

# **EXECUTIVE BRANCH EFFICIENCY TASK FORCE**

## **Minutes of the 5th Meeting of the 2022 Interim**

**October 24, 2022**

### **Call to Order and Roll Call**

The 5th meeting of the Executive Branch Efficiency Task Force was held on Monday, October 24, 2022, at 1:00 PM, in Room 171 of the Capitol Annex. Senator Robby Mills, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Robby Mills, Co-Chair; Representative Jerry T. Miller, Co-Chair; Senators Michael J. Nemes, Whitney Westerfield, and David Yates; Representatives Shane Baker and Bobby McCool.

Guests: Secretary Jim Gray, Deputy Secretary Mike Hancock, Kenny Bishop, Matt Cole, Heather Stout, Sarah Jackson, Brad Webb, and Ron Rigney, Transportation Cabinet.

LRC Staff: Daniel Carter, Alisha Miller, Michael Clancy, and Cheryl Walters.

### **Approval of Minutes**

The minutes of the September 26, 2022, meeting were approved without objection, upon the motion by Senator Nemes, and seconded by Representative Miller.

### **Charge of the Task Force**

Senator Mills stated the objectives of the task force, which are to look into the functions of the executive branch of the Commonwealth; allow agencies to explain their structure, funding, and budget building practices; and grant agencies the opportunity to propose to the legislature future reorganization plans and proposals to make their internal processes more efficient.

### **Transportation Cabinet – Organizational, Operational, and Budgetary Overview**

Presenting for the Transportation Cabinet were Secretary Jim Gray; Deputy Secretary Mike Hancock; Kenny Bishop, Legislative Director; Matt Cole, Director, Division of Driver Licensing; Heather Stout, Executive Director of Information Technology; Sarah Jackson, REAL ID Project Manager; Brad Webb, Administrative Branch Manager, Office of Human Resources; and Ron Rigney, Division of Program Management, Department of Highways.

Secretary Gray testified that the Transportation Cabinet is the logistics and operations backbone of the state, with maintenance facilities in every county. Secretary Gray explained the Transportation Cabinet's role in providing support in response to the tornado disaster in western Kentucky and flooding in eastern Kentucky. The cabinet repaired and reopened over 100 roadways and bridges, cleaned debris, and transported water, food, cleaning supplies, portable buildings, heavy equipment, and temporary shelters for those who lost their homes. In the two weeks after the flood, the cabinet (with the help of consultants) inspected over 1,098 bridges, and found that almost 200 were in need of significant repair or full replacement. Contracts have been approved for repair or replacement of 30 bridges, and approval for repair and replacement of an additional 30 are expected by the end of the year. The process involved designing, engineering, and creating estimates.

Obstacles endured by the cabinet include severe snow and ice storms, adhering to COVID-19 protocols, shortage of contract plow operators, the Brent Spence bridge closing, and the launch of a new drivers licensing system, REAL ID.

Secretary Gray explained how the Transportation Cabinet has improved efficiency and cost-cutting measures. To increase efficiency, the cabinet created a consultant portal to improve their procurement processes. The portal has decreased the amount of time to contract with a consultant from nine months to 100 days, with most contracts. The portal has reduced costs by allowing consultants to focus on engineering services over administrative tasks. It has also reduced the amount of time to amend or modify a contract; from months to days. The cabinet has also created a portal for commercial vehicle drivers where they can submit their application for commercial driver's licenses.

Secretary Gray stated the vision and mission of the cabinet, and its functional responsibilities, which include providing highway safety, maintaining and upgrading highways and bridges, administering rural and municipal aid programs, coordinating transit funding with local agencies, aviation funding, water boat and ferry boat funding, and coordinating railroad funding. The cabinet employs approximately 4,120 employees, an 11 percent decrease from 10 years ago. Of those, over 3,600 employees are with the Department of Highways. They currently have approximately 300 job postings, and filling those positions has been a challenge. The private sector still offers better salaries and benefits than the cabinet. As a result, there has been an upward trend of outsourcing, particularly in the areas of bridge inspection, design services, construction inspection services, and bridge load raters.

The cabinet is responsible for inspecting over 14,000 state and county owned bridges and for maintaining over 9,000 state owned bridges. Secretary Gray stated that project management needs to come from the cabinet, and low staffing levels affect the ability of the cabinet to fulfill its responsibilities.

In response to questions from Senator Westerfield, Secretary Gray stated that the cabinet has contract employees for REAL ID and professional services, such as consulting engineers and legal.

Secretary Gray testified that total budget of the Transportation Cabinet of both state and federal dollars is \$3.769 billion. Budget appropriations within the Transportation Cabinet include general administration and support, Department of Highways, Department of Aviation, Department of Rural & Municipal Aid, public transportation, debt service, and capital.

Within general administration and support, there are approximately 222 employees, including 80 contract employees in the IT division, with a budget of over \$171 million. Approximately \$90 million was appropriated by the General Assembly for funding for electric vehicles (EVs).

The Department of Highways employs approximately 3,628 employees across the state, with a budget just over \$2.796 billion, coming from the road fund and state and federal funds. The cabinet received an appropriation of approximately \$230 million from the federal infrastructure law.

In response to questions from Senator Mills, Secretary Gray responded that the funds are appropriated for five years, and typically with federal funds, the appropriation has not decreased.

In response to questions from Representative McCool, Secretary Gray stated the funding discrepancies and deficits were for maintenance, where there is a significant backlog. Federal dollars provide annual aid to many projects, but typically maintenance is funded by state dollars.

Secretary Gray testified that the Department of Rural and Municipal Aid has a budget of approximately \$372 million, which is primarily used to repair county roads. There is a backlog of approximately \$30 million in county repair projects, but only \$10 million annually is allotted for discretionary funds. There is an internal process to allocate discretionary funds for county road repairs.

The Department of Vehicle Regulation has a budget of approximately \$68 million, and employs 219 employees, plus 150 contract employees for REAL ID. There are 32 regional REAL ID offices across the state.

The Department of Aviation has a budget of over \$36 million, which includes a one-time fund of \$11 million provided by the General Assembly.

In response to questions from Senator Mills, Secretary Gray stated that the normal appropriation for the Department of Aviation is about half a million a year in state funds.

In response to questions from Senator Westerfield, Deputy Secretary Hancock testified that there are categories of restricted fund use, and restrictions may vary. The cabinet keeps record through their budget office of the different restricted funds and how those funds may be used.

In response to a question by Senator Mills, Deputy Secretary Hancock testified that restricted funds are funds generated from a source for a designated use, and there may be different uses. Some examples include sales tax for aviation jet fuel, funds to purchase highway equipment, and various fees for investment income.

Secretary Gray stated that Public Transportation contains approximately 15 employees, with a budget of over \$98 million, and it also administers over \$150 million in non-emergency Medicaid funds.

Deputy Secretary Hancock addressed how the cabinet allocates debt service and capital. Debt service is what the cabinet pays for past bonds sold through the Kentucky Turnpike Authority. The cabinet has used bonds since 1984, and have used over \$4.1 billion in Kentucky Turnpike and federal guaranty bonds. Debt service for fiscal year 2023 is approximately \$135 million. The capital plan is funded to maintain building and physical infrastructure owned by the cabinet across the state. The budget for the capital plan is approximately \$35 million.

In response to a question from Senator Mills, Deputy Secretary Hancock stated that the capital budget is mostly allocated for minor repairs, county maintenance facilities and other costs, and there is a significant backlog for major repairs that would require more than the current budget.

Secretary Gray explained the funding sources received by the cabinet. Most funding comes from state road funds, federal funds, and state general and restricted funds. Their primary funding partners are the General Assembly, U.S. Dept of Transportation, Federal Transit Administration, Federal Aviation Administration, and Federal Rail Administration. State road fund revenue mostly comes from motor fuels tax receipts and motor vehicle usage tax receipts. Total revenue from federal fund sources is approximately \$1.548 billion, most of which is coming from the Federal Highway Funding formula.

In response to questions from Representative Miller, Secretary Gray stated that electronic vehicle (EV) stations are currently in development. There will be a cost for using EV stations, but is unsure of what it will cost to charge an EV. Approximately 70 EV stations will be in place during the first round, which would mostly be near interstates and

parkways. Deputy Secretary Hancock added that the Kentucky plan was approved by the federal government.

Secretary Gray explained reporting protocols and requirements for the cabinet. They report to several different state and federal agencies; in addition to their own internal audits. The Auditor of Public Accounts also performs an annual financial audit.

Secretary Gray updated the members on REAL ID. In April 2020, 120 clerks transferred driver's license issuance to regional offices. In June 2022, there were approximately 350 employees, including temporary staff serving 5,000 to 6,000 Kentuckians daily. Over 240,000 have been served through online renewals and 25,000 through mail. REAL ID offices were set up in counties affected by tornadoes and flooding. There are now 32 regional offices. Mr. Cole added that year-to-date, 23 percent of licenses issued were REAL IDs. There is a 16 percent adoptance rate of REAL ID, with a goal of having a 35 to 45 percent adoptance rate. The national rate is approximately 51-52 percent. Applicants are not required to adopt REAL ID.

In response to questions from Representative Miller, Mr. Cole testified that Kentucky State Police handles driver testing, and on July 6 all testing could be conducted in the regional offices. There have been problems with staffing and they used partners to streamline processes.

In response to questions from Senator Westerfield, Mr. Cole stated that the cabinet has engaged in a campaign with the Transportation Security Administration (TSA) to encourage people to adopt REAL ID. The campaign will start in November and last through the enforcement date. Ms. Jackson added that the changes to driver licensing were significant and the cabinet has been working to ensure that the changes are efficient and streamlined. The cabinet is working with other agencies and nonprofits to make sure their members are aware of the changes. TSA also has secondary screening, for those who do not have REAL ID, but there is no guarantee that the person will receive a pass that day. They are starting to see 35 percent issuance of REAL ID on some days.

In response to questions from Senator Mills, Mr. Cole stated that all credentialing has been removed from the clerk's offices to the regional offices. Costs and potential savings from the move are not like comparisons. Some cost increases were incurred with the move, but there is also revenue coming in; the Department of Vehicle Regulation brings in \$320 million a year, and as long as the agency has money allocated for upcoming costs, they can make adjustments as needs arise.

In response to questions from Senator Westerfield, Ms. Stout testified that she has approximately 110 IT staff, of which 80 are contract employees. They have consistently moved to contract employees due to the difficulty in finding skilled resources to perform needed tasks. The salaries are closer to matching the private sector, and are becoming more

competitive. Challenges have been due to the IT profession being increasingly competitive after COVID, making it difficult to find qualified talent. Projects that used to take a few weeks to complete, now take months. They work with COT daily, and use all of COT's infrastructure and security services. Their budget with COT is approximately \$18-20 million. The cabinet has moved some storage into the cloud via AWS and Google. All real-time data and sensors and real-time intelligence data are stored domestically with Google cloud.

Ms. Stout added that the IT department has over 120 applications they maintain and support and will add or transition to new applications. She was unsure of the map of life cycles for all applications, and they are trying to separate many applications away from the mainframe. Approximately 80 applications are .net and have their own life cycles. If she had more resources, she would add more applications. Because of limited resources there is backlog, and the team can only manage up to eight large projects at a time, forcing them to prioritize requests.

Ms. Stout added that she wanted to have KAVIS finished by the end of this year, but it is not likely that it will be completed until next summer. There have been many implementations with KAVIS already, including a boat titling and registration system, disabled placard, and migration of all county clerks to a standard point of sale solution. One of the issues includes interfacing with the national motor vehicle system. Some challenges with legislation include mandated effective dates and being involved too late in the legislative process.

In response to questions from Representative Miller, Ms. Stout testified that the cabinet uses Kentucky Interactive frequently and is very satisfied with their performance. Online renewal applications for vehicles are handled through Kentucky Interactive to help the cabinet comply with HB 284.

Senator Mills thanked the Transportation Cabinet representatives for their testimony, and the meeting adjourned at 2:29 p.m.