

INVESTMENTS IN INFORMATION TECHNOLOGY IMPROVEMENT & MODERNIZATION PROJECTS OVERSIGHT BOARD

Minutes

June 12, 2024

Call to Order and Roll Call

The 1st meeting of the Investments in Information Technology Improvement & Modernization Projects Oversight Board was held on June 12, 2024, at 10:00 AM in Room 129 of the Capitol Annex. Senator Gex Williams, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Gex Williams Co-Chair; Representative John Hodgson Co-Chair; Senator Max Wise; Representative Chad Aull, and Representative Nancy Tate.

Guests: Jim Barnhart, Deputy Chief Information Officer, Commonwealth Office of Technology; Stephanie Williams, Contract Officer, Commonwealth Office of Technology; Kathy Robinson, Executive Director, Office of Procurement Services; Susan Noland, Division Director, Office of Procurement Services; Robert Long, General Counsel, Finance and Administration Cabinet; Doug Hendrix, Executive Director, Kentucky Communications Network Authority; Steve Murphy, Chief Financial Officer; Jason Johnson, Controller; Mitch Powers, Executive Assistant

LRC Staff: Jennifer Hays, Adam Johnson, Sarah Watts, and Jennifer Smith.

Approval of Minutes

Upon motion by Senator Wise and second by Representative Tate, the minutes from the April meeting were approved without objection.

Oversight and Governance - Commonwealth Office of Technology

Ms. Stephanie Williams, Contract Officer, began by giving an overview of the Commonwealth Office of Technology ("COT") which is the lead organizational entity within the executive branch that oversees the delivery of IT services. This includes application development, technical support, implementation strategies, policies, standards, infrastructure, oversight of IT projects, and integration and streamlining of technology. All IT acquisitions for the Executive Branch must be submitted to and approved by COT prior to procurement.

Ms. Williams addressed questions submitted by the committee. Projects must comply with statewide strategies which dictate whether the director will approve or withhold approval for the projects. The capital projects that are described under KRS Chapter 7A do not outline a specific role for COT in the planning process. However, the capital planning advisory board's policy has been to utilize COT's expertise for executive branch projects, excluding projects of postsecondary education institutions. The board requires all projects costing \$1 million or more to be submitted for review and approval by an independent government review panel made up of state government information technology professionals who evaluate the projects.

All executive branch agencies are required to perform a project risk analysis at the beginning of the project life cycle. All IT contracts are maintained in the E-Procurement system. COT oversees the approval of all IT spending for the executive branch; however, the funding for those projects is handled in the budget process for each agency and is not the responsibility of COT.

Ms. Williams responded to Sen. Gex Williams' question stating that the project approval form is something the agencies submit for IT projects thru the data portal for COT. There is some budgetary information on the form, but COT does not review that budgetary information for the purpose of vetting IT projects.

Ms. Williams continued that there are several types of IT contracts. Some offer strictly services while others offer hardware or software needed for those services. COT has a Dell contract which is for hardware, software, and related services. The Tyler Technologies contract includes other revenue generating/revenue sharing contracts with no cost to the Commonwealth.

Jim Barnhart, Deputy Chief Information Officer, responded to Rep. John Hodgson's question stating that he believes the framework of the new Unemployment Insurance system is used in other states, but he can provide more information.

Overview of Master Agreements

Robert Long, General Counsel, began his presentation by stating that there are two different types of master agreements: agency specific and Commonwealth wide. The agency specific agreements are procured for a specific agency to use for a specific need related to that agency. The Commonwealth-wide agreements enable agencies a quick access to common needs all across the Commonwealth and can be used across state government by any agency.

Kathy Robinson, Executive Director, stated that the executive branch agencies would utilize the Commonwealth wide contracts by issuing a delivery order against that contract. For

local government and state universities, they procure outside of e-Mars, and Ms. Robinson's office does not have any involvement or information on their interactions with Commonwealth-wide agreements.

Mr. Long said that local governments generally follow principles of KRS Chapter 45A, but they are not directly applicable. A local government is allowed to develop their own procurement rules and, as a result, they do not strictly participate in the e-Mars procurement process.

Ms. Robinson responded to Sen. Gex Williams' question by stating that the contracts reviewed by the government contract review committee require professional skill and judgment.

Overview of Kentucky Wired

Doug Hendrix, Executive Director, began his presentation by stating that Kentucky Communications Network Authority is a state agency charged with the oversight of the design, construction, and maintenance of the Kentucky Wired network which is present in all 120 counties. All the fibers are hung and they are in the process of connecting customers or offices to the network. At this point, they have connected 462, and have 768 total that they are going to connect.

Kentucky Wired connects executive branch offices and public universities such as the University of Kentucky, University of Louisville, Eastern Kentucky University, and Kentucky Community and Technical College System, and the Administrative Office of the Courts. The prime contractor is Kentucky Wired Operations Company, but local companies are also used to help cut down on construction costs.

Mr. Hendrix responded to Rep. John Hodgson's question stating the Kentucky Communication Network Authority can use whatever part of the network that they need. There is a portion of the network that Open Fiber has a right to access and use as well.

Mr. Hendrix responded to Rep. Nancy Tate's questions stating that the procedures within the contract for use of the state's fiber were not followed for at least one site and Accelecom is in breach of contract by rerouting approximately 75 of 228 fibers without approval which is pending before the Franklin Circuit Court.

Mr. Hendrix responded to Rep. Chad Aull's question stating that their contractor should be able to provide the audit for them on where the network has had unauthorized connections. The contractor's job is to maintain and protect the network.

Mr. Hendrix responded to Sen. Max Wise's question that Kentucky Wired has been a

success for the state's taxpayers. If you were to talk to some of the agencies that are on their network, they would be able to talk about the improved service that they have received. Mr. Hendrix gave an example of the very first site they added, which was an office in Owenton that had connection problems, but after being connected to Kentucky Wired, they could get their work done without those disruptions.

Steve Murphy, Chief Financial Officer, responded to Rep. John Hodgson's question by stating the current debt for Kentucky Wired runs through 2045, with about ten of the 30-year debt completed. In 2025, there is an upcoming savings opportunity that is significant by buying down the Series A and tax-exempt bonds. The first call on those bonds is July 1, 2025. Buying down those bonds would secure immediate savings beginning in fiscal year 2026. With the prepayment opportunity, the savings over the term in interest would be approximately \$135 million. Mr. Murphy stated that they could also save by liquidating a portion of the applicable reserve fund. They are required to have a six-month look forward reserve fund on the senior debt, which would no longer be required.

Next Meeting - July 10, 2024, at 10:00 a.m. chaired by Rep. Hodgson

Adjournment

With no further business to come before the board, the meeting was adjourned at 11:16 a.m.