



Commercial Driver's License (CDL) Workflow Study

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Research Report
KTC-16-06/SPR15-512-1F

Commercial Driver's License (CDL) Workflow Study

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16. Abstract Kentucky uses federally funded, time-limited (FFTL) employees to handle some of the administrative work necessary to meet federal compliance standards for commercial driver's licenses (CDLs). The Federal Motor Carrier Safety Administration (FMCSA) has decided not to continue funding FFTLs for these purposes, meaning that states will have to find other ways to meet CDL program requirements and maintain compliance. Given the potential ramifications of losing federal transportation and enforcement funding due to lack of compliance with federal standards, it is imperative that state lawmakers act to ensure KYTC has the resources to carry out its mandated functions. The study delineates federal and state CDL requirements, current workflow processes, surveys practices in other states, reports on the status of CDL workflow automation and develops three alternative funding mechanisms to stabilize program workflow while developers gather requirements for web-based applications to increase workflow efficiency. It also recommends other changes that would benefit KYTC, particularly the staff responsible for CDL program administration and compliance.			
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Table of Acronyms

Acronym	Meaning
AAMVA	American Association of Motor Vehicle Administrators
AOC	Administrative Office of the Courts
CDL	Commercial Driver's License
CDLIS	Commercial Driver's License Information System
CDLPI	Commercial Driver's License Program Implementation
CLP	Commercial Learner's Permit
CMVSA	Commercial Motor Vehicle Safety Act
COT	Commonwealth Office of Technology
DDL-CDL	Division of Driver Licensing, CDL Section
FFTL	Federally Funded Temporary Labor
FHWA	Federal Highway Administration
KAR	Kentucky Administrative Regulations
KDLIS	Kentucky Driver License Information System
KRS	Kentucky Revised Statutes
KSP-CVE	Kentucky State Police, Commercial Vehicle Enforcement Division
KYTC	Kentucky Transportation Cabinet
MCSAP	Motor Carrier Safety Assistance Program
MVR	Motor Vehicle Record
NDR	National Driver Registry
NOFA	Notice of Funding Availability
OIT	Office of Information Technology
PDPS	Problem Driver Pointer System
SDLA	State Driver Licensing Agency

Executive Summary

Kentucky uses federally funded, time-limited (FFTL) employees to handle some of the administrative work necessary to meet federal compliance standards for commercial driver's licenses (CDLs), a driving credential mandated by the Commercial Motor Vehicle Safety Act (CMVSA) in 1986. Kentucky's CDL program utilizes some of the FFTL employees to take phone calls; scan mailed copies of commercial applications, self-certifications and medical certifications; verify those documents; post them to a SharePoint site for archiving; and update the Commercial Driver's License Information System (CDLIS) records.

The Federal Motor Carrier Safety Administration (FMCSA) has indicated that it will no longer fund FFTLs for these purposes. Kentucky will have to find other sources of funding to meet CDL program requirements and maintain compliance under 49 CFR 383 and 384. There is a 10-day federal processing mandate for many CDL requirements under Parts 383 and 384, and FFTLs have been crucial to meeting those processing deadlines. Officials in Kentucky have concerns about remaining compliant with federal standards without the assistance of FFTLs and are unsure how to replace this function, given the budgetary constraints facing KYTC. Consequently, it would be beneficial for Kentucky's CDL program to have assistance from KTC to identify ways to make the CDL program more efficient.

Given the potential ramifications of losing Federal Highway Administration (FHWA) and Motor Carrier Safety Assistance Program (MCSAP) funding for not complying with federal standards on CDLIS transaction processing times, it is imperative that state lawmakers act to ensure the Division of Driver Licensing (DDL), particularly the CDL section, has the resources to carry out its mandated functions. CDL staff is discussing with the Commonwealth Office of Technology (COT) ways to improve the section's efficiency. Discussions include electronic submission of CDL self-certification, medical certification, first-time applications, and an application that tracks the status of CDL application processing. These programs would make it easier for the Division of Driver Licensing Commercial Driver License (DDL-CDL) employees to collect vital information for required CDL documentation. If electronic submission were mandatory, it would eliminate the need to scan, fax, or mail documents. The processing status application could reduce the number of CDL-related calls received by DDL-CDL and the KYTC Division of Customer Service.

There are limited data to determine how extensively the proposed electronic applications will streamline CDL workflow processes. The applications have not been developed, nor have metrics been designed to measure their effectiveness.

There are three basic policy options available to the state, but all require legislative action. The first option is to raise the cost of a CDL license and allocate extra revenue to cover CDL-related administration. A second choice is a hybrid option, where CDL license costs are increased, but in tandem with reallocating a portion of the fee so it goes toward CDL-related administration. A third option is to establish a dedicated revenue source from Kentucky's Road Fund.

Based on the information collected and analysis performed during this project, the research team offers the following recommendations:

- Further study is needed to evaluate how much the development of CDL web applications will improve CDL Section efficiency and impact labor needs. There are several time-consuming activities (e.g., answering phones and scanning mailed and faxed documents) that would potentially be reduced by these applications. But there are other activities, also consuming a lot of time and effort, that web applications do not address, such as going through errors in the UNI database generated from the KDLIS, verifying proof of citizenship and residency, and maintaining CDLIS record updates. All of these factors can be studied using research money from the CDLPI FY 2015 grant, and the currently proposed financial solutions could be reconsidered in light of new evidence.
- If KYTC does not wish to wait for a second study and would rather implement a long-term funding solution than a stopgap measure while awaiting the results of the second study, it can adopt one of the options described in Chapter 5. KTC does not endorse any of these options, but it has evaluated their viability and summarized the pros and cons of each. All are projected to generate the revenue needed to cover current and future labor costs.
- When the DDL-CDL employee develops a 10-year history report on a driver, they have to ensure all violations in other states are reflected in the KDLIS system. This can be a time-consuming task if there are multiple violations to enter. One way to reduce the time needed to perform this task is to automatically upload records from other states into the KDLIS system, either when another state sends those records to Kentucky or a driver applies for a CDL.
- The KDLIS system contains multiple glitches. Although the DDL-CDL employees have devised methods to work around these, it takes additional time that could be used more efficiently. The glitches in the KDLIS system need to be repaired.
- The DDL-CDL and COT need to better coordinate plans and resources to ensure that issues facing the CDL section are promptly resolved. Even though there have been grants awarded to COT for programming in three consecutive CDLPI grant cycles, little work has been done on these applications. Given the situation's dynamics, these projects should be given higher priority.

Chapter 1. CDL Requirements for the Kentucky Department of Vehicle Regulation

Kentucky uses federally funded, time-limited (FFTL) employees to handle some of the administrative work necessary to meet federal compliance standards for commercial driver's licenses (CDLs), a driving credential mandated by the Commercial Motor Vehicle Safety Act (CMVSA) in 1986. Kentucky's CDL program utilizes some of the FFTL employees to take phone calls; to scan mailed copies of commercial applications, self-certifications, and medical certifications; verify those documents; post them to a SharePoint site for archiving; and update the driver's Commercial Driver's License Information System (CDLIS) records.

The Federal Motor Carrier Safety Administration (FMCSA) has indicated that it will no longer fund FFTLs for these purposes. Kentucky will have to find other sources of funding to meet CDL program requirements and maintain compliance under 49 CFR 383 and 384. There is a 10-day federal processing mandate for many CDL requirements under Parts 383 and 384, and FFTLs have been crucial to meeting those processing deadlines. Officials in Kentucky have concerns about remaining compliant with federal standards without the assistance of FFTLs and are unsure how to replace them given the budgetary constraints facing KYTC. Consequently, it would be beneficial for Kentucky's CDL program to have assistance from KTC to identify ways to make the CDL program more efficient.

The objective of this study was to find ways for KYTC's Department of Vehicle Regulation (DVR) to either consolidate current CDL work processes in an effort to improve the efficiency of the CDL program, or to identify funding mechanisms for the current FFTL labor pool. To meet this objective, KTC researchers examined CDL requirements for Department of Vehicle Regulation (DVR), interviewed staff members about the process for issuing CDLs, and conducted a survey among states about CDL workflow modifications. Additionally, the researchers discussed options for automating portions of the workflow with staff members in Office of Information Technology (OIT) and Commonwealth Office of Technology (COT). The resulting report provides DVR with three options to modify CDL workflows — in light of FMCSA's change in funding priorities. The following section reviews Kentucky's CDL Program, the background of the CMVSA of 1986, and discusses Parts 383 and 384. The final section examines the legacy of CMVSA of 1986 relative to the CDLIS system, Problem Driver Pointer System (PDPS), and the timing requirements for recordkeeping. The timing requirement portions of Parts 383 and 384 are perhaps the greatest challenge for the Division of Driver License Commercial Driver License (DDL-CDL) program because they are labor-intensive. The penalties for not meeting these timelines can result in the loss of compliance certification, which may have significant ramifications for funding received from the Federal Highway Administration (FHWA) and Motor Carrier Safety Assistance Program (MCSAP).

1.1 Overview of Kentucky’s Commercial Driver License Program

Kentucky enacted legislation for CDL compliance in 1990. Despite ongoing changes being made to the federal requirements, it has remained compliant since then. In 2015, 3.5 million drivers possessed licenses issued by Kentucky. Nearly 144,000 of those were CDLs. Table 1 displays the approximate number of CDLs per class, along with the total number of permits and CDLs.

Table 1. Number of Kentucky CDLs and Permits in 2015

CDL Class	Approximate Number of Valid Licenses
Class A	97,000
Class B	35,000
Class C	2,900
Permits	9,000
Total CDLs/CLP	143,900

Kentucky’s CDL program is complex because it involves cooperation among several different state government and law enforcement agencies, including Kentucky State Police (KSP), particularly the KSP’s Commercial Vehicle Enforcement Division (KSP-CVE), Commonwealth Office of Technologies (COT), DVR, and DDL, which is a division within DVR. Kentucky’s CDL program falls under the DDL.

The process for obtaining a CDL in Kentucky begins with the Circuit Court Clerk in the county where the driver resides or attends CDL driver training in. The Circuit Court Clerks process the CDL applications and issue commercial learner’s permits (CLPs). KSP administers the written test, skills test, enters scores into the computer, and trains third-party CDL testing officials. DDL-CDL employees assist the Circuit Court Clerks with issuing CDLs, ensuring the accuracy of driving records, PDPS, and CDLIS. District Court staff is responsible for entering citations from law enforcement agencies and reporting them to DVR, while COT is responsible for programming for all agencies related to CDLs.

1.2 Commercial Motor Vehicle Safety Act of 1986

Before 1986, each state issued requirements and standards for licensing and training commercial vehicle operators. It was possible for drivers to have licenses from multiple states, and states did not typically share information about violations and convictions involving commercial motor vehicle (CMV) operators. The Commercial Motor Vehicle Safety Act of 1986 (CMVSA) was enacted to improve highway safety by removing unsafe drivers from the highways. CMVSA established federal authority over licensing commercial vehicle drivers and established minimum standards that drivers must meet to operate commercial vehicles. CMVSA also established the minimum standards that states must meet to license commercial vehicle drivers. CMVSA mandated that drivers obtain a CLP and pass a knowledge and skills tests before they receive CDLs. In addition, CDL requirements ensure that state licensing agencies and law enforcement officials have the same information on a driver irrespective of the state where the driver lives.

Statistics show that federal CDL regulations have improved highway safety. One study found that before CMVSA, a CMV was involved in 4.53 fatal crashes per 100 million miles traveled by CMVs. Twenty-three years later that number decreased to 1.79 fatal crashes per 100 million miles (Harmon et al., 2012). Despite this clear success, adopting and maintaining compliance

with the regulatory standards of CMVSA poses challenges for many states. Yet, because CMVSA introduced severe penalties for non-compliance, states must resolve these issues. The following section discusses 49 CFR 383 and 384, the federal regulatory framework that establishes CMVSA compliance standards.

1.3 49 CFR 383 and 384

49 CFR 383 describes requirements for driver fitness and skills as well as motor carrier responsibilities. Subpart A provides definitions, purpose, and the regulation's scope. Subpart B details the single license requirement. Subpart C covers the notification requirements for drivers and the responsibilities of the employer. The main requirements are bulleted below.

- Commercial vehicle drivers cannot have more than one license (383.21), and it must be a CDL (383.23 (2)) or Commercial Learners Permit (383.25).
- Drivers must take mandatory knowledge and skills tests to obtain a CDL (383.23).
- Drivers must report, in writing, (383.31 (c)) certain convictions to their state (383.31 (a)) and to their employer (383.31 (b)) within 30 days of the conviction.
- Drivers applying for employment are required to provide 10 years of employment history (383.35 (a)), and employers must ask for 10 years of driving history (383.35 (b)).
- Employers cannot let drivers operate a commercial vehicle without a valid CDL/CLP (383.37).
- CDL holders must inform their employer if they lose their license within one day of receiving notice this has occurred (383.33).
- Certain convictions disqualify drivers (383.51).

Part 383.153 requires basic information on CDLs, including a full name, address, signature, date of birth, sex, height, a photograph, a license number, license class, endorsements, restrictions, and the state of issuance. CMVSA also mandated an extensive catalog of offenses that can result in suspension and revocation of a CDL or lifetime disqualification. Subpart D, Part 383.51 provides a table that lists offenses and possible penalties. Offenses typically involve committing felonies while driving a CMV, driving under the influence of drugs and/or alcohol, fraudulent use of CDLs, committing serious traffic violations, violating railroad-highway grade crossing laws, and violating out-of-service orders. Drivers may face criminal and/or civil penalties for these offenses.

1.4 Self-certification

Under Subpart E, drivers operating on a CDL are required to undergo the self-certification process. During the self-certification process, a driver indicates if they will be operating interstate or intrastate, and whether they are an excepted or non-excepted driver. A non-excepted driver must have a USDOT medical card, while an excepted driver does not. However, Kentucky requires every CDL/CLP holder to have a medical card or medical waiver.

1.5 Medical Certification

CMVSA sought to keep unhealthy drivers off the highway. Commercial drivers who operate vehicles over 10,000 pounds for interstate commerce must have a medical examiner's certificate (or, medical certification) and receive a physical as directed by medical examiners. The driver provides a copy of the medical certification to the State Driver Licensing Agency (SDLA) in the state in which they are domiciled. This information must be recorded in CDLIS within 10 days.

If a driver does not provide this information to the SDLA before the expiration date, their license will be downgraded from CDL to non-CDL status within 60 days.

Examples of disqualifying conditions include diabetes, high blood pressure, and epilepsy. For some diseases and conditions, FMCSA permits variances, as long as a medical examiner confirms that the condition is properly managed. Only medical examiners registered with FMCSA will be able to certify medical qualifications to FMCSA.

1.6 Verification Requirements

49 CFR 383.73(m) requires SDLAs to have at least two people process and verify the documentation for initial, renewed, duplicate, or upgraded CDL applications. The SDLA must verify documents that prove domicile, test scores, and other information contained in the application. If two people are not available in an office, a supervisor is required to verify documents, or copies must be made and the supervisor must verify the documents within one business day from issuance. Self-certification and medical certification do not require verification by two people (see Table 2).

Table 2. Verification Requirements for CDL Documentation

Document	Verification Requirements
Proof of Domicile	At least two people must verify
CDL Test Scores	At least two people must verify
Application	At least two people must verify
Self-Certification	One person can check accuracy of information
Medical Certification	One person can check accuracy of information

1.7 Vehicle Classes, Endorsements, and Restrictions

Subpart F (383.91) describes classifications for commercial vehicles. The categories are based on the gross vehicle weight, type of vehicle, cargo, and number of passengers. The main difference between Class A, Class B, and Class C licenses is the weight and design of the vehicle. For an applicant to obtain a CDL, they must decide what class they want to operate in and take their road test in a vehicle that falls in that CDL class. A driver possessing a Class A CDL is permitted to operate any vehicle in Classes B and C, while a person operating on a Class B CDL is permitted to operate a Class C vehicle. Drivers also have the option to upgrade their CDL class. Once a driver has a CDL, they can take exams for additional skill endorsements. To get these endorsements, drivers must pay a fee, take a written exam, and possibly take a driving test.

Table 3 summarizes the CDL classes, describes those classes with examples (383.91), and lists the endorsements that were established in Part 383.115 through 383.123. Although it is not included in Table 3, Part 383.95 also identifies restrictions for CDL licenses. Restrictions are based on the type of brakes, transmission, passenger vehicles, whether the driver can drive a tractor-trailer, and medical variances.

Table 3. CDL Classes and Endorsements

Class	Description	Examples	Available Endorsements
A	Gross combination weight rating of 26,001 pounds. The towed vehicle must weigh more than 10,000 pounds.	Tractor-trailers, refrigerated trucks, flatbeds, tankers, feed beds, livestock haulers, car carriers, articulated busses	Hazardous Materials (H)* Passenger Transport (P) School Bus (S) Tank Vehicle (N) Tanker and Hazardous Materials (X) Double/Triples (T)
B	A single vehicle with a gross vehicle weight of 26,001 pounds or more. A towed vehicle cannot weigh over 10,000 pounds.	Box trucks, city busses, dump trucks, tourist busses, straight trucks	Hazardous Materials (H)* Passenger Transport (P) School Bus (S) Tank Vehicle (N) Tanker and Hazardous Materials (X)
C	Vehicle that transport 16 or more passengers including the driver or transports hazardous or toxic material.	Busses, shuttles, passenger cars, cargo vans	Hazardous Materials (H)* Passenger Transport (P) School Bus (S)

* Following September 11, 2001, FMCSA increased the requirements for a hazardous material endorsement based concerns about using hazmat trucks as Vehicle-Born Improvised Explosive Devices (VBIED). To transport hazardous materials, a driver must undergo a written test and background check every two years. This regulation is covered in Subpart I, 383.141 (a) through (d).

While the CDL is a federally mandated credential, states responsible for implementing the requirements comply with the minimum standards for issuing the license. Part 384 addresses state requirements and is divided into four subparts: A) General, B) Minimum Standards for Substantial Compliance by States, C) Procedures for Determining State Compliance, and D) Consequences of non-compliance. The following section outlines the major requirements of Part 384.

Subpart A discusses the purpose of the regulation, points out that the law applies to states, defines the terms used in the regulation, and approves references.

Subpart B provides the minimum standards for state compliance. Under this subpart, states must:

- 1) implement a testing system that includes a knowledge test (commonly referred to as the *written test*) and skills test (commonly referred to as the *road test*) that meets the standards specified by the FMCSA (384.201);
- 2) Not issue a CDL unless a driver passes these tests (384.202);
- 3) Enforce a

blood alcohol level (BAL) of .04 or higher for CDL holders and revoke, suspend, or cancel the CDL if a driver violates this provision (384.20); 4) enforce the law in their own states (384.203); 5) Require that a driver have a CDL before operating a commercial vehicle 384.204); 6) Do not issue, renew, upgrade, or transfer a license before checking CDLIS (384.205), state records (384.206), and the driver's record in every state they have previously held a license in the 10 years prior to issuing the license (384.206 (b)(ii)); 7) Disqualify, change status, and start enforcement process if any required record searches uncover adverse information; 8) Check the self-certification for all drivers and obtain a medical certification if the individual self-certifies as a non-excepted interstate driver (384.206 (a)(ii)); 9) Notify the CDLIS operator if a CDL is issued, identification information changes, or state-of-record (SOR) changes (384.205); 10) Not issue the CDL until the driver surrenders active driver's licenses from other state; and 11) Allow all drivers with valid, state-issued CDLs and CLPs to operate within their state (384.214).

Subpart B also specifies the civil and criminal penalties that states must enforce for drivers who violate the prohibitions outlined in Part 383.51. This section discusses the following violations: serious traffic violations, drug offenses, operating after out-of-service orders, hazardous materials, and railroad crossing violations, as well as the penalties associated with each violation.

One potential complication of enforcing these penalties and convictions is judges may not know the CDL rules for convictions and disqualifications or to whom they are required to report convictions. All these scenarios can result in a delay to the 10-day reporting requirement. As of September 30, 2002, state judges are prohibited from masking convictions or using diversion programs for CDL holders (384.226). All of these scenarios could result in a state losing CDL compliance and facing serious penalties.

The final regulations of Subpart B provide details on how a state should implement the requirements from CMVSA. Part 383.227 specifies that CDLs must have a digital image or photograph that SDLAs can verify. The photo image on CDLs can be in color or engraved. KSP can appoint their own test examiners or third-party examiners provided those who administer the tests receive the proper training (specified in 384.228), and the KSP monitors and audits the training program to ensure it meets these standards (384.229).

Subpart C contains the procedures for determining state compliance. The state must meet every requirement established in Subpart B and have sufficient statutes, regulations, administrative organization, internal control, technology, personnel, and methods of enforcement in place to meet these standards (384.301). This section also mandates the date on which a state must meet substantial compliance and allots three years for implementation. Following implementation of CMVSA requirements, states had to submit an annual statement of compliance for certification by the FMCSA (384.305). This section also describes the state compliance reviews by FMCSA (384.307).

States may be decertified under CMVSA requirements if a substantial number of CDLs or CPLs issued are in violation of the following:

- Computer system does not check CDLIS and/or PDPS
- Failure to disqualify drivers convicted of disqualifying offenses
- Failure to transmit convictions for out-of-state drivers to the state of domicile
- Failure to administer knowledge and/or skills tests for CLP or CDL applicants

- Failure to submit corrective action plan or implement an action plan once decertified

Part 384.405 describes the process for decertifying a state’s CDL program. If a state is in substantial non-compliance, the state will receive a letter from FMCSA stating it is in preliminary determination of non-compliance and warning the state that it faces decertification. The state has 30 days to submit a rebuttal or a plan to regain compliance. If neither is submitted, the FMCSA administrator will issue a decertification order and suspend CDL and CLP issuance until the deficiencies are corrected and the state’s governor submits proof of the corrections to the FMCSA.

To enforce compliance among all 50 states, FMCSR 384 indicates a state will lose a portion of their federal-aid highway funding and Motor Carrier Safety Assistance Program (MCSAP) funding if it does not have a CDL program that meets minimum standards for driver fitness and testing. According to 384.401, on the first day in the first fiscal year of non-compliance, up to five percent of a state’s highway funds can be withheld for non-compliance; this became effective September 30, 1992. In the second fiscal year and beyond, states can lose 10 percent of apportioned highway funds. These funds will not be available to the states even after it becomes compliant, although MCSAP funds can be recovered if a state is certified compliant before June 30 of the current fiscal year. Additionally, if a state is decertified, it may not be allowed to engage in any transactions involving CDLs. If a state has trouble maintaining compliance, the U.S. Department of Transportation will provide up to \$1,000,000 in emergency funding.

Table 4 provides an example of the potential amount of FHWA highway apportionment and MCSAP grant funding Kentucky could lose if its CDL program were decertified. Using funding from 2013 as an example, the first year of decertification would total \$35,122,214 and a second year would total \$67,160,205. The total penalty for decertification could be as high as \$102,282,419.

Table 4. Estimated Penalties for Decertification of Kentucky’s CDL Program

Funding Source	Funding Amount	First Year	Second Year
FHWA	\$640,759,832	\$32,037,992	\$64,075,983
MCSAP	\$3,084,222	\$3,084,222	\$3,084,222
Total Possible Loss		\$35,122,214	\$67,160,205

1.8 State Record Keeping Following CMVSA

CDLIS was a result of CMVSA’s mandate to improve highway safety through better record keeping, training, and enforcement. CDLIS’s development began in 1986 and was implemented in 1992. Before 1986, convictions involving CMVs were only recorded in the state the conviction was in. It was not feasible to enforce single license regulation or maintain a single driving record for each driver. CDLIS made it possible to collect information and maintain a single driving record for each CDL holder. A CDLIS record contains the following information: name, date of birth, aliases, licenses previously issued in other states, driver license number, state of license issuance, and the last five digits of the driver’s Social Security number. Driver information is stored as a master pointer record (MPR) in CDLIS. CDLIS records also include convictions, disqualifications, and other licensing actions for violations, and the date the

violations and licensing actions occurred on. Commercial applications, self-certifications, and medical certifications are recorded in CDLIS. Upgrades and downgrades of CDL class must be recorded in CDLIS as well.

The CDLIS system is housed in Ashburn, Virginia. When a state DOT official wants to check an MPR prior to issuing a CDL or CLP, the data is accessed through the AAMVAnet system, which checks CDLIS for any existing MPRs. By 2015, CDLIS contained more than 15 million records. CDLIS is a crucial element for meeting CMVSA's mandate and is responsible for many of the safety improvements attributed to the act. Studies have specifically linked CDLIS to safety improvements through the identification of high-risk carriers and drivers. Drivers and carriers with high conviction measures recorded in CDLIS are more likely to have higher out-of-service rates (Lantz & Loftus, 2005).

AAMVAnet provides the link between jurisdictions and CDLIS. AAMVAnet is maintained and owned by the American Association of Motor Vehicles Administrators (AAMVA). AAMVA is a tax-exempt, non-profit organization that promotes standards and facilitates communications among states in the areas of motor vehicle administration, law enforcement, and highway safety. AAMVA charges each state jurisdiction \$1.00 per year for each CDLIS record. This payment covers CDLIS maintenance fees, customer support for AAMVAnet, and expenses for developing and maintaining the CDLIS central site. AAMVA also produces the CDLIS manual, which helps SDLAs navigate CDLIS and record data in a timely manner. The AAMVA manual is updated at least once a year and is a central document for SDLAs.

1.9 Problem Driver Pointer System

CMVSA is not the only safety act that introduced new recordkeeping systems for SDLAs. The Motor Carrier Safety Improvement Act of 1999 stated that SDLAs must check the National Driver Register (NDR) before issuing a CDL. The NDR stores information on high-risk drivers from all 50 states and from Washington, D.C. The Problem Driver Pointer System (PDPS) lets states search the NDR for drivers convicted of serious driving violations, such as reckless driving, DUI, and vehicular manslaughter. PDPS also identifies drivers with suspended, revoked, cancelled, or withdrawn license privileges. Like CDLIS, PDPS helps states comply with CMVSA's single license and single driver record mandate. Critically, PDPS allows states to check a driving record for both commercial and non-commercial licenses. If a driver is identified as a *problem driver* through PDPS, that driver cannot be issued a license until the sanction is resolved in the appropriate state.

1.10 Timing Requirements and Recordkeeping

Table 5. Required Timing for CDL Processes

	CDL Transaction	CDL Context	Timeframe
Issuing, renewing, duplicating, reinstatement, and upgrading.	New Issuance	No prior CDL in any states. Prior Base License in issuing state. Prior or expired CDL in another state	Checks should not be performed earlier than 24 hours before license issuance
	Renewal	CDL in Issuing State	Checks should not be performed earlier than 10 days before license issuance
	Duplicate	CDL in Issuing State	Checks should not be performed earlier than 10 days before license issuance
	Reinstatement	CDL in Issuing State	Checks should not be performed earlier than 24 hours before license issuance
	Upgrade to a new class or to a new endorsement	CDL in Issuing State	Checks should not be performed earlier than 10 days before license issuance
Driving Record and Disqualifications	Disqualification	Disqualification of Out of State CDL/CLP Holder for 60 days or more	Notify state of record within 10 days of disqualification, revocation, suspension, or cancellation and the violation; update CDLIS record
	Receive request from another state for a Driving Record	CDL Applicant from another state of record	Request must be fulfilled within 30 days
	Traffic violation of out-of-state CDL/CLP holder other than parking, weight, or vehicle defect	Active CDL/CLP from another state of record	Notify state of record of violation within 10 days of the conviction
Medical Certification And self-certification	Driver non-certified		Update CDLIS within 10 days of expiration of medical certification or medical variance
	FMCSA sends state update about issuance or renewal of a medical variance		Must update CDLIS within 10 days
	Receive medical certification or variances		Update CDLIS within 10 days

A limited number of days are allocated to each jurisdiction for database inspection prior to issuing a new CDL or CPL, as well as any renewal, upgrade, or transfer. Part 384.232 specifies the databases SDLAs must check prior to issuing a CDL credential. These databases include: 1) CDLIS (384.205), 2) driver history, and 3) PDPS. There are time limits for responding to driving records requests from other states as well as updating medical certifications, medical variances, and driver self-certifications. Table 5 provides timeframe requirements in which the checks must be performed and records updated.

1.11 Commercial Driver’s Licenses and Kentucky Law

In addition to the federal requirements for CDLs, Kentucky has several statutes and regulations pertaining to the regulation and issuance of CDLs. As listed in the Kentucky Administrative Regulations (KAR) and Kentucky Revised Statutes (KRS), state law contains provisions related to: 1) CDL-related fees, 2) skills testing, 3) CDL regulations for farm-related service industries, 4) application and issuance procedures, and 5) the responsibilities of state agencies that administer or enforce laws and regulations which apply to CDL licenses.

1.11.1 CDL Fees

601 KAR 11:010 sets the maximum fees allowed to be charged for various CDLs. The fees are listed in Table 6 and are allocated among several state departments and agencies (see Chapter 5 for additional details on allocation rules).

Table 6. Commercial Vehicle Driver’s Licenses Fees

Category	Fee	Notes
CDL Application Fee	\$24	\$9 if applying for Class B/C, with passenger/school bus endorsements only
Instruction Permit	\$11	Vision, Knowledge and Skills Test
Renewals	\$47	\$32 if Class B/C, with passenger/school bus endorsements only
Transfer from Another Jurisdiction	\$60	\$40 if Class B/C, with passenger/school bus endorsements only
Duplicate Fee	\$12	
Endorsements	\$5	Per test fee is \$5
Criminal Records Check	\$3	Payable to KSP
CDL License Fee	\$40	4-year license/prorated if < 4-year license; \$20 if Class B/C, with passenger/school bus endorsements only

The CDL application fee for first-time applicants is in addition to the fee for the instruction permit and license fee. The instruction permit is issued to the applicant upon successful completion of the CDL application, self-certification, medical certification, vision exam, and written exam. After 14 days, the individual is eligible to take the road test. If passed, the applicant may obtain a CDL. CDL renewals are \$47 or \$32 for Kentucky residents. Individuals

relocating from another state must pay a \$60 or \$40 fee because of additional administrative requirements for processing transfers through CDLIS. Duplicate licenses are \$12.

KRS 281A.150 requires that every person seeking a CDL initially apply in person to the Circuit Court Clerk of the county the applicant resides in or the county where the person is enrolled in a driver training school if the applicant is not a resident. However, before a CDL permit or license can be issued, the applicant must go through several steps. Chapter 2 details this process.

KRS 281A.300 mandates state and national criminal records checks of wanted or *hot file* records of any person initially applying for or renewing a CDL. It sanctions a fee that is not more than the actual cost of processing the request and conducting the search. The fee is currently \$3 and is allocated to Kentucky State Police (KSP).

Table 7 summarizes the other fees associated with the CDL issuance process. First-time applicants must pay \$150 for the road skills test if the base operator license has been held for less than 30 days, but will only pay \$50 if the holder has the license for more than 30 days.

Table 7. Other Fees for CDL Permits

Category	Fee	Notes
Road Skills Test	\$50	If holder has license for more than 30 days
Road Skills Test	\$150	If holder has license for less than 30 days

1.11.2 Commercial Driver’s License Skill Testing

502 KAR 10:035 sets the regulations for CDL license skill testing. The statutory authority for these regulations comes from KRS 281A.150(2)(3), 281A.160, and 332.010. Third parties are authorized to administer the skills test for CDLs, but must follow authorization and testing requirements contained in federal and state law. Entities that wish to provide such a service are required to make a written request to the driver testing section of KSP. Private CDL testing centers must include proof that instructors have completed an FHWA-approved CDL examiner’s test and have a current driver’s training school or instructor’s license. After reviewing the application proof of license, KSP will issue a letter authorizing the individual or school to conduct skills testing. This endorsement allows operations under certain terms and conditions. Individuals must meet the requirements of 49 CFR 383.75, Subparts G and H, administer the test in accordance with the KSP Driver Testing Section CDL Examiner’s Manual, and immediately report the scores to the KSP Driver Testing Section following the road test.

1.11.3 Limited CDL License for Farm-Related Services

601 KAR 11:080 regulates CDL exemptions for farm-related industries. In 1992, the FHWA announced it would allow states to create limited waivers for some provisions of 49 CFR 383 related to CDLs for employees of some agriculture businesses, including livestock feeders, farm retail outlets and suppliers, and custom harvesters. According to the regulatory text, FHWA decided that such a waiver “would not be contrary to the public interest and would not diminish the safe operation of commercial motor vehicles,” so the waiver was adopted by KYTC.

Commercial drivers employed by farm-related service industry can apply for waivers, which may be given the applicants who meet the following criteria:

- (1) Possess a valid Kentucky motor vehicle operator's license issued pursuant to KRS Chapter 186;
- (2) Have been a Kentucky licensed motor vehicle operator for at least one year;
- (3) Be at least 18 years of age;
- (4) Have a current medical certificate as provided by 601 KAR 1:005; if they cannot meet the requirements of the medical exam the applicant may apply for a medical waiver;
- (5) Pass the vision test for commercial drivers administered by the KSP; the applicant is not required to take the knowledge or skills test required of other CDL applicants.
- (6) Not have had his driving privilege suspended, canceled, revoked or otherwise withdrawn for any reason during the preceding two years;
- (7) Not have had during the preceding two years a conviction in any type of motor vehicle of any of the following:
 - a. Driving under the influence of alcohol or other substance which may impair one's driving ability
 - b. Leaving the scene of an accident
 - c. Committing any felony involving a motor vehicle
 - d. Speeding 15 miles per hour or more above the speed limit
 - e. Reckless driving
 - f. Improper or erratic lane changes
 - g. Following too closely;
- (8) Accident-related traffic law violation;
- (9) Not have had an at-fault accident within the immediately preceding two years; and
- (10) Not hold any type commercial driver's license.

The application for a farm-related services restricted CDL application is available as form TC 94-17. Once the application is complete, the applicant submits it to their local Circuit Court Clerk's office. If the applicant is less than six months away having to renew their driver's license, it may be renewed at the same time as the application for a farm-related-services CDL is processed. Applicants for limited, farm-related-service CDLs can apply for licenses valid for 60 days, 120 days, or 180 days. Individuals with limited, farm-related-service CDLs may not have a license that is valid for more than 180 days per year. Once the limited CDL license expires, individuals can no longer operate farm vehicles. Extensions to limited CDLs are permissible if a person has at least 60 days of eligibility left during the 12-month period in which the extension application is filed.

Some additional restrictions should be noted:

- The limited CDL is not valid for Class A vehicles
- The license is not valid more than 150 miles from the farm-related employer.

- The license is not valid for those transporting hazardous materials, except 1,000 gallons or less of diesel fuel, anhydrous ammonia (or other liquid fertilizer) transported in a vehicle or implement of husbandry with a capacity of 3,000 gallons or less, or solid fertilizer in any quantity.
- The license will only be valid if accompanied by a valid operator's license with a "W" restriction, or a Class B or Class C CDL.

To obtain a limited CDL, the applicant must pay a \$13 fee to the Circuit Court Clerk that issues the photo farm license.

While CMVSA established a federal mandate for CDLs, states implement the procedures to achieve and maintain compliance. This chapter discussed the federal requirements described in Parts 383 and 384 as well as the state requirements under KAR and KRS.

Kentucky's CDL program staff has a significant workload to meet these requirements. FFTLs perform many of these tasks. They have to make necessary checks and updates to CDLIS and NDR as well as answer requests from other SDLAs in a limited amount of time. The CDL staff is also responsible for processing commercial applications, self-certifications, and medical certifications for CDL holders. Additionally, SDLAs must take phone calls from CDL applicants who have questions about applications and required documents and contact drivers when they do not receive accurate information on their forms.

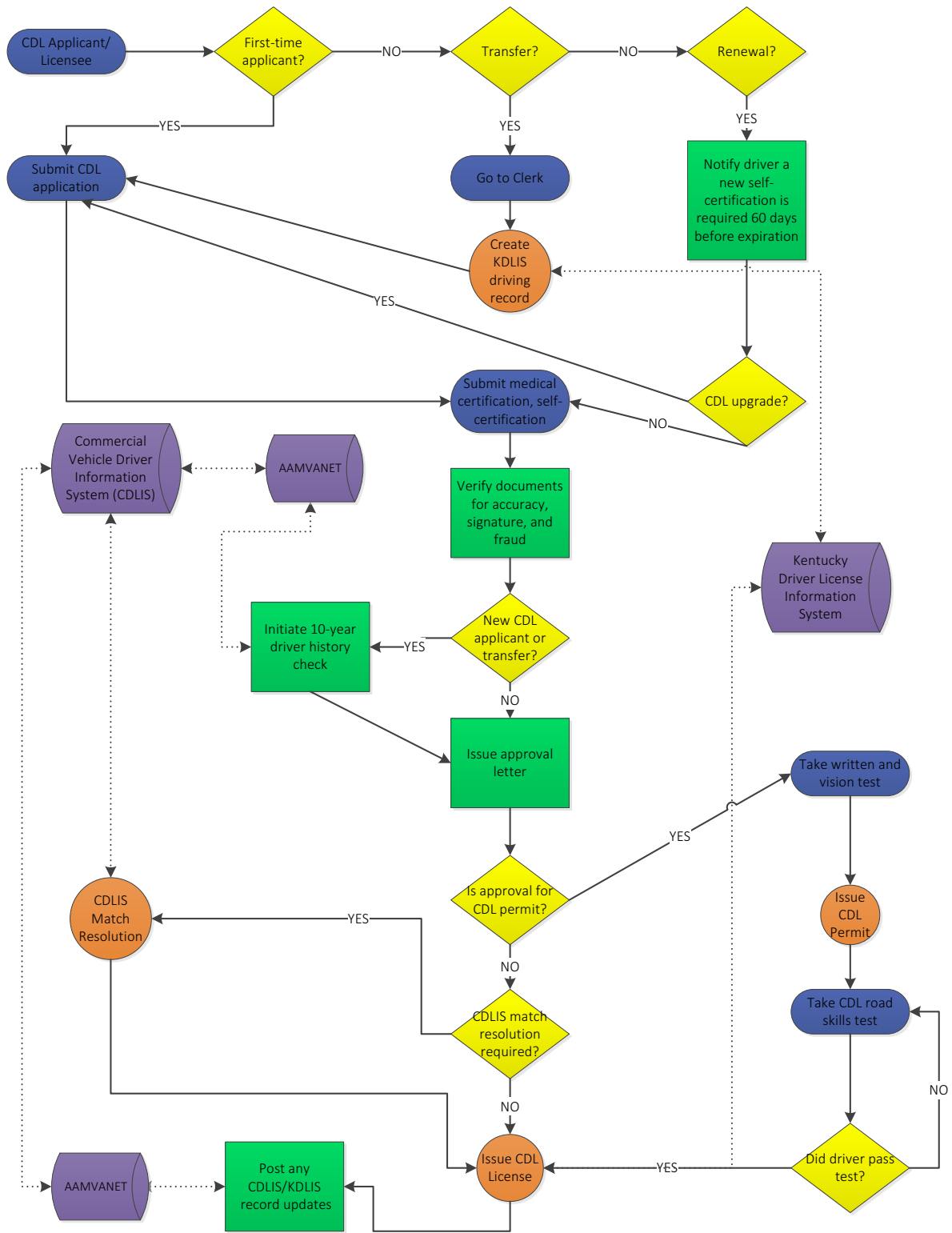
Chapter 2. Current CDL Issuance Process in Kentucky

The DDL-CDL processes first-time CDL applications, CDL renewals, transfers from other states, and upgrades or downgrades related to changes in the endorsements and/or restrictions on the license. Figure 1 captures the procedure for processing such requests. This flow chart details the steps a CDL applicant must take, the decisions which dictate the workflow, the involvement of the DDL, Circuit Court Clerks, and the information databases on which these transactions are recorded. The processes are similar for each type of issuance, but there are some deviations in their handling which depends on the requirements of DDL and federal CDL requirements that the SDLA must enforce. In Figure 1, actions required of applicants are represented by the blue ovals; decision points are yellow diamonds; actions taken by DDL-CDL are green rectangles; and Circuit Court Clerk actions are depicted by orange circles. The databases are represented as purple cylinders.

The process begins with the CDL applicant, and the path they take through the process depends on their specific needs. There are several reasons why an individual might need to submit the CDL application to their Circuit Court Clerk. All first-time CDL applicants must submit this application, as do transfers from other states and CDL holders wanting to upgrade or downgrade the license class or change their CDL endorsements or restrictions. For first-time applicants and transfers, the Circuit Court Clerks create a new driver record in KDLIS, which contains records for all licensed drivers in the state. This system is distinct from the federal CDLIS, an FMCSA system exclusive to commercial driver's licenses. CDL holders renewing a license are already in the system. Individuals wishing to renew their CDL can skip the application unless they want to change the license class, endorsements, or restrictions.

Each CDL applicant, whether they are applying for the first time or whether they are a transfer, renewal, or upgrade, must next submit self-certification and medical certification documents to the DDL. Currently these documents are in paper form, and they can be mailed, faxed, emailed, or submitted in person to the DDL-CDL. The documents are processed and then verified for accuracy, correct signatures, and are examined for fraud. This check is required by 49 CFR 383.73(m). Once verification is complete, the documents are archived to comply with federal requirements. Medical certifications must be updated at least every two years, even if the CDL is not expiring. For individuals not renewing their CDLs, their only responsibility is to submit the medical certification.

Figure 1. CDL Issuance Process in Kentucky



If the CDL issuance request is made by a first-time applicant, or is a transfer, FMCSA regulations require a 10-year driver history check to ensure the person is eligible for a CDL, has not attempted to apply for CDL in other states, and that CDLIS information matches the information provided by the applicant. This process may require DDL-CDL to check records from more than one state, just as all states where a driver possessed a CDL must be checked. If the information available from other states is not in KDLIS, the DDL-CDL employee must manually update the record. Once the CDLIS check is complete and all other documentation has been provided, the DDL-CDL will issue an approval letter which the applicant can take to the Circuit Court Clerks to obtain their CDL.

If the approval letter relates to a CDL learner's permit instead of a full license, first-time applicants must go through additional steps before receiving a CDL. After submitting the self-certification and medical certification forms, first-time applicants must pass a vision exam as well as a written exam on the laws and guidelines governing the operation of commercial vehicles. Fourteen days after passing both tests and receiving a learner's permit, the applicant may take the CDL road skills test. After they pass this test, they will be issued a CDL.

In the event of a CDL license transfer, the Circuit Court Clerks will call DDL-CDL to obtain a CDLIS match resolution to certify the applicant's records have been found, and that the applicant has no pending CDL status issues or outstanding CDL applications in other states. Federal regulations require this take place no more than 24 hours prior to the issuance of a CDL license (49 CFR 384.232), which is why it occurs after the issuance of the approval letter.

CDL license issuance is the last step for the Circuit Court Clerks. However, not all Circuit Court Clerks are trained to issue CDLs, particularly if there is a problem. Multiple times each day, Circuit Court Clerks from around Kentucky call the help desk so that a DDL-CDL employee can walk them through the issuance process. All DDL-CDL employees have a packet of Circuit Court Clerk screenshots so they can assist with the issuance. Once the CDL license is issued, DDL-CDL updates the driver record in the state's KDLIS and FMCSA's CDLIS system.

The process outlined above is the typical method for obtaining a CDL in Kentucky. However, in some special cases additional steps must be completed by DDL-CDL employees and drivers. For example, drivers wishing to receive a Kentucky medical waiver must ensure that their doctor fills out a long medical form and submits it to DDL-CDL.¹ DDL-CDL will verify the medical waiver and update the KDLIS system. There are also special waivers for current and former military members. These waivers let applicants bypass several requirements, such as applying for the CDL permit and taking the skills test. Completing the additional paperwork for one applicant's exception is not onerous. However, when the extra paperwork and verification is required for hundreds of drivers, the time and effort to process quickly accumulates.

¹ Even when medical cards are uploaded directly from the issuing doctor to FMCSA electronically, DDL employees will still have to review the long medical form for the Kentucky medical waivers.

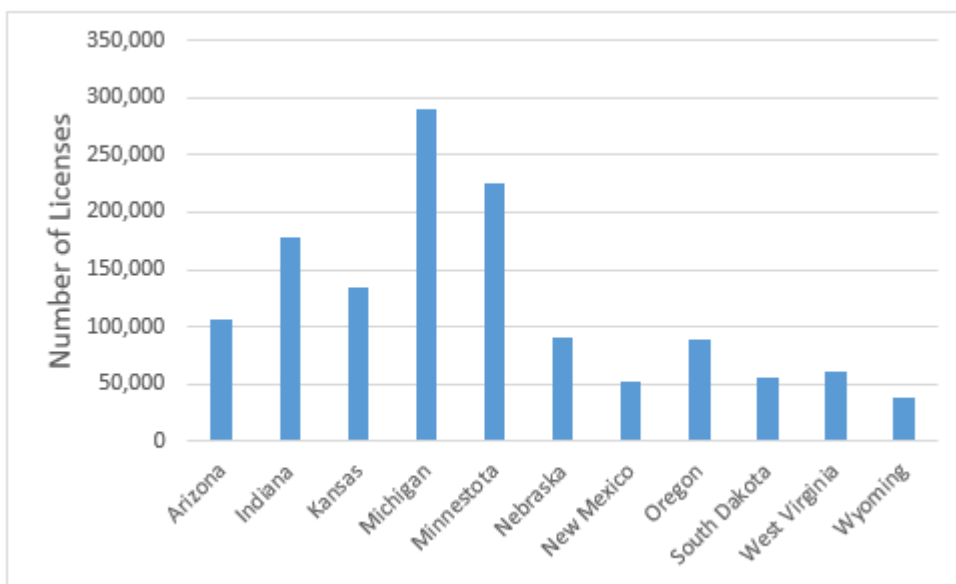
Chapter 3. Survey of CDL Issuance Practices in Other States

To determine how other states structure their CDL programs, KTC researchers developed a survey and distributed it to SDLA representatives in each state. Specifically, the survey focused on how states consolidated or modified their workflows to maintain compliance with the 10-day federal processing mandate without having supplementary funds for FFTLs. The survey also asked states for information about the number of active CDLs in the state, the total number of staff members involved in processing and issuing CDLs, funding sources for the CDL program, issuance, and any efforts to automate CDL documentation and issuance.

The 12-question survey questionnaire was created using Google Forms, and a survey link was distributed via email to SDLA officials in all 50 states. The open-ended questions were answered online and the responses were automatically compiled into a spreadsheet for further analysis. Eleven states (22 percent) responded to the survey: Arizona, Indiana, Kansas, Michigan, Minnesota, Nebraska, New Mexico, Oregon, South Dakota, West Virginia, and Wyoming.

Respondents were asked to provide the number of active CDLs in their state. Michigan and Minnesota have the greatest number of CDLs, at 290,000 and 225,326, respectively. Wyoming has the lowest number of active CDLs — 38,871. Arizona, Indiana, and Kansas averaged just over 140,000 CDLs each. The remaining states averaged approximately 70,000 licenses. Figure 2 displays the number of active CDLs in each state that responded to the survey.

Figure 2. Active Commercial Driver Licenses



3.1 Document Verification Procedures and Staffing

49 CFR 383.73(m) requires states have at least two people in the driver's licensing agency check and verify documents that prove legal residence and domicile, the information provided on the first-time CDL application, and CDL test scores. The regulation further states that if a second staff member is unavailable, a supervisor must verify the documents. All respondents said they were aware of 49 CFR 383.73(m) and implemented this requirement without significant changes

to their staffing needs. In Kansas, exam station officials do not count any CDL transactions that were made on days where there are less than two examiners. The respondent from South Dakota mentioned that all driver's licensing offices have two examiners.

3.2 CDL Compliance and Labor Costs

To remain compliant with 49 CFR 383.73(m), some states required more staff. In some cases, they used FFTL labor. Kentucky, like other states, uses funds from the Commercial Driver License Program Implementation (CDLPI) grant to supplement salaries for FFTL employees. The CDLPI grant was created to help states implement CDL requirements specified under 49 CFR Parts 383 and 384 and to improve state and national CDL programs. Other entities, like AAMVA, can also apply for and receive money from this grant. The grant does not require matching funds from the state. CDLPI grant awards can be used for computer hardware and software, publications, testing, personnel, training, and quality control. Out of 31 states that received awards from the CDLPI grant in 2013, 10 asked for money that paid for some type labor, such as CDL program coordinators and help desk personnel. However, the most recent CDLPI notice of funding availability (NOFA) included a change in prioritization. Projects designed to improve a state's CDL program will be prioritized over requests for funds to supplement operational costs.

The survey asked if state personnel were aware of the new funding priority in the 2015 NOFA for CDLPI. All of the respondents answered affirmatively. Respondents were also asked how SDLAs plan to remain compliant without supplemental staff. According to the survey responses from other states, the CDL programs operate using state budget funds and do not use CDLPI grants to supplement worker pay. In fact, most of the SDLAs use CDLPI funds to improve their CDL program. For example, Minnesota's SDLA mentioned the state used its CDLPI grant award to automate its licensing database. In 2013, New Mexico was awarded funds to purchase tablets for CDL skills testing. Michigan submitted a proposal and won funds to deploy and repair kiosks to expand automated CDL testing.

Several of the survey responses were not as clear-cut. While Nebraska, Michigan, and New Mexico pay employees almost entirely through state funds, they also use limited funds from other sources. Nebraska pays treasury employees in county offices through county funds. Michigan uses a small amount of federal funding, and New Mexico uses federal grant funding to employ two help desk workers. Neither Michigan nor New Mexico use CDLPI grants to supplement salaries.

3.3 CDL Workflows in Other States

KTC researchers asked survey respondents about their workflows and if CDL tasks occur accomplished in the same location as issuance. The question specified these tasks: CDL applications, self-certification, medical certifications, CDLIS record checks, CDLIS updates, and CDL calls. If these processes did not take place in the same location as issuance, the survey asked how help desk calls are handled. Several state licenses are processed in one location, but the licenses are produced and mailed to drivers from third-party vendors elsewhere. In some states drivers receive temporary licenses while they wait for their permanent document to arrive. New Mexico, Michigan, Nebraska, Indiana, and Minnesota have centralized production and distribution for CDL licenses.

Respondents from Arizona, Indiana, Kansas, Nebraska, Oregon, and Wyoming indicated that all the tasks listed in the question were completed in the same office. However, some of these states have help desks that are in other locations. Kansas completes all of these tasks at their exam stations, but there is a separate CDLIS/PDPS help desk that assists state driver license stations and exam stations. Minnesota also completes all of these tasks in driver’s license branches in the state, although CDL-related questions are answered in a St. Paul office. West Virginia also completes all tasks in the issuance centers, but calls go to the CDL unit or a help desk.

Some CDL documents are processed in multiple locations. In New Mexico, licenses are issued at the Motor Vehicle Department, but the CDL help desk processes all of the forms, updates CDLIS, and answers phone calls for CDL-related questions. Michigan’s CDL processing also occurs in multiple branch offices. Phone calls, self-certifications, medical certifications, CDLIS checks, and updating CDLIS records are handled at a central CDL help desk. Unless a driver is applying for an original license, South Dakota handles CDL calls, self-certifications, and medical certifications at a central administrative office. CDL applications, self-certifications, medical certifications, CDLIS checks and updates to CDLIS records are handled at the driver’s exam station if the driver is receiving a license.

Table 8 uses state abbreviations where each task in a state’s CDL program occurs. The first column specifies the task, and the remaining columns indicate where those tasks are completed.

Table 8. SDLA Workflow Locations

Task	Completed At Issuance Point	Completed at Other Locations
CDL Application	AZ, IN, KS, MN, NE, OR, WV, WY	MI, NM
Self-Certification	AZ, IN, KS, MN, NE, OR, WV, WY	MI, NM
Medical Cards	AZ, IN, KS, MN, NE, OR, WV, WY	MI, NM
CDLIS Record Checks	AZ, IN, KS, MN, NE, OR, WV, WY	MI, NM
Update CDLIS Records	AZ, IN, KS, MN, NE, OR, WV, WY	MI, NM
CDL Calls	AZ, IN, KS, NE, WY	MN, NM, OR, WV

3.4 CDL Issuance and Staffing

CDL document issuance varies greatly among the responding states. In Minnesota, CDL applicants can apply for a CDL in 140 locations. Michigan also offers services in branch offices and as many as 1,100 employees are available to help with CDL issuance. In addition, Michigan has eight people to operate the CDL help desk. Kansas reported 35 full-time exam stations and

three county stations that can perform a basic CDL renewal. In total, there are roughly 130 employees who have this capability in Kansas. South Dakota mainly discussed staff members who can update self-certification and medical information. Almost 60 driver's license examiners can update the CDLIS for these documents, although most are processed in the central office, which has a staff of 12.

Other states report much lower staff numbers. West Virginia's CDLs are distributed in 24 locations, with only four employees in the CDL unit and seven at the CLD help desk. Wyoming has seven individuals to process CDL documents at their central location and 45 examiners who can process those documents. Arizona indicated that CDL-related tasks could be completed by as few as two staff members. Some respondents did not provide exact numbers.

3.5 Automation

Automating part of the CDL procedures is one option Kentucky can study. Survey respondents were asked if their states have automated any aspect of CDL document processing. Michigan and West Virginia permit applicants to submit self-certifications and medical certifications online. South Dakota allows online submission of self-certifications and medical certifications, but only when a license is not being issued as well.

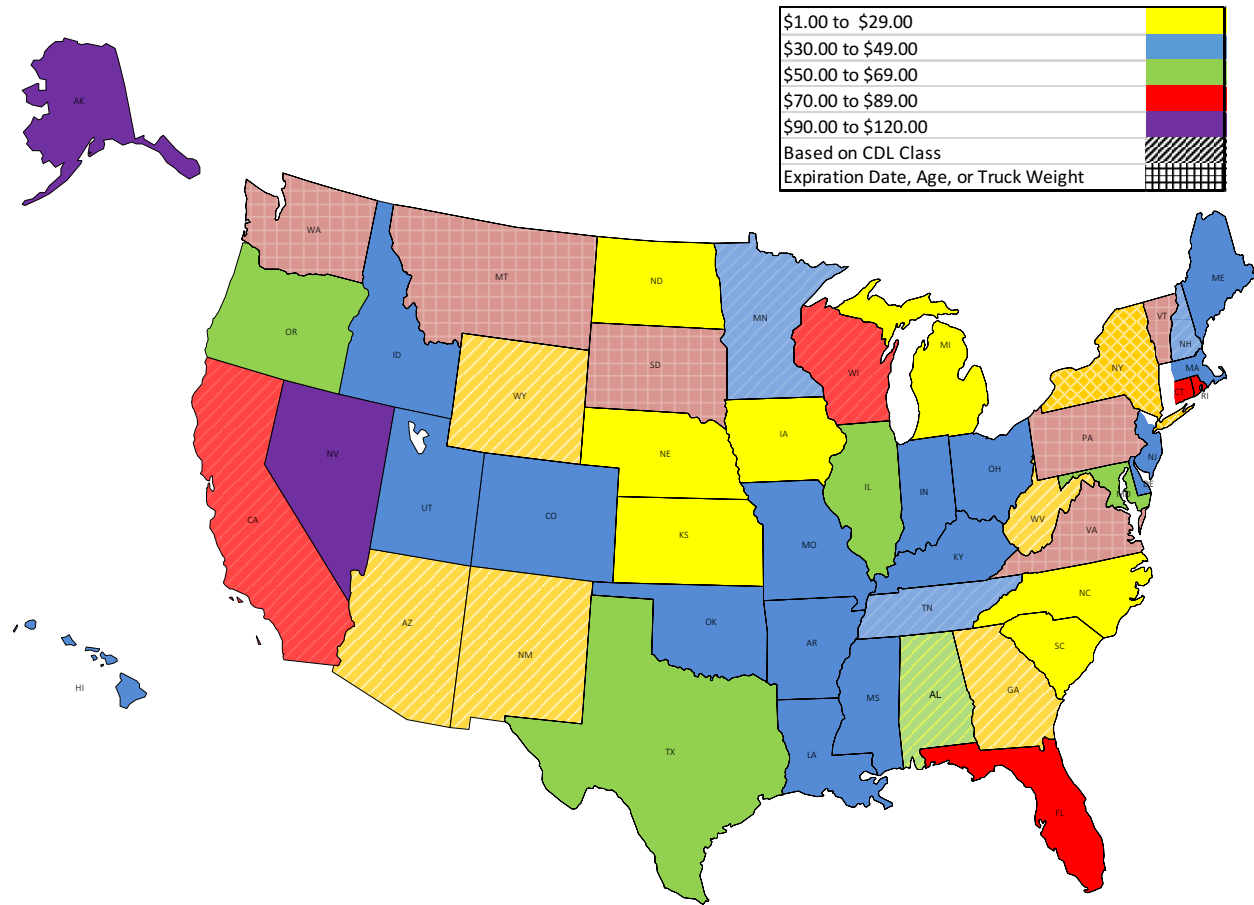
In Kansas, once the CDL program staff receives the electronic documents, they ensure data are added correctly. When CDL staff members in Michigan receive electronic documents via email, they check for accuracy and contact the applicant if anything is incorrect. In West Virginia, two staff members in the CDL unit review documents for accuracy.

Nebraska, Indiana, Wyoming, New Mexico, and Oregon have not automated any part of their CDL procedures. Minnesota has automated parts of the licensing database but no other tasks. Arizona also does not allow online document submission, but they do scan documents into a driver's records. However, by 2018, all states will accept CDL medical certification electronically. In addition, Arizona has implemented the Commercial Skills Test Information Management System (CSTIMS). CSTIMS is a web-based system maintained and hosted by AAMVA that schedules skills tests and logs their results. It is an efficient system that also helps detect fraud.

3.6 Cost of CDLs in United States

One solution for addressing the staffing issues with limited funds would be to increase the cost of CDLs. KTC researchers obtained the basic costs for CDLs in the United States (Figure 3).

Figure 3. : CDL Costs in the United States



As Figure 3 demonstrates, CDL costs vary greatly among the states. State costs are differentiated by color and shading. The colors are based on the CDL fee and how it is determined. A solid color indicates the state charges a flat fee for the CDL. Hash marks indicate that a state bases the CDL fee on CDL class. A state with square shading shows that the fee is based on several factors, such as the license's expiration date, age of the applicant, or the weight of the vehicle the driver will be operating. CDL fees range from \$12.00 to \$120.00, although most of state fees are between \$30.00 and \$49.00 (denoted by blue shading).

3.7 CDL Cost Structure

Survey Respondents were also asked if their CDL cost structure is apportioned, and if a certain amount of the cost was directed to cover the administrative costs of CDL documentation. In Minnesota, the administrative costs for the CDL program are funded by the license fees. Kansas will begin charging a fee for CDL examinations to pay for CDL course maintenance and staffing.

CDL funds in Arizona and Oregon go into state highway funds, and all expenses are paid from this fund. West Virginia has a statute (§17A-2-21) that established a special revenue account, the Motor Vehicle Fees Fund, in the State Treasury.

South Dakota, Indiana, Nebraska, Oregon, and New Mexico do not have detailed breakdowns for CDL fee allocation. CDL costs in Nebraska, New Mexico, and Michigan fall within the budget for all driver licensing services and are not earmarked for the CDL program. The respondent from Wyoming did not provide an answer.

Chapter 4. COT Applications to Automate CDL Workflow Tasks

This chapter discusses applications COT could develop to increase efficiency and enhance the customer experience when applying for a CDL or submitting CDL-related documents. There are four CDL applications that COT is currently gathering requirements for so that development may begin. Those applications relate to electronic submission of the CDL self-certification forms, CDL first-time applicant forms, CDL medical certification forms and a CDL information processing status application. Brief descriptions of each application are offered in the following section.

4.1 Applications to Automate CDL Workflow Tasks

4.1.1 Kentucky CDL Self-Certification Form

This application would allow CDL licensees to submit their Kentucky CDL self-certification form (TC 94-169) electronically instead of faxing or mailing it to DDL-CDL. All of the data fields on the form need to be captured electronically so individuals can submit this information online. Additionally, the data form would need to be assembled in a database with reporting capabilities for DDL-CDL. In particular, the DDL-CDL section needs to have knowledge of the status of every driver's certification: current, expired, or in need of an update due to a pending transfer, renewal, or upgrade. Developers should explore the configuration of the reporting system so that it could interface with CDLIS and make updates, assuming such an interface would not violate CDLIS security protocols.

4.1.2 Kentucky CDL First-Time Application Form

This application would allow first-time CDL applicants to complete their application form (TC 94-32) electronically instead of mailing or faxing the form to the CDL section of the Division of Driver Licensing. All of the data fields on this form need to be captured electronically so that individuals can submit this information online. Based on this information, a database should be constructed that contains all relevant information for first-time applications. This information will need to be formatted so that it is transferable or commensurate with records in other systems, including CDLIS, KDLIS, and any other databases, processes, applications, or systems used by KYTC related to first-time CDL applications. As with the self-certification, the reporting system would ideally interface with CDLIS to make updates.

4.1.3 Federal CDL Medical Certification Form

Beginning on June 22, 2018, FMCSA will require that all CDL medical certifications be transferred by certified medical examiners. FMCSA will then pass this information to the SDLA, and the state will enter the update in CDLIS. Motor carriers will no longer be required to keep and track medical certificates, because enforcement checks of driver medical status will go through the CDLIS/MVR process. This process will take all of the data fields from Federal CDL Medical Certification Form (649-F 6045), capture them based on the information input by the medical examiner, and transmit that information to the states. Each state will be responsible for determining how to receive that information and, ideally, transmit it electronically to CDLIS. At the very least, the data from this transmission should provide CDL staff the ability to monitor daily changes in Kentucky-based CDL drivers' medical certification status.

4.1.4 CDL information processing status application

This application lets drivers check KYTC's website so they can check the processing status of their medical certification and self-certification forms. The idea behind this application is that it will include the self-certification and medical certification status, as well as its expiration date, so that individuals do not need to call the CDL section of the DDL to obtain a CDL license at the Circuit Court Clerk's office. This application need only take the self-certification data and medical certification data from FMCSA and display the status to the authorized end-user. This application was completed in October 2015.

4.2 Commercial Driver's License Program Implementation (CDLPI) Funding

Table 9 summarizes currently funded COT projects related to the development of the CDL applications mentioned above. Over the last three grant cycles, COT has received awards every year. In 2013, it was awarded \$320,625 for the COT Program Improvement Project. The next year, the COT programming project was awarded \$602,525. During the latest grant cycle, the Online CDL Application System Project was awarded \$346,720. In total, COT has been awarded \$1,269,870 during the last three grant cycles. COT officials have stated that the funding they have received is adequate to complete all of the CDL-related project applications. What is not clear is the amount of time it will take to develop the applications and beta testing; the impact on databases, processes, or information systems that need to interface with these applications; the current project status; potential obstacles and hurdles for the projects; and any remaining input or information needed from DVR or FMCSA for the application requirements and development specifications.

Table 9. COT Projects Funded Under Active CDLPI Grants

Grant	Project	Budget	Expended	Balance
CDLPI13	COT Program Improvement	\$320,625	\$0	\$320,625
CDLPI14	COT Programming	\$602,525	\$0	\$602,525
CDLPI15	Online CDL Application System	\$346,720	\$0	\$346,720
All	All	\$1,269,870	\$0	\$1,269,870

4.3 COT Problem Statements for CDLPI-Funded Projects

What follows is a brief description of the CDLPI-funded projects in the FY 2013-2015 grant requests. The basis for each grant request is identified and basic project goals are discussed. These descriptions are based on the actual grant applications, but have been edited for clarity and brevity.

4.3.1 CDLPI 2013 – COT Program Improvement

The purpose of this project is to cover the cost of implementing the changes necessary to meet the commercial learner's permit requirements set forth in 49 CFR 383.73, which were to be implemented by July 8, 2015. COT officials said the final rule specifications would come down too late to implement the requirements in the original system code specification. The grant was awarded to finance the project costs associated with implementing changes to the original code specification required by the final rule. In addition, this funding will also cover development of system updates that were not properly addressed through the development phase of this project. The funding was needed to address any shortcomings in the system, costs associated with the

program's systems life cycle, unanticipated requirements, and system changes that are necessary to keep the CDL program running efficiently (e.g., automating manual processes).

4.3.2 CDLPI 2014 – COT Programming

The COT Programming project in the 2014 CDLPI grant request focused on upgrades and improvements to state systems in response to various system upgrades and improvements to CDLIS, along with new federal requirements. The funds for this grant were requested to cover several development projects. First was the cost of program development that will be needed to address the medical certification process. In addition, AAMVA Code Dictionary (ACD) implementation and rule changes for CDL permit holders in Kentucky will be improved based on grant resources. Third, funding was needed to address CDL permit data cleaning post-implementation for the Kentucky Driver License Information System. These funds will also be used to cover the unanticipated requirements and system changes not currently known that would be necessary to keep the CDL program running efficiently. For example, KYTC requested funds to finance the automation of various manual processes.

4.3.3 CDLPI 2015 – Online CDL Application System

In the 2015 CDLPI grant, COT requested funds to construct and implement online verification of the CDL application, self-certification, and medical certification. Once FFTL funding is exhausted KYTC will be unable to remain in compliance with 49 CFR Parts 383 and 384 and the requirements laid out in Sections 31311 and 31313 without changing the workflow processes or identifying a new funding mechanism for required labor. The state contended that to remain in compliance and move away from the hands-on administration of the application process, it must shift to an automated system. Moving to an automated application system in a centralized location will reduce the need for administrative processes, establish new best business practices, benefit end users, and ensure Kentucky's CDL program will remain compliant with 49 CFR Parts 383 and 384 and requirements laid out in Sections 31311 and 31313.

Chapter 5. CDL Section Activities, Labor Costs, and Funding Alternatives

5.1 CDL Section Activities

DDL-CDL handles the majority of work related to CDL license issuance, document processing, customer support, and archival work. Customer service representatives in KYTC's Division of Customer Service provide some support as well. Much of this work comes from the labor of FFTLs in the DDL-CDL Section and from the Division of Customer Service. Table 10 summarizes the monthly activities of DDL-CDL from January 2014 to May 2015 as well as the calls processed by the call center in the Division of Customer service. This includes data on microfiche indexing, CDL document processing, DDL-CDL section phone calls, One-Stop Shop visits to the customer service area at the KYTC building in Frankfort, and call center calls. Phone data is only available for January-August 2014.

Table 10 includes monthly totals, period totals, and monthly averages for each activity. Between January 2014 and May 2015, FFTLs indexed 106,338 documents. During the average month, 6,255 of these documents were archived by scanning old microfiche and indexing the files on the CDL Section's SharePoint website. During most months, two individuals were assigned to this task, although in some instances three employees completed the task. In total, approximately one million microfiche documents require archiving.

All FFTLs are used to process paperwork received in conjunction with federal mandates related to medical certification and self-certification. Six FFTLs were trained to help with the increased call volume from CDL holders related to the self-certification and medical certification mandates. Once received, the documents are electronically moved or otherwise scanned into Kentucky's temporary document repository for CDL documents. Documents must be verified for completeness and accuracy pursuant to 49 CFR 383.73(m). The documents are keyed into each driver's CDLIS record, after which the documents are electronically moved into the permanent document archive. If the document is incomplete, the DDL-CDL employee mails a letter to the driver requesting corrected information. The FFTLs have enabled Kentucky to comply with the 10-day federal processing mandate.

From January 2014 to May 2015, DDL-CDL employees processed 480,104 self-certification and medical certification documents — 28,241 per month. DDL-CDL employees fielded 27,569 phone calls (or, 3,446 per month) between January 2014 and August 2014. Given the workload associated with these tasks — along with CDL applications, CDL test score validation, CDLIS court records updates, and miscellaneous other administrative tasks — it is unsurprising that Kentucky feels the 13 FFTLs working in Frankfort as of June 2015 are necessary to ensure that its CDL program meets federal compliance standards.

Table 10. CDL Section Activities, January 2014-May 2015

Month	Year	Document Processing	CDL Phone Calls	One-Stop
January	2014	38,708	4,242	19
February	2014	41,904	3,654	61
March	2014	27,989	3,237	67
April	2014	31,050	3,232	87
May	2014	29,622	3,477	56
June	2014	30,422	3,585	46
July	2014	29,337	3,027	30
August	2014	24,447	3,115	48
September	2014	23,885	N/A	29
October	2014	25,331	N/A	15
November	2014	21,327	N/A	34
December	2014	19,653	N/A	45
January	2015	25,427	N/A	63
February	2015	25,624	N/A	77
March	2015	29,635	N/A	72
April	2015	26,925	N/A	81
May	2015	28,818	N/A	76
Total	--	480,104	27,569	906
Average	--	28,241	3,446	53

5.2 Cost of FFTLs to KYTC for CDL-Related Labor

The FFTLs used to assist permanent DDL-CDL employees are funded through the Commercial Driver’s License Program Implementation (CDLPI) grants received from FY 2011 through FY2013. The CDLPI grants for FY 2014 and FY 2015 lacked this funding, and it is unlikely future grants will restore it. Table 11 shows the CDLPI funding for FFTLs, the amount spent as of June 15, 2015, and the remaining balance. The CDLPI11 grant, which funded 3 Administrative Assistant I positions, had a budget of \$260,000. Of that, \$64,443.99 has been spent, leaving a balance of \$195,556.01. The CDLPI12 grant, which funds the majority of FFTL positions, amounted to nearly \$1.28 million. As of June 15, 2015, \$856,169.49 had been spent, which means a balance of \$421,627.51 remains. The CDLPI grant, which funds the Administrative III position, was funded at \$101,969, with \$37,679.74 spent and \$64,289.26 remaining.

Table 11. CDLPI Funding for FFTLS, Expenses, and Remaining Grant Balances

Grant	Personnel Funded	Budget	Expended	Balance
CDLPI11	3 Administrative Asst. I	\$260,000	\$64,443.99	\$195,556.01
CDLPI12	6 Administrative Asst. I 6 Administrative Asst. II	\$1,277,797	\$856,169.49	\$421,627.51
CDLPI13	1 Administrative Asst. III	\$101,969	\$37,679.74	\$64,289.26

Labor costs for FFTLs will influence how quickly KYTC runs out of earmarked resources under the current grant-based funding approach. These costs include the cumulative salary amount, FICA, retirement, and health costs for each employee covered under a particular grant. Because each position occupies a particular pay grade, there are possible salary ranges for each employee. DVR provided salary minimums and midpoints for each pay grade, along with the corresponding FICA, retirement, and healthcare costs. Tables 12 and 13 display the cost of employing each of the FFTLs at the pay grade minimum and at the midpoint.

Table 12. Cost Per FFTL Employee by Pay Grade and Pay Range

Minimum (\$)						
Admin	Grade	Salary	FICA	Retirement	Health Insurance	Total
1	09	22,334.81	1,623.18	8,659.21	8,700.00	41,317.20
2	10	24,564.31	1,785.21	9,523.58	8,700.00	44,573.11
3	12	29,720.03	2,159.90	11,522.46	8,700.00	52,102.39

Employing an Administrative Assistant I (pay grade 9) runs between \$41,317.20 and \$51,898.90, depending on the salary, and how FICA and retirement costs correspond to the salary rate. Health insurance costs are fixed at \$8,700 per employee regardless of pay. Administrative Assistant IIs require between \$44,573.11 and \$56,230.41 in annual labor costs. Compensation costs for Administrative Assistant IIIs is between \$52,102.39 and \$66,201.63 per year. Estimates do not include equipment costs, training costs, or departmental overhead.

Table 13. Cost Per FFTL Employee by Pay Grade and Pay Range (Cont'd)

Midpoint (\$)						
Admin	Grade	Salary	FICA	Retirement	Health Insurance	Total
1	09	29,580.69	2,149.78	11,468.43	8,700.00	51,898.90
2	10	32,546.72	2,365.33	12,618.36	8,700.00	56,230.41
3	12	39,374.56	2,861.55	15,265.52	8,700.00	66,201.63

Summing the costs for each position, we calculated annual monthly employment compensation costs using both the pay grade minimum and pay grade midpoint. Table 15 shows the annual and monthly labor costs by grant and provides annual cost estimates by totaling each. Annual labor costs for FFTL employees funded through CDLPI11 range from \$123,951.61 to \$155,696.69. Costs for CDLPI12, which funds most of the employees, is highest at \$515,341.86 to \$648,775.87. The CDLPI13 annual cost range is between \$52,102.39 and \$66,201.63. These estimates do not account for employee turnover or departmental vacancies. Full employment is

assumed at all times, which could make these estimates marginally higher than the amount that KYTC actually spends on these FFTLs.

Table 14. Annual FFTL Labor Costs by Grant and Pay Level

Grant	Minimum (\$)		Midpoint (\$)	
	Annual	Monthly	Annual	Monthly
CDLPI11	123,951.61	10,329.30	155,696.69	12,974.72
CDLPI12	515,341.86	42,945.15	648,775.87	54,064.66
CDLPI13	52,102.39	4,341.87	66,201.63	5,516.80
Total	691,395.85	57,616.32	870,674.18	72,556.18

One of the primary purposes of gathering this information was to determine approximately when KYTC will exhaust its funding for FFTLs. Along with the factors noted previously, the precise timing also depends on whether FMCSA is willing to extend some of these grants to let KYTC spend down the entire balance. The original expiration date for the CDLPI11 and CDLPI13 grants was August 31, 2015, but KYTC applied for an extension. FMCSA granted a temporary extension through November 30, 2015, but ultimately did not extend these grants. Therefore, there is no need to project when the CDLPI11 and CDLPI13 funds will run out – they have already expired. The CDLPI12 grant will expire March 31, 2016 unless extended.

Figures 4 and 5 illustrate the monthly projected balance for the CDLPI grant as of the middle of each month. Figure 4 shows the projected balances assuming that each FFTL receives the pay grade minimum, and Figure 5 documents the projected balances based on each FFTL receiving the pay grade midpoint. The CDLPI12 grant balance, while initially higher than those of the other two grants, declines rapidly because it funds the most of the FFTL positions in the CDL section. The pay grade minimum shows funding will run out in April 2016, but it could run out as soon as February 2016 if the monthly costs are more in line with the pay grade midpoint.

After the funding provided by these grants is exhausted, KYTC loses money it uses to employ any FFTLs. Losing these employees poses a great risk to achieving CDL compliance. Given the potential penalty for non-compliance, there could be \$102 million in lost FHWA and MCSAP funding over a two-year period; Kentucky needs to maintain compliance with the CDL program standards. Because funding is likely to run out before the development of automated CDL applications, the most effective course of action involves finding a way to retain the FFTLs currently working in the CDL Section and Division of Customer Service. The next section discusses strategies to do this.

Figure 4. Projected CDLPI12 Grant Balances by Month for Pay Grade Minimum

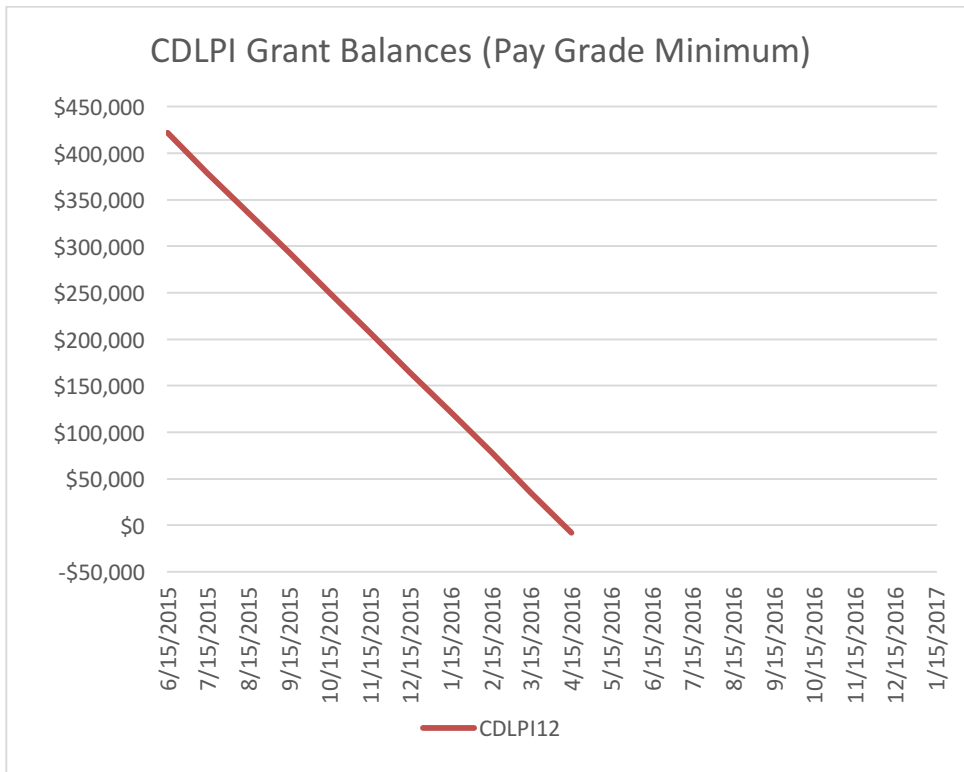
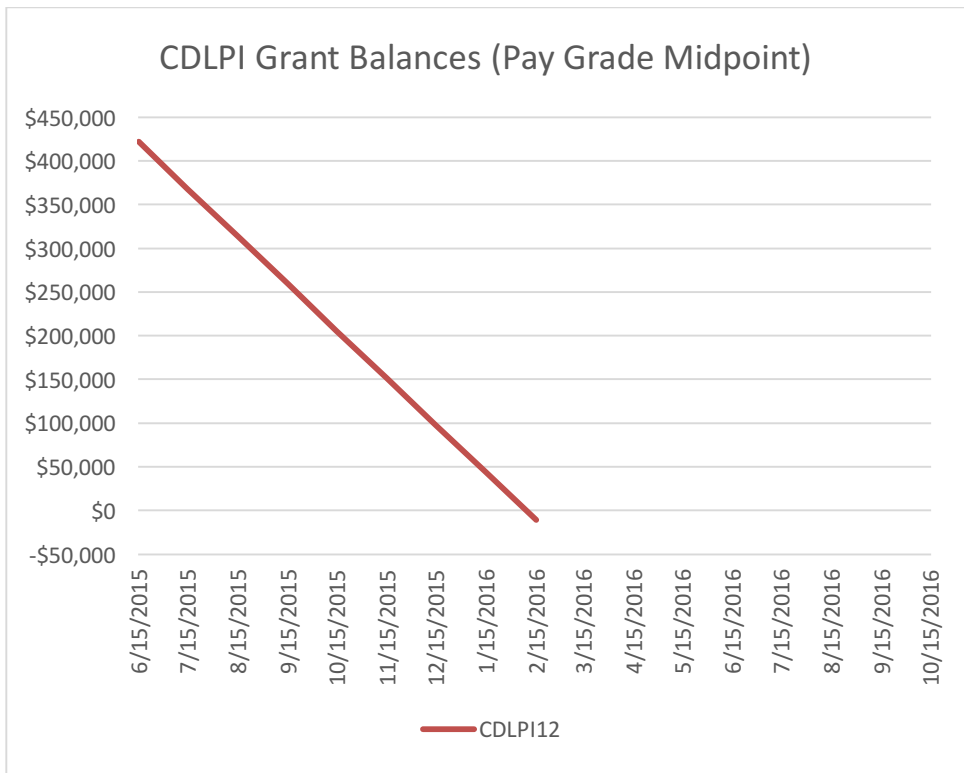


Figure 5. Projected CDLPI12 Grant Balances by Month for Pay Grade Midpoint



5.3 Funding Alternatives for FFTLs Doing CDL-Related Work

Given the ramifications of not complying with federal standards for CDL license issuance and oversight, and the uncertainty over how much automation of CDL-related document submission would reduce labor requirements in the short- to medium-term, KYTC and the Kentucky General Assembly need to consider alternative funding provisions for these employees. There are three policy options available to the state, but each will require legislative action for implementation. The first option is raising the cost of a CDL license and allocating extra revenue to CDL-related administration. A second possibility is a hybrid option, where CDL license costs are increased, along the reallocation of some existing fees so that it is geared toward covering the cost of CDL-related administration. A third option is establishing a dedicated revenue source from the Road Fund.

5.3.1 Option 1: CDL License Fee Increase

The most straightforward way to address the funding shortfall is to increase CDL license fees. Base CDL licensing fees range between \$32 and \$57, but most individuals pay the standard \$47 fee. The revenue is then distributed to various funding centers pursuant to 601 KAR 11:010. Table 15 shows how fees for the CDL license types are apportioned to different funds.

Table 15. Distribution of Kentucky CDL Fees

Description	Amount	General Fund	Road Fund	Photo License	Driver Education	County Fund	MCY Fund	CDLIS	AOC
Class A Renewal	\$47.00		\$13.60	\$1.00	\$0.50	\$0.50		\$27.00	\$4.40
Class B/C Renewal	\$32.00		\$13.60	\$1.00	\$0.50	\$0.50		\$12.00	\$4.40
Duplicate	\$12.00	\$1.25	\$6.00	\$1.00				\$3.75	
Farm-Related	\$10.00			\$1.00				\$9.00	
Original License	\$40.00								
Original Permit	\$11.00		\$1.00	\$1.00				\$9.00	
Transfer	\$60.00		\$13.60	\$1.00	\$0.50	\$0.50		\$40.00	\$4.40
Upgrade	\$12.00		\$1.00					\$11.00	

The CDLIS fee covers administrative payroll for the CDL program. Currently, this only covers permanent, full-time workers in the CDL section. KRS 281A.150(4) states that “all fees collected for the issuance of a commercial driver’s license or a commercial driver’s instruction permit shall be deposited into trust and agency accounts to be used exclusively for the administration and implementation of this chapter, except as prescribed in subsection (5) of this section. The accounts shall not lapse but shall be continuing from year to year.” The amount deposited in the CDLIS fund varies from \$3.75 (for a duplicate) to \$40 (for a transfer). In most cases, the Road Fund receives the second-largest disbursement, with \$13.60 deposited there for each renewal and transfer. The Administrative Office of the Courts receives \$4.40 per CDL renewal and transfer. If the CDL includes a motorcycle endorsement (not shown in Table 15), the motorcycle safety

fund gets \$4. General Fund distributions are \$3 per CDL — if the license includes a motorcycle endorsement. Other standard disbursements include \$1 to the Photo License Fund, 50 cents to the driver education fund, and 50 cents to the fiscal court of the county the license is issued in. These disbursements only apply to renewals and transfers.

Given this manner of disbursements, the simplest approach would be to increase the CDL license fee and add it to the CDLIS distribution, which already funds full-time, permanent staff but not FFTLs. To determine the necessary fee increase, the total labor cost of FFTLs should be divided by the number of license transactions that occur annually. Table 16 shows the number of CDL transactions between FY2005 and FY2015. The data reveal an interesting trend — since 2006, the number of CDLs issued has generally fallen. In the first four years (FY2005-2008), Kentucky issued an average of 64,210 CDLs, whereas for FY2012-2015 the average was 50,273. Over the entire period, 56,227 CDLs were issued on average each year.

Table 16. CDL Permits and Licenses Issued Per Year in Kentucky, 2005-2015

Fiscal Year	Issued
2005	65,177
2006	71,807
2007	60,924
2008	58,932
2009	55,947
2010	54,218
2011	50,399
2012	48,518
2013	51,395
2014	51,393
2015	49,637

The renewal numbers fluctuated over time, but the average over the last renewal cycle (50,236) offers a starting point to estimate future license requests. Assuming annual labor costs between \$691,396 and \$870,674, the average FFTL-related administrative cost per CDL transaction is between \$13.75 and \$17.32. To determine if this would cover future cost increases, we need to estimate future labor costs. Table 17 includes estimated labor costs using the pay grade midpoint — assuming a 5 percent annual cost increase (for salary, retirement or health insurance) as well as the estimated cost per CDL license and permit issued from FY 2016 to FY 2023. The cost rises from \$17.32 per issuance in FY 2016 to \$24.37 in FY 2023. This estimate also assumes that each position will always be filled and that no new efficiencies will be found between now and 2023, and that issuance levels remain static. This may overstate the actual cost per CDL.

Table 17. Estimated Future FFTL Cost Per CDL License and Permit Issuance

FY	Labor Cost	Increase Per CDL Transaction
2016	\$870,674.18	\$17.32
2017	\$914,207.89	\$18.18
2018	\$959,918.28	\$19.09
2019	\$1,007,914.20	\$20.05
2020	\$1,058,309.91	\$21.05
2021	\$1,111,225.40	\$22.10
2022	\$1,166,786.67	\$23.21
2023	\$1,225,126.01	\$24.37

CDL officials could decide to distribute these costs evenly across CDL transaction types. While this may be prudent for CDL permits and licenses (regardless of type), it may not make as much sense for add-ons and upgrades. It could be more logical to charge more for licenses and less for add-ons and upgrades. In FY2015, there were 4,504 add-ons and upgrades — 9 percent of the 49,637 CDL transactions. If CDL add-ons and upgrades were increased by \$10, license transfers would have to provide the additional revenue needed to cover FFTL labor costs. Table 18 shows this distribution. If the increase for add-ons and upgrades is set at \$10, the cost of CDL licenses will need to increase \$19 per license in FY2016. By 2023, this rises to \$26.75.

Another factor to account for is the increasing cost of producing and distributing licenses. Currently, the photo license fund only receives \$1 for each license produced. As KTC’s REAL ID study demonstrated, the implementation of REAL ID and/or online renewal, production and issuance will cost somewhere between \$4.76 and \$6.11 per license depending on what option the Cabinet pursues.² Such costs would apply to standard operator’s licenses and CDL licenses. This means that additional funds should be set aside for these costs as well. The REAL ID study recommended a \$10 increase to cover projected costs, security costs not covered by the estimate, and future increases in license production and issuance costs. If that increase were added to the FFTL labor costs, the CDL license costs would need to increase by \$37 for the Cabinet to meet its obligations.

Table 18 lists the current costs associated with CDLs Based on the assumption that KYTC would need to increase prices \$37; the proposed costs range from \$22 to \$97. These increases would ensure that all labor costs met federal and state CDL requirements, and that the cost of producing and distributing licenses would be covered by the cost of the license. This increase would allocate \$11 to the photo fund instead, plus an additional \$27 in the CDLIS administrative fund for every license.

² Wallace, Candice, Andrew Martin, & Jennifer R. Walton. (2015, October). *Best Practices for the Implementation of the REAL ID Act*. Kentucky Transportation Center. KTC-15-23/SPR15-511-1F (SPR).

Table 18. Current CDL Costs and Proposed Increases

Description	Current	Proposed
Class A Renewal	\$47.00	\$84.00
Class B/C Renewal	\$32.00	\$69.00
Duplicate	\$12.00	\$49.00
Farm-Related	\$10.00	\$47.00
Original License	\$40.00	\$77.00
Original Permit	\$11.00	\$48.00
Transfer	\$60.00	\$97.00
Upgrade	\$12.00	\$22.00
Add-Ons	Varies	+\$10

The change would make Kentucky CDL licenses more expensive than those in several of its bordering states. However, these prices are comparable to or lower than CDL costs in 13 other states, as well as Washington, D.C. Arguably, it will put Kentucky on sounder budgetary footing if the administrative costs associated with CDL production, issuance, adjudication, and program compliance were recovered through the license fee. The General Assembly could increase the fees more gradually to keep pace with the increase featured in Table 18.

One question to consider is whether it is more practical to increase the license cost to the amount needed to cover FFTL labor costs in FY 2023 now, instead of gradually raising prices. If this option were selected, Kentucky could redirect any unused license disbursements to the Road Fund at the end of each fiscal year. This would yield additional revenue for KYTC to use for other transportation-related needs, and such revenue is critically needed given that Road Fund revenue decreased 2.2 percent between FY 2014 and FY 2015. Another option is to take the average estimated increase over the 8-year period (\$22.69) and use it instead of the maximum in FY 2023 (\$26.75). Taking the \$10 REAL ID/online renewal increase into account, this would mean a \$33 increase to CDL licenses instead of a \$37 increase. The upgrades and add-ons would still cost \$10. Under this scenario, the surplus money would form a reserve in the first few years that would not be redirected to the Road Fund. The extra fees not used for FFTL labor would be retained to pay for costs incurred in later fiscal years. The problem with this approach is there always exists the temptation to appropriate reserve money for other uses, which undermines the purpose of setting up this funding mechanism. Were money from this fund swept for other uses, the CDL program would lack sufficient funding to cover the labor costs. Further, if any of the estimates for labor costs are too conservative or revenue projections too optimistic, the state may lack the funds needed to cover FFTL labor expenses.

5.3.2 Option 2: Hybrid FFTL Funding Mechanism

Another option is to change the CDL fee-distribution structure so that it will cover the associated costs of retaining FFTLs. One challenge is that with the exception of the Road Fund and General Fund allocations, all other funds go to specific programs or agencies outside of KYTC. Most allocations are set by statute, although KYTC does have some discretion as to how it distributes the remaining funds not specifically allocated by statute (per 601 KAR 11:010). However, the Cabinet lacks the authority to increase the licenses without KRS 281A.150 being revised (which specifies the maximum allowable fees for CDL licenses). Currently those fees are at the statutory

maximum. But the Cabinet could create a new regulation to reallocate the portion of the Road Fund license fees it has discretion over.

For example, officials could transfer all of the Road Fund monies to the CDLIS funding stream to cover FFTL labor costs. Table 19 summarizes the amount of Road Fund revenue generated from different types of CDL transactions. In FY2015, Road Fund receipts from CDL license transactions totaled \$477,360.40. Of the total, \$461,265.80 came from CDL licenses, while \$16,094.60 came from CDL upgrades and add-ons. If this revenue were redirected to the CDLIS fund, officials could offset the CDL cost increase.

Table 19. Road Fund Disbursement from CDL Transactions, FY2015

CDL Transaction Type	No. of Transactions	Road Fund Disbursements	Disbursement Per Transaction
Up/Add	4,504	\$16,094.60	\$3.57
License	45,133	\$461,265.80	\$10.22
Total	49,637	\$477,360.40	\$9.62

To calculate the amount of revenue necessary to supplement Road Fund disbursements redirected to the CDLIS account, we made several assumptions:

- Neither KYTC nor any other agency claims any of the Road Fund money for another purpose
- The increase for upgrades and add-ons remains at \$10 per transaction, and transaction numbers are held constant.
- Zero growth in CDL license issuance numbers throughout the period. Assume a significant increase in CDL license (or add-on and upgrade transactions) would ignore the previous decade’s trends, which shows declining transaction numbers. Certainly industry growth is expected, but how that balances with the countervailing long-term decline in transactions is unclear.
- Road Fund disbursements are likewise assumed to be static for each year.
- Total transactions are 49,637 in this scenario instead of 50,236 as in Option 1 because FY 2015 is the only year for which more detailed transaction breakdowns are available.

Table 20 includes the projected labor costs for FFTLs from FY2016 to FY2023. It also reports Road Fund disbursement from CDL license transactions and upgrade and add-on transactions. The additional revenue, which supplements the Road Fund portion, is the amount leftover after accounting for additional revenue from the upgrades and add-ons. In FY2015, there were 4,504 of these transactions, generating \$45,040. The additional license revenue is divided by the expected number of licenses (45,133) to calculate the fee increase necessary to cover the remaining license revenue. These costs start at \$7.72 in FY2016 and gradually increase to \$15.57 in FY2023.

Table 20. Hybrid Funding Model for FFTL Labor

		Road Fund to CDLIS		Additional Revenue		
FY	Labor Cost	Licenses	Upgrades & Add-ons	Licenses	Upgrades & Add-ons	License Increase
2016	\$870,674.18	\$461,265.80	\$16,094.60	\$348,273.78	\$45,040	\$7.72
2017	\$914,207.89	\$461,265.80	\$16,094.60	\$391,807.49	\$45,040	\$8.68
2018	\$959,918.28	\$461,265.80	\$16,094.60	\$437,517.88	\$45,040	\$9.69
2019	\$1,007,914.20	\$461,265.80	\$16,094.60	\$485,513.80	\$45,040	\$10.76
2020	\$1,058,309.91	\$461,265.80	\$16,094.60	\$535,909.51	\$45,040	\$11.87
2021	\$1,111,225.40	\$461,265.80	\$16,094.60	\$588,825.00	\$45,040	\$13.05
2022	\$1,166,786.67	\$461,265.80	\$16,094.60	\$644,386.27	\$45,040	\$14.28
2023	\$1,225,126.01	\$461,265.80	\$16,094.60	\$702,725.61	\$45,040	\$15.57

This option allows for a smaller license increase. As with Option 1, the increase in revenue from Option 2 would need to cover the \$10 increase necessary to implement REAL ID requirements and, potentially, the implementation of an online license renewal system. The additional funds for the last fiscal year in the projection require an increase of approximately \$16 in addition to the \$10 increase for purposes unrelated to FFTL labor costs. Instead of a \$37 increase, the CDL increase under this scenario is \$26. Exploring the use of the average required CDL license issuance cost increase over the 8-year period (\$11.45), the total CDL license fee increase could be reduced to \$22. Yet this approach has the same shortfalls as Option 1. A \$4 difference might be politically desirable, but forgoing the additional revenue carries risk.

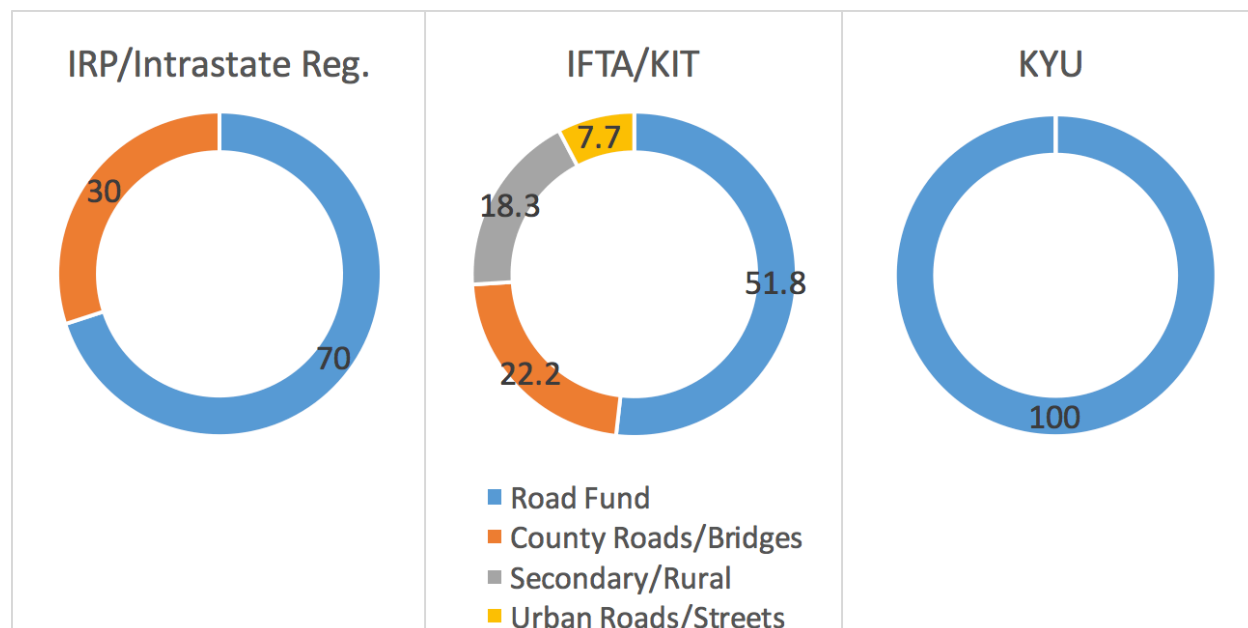
5.3.3 Option 3: Dedicated Revenue Stream for CDL FFTL Costs

If Options 1 and 2 are unworkable, another solution would be to dedicate a revenue stream from one of the various motor carrier credentialing and taxation programs currently overseen by the Division of Motor Carriers. Those programs include the Kentucky Weight-Distance Tax (KYU), International Registration Plan (IRP) (as well as intrastate commercial vehicle registrations), International Fuel Tax Agreement (IFTA), and the Kentucky Intrastate Tax (KIT). Officials would need to address several issues, such as which program or programs would be best suited for a dedicated revenue stream, how program allocations currently work, and how a dedicated revenue stream for CDL FFTL labor would influence allocations made to other entities.

Figure 6 displays the percentage of revenue allocated to general road maintenance, construction, and reconstruction from IRP and intrastate truck registration fees, the motor fuel surtax for IFTA and KIT participants, and the weight distance tax. These programs are primarily used to fund surface transportation projects for state roads, county roads and bridges, secondary/rural roads,

and urban roads and streets. However, the formulas used to calculate these amounts include exempted appropriations, which are deducted before the disbursement of funds. These exempted funds are used to fund transportation-related programs not directly related to surface transportation projects, such as KTC or the petroleum underground storage tank environmental assurance program. As noted in Figure 6, Kentucky allocates 70 percent of IRP and intrastate truck registration funds to the Road Fund and the remaining 30 percent to counties, which goes toward road and bridge maintenance. IFTA and KIT surtax funds are split four ways — 51.8 percent goes to the Road Fund, 22.2 percent goes to county roads and bridges, 18.3 percent goes to secondary and rural roads, and 7.7 percent goes to urban roads and streets. All weight distance revenues go into the Road Fund.

Figure 6. Motor Carrier Tax and Fee Allocation Formulas



Based on this knowledge, it is important to consider how exempting funds from distribution through normal allocation mechanisms influences revenue distribution to the state and local government entities. If a dedicated revenue stream were to come from the weight-distance tax revenues, for example, only the Road Fund would feel an impact. None of the state programs administered by the Office of Rural Secondary Roads — County Road Aid, Municipal Road Aid, or the Rural Secondary Program — would be affected. However, if a revenue stream from the IFTA and KIT collections were rededicated, all of those programs would be affected. In the case of IRP and intrastate truck registration fees, the Road Fund and County Road Aid programs would be impacted, but no others.

Table 21 summarizes the funding allocated to each state transportation program by revenue source. IFTA and KIT allocations, after being divided pursuant to KRS 177.320 and 177.365, totaled about \$77.8 million. IRP plate fees, distributed in accordance with KRS 47.020, totaled \$64.1 million — approximately \$45 million for Road Fund distributions and \$19.1 million in County Road Aid distributions. Intrastate plate fees were not available. The largest program is

KYU, with \$79.1 million of its revenue going into the Road Fund. Collectively, these programs contribute \$221 million to Kentucky’s surface transportation needs.

Table 21. Revenue Disbursement to State and Local Transportation Programs, FY2015

Program	IFTA/KIT	IRP*	KYU
Road Fund	\$40,282,335	\$44,973,299	\$79,145,834
County Road Aid	\$17,263,858	\$19,138,772	
Rural Secondary Program	\$14,231,018		
Municipal Road Aid	\$5,987,915		
Total	\$77,765,126	\$64,112,071	\$79,145,834

If the General Assembly approved a dedicated revenue stream for FFTL labor, it would need to decide whether the revenue stream should be dedicated from a single program or from a combination of these programs. Lawmakers would also need to determine how to weight the contributions if it were split across programs. There are three basic approaches investigated here. The first is to evenly split the allocation contributions among the three programs. The second is to apportion the labor costs relative to the size of each program. For example, in FY2015, IFTA and KIT tax contributions accounted for 35.2 percent of all revenues disbursed from these three motor carrier programs, while IRP plate fees and KYU fees accounted for 29 percent and 35.8 percent, respectively. The statute would merely allocate a certain amount of labor costs and those percentages would allocate the dedicated sources accordingly. The third option is to allocate all FFTL labor costs from KYU because dedicating a portion of that revenue would have no impact on county, rural, or municipal allocations.

Table 22 displays all of the dedicated revenue requirements for each scenario. The first scenario, which evenly splits contributions from all three tax programs, would require \$290,225 from those programs in FY.2016. By FY2023, this would increase to \$408,375 per program. The proportional split does not impact revenue dedication much.

Table 22. Dedicated Revenue Needed from Motor Carrier Programs by Scenario

CDL FFTLs		Even Split			Proportional Split			KYU Only
FY	Labor Cost	IFTA/KIT	IRP	KYU	IFTA/KIT	IRP	KYU	KYU
2016	\$870,674	\$290,225	\$290,225	\$290,225	\$306,477	\$252,496	\$311,701	\$870,674
2017	\$914,208	\$304,736	\$304,736	\$304,736	\$321,801	\$265,120	\$327,286	\$914,208
2018	\$959,918	\$319,973	\$319,973	\$319,973	\$337,891	\$278,376	\$343,651	\$959,918
2019	\$1,007,914	\$335,971	\$335,971	\$335,971	\$354,786	\$292,295	\$360,833	\$1,007,914
2020	\$1,058,310	\$352,770	\$352,770	\$352,770	\$372,525	\$306,910	\$378,875	\$1,058,310
2021	\$1,111,225	\$370,408	\$370,408	\$370,408	\$391,151	\$322,255	\$397,819	\$1,111,225
2022	\$1,166,787	\$388,929	\$388,929	\$388,929	\$410,709	\$338,368	\$417,710	\$1,166,787
2023	\$1,225,126	\$408,375	\$408,375	\$408,375	\$431,244	\$355,287	\$438,595	\$1,225,126

It slightly raises IRP/KIT and KYU contributions while lowering the IRP revenue dedication. In the final scenario, where only KYU funds are dedicated for labor costs, the revenue sourced from KYU is significantly more than in the other two scenarios, but none of the county or local funds are affected.

To identify the correct revenue dedication strategy, officials should consider the impact of each scenario on the Road Fund, County Road Aid, Municipal Road Aid, and the Rural Secondary Program. There are 120 counties, 420 cities, and 45 unincorporated urban areas eligible to participate in these programs. Allocations are based on the Fifth's Formula for the County Road Aid and the Rural Secondary Program. Municipal Road Aid is allocated based on Census population data. For County Road Aid and Municipal Road Aid, counties and cities can receive funding monthly, or they can participate in a cooperative program where they receive disbursements three times per year. The advantage of receiving funds monthly is that it provides a stable monthly revenue stream. The strength of cooperative programs is that local governments can request emergency funds for specific projects.

Tables 23 and 24 provide estimates of mean impact for each transportation program. The mean impact assessment does not differentiate between cooperative road aid, non-cooperative road aid, and emergency aid. Both tables provide a statewide impact analysis and calculate the mean impact per recipient for the four transportation programs that receive disbursements from IFTA/KIT, IRP, and KYU in FY2016 and FY2023. The Road Fund, which the state is the only direct recipient of, has the same revenue impact and mean impact per recipient. The impact is smaller for Road Fund effects under the even split and proportional split scenarios, while the impact is much greater for the scenario that only uses KYU funds, under which all disbursements would come from the Road Fund. The impacts are similar for the even split and proportional split, with both increasing more than \$260,000 over the 8-year projection period.

County Road Aid would incur the second largest impact, with a dedicated FCTL revenue stream producing a loss of \$143,787 and \$151,497 in FY2016 for the proportional split and even split scenarios, respectively. This increases to over \$200,000 a year for both scenarios by FY2023. In the KYU-only scenario, these funds are unaffected. Dividing the aggregate impacts among the 120 counties shows the average impact is \$1,200 per county in FY2016 and steadily increases to \$1,700 in FY2023.

The Rural Secondary Program impact would go from \$53,111 in FY2016 to \$74,333 in FY2023 under the even split scenario. The mean impact per counties in this case is much smaller, ranging from about \$443 a month in FY2016 to \$632 under the even split scenario. The amounts for the proportional split are similar. Some counties would lose more than others depending how much they are allocated, but the impacts would be modest.

The Municipal Road Aid program impact is roughly \$23,000 in FY2016, increasing to \$32,000 in FY 2023, assuming either the even split or the proportional split allocation approach were chosen. There are 465 eligible recipients for Municipal Road Aid. Assuming all eligible recipients participated, the average impact would be about \$50 per city in FY2016 and \$70 per city in FY2023. Obviously, given that allocations are based on population, larger cities like

Louisville and Lexington would experience larger impacts relative to the rest of the state. Most cities would see very little impact.

Table 23. Estimated Impacts of Dedicated FFTL Labor Funding Stream, FY 2016

FY 2016	Statewide Impact			Mean Impact Per Recipient		
	Even Split	Proportional Split	KYU Only	Even Split	Proportional Split	KYU Only
Road Fund	\$643,719	\$647,203	\$870,674	\$643,719	\$647,203	\$870,674
County Road Aid	\$151,497	\$143,787	\$0	\$1,262	\$1,198	\$0
Rural Secondary Program	\$53,111	\$56,085	\$0	\$443	\$467	\$0
Municipal Road Aid	\$22,347	\$23,599	\$0	\$48	\$51	\$0

Under any of the three scenarios, the impact of allocating a revenue stream to maintain the services of FFTL CDL labor would be modest, particularly for counties and cities. The advantage of this option is there would be no increase in CDL license fees. Money would be redirected from tax and credentialing programs that apply exclusively to motor carriers. As such, the cost of this administrative labor would be redirected from commercial truck drivers to their employers, except in cases where employers pay CDL fees. The dedicated revenue stream would not come from the credential with the associated administrative costs, which makes efficiency and accountability more challenging. Another disadvantage is that revenue stream dedication leaves less funding for other surface transportation programs, which receive the vast majority of motor carrier tax and credentialing revenue. However, these impacts are modest in most cases, and if revenues continue rising due to a strengthening economy, the counties and cities may not suffer reduced disbursements at all.

Table 24. Estimated Impacts of Dedicated FFTL Labor Funding Stream, FY 2023

FY 2023	Statewide Impact			Mean Impact Per Recipient		
	Even Split	Proportional Split	KYU Only	Even Split	Proportional Split	KYU Only
Road Fund	\$905,776	\$910,680	\$1,225,126	\$905,776	\$910,680	\$1,225,126
County Road Aid	\$213,172	\$202,322	\$0	\$1,776	\$1,686	\$0
Rural Secondary Program	\$74,733	\$78,918	\$0	\$623	\$658	\$0
Municipal Road Aid	\$31,445	\$33,206	\$0	\$68	\$71	\$0

There are still other specifics that must be addressed statutorily, such as whether the contribution should have a concrete allocation, an overall limit, or otherwise be indexed in some way. As with the CDL fee increase, any funds would be deposited in the CDLIS account that is used to cover CDLIS administrative costs for non-FFTL employees (i.e., permanent CDL section employees).

If there are unused funds, they should be returned to the Road Fund and allocated in accordance with existing laws, as with Option 1 and Option 2, unless lawmakers opt to use the 8-year license average instead of the projected FY 2023 license costs. Option 3 is more complicated in that KYTC officials would have to document and transfer funds from several taxation and credentialing programs, unless the “KYU only” scenario is chosen for implementation. Officials would have to decide how to bind intrastate revenues to IRP revenues, because intrastate plates are not tied into Division of Motor Carriers accounting systems like the IRP plates; they are generally the responsibility of the Division of Vehicle Licensing.

5.4 Conclusion and Recommendations

Given the potential ramifications of losing FHWA and MCSAP funding due not complying with federal standards for CDLIS transaction processing times, it is imperative that state lawmakers work to ensure DDL-CDL has the resources to carry out its mandated functions. Officials are working with the COT on applications to improve the section’s efficiency. These applications include electronic submission of CDL self-certification, medical certification, first-time applications, and an application that displays the processing status of a submitted CDL application. These programs would make it easier for the CDL Section to collect information for required CDL documentation. If electronic submission were mandatory, it would eliminate the need to scan, fax, or mail documents. The processing status application could reduce the number of CDL-related calls the DDL-CDL and the Division of Customer Service receive.

Currently, there are not enough data to determine how extensively the proposed electronic applications will streamline CDL workflow processes. The applications have not been developed, nor have any metrics been designed to measure their effectiveness. If the General Assembly or KYTC wants more information about the impact of those applications on CDL section productivity, KTC was the recipient of a recent grant award that would allow its researchers to examine the issue of workflow efficiency in greater detail. Officials could request intermediate remediation of the FFTL labor costs through a short-term budget appropriation, and researchers could assess the degree to which labor demand is impacted by applications pending development or provide recommendations that will enhance efficiency.

However, KYTC and the General Assembly also have the ability to act now if waiting for the results of a second study is impractical. KTC has developed three potential funding mechanisms to replace the lost federal funding for employees currently classified as FFTLs. As with policy solution, implementation carries benefits and challenges. Each option would require legislative action. Option 1 and Option 2 would increase the price of the CDL licenses, but the dedicated revenue from those increases would pay for administrative costs associated with the credential. To the extent the state wishes to prioritize a tax-and-fee system that attempts to ensure costs are directed to those who benefit from a particular service or product, this approach is preferable. However, fee increases are never popular, and they would raise Kentucky’s CDL license fees above those in surrounding states. Option 3 has the benefit of protecting drivers from increased license costs, but it effectively transfers the cost burden to motor carriers by redirecting revenue from tax and credentialing programs in the Division of Motor Carriers. Dedication to this revenue will not change the amount of taxes owed by carriers — just the manner in which the revenue is allocated. As a result, fewer Road Fund dollars will be allocated to other surface transportation needs. It also modestly impacts surface transportation programs that distribute aid to counties and cities. However, each option is preferable to inaction given the difficulty the

CDL section will have meeting federal CDL requirements and the repercussions of non-compliance.

Based on the information collected and analysis performed during this project, we offer the following recommendations:

- Further study is needed to evaluate how much the development of CDL web applications will improve CDL Section efficiency and impact labor needs. There are several time-consuming activities (e.g., answering phones and scanning mailed and faxed documents) that would potentially be reduced by these applications. But there are other activities, also consuming a lot of time and effort that web applications do not address, such as going through errors in the UNI database generated from the KDLIS, verifying proof of citizenship and residency, and maintaining CDLIS record updates. All of these factors can be studied using research money from the CDLPI FY 2015 grant, and the currently proposed financial solutions could be reconsidered in light of new evidence.
- If KYTC does not wish to wait for a second study, and would rather implement a long-term funding solution than a stopgap measure while awaiting the results of the second study, it can adopt one of the options described in Chapter 5. KTC does not endorse any of these options, but it has evaluated their viability and summarized the pros and cons of each. All are projected to generate the revenue needed to cover current and future labor costs.
- When the DDL-CDL employee develops a 10-year history report on a driver, they have to ensure all violations in other states are reflected in the KDLIS system. This can be a time-consuming task if there are multiple violations to enter. One way to reduce the time needed to perform this task is to automatically upload records from other states into the KDLIS system, either when another state sends those records to Kentucky or a driver applies for a CDL.
- The KDLIS system contains multiple glitches. Although the DDL-CDL employees have devised methods to work around these, it takes additional time that could be used more efficiently. The KDLIS system needs to be replaced with a more modern database and enhanced functionality.
- The DDL-CDL and COT need to better coordinate plans and resources to ensure that issues facing the CDL section are promptly resolved. Even though there have been grants awarded to COT for programming in three consecutive CDLPI grant cycles, little work has been done on these applications. Given the situation's dynamics, these projects should be given higher priority.

Appendix A: Survey Questions

Commercial Driver's License Workflows for SDLAs

- 1.) What state do you represent?
- 2.) What is your name and title?
- 3.) How many CDL licenses are currently active in your state?
- 4.) Do you process CDL applications, CDL self-certifications, medical cards, make CDLIS checks, update CDLIS records, and take CDL calls from drivers at the CDL issuance point? If not, how are CDL calls received and processed?
- 5.) How many people are involved in the processing of the documents mentioned in Question 2? Are these people also responsible for issuing the physical CDL licenses as well?
- 6.) Are these employees funded by state dollars, federal dollars, or some combination thereof?
- 7.) Are you aware of 49 CFR 383.73(m), which states that a “state must require at least two persons within the driver licensing agency to check and verify all documents involved in the licensing process for the initial issuance, renewal, upgrade, or transfer of a CLP or CDL?”
- 8.) In the 2015 Commercial Driver License Program Implementation (CDLPI) Grant Program notice of funding availability, it says “CDLPI grant program is not intended to supplement ongoing operational costs of State CDL programs. Its primary purpose is to assist States in achieving and sustaining compliance with the provisions of 49 CFR Parts 383 and 384. For this reason, funding for annually recurring state administrative costs receives a lower priority than funding associated with compliance issues or innovative CDL program improvements.” Is your state aware this funding will cease? What is your plan to meet Federal guidelines without supplemental staff?
- 9.) Have you automated any aspect of CDL licensing document processing? If so, which documents may be submitted online and what is your workflow?
- 10.) For documents submitted electronically (if any), how do you handle the requirement set forth in 49 CFR 383.73(m)?
- 11.) How is your CDL cost structure apportioned? For example, is a certain amount of the cost explicitly directed, by state law or regulation, to cover the administrative costs associated with CDL documentation? Can you provide a breakdown, or a statute that specifies the breakdown?
- 12.) How does this requirement impact your CDL program's staffing needs?

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