

Public Protection Cabinet

June 4, 2019

**Budget Review Subcommittee on Economic Development, Tourism, and
Environmental Protection**

Presenters

- K. Gail Russell, Secretary
- Carol Beth Martin, Commissioner, Department of Alcoholic Beverage Control
- Matthew K. Thacker, Director, Division of Fiscal Responsibility, Office of Administrative Services

PPC Mission

- Reasonable Regulation
 - Red Tape Reduction
- Licensure
 - Customer service
 - Efficiencies
- Consumer Protection
 - Public outreach, enforcement, and education

Public Protection Cabinet

The Cabinet consists of the following appropriation units:

- Office of the Secretary
- Department of Insurance
- Department of Professional Licensing
- Department of Alcoholic Beverage Control
- Department of Charitable Gaming
- Department of Financial Institutions
- Department of Housing, Buildings & Construction
- Kentucky Claims Commission
- Kentucky Boxing & Wrestling Commission
- Kentucky Horse Racing Commission

2018-2020 Budget

	FY18	FY19	FY20	Avg % of Total
General Funds	6,804,900	7,718,700	7,178,100	5.9%
Restricted Funds	104,359,100	122,995,500	114,937,800	93.3%
Federal Funds	1,295,700	1,500,700	157,200	0.8%
Total Funds	112,459,700	132,214,900	122,273,100	100%

Office of the Secretary

The Office of the Secretary consists of the following offices:

- Office of Administrative Hearings
- Office of Administrative Services
- Office of Communications and Public Outreach
 - Office of Legal Services

	FY18	FY19	FY20
General Funds	247,600	644,600	-
Restricted Funds	5,659,400	7,201,000	6,581,000
Total Funds	5,907,000	7,845,600	6,581,000

Department of Housing, Buildings & Construction

Responsible for statewide regulation and enforcement of building, construction, and inspection standards and codes including: plumbing, boilers, HVAC, electrical, elevators, manufactured housing, and hazardous material installations.

	FY18	FY19	FY20
General	2,414,500	2,610,800	2,640,400
Restricted	20,783,000	25,483,400	24,063,700
Total	23,197,500	28,094,200	26,704,100

The FY19 budget includes funding for \$1.6 million capital project, which is funded solely with Restricted funds.

Department of Housing, Buildings & Construction

Initiatives:

- Licensing
 - Administrative order established License Branch to process all licenses within HBC.
 - Implementing online license renewal – testing phase.
- Plan Review
 - Implemented electronic plan review.
 - Implementing electronic plan submission – testing phase.
- Created the Master Inspector Class Series and Master Inspector Branch.

Department of Housing, Buildings & Construction – Division of Fire Prevention

- Increasing pension contributions, increasing workers' compensation premiums, and general fund cuts, among other things, have made it difficult for the Division of Fire Prevention to fulfil its statutory duties. Therefore, the safety of Kentuckians is in jeopardy.
 - July 2016 - thirty-nine (39) employees
 - June 2019 - twenty-seven (27) employees
 - Statutory duties remain the same
- General Funds intended to fund the Commissioner's office have been used for years to fund the Division and restricted funds from other divisions have been used to fund the Commissioner's Office.
- Raising fees is not a sustainable solution - the Division generates minimal restricted funds.

Department of Housing, Buildings & Construction – Division of Fire Prevention

The Division anticipates requesting up to \$3,000,000 in additional revenue for the next biennium to:

- Hire 10 additional field inspectors;
- Hire 3 additional office staff (administrative, plan review, training);
- Provide necessary equipment to employees;
- Eliminate the backlog of inspections;
- Audit deputized programs (fire departments); and
- Train deputized and non-deputized programs.

Kentucky Horse Racing Commission

The Kentucky Horse Racing Commission (KHRC) is an independent agency of state government charged with the responsibility of regulating the conduct of horse racing and pari-mutuel wagering on horse racing and related activities within the Commonwealth. The KHRC is a leader in both the safety and integrity of the sport as well as the welfare of the horse.

	FY18	FY19	FY20
General	2,379,800	3,092,300	3,147,700
Restricted	29,646,200	36,236,000	29,745,400
Total	32,026,000	39,328,300	32,893,100

Kentucky Horse Racing Commission

Initiatives:

- Red Tape Reduction
 - Reformed 91% of regulations
 - Net reduction of 47% of regulations
 - Ten (10) remain under review
- An increase in pari-mutuel wagering licensees, resulting in over \$2.5 billion wagered annually, has required an expansion of regulatory staffing in the Pari-Mutuel Wagering Division to provide adequate oversight of pari-mutuel wagering statutes and administrative regulations.
- The Commission is working with the Kentucky Colt Association to provide complete oversight of harness racing at county fairs beginning in 2020. The goal is to grow program, increase participation and quality of the fairs.

Kentucky Horse Racing Commission – Appropriation Increase Request

- Historical horse racing continues to grow and generate additional revenues to be paid to incentive funds for distribution.
- In FY19 the Commission requested and received two (2) allotment increases.
 - Four (4) accounts distributed 100% of their allotment and two (2) ended the fiscal year with balances less than \$500.
- The Commission plans to submit another allotment request in the first quarter of FY20.

Kentucky Claims Commission

Acts as an administrative court for all negligence claims filed against state agencies, is the state agency that administers the Crime Victims Compensation program and adjudicates various tax appeals filed by personal and corporate taxpayers.

	FY18	FY19	FY20
General Funds	1,239,200	1,371,000	1,390,000
Restricted Funds	967,900	968,000	968,000
Federal Funds	157,200	157,200	157,200
Total Funds	2,364,300	2,496,200	2,515,200

The Federal Government reimburses the state for 60% of the funds paid to crime victims.

Kentucky Claims Commission

FY 2019

- Eliminated 100% of the backlog in crime victims compensation payments.
- Saved approximately \$50,000.00 by primarily utilizing agency hearing officers instead of contract hearing officers.
- Negotiated over \$200,000.00 in savings for the Commonwealth.

Department of Insurance

Promotes sound, competitive insurance markets, protects the public through effective enforcement and regulation, and empowers the public through outreach and education.

	FY18	FY19	FY20
Restricted	18,422,200	20,145,900	20,300,800
Federal	1,138,500	703,500	-
Total	19,560,700	20,849,400	20,300,800

\$20 million in proposed transfers to the General Fund in FY19 and FY20.

Department of Insurance

Initiatives:

- Preventive Care Review – DOI is currently engaged in a pro-active initiative to educate insurers and providers on the ways to correctly bill and administer preventive care benefits. We are developing solutions to the problem, which can be communicated to all stakeholders to increase the utilization of preventive care services and prevent unnecessary and unexpected charges.
- Health Care Cost Initiatives – DOI has received federal grant funding to review health care cost drivers in the individual market.
- Agent Licensing Reform – DOI is in the process of implementing a handful of reforms to increase agent licensing efficiency and decrease costs for agents.

Department of Insurance

2019 Legislation:

- HB 220 – NAIC Accreditation Bill
- HB 275 – Agent Licensing Reforms
- HB 386 – DOI Regulatory Sandbox
 - Established a one of a kind framework for insurance innovators to come to Kentucky and propose innovative ideas that may be outside of the current restrictions of the insurance code.
 - The framework is catered to the rapidly growing “Insurtech” landscape – anticipating economic development and innovation to Kentucky.
- HB 396 – Association Health Plans
 - Allows sole proprietors and working owners to join an association health plan – expanding health insurance options for Kentuckians.
 - Implementation is in abeyance as a result of a recent federal court decision.

Department of Professional Licensing

Provides administrative services to twenty-three (23) professional licensing boards and two (2) registries that license and regulate more than 50,000 individuals and across the Commonwealth.

- Within the Department is also the Kentucky Real Estate Authority containing the Kentucky Real Estate Commission, Board of Auctioneers, Kentucky Board of Home Inspectors, and the Real Estate Appraisers Board.

	FY18	FY19	FY20
Restricted	5,193,200	5,768,800	5,819,200
Total	5,193,200	5,768,800	5,819,200

Department of Professional Licensing

Initiatives:

- Implementation and improvement of online licensing.
- Participation in a national occupational licensing consortium.
- Cost effective and efficient services.
 - In FY19, three professional licensing boards voluntarily entered into memoranda of agreement with DPL for administrative services.
- The Kentucky Real Estate Authority supported two (2) bills that passed in the 2019 Regular Session – these bills are expected to reduce administrative costs.

Kentucky Boxing and Wrestling Commission

Oversees all professional boxing, wrestling, and professional and amateur mixed martial arts licensing and events in the Commonwealth.

	FY18	FY19	FY20
Restricted	161,800	178,100	179,600
Total	161,800	178,100	179,600

Baseline budget request includes funding for one (1) full-time position.

Kentucky Boxing and Wrestling Commission

Initiatives:

- Working to increase the number of licensed officials due to the growing number of boxing and mixed martial arts events.
- Planning the 2019 Combat Sports Symposium.
- Implementing the use of weighted measures to approve matches/bouts.
 - Promotes safety of contestants
 - Improves the competitiveness of matches/bouts
 - Objective approval process – not subjective

Department of Charitable Gaming

Establishes an effective and efficient mechanism for the regulation of charitable gaming to ensure that proceeds from lawful gaming activities are used to further a charitable purpose.

	FY18	FY19	FY20
Restricted	3,742,200	4,292,800	4,333,900
Total	3,742,200	4,292,800	4,333,900

Department of Charitable Gaming

Initiatives:

- Red Tape Reduction
 - Eliminated or amended 100% of regulations
- Improved Online Training Opportunities
 - Online videos and registration
 - Facebook Live
- Increased focus that gaming is conducted by legitimate charitable organizations.

Department of Financial Institutions

Charters, licenses, and regulates commercial banks, bank holding companies, loan production offices, independent trust companies, credit unions, savings and loan associations, consumer and industrial loan companies, mortgage loan companies, mortgage loan brokers, money transmitter licenses, and the sale of check licenses.

	FY18	FY19	FY20
Restricted	12,678,500	14,523,000	14,688,700
Total	12,678,500	14,523,000	14,688,700

\$3 million in proposed transfers to the General Fund in FY19.

Department of Financial Institutions

Initiatives:

- DFI has partnered with various other regulatory agencies to provide training and outreach to both licensees and consumers.
- Implementation of the Nationwide Multistate Licensing System (“NMLS”)
 - The NMLS is essentially a one-stop shop or clearinghouse that provides numerous benefits to DFI and licensees throughout the licensing and renewal process.
 - Among other things, SB 145 and HB 285, passed in the 2019 Regular Session, require the use of the NMLS for Consumer Loan Companies, check cashers and those engaging in deferred deposit transactions.
 - All non-depository licensing is now done through NMLS.

Department of Alcoholic Beverage Control

- Protect the public welfare and interest by regulating the alcoholic beverage industry through licensing, education, and the enforcement of alcohol laws and regulations.
- Combats youth access to alcoholic beverages and tobacco products in the Commonwealth.

	FY18	FY19	FY20
General Funds	523,800	-	-
Restricted Funds	7,154,700	8,198,500	8,257,500
Federal Funds	-	640,000	-
Total Funds	7,678,500	8,838,500	8,257,500

Department of Alcoholic Beverage Control

Initiatives:

- Customer Service and Licensing
 - Established a help desk kiosk in ABC office
- Red Tape Reduction
 - Eliminated or amended 75% of regulations
- Social Responsibility
 - Online class offerings for STAR (server/bartender training)

Top Priorities for PPC's FY20-22 Budget Request

1. Maintain baseline appropriations for all agencies, plus any additional increase in defined calculations as determined by OSBD.
2. Additional revenue/flexibility for the Housing, Buildings and Construction Division of Fire Prevention.
3. Appropriation increase for the Kentucky Horse Racing Commission.

ABC 2019 Regular Session Update

- SB 29 - AN ACT relating to licensing fees for the sale of alcoholic beverages.
- SB 115 - AN ACT relating to alcoholic beverage control investigators.
- HB 256 - AN ACT relating to alcohol in dry or moist territories and declaring an emergency.

Note: None of the above legislation is projected to have a budgetary impact on the Department.

SB 29 - AN ACT relating to licensing fees for the sale of alcoholic beverages.

- Removes the old classification system in the statute, to allow any city or county with a population of less than 20,000 to impose an alcohol regulatory license fee.
- For cities and counties that have not imposed the fee prior to January 1, 2019, the fee may not exceed 5 percent of the gross receipts of the sale of alcoholic beverages by the licensee.
 - Fees at a rate of higher than 5 percent prior to January 1, 2019, are “grandfathered.”

SB 115 - AN ACT relating to alcoholic beverage control investigators.

- Allows local alcohol beverage control investigators appointed after April 1, 2019, under KRS Chapter 241 to receive certification from the Kentucky Law Enforcement Council.

HB 256 - AN ACT relating to alcohol in dry or moist territories and declaring an emergency.

- Creates an exception to KRS 242.230's general prohibition (of selling or giving alcoholic beverages to another person in dry or moist territory) whereby persons can provide (but not sell) alcoholic beverages to others in a private residence or at a private event.

Questions?

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