

EXECUTIVE BRANCH EFFICIENCY TASK FORCE

Minutes of the 3rd Meeting of the 2022 Interim

August 22, 2022

Call to Order and Roll Call

The 3rd meeting of the Executive Branch Efficiency Task Force was held on Monday, August 22, 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 and Whitney Westerfield; Representatives Shane Baker and Bobby McCool.

Guests: Matt Stephens, Billie Johnson, Wil Rhodes, Laura Redmon, and Aaron Jones, Department for Local Government; and Jamie Link, Vickie Wise, and Sam Flynn, Education and Labor Cabinet.

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

Approval of Minutes

The minutes of the July 18, 2022, meeting were approved without objection, upon motion by Representative Baker, and seconded by Senator Nemes.

Charge of the Task Force

Representative Miller 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.

Update from the Department for Local Government

Presenting for the Department for Local Government (DLG) were Matt Stephens, General Counsel; Billie Johnson, Executive Director, Offices of Federal and State Grants; Wil Rhodes, Executive Director, Office of Financial Management & Administration; Laura Redmon, Budget Manager; and Aaron Jones, Branch Manager, Coal Development Branch.

In response to questions from Representative Miller, Mr. Rhodes stated that inactive cities are cities that have not provided the department required information; he could not

recall which cities were inactive. He further stated, that financially noncompliant cities would not have access to state funding, in particular municipal road funds.

In response to questions from Senator Mills, Mr. Stephens responded that (Kentucky) statutes determine the department's personnel policies in addition to any directives from the Personnel Cabinet. Ms. Redmon added that the department periodically reviews its organizational structure as part of its strategic plan which was provided to the members.

In response to questions from Representative Miller, the department stated that no flood control Lakes Management and Protection Program (LMPP) funds have been denied to any community. LMPP grant funds have not been used in affected areas yet. A Floyd County property acquisition by the Federal Emergency Management Agency (FEMA) was a buyout related to previous flooding. If an area experiences flooding on a regular basis, FEMA will offer to buy the property, but requires matching funds from the locality. DLG will provide funding for the local community if the locality cannot match the required funding. There is currently \$6 million available for relief, but no application has been made for the funds yet. With respect to the most recent flooding, much of FEMA's initial response has been for mitigation efforts as opposed to emergency relief.

In response to questions from Senator Mills, Ms. Johnson stated that there are a few positions within the Office of State and Federal Grants, DLG is trying to fill, and there will be a post for a position in the Office of Federal Grants soon. Mr. Rhodes added that the position for local government advisor in the Counties Branch recently closed. The local government advisor will aid particular territories for counties, fiscal courts, and fee offices, and offer assistance through local budget processes and administrative assistance. Mr. Stephens added that the department is discussing legislation needs for the 2023 legislative session, but noted it would be premature to discuss if they would need any specific legislative assistance at this time.

Education and Labor Cabinet – Organizational, Operational, and Budgetary Overview

Guest speakers for the Education and Labor Cabinet were Jamie Link, Secretary; Vickie Wise, Deputy Secretary; and Sam Flynn, Chief of Staff and General Counsel. Secretary Link explained that the Education and Labor Cabinet was created as a result of a merger between the Education and Workforce Development Cabinet and the Labor Cabinet through Senate Bill 180 during the 2022 Regular Session. The Education and Labor Cabinet officially merged on July 1, 2022. Governor Beshear recognized that the Labor Cabinet and Education and Workforce Development Cabinet had similar missions and purpose. Both sought to improve workforce participation, create job opportunities, and match workers with employers. Now, with merging the two cabinets, it allows the newly merged cabinet to address workforce issues from early childhood to job placement.

With the rapid increase in economic development and increase in number of jobs available, one of the cabinet's challenges has been to match the workforce with jobs that are needed. Other issues the cabinet has been dealing with include barriers to employment, such as child care, transportation, and re-entry into the workforce after recovery or incarceration. To assist in job placements and matching, the cabinet works closely with local workforce development boards, chambers of commerce, local officials, and the legislature.

The Education and Labor Cabinet contains 10 major organizational units and employs approximately 1,539 people. The operating budget for the cabinet is just over \$853 million and includes funding from federal funds, general fund, restricted funds, the Workers' Compensation Funding Commission, and Tobacco Settlement funds. Some of the major organizational units include: the Office of the Secretary, Department of Workplace Standards, Department of Workers' Claims, and the Department of Workforce Development. Some areas where the cabinet may need assistance from the legislature include compliance with the recently enacted House Bill 4, which changed unemployment insurance qualifications and requirements.

In response to questions from Senator Mills, Secretary Link stated that the Kentucky Department of Education (KDE) is administratively attached to the cabinet, but he did not know why KDE is attached. Secretary Link added that KDE is governed by the state board of education, and he meets regularly with KDE. While he is not a voting member on the board, he is on the board as an ex-officio, non-voting member.

In response to a question by Representative McCool, the cabinet uses an "Essential Skills System" to assess applicant skills and qualifications and whether an applicant needs additional training to help match them with an appropriate job. Attached to the Essential Skills System is a reporting system that shows skill assessment and job placement, as required by the U.S. Department of Labor. The system can also track whether an applicant went to work.

In response to questions from Representative Baker, Secretary Link responded that he would have to investigate Representative Baker's concerns about the Governor's Scholars Program.

In response to questions from Senator Westerfield, Secretary Link stated that the cabinet uses several IT systems and would have to provide a list of those systems. He added that the cabinet wants to use technology to reach out to citizens currently unemployed, determine why they are unemployed, and eliminate any barriers to employment. They are currently looking to improve the Essential Skills System and upgrade the Office of Vocational Rehabilitation IT system and Unemployment Insurance IT system. They are in the process of executing a contract with LinkedIn to improve the Essential Skills System and in the process of upgrading the Office of Vocational Rehabilitation's IT system, but a

high priority is improving the Unemployment Insurance IT system. Obstacles to improving the Unemployment Insurance system are with supply and demand. Only a few vendors can complete this type of work, and the vendors are in demand within several states.

In response to questions from Senator Mills, Secretary Link stated that the General Assembly appropriated \$47.5 million to replace their IT system in a previous budget, and the cabinet is negotiating with a vendor to upgrade the Unemployment Insurance system. The Secretary would like to have a new or upgraded system as soon as possible, but stated it would take approximately 30-40 months, once a contract with a vendor is executed.

The current Unemployment Insurance system has been upgraded over the last two years, after being several updates behind. Secretary Link receives daily updates on the Unemployment Insurance system, and there are currently no issues with it.

Unemployment Insurance staff has traveled to affected areas in eastern and western Kentucky to assist displaced persons, due to tornadoes and flooding, with their unemployment insurance claims. With respect to large purchases and large contracts, the cabinet relies on the U.S. Department of Labor and the National Association of State Workforce Agencies to review what products and vendors other states are using. The cabinet also relies on the expertise of their more experienced staff who understand the market and conditions.

In response to questions from Representative Miller, Secretary Link stated that there is not an off-the-shelf product available to replace the current Unemployment Insurance system. IT systems have been developed, but the systems would have to be tailored to meet different state laws. Very few vendors can build or maintain this type of system, which are large and complex systems. The cabinet wants to find a basic system and use a qualified vendor that has the expertise and flexibility to upgrade and maintain the system. Ideally, the cabinet would want a system addressed for catastrophic events to avoid a repeat of what happened in 2020.

Secretary Link testified that he was unsure of the savings incurred by merging the two cabinets, but he was willing to provide that information to the members. Many of the employees who worked for the Education and Workforce Development Cabinet are now with the Office of Vocational Rehabilitation, but the cabinet could provide a break down by agency.

In response to questions from Senator Nemes, Secretary Link testified that the cabinet's goal with respect to Occupational Safety and Health Administration (OSHA) and workplace safety is to educate and train companies, not citation and enforcement. They are working on a compensation package for OSHA Inspectors. The cabinet trains their inspectors and works with apprenticeship schools, particularly Eastern Kentucky University. Mr. Flynn testified that his office provides legal services to the cabinet

departments, particularly OSHA, but is not in charge of the departments. Secretary Link testified that the cabinet is trying to backfill positions where they have lost employees, but face competition from private companies for many positions. The Department for Libraries and Archives is now under the Office of the Secretary, and with respect to IT systems, there may be some code that the state would want to own, and some code that the state would not. The cabinet has also put in measures to combat against fraud in the Unemployment Insurance IT system.

In response to questions from Senator Mills, Secretary Link testified that the cabinet is continuously evaluating their performance, particularly with technology and data, to ensure that their systems are working and efficient. The U.S. Department of Labor provides much of their funding and the cabinet would have to comply with their regulations.

Senator Mills thanked the Education and Labor Cabinet representatives for their testimony, and the meeting was adjourned at 2:06 p.m.