

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

Minutes of the 3rd Meeting of the 2023 Interim

August 2, 2023

Call to Order and Roll Call

The third 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 August 2, 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, Senator Robby Mills, Senator Reginald Thomas, Representative George Brown Jr., Representative Mary Beth Imes, Representative DJ Johnson, and Representative Nancy Tate.

Guests: Doug Hendrix, Executive Director, Kentucky Communications Network Authority (KCNA); Mitch Powers, Executive Advisor, KCNA; Steve Murphy, Chief Financial Officer, KCNA; Mary Elizabeth Bailey, Secretary, Personnel Cabinet; Jamie Caldwell, Commissioner, Human Resources Administration, Personnel Cabinet; and, Sharron Burton, Commissioner, Department of Employee Insurance, Personnel Cabinet.

LRC Staff: Emma Mills, Jeremy Simpson, Ethan Williams, and Spring Emerson.

Approval of Minutes

Representative Tate moved to approve the minutes of the June 7, 2023, and July 19, 2023, meetings. The motion was seconded by Representative Bridges, and the minutes were approved without objection.

Kentucky Communications Network Authority

Mr. Hendrix, Mr. Powers, and Mr. Murphy provided information on the KCNA.

In response to a question from Senator Thomas regarding broadband and internet coverage in Kentucky, Mr. Hendrix said their services are provided only to state government agencies. Senator Thomas expressed his concern that all citizens are in need of access as soon as possible.

In response to a question from Chair Fleming regarding coverage for schools, Mr. Hendrix said the school system is not part of the network. It had originally been discussed to include them, but in 2015 they were dropped out. The number of sites changes regularly.

In response to a question from Senator Mills regarding the issue with KCNA serving only public agencies which could probably be covered by a commercial vendor, Mr. Hendrix said KCNA is not a revenue producer; however, they expect to receive a revenue share from Open Fiber Kentucky in 2032. Senator Mills requested an update on that part of the project.

Senator Mills commented that it is taking too long to wait for the vendor to generate revenue. It is dangerous to have such a long-term contract. The amount of funds that have been put into this project thus far is way too much, and the use of a commercial vendor may have been a better choice.

In response to questions from Representative Bratcher, Mr. Hendrix said the KCNA was created by Executive Order by Governor Steve Beshear in 2015, and it was subsequently reissued by Governor Matt Bevin. In 2017 the General Assembly passed the statutes establishing the KCNA and its board. They entered into a Public-Private Partnership (P3) with Macquerie Capital in 2015. The universities were early partners and would pay for the service. The revenue generated flows into the restricted fund for the agency. The Commonwealth Office of Technology (COT) decides who is to be served by the KCNA. KCNA should begin receiving revenue from Open Fiber Kentucky in 2032. The project is a thirty-year contract and is slated to end in 2045.

In response to a question from Representative Johnson regarding their funding request, Mr. Hendrix said they are working on the final number now, but expect the request to be along the same lines as before with an inflationary increase included.

In response to a question from Representative Bridges regarding costs, Mr. Murphy said the capital portion is fixed. Inflation was factored in at 2.5 percent at that time. Mr. Hendrix said refurbishing the equipment was a risk to the state, and was not included in the original project.

In response to questions from Representative Tate regarding equipment issues, Mr. Powers said the contract runs from 2015 to 2045, and the equipment is to be refreshed every ten years, or as needed. The equipment refurbishment project has gone before the Capital Planning Advisory Board, and the total request was \$44 million over a six-year period.

Personnel Cabinet

Secretary Bailey and Commissioners Caldwell and Burton provided information on their respective departments within the Personnel Cabinet.

In response to a question from Chair Fleming regarding health plan profitability, Ms. Burton said the June projections are not in yet. It was expected that the rebound from COVID-19 would occur in 2022 but is happening in 2023 instead.

In response to questions from Chair Fleming regarding the number of personnel by department, Ms. Bailey said they are working on their budget and do not have current numbers at this time. There are three employees in the Equality, Diversity, and Inclusion office, and they are in the process of hiring one more. Their expenditures will be provided at a later date. The number of state employees is approximately 27,000 at this moment. In the last five years, the average number was between 26,700 to 28,000 employees. Data will be provided at a later date to include the number of authorized personnel by department and possible opportunities for growth in some counties.

In response to a question from Senator Thomas, Ms. Bailey said there is a possibility for differential salaries in certain markets, and it is currently being done for certain job classifications.

In response to questions from Representative Bratcher, Ms. Bailey said tuition reimbursement is a program that is available to all employees. The number of full-time employees working from home is currently approximately nine percent. Around thirty percent of employees are on hybrid work schedules; meaning, they are in the office three days per week. Agencies are permitted to choose two days of teleworking per week, which is set by Executive Branch policy.

In response to a question from Representative Johnson, Ms. Bailey said it is an ongoing task to review positions and identify any that may have become obsolete.

Adjournment

There being no further business before the subcommittee, the meeting was adjourned at 10:28 AM.