

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

Minutes of the 5th Meeting of the 2020 Interim

October 29, 2020

Call to Order and Roll Call

The 5th meeting of the Interim Joint Committee on Tourism, Small Business, and Information Technology was held on Thursday, October 29, 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; Representative Phillip Pratt, Co-Chair; Senators Karen Berg, Denise Harper Angel, Jimmy Higdon, Alice Forgy Kerr, Wil Schroder, Reginald Thomas, and Max Wise; Representatives Lynn Bechler, Tina Bojanowski, Terri Branham Clark, George Brown Jr, Jeffery Donohue, Deanna Frazier, Chris Freeland, Jim Gooch Jr., Richard Heath, Cluster Howard, Kim King, Adam Koenig, Bobby McCool, Michael Meredith, Ruth Ann Palumbo, Josie Raymond, Brandon Reed, Rachel Roberts, Steve Sheldon, Maria Sorolis, Cherlynn Stevenson, Ashley Tackett Laferty, Nancy Tate, Richard White, and Rob Wiederstein.

Guests: Ruth Day, Chief Information Officer, Commonwealth Office of Technology; David Carter, Chief Information Security Officer, Commonwealth Office of Technology; Stacy Roof, President, Kentucky Restaurant Association; Shannon Stiglitz, Senior Vice President of Government Affairs, Kentucky Retail Federation; Kristina Joyce, State Director, Kentucky Small Business Association.

LRC Staff: Andrew Manno, Audrey Ernstberger, Drew Baldwin, and Sasche Allen.

Approval of Minutes

A motion to approve the minutes of the September 24, 2020 meeting was made by Representative Jim Gooch, seconded by Co-Chair Danny Carroll, and approved by voice vote.

Status of the Restaurant Industry in Kentucky

The Kentucky Restaurant Association was incorporated in 1964 and is governed by a board of directors. The goal of the association is to celebrate, educate, and advocate for the restaurant industry across the state. Prior to the Covid-19 pandemic, the restaurant and food service industry was the nation's second largest private sector employer. The

Commonwealth had over 205,000 restaurant and food service jobs which was the equivalent to 10 percent of employment in the state. In March 2020, there were more than 7,700 eating and drinking places in the state. Eating and drinking establishments across the state had over \$9.2 billion in sales in 2019. There was about \$550 million in restaurant sales lost in April 2020 due to Covid-19 and about 114,000 employees have been laid off or furloughed since the start of the pandemic. About 71 percent of restaurant operators say it is unlikely that their restaurant will be profitable within the next six months, 68 percent of operators say their total operational costs are higher than they were prior to the Covid-19 outbreak, and 37 percent say it is unlikely their restaurant will still be in business in six months without additional relief from the federal government. Restaurants were ordered to close in March 2020 but were still able to order through curbside, carryout, and delivery. April 2020 was a difficult time for the industry but the passage of legislation that allowed to-go alcohol sales offered some relief. The percentage of patrons allowed in restaurants fluctuated during the months of June, July, and August 2020 but is currently at 50 percent. A curfew was also imposed in September 2020 which included no bar service or seating.

According to Stacy Roof, the President of the Kentucky Restaurant Association, businesses do not receive a data dashboard like ones compiled for schools that show where cases are originating from. Restaurants have been a focus since the start of the pandemic, but data has never been shown to support the limited capacity restrictions. Ms. Roof pointed out that that health departments in Michigan have been tracking the number of ongoing and new outbreak investigations by setting type and region. The number of restaurant employee associated cases and restaurant patron associated cases were fairly low. Other categories included social gatherings, office settings, and school. Ms. Roof stated the Kentucky Restaurant Association has requested for CARES Act funds to be prioritized for restaurants; suggested that cities give restaurants specific winter grants; recommended that to-go alcohol sales be permanent; proposed that permits for outdoor dining be reduced or eliminated; and advocated for campaigns encouraging carryout, delivery, curbside, and dine in eating at restaurants across the state.

Representative Cluster Howard made comments in support of making to-go alcohol permanent and stressed the importance of social interactions.

Responding to Senator Reginald Thomas, Shannon Stiglitz, the Senior Vice President of Government Affairs at the Kentucky Retail Federation, explained that the long term implications have to be considered when it comes to limiting dine in eating and how it can impact an industry that employs so many Kentuckians. Restaurants must consider what necessary steps must be taken to survive the current state of the industry and will need federal government relief.

Answering a question from Representative Maria Sorolis, Ms. Roof states that the Kentucky Restaurant Association has requested that restaurants not be grouped with bars when it comes to case data collection because the operations and business models are so

different. Ms. Stiglitz elaborated by saying although contact tracing is improving, the data cannot be analyzed in depth at this point to separate restaurants from bars.

Replying to Senator Max Wise, Ms. Roof stated that food trucks are permitted to join the Kentucky Restaurant Association because they are permitted and licensed restaurants on wheels.

Addressing questions from Senator Karen Berg, Ms. Roof said there is not an abundant amount of case data pertaining to restaurants, and it would be hard to distinguish if a person was infected by ordering food through curbside or drive through as opposed to dine in. Data is continuously being collected. Replying to a follow up question, Ms. Roof explained that even though the Kentucky Restaurant Association is constantly dispersing information to its members about adjusting to alternative ways of servicing customers, it can be challenging for some rural restaurants to make adjustments to their businesses models to accommodate these alternatives.

In response to a question from Representative Michael Meredith, Ms. Roof stated that of the estimated 7,000 restaurants across the state, only 25 percent are members of the Kentucky Restaurant Association. She stressed that for the time being, despite official membership, all Kentucky restaurants will be advocated for by the Association. Representative Meredith voiced his opinions regarding liability protections at the state and federal levels when it comes to contact tracing data.

Answering a question from Representative Rachel Roberts, Ms. Roof said she has not gotten a lot of feedback from members about price gouging but has been informed of sourcing issues. Some members have put delivery fees back in place and have utilized third party delivery services. Other restaurants have resourced employees who were previously servers to curbside or delivery workers.

Replying to Co-Chair Philip Pratt, Ms. Roof explained that regulations regarding the operation of bars and restaurants come from the Governor's executive orders. The Restaurant Association was not consulted before any executive orders were put into place.

Commonwealth Office of Technology Update

The mission of the Commonwealth Office of Technology (COT) is to support partners in the fulfillment of their core mission by providing technology leadership, services, and solutions in a secure, transparent, and fiscally responsible manner. COT consists of the Office of Client Support Services, the Office of Infrastructure, the Office of Architecture and Governance, and the Office of Chief Information Security Officer. The Office of Client Support Services is the largest office and is tasked with managing desktop computing devices from acquisition to disposal. The Office of Infrastructure ensures the physical hardware and software networks that run applications across state government are working optimally. The Office of Architecture and Governance develops policies and

strategies to support and promote the effective applications of information technology within state government. The Office of Chief Information Security Officer has the smallest staff and is responsible for information technology security functions. In March 2020, COT made changes to transition to a remote workforce due to the Covid-19 pandemic for COT and all executive branch cabinets, and in April 2020 began assisting with videoconferencing applications and other tools to support remote work.

The COT began implementing the necessary changes to operate under its current fiscal year budget in June 2020. This included an 11 percent cut in spending and eliminating about 40 positions. Existing COT projects are reviewed once a month by COT staff and reviewed and submitted quarterly to the LRC. There are currently 29 projects across nine executive branch cabinets with a total budget of \$818 million. Internal agency initiatives include modernizing the ticket system, expanding the use of Microsoft Office tools, expanding digitalization, automating internal processes, and creating legacy system inventory.

Replying to a question from Co-Chair Philip Pratt, Ruth Day, the Chief Information Officer at COT, stated the largest existing project for the agency is the Next Generation Kentucky Information Highway that was funded at \$454 million. The next largest project is the integrated tax system at the Department of Revenue that was funded at \$92 million. The third largest project is the Kentucky State Police's emergency radio system replacement that was funded at \$88 million. She reiterated that projects are submitted to the LRC quarterly. Answering a follow up, Ms. Day indicated the COT is reviewing their infrastructure to determine where savings can be made to adjust to its 11 percent budget cut.

Addressing a question from Representative Lynn Bechler, Ms. Day confirmed that broadband service is being purchased by the COT from the Kentucky Communications Network Authority (KCNA) and AT&T but service is not yet equally split.

Status of Small Business in Kentucky and Steps Being Taken to Assist Those Businesses

The Kentucky Small Business Development Center (KSBDC) is funded in part through a cooperative agreement with the U.S. Small Business Administration, and its host is the University of Kentucky's College of Agriculture, Food, and Environment. The state's investment to the College of Agriculture, Food, and Environment as the host for the small business development center state mandated program is vital for small business success throughout the state. In the past two years, the KSBDC has secured multiple partnerships to expand the capacity of the organization and leverage all federal and state funds to assist small businesses. Partnerships include those with Southeast Kentucky Community and Technical Center, Morehead State University, Northern Kentucky University, Kentucky State University, the City of Covington, the Somerset-Pulaski Economic Development Authority, the Greater Owensboro Economic Development Corporation, and many more.

Services provided by the KSBDC include business coaching, assistance for small business owners seeking capital, conducting market research, and providing connections to other small business resources.

The KSBDC was awarded a funding grant that was made available to small business development centers from the U.S. Small Business Administration through the CARES Act. Those funds made it possible to increase the number of the KSBDC's business coaches from 12 in 2019 to the current number of 33. This will allow for more coaching, educating, and dispersing of survival information for small businesses across the Commonwealth. In March 2020, in response to the Covid-19 pandemic, the KSBDC started a universal toll free telephone number, formed one centralized email, and created a specific Covid-19 webpage. KSBDC also produced and distributed small business guides that included topics such as managing in times of financial difficulty, reopening a business after a disaster, and availability of U.S. Small Business Administration loans. In addition, specialized webinars were created that were attended by 6,313 attendees from March 2020 to October 1, 2020. According to data collected, from 2018 to 2020 the KSBDC has served over 4,500 clients, hosted 8,704 training attendees, realized 472 new business starts, and supported 9,286 total jobs. KSBDC's clients generated \$166.8 million in loans and equity investments.

There being no further business, the meeting adjourned at 2:47 p.m.