

# **INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE**

## **Budget Review Subcommittee on General Government, Finance, Personnel, and Public Retirement**

### **Minutes of the 3rd Meeting of the 2018 Interim**

**September 27, 2018**

#### **Call to Order and Roll Call**

The third meeting of the Budget Review Subcommittee on General Government, Finance, Personnel, and Public Retirement of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, September 27, 2018, at 10:00 AM CST, at the Paducah Campus of Murray State University, 4430 Sunset Drive, Paducah, KY. Representative Suzanne Miles, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Danny Carroll, Co-Chair; Representatives Myron Dossett, Co-Chair; Suzanne Miles, Co-Chair; Senator Stan Humphries; Representatives Tim Couch, Jim Gooch Jr., Richard Heath, Michael Meredith, Jerry T. Miller, and Steven Rudy.

Guests: Greg Harkenrider, Deputy Executive Director, Governor's Office for Economic Analysis; Adam O'Nan, Union County Judge-Executive; Greg Shanks, Fiscal Branch Manager, Kentucky Emergency Management (KEM); Jeremy Blansett, Area 1 Manager, KEM; Jerome Mansfield, Director, Paducah-McCracken County Office of Emergency Management.

LRC Staff: Tammy Branham, Justin Perry, David Talley, and Spring Emerson.

#### **Coal Severance Tax**

Greg Harkenrider, Deputy Executive Director, Governor's Office of Economic Analysis (GOEA), provided an overview of the Coal Severance Tax.

In response to questions from Senator Carroll, Mr. Harkenrider said the difference in pricing of coal relates to the amount of energy and pollution produced. High sulphur content and the presence of particulate matter affects the quality of Western Kentucky coal, and therefore, the price. Plants that use scrubbers to clean the coal can burn the cheaper coal; however, there are very few power plants that can use the higher sulphuric acid coal. The GOEA has staff closely following the coal market, and one of the members of the

Consensus Forecasting Group is an economist who assists with monitoring the different markets. Also, a forecast is purchased from Global Insight that predicts coal prices into the future. There is an increasing demand for Eastern Kentucky coal in the export market, with additional upward pressure resulting from recent hurricane activity on the east coast.

Chair Miles commented that the most recent budget bill resulted in a larger percentage of Coal Severance tax receipts going back to the counties.

Adam O’Nan, Union County Judge-Executive, provided an overview of the use of Coal Severance funds in Union County.

In response to a question from Representative Meredith, Judge O’Nan said the US60 highway project is not in the Road Plan, but the project affects every person coming to or going from Union County.

Chair Miles explained that US60 had been on the Road Plan for over 20 years to get a four-lane highway. At some point, it was changed to a Super-Two, which was unwanted by the residents at the time. This caused a delay and Union county was affected negatively and cut off completely to the north, due to flooding being a recurring issue. There was a very dire need to raise the road elevation in order to provide a safe route for local citizens and businesses. The project in the Road Plan was not moving as quickly as it should, therefore the non-traditional use of Coal Severance funds was considered.

Representative Meredith commented that it was a great use of Coal Severance funds, and from an economic development perspective, it is very important for some projects to be moved forward. Smaller communities, unfortunately, may fall behind due to lack of funds.

### **Emergency Management**

Greg Shanks, Fiscal Branch Manager, KEM, and Jeremy Blansett, Area 1 Manager, KEM, provided an overview of the agency overall, as well as its activities in the area.

In response to questions from Representative Meredith, Mr. Shanks said the positions listed as non-merit are federally-funded, time limited positions. The current state threshold for federally declared disasters is approximately \$6.3 million, but will increase to \$40 million shortly. The Federal Emergency Management Agency (FEMA) provides oversight, auditing grants and awards. The KEM is considered the applicant and recipient of the federal funds, with the local entities being considered as sub-recipients; therefore, KEM is ultimately responsible for their actions.

In response to a question from Senator Humphries, Mr. Blansett said the KEM has a great working relationship with Ft. Campbell for different services. Mr. Shanks added

that the KEM has established relationship with other states, and response time has greatly improved.

In response to a question from Senator Carroll, Mr. Shanks said the KEM is working hand-in-hand with the Kentucky State Police to ensure interoperability. Mr. Blansett added that communications is the number one issue.

Jerome Mansfield, Director, Paducah-McCracken County Office of Emergency Management, provided an overview of the agency and its activities.

In response to a question from Senator Carroll, Mr. Mansfield said it is a requirement to report any evidence of an oil spill, however small. The spill would then be assessed by the Kentucky Department for Environmental Protection.

### **Adjournment**

A motion for adjournment was made by Representative Miller, seconded by Representative Meredith, and the meeting was adjourned at 12:02 PM.