

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on General Government, Finance, Personnel, and Public Retirement

Minutes of the 1st Meeting of the 2021 Interim

June 2, 2021

Call to Order and Roll Call

The first meeting of the Budget Review Subcommittee on General Government, Finance, Personnel, and Public Retirement of the Interim Joint Committee on Appropriations and Revenue was held on Wednesday, June 2, 2021, at 9:00 AM, in Room 131 of the Capitol Annex. Representative John Blanton, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Michael J. Nemes, Co-Chair; Representatives John Blanton, Co-Chair, and Myron Dossett, Co-Chair; Senators Christian McDaniel, Robby Mills, Adrienne Southworth, Reginald Thomas, and Stephen West; Representatives Kevin D. Bratcher, Jeffery Donohue, Robert Goforth, Jim Gooch Jr., Derrick Graham, Mark Hart, Adam Koenig, Michael Meredith, Suzanne Miles, Jerry T. Miller, Jason Petrie, Phillip Pratt, Josie Raymond, Nancy Tate, and Buddy Wheatley.

Guests: Secretary Jim Gray, Transportation Cabinet; Director John Hicks, Office of State Budget Director; Deputy Secretary Ray Perry, Public Protection Cabinet; Matt Stephens, Executive Director, Department for Local Government (DLG); Sandy Williams, Deputy Executive Director, Kentucky Infrastructure Authority (KIA); Commissioner Dennis Keene, DLG; and, Billie R. Johnson, Executive Director, Office of Federal Grants, DLG.

LRC Staff: Emma Mills, Liz Columbia, David Talley, and Spring Emerson.

Kentucky Infrastructure Authority

Secretary Gray provided an overview of the Drinking Water and Wastewater Grant Program and Director Hicks provided an overview of Broadband Program Funding.

In response to a question from Chair Blanton regarding localities applying for federal funding and the determination of the distribution of those funds, Secretary Gray said the application process is completed online and evaluated by water resource coordinators in each Area Development District (ADD). Allocations are based on county population. Ms.

Williams added that the portal can be found at the Kentucky Infrastructure Authority website.

In response to a question from Representative Goforth regarding the allocation process, Ms. Williams said the intent is to be inclusive, and not to close the application window. If applicants need more time, they will get it. Secretary Gray added that the intent of the legislation is to have projects in every county in Kentucky, with the ADD districts working closely together with the counties.

In response to questions from Representative Bratcher regarding the funds for Jefferson County, Ms. Williams said Kentuckiana Regional Planning and Development Agency (KIPDA) has already met with the utilities and the process opened up yesterday.

In response to questions from Representative Meredith, Ms. Williams said either the funds have to be fully expended or contracts must be issued for the projects before the deadline. No county allocation can be given to another county without the approval of the General Assembly. If the city and county cannot agree on projects, they will be selected by the KIA Chair.

In response to a question from Representative Wheatley, Secretary Gray said a municipality can start the process today to begin a project and issues that may arise can be worked through with the ADD coordinator.

In response to a question from Representative Graham regarding process guidelines, Secretary Gray said new funds are allocated by the county, and decisions are based on that funding. Once decisions are made and funds are applied for, there will be situations that will require flexibility, and those will go before the KIA board.

In response to a question from Representative Miles regarding debt service on projects already completed and any required matching funds, Ms. Williams said there are federal restrictions in place for the repayment of debt service. There is no match requirement for Drinking Water and Wastewater grants, and the funding may be combined with other federal dollars as long as those do not have restrictions placed on them. Secretary Gray said price escalations are occurring across the board.

In response to a question from Representative Pratt regarding funds being available for both public and private companies, Ms. Williams said the KIA is limited by statute to provide project financing for governmental agencies. Counties can apply on behalf of private utility companies.

Senator McDaniel commented that most times we are making sure the money is spent by the deadline, not necessarily ensuring it is spent the most efficiently. The best spent money might be the money that is delayed in being spent right now in order to get project

costs down. Secretary Gray commented that we need to be mindful of flexibility that would give us the most effective use of the funds.

In response to questions from Representative Koenig regarding federal guidance, Director Hicks said the initial guidance for Broadband funding was issued May 10, and there is a 60-day comment period before the federal government will make its final ruling, which we may receive around late July. Ms. Williams said a county can coordinate and spread their allocation out among multiple projects, which must be included in their project profile.

Chair Blanton commented that a delay may be better in order to get to more people.

In response to questions from Chair Blanton regarding the application portals for Water and Broadband, Director Hicks said they are separate portals. Broadband projects are directed through KIA rather than the ADDs. Eligible entities may apply from both the public and private sectors.

In response to a question from Representative Meredith, Director Hicks said 100 MB and above is the most common speed for people in the US having access, and is the federal standard.

In response to a question from Representative Koenig regarding regulations, Director Hicks said federal rules must be followed and the focus is on the unserved population, which equates to mostly rural areas in Kentucky. For those counties that have both metro and rural areas, current statute contains the ability to parse that census block into the unserved or underserved areas of those counties. Unserved areas within urban counties are as eligible for the funds as unserved areas in other parts of the state.

In response to questions from Representative Wheatley regarding public versus private providers, Director Hicks said the mission is to get high speed internet to those that do not have access, rather than focusing on the provider. If areas that have lower speed access meet the definition for eligibility as unserved, the faster speed can be made available to them.

In response to a question from Representative Pratt regarding mapping, Director Hicks said Federal Communications Commission (FCC) data, along with data from the internet-based speed test, are being used as the initial map. Input from potential applicants and providers will be used to refine the map and it will be updated into a final map that will be used for the Request for Proposal (RFP).

In response to questions from Senator Thomas regarding access to all Kentuckians, Director Hicks said the federal funds being used have to be obligated by the end of calendar year 2024, and expended by end of calendar year 2026. The sooner we can get

people connected, the better. No official date for completion has been set. Providing access is the first step, and applicants will be asked for their adoption strategies for actual usage.

In response to a question from Senator West regarding the federal deadline, Director Hicks said the deadline is December 31, 2026 and applies to State Fiscal Recovery Funds, which includes both Water/Wastewater and Broadband Programs.

In response to a question from Representative Tate regarding reporting to the General Assembly, Director Hicks said the government is committed to frequent reporting, for transparency purposes as well as providing project status information. The intent is to report back on a monthly basis.

Chair Blanton thanked the presenters and commented that they would be invited back periodically to keep members informed on the subjects discussed today.

Department for Local Government

Commissioner Keene and Ms. Johnson provided an overview of the DLG and its distribution of COVID-19 federal funds to local governments.

In response to a question from Chair Blanton regarding unused allocations, Ms. Johnson said cities cannot transfer funds, and the presumption is that unused funds would go back to the Treasury.

In response to a question from Representative Goforth regarding notification to cities, Ms. Johnson said cities have not yet been notified, due to waiting for the agency budget certification forms, which will be used to determine formula percentage amounts.

In response to a question from Chair Blanton regarding using the funds for other areas within the agency, Commissioner Keene said once the funds are in the General Fund they are difficult to track.

Adjournment

There being no further business before the subcommittee, the meeting was adjourned at 10:34 AM.