

INTERIM JOINT COMMITTEE ON TRANSPORTATION

Minutes of the 3rd Meeting of the 2021 Interim

August 3, 2021

Call to Order and Roll Call

The 3rd meeting of the Interim Joint Committee on Transportation was held on Tuesday, August 3, 2021, at 1:00 PM, in Room 154 of the Capitol Annex. Representative Ken Upchurch, Chair, called the meeting to order, and the secretary called the roll. The minutes from the July 6, 2021 meeting were approved.

Present were:

Members: Senator Jimmy Higdon, Co-Chair; Representative Ken Upchurch, Co-Chair; Senators Karen Berg, C.B. Embry Jr., Johnnie Turner, Phillip Wheeler, Mike Wilson, Max Wise, and David Yates; Representatives Tina Bojanowski, Josh Branscum, Kevin D. Bratcher, Randy Bridges, Jonathan Dixon, Ken Fleming, Robert Goforth, David Hale, Samara Heavrin, Regina Huff, Thomas Huff, Derek Lewis, Savannah Maddox, Bobby McCool, Shawn McPherson, Charles Miller, Sal Santoro, Tom Smith, Cherlynn Stevenson, Ashley Tackett Laferty, Walker Thomas, and Buddy Wheatley.

Guests: Heather Stout, Executive Director, Kentucky Transportation Cabinet (KYTC); John Eiler, Project Manager, Office of Information Technology, KYTC; Robin Brewer, Executive Director, Office of Budget and Fiscal Management, KYTC; Jon Johnson, Assistant General Counsel, KYTC

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

Update on the Implementation of the New Motor Vehicle Information System (KAVIS)

Heather Stout, Executive Director, KYTC, and John Eiler, Project Manager, Office of Information Technology, KYTC, updated the committee on the KAVIS Program. The KAVIS project will provide the Commonwealth with a statewide, automated system for vehicle and boat titling, registration, taxation, and related functions. This comprehensive solution will replace the legacy Automated Vehicle Information System (AVIS) and the Boat Title Registration (BTR) systems, other small subsystems, and provide a consistent and updated platform for the Commonwealth to perform vehicle licensing business.

The KAVIS system will streamline and improve efficiencies within the Department of Vehicle Regulation, the Division of Motor Vehicle Licensing, and county clerks' offices throughout the state. It will also allow the KYTC, Department of Revenue (DOR), County

Clerks, Property Valuation Administrators (PVAs), and other agencies to better serve the citizens of the Commonwealth.

The KAVIS system has been designed using a customer-centric paradigm, moving from the current vehicle centric model that exists in the AVIS and BTR systems. Establishing a customer-centric system and business model will support moving from the current plate-to-vehicle model to a plate-to-customer model. The current AVIS and BTR systems cannot support this concept.

Mr. Eiler highlighted the important achievements of the new system that are already operational. The print-on-demand decal portion and real time scanning was completed in May 2015. This allowed for immediate access to documents by multiple agencies, decreased time in offices for customers, eliminated double entry of data for clerks, reduced paper handling and archiving, decreased maintenance of aging printers, reduced postage for clerks and motor vehicle licensing, reduced annual audit times, and greatly improved access to vehicle documents.

The web renewal enhancement phases took place in 2015 and 2016 which allowed for a new web renewal site that was deployed in the summer of 2015. It allowed for enhanced usability through design improvements, for clerks to be able to receive money collected immediately for all eligible plates to be renewable online, and for a streamlined process for clerks to approve renewals.

In January 2016 the disabled placard portion of the project was completed which allowed for a transition to a web-based application solution, a shift from a vehicle-centric model to a customer centric-model. It allowed for hardware and software implementations to drive accuracy and precision of data, and for a driver license verification with an integration between the driver licensing database and the motor vehicle database.

The state-wide point of sale solution was completed in March 2018. This included the completion of a stable, reliable, and consistent environment. The support revolves around bookkeeping, reports, and normal operations with AVIS processes and procedures. It also enabled the use of automated cash drawers, and a print-on-demand boat decal.

The vehicle foundation for the boats portion of KAVIS was completed in July of 2019, which included the framework application and functionality for title, registration, ad valorem taxes, liens, and other processes important for motor vehicles, and increased end user audit functionalities for clerks, motor vehicle licensing, Kentucky State Police, Fish and Wildlife, DOR, and PVAs.

The decommission and implementation of the inventory solution, as well as the implementation of the flat plate solution, was completed in July 2021. The target date for all vehicle models to be completed is December 2022. This includes the decommission of

the AVIS legacy mainframe, and transitioning all remaining vehicle types (data and business processes and functionality) to KAVIS.

The KAVIS system, which automatically records all AVIS transactions into it will improve standardization and data integrity. Processes are standardized across all counties, but include configurations to facilitate business processes for efficiency. There are also improved processes for reconciliation, mid-day sweeps, and bad check management. The KAVIS system includes an ability to scan driver's licenses to ensure data validity and accuracy, access to five years' worth of data instead of one, a reduction in fraud as KAVIS requires correct customer and vehicle data, as well as point out bad data to clerks so they can fix the issues. Customer accounts are linked and merged with all vehicle types allowing for a single view of all data on a customer account regardless of vehicle type.

The efficiency and effectiveness of KAVIS has been proven by the reduction in time from title application to title receipt by citizen, the decreased clerk on-boarding time from three to six months to less than one day, performing validations early which allows for changes before committing to the transaction, an increased opportunity to identify and collect unpaid or unassessed taxes, the ability to e-mail receipts, the enabled use of automated cash drawers, the auto assigning of tax districts for customers who currently have other vehicles assigned to a tax district, and the increased visibility across organizations such as Motor Vehicle Licensing, Clerks, DOR, and PVA.

The original KAVIS budget which involved the use of a third party contractor (3M) was \$25 million. The contractor pulled out of that project after just over \$9 million was spent. Of the revised budget allocation of just under \$20 million, almost \$16 million has been expended.

There is less than 28 percent development time remaining on KAVIS, which will take approximately 17 months to complete. The target goal for completion is December 2022. The KAVIS program is on target with the estimated remaining work and remaining budget.

In response to a question asked by Chairman Ken Upchurch, Ms. Stout stated she is unsure if leased vehicles can be renewed online, but she has also not heard if that is a restriction. She will check on that issue and communicate with the committee at a later date.

Also in response to a question asked by Chairman Upchurch, Ms. Stout stated that online paperless titles is an issue that will be addressed after the KAVIS completion in 2022. The new system allows for this process, as well as improvements in titling and other functions.

In response to a question asked by Co-Chair Jimmy Higdon concerning residents of Kentucky titling their vehicles in other states, Mr. Eiler stated KAVIS will have interfaces with the American Association of Motor Vehicle Administrators (AAMVA), National Vehicle Information Data System (NVIDS), and VINtelligence, which will allow for the sharing of information with other states and enable KYTC to see if a Kentucky resident's vehicle is registered in another state, so long as that state shares information with Kentucky. Ms. Stout added that the data that will be able to be pulled from the KAVIS system will enable for more analytics to be performed.

In response to a question asked by Representative Randy Bridges, Mr. Eiler stated a cost benefit analysis has not yet been completed on switching to paperless titles and liens. He reiterated paperless titles and liens is on the list of the items to be addressed after the full KAVIS transition has occurred in December 2022.

In response to a question asked by Representative Bridges, Ms. Stout stated there has been much discussion on allowing a person in one county to title and register their vehicle in another county and how to still be able to have the fees distributed properly. She believes statutes will need to be evaluated before any change in this area can occur. She added that the KAVIS system would be able to accomplish the fee distribution as needed.

In response to a question asked by Representative Derek Lewis, Mr. Eiler stated the legacy system did recently go through a shut-down to address issues due to changes being made to the very complex older system. This shut down ultimately resulted in some offices closing for the better portion of a week.

In response to a question asked by Representative Ken Fleming, Ms. Stout stated the rebuilt title process does take extra time because they have to review pictures of all of the work that is performed and verify that it meets safety standards. She stated there may be an improvement in speed in the new system due to being able to get the information to the staff quicker, however, she is not sure how long that process takes after the information is received.

Final Report of Road Fund Revenues- FY 2021

Robin Brewer, Executive Director, Office of Budget and Fiscal Management, KYTC updated the committee on the final report of Road Fund revenues for FY 2021. The official revenue estimate for the motor fuels tax was \$756.2 million. The actual realized revenue of the Motor Fuels Tax was \$748.4 million, a deficit of \$7.8 million. The official revenue estimate for the motor vehicle usage tax was \$568.6 million. The actual realized revenue for the motor vehicle usage tax was \$620.9 million, a surplus of \$52.3 million. The revenue estimates for the other revenue category was \$252.9 million. Actual realized revenues for this category were \$273.2 million, a surplus of \$20.3 million. In total in FY 2021, the official revenue estimates were \$1.577 billion. The actual revenue received was \$1.642 billion, a surplus of \$64.6 billion.

In the first quarter of FY 2021, Road Fund revenues grew by 1.9 percent over the previous fiscal year. The second quarter they grew by 0.7 percent. In the third quarter of FY 2021 Road Fund revenues decreased by 0.4 percent, and in the fourth quarter Road Fund Revenues increased by 43.8 percent. The large increase for quarter four was due to the shutdowns associated with the onset of the COVID-19 pandemic in March of 2020.

The actual motor fuels revenue received in FY 2021 was \$748.4 million, compared to \$741.6 million in FY 2020, an increase of \$6.8 million, or 0.9 percent. The actual motor vehicle usage tax received in FY 2021 was \$620.9 million, compared to \$499.3 million in FY 2020, a difference of \$121.6 million, or 24.4 percent. The other revenues received in FY 2021 were \$273.2 million, compared to \$250.6 million in FY 2020, a difference of \$22.5 million, or 9.0 percent. The total revenues received in FY 2021 was \$1.642 billion, compared to \$1.491 billion in FY 2020, a difference of \$150.8 million or 10.1 percent.

The official enacted Road Fund revenue estimates for FY 2022 include \$769.2 million in motor fuels tax, \$581.4 million in motor vehicle usage tax, \$119.6 million in motor vehicle license fees, \$81.2 million in weight distance tax, \$39.8 in other areas, \$17.6 million in motor vehicle operator's fees and \$0.4 million in investments. This leaves a total official enacted Road Fund Revenue estimate for FY 2022 to be \$1.609.2 billion.

A chart was presented that illustrated the total Road Fund Revenues from FY 2011 to FY 2021. The FY 2021 Road Fund revenue of \$1.64 billion was the last total on record. Most years the Road Fund revenues fluctuated between \$1.5 billion and \$1.6 billion.

In response to a question asked by Representative Fleming concerning a pessimistic or optimistic approach to the FY 2022 budget, Ms. Brewer stated the Governor's Office of Economic Analysis would best be able to address that question.

In response to a question asked by Representative Fleming, Ms. Brewer stated she is not sure if data is available that shows the motor vehicle usage tax being broken down by new vehicles versus used vehicles. She stated she would check with the Department of Revenue to see if that information was available and report back to committee staff

In response to a question asked by Representative Tom O'Dell Smith, Ms. Brewer stated there is not a formula that is being used to calculate what portion of the motor fuel tax is from out-of-state vehicles passing through Kentucky. She added that is tracked for motor carriers through the International Fuel Tax Agreement (IFTA) which distributes fuel taxes paid by motor carriers based on miles traveled in each state.

Correspondence was distributed to the committee from KYTC and Kentucky State Police (KSP) regarding updates to KYTC driver licensing issuance and KSP driver testing.

Administrative Regulation 601 KAR 001:005 which updates the motor carrier safety regulations by adopting federal regulations for transportation of hazardous materials and other safety issues was reviewed by the committee. The regulation was not found to be deficient or deferred. No objections were raised.

Senator Johnnie Turner stated he has spoken with Senator Brandon Smith, Senator Phillip Wheeler, Representative Ashley Tackett Laferty, Representative Angie Hatton, Representative John Blanton, and Representative Bobby McCool and they are all in agreement with him in requesting KYTC to extend the Bert T. Combs Mountain Parkway through the mountains at the Johnson County line and on to Floyd County.

With no further business to come before the committee the meeting was adjourned at 2:07 P.M.