

CHAPTER 104**(HJR 5)**

A JOINT RESOLUTION authorizing and directing a comprehensive study of the effectiveness of the economic development initiatives and incentives of the Commonwealth.

WHEREAS, it is the duty of the members of the General Assembly to represent the people of the Commonwealth who have elected them, with the best interests of the people being of foremost importance; and

WHEREAS, chief among those interests is the most effective use of the discrete and finite public funds, which have been collected through the imposition of taxes upon the people and which may only be appropriated from the state treasury by the laws enacted by the General Assembly serving as the taxpayers' guardian; and

WHEREAS, the selection and appointment of persons of significant experience as cabinet secretaries is critical to the efficient and innovative implementation and management of programs authorized by the General Assembly; and

WHEREAS, in times of economic recession and hardship, the duty of the General Assembly to carefully scrutinize the appropriation and management of the public funds becomes even more paramount; and

WHEREAS, in an effort to develop the economy of the Commonwealth for the benefit of its people and the generations to come, the members of the General Assembly have enacted numerous economic development initiatives and incentive programs and have provided the means by which the secretary of the Cabinet for Economic Development shall be selected and appointed; and

WHEREAS, structuring such initiatives and programs requires careful analysis of the management costs and benefits thereof, access to the information necessary to conduct such analysis, and a delicate balancing of priorities; and

WHEREAS, it is of vital importance for the members of the General Assembly, in executing their duties and responsibilities to the people they represent, to understand the effectiveness of such economic development initiatives and incentive programs in order to appropriate the public funds in the most efficient manner possible for the immediate and lasting benefit of the people;

NOW, THEREFORE,

Be it resolved by the General Assembly of the Commonwealth of Kentucky:

➔Section 1. The Director of the Legislative Research Commission shall engage the services of a consulting firm to conduct a comprehensive study of the effectiveness and efficiency of the economic development initiatives and incentive programs offered by the Commonwealth and administered by the Cabinet for Economic Development, the Tourism, Arts and Heritage Cabinet, and any offices or departments thereof, including but not limited to the following programs:

- (1) Incentives for a New Kentucky;
- (2) Incentives for Energy Independence;
- (3) Kentucky Business Investment;
- (4) Kentucky Reinvestment Act;
- (5) Kentucky Environmental Stewardship Act;
- (6) Kentucky Investment Fund Act;
- (7) Kentucky Economic Development Finance Authority Direct Loans;
- (8) High-tech Investment and Construction Loan Pools;
- (9) Small Business Loans;
- (10) Kentucky Enterprise Initiative Act;
- (11) Kentucky Industrial Revitalization Act;
- (12) Tax Increment Financing projects;
- (13) Industrial Revenue Bond projects;

- (14) Kentucky Tourism Development Act; and
- (15) Bluegrass State Skills Corporation programs.

➔Section 2. The consulting firm shall examine the economic and fiscal impacts associated with each development program, as well as other aspects thereof, including but not limited to the following:

- (1) Amount of funding appropriated to the program;
- (2) Amount of state and local tax revenue foregone as a result of the program;
- (3) Number of jobs actually created or retained as a result of the program;
- (4) Figures demonstrating the levels of compensation paid to employees in the newly created or retained positions, and the levels of benefits provided to these employees;
- (5) Amount of new tax revenues collected due to new or expanded economic activity; and
- (6) Whether the program is actually being administered as intended by the General Assembly.

➔Section 3. The consulting firm shall also examine the reporting and information-sharing requirements in place which either require or allow the Cabinet for Economic Development, the Tourism, Arts and Heritage Cabinet, the Department of Revenue, and other relevant agencies of state government to provide members of the General Assembly and staff of the Legislative Research Commission with the information necessary to evaluate the effectiveness and efficiency of the various economic development initiatives and incentive programs. The study shall also include an analysis of similar requirements in place among Kentucky's sister states, and if the consulting firm determines that more stringent or expansive reporting requirements are advisable in the interests of effective and efficient administration of the programs, its report shall make such recommendations.

➔Section 4. The consulting firm shall also examine the clawback provisions in place in the Commonwealth, as well as those in place among its sister states, which require recipients of economic development incentives to return, reimburse, or otherwise pay back the benefits received under an incentive program if the estimated economic or employment impacts are not actually achieved. If the consulting firm determines that more stringent or expansive clawback requirements are advisable in the interests of effective and efficient use of public funds, its report shall make such recommendations.

➔Section 5. The consulting firm shall also include in its study a thorough, in-depth examination of the process used by the Kentucky Economic Development Partnership Board to select each secretary of the Economic Development Cabinet. The study shall examine how the statutory requirements relating to the selection of the secretary of the Cabinet for Economic Development, as set forth in KRS 154.10-040 and 154.10-050(1), have been developed by the Kentucky Economic Development Partnership Board to recommend candidates to the Governor. The study shall include but not be limited to the chronology of the selection process, which shall include the dates the Kentucky Economic Development Partnership Board met to discuss the selection of the each secretary and the minutes of the meetings, the criteria used to select the national search firm and the instructions and necessary qualifications given to the firm to be used to evaluate potential candidates, and the professional qualifications deemed necessary and appropriate for the secretary of the Cabinet for Economic Development. In addition, the consulting firm shall include in its study a comparison of the salary of each secretary of the Economic Development Cabinet with those of secretaries of cabinets of economic development or their logical equivalents in surrounding states.

➔Section 6. The consulting firm shall transmit a report detailing its findings and recommendations to the Legislative Research Commission, for distribution to the appropriate interim joint committee, on or before December 1, 2011.

➔Section 7. Provisions of this Resolution to the contrary notwithstanding, the Legislative Research Commission shall have the authority to designate an alternate study completion date.

Signed by Governor March 21, 2011.