

EXECUTIVE BRANCH EFFICIENCY TASK FORCE

Minutes of the 1st Meeting of the 2022 Interim

June 27, 2022

Call to Order and Roll Call

The 1st meeting of the Executive Branch Efficiency Task Force was held on Monday, June 27, 2022, at 1:00 PM, in Room 171 of the Capitol Annex. Senator Robby Mills, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Robby Mills, Co-Chair; Representative Jerry T. Miller, Co-Chair; Senators Michael J. Nemes, Whitney Westerfield, and David Yates; Representatives Shane Baker, Bobby McCool, and Patti Minter.

Guests: Dennis Keene, Billie Renee Johnson, Matt Stephens, and Laura Redmon, Department for Local Government.

LRC Staff: Daniel Carter, Alisha Miller, and Cheryl Walters.

Charge of the Task Force

After the introduction of guests, Senator Mills stated the objectives of the task force, which are to look into the functions of the executive branch of the Commonwealth, allow agencies to explain their structure, funding, and budget building practices and grant agencies the opportunity to propose to the legislature future reorganization plans and proposals to make their internal processes more efficient.

Department for Local Government—Organizational, Operational, and Budgetary Overview

Guest speakers from the Department for Local Government (DLG) were Dennis Keene, Commissioner; Billie Renee Johnson, Executive Director, Office of Federal Grants, Office of State Grants; Matt Stephens, Executive Director, Office of Legal Services; and Laura Redmon, Budget Manager. Commissioner Keene read a statement about the function and mission of DLG and the offices that comprise it, which are the Office of Financial Management and Administration, Office of Legal Services, Office of Field Services, Office of State Grants, and Office of Federal Grants. Mrs. Redmon stated that DLG has taken an operational cut of approximately 39%, a 41% decrease in personnel and an increase of funding by 177%.

In response to a question by Senator Yates, Commissioner Keene stated that DLG could use more staff, but are “doing more with less”.

In responding to questions from Representative Miller, Mrs. Redmon confirmed that the increase in funding was primarily federal funds, and the announcement of the grant projects in Jefferson County were line items that were included in HB 1 of the 2022 Regular Session. The project ID number indicates that the projects are for fiscal year 2023, and funding for the projects are available on July 1.

In response to a series of questions by Senator Westerfield, Mrs. Redmon testified that DLG uses three main databases: e-clearinghouse, Project 1, and SPGE. Each system is currently undergoing an overhaul to be upgraded and modernized, and each system is at a different phase of the overhaul process. E-clearinghouse is a statewide database in which all state agencies have to register. Technology upgrades for e-clearinghouse have not begun yet.

Project 1 is an internal database that contains information for all of the grants DLG administers. DLG is working with the Commonwealth Office of Technology (COT) to upgrade Project 1 to a cloud format, and mapping out each program to see how many “touches” a program has with other systems DLG uses, such as e-clearinghouse, e-MARS, and county government systems. When a state agency, like DLG, submits a grant, it has to go through the e-clearinghouse system, which will be reviewed to ensure that the grant proposal does not conflict with other laws or policies.

SPGE is a database for special purpose governmental entities and receives fee revenue that helps offset some of the costs for the technology upgrades. It is the furthest along in the technology upgrades, with Phase 1 of the project almost complete. There are more phases with the project, which will take approximately two to three years to complete. The upgrades have been ongoing for a year. Soon, special purpose governmental entities will receive information on how to enter reporting information into the new portal.

The state is responsible for all upgrades for the three databases, and Mrs. Redmon was unsure whether the three databases could be combined into one. COT would be better equipped to answer whether combining the three databases is possible.

DLG also uses a federal database system called Housing Development Software, a proprietary system, which is the only system that offers a grant management system that can communicate with the HUD disbursement system.

In response to follow-up questions from Senator Westerfield, Commissioner Keene testified that DLG relies on Area Development Districts (ADDs), which are the communication “fingers” to cities and counties. ADDs write grants for cities and counties. DLG will receive a grant, and converse with ADDs to proceed and ensure the grant gets approved. Mrs. Johnson added that some counties and cities have their own grant writers

and do not work through ADDs. Examples mentioned were the city of Frankfort and Pike County. If a city or county uses their own grant writer, they have to procure the grant writer via contract. Commissioner Keene stated that DLG meets with cabinet secretaries weekly and meets with ADDs monthly, and more frequently if needed. They have also worked with the Cabinet for Economic Development through ADDs to help secure space for businesses wanting to locate to Kentucky.

In response to a question by Senator Westerfield, DLG has multiple funding sources and Mrs. Johnson stated that DLG has a funding guide and left materials for the members. Commissioner Keene stated examples of some of the funds administered by DLG are Community Block Development Grants (CDBG), Rural Development, and Appalachian Regional Commission (ARC) Grants.

Responding to a question from Representative McCool, Commissioner Keene stated that DLG staff is limited to approximately 250 hours of comp time, and once that limit is reached, staff is required to take time off, but projects still get completed with fewer staff.

In response to a series of questions by Representative Baker, Commissioner Keene testified that if there have been backlogs, it has been because not all of the required information was received (by an agency) to proceed. There have been issues with smaller cities and counties providing required information timely. Mrs. Johnson added that some examples of backlog could be with ARC grants, which have a small staff, and no CDBG money is tied to ARC grants. Some grants have a long time span, like Land & Water Conservation Funds, which can last up to three years. The application is due by May of one year, but the applicant does not receive any money until the following calendar year. There are also problems with incomplete applications, and the limited time window for submitting a grant application; usually two times a year. If a form is missing, DLG will not submit the application, because they know it will be “kicked out”. It takes approximately three to four months for the federal government to approve a grant application. The pandemic has also made the grant application process more difficult, along with delayed appropriation from federal agencies. If there is any way to streamline and make the process more efficient, it would have to be through a state basic agency. DLG is not a state basic agency.

Responding to a question by Representative Minter, Mrs. Johnson stated that DLG submitted an RFP and are already in contract with ICF, Inc. to work on an action plan and data collection for unmet needs to ensure that Bowling Green receives CDBG fund relief after the December 10 tornado. They are encountering roadblocks in data sharing with their other partners, primarily HUD, but are moving forward with all other areas. Recipients have to meet CDBG guidelines, which are primarily persons with low to moderate income. DLG are getting surveys translated into Spanish, will have public meetings once information has been disseminated, and DLG is meeting weekly with ICF. Once FEMA

has completed their work, DLG should be able to receive more information on who qualifies for assistance and how they can administer funds and relief to those who qualify.

In responding to questions by Senator Mills about DLG employees, Commissioner Keene testified that some of their employees work remotely, but not full-time remote. He thought they would be returning to office full-time, but some employees caught COVID. He thinks that employees will be going back to the office full-time after January 2023. About 70 percent of DLG employees are merit with some employees having 15 to 20 years of experience. DLG employees generally do not leave their positions and are generally happy with their jobs. In response to a follow-up question by Senator Mills, Mrs. Redmon testified that their office space was about 30,000 square feet and located in the Kentucky Higher Education building near the state police post in Frankfort.

In response to questions by Senator Mills, Mrs. Redmon testified that the Joint Funding Administration (JFA) is comprised of state and federal funds through Economic Development Administration (EDA) funds and CDBG. JFA funds are provided for ADDs for planning and technical assistance. JFA funding through EDA is 80 percent federal, 20 percent state, and CDBG is 50 percent federal, and 50 percent state funds. The rest of the JFA are funded through state dollars, unmatched. ADDs have typically received \$2 million in funds. There is a defined scope of work through JFA to use any money through JFA. The defined scope of work for EDA is for planning the comprehensive economic development strategy (CEDs). ADDs keep close tabs on economic development in their communities to create annual plans based off of community need. The CDBG component is to allow ADDs to prepare cities and counties to apply for CDBG funds. There are many compliance components required to receive CDBG funds. ADDs will use the funds for a regional clearinghouse that all ADD projects must go through first. One of the pieces of the scope of work is to identify areas with no broadband. The additional \$2 million in funding help ADDs take care of training needs.

In response to a question by Senator Mills, Mrs. Johnson confirmed that ADDs prepare applications and maintain those applications, DLG monitors and audits those applications.

In responding to questions from Senator Mills about budget and revenue streams, Mrs. Redmon testified that administrative costs through CDBG are 50 percent state (general) fund and 50 percent from federal funds. They expend federal funds first, and then get reimbursed for any amounts spent. At times, CDBG will allow for 100 percent reimbursement for technical assistance, for CDBG specific staff. There are eight DLG staff members that work with CDBG. DLG has 42 total staff. ARC costs are 50 percent state and 50 percent federal funds. There are two staff members that manage the ARC program and draw from ARC funds. JFA gets \$50 thousand EDA annually. Field staff working with ADDs will often bill to the EDA fund. Recreational trails is 50 percent federal funds and

50 percent state funds, and there is one staff person who works with the recreational trails. Every other employee is either through the general fund or SPGE funds.

Ms. Redmon does monthly reconciliations and has a close out around the 10th of every month. She runs reports on the 11th from each of the funding streams. She tracks funding on Excel and all of the available reports for each funding source can be pulled from e-MARS. The e-MARS program helps her track the funds and find any billing errors.

In response to questions from Senator Mills about budgeting process, Mrs. Redmon thought their process was similar to other executive branch agencies, and the procedures were outlined via statute. For their last budget, DLG reviewed all programs to determine where they would have increases and decreases, and reviewed forecasts for the next two years. If they expected new programs to come their way, they would include all of this information in building their budget. Any appropriation requested for the 2022-2024 fiscal biennium could not be more than what they had in fiscal year 2021. If they had to make any adjustments for increased costs, they would submit an additional budget request and document why the increase was needed. They had to submit their budget request to the state budget director's office by either October 31 or November 1, then it bounced back and forth between their office and the state budget director's office, and then to the Governor.

In response to follow-up questions by Representative Miller about backlogs, Mrs. Redmon stated that the most significant backlog is with ARC. Most of the money that comes to ARC does not go through the state. It either goes through the federal government or Rural Development. ARC needs a pass-through vehicle in order to obtain their money. Sometimes the vehicle is through CDBG, and other times the money will go through Rural Development, through the U.S. Department of Agriculture (USDA). USDA has had backlogs, which DLG cannot control. DLG does not have the capability to take the responsibility from USDA to help with backlog. Mrs. Redmon stated that the problem with some state programs, like Land and Water, is due to incomplete applications rather than a backlog. Commissioner Keene added that ARC money has to be the last in; and ARC will not dedicate their funds if an agency does not have their application complete, which can be a problem if a project is with multiple agencies.

Responding to questions from Senator Mills about strategic planning and performance outcomes, Commissioner Keene testified that they will try to give projects a regional approach. For instance, they will see if they can put in a sewage system that can address four or five cities, as opposed to one city.

In response to questions and comments by Representative Miller about ADD districts, Commissioner Keene commented that eastern Kentucky has more demand than ever, and their populations are shrinking. Economic development is a huge challenge in

eastern Kentucky. The urban areas of the state do not have the challenges like eastern Kentucky.

Senator Mills thanked the Department for Local Government representatives for their testimony, and the meeting was adjourned at 2:03 p.m.