

BUDGET REVIEW SUBCOMMITTEE ON GENERAL GOVERNMENT, FINANCE, PERSONNEL, AND PUBLIC RETIREMENT

Minutes of the 1st Meeting of the 2023 Interim

June 7, 2023

Call to Order and Roll Call

The first meeting of the Budget Review Subcommittee on General Government, Finance, Personnel, and Public Retirement was held on June 7, 2023, at 9:00 AM in Room 131 of the Capitol Annex. Representative Ken Fleming, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Ken Fleming, Co-Chair; Senator Michael J. Nemes, Co-Chair; Representative Chris Freeland, Co-Chair; Representative Kevin D. Bratcher, Representative Randy Bridges, Representative George Brown Jr., Representative David Hale, Senator Amanda Mays Bledsoe, Senator Christian McDaniel, Senator Shelley Funke Frommeyer, Representative Jason Petrie, Senator Robby Mills, Senator Reginald Thomas, Representative Al Gentry, Representative Mary Beth Imes, Representative DJ Johnson, and Representative Ruth Ann Palumbo

Guests: Jacob Walbourn, General Counsel, Office of the Secretary; DJ Wasson, Chief of Staff, Office of the Secretary; Holly Johnson, Cabinet Secretary; Sam Ruth, Commissioner, Department for Facilities and Support Services; John Hicks, State Budget Director; Billie Johnson, Executive Director, Department for Local Government; Rebecca Hartsough, Senior Policy Advisor, Babbage Cofounder; Casey Ellis, Executive Director, Kentucky Council of ADDs; Jason Vincent, Executive Director, Pennyrile ADD; Whitney Chesnut, Executive Director, Cumberland Valley ADD

LRC Staff: Emma Mills, Ethan Williams, and Jennifer Luttrell

Public Protection Cabinet (PPC)

Jacob Walbourn, General Counsel, Office of the Secretary, and DJ Wasson, Chief of Staff, Office of the Secretary, gave a brief overview of the Team Eastern Kentucky Flood Relief Fund and the Team Western Kentucky Tornado Relief Fund.

In response to questions from Chair Fleming, Mr. Walbourn stated that Governor Beshear issued an executive order to set up the Team Eastern Kentucky Flood Relief Fund and the Team Western Kentucky Tornado Relief Fund. PPC provided this information to the General Assembly in response to several legislative inquiries from committees and individual legislators, and the legislature codified the program guidelines and processes for the on-budget accounts through Senate Bill 99. State government websites, including the legislature's website, carried a banner to donate to the respective funds, first Western and then to the Eastern Kentucky funds. Individuals contacted the Public Protection Cabinet to donate, but the cabinet did not solicit any donations. The Western Kentucky fund had an emergency regulation that was extended. The Eastern Kentucky fund was set up differently but was vested in the governor's powers, directing his cabinet secretaries to take in money for the Commonwealth and provide expenditures for public purposes. The primary source of funds was online private donations that were transferred into the disaster on-budget account created by Senate Bill 99. Each program adopted its specific

program guidelines. There were no weighted criteria used by PPC, but PPC applied feedback from local officials, with the most significant interaction through long-term recovery groups, to help assess what needs were not being met. PPC used these funds to fill the gaps where there isn't a readily identifiable source of money and was able to work with every program that tried to get funds. Mr. Hicks added that the Safe Funds are separate from the on-budget account created by Senate Bill 99.

In response to questions from Senator Mills, Ms. Wasson replied that a third batch of checks was sent to disaster victims with a letter explaining where the money was from and why it was being distributed. There was confusion because of a "second supplemental check" notation on the memo line, and some people didn't get the first checks. PPC assisted those people in determining their eligibility for the first check and where it was distributed. People were transient in the aftermath of the disaster, so many checks were returned because of incorrect addresses. PPC investigated all of those cases. If eligible, they received the first check as well. Anyone with an insured loss, damage, or other needs in their home is welcome to contact PPC. PPC will verify their insurance claims with the insurer. If eligible, a check will be issued. If they still have unmet needs after receiving those checks and insurance didn't cover all of their needs, they will be referred to long-term recovery groups, the Commonwealth case management program, or the American Red Cross if they are still in the area. The insurance companies were beneficial in providing information when PPC made two data requests to identify where the damage was, verify payments, and they continue to help respond to those inquiries.

Responding to questions from Representative Bratcher, Ms. Wasson stated that PPC created eligibility programs for all of the programs described. Direct payments given to uninsured homeowners and renters were based on whether someone received assistance from FEMA. PPC worked with FEMA to verify those who received assistance, and insurance companies confirmed if the insured homeowners filed a claim or not. PPC funded the grain program based on information from the grain elevator about the deliveries there. No administrative costs come from PPC to the long-term recovery groups. The groups manage their cases and provide that funding. Each program decides who receives money according to the guidelines. She said she spoke with USA Cares because the Eastern Kentucky Flood Relief Fund (EKFRF) has limited funds with many needs. PPC asked them for specific information: if the homes were total rebuilds or needed repairs. The EKFRF primarily focuses on rebuilds, although Foundation for Appalachia Kentucky was given funding for a matching grant. PPC told USA Cares that PPC would connect them with one of the partners to assist in building the veterans' homes. PPC received no feedback from them. Some of the second group of checks that went to uninsured and insured homeowners and renters were returned to the fund sources because people indicated that they didn't file a claim with FEMA, so that information was sent to FEMA to research fraud activity.

In response to questions from Senator Thomas, Mr. Walbourn and Ms. Wasson confirmed that no public monies or privately donated funds were misappropriated.

In response to questions from Senator McDaniel and Representative Hale, Mr. Walbourn explained that PPC was tasked with fund administration. The legislature authorized 75 million dollars for non-profits this past session that PPC awarded so that infrastructure was already built in. Ms. Wasson added it was an all-hands-on-deck scenario, and since PPC had experience in fund management and databases that help manage the funds, it was one of many agencies chosen to help, and she would like a better understanding of how FEMA filtered data to ensure

funding is distributed to individuals in a timely manner.

In response to questions from Senator Mays Bledsoe, Mr. Walbourn said 10 to 12 trained PPC employees worked with the programs, Kentucky's emergency management, the Finance and Administration Cabinet, the Transportation Cabinet, the Cabinet for Health and Family Services, and the Energy and Environment Cabinet to ensure no funding sources were duplicated, but none were dedicated on a full-time basis. The precedent for these funds was set when the Team Kentucky Fund was created during the pandemic response modeled after the Boston Marathon response.

In response to questions from Senator Bridges, Mr. Walbourn stated that he understood that all donations were fully tax-deductible. He added the cabinet would provide documentation concerning how each account was created and by what authority.

In response to questions from Representative Petrie and Representative Johnson, Ms. Wasson and Mr. Walbourn stated they would provide a written response to the committee of a total of funds expended prior to the codification of the executive orders in Senate Bill 99, the obligated but not yet expended funds and timetable for that expenditure, and the process of choosing and paying contractors in ten days.

Finance and Administration Cabinet (FAC)

Holly Johnson, Cabinet Secretary; Sam Ruth, Commissioner, Department for Facilities and Support Services; John Hicks, State Budget Director, gave a brief overview of the Capital Construction and Relocation of Constitutional Officers.

In response to questions from Chairman Fleming and Senator Mills, Ms. Johnson confirmed FAC will keep in communication with the Attorney General and Secretary of State's offices and that the Office of the Attorney General is located in the Capitol and has a secondary office located at 1024 Capital Center Drive. Mr. Ruth confirmed that there is a landlord in receivership, others are attempting to acquire those properties, but that he has no details. FAC has a list of all spaces leased so tenants can be moved into these spaces at the same terms. Ms. Johnson stated that the cabinet will follow up with LRC concerning a rescheduled meeting about Senate Bill 122.

In response to questions from Senator Mays Bledsoe, Ms. Johnson replied that FAC is working on bidding the construction needed to determine how tenants will be relocated. Mr. Hicks added the cabinet is identifying available space to relocate agencies. Mr. Ruth stated that a space lease survey is sent to all state agencies to determine their needs.

Responding to a question from Representative Thomas, Ms. Johnson confirmed that the construction and relocation of Capitol offices will not interfere with the 2024 Regular Session.

In response to a question from Chairman Fleming, Mr. Ruth said he would provide information to the committee about when the construction was bid. The scope changed after the original bid.

Area Development Districts (ADD)

Billie Johnson, Executive Director, Department for Local Government; Rebecca Hartsough, Senior Policy Advisor, Babbage Cofounder; Casey Ellis, Executive Director, Kentucky Council of ADDs; Jason Vincent, Executive Director, Pennyryle ADD; Whitney Chesnut, Executive Director, Cumberland Valley ADD, provided information concerning 2023 Regular Session House Bill 9.

In response to questions from Representative Johnson, Ms. Hartsough replied that they would provide a consolidated request before the 2024 Regular Session.

In response to questions from Senator Funke Frommeyer, Ms. Chesnut stated there is an economic development project in Clay County providing tourism opportunities. Ms. Hartsough added Senate Bill 9 does not prohibit private investment from contributing to that match.

Representative Petrie stressed the importance of the committee members reaching out to the ADDs to be aware of the opportunities created through House Bill 9.

Adjournment

There being no further business the meeting was adjourned at 10:23 a.m.