

# LEGISLATIVE OVERSIGHT & INVESTIGATIONS COMMITTEE

## Minutes

**October 10, 2024**

### **Call to Order and Roll Call**

The 5th meeting of the Legislative Oversight & Investigations Committee was held on October 10, 2024, at 1:00 PM in Room 131 of the Capitol Annex. Representative Adam Bowling, Chair, called the meeting to order, and the secretary called the roll.

### **Present were:**

Members: Representative Adam Bowling, Co-Chair; Senator Jason Howell, Vice Chair; Senators Danny Carroll, Donald Douglas, Gerald A. Neal, Michael J. Nemes, and Reginald Thomas; Representatives John Blanton, Lindsey Burke, Ken Fleming, Matt Lockett, Jason Petrie, Steve Riley, Scott Sharp, and Pamela Stevenson.

Guests: Ruth Day, Chief Information Officer, Commonwealth Office of Technology; Robert Long, General Counsel, Finance and Administration Cabinet; Danielle Clore, Chief Executive Officer, Kentucky Nonprofit Network; and Representative Shawn McPherson, District 22.

LRC Staff: Committee Staff Administrator, William Spears; Committee Analysts McKenzie Ballard, Jacob Blevins, Christopher T. Hall, Valentina Osunmade, Austin Sprinkles, Shane Stevens, Joel S. Thomas, Holly Tracy; and Committee Assistant Ashley Taylor.

### **Approve Minutes from September 12, 2024**

Upon motion by Representative Lockett and second by Senator Douglas the minutes for the September 12, 2024, meeting were approved without objection.

### **Staff Report on Executive Branch Use of Artificial Intelligence Systems**

Committee Analysts Shane Stevens and Joel S. Thomas presented the staff report "Executive Branch Use Of Artificial Intelligence Technology." The study resulted in 11 major findings, 6 agency recommendations, and 4 matters for legislative consideration. Staff's full presentation is available on the Legislative Oversight and Investigations Committee webpage.

In response to a question from Senator Thomas, Mr. Stevens said that staff would provide the committee and the co-chairs of the Artificial Intelligence (AI) Task Force with the 31 states that passed AI legislation in 2024. Senator Thomas requested that staff draft a definition for AI and provide it to the committee and the co-chairs of the AI Task Force, to which Mr. Stevens agreed.

Senator Thomas said analysis of AI systems should not be limited to the executive branch and he is interested in how the judicial and legislative branches are using AI. For example, he was interested in whether judges are using AI to implement rulings or if the legislature is using AI to draft bills.

### **Response from the Commonwealth Office of Technology**

Ruth Day, Chief Information Officer (CIO) for the Commonwealth Office of Technology, and Robert Long, General Counsel for the Finance and Administration Cabinet, introduced themselves. Ms. Day shared that the Commonwealth Office of Technology (COT) provided responses to the recommendations and COT generally does not have any concerns with the recommendations. COT is evaluating governance to publish about AI, starting with generative AI. COT believes many of the concerns expressed regarding privacy and protecting data are addressed in existing policies. As part of COT's annual employee training process, they have incorporated guidance. COT believes the CIO has authority to issue any policies as it does for other information technology (IT) matters and does not need administrative regulation. AI acquisition will fall under policies for IT procurement and implementation. Security training will expand as needed for AI. A core part of COT's mission is developing security and governance structures for executive branch agencies, including a risk assessment based on the National Institute of Standards and Technology risk management framework. Instead of conducting an inventory, COT wants to deploy an application portfolio management system that would maintain information and track changes in real time.

Mr. Long pointed out that KRS 42.726, KRS 42.728, and KRS 42.730 provide broad powers for COT and the CIO to govern IT in the executive branch, and puts strict requirements for the other agencies to assist in deployment. COT believes the statute is broad enough for COT to issue governance and to do so as it does with current technology systems.

In response to a question from Representative Bowling, Ms. Day explained COT feels the policies issued from the CIO are an adequate process for everyone to understand the rules. COT provides a policy baseline and agencies adopt their own policies. Mr. Long added COT worked with industry leaders and developed a draft AI policy that is being reviewed by leadership in the executive branch. In regards to definitions of AI, he asked that the legislature be cautious about being too restrictive or taking away the flexibility of the CIO to adapt to ever changing situations.

In response to Representative Bowling's question about reporting requirements for AI and COT in general, Ms. Day agreed that transparency would be very important and is willing to look into that as the process moves forward but COT is in the very early stages of AI. Mr. Long added that one of COT's responses to staff recommendations is regarding the

application management portfolio system. If COT is granted the funding necessary to procure and deploy this system it would provide a way for COT to capture the data and report it in real time, as well as generate reports annually or on an as needed basis to provide more transparency.

In response to comments from Senator Thomas regarding how AI is going to be regulated moving forward, Ms. Day assured Senator Thomas that COT is talking about and developing knowledge relative to AI daily. Mr. Long clarified that all IT procurements, including AI, require agencies to consult with COT to ensure the systems are safe to deploy.

Representative Bowling called for a motion to adopt the report. Upon motion by Representative Riley and a second by Representative Lockett, the report was approved without objection.

In response to a question from Senator Carroll regarding understanding AI, Ms. Day explained that AI has been around for a long time but people are mostly discussing generative AI. COT is focusing on generative AI, which has broad use cases. COT will know the applications and the tools and how they work before they will be put into production.

In response to questions from Representative Stevenson, Ms. Day and Mr. Long shared that COT has staff, specifically the Chief Security Officer, that constantly work to ensure the safety of the information that is deployed on the network and the protection of the network.

In response to a question from Senator Douglas regarding guidance around AI, Ms. Day advised that everyone should be watching how AI develops and that COT focuses on very narrow usage of tools.

### **State Contracts and Grants with Nonprofit Organizations**

Danielle Clore, Chief Executive Officer for the Kentucky Nonprofit Network, and Representative Shawn McPherson from District 22 introduced themselves for the record. Ms. Clore gave a brief overview of the Kentucky Nonprofit Network and a presentation on the ways state contracting and payment practices are causing a nonprofit workforce shortage and threatening services for Kentuckians. The presentation is available on the Legislative Oversight and Investigations Committee webpage. In addition, Representative McPherson provided testimony on why he supports the Kentucky Nonprofit Network, changing how the state conducts contracting, HB 777 from the 2024 Regular Session, and a bill that will be introduced in the 2025 Regular Session that will be similar to HB 777.

Upon conclusion of Ms. Clore's presentation, Representative Bowling asked if there is an average amount of time from when a contract is set to begin to when dollars are sent to

the non-profits. Ms. Clore does not believe there is an average amount of time because the contractor agreement varies depending on the department, the cabinet, the staff person working on the agreement, and sometimes the nonprofit and the source of funding. They want uniformity, but they appreciate flexibility on funding. When a nonprofit wins an award or receives a renewal, they want to start hiring but if they do not receive the money, the nonprofit must float their work and they do not have the capital to do so.

In response to a question from Representative Bowling asking for examples of best- and worst-case scenarios in timelines for receiving award money, Representative McPherson recounted an example from District 22 where a nonprofit did not receive award money for a local project for 4 years. By the time the nonprofit received it, the criteria had changed so much that the money was not worth undertaking the project. They returned the award money and said they would do the project on their own. Mrs. Clore added that most nonprofit boards and directors advise against starting projects until the agreement or funds are received but nonprofits usually begin the project anyway.

### **Adjournment**

Upon motion by Senator Neal and second by Senator Douglas, the meeting was adjourned.