

INTERIM JOINT COMMITTEE ON ECONOMIC DEVELOPMENT AND WORKFORCE INVESTMENT

Minutes of the 5th Meeting of the 2019 Interim

October 3, 2019

Call to Order and Roll Call

The 5th meeting of the Interim Joint Committee on Economic Development and Workforce Investment was held on Thursday, October 3, 2019, at 1:00 PM, in Room 154 of the Capitol Annex. Senator Danny Carroll, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Danny Carroll, Co-Chair; Representative Russell Webber, Co-Chair; Senators Perry B. Clark, Rick Girdler, Denise Harper Angel, Ernie Harris, Jimmy Higdon, Wil Schroder, Mike Wilson, and Max Wise; Representatives Lynn Bechler, Charles Booker, Adam Bowling, R. Travis Brenda, McKenzie Cantrell, Al Gentry, Kathy Hinkle, Thomas Huff, Nima Kulkarni, Savannah Maddox, Jason Petrie, Ashley Tackett Laferty, and Buddy Wheatley.

Guests: Brooken Smith, Chief of Staff, Education and Workforce Development Cabinet; Stan Jones, Chief Development Officer, Dippin' Dots; Hannah Chretien, Executive Director, Ballard County Economic Development Board; Bob Wilson, Chairman, WAVE Agriculture Committee; Kenny Wilson, Judge Executive, Hickman County; Todd Cooper, Judge Executive Ballard County; David Rambo, Chairman, West Kentucky Regional Riverport Authority; Greg Terry, Judge Executive, Carlisle County; Steven Elder, Consultant, WAVE Agriculture Committee; and Commissioner Robert Swisher, Department of Workers' Claims.

LRC Staff: Andrew Manno, Chip Smith, Candice Messer, and Sasche Allen.

Approval of Minutes

A motion to approve the minutes of the September 12, 2019 meeting was made by Co-Chair Russell Webber, seconded by Representative Adam Bowling, and approved by voice vote.

Consideration of Referred Administrative Regulation

The following administrative regulation was placed on the agenda for consideration:
787 KAR 003:010 – Registration of apprenticeship programs.

Brooken Smith, Chief of Staff of the Education and Workforce Development Cabinet, was present to explain the administrative regulation.

In response to Representative Buddy Wheatley, Mr. Smith said that there are likely collective bargaining agreements that have higher ratios of the standard three to one, but the regulation specifically allows those collective bargaining agreements continue to remain in place and will not be impacted.

Dippin' Dots

In 1988, microbiologist Curt Jones used his knowledge of cryogenic technology to invent Dippin' Dots, which are the first ever cryogenically frozen beads of ice cream that are created using liquid nitrogen and must be kept at a constant temperature of -40 degrees. The first Dippin' Dots plant was located in Grand Chain, Illinois but eventually relocated to its present day location in Paducah, Kentucky. The current location is 185,000 square feet facility that includes the main plant, kiosk fabrication, loading, and shipping. There are 200 employees, 125 of which are Kentucky residents. Dippin' Dots ships to all 50 states and four countries by using dry ice for transport. Total retail sales within the state are \$6,072,992; total retail sales nationwide are \$365,254,166; and international sales are almost \$3.5 million. Dippin' Dots has three instate franchisees, 120 franchisees nationwide, and have freezers in more than 12,000 convenience, drug, and grocery stores. In 2018, Dippin' Dots Cryogenics was created that supplies the specialized cryogenic pelleting equipment for pharmaceutical, nutraceutical, and feed industries. It also provides ultra-low temperature storage freezers. In order to expand this new business venture, a 6,000 square foot facility is being built in Paducah that will also provide contract manufacturing.

Dippin' Dots is working to overcome several challenges. One challenge is a maturing market that requires more overhead to accomplish and maintain growth. Another challenge has been trade barriers with the dairy tariff increasing with Canada by 277 percent. Other challenges include shipping and transportation costs, packaging, and staffing. The maturing market has been addressed by identifying new and less traditional markets like chain entertainment venues. The trade barrier may be overcome by utilizing global manufacturing sites. Shipping and transportation costs may be reduced by accessing regional manufacturing and distribution centers. Packaging may continue to pose an issue because compostable packing may not be sustainable. Dippin' Dots has tried to deal with staffing issues by increasing starting wages to \$14 per hour and accommodating the schedules of its employees. Recruiting high school and college students and offering employment opportunities to those in a local rehabilitation center are also possible solutions to staffing problems.

Responding to Senator Wil Schroder, Stan Jones said relocating the company to Paducah from Illinois was a strategic move based on better distribution and products, but shipping has become an issue in recent years.

Addressing Representative Lynn Bechler, Mr. Jones explained that Dippin' Dots would not see any benefits from the United States-Mexico-Canada Agreement for at least 10 years.

Replying to Co-Chair Danny Carroll, Mr. Jones said that while some research and development is done in-house, investments will be made in 2020 for a new research and development area.

Answering questions from Representative Nima Kulkarni, Mr. Jones confirmed that Dippin' Dots does hold patents on its technology and machinery. He also further explained that the area in which there are workforce shortages are in manufacturing, utilities, production line work, and skilled maintenance. Dippin' Dots will offer training for manufacturing, utility, and production line positions but prefers to hire experienced maintenance workers.

Western Kentucky Alliance for a Vibrant Economy

The Western Kentucky Alliance for a Vibrant Economy (WAVE) is an economic development partnership between the Western Kentucky river counties of Ballard, Carlisle, Hickman, and Fulton. It was founded in 2015 and is made up of eight subcommittees that include Steering, Agriculture, Tourism, Entrepreneurship, Education, Infrastructure, Energy, and Port Authority. The most active subcommittees are the Agriculture Committee, Tourism Committee, and Port Authority. The Agriculture Committee has created the WAVE Ag Initiative that creates a bridge between agriculture and economic development, serves as a liaison to farmers, works to combat the Asian Carp crisis, and explores opportunities in the hemp industry. The Tourism Committee has established KYGRRO that has been further developing river bottoms in Ballard County, ATV trails in Carlisle County, agritourism and Columbus Belmont State Park in Hickman County, and the link between Kentucky and Tennessee in Fulton County. WAVE has formed the West Kentucky Regional Riverport Authority that is working on establishing a commercial port through a public private partnership. The location of these four counties offers unique economic possibilities due to being in close proximity to the Mississippi River, four surrounding states, major highways, and several local technical colleges and universities. The four judge executives, Todd Cooper of Ballard County, Greg Terry of Carlisle County, Kenny Wilson of Hickman County, and Jim Martin of Fulton County, hold monthly meetings and open conference calls every other week to discuss a proactive approach to increasing the economic vitality of their region.

Department of Workers' Claims Update

The National Council on Compensation Insurance (NCCI) serves as the licensed rating and statistical advisory organization for the Commonwealth and 36 other states by gathering data from participating insurance carriers with respect to how much is paid during a given year in income and medical benefits in workers' compensation claims. After performing statistical analysis, NCCI comes up with a number which they consider to be

the loss cost for each of the 535 different class codes. The loss cost is essentially how much premium a workers' compensation insurance carrier has to collect to pay the projected income and medical benefits for all claims during a policy year. The overall average voluntary loss cost level change submitted by NCCI to the Department of Insurance that went into effect October 1, 2019 is -9 percent. This marks the fourteenth consecutive year that the loss cost filing has seen a decrease. However, there was a 6.2 percent increase for surface coal mining and a 5.5 percent increase for underground coal mining.

The Special Fund is an account from which benefits are paid to individuals who had work related injuries or developed occupational diseases prior to December 12, 1996. The Special Fund has been closed to new claims for over 23 years and is now in runoff status, paying about \$48 million in claims to about 4500 claimants. The Special Fund Assessment is a surcharge on workers' compensation premiums to fund the Special Fund, the Uninsured Employers Fund, and the operation of the Labor Cabinet. The 2020 assessment rate is 6.41 percent with no additional assessment on coal employers or severed coal. There was an assessment rate of 6.41 percent for 2019 with an additional 2 percent assessment for coal employers and \$0.02 per ton of severed coal. There was an assessment rate of 6.29 percent in 2018 and 2017 with additional an additional 14 percent for coal employers and \$0.15 per ton of severed coal. The additional assessment on coal went to fund the Coal Workers' Pneumoconiosis Fund which was transferred to Kentucky Employers' Mutual Insurance (KEMI) in 2017 pursuant to HB 377 of the 2017 Regular Session. The Workers' Compensation Funding Commission and KEMI has determined that at the end of the second quarter of 2019, there is enough money in the Coal Workers' Pneumoconiosis Fund to eliminate the assessment.

Through August 31, 2019, the Department of Workers' Claims has had 2,602 claim filings. Of those claims, 2,303 were due to injury; 24 were due to occupational disease; 108 were Coal Workers' Pneumoconiosis claims; and 167 were due to hearing loss. There are projected to be a total of 3,903 claim filings by the end of 2019 compared to 4,047 in 2018. Commissioner Robert Swisher said that the decrease in workers' compensation claim filings has been a national trend that could possibly be attributed to the increased emphasis on workplace safety across the country.

The passing of HB 2 in the 2018 Regular Session made changes to the pharmaceutical formulary used, medical treatment guidelines, and the Coal Workers' Pneumoconiosis evaluation program. The Official Disability Guidelines (ODG) formulary was adopted and became effective July 1, 2019 for post-2018 injuries and January 1, 2020 for pre-2019 injuries. The ODG formulary is the most widely used set of guidelines in the country. The ODG treatment guidelines were also adopted with a proposed effective date of July 1, 2020. The Department of Workers' Claims has contracted with two qualified physicians to perform Coal Workers' Pneumoconiosis evaluations required by KRS 342.316. Other areas that the Department of Workers' Claims still needs to address include

hearing site relocations, the pharmacy fee schedule, telecommunication regulations, and the 2020 physician fee schedule.

In response to Representative Ashley Tackett Laferty, Commissioner Robert Swisher confirmed that both Coal Workers' Pneumoconiosis evaluation sites are in Lexington. Answering another question, the Commissioner clarified that after planned hearing site relocations, hearing sites will be decreased from nine to five sites eventually. He also explained that although there is a three year statute of limitation on filing a claim, there is also a statute of repose of five years.

Co-Chair Danny Carroll announced that the next meeting of the Interim Joint Committee on Economic Development and Workforce Investment will be November 21, 2019 at 1:00 in the Capitol Annex.

There being no further business, the meeting adjourned at 3:02 p.m.