categories pertain to vendor cost for issuing both REAL ID and standard licenses or personal identification cards. Vendors like to distribute the costs over all of the cards they produce because it makes it easier to estimate per card costs. The amount of money Kentucky pays will ultimately be contingent on the selected vendor and on the form of contractual agreement. These two categories encompass the entire vendor cost, which in these estimates include all cards produced in field offices and in the print farm. The cost is also based on a four-year contract with Kentucky and on an assumption of 1.4 million cards per year. In Scenarios 2 and 4, cost includes a production facility that is REAL ID compliant. Excluded are security costs for KYTC field offices or KYTC-run production facilities, server and workstation upgrades, and postage.

Because the license costs are distributed equally across licenses, the final cost is 1.4 million times the per-card estimate provided by the vendor — in this case, MorphoTrust. Current license costs to the state are \$2.95 per license, but all of these options will increase that rate. KYTC has the option of extending its current contract with MorphoTrust until 2018, after which point a new contract will have to be signed with MorphoTrust or another vendor that can provide the REAL

ID licenses for the state. For all four scenarios, KTC assumes that 350,000 REAL ID licenses will be issued annually. Deviation from this estimate should not impact the overall vendor cost – it merely influences how the costs are distributed between the REAL ID and Standard ID categories. All cost estimates are summarized in Table 10.

Table 10: Vendor Cost Estimates by Scenario

| Projection | | REAL ID | Standard | Total |
|------------|----------|-------------|-------------|-------------|
| Scenario | Low/High | 350,000 | 1,050,000 | 1,400,000 |
| 1 | L | \$1,200,500 | \$3,601,500 | \$4,802,000 |
| 1 | H | \$1,239,000 | \$3,717,000 | \$4,956,000 |
| 2 | L | \$1,162,000 | \$3,486,000 | \$4,648,000 |
| 2 | H | \$1,190,000 | \$3,570,000 | \$4,760,000 |
| 3 | L | \$1,214,500 | \$3,643,500 | \$4,858,000 |
| 3 | H | \$1,249,500 | \$3,748,500 | \$4,998,000 |
| 4 | L | \$1,242,500 | \$3,727,500 | \$4,970,000 |
| 4 | H | \$1,288,000 | \$3,864,000 | \$5,152,000 |

Because all REAL ID licenses must be mailed, postage will have a significant impact on implementation costs. Over-the-counter REAL ID issuance is permissible, but is too costly to implement at 142 locations due to security requirements. Given that KTC and MorphoTrust have the same annual estimates for REAL ID implementation, the calculations used in Scenarios 1 and 2 are the same. However, Scenario 3 produces a more divergent estimate because it makes different assumptions about online renewals. KTC estimates 350,000 annual REAL ID renewals and 280,000 online renewals. MorphoTrust estimates 350,000 annual REAL ID renewals and 600,000 online renewals. KTC's online estimate is based on the average online renewal rate in the 10 states (plus the District of Columbia) responding to the survey (Appendix A). However, if Scenario 4 goes into effect, and Kentucky centralizes all production for 1.4 million licenses, the annual mailing costs will be the same for both the low- and high-end estimates. Depending on the accuracy of REAL ID and online renewal projections, the financial impact of mailing costs will vary.

Table 11 shows the low- and high-end estimates for mailing costs in each of the four scenarios. Current postage costs are 49 cents per license, and this number was used for the estimates. MorphoTrust has mentioned there are mailing agencies that might be able to mix the licenses with other mail for greater security at a slightly lower costs, but specifics were not available. In

Scenarios 1 and 2, the cost of mailing REAL ID cards is \$171,500. Mailing costs differ in Scenario 3, because online renewals would also be included, and KTC projects less activity in that scenario than does MorphoTrust. Scenario 4 is for all licenses, so both the low- and high-end mailing costs are the same. The cost under that scenario is projected to be \$686,000.

Table 11: REAL ID Mailing Costs

| Scenario | Estimate | REAL ID | Online | OTC | Total | Mailed | Cost |
|----------|----------|---------|---------|-----------|-----------|-----------|-----------|
| 1 | KTC | 350,000 | - | 1,050,000 | 1,400,000 | 350,000 | \$171,500 |
| 1 | Morpho | 350,000 | - | 1,050,000 | 1,400,000 | 350,000 | \$171,500 |
| 2 | KTC | 350,000 | - | 1,050,000 | 1,400,000 | 350,000 | \$171,500 |
| 2 | Morpho | 350,000 | - | 1,050,000 | 1,400,000 | 350,000 | \$171,500 |
| 3 | KTC | 350,000 | 280,000 | 770,000 | 1,400,000 | 630,000 | \$308,700 |
| 3 | Morpho | 350,000 | 600,000 | 450,000 | 1,400,000 | 950,000 | \$465,500 |
| 4 | KTC | 325,000 | 280,000 | 770,000 | 1,400,000 | 1,400,000 | \$686,000 |
| 4 | Morpho | 350,000 | 600,000 | 450,000 | 1,400,000 | 1,400,000 | \$686,000 |

Any employees with access to PII, driver licensing databases, the development or programming of driver-license-related information systems or applications, or otherwise involved in the issuance of REAL ID will need to have a criminal background check. This applies to current employees in the DDL, its constituent field offices, programmers in COT, and potential additional field office labor. There are 55 employees in the DDL Central Office, 6 in the DDL Central Branch, 35 in the DDL field offices, an additional 31 employees needed to process REAL ID applicants, and 9 individuals involved with analysis and development in COT. Notwithstanding background checks of individuals in the commissioner’s office, there are 136 employees who will require background checks. According to the KYTC Office of Human Resource Management, the Administrative Office of the Courts typically provides criminal background checks to the Cabinet. Generally, these checks cost \$20. Using that per unit price, the 136 background checks will cost \$2,720.

Table 12 isolates the low- and high-end estimates for Scenarios 1 through 4. These estimates include both the contractual amount owed the vendor, what that amounts to per card, and the overall cost to Kentucky when other cost components are added to the REAL ID implementation estimates. The low- and high-end vendor estimates do not encompass a substantial amount of variation relative to the overall price tag. Depending on which scenario is adopted, KYTC’s vendor contract is estimated to run between \$4.8 (Scenario 1) and \$5.15 million (Scenario 4). Overall, the Cabinet should expect to spend between \$7 million and \$8.55 million to implement REAL ID —field office facility and security upgrades are not included in this estimate. Vendor costs per card are between \$3.43 per card to \$3.68 per card depending on the features of Kentucky’s new driver license issuance system. Overall, that cost will run between \$4.76 and \$6.11 per card.

Table 12: REAL ID Implementation Estimates (Overall Vendor and State Costs)

| REAL ID ONLY | | | | |
|-------------------------------------|--------------------|-------------|----------------------|-------------|
| | 1. KYTC Print Farm | | 2. Vendor Print Farm | |
| Cost Category | Low | High | Low | High |
| Total Cost for Vendor | \$4,802,000 | \$4,956,000 | \$4,648,000 | \$4,760,000 |
| Total Cost to Kentucky | \$7,041,993 | \$7,805,540 | \$6,660,618 | \$7,321,845 |
| Vendor Cost Per Card | \$3.43 | \$3.54 | \$3.32 | \$3.40 |
| Total Cost Per Card | \$5.03 | \$5.58 | \$4.76 | \$5.23 |
| REAL ID & ONLINE RENEWAL | | | | |
| | 3. KYTC Print Farm | | 4. Vendor Print Farm | |
| Cost Category | Low | High | Low | High |
| Total Cost for Vendor | \$4,858,000 | \$4,998,000 | \$4,970,000 | \$5,152,000 |
| Total Cost to Kentucky | \$7,389,193 | \$8,471,540 | \$7,651,118 | \$8,558,345 |
| Vendor Cost Per Card | \$3.47 | \$3.57 | \$3.55 | \$3.68 |
| Total Cost Per Card | \$5.28 | \$6.05 | \$5.47 | \$6.11 |

Taken at face value, the hybrid systems with KYTC/vendor distribution of REAL ID (Scenarios 1 and 2) appear to be the cheapest route, but this is only true if one does not factor in the costs to the Circuit Court Clerks. Part of the reason Scenarios 3 and 4 appear to be more expensive is because: a) they include online driver license renewal, and b) they shift a larger percentage of license distribution away from the Circuit Court Clerks to the DDL. Shifting a larger percentage of production away from local offices and to a centralized distribution center would save the state in terms of overall costs, even if the cost to KYTC is greater. Table 13 summarizes of all the scenarios.

Table 13: Summary of Scenarios 1 through 4

| Scenario | 1 | 2 | 3 | 4 |
|----------------------------|----------|----------|----------|--------------|
| Print Farm Location | Kentucky | Kentucky | Kentucky | Out-of-State |
| Print Farm Labor | KYTC | Vendor | KYTC | Vendor |
| Online Renewal | No | No | Yes | Yes |
| Standard ID Printing | Clerks | Clerks | Clerks | Vendor |
| PII Collection for REAL ID | DDL | DDL | DDL | DDL |

Several cost categories are not accounted for in these estimates. Facility upgrades and security requirements have been omitted. The current DDL field offices may not have adequate space to process all of the REAL ID customers. Table 14 shows the square footage of each state DDL field office. The Louisville field office is quite large relative to the other sites; in fact, it is nearly double the size of the Madisonville field office, which is the next-largest. Both Elizabethtown and Paducah are just over 1,000 square feet. The remaining sites — Bowling Green, Prestonsburg and Somerset — are all under 1,000 square feet. Not only do the smaller facilities provide challenges for line queues and customer processing, they may be difficult to equip with all of the necessary equipment to meet REAL ID security standards. Space measurements were not available for four other facilities. The combined cost of obtaining real estate and equipping all of these offices (plus the central branch office in Frankfort) so they are REAL ID compliant and customer-friendly could significantly increase the implementation costs.

Training, though part of the NGA study, is not included in this cost study. Conversations with officials in DDL, as well as with AAMVA officials, revealed that Kentucky has two AAMVA-certified trainers on staff, and that these trainers can provide fraudulent document training at no cost. Other training, particularly for law enforcement officials and Circuit Court Clerks, may be required but is not within the scope of the implementation estimate offered here; nor are equipment, capital costs, or labor costs accruing to other agencies. Any additional labor for current employees, equipment maintenance (such as server and workstation upgrades), security costs, and overhead costs will be in addition to the implementation estimates detailed in this chapter.

Table 14: Office Area of DDL Field Offices

| Field Office | Square Feet |
|---------------|-------------|
| Bowling Green | 930 |
| Catlettsburg | N/A |
| Elizabethtown | 1012 |
| Florence | N/A |
| Hazard | N/A |
| Lexington | N/A |
| Louisville | 2596 |
| Madisonville | 1412 |
| Paducah | 1024 |
| Prestonsburg | 252 |
| Somerset | 650 |

Switching from 4-Year to 8-Year Renewal Cycle

KYTC has debated about whether it would be advantageous for Kentucky to move from a 4-year to an 8-year license renewal cycle for all driver licenses — not just REAL IDs. Making such a transition would require that the state develop criteria about how to transition to an 8-year renewal cycle. The state wishes to transition in such a way that neither inconveniences Kentucky motorists nor substantially impacts revenues. The best way to achieve both goals is to stagger renewals using a combination of 4-year and 8-year cycles until licenses are distributed equally across an 8-year renewal cycle. Table 15 shows how this would work, conceptually. As an example, calendar year 2015 is a standard point, but the process could begin at any time. Beginning in 2015, each license renewal would be split evenly between 4-year and 8-year licenses. This process splits future renewals into separate years. Half of the motorists renewing licenses in 2015 would receive a 4-year license that expires in 2019; the other half would get licenses that expire in 2023. This process would continue through 2018, or until an entire license renewal cycle was complete. At that point, the license renewal schedule would approximate an even distribution for current motorists across an 8-year period.

Table 15: License Renewal Cycles During 4-Year to 8-Year Transition

| Renewal Year | Last Renewal | Next Renewal |
|--------------|--------------|------------------------|
| 2015 | 2011 | 2019 (1/2), 2023 (1/2) |
| 2016 | 2012 | 2020 (1/2), 2024 (1/2) |
| 2017 | 2013 | 2021 (1/2), 2025 (1/2) |
| 2018 | 2014 | 2022 (1/2), 2026 (1/2) |
| 2019 | 2015 | 2027 |
| 2020 | 2016 | 2028 |
| 2021 | 2017 | 2029 |
| 2022 | 2018 | 2030 |
| 2023 | 2015 | 2031 |
| 2024 | 2016 | 2032 |
| 2025 | 2017 | 2033 |
| 2026 | 2018 | 2034 |

Once the initial hybrid, 4-year cycle is completed, all motorists would renew on an 8-year basis unless they request a duplicate, need a license reinstatement, or upgrade to a different license class. Beginning in 2019, no more 4-year licenses would be issued to individuals seeking standard renewals to Class D, Class M, Class E, or Class DM licenses (possible exceptions could be CDL licenses and licenses issued to new drivers). Class D licenses are standard operator’s licenses issued to most drivers. Class M licenses are motorcycle licenses, and Class E licenses are for mopeds. Class DM licenses are for individuals wanting to operate passenger vehicles and motorcycles. Duplicates are requests for a replacement license of any class.

As a result of this transition, the number of renewals will be approximately half of the current volume. New drivers and general population growth will be slightly above half of current levels, but there will still be a significant reduction in renewal numbers. The result will be shorter lines and less personnel strain on Circuit Court Clerks, who perform a variety of tasks in addition to driver’s license renewals.

Table 16 shows past driver license renewal numbers and future projections, based on current license numbers. The data are for all licenses, not just REAL ID licenses. A hybrid renewal scheme with different license lengths would potentially confuse motorists; therefore, these changes would impact all licenses. Actual renewal data is colored orange. The transition years of hybrid licenses are colored blue, whereas the full implementation of 8-year license cycles is colored aqua. As the chart shows, these numbers are cyclical because they do not anticipate future population increases or other factors that might influence renewal numbers. The total number of renewals drops from 909,096 in 2018 to 431,505 in 2019 as a result of the 2015 cohort being split into 2019 and 2023 renewals. From that point forward, annual renewals will be roughly halved.

Table 16: Kentucky Driver's License Renewals, 2008-2026

| Year | D | M | E | DM | Duplicates | Total |
|------|---------|----|----|--------|------------|---------|
| 2008 | 586,193 | 11 | 13 | 26,930 | 244,636 | 857,783 |
| 2009 | 603,368 | 8 | 21 | 28,574 | 234,238 | 866,209 |
| 2010 | 623,020 | 13 | 23 | 30,475 | 231,267 | 884,798 |
| 2011 | 605,871 | 11 | 12 | 29,925 | 227,190 | 863,009 |
| 2012 | 611,072 | 16 | 17 | 30,607 | 232,241 | 873,953 |
| 2013 | 621,398 | 9 | 25 | 32,339 | 239,854 | 893,625 |
| 2014 | 634,390 | 14 | 16 | 34,051 | 240,625 | 909,096 |
| 2015 | 605,871 | 11 | 12 | 29,925 | 227,190 | 863,009 |
| 2016 | 611,072 | 16 | 17 | 30,607 | 232,241 | 873,953 |
| 2017 | 621,398 | 9 | 25 | 32,339 | 239,854 | 893,625 |
| 2018 | 634,390 | 14 | 16 | 34,051 | 240,625 | 909,096 |
| 2019 | 302,936 | 6 | 6 | 14,963 | 113,595 | 431,505 |
| 2020 | 305,536 | 8 | 9 | 15,304 | 116,121 | 436,977 |
| 2021 | 310,699 | 5 | 13 | 16,170 | 119,927 | 446,813 |
| 2022 | 317,195 | 7 | 8 | 17,026 | 120,313 | 454,548 |
| 2023 | 302,936 | 6 | 6 | 14,963 | 113,595 | 431,505 |
| 2024 | 305,536 | 8 | 9 | 15,304 | 116,121 | 436,977 |
| 2025 | 310,699 | 5 | 13 | 16,170 | 119,927 | 446,813 |
| 2026 | 317,195 | 7 | 8 | 17,026 | 120,313 | 454,548 |

Given that license holders will be able to hold the license for eight instead of four years, the simplest approach to license pricing would be to double the license price to stabilize revenues.

This change would require license fees to increase, but the per-year amount paid by drivers is the same. Table 17 shows the current costs of Class D, M, E, and DM licenses, as well as duplicate licenses. Class D licenses would increase from \$20 to \$40; Class M licenses from \$24 to \$48; Class E licenses from \$20 to \$40; Class DM from \$30 to \$60; and duplicates from \$12 to \$24.

Table 17: Cost of 4-Year, 8-Year Driver's Licenses

| License Type | 4-Year (\$) | 8-Year (\$) |
|---------------------|--------------------|--------------------|
| D | 20 | 40 |
| M | 24 | 48 |
| E | 20 | 40 |
| DM | 30 | 60 |
| Duplicates | 12 | 24 |

Staggering the renewals during a transitional period will mean some fluctuation in revenues. Table 18 shows past revenues from 2008-2014; Table 18 has a matching color scheme that shows the renewals upon which revenue calculations are based. The projections run from 2015 to 2026 and are based only on issuing licenses to people who are currently licensed drivers — it does not account for an increasing number of drivers.

Table 18: Past License Revenue and Projected Future Revenue

| | | Estimated Revenue | | | | | | |
|-------|--------------|-------------------|--------------|--------------|--------------|--------------|--------------|--|
| Class | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | |
| D | \$11,723,860 | \$12,067,360 | \$12,460,400 | \$12,117,420 | \$12,221,440 | \$12,427,960 | \$12,687,800 | |
| M | \$264 | \$192 | \$312 | \$264 | \$384 | \$216 | \$336 | |
| E | \$260 | \$420 | \$460 | \$240 | \$340 | \$500 | \$320 | |
| DM | \$807,900 | \$857,220 | \$914,250 | \$897,750 | \$918,210 | \$970,170 | \$1,021,530 | |
| Dup. | \$2,935,632 | \$2,810,856 | \$2,775,204 | \$2,726,280 | \$2,786,892 | \$2,878,248 | \$2,887,500 | |
| Total | \$15,467,916 | \$15,736,048 | \$16,150,626 | \$15,741,954 | \$15,927,266 | \$16,277,094 | \$16,597,486 | |
| Class | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | |
| D | \$18,176,130 | \$18,332,160 | \$18,641,940 | \$19,031,700 | \$12,117,420 | \$12,221,440 | \$12,427,960 | |
| M | \$396 | \$576 | \$324 | \$504 | \$264 | \$384 | \$216 | |
| E | \$360 | \$510 | \$750 | \$480 | \$240 | \$340 | \$500 | |
| DM | \$1,346,625 | \$1,377,315 | \$1,455,255 | \$1,532,295 | \$897,750 | \$918,210 | \$970,170 | |
| Dup. | \$4,089,420 | \$4,180,338 | \$4,317,372 | \$4,331,250 | \$2,726,280 | \$2,786,892 | \$2,878,248 | |
| Total | \$23,612,931 | \$23,890,899 | \$24,415,641 | \$24,896,229 | \$15,741,954 | \$15,927,266 | \$16,277,094 | |
| Class | 2022 | 2023 | 2024 | 2025 | 2026 | | | |
| D | \$12,687,800 | \$12,117,420 | \$12,221,440 | \$12,427,960 | \$12,687,800 | | | |
| M | \$336 | \$264 | \$384 | \$216 | \$336 | | | |
| E | \$320 | \$240 | \$340 | \$500 | \$320 | | | |
| DM | \$1,021,530 | \$897,750 | \$918,210 | \$970,170 | \$1,021,530 | | | |
| Dup. | \$2,887,500 | \$2,726,280 | \$2,786,892 | \$2,878,248 | \$2,887,500 | | | |
| Total | \$16,597,486 | \$15,741,954 | \$15,927,266 | \$16,277,094 | \$16,597,486 | | | |

Revenues presented here underestimate eventual revenues. During the four-year transition period (FY 2015-2018 in this example), revenues will spike 50 percent before returning to normal levels in 2019. The reason for this temporary spike is because half of licensed drivers will pay for the 8-year license instead of for the 4-year license. In the long run, licensed drivers will pay the same amount per year, but introducing the 8-year license compresses the payment cycle because individuals are paying for extended licensing privileges.

Another major factor to consider is a selection mechanism for equally dividing each cohort into two separate cohorts in different renewal years. There are several criteria that might be useful. The state could decide based on last name, which would help drivers to understand the selection process. On the other hand, it may be difficult to make those numbers even. Another possibility would be to base selection on birth year, with individuals born on odd-numbered years getting 4-year licenses during the transitional period and those born on even-numbered years getting 8-year licenses. Driver license issuance branches could also alternate between 4-year and 8-year licenses for each customer in the queue.

The license increase alone would not cover the cost of implementing REAL ID, as state law currently diverts these revenues for other purposes. To cover costs of REAL ID implementation,⁹ the state would need to slightly increase the per-year costs or change the allocation formula so that a larger share of licensing revenue goes to the photo license fund. The purpose of the photo license fund is to exclusively cover the cost of issuing a photo license (see KRS 186.531). Currently, only \$1 per license is deposited into the fund, which is not enough to cover the per-card costs.

Switching to 8-year renewal cycles has several advantages. After the initial transition period, foot traffic at license issuance offices should be cut almost in half. The exact number of reductions will depend on how the new issuance model lowers the frequency of current customer visits and the extent to which this is offset by population increases. This change would allow the Circuit Court Clerks and the Division of Driver Licensing to focus on other objectives. Additionally, it should help control labor costs for the Division of Driver Licensing and the Circuit Court Clerks. After the initial transition, KYTC would probably need only half of the currently projected personnel needed for REAL ID information processing at DDL field offices. It would also benefit customers who in most cases would only have to renew licenses every eight years. Combined with an online renewal option, foot traffic may be reduced even further, although the implementation of one option (8-year licenses or online renewal) may produce a satisfactory gain in efficiency.

There are a few potential drawbacks to 8-year renewals. One is that license photos will not be updated as frequently. Extending the interval between photos may make it more difficult for law enforcement agencies to confirm the identity of individuals who have intentionally altered their appearance. A second potential drawback is that switching to 8-year licenses will require individuals to pay a higher fee when their license is issued. Even though the cost per year will be the same, and the customer will save time and money due to fewer trips to the Circuit Court Clerk's office, some individuals may perceive this as an unfair price increase. Third, because of the way Kentucky's agreement with KI is structured, the increased license fee would also mean the transaction fee would double from \$0.55 to \$1.10, thereby increasing the state's cost per

⁹ The revenue should also cover the costs of centralization and online renewal should Kentucky pursue those objectives.

card. The impact of this change will be most significant during the transitional period, when the increase would apply to half of renewals and all new licenses. After the transition period the impact would hinge on the growth in the number of licenses issued because issuing half the number of licenses to current motorists would offset most of the increase. Finally — and related to the third point — any agreements with vendors, information technology investments, materials, lease, or other contracts could be affected by the change. Depending on the contract language, the agreements might be null or the Cabinet may be stuck paying for a higher level of service than it really needs. These decisions should be weighed as officials move forward.

Online Renewal

Another potential move for KYTC is to consider online license renewal in addition to or in lieu of implementing 8-year license renewal cycles. Online license renewal allows citizens the convenience of renewing their license at virtually any time from a smart phone or computer. Typically, states have mandated that online renewal is an acceptable alternative to walk-in renewals over every other renewal cycle. If Kentucky makes online renewal an official policy, the number of office visits could decrease. Given that the proportion of drivers opting to renew their licenses online has been underwhelming in most states — averaging 29 percent in states we surveyed — the potential reduction in office visits alone is unlikely to be as significant as changing the renewal cycle from four years to eight years. The number of in-person renewals would decline by the largest amount if the online renewal option were coupled with an 8-year renewal cycle. The information technology, or technical requirements, for implementing REAL ID would not be that dissimilar. As the implementation costs estimates show, there is a somewhat higher cost for implementing both REAL ID and online renewals, but the potential long-term savings would be far greater due to reductions in office traffic and lower labor costs for DDL field offices where PII is collected.

There are some other factors to consider. A decision to pursue online renewal in tandem with REAL ID implementation makes centralization much harder to avoid. Even if conservative estimates are correct, there will be 630,000 REAL IDs and online renewals each year.¹⁰ That would mean almost half of all licenses issued in a given year (based on the assumption of volume at 1.4 cards) will have to be printed at a centralized location, unless the state was willing to pick up the cost of updating every Circuit Court Clerk's office system for the online issuance of standard licenses (the security requirements for REAL ID would make it prohibitively

¹⁰ These estimates depend to some degree on the assumption that REAL IDs and online renewals are mutually exclusive. In the beginning, all REAL ID applicants will have to come to the office in person due to federal requirements. However, for subsequent renewals the Department of Homeland Security allows online renewals every other cycle, which would mean that the number of online renewals will increase. On the other hand, the initial estimates for online renewals could be high precisely because individuals who need a REAL ID will initially be unable to renew online.

expensive). Given these dynamics, centralization appears to be the better route for controlling costs. Even though the initial centralization bid appears more expensive, it accounts for only KYTC costs, and centralization would undoubtedly ease the labor requirements for clerks because printer operation, troubleshooting, and vendor interactions will no longer be as frequent. And there will be fewer printers for the vendor to maintain.

Another concern frequently voiced is that online renewals may leave the state vulnerable to fraud. Without physically confirming the identity of the person renewing online, there is always a possibility that individuals with malevolent intent could figure out a way to use access to these licenses to their advantage. The very purpose of the REAL ID Act is to protect American citizens from harm by enhancing the security of the license issuance process so that individuals affiliated with terrorist organizations and/or criminal enterprises cannot obtain and potentially use them for nefarious purposes. Surveys with officials in states where online REAL ID renewal is available indicated that fraud has not been problematic.¹¹ However, law enforcement officials should be consulted to identify potential issues that may not be obvious to officials who issue these credentials.

¹¹ Online renewal study.

4. Identification of Best Practices and REAL ID Options for Kentucky

State Recommendations

In the survey, states that had implemented REAL ID were asked if they had any best practices they would recommend for a state about to begin implementation. Seven of the 10 states surveyed provided recommendations. Connecticut and Wisconsin DOT officials were pleased they offered the option for customers to choose between a REAL ID compliant card and a noncompliant card. For Wisconsin officials, having an option was important because they have many customers who would have difficulty collecting the necessary documentation for REAL ID compliance. As those customers already hold a Wisconsin DL/ID, it was good to have the option to renew their DL/ID without mandating enrollment in the REAL ID program. The State of Maryland recommended having an online document guide that informs customers about which documentation is needed to obtain a REAL ID. This guide has reduced the number of trips a customer must make due to insufficient documentation.

Two states, Georgia and Indiana, indicated that they had experienced delivery problems with their REAL IDs. In Georgia, when customers did not receive their permanent cards in the mail, the problem was typically associated with the United States Postal Service (USPS). Indiana also had delivery problems and recommended that customers be required to sign a mailing address affidavit, which can reduce the volume of mail returned due to incorrect addresses. Indiana also recommended that USPS not be allowed to forward credentials through the mail. Additionally, for every returned credential, they recommend re-mailing the returned credential because approximately 30 to 40 percent of mailings reach the customer on the second attempt.

Implementation Options and Recommendations

Kentucky has multiple options for moving ahead with the implementation of REAL ID issuance. The following best practices and options for REAL ID implementation are based on a review of the REAL ID statutory requirements, survey responses from states that have implemented REAL ID, the analysis of the REAL ID printing options, and our understanding of Kentucky's current issuance process. Each scenario assumes that the REAL ID will be issued from a central location; a consistent plan, given that the 10 surveyed states indicated that they issue all licenses and ID cards from a centralized distribution model. The exception is South Dakota, which provides IDs both over-the-counter and via centralized distribution. Since there are a number of security requirements for the physical and IT security of facilities that receive PII information, store PII information, and contain security sensitive components, it would be inefficient to upgrade each facility that currently issues a state DL/ID card. Using a centralized distribution process, Kentucky has two options for meeting the requirements of the REAL ID act.

Option 1: Produce REAL IDs in-house from a centralized facility in Frankfort

Option 2: Contract REAL ID production to outside vendor

Whatever option KYTC chooses, there will be additional costs beyond producing the REAL IDs. KYTC must determine how it will receive, process, and secure PII data. As described in Chapter 2, DHS requires that the state security plan contain specifics on facility and employee security for those who process PII data with the intent of authorizing the production of a REAL ID. Therefore, if Kentucky intends to collect PII data at each of the 142 DL/ID issuance points throughout the state, all those facilities must be upgraded to meet the security requirements and be staffed by at least two covered employees at all times. Given the significant costs required for Kentucky to upgrade all 142 issuance points and provide security training and background checks for all covered employees, we recommend that the state consider issuing REAL IDs through the current KYTC field offices located throughout the state. As discussed in Task 3, additional employees will be needed in the field offices and the facilities will require upgrades to meet the security requirements mandated by DHS.

Implementation of REAL ID will undoubtedly be a complex undertaking for the Commonwealth and the agencies responsible for it. There are several decisions to make:

- 1) Should all state-issued IDs be provided from a central location or only REAL IDs?
- 2) Where should REAL IDs be produced? Should they be produced in-house at a KYTC print farm or out of state by a third-party vendor?
- 3) What is the best method to configure the REAL ID information collection model? Does it make more sense to rely solely on DDL regional offices, strategically selected Circuit Court Clerk's offices, or some combination thereof?

The hybrid distribution model (Table 12) estimated as part of Scenarios 1 and 2 initially appears to be cheaper. However, those options do not take into consideration the impact on Circuit Court Clerk offices, who currently bear most of the financial costs associated with driver's license distribution. Alternatively, the out-of-state vendor option (Scenario 4) should have a lower risk of cost overruns, as the primary responsibility for license production and issuance falls to the vendor once the personally identifiable information is collected and a print request is transmitted from a secure DDL field office or Circuit Court Clerk office. Scenario 3 is slightly more costly than Scenario 1, with the principal difference being the inclusion of online renewals. Considering the number of online renewals are projected to be between 280,000 and 600,000 (and thus substantially greater license production in Scenario 3), it wouldn't be realistic to have identical labor estimates for both of those print farms. When factoring costs, officials must also plan for facility and security upgrades, which will not alter the vendor costs much, but could significantly impact the total cost to Kentucky.

Based on the research presented in the previous chapters and in the discussion above, the following recommendations are presented:

- 1) **Begin writing the State Security Plan as soon as possible:** The state security plan serves as the blueprint for how the state will implement REAL ID. It will guide KYTC officials through the various steps necessary to receive DHS approval. The state security plan will document the state's plans for implementing REAL ID.
- 2) **Use DDL Field Offices to handle Real ID applications:** Due to the security requirements outlined in the Real ID Act, any staff that comes into contact with PII will be considered a covered employee. This designation means that special background checks and special identification badges are necessary for employees that either handle PII or may potentially come into contact with it. In addition, the physical security of the building as well as the security of the information technology systems will require significant enhancements at each of the locations handling the Real ID applications. As such, the best option is to limit the number of people and facilities that are impacted by these security requirements.
- 3) **Move to centralized distribution for Real ID:** Under the REAL ID Act, a high level of security is required for all offices that handle PII and print REAL ID licenses. It would be unrealistic and extremely expensive to outfit each of the 142 Circuit Clerk Offices with the necessary security. Maintaining printers for REAL IDs and hiring the necessary staffing for printing at each of the DDL field offices would be cost prohibitive. It will be essential to move the printing and distribution of licenses (at least the REAL ID licenses) to a central location.
- 4) **Move to an online renewal system:** Kentucky should move to an online renewal process for non-compliant IDs and determine if online renewal for REAL ID should also be an option.
- 5) **Develop and implement a public information campaign:** A public information campaign will be necessary to educate Kentucky citizens about REAL ID. This plan should include information about the purpose of REAL ID, who will need one, and the documentation needed to obtain one.
- 6) **Determine if Kentucky will offer a non-compliant DL/ID:** KYTC has the option to offer a REAL ID compliant card or a non-compliant card. Several states recommended offering the option because not all citizens will opt for a REAL ID.
- 7) **License Issuance Authority:** There are three statutory amendments necessary for the implementation of REAL ID. The first is KRS 186.410, which states that "except as provided in KRS 186.412, all original, renewal, and duplicate licenses for the operation of motor

vehicles, motorcycles, or mopeds shall be issued by the circuit clerk in the county of the applicant’s residence” (there is a role for the Department of Corrections in the issuance of a license to any felony offender). This statute must be amended to allow DDL to collect PII for REAL ID licenses, and to let a third-party vendor to produce and distribute licenses. If the state takes a hybrid approach to PII collection, and includes the Circuit Court Clerks, then both DDL and the Clerks should be authorized to collect PII. In terms of third-party vendor distribution, the statute should be open-ended enough that online renewals, standard licenses, and REAL IDs can all be distributed in this manner.

- 8) **8-Year Renewal Cycle:** Should KYTC ask for an 8-year renewal cycle instead of the current 4-year renewal cycle, current license prices will need to change to reflect the new license duration. KRS 186.531 stipulates that Class D licenses are \$20, Class M are \$24, Class E are \$20, Class DM are \$30, and duplicates for any license class are \$12. Each of these fees would need to double to account for the doubled license duration, but KYTC cannot implement these cost increases without legislatively amending this statute.

| License Type | 4-Year (\$) | 8-Year (\$) |
|---------------------|--------------------|--------------------|
| D | 20 | 40 |
| M | 24 | 48 |
| E | 20 | 40 |
| DM | 30 | 60 |
| Duplicates | 12 | 24 |

- 9) **Distribution of License Fees:** Another component of KRS 186.531 is the manner in which license fees are distributed. For Class D, DM, and M renewals, the license allocation formulas should be adjusted in accordance with the tables below. The distribution of license fees for duplicates depends on the type of duplicate license one applies for. The table below shows the current license distribution formula, the proposed distribution for a 4-year license, and the proposed distribution for an 8-year license. Given that the cost per license under a centralized distribution model with REAL ID is projected to cost as much as \$6.11, and that bid is not inclusive of all costs, \$8 is a good estimate that should cover all costs plus future increases. Security, additional real estate, and equipment purchases not covered under current cost categories could easily drive the price up to nearly \$8. If 8-year licenses are adopted, card costs might stabilize or decrease after the transitional period. Because these costs would only be recovered every eight years instead of every four years, we recommend reserving \$10 per license, with the stipulation that any remaining money go to the road fund.

Current License Distribution

| Description | D Renewal | D-M Renewal | M Renewal |
|--------------------|------------------|--------------------|------------------|
| Amount | \$20.00 | \$30.00 | \$24.00 |

| | | | |
|-------------------------|---------|---------|---------|
| General Fund | | \$3.00 | |
| Road Fund | \$13.60 | \$17.04 | \$13.60 |
| Photo License | \$1.00 | \$1.00 | \$1.00 |
| Driver Education | \$0.50 | \$0.50 | \$0.50 |
| County Fund | \$0.50 | \$0.50 | \$0.50 |
| MCY Fund | | \$4.00 | \$4.00 |
| AOC | \$4.40 | \$3.96 | \$4.40 |

Proposed Distribution (4-Year)

| Description | D Renewal | D-M Renewal | M Renewal |
|-------------------------|----------------------|------------------------|----------------------|
| Amount | \$20.00 | \$30.00 | \$24.00 |
| General Fund | | \$3.00 | |
| Road Fund | \$6.60 | \$10.04 | \$6.60 |
| Photo License | \$8.00 | \$8.00 | \$8.00 |
| Driver Education | \$0.50 | \$0.50 | \$0.50 |
| County Fund | \$0.50 | \$0.50 | \$0.50 |
| MCY Fund | | \$4.00 | \$4.00 |
| AOC | \$4.40 | \$3.96 | \$4.40 |

Proposed Distribution (8-Year)

| Description | D Renewal | D-M Renewal | M Renewal |
|-------------------------|----------------------|------------------------|----------------------|
| Amount | \$40.00 | \$60.00 | \$48.00 |
| General Fund | | \$6.00 | |
| Road Fund | \$19.20 | \$26.08 | \$19.20 |
| Photo License | \$10.00 | \$10.00 | \$10.00 |
| Driver Education | \$1.00 | \$1.00 | \$1.00 |
| County Fund | \$1.00 | \$1.00 | \$1.00 |
| MCY Fund | | \$8.00 | \$8.00 |
| AOC | \$8.80 | \$7.92 | \$8.80 |

Appendix A
Full Compliance Certification Checklist
(Template for States to Note Benchmarks and Plans towards Full Compliance)

AAMVA provides the following template to assist the states in their submission of a certification package towards acceptable programs that would satisfy provisions of the Real ID Act. Members should note that the Department of Homeland Security (DHS) has noted to our membership that submission of plans towards a more secure driver’s license or identification credential should not be viewed as implicit compliance with the Act. States should simply document what they are doing in relation to the minimum standards of the Act. The Real ID regulation specifically authorizes DHS to accept information that would document that state programs are comparable to the standards of the regulation. Upon submission, DHS will then make determinations on whether or not these programs conform with the standards of the Act whether or not the state is legislatively (or otherwise) precluded from compliance with the Act in general.

| # | Section | Does The State: | Yes, is met | No, will meet by [date] | Comments |
|---|----------------|--|-------------|-------------------------|----------|
| 1 | § 37.11(a) | Subject each applicant to a mandatory facial image capture and retain such image even if a driver license (DL) or identification card (ID) is not issued. | | | |
| 2 | § 37.11(b) | Have each applicant sign a declaration under penalty of perjury that the information presented is true and correct, and retain this declaration pursuant to § 37.31. | | | |
| 3 | § 37.11(c)(1) | Require an individual to present at least one of the source documents listed in subsections (i) through (x) when establishing identity. | | | |
| 4 | § 37.11(d)-(g) | Require documentation of: <ul style="list-style-type: none"> • Date of birth • Social Security Number • Address of principal residence • Evidence of lawful status | | | |
| 5 | § 37.11(h) | Have a documented exceptions process that meets the requirements established in 37.11(h)(1)-(3) (if States choose to have such a process). | | | |

| # | Section | Does The State: | Yes, is met | No, will meet by [date] | Comments |
|----|-----------------------|---|-------------|-------------------------|----------|
| 6 | § 37.13(a) | Make reasonable efforts to ensure that the applicant does not have more than one DL or ID already issued by that State under a different identity. | | | |
| 7 | § 37.13(b)(1) | Verify lawful status through SAVE or another method approved by DHS. | | | |
| 8 | § 37.13(b)(2) | Verify Social Security account numbers with the Social Security Administration or another method approved by DHS. | | | |
| 9 | § 37.15(b) | Issue DL and IDs that contain Level 1, 2 and 3 integrated security features. | | | |
| 10 | § 37.17(a)-(l) | Surface (front and back) of cards include the following printed information in Latin alpha-numeric characters: <ul style="list-style-type: none"> • Full legal name • Date of birth • Gender • Unique DL/ID number • Full facial digital photograph • Address of principal residence [with exceptions] • Signature [with exceptions] • Date of transaction • Expiration date • State or territory of issuance | | | |
| 11 | § 37.17 (n) | Commit to mark materially compliant DL and IDs with a DHS-approved security marking. | | | |
| 12 | § 37.21 | Issue temporary or limited-term licenses to all individuals with temporary lawful status and tie license validity to the end of lawful status. | | | |
| 13 | § 37.41 | Have a documented security plan for DMV operations in accordance with the requirements set forth in § 37.41. | | | |
| 14 | § 37.41(b)(2) | Have protections in place to ensure the security of personally identifiable information. | | | |
| 15 | § 37.41(b)(5)(i)-(ii) | Require all employees handling source documents or issuing DLs or IDs to attend and complete the | | | |

| # | Section | Does The State: | Yes, is met | No, will meet by [date] | Comments |
|----|-----------------|--|-------------|-------------------------|----------|
| | | AAMVA approved (or equivalent) fraudulent document recognition training and security awareness training. | | | |
| 16 | § 37.45 | Conduct name-based and fingerprint-based criminal history and employment eligibility checks on all employees in covered positions or an alternative procedure approved by DHS. | | | |
| 17 | § 37.51 (b)(1) | Commit to be in material compliance with Subparts A through D no later than January 1, 2010 or within 90 days of submission of this document, whichever date is earlier. | | | |
| 18 | § 37.71 (b)(1) | Clearly state on the face of non-compliant DLs or IDs that the card is not acceptable for official purposes, except for licenses renewed or reissued under § 37.27. | | | |
| 19 | § 37.05(a) | Issue REAL ID DL/ID cards valid for a period not to exceed eight years. | | | |
| 20 | § 37.11(i) | Take sufficient steps in issuing REAL ID DL/ID cards to safeguard the identities of persons identified in section 37.11(i). | | | |
| 21 | § 37.13(b)(3) | Verify birth certificates. | | | |
| 22 | § 37.13(b) | Verify a U.S. passport, Consular Report of Birth Abroad, and U.S. Visa with accompanying valid I-94. | | | |
| 23 | § 37.13(b)(5) | Verify REAL ID driver's licenses and identification cards with the State of issuance. | | | |
| 24 | § 37.15(a)(1) | Include document security features on REAL ID DL/ID cards that are not capable of being reproduced using technologies that are commonly used and made available to the general public. | | | |
| 25 | § 37.15(d) | Conduct a review and submit a report to DHS on card design and the ability of the card to resist forgery and counterfeiting. | | | |
| 26 | § 37.19 (a)-(j) | Include all of the information on the face of the card in the PDF-417 | | | |

| # | Section | Does The State: | Yes, is met | No, will meet by [date] | Comments |
|----|------------------|---|-------------|-------------------------|----------|
| | § 37.21(e) | Machine Readable Zone of the card and, in addition, the: <ul style="list-style-type: none"> • Card design revision date • Inventory control number • Indication that license is temporary or limited-term | | | |
| 27 | § 37.21 | Prior to renewing temporary or limited-term driver's license or identification cards, require applicants to: <ul style="list-style-type: none"> • Present valid documentary evidence that their qualification is still in effect or that they have qualified for another lawful status; and • Verify information presented through SAVE, or another method approved by DHS | | | |
| 28 | § 37.23(a) | Have a procedure in place to verify an applicant's identity each time a REAL ID DL/ID card is reissued. | | | |
| 29 | § 37.23(b) | Conduct remote re-issuance, if permitted, in accordance with section 37.13 verification procedures (excluding re-issuance of duplicate cards). | | | |
| 30 | § 37.23(c) | Require in person re-issuance when there is any material change in personally identifiable information since prior issuance, as defined in § 37.03. Such information shall be verified as specified in 37.13. | | | |
| 31 | §37.25(a)(1)-(3) | Prior to renewing a REAL ID DL/ID: <ul style="list-style-type: none"> • Take an updated photograph of all holders of REAL ID driver's license and identification cards no less frequently than every sixteen years • Re-verify applicant's SSN and lawful status, as well as information it was unable to verify at previous issuances or renewals because systems or processes did | | | |

| # | Section | Does The State: | Yes, is met | No, will meet by [date] | Comments |
|----|------------------|---|-------------|-------------------------|----------|
| | | not exist. | | | |
| 32 | §37.25(b)(1)-(2) | If remote REAL ID renewals are permitted: <ul style="list-style-type: none"> • Re-verify the applicants information through SAVE and SSOLV (or other methods approved by DHS) • Prohibit the remote renewal of REAL ID DL/ID when there is a material change in personally identifiable information, as defined in §37.03. | | | |
| 33 | § 37.29 | Not permit an individual to hold more than one REAL ID document, and no more than one DL <ul style="list-style-type: none"> • Prior to issuing a REAL ID driver's license, query other States to determine if applicant has been already been issued a driver's license or REAL ID identification card; Confirm that the other card has been, or is being, terminated • Prior to issuing a REAL ID identification card, query other States to determine if applicant has already been issued a REAL ID DL/ID; Confirm that the other card has been, or is being, terminated | | | |
| 34 | §37.31(a)(1)-(3) | Retain copies of the application, declaration and source documents. Paper copies and microfiche must be retained for seven years. Digital images must be retained for a minimum of ten years. | | | |
| 35 | §37.31(b)(1)-(3) | If digital imaging is used to retain source documents, <ul style="list-style-type: none"> • Store photo images in a JPEG compatible format • Store document and signature images that are compressed in Tagged Image Format (TIF) or | | | |

| # | Section | Does The State: | Yes, is met | No, will meet by [date] | Comments |
|----|----------------|--|-------------|-------------------------|----------|
| | | <ul style="list-style-type: none"> comparable standard Require that all images are retrievable by the DMV if properly requested by law enforcement | | | |
| 36 | § 37.33(a)-(b) | Maintain a DMV database containing, at a minimum, items identified in 37.33(a)(1)-(4). | | | |
| 37 | § 37.41 (b)(4) | Implement documented procedures for controlling access to facilities and systems involved in the enrollment, manufacture, production and issuance of DL/IDs. | | | |
| 38 | § 37.43 | Ensure the physical security of locations where driver's licenses and identification cards are manufactured or produced, and the security of document materials and papers of which such cards are produced. | | | |
| 39 | § 37.55 | <p>Submit Final Certification package, to include;</p> <ul style="list-style-type: none"> Full compliance certification checklist Attorney General letter Certification by highest level executive official in state overseeing DMV Description of states exceptions process per §37.11(h), waiver process (per §37.45(b)(1)(v)) State security plan (per §37.41) | | | |

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Appendix B

§ 1572.103: Disqualifying criminal offenses.

(a) *Permanent disqualifying criminal offenses.* An applicant has a permanent disqualifying offense if convicted, or found not guilty by reason of insanity, in a civilian or military jurisdiction of any of the following felonies:

- (1) Espionage or conspiracy to commit espionage.
- (2) Sedition, or conspiracy to commit sedition.
- (3) Treason, or conspiracy to commit treason.
- (4) A federal crime of terrorism as defined in [18 U.S.C. 2332b\(g\)](#), or comparable State law, or conspiracy to commit such crime.
- (5) A crime involving a transportation security incident. A transportation security incident is a security incident resulting in a significant loss of life, environmental damage, transportation system disruption, or economic disruption in a particular area, as defined in [46 U.S.C. 70101](#). The term “economic disruption” does not include a work stoppage or other employee-related action not related to terrorism and resulting from an employer-employee dispute.
- (6) Improper transportation of a hazardous material under [49 U.S.C. 5124](#), or a State law that is comparable.
- (7) Unlawful possession, use, sale, distribution, manufacture, purchase, receipt, transfer, shipping, transporting, import, export, storage of, or dealing in an explosive or explosive device. An explosive or explosive device includes, but is not limited to, an explosive or explosive material as defined in [18 U.S.C. 232\(5\)](#), [841\(c\)](#) through 841(f), and 844(j); and a destructive device, as defined in [18 U.S.C. 921\(a\)\(4\)](#) and [26 U.S.C. 5845\(f\)](#).
- (8) Murder.
- (9) Making any threat, or maliciously conveying false information knowing the same to be false, concerning the deliverance, placement, or detonation of an explosive or other lethal device in or against a place of public use, a state or government facility, a public transportation system, or an infrastructure facility.
- (10) Violations of the Racketeer Influenced and Corrupt Organizations Act, [18 U.S.C. 1961](#), *et seq.*, or a comparable State law, where one of the predicate acts found by a jury or admitted by the defendant, consists of one of the crimes listed in paragraph (a) of this section.
- (11) Attempt to commit the crimes in paragraphs (a)(1) through (a)(4).
- (12) Conspiracy or attempt to commit the crimes in paragraphs (a)(5) through (a)(10).

(b) *Interim disqualifying criminal offenses.*

- (1) The felonies listed in paragraphs (b)(2) of this section are disqualifying, if either:
 - (i) the applicant was convicted, or found not guilty by reason of insanity, of the crime in a civilian or military jurisdiction, within seven years of the date of the application; or
 - (ii) the applicant was incarcerated for that crime and released from incarceration within five years of the date of the TWIC application.
- (2) The interim disqualifying felonies are:

(i) Unlawful possession, use, sale, manufacture, purchase, distribution, receipt, transfer, shipping, transporting, delivery, import, export of, or dealing in a firearm or other weapon. A firearm or other weapon includes, but is not limited to, firearms as defined in [18 U.S.C. 921\(a\)\(3\)](#) or [26 U.S.C. 5 845\(a\)](#), or items contained on the U.S. Munitions Import List at 27 CFR [447.21](#).

(ii) Extortion.

(iii) Dishonesty, fraud, or misrepresentation, including identity fraud and money laundering where the money laundering is related to a crime described in paragraphs (a) or (b) of this section. Welfare fraud and passing bad checks do not constitute dishonesty, fraud, or misrepresentation for purposes of this paragraph.

(iv) Bribery.

(v) Smuggling.

(vi) Immigration violations.

(vii) Distribution of, possession with intent to distribute, or importation of a controlled substance.

(viii) Arson.

(ix) Kidnapping or hostage taking.

(x) Rape or aggravated sexual abuse.

(xi) Assault with intent to kill.

(xii) Robbery.

(xiii) Fraudulent entry into a seaport as described in [18 U.S.C. 1036](#), or a comparable State law.

(xiv) Violations of the Racketeer Influenced and Corrupt Organizations Act, [18 U.S.C. 1961](#), *et seq.*, or a comparable State law, other than the violations listed in paragraph (a)(10) of this section.

(xv) Conspiracy or attempt to commit the crimes in this paragraph (b).

(c) ***Under want, warrant, or indictment.*** An applicant who is wanted, or under indictment in any civilian or military jurisdiction for a felony listed in this section, is disqualified until the want or warrant is released or the indictment is dismissed.

(d) ***Determination of arrest status.***

(1) When a fingerprint-based check discloses an arrest for a disqualifying crime listed in this section without indicating a disposition, TSA will so notify the applicant and provide instructions on how the applicant must clear the disposition, in accordance with paragraph (d)(2) of this section.

(2) The applicant must provide TSA with written proof that the arrest did not result in conviction for the disqualifying criminal offense, within 60 days after the service date of the notification in paragraph (d)(1) of this section. If TSA does not receive proof in that time, TSA will notify the applicant that he or she is disqualified. In the case of an HME, TSA will notify the State that the applicant is disqualified, and in the case of a mariner applying for TWIC, TSA will notify the Coast Guard that the applicant is disqualified.

[[72 FR 3595](#), Jan. 25, 2007; [72 FR 5633](#), Feb. 7, 2007; [72 FR 14050](#), Mar. 26, 2007]

Appendix C

REAL ID Survey

Name and Email:

State:

1. What was the cost breakdown for implementing REAL ID and would you share the information from your Request for Proposals (RFP)?
2. Do you issue the permanent REAL ID license from the physical licensing location or from a central issuance point? Can you provide your overall issuance process?
3. How did you educate the public about the associated changes resulting from REAL ID implementation?
4. Does your state issue a temporary ID for the citizens while they wait for the permanent ID to arrive in the mail?
 - Yes
 - No
5. What is your license photo update cycle?
6. What is your license renewal cycle? If you have staggered renewals, what method did you use to determine timing so that renewal numbers were consistent from year to year?
7. Can you recommend any best practices for a state that is about to implement REAL ID?