INTERIM JOINT COMMITTEE ON TRANSPORTATION

Minutes of the 1st Meeting
of the 2018 Interim

June 5, 2018

Call to Order and Roll Call
The 1st meeting of the Interim Joint Committee on Transportation was held on Tuesday, June 5, 2018, at 1:00 PM, in Room 149 of the Capitol Annex. Senator Ernie Harris, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Ernie Harris, Co-Chair; Representative Ken Upchurch, Co-Chair; Senators C.B. Embry Jr., Jimmy Higdon, Paul Hornback, Gerald A. Neal, Dorsey Ridley, Albert Robinson, Brandon Smith, Johnny Ray Turner, and Mike Wilson; Representatives Lynn Bechler, Linda Belcher, Tim Couch, Ken Fleming, Chris Fugate, Al Gentry, Robert Goforth, Chris Harris, Toby Herald, Kenny Imes, James Kay, Suzanne Miles, Charles Miller, Tim Moore, Rick Rand, Sal Santoro, John Sims Jr, Jim Stewart III, and Walker Thomas.

Guests: Greg Thomas, Secretary, Kentucky Transportation Cabinet (KYTC), Matt Henderson, Commissioner, Department of Vehicle Regulation, KYTC, and Heather Stout, Executive Director, Office of Information Technology.

LRC Staff: John Snyder, Brandon White, Dana Fugazzi, and Christina Williams.

KAVIS
Matt Henderson, Commissioner, Department of Vehicle Regulation, KYTC, and Heather Stout, Executive Director, Office of Information Technology, gave a brief update on KAVIS, the Commonwealth's new vehicle information system. Ms. Stout discussed implementation of the point of sale portion of the process. The state-wide point of sale solution was completed by March of 2018. This includes the ability to automatically record all transactions from AVIS (the existing system) into KAVIS, improving the ease of learning the systems, storing five years' worth of data versus one year, and ensuring information is configurable at the county level. The point of sale solution also improves processes for reconciliation, mid-day sweeps, NSF management, and has the ability to email receipts. It also has support that includes bookkeeping, reports, and normal operations with AVIS processes and procedures, and it enables the use of automated cash drawers. From January 1, 2018 to May 31, 2018, 1,452,325 receipts were reviewed, 8,001,198 total sale items were processed, 1,679,062 citizens were served, and $438,654,260 in revenue was collected.

Ms. Stout stated that some implementation challenges have been faced, most notably on the January 2, 2018 implementation. At that time, clerks were ready for the process roll out and the business application functionality was well tested. However, end-to-end load testing was not performed, and system optimization was needed. Because of that need, there was a rollback on January 2nd and January 3rd that included a configuration of more robust end-to-end load testing tools that found the optimization needed within the application and infrastructure. The solutions to these issues required multiple agencies to work together on the same problems, which created an environment for success through collaboration. A technical solution was developed to allow a phased approach for implementation county by county. This prepared the teams to handle testing and communication differently with future module releases.

Ms. Stout reiterated that, on January 2, 2018, there was a KAVIS production launch. From January 2 to January 22, there was a rollback, regroup, and relaunch of the system. On January 23, 2018, Jefferson County was the first to volunteer to utilize the system. On February 12, 2018, there was a first wave of volunteers to utilize the system consisting of 19 counties. On February 19, 41 additional counties followed suit and volunteered. There was a third wave of volunteers of 54 counties on February 22, 2018. On February 26, 2018, one county volunteered, and on April 9, 2018, the last way of four counties volunteered. The third and fourth quarter of 2018 will be used for training and acclimation of the system.

A chart was provided to explain in detail the KAVIS Program modular approach. Print on demand decals, web renewals, module one (menu and disabled placards), and module 2 (point of sale state wide) have been completed. Module three (boats) is expected to be completed by February 2019. The boat module is important because it involves most of the shared characteristics of motor vehicle titling and registration. Modules four through eleven should be completed in about 36 months. The print on demand vehicle decal portion of the system was completed by May 2015, which allowed immediate access to documents by multiple agencies, decreased time in office for customers, eliminated double entry of data for clerks, reduced paper handling and archiving, reduced postage for clerks and mother vehicle licensing, reduced annual audit time, and greatly improved access to vehicle documents. The print on demand boat decal process was completed in March 2018.

The web renewal enhancement phases are complete and new web renewal sites were deployed in summer of 2015. Enhanced usability through design improvements and immediate clerk receipt of money collected are two portions of the web renewal enhancement phases. Also, all eligible plates are renewable online, which has streamlined the process for clerks to approve renewals. The disabled placard portion of KAVIS was completed in January 2016, which enabled a transition to a web based application solution. It shifted from a vehicle centric model to a customer centric model, and there were hardware and software implementations to drive accuracy and precision of data. The bar

code reader deployment was rolled out in 2016 which enabled driver's license verification integration between driver's license and KAVIS, and it merged customer functionality.

Currently in development for KAVIS is the BTR (boat title registration) module which includes continual hands-on feedback throughout a development process focusing on iterative releases and foundational application functionality. The target implementation date for the BTR module is early 2019.

In response to a questions asked by Chairman Ernie Harris, Ms. Stout stated there are approximately 19 counties that are not doing web renewals, but of the counties that are doing so, workload has decreased slightly and should continue to decrease. The new disabled placard law should help with that issue.

Title Issuance
Matt Henderson, Commissioner, Department of Vehicle Regulation, KYTC, discussed the titling process. The first step is for the customer or dealer presents title documentation to the county clerk. The documentation is scanned and emailed to KYTC. The title documentation is then received and reviewed by the Department of Vehicle Regulation and sent to American Bank Note, which prints the title and mails it to the customer. Commissioner Henderson then provided a chart showing the titles received per month. There were 342,561 titles received from January 2017 to April 2017. Comparatively, there were 466,906 titles received from January 2018 to April of 2018, an increase of 124,345 titles. Commissioner Henderson provided a chart showing the total number of titles completed per month. Most notably was March 2017, which showed 101,410 title applications completed, and March 2018, which showed 125,038 title applications completed.

The Division of Motor Vehicle Licensing Title Branch Verification Section has two permanent employees and 19 temporary employees who review an average of 400 applications per day. There are 51 total employees within the Division of Motor Vehicle Licensing, which is a historically low number considering that, in the early 2000s, there were 102 employees in the division.

Commissioner Henderson discussed rebuilt titles. There are only four states, including Kentucky, that allow other state's junk, parts only, or otherwise unrebuildable title certificates to be rebuilt and retitled. In 2015, 19,219 rebuilt titles were processed. In 2017, 52,113 rebuilt titles were processed, and from January to April 2018, 24,468 rebuilt titles were processed. This increase is at least partially tied to two major hurricanes last year, resulting in a large number of storm damaged vehicles. There are three permanent employees and five temporary employees who are processing rebuilt titles. It takes approximately six to eight weeks to process a rebuilt title.

In response to a question asked by Representative Tim Moore concerning the steps that the staff take to process title applications, Commissioner Henderson stated that, first, transfer documents are received, and the staff review all signature requirements. A national crime database is consulted to ensure the vehicle has not been stolen. The chain of title history is reviewed to ensure there are no liens on the vehicle or outstanding obligations on the title. Employees also will review the amount that the person paid for the vehicle and the odometer reading.

In response to a question asked by Representative Ken Fleming, Commissioner Henderson stated a possible explanation for the influx of title applications in March could be due to the recent tax reform or families receiving income tax refunds and purchasing vehicles around that time.

Representative Sal Santoro stated he would like to see a quicker turnaround on the rebuilt titling process.

Special License Plates
Commissioner Henderson stated that on June 1, 2016, there was a moratorium placed on special license plates due to production costs. Kentucky spends approximately $36,000 to plate, replate, and redesign an organization's license plate. The process includes plate sheeting. A plate sheeting roll generally produces 1,750 plates at a cost of $2.96 per plate; 1,750 plates cost $5,180. The AVIS programming for a special license plate costs $85 per hour and typically takes 296 hours for a total cost of $25,160. User acceptance testing and analyst support takes approximately 80 hours and costs $65 per hour for a total cost of $5,200.

Commissioner Henderson stated that there are several additional issues related to special license plates. Some additional issues include the requirement of 900 signatures to begin the special license plate process. Kentucky has 105 special plates. There are a few plates that have a low purchase rate, such as the Kentucky Dental Association at 428 plates and the Kentucky Chiropractor Association at 158 plates. Another issue is that there is an increasing number of customers who opt out of voluntary donations to the respective organizations. The Friends of Coal organization has had an opt-out rate of 51.52 percent, the Masonic organization has had an opt-out rate of 36.51 percent, and the farm tags have had an opt-out rate of 55.4 percent.

Commissioner Henderson stated that, to address these issues, suggestions include requiring organizations to pay all of the upfront costs for producing special license plates, and that there would be no minimum applications required. Also suggested was establishing a threshold for organizations to achieve and maintain a number of plates after two years of availability. A mandatory donation to the respective organization is also suggested.

In response to a question asked by Representative Sal Santoro, Commissioner Henderson stated the special license plates that were in the process of being produced and introduced are not part of the moratorium and will continue in the process.

Implementation of 2018 Legislation

Greg Thomas, Secretary, KYTC, stated that, within the 2018 to 2024 highway plan, the SHIFT program was implemented, over-programming was reduced from 200 percent to 28 percent, and there was a primary focus on assets and addressing backlogs. Priorities include 583 SHIFT projects, 400 bridges, and 1,275 miles of pavement authorized in the biennium. In the 2018 construction season, the priorities are still safety, bridging and paving needs, and direct job growth. There is a great deal of activity during construction season, and KYTC closely monitors the cash flow. The projected debt service payments and revenue sharing during June, July, and August 2018 are approximately $359,600,000.

Secretary Thomas broke down $8.5 billion in additional revenue needs in the following areas: projects added by the General Assembly, as well as Highway Plan Appendix A projects: $7.6 billion; I-69 construction cost, estimated toll revenue bonds, and the remaining costs of the I-69 project: $455 million; Brent Spence Bridge I-71 and I-75 construction and reconstruction: $385 million.

Secretary Thomas provided an "Even if" balance sheet that provided numbers that assumes tolling for I – 69 Henderson bridge project, a self-supporting financing mechanism for the Brent Spence Bridge Project, and a generous $100 million in Federal INFRA Grant funds received for both projects. The document removes all the dedicated funds to the Metro Planning Organization, The Highway Safety Improvement Plan, and other required spending. What remains is a federal spending pool that ranges from $342 million to $474 million and a state pool of $132 million to $370 million left available for projects from 2019 to 2024. Secretary Thomas stated maintenance and repair of structures, roads, and bridges continues to be a priority, so the costs are deducted. The I-69 project assumes INFRA Grants, and the money up front is the design, right-of-way, and Kentucky's share of the $700 million gap in 2022 and 2024.

On the Brent Spence Bridge, KYTC is calculating in an INFRA Grant, but in all likelihood, that would just go into reducing tolls as much as possible. KYTC is still in the design, right-of-way portion of the I–75/ I–275 reconstruction project. Most people do not realize that, when there is a major project, the state must spend traditional, federal-state dollars for design and right of way even before approaching a financing mechanism. Therefore, there will be some upfront costs from traditional funds.

Secretary Thomas stated because toll credits, which the state has used to match federal highway funds, are expiring in 2020, the need to use road fund money to match federal money will reduce the money available for projects. Currently, each time Kentucky spends federal dollars, the state matches it with 20 percent actual state dollars instead of

credits. The bottom line is that, after all these expenses, the available money for new projects is approximately $840 million over six years, an average of $140 million per year. The amount is total federal and state projects if Kentucky constructs the two major bridge projects ahead. The figure is also competing with $4.6 billion of projects in the road plan and another $5.9 billion unfunded and listed in the appendix. Because there is $140 million per year competing for $10.5 billion worth of projects, the outlook is dire.

Secretary Thomas stated a 2015 study indicated that Kentucky was 43rd in revenue per mile maintained. State funds are critical to leveraging federal grants. The INFRA Grant (formerly FASTLANE) contains $4.5 billion available for FY 2016 to FY 2020, however, FY 2017 and FY 2018 INFRA Grants have not yet been awarded. There is $900 million available in FY 2019 for projects nationwide, and $1 billion available in FY 2020 for projects nationwide in INFRA grants. The INFRA grant can provide no more than 60 percent of funding, and state and/or local entities must provide 20 percent of the funding.

Secretary Thomas added there is $1.5 billion available nationwide in FY 2018 for the BUILD Program (formerly TIGER). The BUILD Program grants up to $25 million per project with no state receiving more than $150 million. There is also a 20 percent match required for urban projects. Secretary Thomas quoted the United States Department of Transportation, stating "states with a sustainable revenue plan will be the winners going forward. Leverage is the key."

In response to a question by Representative Suzanne Miles, Secretary Thomas stated there is currently a study underway in Indiana to toll their interstate systems.

Senator Paul Hornback thanked KYTC for responding quickly to a traffic incident in Shelby County recently. He said there is a need to increase revenue to maintain Kentucky's roads and bridges. Many times, tolling saves people with efficiencies; it is something that must be evaluated for future projects.

In response to a question asked by Senator Dorsey Ridley, Secretary Thomas stated that Kentucky's 65 percent funding responsibility for the I-69 bridge is due to the amount of construction needed on Kentucky's side of the river. However, the cost of the bridge will be split 50/50.

In response by Representative Sal Santoro, Secretary Thomas stated that there are 563 electric cars and 31,500 hybrid vehicles on Kentucky roads. These vehicles make up less than 1 percent of the 3.6 million vehicles on the road. Using those figures and the most aggressive estimates, Secretary Thomas indicated that, in 10 years, the number of electric and hybrid vehicles on the road will only grow to approximately 3 percent.

Representative Lynn Bechler stated he would like to evaluate and determine if there is a better way to collect motor fuels tax than using the current method of taxing the

wholesale price of gasoline. Secretary Thomas stated the majority of states use the calculation as Kentucky, basing the tax on the wholesale price of gasoline. Approximately 25 states have increased motor fuels taxes since 2013. At this time, it is the most efficient collection structure for collecting user fees.

With no further business to come before the Committee, Chairman Harris adjourned the meeting at 2:18 P.M.