

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Minutes of the 1st Meeting of the 2023 Interim

June 7, 2023

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Appropriations and Revenue was held on June 7, 2023, at 1:00 p.m. in Room 149 of the Capitol Annex. Representative Jason Petrie, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Jason Petrie, Co-Chair; Senator Christian McDaniel, Co-Chair; Senator Gary Boswell; Senator Matthew Deneen; Senator Donald Douglas; Senator Shelley Funke Frommeyer; Senator David P. Givens; Senator Amanda Mays Bledsoe; Senator Gerald A. Neal; Senator Michael J. Nemes; Senator Robin L. Webb; Representative Kim Banta; Representative Danny Bentley; Representative Adam Bowling; Representative Josh Branscum; Representative George Brown Jr.; Representative Myron Dossett; Representative Patrick Flannery; Representative Ken Fleming; Representative Deanna Frazier Gordon; Representative Chris Freeland; Representative Al Gentry; Representative Mark Hart; Representative DJ Johnson; Representative Bobby McCool; Representative Shawn McPherson; Representative Ruth Ann Palumbo; Representative Josie Raymond; Representative Brandon Reed; Representative Steve Riley; and Representative Ken Upchurch.

Guests: Stephanie L. Robey, Assistant Director of Administration, Division of Emergency Management, Department of Military Affairs; Shannon L. Soard, Budget Manager, Office of Management and Administration, Department of Military Affairs; Alex Kelly, Budget Specialist, Office of Management and Administration, Department of Military Affairs; Meghan Sandfoss, Executive Director, Office of Broadband Deployment; John T. Hicks, State Budget Director; Mary Elizabeth Bailey, Secretary, Personnel Cabinet; Jamie Caldwell, Assistant Director, Personnel Cabinet, Division of Employee Management.

LRC Staff: Cynthia Brown, Katy Jenkins, Lexi Bensberg, and Fantasia Tackett.

Military Affairs' 2022-2023 Non-Governmental Expenditures Update

Stephanie L. Robey, Assistant Director of Administration, Division of Emergency Management, Department of Military Affairs; Shannon L. Soard, Budget Manager, Office of Management and Administration, Department of Military Affairs; and Alex Kelly, Budget Specialist, Office of Management and Administration, Department of Military Affairs provided the committee with an update on the Department of Military Affairs State Fiscal Year 2023 Necessary Government Expenditures (NGEs).

Mr. Kelly testified that \$273 million has been expended for NGEs for the 2023 fiscal year.

Kentucky's budget appropriates \$4.5 million annually for NGEs. The budget allows for additional expenditures for NGEs for governor-declared emergencies, governor's call of the Kentucky National Guard, and to match federal aid for presidentially declared disasters or emergencies. Funds that exceed the annual appropriation of \$4.5 million come from the Budget Reserve Trust

Fund. At the end of the fiscal year all unexpended NGE funds lapse back to the Budget Reserve Trust Fund.

Ms. Robey testified in the last 5 years Kentucky has had 12 major disaster declarations. Over the last 5 years Kentucky has only had 2 declarations that did not involve flooding. She explained the process for receiving funds from Federal Emergency Management Agency (FEMA) is long, and KYEM tries to ensure the information they provide FEMA is accurate so they can be reimbursed quickly.

In response to the Western Kentucky tornadoes, KYEM submitted multiple projects totaling \$21.6 million in reimbursement requests, which FEMA approved in their entirety. In response to the Eastern Kentucky flooding, KYEM submitted multiple projects totaling \$254.5 million in reimbursement requests. FEMA has approved \$16.8 million of the requests thus far. KYEM is limited to only conducting and being reimbursed for emergency work. In a normal declaration, FEMA would reimburse 75% of the cost from the Western Kentucky tornadoes. However, there was a presidential order that declared all disasters occurring in 2020 and 2021 would be funded at 90%. FEMA allowed KYEM to identify the 30 most expensive days of emergency response following the floods and tornadoes, which will be reimbursed entirely.

In response to a question from Senator McDaniel, Ms. Robey testified she expects KYEM to be reimbursed 95% for their expenses with the Western Kentucky tornado event and approximately 80% for the Eastern Kentucky flooding event. She explained that this reimbursement will occur over multiple years.

In response to a question from Senator Webb, Ms. Robey explained that FEMA recently declared any project under \$1 million is considered a small project and can be reimbursed efficiently. FEMA has also designated more people to help with final inspections for larger projects, which should expedite the reimbursement process.

Chair Petrie explained that as a result of the Eastern Kentucky flood and Western Kentucky tornadoes, Kentucky has the EKSAFE and WKSAFE funds, Team Kentucky funds, and \$400 million in NGEs.

In response to a question from Chair Petrie, Ms. Robey explained that she expects \$40 million to be reimbursed by the end of the fiscal year and approximately \$100 million to be reimbursed by the end of the next fiscal year.

Broadband Deployment Fund Implementation Update

Meghan Sandfoss, Executive Director, Office of Broadband Deployment and John T. Hicks, State Budget Director, provided the committee with an update on The Office of Broadband Deployment Fund Implementation, which is intended to provide universal access to affordable and reliable high-speed internet.

Mr. Hicks testified that 47 awards have been granted, approximately \$90 million. The office was able to leverage the state and local fiscal recovery funds at both the state and local levels. They have been involved in 36 counties, and 13 of the 47 approved projects have either been bid on or are in the construction phase.

The office put out the applications in November 2022 which were due in February 2023. It

received 103 project applications which would cost approximately \$908 million, while the appropriated budget was only \$206 million.

Projects were proposed in 77 counties and there were proposals to serve 127,000 locations. Locations with no internet service were given priority. The office received multiple challenges to the project applications. After reviewing the challenges, revisions are now being completed, and the funds will be awarded in July.

In 2021, the General Assembly appropriated \$20 million from federal ARPA funds for the Rural Infrastructure Improvement Fund. This was intended to partially reimburse poll replacements and projects that were going to provide internet service to unserved locations.

Mr. Hicks testified that the Broadband Equity Access and Deployment (BEAD) program is the next step. By June 30, 2023, the National Telecommunications and Information Administration (NTIA) will announce the allocations of Kentucky's share of \$42 billion. The funding decision is based upon maps of served, underserved, and unserved locations by the Federal Communications Commission (FCC). It is estimated that Kentucky's share could be close to \$1 billion.

Ms. Sandfoss testified their 5-year action plan is due to the NTIA by August 12, 2023. The office has a contract with Connected Nation, a Kentucky-based nonprofit with broadband experience, and they have been collaborating to develop a final plan. Ms. Sandfoss added that her office has been gathering local input to prevent further application challenges. Additionally, they have been working with the Education and Labor Cabinet to produce the digital equity plan for the state, which is also a BEAD requirement.

Ms. Sandfoss testified their initial proposal is due by the end of this calendar year and 20% of their allocation will be released once it is approved. The remaining 80% of the allocation will be released upon approval of their final proposal which is due at the end of 2024.

Mr. Hicks testified that the focus continues to be on unserved communities. However, federal funds can also be used for underserved locations which is measured by 100-megabyte download, 25-megabyte upload speeds.

In response to a question from Chair Petrie, Ms. Sandfoss testified their contract with Connected Nation cost \$4.4 million.

Chair Petrie requested additional information related to both approved and pending applicants. Mr. Hicks and Ms. Sandfoss agreed to provide documentation to the committee.

Mr. Hicks testified that the BEAD money will be appropriated to the Commonwealth of Kentucky and that the office would provide documentation on the money's guidelines and restrictions.

In response to a question from Chair Petrie, Mr. Hicks testified that there has been interest in developing a consistent revenue stream whose profits would be dedicated to broadband development, but not enough information has been gathered yet to propose and an adequate plan for this.

In response to a comment from Representative Flannery, Mr. Hicks testified they will soon be

releasing a map for constituents to see locations that have broadband services available.

Personnel Cabinet Compensation and Classification Study Update

Mary Elizabeth Bailey, Secretary, Personnel Cabinet and Jamie Caldwell, Assistant Director, Personnel Cabinet, Division of Employee Management, provided the committee with an update on the cabinet's compensation and classification study.

Ms. Bailey testified that 2022 RS HB 444 required the personnel compensation study be complete by November 1, 2023. Korn Ferry, a premiere compensation consulting firm, is assisting the Personnel Cabinet with the study. There are 1,155 job classifications that encompass 25,500 classified, graded employees. The Personnel Cabinet is 70% complete with the job classification review. Of what has been completed, 89% of the job classifications are going to require an adjustment. This will include changes in job titles, minimum eligibility requirements, grade changes, special interest rates, and locality premiums, among other factors.

In response to a question from Senator McDaniel about compression issues, Ms. Bailey testified that the findings of this study will not result in compression or changes in who employees report to following a grade change. After the study is complete, the Personnel Cabinet will have specific recommendations for compression that has already occurred.

Correspondence Received

Chair Petrie made the committee aware of the additional materials provided to them prior to the meeting, including correspondence from Budget Review and reports received by the Appropriations and Revenue Committee since the November meeting.

Adjournment

With there being no further business, the meeting was adjourned at 2:12 p.m.