

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

Minutes of the 2nd Meeting of the 2020 Interim

July 30, 2020

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Tourism, Small Business, and Information Technology was held on Thursday, July 30, 2020, at 1:00 PM, in Room 171 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 and Representative Phillip Pratt, Co-Chair; Senators Karen Berg, Denise Harper Angel, Alice Forgy Kerr, and Wil Schroder; Representatives Lynn Bechler, Tina Bojanowski, Terri Branham Clark, George Brown Jr, Jeffery Donohue, Deanna Frazier, Chris Freeland, Chris Fugate, Robert Goforth, Jim Gooch Jr., David Hale, Richard Heath, Cluster Howard, Kim King, Adam Koenig, Bobby McCool, Michael Meredith, Charles Miller, Ruth Ann Palumbo, Josie Raymond, Brandon Reed, Rachel Roberts, Bart Rowland, Steve Sheldon, Maria Sorolis, Cherlynn Stevenson, Ashley Tackett Laferty, Nancy Tate, Richard White, Rob Wiederstein, and Les Yates.

Guests: Lee Lingo, Executive Director, Kentucky Association of Manufacturers; James Buck, owner, JR Buck Industries; Jason Keller, Vice President, Government Affairs and Regulatory Strategy, Charter Communications; Tyler Campbell, Executive Director, Kentucky Telecom Association; Sandy Harp, Executive Director of Technology Services, Education and Workforce Development Cabinet.

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

Approval of Minutes

A motion to approve the minutes of the June 26, 2020 meeting was made by Co-Chair Danny Carroll, seconded by Representative Chris Freeland, and approved by voice vote.

Impact of COVID-19 on Kentucky Manufacturers and the Local Economy

Since 1911, the Kentucky Association of Manufacturers (KAM) has served as an advocate for manufacturing interests in the Commonwealth. KAM's mission is to create, support, and protect a manufacturing-friendly environment for the state through advocacy; workforce development, education, and training; and cost-saving benefits for its members.

The organization represents over 400 businesses vital to the economic success of the state. Kentucky manufacturing accounts for over \$38 billion in annual gross domestic product and more than 250,000 employees as of February 2020. It also has three industry focused pillars within the organization that include the Kentucky Chemical Industry Council, KAM Aerospace, and KAM Automotive.

In response to the COVID-19 pandemic, manufacturers responded when CDC guidelines and various executive orders were proposed and issued. KAM worked to engage with policymakers to transition into a fully functioning, yet safe, sector of the economy. There was also daily communication with members to solicit feedback on various recommended changes in how manufacturers operate while also working with counterparts in surrounding states. Many members of KAM are crucial to global supply chains for multiple industries, including the food and beverage industry, the chemical industry, and the textile industry. In April 2020, manufacturing employment decreased to 197,000 statewide but by June 2020 had increased to 233,000. The rapid employment increase can likely be attributed to paycheck protections loans keeping businesses open; an increased demand for local supply chains; and the ingenuity of manufacturers retooling and refocusing to meet the nation's demand for PPE and other needed supplies. Manufacturers such as Toyota, GE, Ford, and Carhartt transitioned some of their workforce to PPE production. Smaller companies also started repurposing to create barrier shields, social distancing signage, desk barriers for students, and hand sanitizer.

James Buck, the owner of JR Buck Industries in Georgetown, testified about his company, its history, and how it has handled the COVID-19 pandemic. JR Buck is a multi-craft company that provides a wide variety of services that include MIG and TIG welding; CNC milling and turning; and engineering and design services. The company also is provider for automotive, transportation, electrical distribution, and natural gas industries. Mr. Buck's company was already using PPE prior to the pandemic, but has had difficulty finding high quality equipment and supplies during the pandemic. JR Buck has struggled with the directives of state and federal agencies and has relied on KAM to assist with clarifying guidelines to ensure compliance. One issue Mr. Buck mentioned was the high cost of electricity for high demand users like his company. Mr. Lingo closed by saying that manufacturers need consistent guidelines, targeted liability relief, and unemployment insurance stability.

Answering a question from Representative Steve Sheldon, Mr. Lingo said that KAM has had a regular line of communication with the Governor's Office and his administration, but KAM has not been a part of any type of working group.

Replying to Representative Jim Gooch, Mr. Lingo said he is unaware of why the demand costs of electricity are increasing but the issue is worth looking into further.

Impacts of COVID-19 on High Speed Internet Roll Out

Jason Keller, Vice President of Government Affairs and Regulatory Strategy at Charter Communications, and Tyler Campbell, Executive Director of Kentucky Telecom Association (KTA), gave an overview of Charter Communications, Kentucky Telecom Association, and the impact COVID-19 has had on rural broadband providers. Charter Communications, also known as Spectrum, employs 3,167 Kentuckians and offers broadband to over one million Kentucky homes and businesses. In 2019 Charter Communications added 32,000 additional homes and businesses, with a third being in rural areas. A minimum of 100 mbps is offered for starting speeds and 200 mbps is available for 40 percent of Charter's network of customers. Spectrum Mobile was also launched in 2019, which combines Charter's Wi-Fi network with a reliable LTE cellular network. During the pandemic, Charter Communications has offered free internet for 60 days for new student and educator households, waived late fees and disconnections, and invested \$10 million to support minority owned small businesses. In addition, Charter has also made commitments to employees by permanently increasing the starting wage to \$20 per hour, offered additional paid time off, increased work from home options, and hired 475 new employees in Kentucky during the month of May.

Access to internet has become increasingly important for Kentucky families with schools utilizing nontraditional instruction. Mr. Keller spoke about closing the homework gap, which refers to the difficulty students experience completing homework when they have a lack of internet access at home, compared to those that do have access. Achieving digital inclusion requires different solutions in urban areas than in rural areas. In urban areas, the problem is not a lack of infrastructure but the lack of access to that infrastructure. Conversely, in some rural areas, a lack of infrastructure may be an issue due to the cost of expansion to unserved homes being exponentially higher. Charter has offered Spectrum Internet Assist that makes it easier for qualified households to sign up for low income internet access. House Bill 362 was also passed in the 2020 Regular Session, which established a broadband grant program for underserved areas. Challenges to rural broadband expansion include difficulties with utility pole attachments and lengthy permitting and complaint resolution processes.

Tyler Campbell, Executive Director of the Kentucky Telecom Association (KTA), gave a brief overview of the organization and the impact of COVID-19 on rural broadband providers. KTA consists of 18 independent and cooperatively owned companies, including two regional wireless providers that deliver voice, video, and broadband services to rural Kentucky. The organization's members serve all or part of 45 counties and state rural telecom providers employ more than 1200 people. Rural broadband has a direct economic impact of \$312.3 million in the state and its total overall economic impact is estimated at \$414.4 million.

The telecom industry was deemed essential by the Governor's executive order early on during the pandemic. A majority of KTA's members took the Federal Communications Commission pledge, "Keep America Connected", which spanned March 13, 2020 to June

30, 2020 and allowed for consumer late fees to be waived. The Kentucky Public Service Commission also issued an order to halt disconnections of regulated services starting March 16, 2020 to the present. The KTA's members have prioritized health and safety of employees and customers by closing lobbies and encouraged business via online or drive-thru; established telework and work from homes procedures to limit employees in offices to practice social distancing; worked to secure adequate PPE for employees; and implementing new procedures for service calls. Mr. Campbell recognized the Kentucky Chamber of Commerce that coordinated with the association to obtain PPE that was becoming difficult to obtain. Additionally, he thanked the Kentucky Distiller's Association for providing sanitizer for members. Member companies worked with local officials to establish free drive up Wi-Fi hot spots; increased download and upload speeds for students and work from home customers; and discounted or offered free internet service during the early months of the pandemic. Challenges moving forward include a backlog of installations, non-payment of services, increased demand of broadband deployment, and funding challenges for the state's rural broadband providers.

Responding to Representative Tina Bojanowski, Mr. Keller said there has been a proliferation of wireless broadband in rural areas but still requires the utilization of fiber lines. Some companies have begun to offer fixed wireless services. Broadband grant programs are available at the state and federal level. Mr. Campbell added that some of the KTA's members offer fixed wireless products in rural parts of the state. A majority of the organization's members offer fiber broadband services and over time more bandwidth will be paramount to offer the speeds that customers require to operate multiple devices.

Addressing a question from Representative Steve Sheldon, Mr. Campbell said the pilot project in Warren County was estimated to reach about 50 percent of the area.

Unemployment Insurance Technology Systems

The Unemployment Insurance system is called Kentucky's Electronic Workplace for Employment Services (KEWES) and is a forward facing and internal facing system. The system was built in the early 2000's and uses Seibel programs with Oracle databases. It is supported by the Office of Technology Services (OTS) Development Team that has about 10 full time staff. The mainframe of the system has COBOL programs with IMS databases and was built in the 1970's. It is supported by the Commonwealth Office of Technology (COT) Mainframe team of six staff. The mainframe is used internally, used for all batch processing of claims and payments, and is considered the system of record. The functional components of the UI system include employer contributions, benefit claims, appeals, the interactive voice response, and the voice response unit. The UI System had several updates prior to the COVID-19 pandemic. Lexis Nexis was implemented for fraud protection which requires identity proofing in three locations within KEWES. Olark Live Chat Software was also implemented that allows claimants to engage agents for assistance in real-time.

Some of the challenges that COVID-19 has created for the UI system includes the timeline for programming changes; KEWES system availability limitations; self-certification of weeks paid and earnings verification; and the volume of claimants. Most system changes for the new programs were required in days. New programs were created to process the Pandemic Unemployment Assistance (PUA), Pandemic Emergency Unemployment Compensation (PEUC), and Pandemic Unemployment Compensation (PUC). The KEWES system has limited browser compatibility, functions best with Internet Explorer versions, and does not scale well on mobile devices. Self-certification of weeks was required by the U.S. Department of Labor beginning January 2020. Earnings verification documentation had to be uploaded by PUA claimants which required reconsideration of maximum benefit amount and weekly benefit amount. In addition, the average weekly claims before the pandemic were 3,000 compared to the post COVID-19 average of 80,000. There was limited server and database capacity and the archiving of records had not been recently completed.

There were several steps taken to address these challenges such as retooling the Disaster Unemployment Assistance from previous years for PUA; partnering with COT and Oracle for a five day engagement to address system for any fine tuning; increasing server capacity from 14 servers to 27 servers; archiving the claimant database to allow for additional claim filing; and deploying Microsoft Forms for PUA and emailed forms. Ongoing UI system improvements include upgrading SIEBEL to 2015, implementing new citizen facing web pages, replacing the interactive voice response and the voice response unit, and replacing the FileNet imaging program with OnBase by Xerox. The UI technology system's future needs include stabilizing funding sources for current request for proposal (RFP), expanding use of Salesforce for citizen friendly interface to the system, and expanding ChatBot functionality to include adjudication of issues.

Addressing Representative Deanna Frazier, Ms. Harp said she works directly with the IT related issues and would not be able to comment on the number of staff that were available to process claims. Ms. Harp said her IT staff made sure the system had to the capacity to handle the amount of claimants. Her staff is responsible for granting access to the system for new staff members and dispersing training material. She said that vendor staff was required to complete a background check but existing employees with the Department of Revenue that assisted in processing claims had already completed background checks.

Responding to a question from Representative Ashley Tackett Laferty, Ms. Harp said that options for possible changes to benefits were submitted to the U.S. Department of Labor and the Labor Cabinet.

Answering Representative Brandon Reed, Ms. Harp stated she was not aware funds that had been offered for UI system upgrades in 2011 and did not know why the administration at the time would have declined to receive those funds.

Replying to a question from Representative Robert Goforth, Ms. Harp explained that system name matches are done in conjunction with the Social Security Administration. If a claimant is locked out of the system due to a mismatch of name, then a stop is put on the account. Once verification of the claimant's name is obtained and the claim is approved, then the claimant would be eligible for any back pay of benefits owed due to the stop placed on the account.

Addressing Representative Adam Koenig, Ms. Harp said that Ernst and Young employees that were contracted to process claims have tier two access to the system. The first contract included 325 Ernst and Young employees and the new contract includes 225 employees. These employees are remote and receive the same training that any other new staff member would receive. Tier three staff members are still responsible for making final adjudication decisions.

Responding to questions from Senator Karen Berg, Ms. Harp said that the security training for Cabinet staff members and the Ernst and Young contracted employees was the same. She also said that the security breach that occurred on April 23, 2020 could have been human error but there was no indication that was the case.

Answering a question from Co-Chair Danny Carroll, Ms. Harp said that the current contracted employees are gathering information to resolve claims, sending information to tier three employees, and are essentially processing about the same amount of information as the previously contracted tier two staff. She stated she was not involved with the discussion to contract Ernst and Young but did not have any issues with the access granted to these employees. Responding to a follow up, Ms. Harp said that delays that have occurred since March 6, 2020 with the RFP are not due to funding. After the contract for updating the UI system is obtained, changes will take three to six years to complete through agile implementations.

Replying to Representative Nancy Tate, Ms. Harp explained that claimants are able to add a return to work date and can do so during the biweekly claim process. A claimant will continue to receive benefits until a date is entered or the business unit reports that the claimant has returned to work through an auditing process.

Addressing a question from Representative Kim King, Ms. Harp stated her staff fully cooperated with the data break investigation, the investigation process had not been completed, and a report would be available once the investigation has concluded.

Responding to a follow up question from Representative Tate, Ms. Harp said that the auditing process for the return to work date for claimants can be put in place from a technology perspective and the staff that process audits are independent from those that adjudicate claims.

Answering questions from Co-Chair Phillip Pratt, Ms. Harp said that the first set of PUA benefit payments were made on April 3, 2020, stops on accounts are removed by the UI staff, and implementation of processes were done through guidance from the U.S. Department of Labor. She also said that she was aware of an automated clear of stops being put on accounts for requirements waived for all claimants. There were internal discussions about the potential influx of claims prior to the shutdown in March.

Replying to Representative Steve Sheldon, Ms. Harp said she did not have an estimated time frame for the back log of claims to be processed and adjudicated. Ms. Harp stated she has been with the Cabinet for two years.

Addressing a question from Co-Chair Danny Carroll, Ms. Harp confirmed that an employer can enter a return to work date for an employee through the employer portal.

Responding to Co-Chair Phillip Pratt, Ms. Harp said she was not aware any call throttling. Answering a follow up question, she said that the data breach reported on July 29, 2020 was being investigated but may have been a result of a series of events that occurred on the claimant's computer.

There being no further business, the meeting adjourned at 3:10 p.m.