

INTERIM JOINT COMMITTEE ON ECONOMIC DEVELOPMENT AND WORKFORCE INVESTMENT

Minutes of the 6th Meeting of the 2018 Interim

October 18, 2018

Call to Order and Roll Call

The 6th meeting of the Interim Joint Committee on Economic Development and Workforce Investment was held on Thursday, October 18, 2018, at 10:00 AM, in Heritage Hall East at the Lexington Convention Center in Lexington, Kentucky. Senator Alice Forgy Kerr, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Alice Forgy Kerr, Co-Chair; Representative Phillip Pratt, Co-Chair; Senators Perry B. Clark, Denise Harper Angel, Ernie Harris, Jimmy Higdon, Stephen Meredith, Reginald Thomas, Mike Wilson, and Max Wise; Representatives Lynn Bechler, McKenzie Cantrell, Daniel Elliott, Al Gentry, Mark Hart, Dennis Horlander, Joni L. Jenkins, James Kay, Kim King, Russ A. Meyer, Jerry T. Miller, Rob Rothenburger, Dean Schamore, Walker Thomas, Russell Webber, and Addia Wuchner.

Guests: Bill Owen, President and CEO, Lexington Convention Center; Mary Quinn Ramer, President, Visit LEX; Officer Lyndi Trischler, Florence Police Department; Kate Miller, Advocacy Director, ACLU of Kentucky; Elizabeth Gedmark, Staff Attorney and Director of the Southern Office, A Better Balance; Katrina Thompson, State Director of Maternal Child Health, March of Dimes; Jason Hall, Executive Director, Catholic Conference of Kentucky; Jayne Hancock, CEO, Wrigley Media Group; and Misdee Wrigley Miller, President and Owner, Wrigley Media Group.

LRC Staff: Carla Montgomery, Andrew Manno, Candice Smith, and Sasche Allen.

Approval of Minutes

A motion to approve the minutes of the September 21, 2018 meeting was made by Co-Chair Phillip Pratt, seconded by Representative Rob Rothenburger, and approved by voice vote.

Lexington Convention Center

Bill Owen, President and CEO of the Lexington Convention Center (LCC), detailed the upcoming \$300 million renovation and expansion of the Center and why it is necessary in order for it to continue competing with other convention and meeting destinations, explained how funding was obtained, and shared images of the designs. Visit LEX has

done several economic impact studies over the years that eventually led to previous expansions. A 2011 study showed the Center had a \$42.1 million economic output but had the potential to have a \$57.3 million economic impact with renovations to ballroom, exhibition, and meeting spaces. The 2016 General Assembly increased the transient room tax and made a commitment of \$60 million to the project. In October 2018, LCC closed the \$210 million private bond placement portion of the funding and secured \$30 million in funding from the city of Lexington. A half percent of the transient room tax collected will now go back to the state as a return on investment. After the primary debt is paid in full, two and one-half percent will go back to the state, which Mr. Owen said is a unique repayment mechanism. He shared images of LCC from 1976, 1994, and 2002 after previous renovations, which were made possible by state funding. The upcoming renovations will include an additional 10,584 square feet of event space, 502 new covered parking spaces, and 57,615 square feet dedicated to hospitality. Mr. Owen described some of the renovation and expansion renderings and explained that the project will transform downtown Lexington.

Co-Chair Alice Forgy Kerr made comments regarding how LCC serves the Commonwealth in various ways and expressed her gratitude to the General Assembly for its continued support.

Visit LEX

Mary Quinn Ramer, President of Visit LEX, discussed how tourism has become a major workforce development driver in the state, results of the expansion to the Lexington Convention Center, and other future Lexington projects. In 2017, the tourism industry had an economic impact of \$15 billion and affects every county in state. Around 25,000 people in Fayette County are employed in the tourism and hospitality industry. The industry is catching the attention of prestigious media outlets, as the *New York Times* and *Washington Post* have both recently published articles pertaining to tourism in Lexington. LCC is able to go after about 65 percent of national meeting business, but after the expansion it will be eligible for 90 percent. The level of business will also increase due to LCC being able to host meetings and conventions for the medical field. There is early interest for post expansion meetings and conventions, and there are pending bookings for 2022. The addition of Town Branch Commons and Park to the downtown Lexington area will aid LCC in its business. Recent openings of the James E. Pepper Distillery and the Castle and Key Distillery will add even more momentum to the bourbon industry in the state; Louisville will host the Breeders Cup 2018, with Lexington hosting in 2022; and after the completion of the City Center, Lexington will offer an additional 1,000 hotel rooms.

Kentucky Pregnant Workers' Rights Act

Officer Lyndi Trischler, Florence Police Department, Kate Miller, Advocacy Director of the ACLU of Kentucky, Elizabeth Gedmark, the Staff Attorney and Director of the Southern Office for A Better Balance, Katrina Thompson, the State Director of Maternal Child Health for the March of Dimes, and Jason Hall, the Executive Director of

the Catholic Conference of Kentucky, discussed proposed legislation about pregnant workers' rights which originated from Officer Trischler's experience with her employer. The prefiled BR 51 would require employers to provide employees affected by pregnancy, childbirth, or related medical conditions "more frequent or longer breaks, time off to recover from childbirth, acquisition or modification of equipment, appropriate seating, temporary transfer to a less strenuous or less hazardous position, job restructuring, light duty, modified work schedule, and private space that is not a bathroom for expressing breast milk." During her pregnancy as a police officer with the Florence Police Department, Officer Trischler was instructed by her doctor to go on light duty for the remainder of her pregnancy but was informed she could not be accommodated by the City of Florence because of a county wide policy and would potentially lose her health benefits after she was put on unpaid leave. Officer Trischler contacted A Better Balance, a nonprofit advocacy and legal group, who filed a lawsuit on her behalf against the City of Florence.

Elizabeth Gedmark explained that A Better Balance is one of the leading experts on the issue of discrimination against pregnant women in need of reasonable accommodations that advocates for workers across the economic spectrum. The proposed legislation would provide clarity and reassurance to both employers and employees while filling the gaps of federal law. There is no explicit legal protection in Kentucky law to ensure women are given reasonable accommodations during pregnancy if needed. Katrina Thompson added that the March of Dimes supports the bill because a lack of reasonable accommodations in the workplace can lead to health complications for expecting mothers and their babies. Jason Hall also indicated the strong support of the Catholic Conference of Kentucky. A woman should not be expected to subordinate her role as a mother to her role as an employee, and passing this workers' rights legislation would give women more room to balance family with work. One of the main reasons the Catholic Conference of Kentucky supports the Kentucky Pregnant Workers' Rights Act is because all of the data shows economic anxiety is a major factor leading women to consider abortion as a serious option. Kate Miller said that the legislation is not paid parental leave. The Kentucky's Pregnant Workers' Rights Act is intended to provide accommodations in the workplace, which is a benefit to not only to expecting mothers but to Kentucky business community as a whole.

Responding to Representative Addia Wuchner, Elizabeth Gedmark said it is difficult to find data on the number of cases where a pregnant woman was not granted reasonable accommodations because so many women are fearful to request those accommodations and due to the laws being unclear.

Answering a question from Representative Rob Rothenburger, Ms. Gedmark explained that when the bill refers to "time off to recover from childbirth," it is referring to the actual physical time it takes a woman to recover after giving birth. She gave the example of a woman who contacted her employer from the hospital after giving birth and was terminated over the phone. The bill is not suggesting paid time off from work for this

period of time. A section of the bill addresses the duration of the requested accommodation and modified duties.

Replying to Representative Russell Webber who requested clarification of line 26 and 27 on page five of the legislation that reads, “The employer and employee shall engage in a timely, good faith, and interactive process to determine effective reasonable accommodation,” Ms. Gedmark said that the wording comes directly from disability law and the time frame and manner would be at the discretion of the employer and employee.

Senator Stephen Meredith expressed his concerns about the Kentucky Chamber of Commerce not taking a position on the bill. He also stated that due to time constraints of the 2019 Regular Session, which is a short session, the General Assembly may not be able to take up the bill. Legislation and policy such as this is morally sound and good for business, and groups like the Kentucky Chamber of Commerce encouraging employers to accommodate pregnant workers could be more expedient. Kate Miller said that the Kentucky Chamber of Commerce has provided helpful feedback.

Wrigley Media Group

Jayne Hancock, CEO of Wrigley Media Group, and Misdee Wrigley Miller, President and Owner of Wrigley Media Group, testified that their company can have a significant economic impact on the state through the film, video, and media industry. Ms. Miller showed a video highlighting what the company does and how she thinks a partnership with the General Assembly can make video content production a competitive choice and reality for Kentucky. Ms. Hancock said that content is so vast today compared to the past and is not only for television. There are options such as Netflix, YouTube, Hulu, Amazon Video, and others. Wrigley Media Group is shooting a weekly show in Georgia once a week and comes back to their location in Lexington to do editing. That edited media content is then distributed to 10 different channels such as the ones previous listed and others such as Facebook and Instagram. The process is a transformation of technology compared to the process of the past. Other states are recognizing the potential economic impact opportunity. For example, New Mexico recently created a partnership with Netflix through a \$10 million investment from the state of New Mexico and \$5 million from the City of Albuquerque. The Netflix production hub will now be located in New Mexico and will generate an estimated \$1 billion over the next decade. As the content world changes, Wrigley Media Group sees the opportunity for growth. New technology, facilities, services, and staff have been added to improve competitiveness. The company has new media storage capabilities and has the largest rentable space in terms of the studio in the region. The staff and talent has grown from 12 to 32 and brings in others on a regular basis for shooting, editing, and production. Ms. Hancock says the company has attained experienced executives from other states to come to Lexington to grow the business with their expertise. Wrigley Media Group does have an internship program and would like to create a retraining program for those who have either been unemployed or those who need new jobs

in a new industry. A competitive environment is needed to recruit employees and businesses to Kentucky though.

The company has acquired a 24,000 square foot space that they plan to transform to double its production and studio space, however, they need to be sure that the climate is stable and incentives are available. Ms. Hancock showed a video illustrating what Wrigley Media Group has planned for its new space. Ms. Miller said that Kentucky's goals should include providing enticement and incentives for the production of content in Kentucky that includes film, television, and commercials; forming a workforce that will support the production; and creating the accommodating studio space such as the one shown in the video. From 2009 to 2015 with a 20 percent incentive, 22 projects were approved which generated \$18.9 million at a cost of \$4.2 million to the state. From the 196 approved project from 2016 to the time of the suspension of the program with a 30 to 35 percent incentive, \$31.9 million was generated at a cost of \$9.4 million to the state. Ms. Miller said the higher incentive was competitive and successful.

Due to the studio and production capabilities of Wrigley Media Group, Sinclair Broadcast Group wanted to bring three studio based television shows to Kentucky over the next eight years. Sinclair Broadcast Group has 191 television stations across the country that represents 601 channels in 89 U.S. markets. The Wrigley-Sinclair opportunity had a projected revenue of \$210 million over eight years and would have created over 200 new jobs. Sinclair Broadcast Group was prepared to invest in additional infrastructure, facilities, studios, resources, and talent. Once the company learned that Kentucky would not be able to commit to a tax incentive, it decided to take its business to another state. Ms. Miller explained that companies need the confidence that Kentucky can offer a stable and supported incentive program. Ms. Hancock added that a competitive tax incentive should include an incentive amount of at least 30 percent, a refundable amount for qualified expenses which are transferable, a four to six month allotted period to start production once approved, 14 to 18 months to finish the project, renewals for long term and repeating projects, and a \$100 million annual cap on refunds.

Responding to Representative Russell Webber, Ms. Hancock said that the types of jobs that the company could create include carpenters, set builders, engineering, legal aid, lighting technicians, makeup artists, sound technicians, editors, and many more. At least 50 to 60 different jobs would be needed to support a television show or produce content. There are other jobs that could be supported outside the core infrastructure such as those in the hospitality industry. Ms. Miller said a vast majority of the core production jobs do not require a specific degree and that the people could easily be trained.

Addressing Co-Chair Phillip Pratt, Ms. Hancock said that shooting on film is rarely done anymore. Video content encompasses a lot of different things due to technological advancements.

Replying to Senator Mike Wilson, Ms. Hancock said that it can be difficult to compare the incentive programs of various states because of the different tax bases and nuances, however, the incentives are not the only thing that attracts business. Georgia is a state that has a successful incentive program and has developed the proper infrastructure. Media and film has become a \$7 billion industry for Georgia. Other states competitor states include New Mexico, Connecticut, New York, and Louisiana. The proper tax incentive program would require all interested parties to collaborate and formulate a plan that is best for the state. Ms. Hancock said that the plans that are initially approved by each state may not be the final production that is produced. Managing that liability has to be discussed also, along with other issues such as renewing content over time.

Answering a question from Senator Stephen Meredith, Ms. Hancock explained transferable credits are needed because there should not be a credit against a company's tax liability. Georgia has transferable credits and can be sold for 80 to 82 percent on the dollar.

Responding to Co-Chair Alice Forgy Kerr, Ms. Miller said the traction time for the incentive program is about two years once the tax credit program is restarted.

Addressing Representative Jerry Miller, Ms. Hancock stated that the Tourism, Arts, and Heritage Cabinet would be able to give a full breakdown of the cost to the state for the film incentive program after Representative Miller referred to statistics given during the presentation. Qualified expenses are ones that were previously set by legislation. Wrigley Media Group is willing to present to the Cabinet for Economic Development Cabinet and other interested parties.

Replying to Co-Chair Alice Forgy Kerr, Ms. Miller explained that she initially moved to Kentucky for the horse industry but has decided to get involved with the media industry due to her upbringing and educational background, which makes acquiring Wrigley Media Group very important to her.

Responding to statements made by Representative Addia Wuchner, Ms. Miller said that Wrigley Media Group is aware of Asbury University film and media programs. Ms. Hancock added that the company have been working with the School of Communications at the University of Kentucky, and there are four individuals employed with Wrigley Media Group that are graduates of Asbury University.

Addressing Representative Kim King, Ms. Hancock did not have cost of living statistics on hand but is aware of the types of salaries needed to be competitive with other states. Kentucky can compete with other states when it comes to cost of living. Cost of production is less in the Commonwealth.

Replying to Senator Reginald Thomas, Ms. Hancock stated that the infrastructure needed has to have business systemic support, competitive studio space, state of the art equipment, and up to date inventory systems, just to name a few of the infrastructure elements.

There being no further business, the meeting was adjourned at 12:21 p.m.