

**Department of Legislative Services**  
Maryland General Assembly  
2007 Session

**FISCAL AND POLICY NOTE**

House Bill 1381

(Delegate Heller)

Judiciary

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**Motor Vehicle Administration - Federal REAL ID Act of 2005 - Cost Estimate Report**

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This bill requires the Motor Vehicle Administration (MVA) to report to the General Assembly by October 1, 2007 on several matters pertaining to the implementation of the federal REAL-ID Act.

The bill takes effect July 1, 2007 and terminates October 31, 2007.

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**Fiscal Summary**

**State Effect:** None. The MVA is already developing cost estimates to implement the Act. It will use those data to develop the report to the General Assembly.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** The MVA must report on the additional MVA staff and technology needed to implement the federal REAL-ID Act, including:

- computer systems needed to allow the MVA to verify birth certificates, Social Security numbers, and citizenship status;
- security measures needed to safeguard the national database;

- additional State funding to implement the Act; and
- the additional costs to State residents, including any increase in taxes, MVA fees, and fees imposed by local governments.

The MVA must also report on • the percentage of its fiscal 2008 budget intended to implement the REAL-ID Act; • the estimated number of State residents affected by the new driver's licenses and identification card (ID card) requirements from calendar 2008 to 2018; and • the costs of implementing REAL-ID in every other state that has published its cost estimates.

**Current Law/Background:** On May 11, 2005, President Bush signed into law the REAL-ID Act (REAL-ID) creating national standards for the issuance of state driver's licenses and identification (ID) cards. The Act establishes certain standards, procedures, and requirements that must be met by May 11, 2008, if state-issued driver's licenses and ID cards are to be accepted as valid identification by the federal government. The Act requires the U.S. Department of Homeland Security (DHS) to adopt regulations to implement the Act. On March 1, 2007, DHS issued proposed regulations for public comment, before the regulations are finalized. The proposed regulations would allow for an extension of the implementation of REAL-ID if filed by October 1, 2007. DHS stated in its proposed regulations that it would not allow an extension past December 31, 2009.

Under the Act, a driver's license or ID card would need to meet these standards in order to be used to enter a federal building or board a commercial aircraft. The Act requires uniformity amongst all states in the design and information contained on a personal ID card and driver's license, including address and signature, a digital photo, machine-readable technology, and anti-counterfeiting measures. The MVA will also be required to verify all documents submitted for a personal ID or driver's license with the issuing agency, including proof of birth, proof of a Social Security number, and documentation of the individual's principal residence. This is likely to create longer wait times and could eliminate same-day service. In addition, the MVA will be required to verify that an individual is legally present in the country. The MVA will also need to obtain security clearances for workers issuing driver's licenses and ID cards.

The National Conference of State Legislatures has conducted a survey to determine the cost of implementing REAL-ID. The cost is estimated at \$11 billion over the first five years for all states. Maine has passed a resolution refusing to implement REAL-ID.

By statute, the MVA must recover the cost of 95% to 100% of its operating and capital expenditures through its miscellaneous fees. Thus, additional capital investment or increased operating expenditures resulting from the Act's implementation will result in fee increases or reductions in other areas.

In a briefing before the House Judiciary Committee on January 30 about REAL-ID, the Motor Vehicle Administrator stated that REAL-ID would cost at most \$150 million to implement in the State; however, this was considered a “worst case scenario.” The administrator estimated that costs would likely be lower but could not reliably estimate how much lower. The administrator did state that, for every \$1.0 million that REAL-ID costs to implement, the MVA would need to raise driver’s license fees by one dollar.

**State Fiscal Effect:** The MVA advises that it has already engaged the services of a contractor who is analyzing the impact of REAL-ID on the MVA. The contractor will assist the MVA in developing cost estimates associated with REAL-ID. The MVA would therefore use data already being collected to develop the cost estimate report for the General Assembly.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Department of Transportation, Department of Legislative Services

**Fiscal Note History:** First Reader - March 12, 2007  
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