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LEGISLATIVE RESEARCH COMMISSION

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MEMORANDUM

TO: Interim Joint Committee on Transportation
FROM: Katie Comstock, LRC Director *KC*
SUBJECT: Administrative Regulations
DATE: September 2, 2026

At its August 11, 2026, meeting, the Administrative Regulation Review Subcommittee completed its review of the following administrative regulation: 601 KAR 012:130.

Pursuant to the provisions of KRS Chapter 13A, this regulation has been assigned to Interim Joint Committee on Transportation. Pursuant to KRS Chapter 13A, the committee has ninety (90) days from the date of this assignment to review this regulation.

cc: Administrative Regulation Review Subcommittee
John Snyder

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MEMORANDUM

TO: Senator Robert Stivers, President of the Senate
Representative David Osborne, Speaker of the House
Members of the Legislative Research Commission

FROM: Senator Stephen West, Co-Chair
Representative Derek Lewis, Co-Chair
Administrative Regulation Review Subcommittee

RE: Report of the Administrative Regulation Review Subcommittee

DATE: September 2, 2026

Members: Senator Stephen West, Co-Chair; Representative Derek Lewis, Co-Chair; Senators Julie Raque Adams and Mike Wilson; and Representatives Deanna Gordon and Mary Lou Marzian.

LRC Staff: Karen Howard, Emily Harkenrider, Carrie Nichols, Stacy Auterson, Laura Begin, Ange Darnell, Anna Latek, and Callie Lewis.

Guests: Jim Florence, Director, Unclaimed Property Division, State Treasurer's Office, Department of Treasury; Robert Gullette III, General Counsel, State Treasurer's Office, Department of Treasury; Taylor Brown, General Counsel, State Board of Elections (SBE); Leslie M. Saunders, General Counsel, Registry of Election Finance (KREF); John Steffen, Executive Director, KREF; Jessica Brown, General Counsel, Board of Pharmacy (KBOP); Christopher Harlow, Executive Director, KBOP; Mary Beth Morris, President, Board of Optometric Examiners (KBOE); Kristen Webb, General Counsel, KBOE; Jeff Allen, Executive Director, Board of Dentistry (KBD); Cathy Falconer, General Counsel, Department of

Professional Licensing (DPL), Public Protection Cabinet (PPC); Rhonda Phelps, Chair, Board of Licensure for Occupational Therapy (KBLOT); Kirsti Singer, Chair, Applied Behavior Analysis Licensing Board (ABA); Jennifer Wolsing, Board Attorney, ABA; Eddie Slone, Executive Director, Board of Emergency Medical Services (KBEMS); John K. Wood, Board Counsel, KBEMS; Jenny Gilbert, Legislative Liaison, Department of Fish and Wildlife Resources (KDFWR); Ben Monarch, General Counsel, KDFWR; Matt Cole, Commissioner, Department of Vehicle Regulation (DVR), Transportation Cabinet (KYTC); Jon Johnson, Staff Attorney, Office of Legal Services (OLS), KYTC; Heather Stout, Executive Director, Office of Information Technology (OIT), KYTC; Joe Martz, Staff Attorney, Department of Alcoholic Beverage Control (ABC), PPC; Scotty Tracy, Commissioner, ABC, PPC; Max Fuller, Commissioner, Department of Housing, Buildings and Construction (HBC), PPC; David Moore, Deputy Commissioner, HBC, PPC; Cannon Armstrong, Executive Director, Office of Medical Cannabis (OMC), Cabinet for Health and Family Services (CHFS); Sam Flynn, Special Advisor, Chief Deputy Counsel, Office of the Governor; Shelby Lewis, Executive Policy Advisor, OMC, CHFS; and Todd Blevins, Kentucky Director, Humane World for Animals.

The Administrative Regulation Review Subcommittee met on August 11th, 2026.

Approval of July 8, 2026 Minutes

A motion was made by Senator Raque Adams and seconded by Senator Wilson to approve the minutes of the July 8, 2026, meeting. Minutes were approved by voice vote without objection.

Administrative Regulations Reviewed by this Subcommittee:

TRANSPORTATION CABINET: Division of Driver Licensing: Matt Cole, Commissioner, DVR, KYTC; Jon Johnson, Staff Attorney, OLS, KYTC; and Heather Stout, Executive Director, OIT, KYTC, represented the department.

[601 KAR 012:130](#). Third-party issuance of identity documents.

In response to Chair West, Commissioner Cole stated this regulation establishes identity security requirements for third-party entities issuing identity documents. The intent is to protect driver privacy. Duties include finger-printing and Real ID, and the department is required to conduct security audits.

In response to Chair West, Commissioner Cole explained private agencies, such as the American Automobile Association, or AAA, successfully pursued legislation on this topic. The cabinet reviewed similar programs in other states prior to promulgation.

In response to Chair West, Commissioner Cole stated the cabinet has a new, more secure system in place to protect against illegal activities.

In response to Representative Gordon, Commissioner Cole stated there is not currently a backlog, except possibly with driver testing. Third-party facilities are brick and mortar locations, not mobile units.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO, STATUTORY AUTHORITY, and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 1 through 7 to comply with the drafting and formatting requirements of KRS Chapter 13A; (2) to amend Sections 3 and 6 to require necessary equipment be leased; (3) to amend Section 4 to require third-party issuers to maintain cybersecurity liability insurance rather than require a fine for a breach of security; and (4) to amend Section 7 to correct the name of the incorporated material and update the material consistent with the administrative regulation. Without objection, and with agreement from the agency, the amendments were approved.

The subcommittee adjourned at 2:36 PM ET/1:36 PM CT. The next meeting of this subcommittee is tentatively scheduled for September 8, 2026, at 1 PM ET/12:00 PM CT in Room 149 of the Annex.

Title 601 | Chapter 012 | Regulation 130REG

TRANSPORTATION CABINET
Department of Vehicle Regulation
Division of Driver Licensing
(Amended at ARRS Committee)

601 KAR 12:130. Third-party issuance of identity documents.

RELATES TO: KRS 186.400-~~f to f~~186.640.

STATUTORY AUTHORITY: KRS 186.4124(2)~~f186.400 to 186.640f~~

CERTIFICATION STATEMENT:

NECESSITY, FUNCTION, AND CONFORMITY: KRS 186.4124(2) requires the cabinet to promulgate administrative regulations to establish procedures by which third-party entities may apply to the cabinet to serve as application processors for identity documents. This administrative regulation establishes these procedures ~~fby which a third-party entity may apply to the cabinet to serve as application processors for identity documents f~~pursuant to KRS 186.400-~~f to f~~186.640.

Section 1. Definitions. 1) "Cabinet" is defined by KRS 186.010(1)~~fmeans the Transportation Cabinetf~~.

(2) "Identity document" is defined by KRS 186.4124(1)(a)~~fmeans an operator's license or personal identification card issued under KRS 186.4102, 186.412, 186.4121, 186.4122, or 186.4123f~~.

(3) "Third-party entity" is defined by KRS 186.4124(1)(b)~~fmeans a person or entity, including a business entity or nonprofit member association, that has received approval from the cabinet to process identity documents. A "third-party entity" does not include any governmental entity other than the Cabinetf~~.

Section 2. Application. Any third-party entity seeking to issue identity documents pursuant to KRS 186.400-~~f to f~~186.640 shall apply by completing Form TC ~~fform-f~~94-207, Application for Third-Party Issuer of Identity Documents, and submitting it to the Division of Driver Licensing. The Cabinet shall have twenty (20) working days to process and approve or disapprove an application.

Section 3. Approval.

(1) The Cabinet reserves the right to approve or disapprove any application based upon review of properly completed and duly filed Form TC ~~fform-f~~94-207, Application for Third-Party Issuer~~fIssuancef~~ of Identity Documents.

(2) If ~~a~~the third-party entity is approved, ~~it~~they shall comply with all relevant administrative regulations and policies of the cabinet, including~~f. This shall includef~~ collecting all fees as established~~fset forthf~~ in KRS 186.531.

~~(3).~~ An approved application shall allow the approved third-party entity to process identity documents for three (3) calendar years starting from the date of approval.

(4) Third-party entities shall enter into an annual lease agreement for necessary equipment and shall agree to perform all KYTC actions on designated KYTC hardware while using KYTC networks. After application approval, KYTC shall work to complete all necessary setup tasks within six (6) months. ~~Third-party entities shall agree to obtain and maintain all equipment required to perform identity document issuance as well as software application fees. All associated costs shall be the responsibility of the third-party issuer.~~

Section 4. Revocation. The Cabinet reserves the right to revoke any approved application for cause. Grounds for cause shall include the following:

- (1) Failure to maintain ADA compliant facilities, including first aid stations, parking, reception areas, and restrooms;
- (2) Failure to maintain trained personnel and equipment to handle work-flow and customer service needs;
- (3) Failure to request and maintain background checks on all employees that access the system;
- (4) Failure to follow all requirements for issuance of identity documents;
- (5) Improper issuance of identity documents to persons not entitled to receive a legal identity document;
- (6) Failure to maintain all necessary business insurances to include liability, workers compensation, unemployment insurance, or other costs of doing business such as failure to deduct and pay all necessary local, state, federal taxes and fees;
- (7) Failure to collect all fees as **established**~~set forth~~ in KRS 186.531 and transmit the same to the Cabinet;
- (8) Failure to maintain all requirements for a business in good standing with the Commonwealth;
- (9) Failure to report breach of security or improper issuance of identity documents within one (1) hour of actual notice of occurrence;
- (10) Failure to suspend and remove an employee who is found to be engaging in breach of security or illegal activities; and
- (11) **As a condition of participation, each approved third-party issuer shall, prior to activation or issuance authority, maintain cybersecurity liability insurance in the amount of \$500,000, including coverage for data breaches and unauthorized disclosure of information. ~~Any breach of security resulting in a release of personal identifiable information to a third party shall be subject to fines of \$155 per each individual's record exposed.~~**

Section 5. Appeals. If an application is denied or a previously approved application is revoked, the Cabinet shall notify the third-party entity in writing **of** the cause of the denial, or revocation. The third-party **entity** shall have thirty (30) days to file **a**~~an appeal by~~ written appeal to the Commissioner of the Department of Vehicle Regulation at 200 Mero Street, Frankfort, Kentucky 40622. Appeals shall be **processed** pursuant to KRS Chapter 13B.

Section 6. Site Closure or Non-renewal of Certificate. For a site closure or non-renewal of operating certificate, all **leased** equipment obtained for identity document issuance including any printer, camera, computer hardware or software, **or** scanner shall be returned within thirty (30) days to the Department of Vehicle Regulation located at 200 Mero Street, Frankfort, Kentucky 40622. A third-party issuer shall notify KYTC immediately of any site closure, including providing a list of all staff associated with the site closure.

Section 7. Incorporation by Reference.

(1) **Form TC 94-207**, "Application for Third-Party **Issuer**~~[Issuance]~~ of Identity Documents", ~~[TC 94-207,](07/2026)(02/2026)(07/2025)[~~ **Edition**~~], Transportation Cabinet~~, is incorporated by reference.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Transportation Cabinet Office Building, Department of Vehicle Regulation, 2nd Floor, 200 Mero Street, Frankfort, Kentucky 40622, Monday through Friday, 8:00 a.m. to 4:30 p.m.

(3) This material is also available on Transportation Cabinet's **website**~~[Web site]~~ at drive.ky.gov.

FILED WITH LRC: August 11, 2026

CONTACT PERSON: Jon Johnson, Staff Attorney Manager/Assistant General Counsel,
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