

# **AREA DEVELOPMENT DISTRICT WORKING GROUP**

## **Minutes of the 2nd Meeting of the 2019 Interim**

**July 24, 2019**

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

The 2nd meeting of the Area Development District Working Group was held on Wednesday, July 24, 2019, Upon Recess of the Senate, in Room 149 of the Capitol Annex. Senator Christian McDaniel, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Christian McDaniel, Co-Chair; Representative Suzanne Miles, Co-Chair; Senator Dennis Parrett

Guests: Tony Wilder, Executive Director, Kentucky Council of Area Development Districts (KCADD); Lisa Cooper, Executive Director of the Northern Kentucky Area Development District and Legislative Chair of the Kentucky Association of District Directors (KADD); and David Duttlinger, Executive Director of the Bluegrass Area Development District and Chair of KADD.

LRC Staff: Jennifer Hays, Cynthia Brown, Kevin Branscum, Morgan King, and Chase O'Dell.

### **Programs Administered by Area Development Districts**

Tony Wilder, Executive Director, Kentucky Council of Area Development Districts (KCADD), Lisa Cooper, Executive Director of the Northern Kentucky Area Development District and Legislative Chair of the Kentucky Association of District Directors (KADD), and David Duttlinger, Executive Director of the Bluegrass Area Development District and Chair of KADD, discussed programs administered by Area Development Districts (ADDs).

Tony Wilder gave an overview of the history of ADDs. Kentuckian John Whisman was crucial in the regionalism that led to the formation of the ADDs. In 1956, the Kentucky Junior Chambers of Commerce formed the Eastern Kentucky Development Council. In 1957, Governor Chandler created the Eastern Kentucky Regional Planning Commission. Before the regional council concept, counties were semi-autonomous and cities and counties hardly worked together. When cities and counties had problems, state government was asked to solve them.

Mr. Wilder stated that five governors were involved in the development of the ADDs. It all culminated with Governor Nunn being the ‘father’ of the modern ADD. Governor Nunn issued the executive orders that created the ADDs. In 1972, by statute, with the support of Governor Ford, the ADDs were established as public agencies. ADDs are as viable for delivering state and federal programs today as they were in the 1950s and 1960s.

Lisa Cooper testified that revenue and appropriation percentages drastically differed between ADDs for multiple reasons. One cause of the differences were variances in classification and audit reporting. ADDs were working with the auditor’s office to report with more consistency. Most ADDs subcontract direct services. In the past few years, in some areas, there have been a lack of providers, causing some ADDs to bring services in-house. Staffing salaries, populations, and the individuals served also impact the differences in appropriations and revenues between ADDs, and funding mechanisms play a role. There are, and will continue to be, anomalies in the Special Purpose Governmental Entity (SPGE) reporting, testifying that there is no manual on how to fill out an SPGE report. She explained the reasons for the various differences in reporting among ADDs.

Ms. Cooper stated that the Kentuckiana Regional Planning & Development Agency (KIPDA) did not receive direct Economic Development Administration (EDA) funds until 2013. Joint Funding Administration (JFA) funds going to ADDs have recently decreased. DLG is keeping a five percent administrative fee on EDA funds and keeping previous SPGE funding in-house. The most recent biennial budget specified a funding formula for JFA funds.

All ADDs receive EDA, Community Development Block Grant (CDBG), and State funding. Nine ADDs receive Appalachian Regional Commission (ARC) funds. Three ADDs receive Delta Regional Authority (DRA) funds.

Ms. Cooper testified that JFA funds are not the largest source of revenue for ADDs. ADDs were created to work regionally with local communities and governments, and JFA dollars directly impact local government services and infrastructure. JFA dollars fund staff salaries and provide some of the biggest return on investment within communities.

David Duttlinger testified that only eight of the 15 ADDs are involved in the workforce program. The Medicaid Waiver/Participant Directed Services (PDS) program is the largest expenditure among all ADD programs. Over 80 percent of the program is subcontracted, meaning service providers are hired at the local level. The state appropriated \$2.1 million through JFA funds to ADDs in 2018, with the rest of the JFA funds coming from federal and local dollars.

In response to a question from Senator McDaniel, Mr. Duttlinger testified that direct expenses are the costs for an ADD to pay for its staff. Indirect costs also include staff costs,

which includes salaries, benefits, travel expenses, and other burdens associated with staffing costs. A staff member meeting more than one cost objective, such as an information technology employee providing services to 10 different programs, is an example of an indirect cost. Subcontract costs are funds that are being used to hire contractors to carry out the services that are provided by a program.

In response to a question from Senator Parrett, Ms. Cooper stated that all but one or two ADDs will be reporting on governmental audits in the future. The goal is more consistency in reporting across the ADDs.

In response to a question from Representative Miles, David Duttlinger testified that the PDS program is the Medicaid program through which the state receives money from Medicaid. The program is used to keep people out of institutionalized care. It is thought that a higher quality of living is provided to people when they are able to stay in their homes. In response to another question from Representative Miles, Ms. Cooper said that aging care can be separated into two Medicaid programs. The PDS is where individuals receive funds to hire their own staff to provide services. The Title III and homecare programs are where an individual is eligible to receive services, and an ADD contracts with a home health care agency to provide the services. The programs offer the same services, but that the programs have different mechanisms for providing the services. In response to a follow-up from Representative Miles, Mr. Duttlinger stated that ADDs are only statutorily precluded from participating in education programs. Services and needs that are met are directed at the local level by the ADD board of directors. Differences in the programs administered by various ADDs are a result of the differing needs in areas across the state. Ms. Cooper said that having local control over the programs administered by ADDs is essential. Mr. Wilder said that one of the reasons ADDs were created was to have the local infrastructure to deliver various programs.

In response to a question from Senator McDaniel, Ms. Cooper stated that Buffalo Trace provided homecare services in the Title III and Area Agency on Aging programs. In response to a follow-up from Senator McDaniel, Mr. Duttlinger said that Lincoln Trail's aging Title III program is the same as the Title III programs provided by other ADDs.

In response to a question from Representative Miles, Ms. Cooper testified that the biggest portion of NKADD's travel budget is for case managers who go throughout the district and provide services. ADD board travel policies are set at the local level by the boards. Mr. Duttlinger said that the largest amount of travel for the Bluegrass ADD is travel throughout the district. Meals are not provided when people are travelling within the district. All Bluegrass ADD board members who come to executive committee meetings on a monthly basis, or to quarterly board meetings, travel on their own dime. He outlined the process for Bluegrass ADD board members and staff to be approved for an out-of-state meeting or conference. There are benefits for attending national conferences. Mr. Wilder testified that the percentage of state provided money to ADDs utilized for travel is

miniscule. Travel for ADD board members are paid by local funds. In response to another question from Representative Miles, Ms. Cooper stated that sometimes all ADDs are represented at conferences, while sometimes the ADDs are represented by a few people. ADDs try to coordinate other meetings in conjunction with conferences.

In response to a question from Senator Parrett, Ms. Cooper stated that she believed that the Buffalo Trace ADD manages local agriculture development boards. Senator Parrett requested information related to the agriculture services program the Buffalo Trace ADD administers.

With no further business before the working group, the meeting was adjourned.