

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

Minutes of the 6th Meeting of the 2019 Interim

November 21, 2019

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 21, 2019, at 3:00 PM, in Room 154 of the Capitol Annex. Representative Phillip Pratt, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Danny Carroll, Co-Chair; Representatives Phillip Pratt, Co-Chair, and Tommy Turner, Co-Chair; Senators Denise Harper Angel, Ernie Harris, Jimmy Higdon, Wil Schroder, Reginald Thomas, Mike Wilson, and Max Wise; Representatives Lynn Bechler, Terri Branham Clark, George Brown Jr, Jeffery Donohue, Chris Freeland, Robert Goforth, Jim Gooch Jr., David Hale, Richard Heath, Kim King, Adam Koenig, Bobby McCool, Michael Meredith, Charles Miller, Ruth Ann Palumbo, Josie Raymond, Brandon Reed, Steve Sheldon, Maria Sorolis, Cherlynn Stevenson, Ashley Tackett Laferty, Nancy Tate, and Les Yates.

Guests: Deck Decker, Interim Executive Director, Kentucky Communications Network Authority; Mike Haydon, Chief Operating Officer, Kentucky Communications Network Authority; Beth Davisson, Executive Director, The Workforce Center, Kentucky Chamber of Commerce; and Travis Burton, Director of Political Affairs, Kentucky Chamber of Commerce.

LRC Staff: Andrew Manno, Chip Smith, Janie Boyd, and Sasche Allen.

Approval of Minutes

A motion to approve the minutes of the October 3, 2019 meeting was made by Representative Ruth Ann Palumbo, seconded by Senator Mike Wilson, and approved by voice vote.

Introductions

Co-Chair Phillip Pratt introduced small business owners Nathan and Josh Randall. Their business Central Screen Printing & Embroidery is located in Central City, Kentucky and has over 50 employees.

KentuckyWired Update

Rings 1A and 1B of the Commonwealth's fiber optic cable network KentuckyWired have been lit, construction has been completed on Ring 2, and by the close of 2019 Rings 3 and 5 will be completed. That will cover all of the state except portions of Western Kentucky. The projected completion date for Ring 4 is October 2020. The Kentucky State Parks that will be using KentuckyWired broadband will include Natural Bridge State Resort Park, Kentucky Dam Village State Resort Park, General Butler State Resort Park, Jenny Wiley State Resort Park, Kenlake State Resort Park, Pine Mountain State Resort Park, Kentucky Horse Park, and Kentucky Venues. General Butler will be the first park to go live. The Kentucky Communications Network Authority (KCNA) is currently working with the Center for Rural Development (CRD) to obtain an additional \$8 million to make the broadband available at Lake Cumberland State Resort Park, Cumberland Falls State Resort Park, Dale Hollow State Resort Park, Carter Caves States Resort Park, and Kingdom Come State Park.

Responding to questions from Co-Chair Danny Carroll, Mr. Decker confirmed that the wholesaler the state has contracted with will recoup their investment first. It is projected that the state will begin to generate revenue in 2025. However, savings will be made as soon as service to state sites begins. Wholesale revenue is projected to be positive by 2035. The wholesaler is only contracted for the state parks at this point in time but will have to bid on the contract with any school system. Mr. Decker said the total cost for the KentuckyWired project is currently estimated at \$1.3 billion. He said that the project will generate revenue from private providers in the most remote parts of the state that will use KentuckyWired's resources. Mr. Hayden added that the agreement that KCNA established with the CRD gives the Commonwealth full right and use of all facilities and assets within the CRD ownership and the state will be leasing it on a pass through basis.

Addressing questions from Representative Lynn Bechler, Mr. Decker said the planned budget request during the 2020 Regular Session for the 2020 to 2021 budget year will be \$49 million and \$50 million for the 2021 to 2022 budget year which is an additional \$13 million for each year compared to the current budget. A refresh of the system and equipment will be needed in approximately six years and negotiations are currently being made for the total cost. The original estimated cost was \$40 million for each refresh which is not included in the planned budget. Mr. Decker said KCNA is not working with any private companies, retailers, or individuals. The wholesaler will be selling the KentuckyWired service to local internet service providers, and then those service providers will be dealing with private companies or individuals.

Replying to Representative Michael Meredith, Mr. Decker said after consulting with the wholesale provider, he believes that revenue will be generated in a short amount of time, especially in the rural and remote areas. He recommended that the wholesaler and contractors give a briefing to the committee on the progress of the KentuckyWired project.

Representative Robert Goforth commented that the KentuckyWired project will put some of his constituents that are small business owners out of business since they have already built their own lines for broadband.

Answering a question from Representative Bobby McCool, Mr. Hayden said that KCNA has already established agreements with companies to lease existing fiber lines. Existing customers of these companies will see no increase in their costs.

Responding to Representative Steve Sheldon, Mr. Hayden said that the original design and concept has not changed as the main objective was to provide broadband to state offices and facilities. Some of the additional \$8 million will try to fill in some of the gaps that were left out of the original plans.

Addressing Representative Terri Branham Clark, Mr. Decker clarified that KCNA's original intentions were to offer broadband to state government offices and facilities. The wholesaler of KCNA will need to bid on contracts with school systems in order for KentuckyWired to be used for any schools. All 120 counties will have access to the KentuckyWired network in some way but private service providers will need to take advantage of the network for the most remote and rural portions of the state for it to be available.

Replying to Co-Chair Danny Carroll, Mr. Decker confirmed that the private sector providers were always intended to be responsible for getting the broadband services to individuals and not KCNA.

Senator Reginald Thomas expressed his optimism for the program and said better access to high speed broadband is very much needed across the state.

Legislative Priorities for Small Business: Kentucky Chamber of Commerce

The Kentucky Chamber of Commerce's legislative agenda includes several priorities pertaining to the state's workforce which include strengthening the adult education system, promoting wellness and prevention, combating the drug epidemic, reforming the tax code, modernizing the unemployment system, and investing in the state's infrastructure.

The Kentucky Chamber of Commerce's Workforce Center

The Chamber's Workforce Center creates and maintains workforce programs that are geared toward engaging the state's workforce. About 84 percent of Kentucky employers cannot find qualified workers and 81 percent projected moderate to high growth for their organizations in the next three to five years. Conversely, since 2015 the state has seen 47,645 new jobs, \$17.3 billion in new business development, and 991 new or expanded facilities. A lack of skilled workers to fill high skill positions has become a national trend.

In an effort to improve the state's workforce, the Chamber's Workforce Center is partnering with the Kentucky Equine Education Project to launch a Talent Pipeline Management (TPM) initiative aimed at building a talent supply chain throughout the Commonwealth. This initiative is a partnership with the U.S. Chamber of Commerce Foundation. The Chamber's Workforce Center will also work closely with Education and Workforce Cabinet. The TPM system will utilize supply chain logistics and apply them to the workforce by organizing employer collaborative, engaging in demand planning, communicating competency and credential requirements, analyzing talent flows, building talent supply chains, and continuously striving for improvement. The TPM will also use regional and sector driven categories to better supply employers with the needed skilled workforce.

Responding to a question from Representative Josie Raymond, Ms. Davisson said that wages and benefits play a major role in the workforce, but if employers are going to pay higher wages with better benefits, then they should be doing so for employees that are meeting their demands. Additionally, employers should be engaged early on in the educational process than when someone has completed a post-secondary degree program to ensure that a qualified and experienced workforce is being built that meets employer demands. In response to a follow up question, Mr. Burton said that the Chamber is supportive of improving early education and increasing access to child care for parents who are working or participating in workforce training. It is also imperative to ensure that child care facilities have quality workers and learning environments.

Addressing Senator Reginald Thomas, Ms. Davisson agreed that the opioid epidemic is a major workforce issue and the Chamber, in partnership with its members, has formed an opioid response business program. Mr. Burton added that employers have been working the Chamber on programs for those in recovery who are reentering the workforce and how to obtain needed credentials for employment.

Replying to Representative Maria Sorolis, Ms. Davisson said that the Chamber's Workforce Center has made great strides with the TPM system in conjunction with the U.S. Chamber of Commerce Foundation, the Education and Workforce Cabinet, local workforce boards, and the community college system. Tennessee, Michigan, and California have also been successful with their similar programs. Metrics that are used to gage the success of a program such as the TPM system are workforce participation rates, supply and demand of the workforce, and salaries of employees.

Representative George Brown Jr. made comments about retraining those individuals who have been incarcerated and ensuring they have they have the necessary skills to gain employment.

There being no further business, the meeting adjourned at 4:39 p.m.

