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

**Minutes of the 1st Meeting
of the 2023 Interim**

June 22, 2023

Call to Order and Roll Call
The 1st meeting of the Interim Joint Committee on Tourism, Small Business, and Information Technology was held on Thursday, June 22, 2023, at 1:00 PM, in Room 149 of the Capitol Annex. Senator Max Wise, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Max Wise, Co-Chair; Representatives Kim King, Co-Chair, and Phillip Pratt, Co-Chair; Senators Shelley Funke Frommeyer, Brandon J. Storm, Phillip Wheeler, and Mike Wilson; Representatives Chad Aull, Shane Baker, Ryan Dotson, Daniel Fister, Deanna Frazier Gordon, Chris Freeland, Chris Fugate, Nima Kulkarni, Savannah Maddox, Candy Massaroni, Shawn McPherson, Michael Sarge Pollock, Brandon Reed, Sarah Stalker, Ashley Tackett Laferty, Killian Timoney, Timmy Truett, Bill Wesley, Richard White, Nick Wilson, and Susan Witten.

Guests: Meghan Sandfoss, Executive Director, Office of Broadband Development; John Hicks, State Budget Director; Tyler Campbell, Executive Director, Kentucky Rural Broadband Association; and John Higginbotham, Executive Vice President and Chief Operating Officer, ACA Connects - America's Communication Association.

LRC Staff: Helen McArthur, Crystal Thompson, Eric Rodenberg, and Sasche Allen.

Office of Broadband Development Update
Meghan Sandfoss, Executive Director of the Office of Broadband Development, and John Hicks, the State Budget Director, discussed the status of broadband improvement funding. The General Assembly appropriated $300 million of American Rescue Plan Act (ARPA) funds to expand broadband into the unserved and underserved areas of the Commonwealth. The first round of funding was awarded in 2022 totaling approximately $90 million that subsidized the construction of broadband deployment with a total investment of $200 million. The application process for the second round of funding started in November 2022 and awards are expected to be dispersed beginning July 2023. Mr. Hicks described the application process for providers and the challenge procedures. Ms. Sandfoss gave details regarding the Commonwealth's opportunity to receive funding through

Broadband Equity, Access, and Deployment (BEAD) funding, a $42 billion federal broadband deployment program.

Responding to questions from Representative Aull, Ms. Sandfoss said maps are available on the Office of Broadband Development's website that indicate locations for the first round of broadband funding and where the challenge areas exist. Mr. Hicks added that there will be maps available for the second round of funding and explained the revision process for applicants. ARPA funding must be allocated by the end of 2026, and BEAD funding must be allocated by the end of 2027.

Answering several questions from Representative Pratt, Ms. Sandfoss stated there are just under $200,000 in applications out of the $20 million in grant funding approved by the General Assembly to assist eligible internet providers with utility pole replacement costs. Mr. Hicks said he was unsure of any action the General Assembly could take to expedite the process.

Replying to Senator Funke Frommeyer, Ms. Sandfoss discussed permitting issues that had occurred with Senator Funke Frommeyer's constituent.

Addressing a question from Representative Freeland, Ms. Sandfoss said unserved areas take priority over underserved areas for the allocation of BEAD funding.

Responding to Representative Kulkarni's questions, Mr. Hicks gave clarification about the various broadband deployment funding sources and pointed out that all sources have been federal funding. Approximately $300 million was allocated of ARPA funds, with $117 million for the Local Fiscal Recover Fund and $182 million for the Capital Projects Fund. The federal BEAD program was discussed in detail again along with the rigid provider requirements.

The Future of Broadband Deployment - National and State Trends in Broadband Development
Tyler Campbell, Executive Director of the Kentucky Rural Broadband Association (KYRBA), gave an overview of the organization and its 18 community-based rural broadband provider members that serve part of 45 counties in the Commonwealth. KYRBA member companies have invested more than $1.78 billion in property, plant, and equipment in their operations throughout the Commonwealth. Also discussed were current state and federal broadband deployment programs which included the Better Internet Program, USDA ReConnect, the Rural Digital Opportunity Fund, and the Broadband Equity, Access, and Deployment (BEAD) funding. Mr. Campbell elaborated on the issues impacting the future of broadband deployment such as workforce challenges, supply chain issues, and the environmental permitting review process.

In response to Representative McPherson, Ms. Sandfoss provided further information regarding the application process for providers to obtain ARPA funds. Representative McPherson expressed concerns with the ten-year build out period.

Answering questions from Representative Kulkarni, Mr. Campbell said his member companies are confident they can meet the requirements to attain federal broadband deployment funding with assistance from KYRBA and its national counterpart. In response to a follow up, he stated obtaining the contractors needed to complete the deployment projects has posed an issue.

Replying to Representative Stalker, Ms. Sandfoss stated numerous internet providers across the state offer customers assistance with setting up services and applying for affordable connectivity programming. Mr. Campbell detailed some of the service marketing strategies being utilized by his member companies.

John Higginbotham, Executive Vice President and COO of ACA Connects, gave a national overview of broadband deployment trends. ACA Connects' members deliver affordable basic and advanced services to 23 million households across the country and advocates for fair treatment for small and medium sized independent operators. There are 38 ACA Connects members in the Commonwealth. Many are also members of KYRBA. Mr. Higginbotham discussed two studies released by the organization last year. One of the studies included an analysis of the state of competition within the fixed broadband marketplace. Yesterday, a third version of a study examining the framework of the BEAD program was released. ACA Connects estimates that Kentucky will receive $1.1 billion of BEAD funding that should suffice to reach all 203,000 eligible unserved or underserved locations and should leave funding for affordability programs.

Responding to Representative King, Mr. Higginbotham confirmed that states may struggle to meet some of the federal broadband deployment fund requirements. He also briefly discussed providers marketing services to customers.

Answering a question from Senator Wheeler, Mr. Higginbotham and Mr. Campbell discussed the longevity of fiber despite changing technology.

There being no further business before the committee, the meeting adjourned at 2:36 p.m.