

TRANSPORTATION CABINET
Department of Vehicle Regulation
Division of Driver Licensing
(Amended After Comments)

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

RELATES TO: KRS 186.400 to 186.640.

STATUTORY AUTHORITY: KRS 186.400 to 186.640.

CERTIFICATION STATEMENT:

NECESSITY, FUNCTION, AND CONFORMITY: This administrative regulation establishes procedures by which a third-party entity may apply to the cabinet to serve as application processors for identity documents pursuant to KRS 186.400 to 186.640.

Section 1. Definitions.

- (1) "Cabinet" means the Transportation Cabinet.
- (2) "Identity document" means an operator's license or personal identification card issued under KRS 186.4102, 186.412, 186.4121, 186.4122, or 186.4123.
- (3) "Third-party entity" means 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 Cabinet.

Section 2. Application. Any third-party entity seeking to issue identity documents pursuant to KRS 186.400 to 186.640 shall apply by completing TC form 94-207 and submitting to Division of Driver Licensing. The Cabinet shall have twenty (20) working days to process and approve or disapprove an application.

Section 3. Approval. The Cabinet reserves the right to approve or disapprove any application based upon review of properly completed and duly filed TC form 94-207, Application for Third-Party Issuance of Identity Documents. If the third-party entity is approved they shall comply with all relevant administrative regulations and policies of the Cabinet. This shall include collecting all fees as set forth in KRS 186.531. 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. 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 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) Any breach of security **resulting in a release of personal identifiable information to a third party** shall be subject to fines of ~~\$155~~**\$1,000** 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 the cause of the denial, or revocation. The third-party shall have thirty (30) days to file an appeal by written appeal to the Commissioner of the Department of Vehicle Regulation at 200 Mero Street, Frankfort, Kentucky 40622. Appeals shall be 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 equipment obtained for identity document issuance including any printer, camera, computer hardware or software, 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) "Application for Third-Party Issuance of Identity Documents", TC 94-207, (~~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 Web site at drive.ky.gov.

JIM GRAY, Secretary

MATTHEW COLE, Commissioner

JON JOHNSON, Staff Attorney Manager/Assistant General Counsel

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Contact Person: Jon Johnson

Subject Headings: Transportation; Driver Licensing; Licensing

(1) Provide a brief summary of:

(a) What this administrative regulation does:

This administrative regulation establishes a process for third party entities to issue drivers' licenses and identity documents.

(b) The necessity of this administrative regulation:

This administrative regulation is required to comply with the requirements of 2025 RS SB43, Section 4.

(c) How this administrative regulation conforms to the content of the authorizing statutes:

This administrative regulation is required to establish procedures by which a third-party entity may apply to the cabinet to serve as application processors for identity documents pursuant to KRS 186.400 to 186.640.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes:

This administrative regulation is required to establish procedures by which a third-party entity may apply to the cabinet to serve as application processors for identity documents pursuant to KRS 186.400 to 186.640.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation:

This is a new regulation.

(b) The necessity of the amendment to this administrative regulation:

This is a new regulation.

(c) How the amendment conforms to the content of the authorizing statutes:

This is a new regulation.

(d) How the amendment will assist in the effective administration of the statutes:

This is a new regulation.

(3) Does this administrative regulation or amendment implement legislation from the previous five years? Yes, this administrative regulation is required to comply with the requirements of 2025 RS SB43, Section 4.

(4) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation:

This regulation will affect state and local governments, as well as individuals and legal entities that apply for the ability to issue identity documents on the behalf the cabinet.

(5) Provide an analysis of how the entities identified in the question (4) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including: The implementation of this regulation will reduce state and local government workload, provide needed locational conveniences for individuals and will increase outlets for issuances of identity documents.

(5) Provide an analysis of how the entities identified in question (4) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (4) will have to take to comply with this administrative regulation or amendment:

Prospective the third-party entities will have to make proper application to show they have the capacity in sufficient capital and financial standing to own and operate an identity issuance business. If approved, they will keep all laws pertaining to the issuance identity documents.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (4):

Costs will be established between the third-party applicant and the vendors supplying the equipment.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (4):

Will increase foot traffic to their locations and allow an audience to promote their core business services.

(6) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially:

\$258,000. Based on 2.5 full time employees (FTE) administrative work.

(b) On a continuing basis:

Costs should remain subject to personnel changes and increases in personnel costs.

(7) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation or this amendment:

N/A

(8) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment:

There will be no increase in cost, as we are passing costs to the third parties. This includes implementation costs and ongoing service costs. Therefore, upon approval of the regulation there will not be any additional funding.

(9) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees:

No new fees were part of this regulation, nor did any fees increase indirectly.

(10) TIERING: Is tiering applied?

Explain why or why not. Tiering does not apply.

FISCAL IMPACT STATEMENT

(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation:

. KRS Chapter 186A.

(2) State whether this administrative regulation is expressly authorized by an act of the General Assembly, and if so, identify the act:

This administrative regulation is required to comply with the requirements of 2025 RS SB 43, Section 4. This administrative regulation is also being promulgated to meet a deadline established by 2025 legislation.

(3)(a) Identify the promulgating agency and any other affected state units, parts, or divisions:

Kentucky Transportation Cabinet, local governments. There is not any revenue or savings to KYTC for this initiative.

(b) Estimate the following for each affected state unit, part, or division identified in (3)(a):

1. Expenditures:

For the first year:\$258,000

For subsequent years:Costs should remain subject to personnel changes and increases in personnel costs.

2. Revenues:

For the first year:N/A

For subsequent years:N/A

3. Cost Savings:

For the first year:N/A

For subsequent years:N/A

(4)(a) Identify affected local entities (for example: cities, counties, fire departments, school districts):

None.

(b) Estimate the following for each affected local entity identified in (4)(a):

1. Expenditures:

For the first year:N/A

For subsequent years:N/A

2. Revenues:

For the first year:N/A

For subsequent years:N/A

3. Cost Savings:

For the first year:N/A

For subsequent years:N/A

(5)(a) Identify any affected regulated entities not listed in (3)(a) or (4)(a):

N/A

(b) Estimate the following for each regulated entity identified in (5)(a):

1. Expenditures:

For the first year:N/A

For subsequent years:N/A

2. Revenues:

For the first year:N/A

For subsequent years:N/A

3. Cost Savings:

For the first year:N/A

For subsequent years:N/A

(6) Provide a narrative to explain the following for each entity identified in (3)(a), (4)(a), and (5)(a)

(a) Fiscal impact of this administrative regulation:

Negligible.

(b) Methodology and resources used to reach this conclusion:

Based on past performance and information gathered studying numerous jurisdictions.

(7) Explain, as it relates to the entities identified in (3)(a), (4)(a), and (5)(a):

(a) Whether this administrative regulation will have a "major economic impact", as defined by KRS 13A.010(14):

No.

(b) The methodology and resources used to reach this conclusion:

Based on past performance and information gathered studying numerous jurisdictions.