

TOBACCO SETTLEMENT AGREEMENT FUND OVERSIGHT COMMITTEE

Minutes

August 10, 2023

Call to Order and Roll Call

The 4th meeting of the Tobacco Settlement Agreement Fund Oversight Committee was held on August 10, 2023, at 10:30 AM in Room 131 of the Capitol Annex. Representative Myron Dossett, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Myron Dossett, Co-Chair; Senator Amanda Mays Bledsoe, Co-Chair; Senator Gary Boswell, Senator Matthew Deneen, Senator Denise Harper Angel, Senator Robin L. Webb, Representative George Brown Jr., Representative Kim King, Representative Phillip Pratt, Representative Brandon Reed, and Representative Rachel Roarx.

Guests: Brian Lacefield, Executive Director, Kentucky Office of Agricultural Policy; Bill McCloskey, Deputy Executive Director, Kentucky Office of Agricultural Policy; and Johnna McHugh, Acting Director, Division of Conservation, Department for Natural Resources, Energy and Environment Cabinet.

LRC Staff: Stefan Kasacavage, Hillary Abbott, Kelly Ludwig, Rachel Hartley, and Emily Wiley.

Approval of minutes for the meeting of June 15, 2023

A motion to approve the minutes was made by Representative Reed and seconded by Representative Pratt. The minutes were approved by voice vote.

Report on the projects considered for funding by the Agricultural Development Board

Brian Lacefield gave a brief overview of various events and site visits. Mr. Lacefield provided a loan update for the Kentucky Agricultural Finance Corporation.

Bill McCloskey described the Agricultural Development Board's projects under the program for June and July 2023. Mr. McCloskey highlighted programs including the County Agricultural Investment Program (CAIP), Deceased Farm Animal Removal, On-Farm Energy Program, Next Generation Farmer, Shared-Use Equipment Program, and the Youth Agriculture Incentives Program (YAIP).

The requested program amendments discussed included:

- Johnson County Agriculture Advancement Council requested an additional \$36,000 in Johnson County funds for CAIP. The board recommended approval, which would bring the program total to \$116,000.

- Washington County Conservation District requested an additional \$20,000 for YAIP. The board recommended approval, which would bring the program total to \$39,000.

- Washington County Conservation District requested an additional \$106,600 in Washington

County funds for CAIP. The board recommended approval, which would bring the program total to \$226,600.

- Grayson County Cattlemen’s Association requested an additional \$100,000 in Grayson County funds for CAIP. The board recommended approval, which would bring the program total to \$250,000.

- Clark County Conservation District requested an additional \$20,000 in Clark County funds for CAIP. The board recommended approval, which would bring the program total to \$170,000.

- Marion County Conservation District requested an additional \$38,904 for CAIP. The board recommended approval, which would bring the program total to \$163,904.

The following were approved for funds through the On-Farm Energy Program:

- Sustainable Harvest Farm in Laurel County was approved for \$10,150.
- Carlton Page Barker in Logan County was approved for \$10,150.
- Joe Paul Mattingly in Marion County was approved for \$9,150.
- Jerry Gentry in Pulaski County was approved for \$1,650.
- Bells Broilers in Wayne County was approved for \$4,736.
- Salad Days Farm in Woodford County was approved for \$10,150.

The projects discussed included:

- The Organic Association of Kentucky was approved for \$369,684 in state funds to aid in program positions.

- Warner Fertilizer Company was approved for \$124,284 in multi-county funds to support the startup of aerial drone services.

- Reclaimed Ranch Fiber Mill was approved for \$127,626 in multi-county funds to establish a micro-processing service and mini mill in northern Kentucky.

- Loretto Grain was approved for \$1,000,000 in county and state funds to build a grain elevator.

- McLean County Cooperative Extension was approved for \$2,000 in McLean County funds to support the costs of a poultry specialist to speak at the Summer Ventilation Farm Visits.

- Circle T Ranch Summer Horse Camp was approved for \$51,509 in multi-county funds to support camp restoration.

- Anderson County Farm Service was approved for \$169,300 in multi-county funds to support the modernization of the existing feed manufacturing plant.

- Pike Veterinary Services was approved for \$100,000 in state and Hart County funds to support the purchase of Hartland Animal Hospital.

- The University of Kentucky Research Foundation was approved for \$158,010 in state funds to support the continued research of Kentucky hay production used in the equine industry.

- The city of Morgantown was approved for \$10,000 in Butler County funds and \$240,000 in state funds to support the construction of a new farmers market pavilion.

- Tri-County Livestock Exchange was approved for \$6,640 in Henry County funds to upgrade the existing working facilities.

- Hallstead Farms was approved for \$30,000 in county and state funds to aid in the construction of an on-farm retail store.

- Kentucky Young Farmer Association was approved for \$21,814 in state funds to support the purchase of equipment for a pilot welding training program.

- Locals Food Hub and Pizza Pub was approved for \$200,000 in county and state funds to support the purchase of equipment to create a large-scale value-added processing program.

In response to Representative Dossett, Mr. Lacefield stated the Organic Association of Kentucky requested \$396,684 in state funds, but due to an inversion error the dispersed funds were only \$369,684. The amount was modified at the next board meeting to include the additional \$27,000 approved by the board.

In response to Senator Webb, Mr. Lacefield stated the funds awarded to the Reclaimed Ranch Fiber Mill are intended for the processing of wool. Senator Webb expressed concerns about awarding funds to sanctuary organizations and any entity that is anti-animal production.

In response to Representative King, Mr. Lacefield stated the customer for Reclaimed Ranch Fiber Mill is the fiber producer. Mr. McCloskey added that fiber producers with limited markets for raw fiber will benefit by being able to offer value-added products.

In response to Representative King, Mr. Lacefield stated he is unsure if the shortage of large animal veterinarians is part of the discussion relating to the federal farm bill. There are some United States Department of Agriculture (USDA) programs that offer student loan forgiveness to veterinarians.

Senator Webb commended the funding to the University of Kentucky Research Foundation.

In response to Senator Boswell, Mr. Lacefield stated all the awarded loan funds for projects are at a 2.75 percent interest rate.

Representative Roarx stated Locals Food Hub and Pizza Pub is a successful model and will be expanding into Louisville. The location in Louisville is in a USDA-certified food desert.

Representative King stated there should be information in the KADF oversight report regarding

why an organization needed to amend an application to request more funds. Mr. Lacefield stated most of the program amendments are for CAIP when there is a large demand.

In response to Senator Boswell, Mr. McCloskey stated long-term maintenance of farmers markets is done by local governments and fiscal courts. Mr. Lacefield stated the project by the Kentucky Cattlemen's Association in Fayette County, which was denied in December 2022, was referred to the Kentucky Center for Agriculture and Rural Development for funding.

Senator Webb stated the Kentucky Cattlemen's Association should make a budget request to fund the project in Fayette County.

Presentation from the Division of Conservation on the Usage of Tobacco Settlement Funds

Johnna McHugh stated the state cost share program was established in 1994 and started receiving tobacco settlement funds in 2000. The funds provide financial assistance to farmers at a 75 percent reimbursement rate with the assistance of local conservation districts. There are funds that are returned every year due to canceled projects or an overestimation of cost. These funds are appropriated in the next fiscal year.

There are currently \$4,102,523 in unobligated funds. The cut off for fiscal year 2024 funding is November 15, 2023.

In fiscal year 2023, there was \$11,659,640 requested by 960 individuals and 345 of those were approved for \$4,203,631. At six months, three percent of the projects were canceled, five percent were paid, and \$3,861,440 remain to be paid.

In response to Representative King, Ms. McHugh stated canceled projects are because of job changes, death, or if the applicant uses a funding source other than the Division of Conservation's program.

In response to Senator Boswell, Ms. McHugh stated individuals can only receive \$20,000 in any given year. There is \$900,000 set aside in the Division of Conservation's budget for audits. The cost of the audit is dependent on the conservation district's finances. Districts with a lot of funds are audited once a year and the districts with a lower amount of funds are audited every four years.

Senator Webb stated the district she represents did not receive any funds in 2022 and expressed concerns regarding the allocation of funds.

Adjournment

There being no further business, the meeting was adjourned.