

INTERIM JOINT COMMITTEE ON TOURISM, SMALL BUSINESS, AND INFORMATION TECHNOLOGY

Minutes of the 6th Meeting of the 2018 Interim

November 15, 2018

Call to Order and Roll Call

The 6th meeting of the Interim Joint Committee on Tourism, Small Business, and Information Technology was held on Thursday, November 15, 2018, at 1:45 PM, in Room 154 of the Capitol Annex. Representative Diane St. Onge, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representatives Diane St. Onge, Co-Chair, and Tommy Turner, Co-Chair; Senators Ernie Harris, Jimmy Higdon, Stephen Meredith, Wil Schroder, Mike Wilson, and Max Wise; Representatives John Blanton, Larry Brown, George Brown Jr, Chris Fugate, Robert Goforth, Jim Gooch Jr., David Hale, Angie Hatton, Richard Heath, Michael Meredith, Russ A. Meyer, Charles Miller, Rick G. Nelson, Sannie Overly, Melinda Gibbons Prunty, Brandon Reed, and Bart Rowland.

Guests: Dr. Chuck Grindle, Chief Information Officer, Commonwealth Office of Technology; Paul Gilbert, State Government Affairs, Crown Castle International Corp.; Christopher Gladstone, KY District Manager, Crown Castle International Corp.; Kate Shanks, Vice President for Policy Development, Kentucky Chamber of Commerce; Ben Taylor, Chamber of Commerce; Joe Danaher, Integrity IT; Jason Keller, Regional Senior Director, Charter Communications; Julia Crigler, Executive Director, Kentucky Cable and Telecom Association.

LRC Staff: Carla Montgomery, Andrew Manno, Chip Smith, Candice Smith, and Emma Mills.

Approval of Minutes

Representative Larry Brown made a motion to approve the minutes of the October 19th, 2018 meeting of the Interim Joint Committee on Tourism, Small Business and Information Technology, seconded by Representative Hale. The motion passed by voice vote.

Commonwealth Office of Technology

Dr. Chuck Grindle, Chief Information Officer of the Commonwealth Office of Technology (COT), testified about updates the department. Some of the solutions to the problems within COT were fixed legislatively while some were fixed internally. COT created a new mission statement to reflect the changes within the organization. The department will focus on security, enterprise services, contract administration, and training/education for Kentucky.

A 2012 Executive Order signed by the Governor gave to the Chief Information Officer of COT the authority over the enterprise architecture and funding to have a direct reporting relationship amongst the IT cabinet directors. HB 244 provided additional leverage for COT to have authority to empower enterprise-wide IT leadership, with the result effecting debt service, enterprise initiatives and net savings across the Executive Branch. As part of this reorganization COT needed to increase the staff that were functionally dependent. Every contract providing services to the state has been reviewed to determine its necessity, potential consolidation, or renegotiation for a better cost to the state. COT has added a new compliance officer position, has consolidated all empty project manager positions into one Enterprise Project Manager Officer Position, hired a Chief Data Officer, created a Digital Transformation Office, and hired a Business One Stop director.

Dr. Grindle said that in November of 2017, COT was \$17.9 million in debt. Over the past year, COT has paid off nearly \$12 million of that debt. To avoid future debt, COT has leveraged capital to operationalize desktop hardware refreshes, or updating existing hardware with software updates. As of November 2018, COT is \$5.9 million in debt, which Dr. Grindle hopes will be paid off by the end of the fiscal year.

Some cost saving initiatives instituted included implementing converged infrastructure for servers and storage into the Dell VBlock. Through an agreement with the provider, the state did not have to pay storage fees for the new VBlock until all physical and virtual servers were migrated, which saved the state about \$6 million. COT has implemented an enterprise monitoring and management tool through Dynatrace, which provides diagnostics of state agency applications, decreasing down time if a problem occurs and has cancelled a \$3 million contract for teleconferencing services and opting to use products like Skype and AT&T instead. COT recently moved the department mainframe to Boulder, Colorado while meeting all federal guidelines for privacy and security.

Some challenges going forward for COT involves upgrading all 33,000 state computers to Windows 10 by January 1, 2019, an integrated service desk application (down from 9 different applications around the state) with a licensing service, and one Enterprise Resource Planning system.

Responding to a question from Representative Goforth, Dr. Grindle explained the COT's charge-back model of budgeting, which is a calculated guess each year based on

historic costs, number of staff, the cost of licensing, and potential cost increases throughout the tech industry. Pertaining to the additional open space at the COT building, Dr. Grindle speculated COT can generate about \$100,000 to \$150,000 a month.

In response to a question from Representative St. Onge regarding cybersecurity, Dr. Grindle said the state gets about 200,000 hits per day attempting to breach Kentucky's cybersecurity

Small Cell Technology and the Future of Smart Communities

Paul Gilbert, State Government Affairs with Crown Castle International Corporation discussed smart communities and the infrastructure Crown Castle provides within that community. A smart city or community is a broad statement for using information or communication technology to enhance performance, reduce waste, or optimize consumption. Examples of smart community applications may include monitoring public transportation, public safety applications, or even personal devices connected to the internet.

Christopher Gladstone, KY District Manager for Crown Castle International Corporation, says that Crown Castle can provide all aspects of the technology needed to bring fast internet service to smart communities or cities. Crown Castle owns over 40,000 cell phone towers, 60,000 small cell nodes and over 60,000 miles of fiber optic cable. Specific to Kentucky, Crown Castle has 670 macro sites, 110 small cells, and 150 miles of fiber optic cable covering roughly 66 percent of the state's population.

Mr. Gilbert additionally talked about how mobile networks have traditionally functioned on tower based networks. But as more and more data was used via mobile phones, traditional networks became too congested. Additional infrastructure was needed to alleviate this congestion. Crown Castle uses smaller towers closer to the end user to facilitate faster connections with wireless devices. These "small cells" are high powered, discrete antennas found lower to the ground or in facilities much closer to the end user. Most of these antennas are either designed to fit in with existing infrastructure or can be attached to utility poles or other existing infrastructure in order to remain discrete. Mr. Gilbert also discussed the type of coordination between the private sector and government in order to deploy the coming 5G internet speed.

Responding to questions from Senator Meredith, Mr. Gilbert confirmed that Crown Castle has not been involved with the Kentucky Wired project. Crown Castle responds to a specific customer need in a specific area. Additionally, Mr. Gladstone said it would be possible for Crown Castle to take advantage of another company's infrastructure in order to provide the service requested, which has happened before, but each respective company would need to decide what makes sense from a RF perspective. Mr. Gilbert confirmed that Crown Castle invests in research and development of the small cell technology and

matching the needs of a community with what infrastructure exists and what needs to be created.

In response to a question from Representative Gibbons Prunty, Mr. Gladstone confirmed that the “Big Four” wireless providers are Verizon, TMobile, AT&T, and Sprint.

Cyber Security - Kentucky Chamber of Commerce

Kate Shanks, Vice President for Policy Development for the Kentucky Chamber of Commerce introduced Ben Taylor with the U. S. Chamber of Commerce and Joe Danaher with Integrity IT, a member of the Chamber’s Small Business Policy Council. Mr. Taylor updated the committee the U.S. Chamber of Commerce’s views on cyber security, privacy and digital commerce. The Chamber is concerned about a patchwork of digital privacy legislation being passed across different states, potentially making it more difficult for businesses to adhere to regulations if they have locations in different states. The U.S. Chamber has been working on legislation to be introduced in Congress in 2019.

The Chamber has a working group made up of representatives from about 200 companies and they created ten privacy principles along with a nationwide privacy framework to reflect with member companies’ concerns. The number one issue is preemption. While the U.S. Chamber previously advocated for self-regulation as the preferred method to deal with privacy, the Chamber now recognizes the need for Congress and the Trump Administration to offer consistent protection to Americans. Several states have enacted some digital privacy laws, of which California has the most comprehensive. The U.S. Chamber believes this patchwork of 50 plus laws enacted on the subject would impede interstate commerce. Mr. Taylor talked about legislation affecting cross-border data flow needing to be included in all future international trade agreements, such as the United States-Mexico-Canada Agreement.

Mr. Danaher with Integrity IT, a small IT company based in Lexington, wanted to voice his support of the Chamber’s efforts regarding digital privacy. He noted that federal HIPAA privacy rules lay down a good framework for digital privacy regulation. Mr. Danaher testified to the difficulty of implementing the technical and physical controls over the data to adhere to multiple state regulations.

Responding to a question from Representative St. Onge, Mr. Danaher confirmed he was advocating for federal legislation that would give clear guidance on what additional controls businesses need to meet instead of having a patchwork of regulations to meet across multiple states. In response from additional questions from Representative St. Onge, Mr. Taylor said between the European Union’s General Data Protection Regulation (GDPR) and California’s recent digital privacy laws, different industries find different parts of the laws difficult to implement and be compliant with. Mr. Danaher addressed that this federal legislation would have required Facebook to disclose the selling of user data to

a third party, but it would not have disclosed what Cambridge Analytica wanted with the information.

Broadband in Kentucky

Julia Crigler, Executive Director for the Kentucky Cable and Telecom Association, and Jason Keller, Regional Senior Director of Government Affairs with Charter Communications spoke to the committee about high-speed and broadband internet in Kentucky. Cable companies are responsible for more than 4,000 jobs and \$4.7 billion in economic activity in the state. Ms. Crigler told the committee that broadband companies are focused specifically on three things: investing heavily in infrastructure and new technologies, upgrading networks throughout the Commonwealth to ensure customers have access to gigabit internet speeds, and making sure that broadband is affordable for low income families.

Earlier this year, the Federal Communications Commission (FCC) released a report indicating that 85.8 percent of Kentucky homes have access to minimum broadband speeds of 25 megabits download by 3 megabit upload. The same report in 2015 showed that only 60 percent of Kentuckians had access to broadband. This has moved Kentucky to from 45th in the nation in broadband access to 38th in the nation. Ms. Krigler talked about the thousands of homes in rural Kentucky that members of the Kentucky Cable and Telecom Association have provided broadband service in the last 24 months. Ms. Krigler also indicated companies are preparing for future advances in high speed service by testing new technologies such as fixed wireless services. These new technologies show promise in providing ultra-high speed internet service and help expand the services into rural parts of the state. By the end of the year, 85 percent of all Kentuckians should have access to gigabit internet speeds from their local cable provider. Members of the Kentucky Cable and Telecom Association also provide affordable high speed internet to families with children on free or reduced lunches with the state school systems.

Responding to a question from Representative Goforth, Ms. Krigler confirmed that the Kentucky Cable and Telecom Association has no connection with the Kentucky Wired project. Jason Keller, Regional Senior Director of Government Affairs with Charter Communications, confirmed that the reduced rate packages are not subsidized by anyone, but are initiatives provided solely by the cable providers.

In response to a question from Representative Gibbons Prunty, Mr. Keller acknowledged there are still pockets of rural counties that do not have broadband service. He said the companies were trying to address the issue in two ways: continued deployment of their wireline assets, such as building out fiber lines into the county, and expanding the fixed wireless networks.

There being no further business, the meeting was adjourned at 3:12 p.m.