

INTERIM JOINT COMMITTEE ON ECONOMIC DEVELOPMENT AND WORKFORCE INVESTMENT

Minutes of the 4th Meeting of the 2020 Interim

September 24, 2020

Call to Order and Roll Call

The 4th meeting of the Interim Joint Committee on Economic Development and Workforce Investment was held on Thursday, September 24, 2020, at 8:30 AM, in Room 171 of the Capitol Annex. Representative Russell Webber, 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 Karen Berg, Rick Girdler, Denise Harper Angel, Jimmy Higdon, Wil Schroder, Mike Wilson, and Max Wise; Representatives Kim Banta, Lynn Bechler, John Blanton, Adam Bowling, Kevin D. Bratcher, R. Travis Brenda, McKenzie Cantrell, Daniel Elliott, Chris Freeland, Al Gentry, Kathy Hinkle, Nima Kulkarni, Savannah Maddox, Jason Petrie, Ashley Tackett Laferty, and Buddy Wheatley.

Guests: Representative Jason Nemes; Josh Sweeney, Communications Workers of America; Jason De Valdivieso, Communications Workers of America; Mary Quinn Ramer, President, VisitLEX; Patricia J. Knight, Vice President of Finance and Operations, VisitLEX; Michelle Allen, Executive Director, Somerset/Pulaski County Convention and Visitors Bureau; and Ashli Watts, President and CEO, Kentucky Chamber of Commerce.

LRC Staff: Andrew Manno, Audrey Ernstberger, Drew Baldwin, and Sasche Allen.

Approval of Minutes

A motion to approve the minutes of the August 27, 2020 meeting was made by Representative Adam Bowling, seconded by Co-Chair Danny Carroll, and approved by voice vote.

Call Center Relocations

Representative Jason Nemes; Josh Sweeney, Communications Workers of America; and Jason De Valdivieso, Communications Workers of America, discussed House Bill 13 from the 2020 Regular Session. The bipartisan bill would create a new section in KRS Chapter 337 to require call center employers that intend to relocate to a foreign country to notify the Secretary of the Labor Cabinet at least 120 days prior to relocation. It would also require the Secretary of the Labor Cabinet compile a list of call center employers that have

relocated to another country. In addition, if the call center is placed on the Secretary's list, then they will not be eligible for any state tax incentive programs for five years. Failure to notify the Secretary would result in a civil penalty of not more than one thousand dollars for each day of violation. Also, if a call center employer begins working for the state of Kentucky, then the company must move any out of state call centers to the state within two years.

Answering a question from Representative Adam Bowling, Representative Jason Nemes referenced the definition of call center in Section (1) (a) of HB 13 which states that a call center "means a facility or operation where workers receive incoming and make outgoing telephone calls, e-mail messages, or other electronic communication to provide customer assistance or other customer service." The bill only addresses call center related jobs and not any other jobs within a business or company. Representative Nemes stated he would be willing to add clarifying language if necessary.

Addressing concerns expressed by Representative Lynn Bechler, Representative Jason Nemes referenced Section (4) (b) of HB 13 which states "The secretary of the Labor Cabinet, in consultation with the appropriate state agency proving a loan or grant, may waive the ineligibility requirement provided under this subsection if the employer applying for the loan or grant has demonstrated that a lack of the loan or grant would result in substantial job loss" in the state.

Economic Impact on Local Tourism

According to Mary Quinn Ramer, President of VisitLEX, the hospitality industry was the first and one of the hardest hit industries in the state by the COVID-19 pandemic. The travel industry may be the last industry to recover, and pre-pandemic levels of travel business may not return until 2024. Additional relief is needed on the federal level, and although the CARES Act helped some travel businesses across the state, it not reach all including VisitLEX and Somerset/Pulaski County Convention and Visitors Bureau. In Lexington, 197 meetings and conventions have been lost which represent 78,000 hotel room nights that the city will not see filled in 2020.

Prior to the pandemic, VisitLEX was running 4.4 percent ahead on transient room tax receipts and was projected to end fiscal year 2020 with \$8.1 million in revenue. Due to the pandemic, the fiscal year ended with \$5.75 million in transient room tax revenue. The Occupancy rate is usually in the 65 to 73 percent range but plummeted immediately in March to 34 percent and to 16.1 percent in April. Campgrounds are currently doing well, but the transient room tax is not collected for those occupancies. The hospitality industry's employment rate has also been greatly affected. Patricia J. Knight, the Vice President of Finance and Operations for VisitLEX, stated that one downtown Lexington hotel has reported having 18 employees when it regularly employs 180. The average daily rate in Lexington is usually about \$100 but is currently about \$76 which translates to a loss of \$88 million in room revenue for Fayette County and a loss of \$3.5 million for VisitLEX.

VisitLEX, a quasigovernmental entity, has not been eligible for any federal or state pandemic relief, has had to furlough some of its staff, and has permanently eliminated some of its staff positions. COVID-19 will still have impacts on Lexington and the state as a whole due to anxiety and fear of the public to travel and vendors to schedule meetings and conventions.

Michelle Allen, the Executive Director of the Somerset/Pulaski County Convention and Visitors Bureau, described how her destination marketing organization that is solely funded by a three percent transient room tax has been affected by COVID-19. In 2019, Pulaski County had an increase in economic growth of 6.4 percent which translated to \$126 million with a total economic impact of all five counties that surround Lake Cumberland totaling \$305 million. The seasonally visited region has its peak season from October to May. There was a hotel occupancy rate of 94 percent on Memorial Day 2019. In contrast, at the start of the COVID-19 pandemic the area's occupancy rate fell to 11 percent and the Memorial Day 2020 occupancy rate was 45 percent. With a budget of \$390,000, the Ms. Allen said the Somerset/Pulaski County Convention and Visitors Bureau lost about \$55,000 from March to May with a total projected loss of \$110,000 for summer 2020. The Somerset/Pulaski County Convention and Visitors Bureau does participate in a matching funds program through the Department of Tourism for advertising but those funds have been decreased to \$16,000 compared to the \$44,000 that was matched in 2019. Ms. Allen pointed out that the U.S. Travel Association ranked Kentucky 30th for tourism advertising funding.

Responding to Co-Chair Russell Webber, Ms. Ramer stated there are not many events scheduled for 2020, aside from a few sporting events. Vendors and meeting planners are apprehensive about scheduling events for the first and second quarters of 2021. VisitLEX has been in discussions with meeting planners for events to be scheduled for 2022 and beyond. There is a new convention center in Lexington that will be opening in the first quarter of 2022 that will be a possible meeting space. Ms. Ramer explained that she believes tourism will not fully recover and get back to pre-pandemic levels until at least 2024.

Replying to Representative Buddy Wheatley, Ms. Allen explained that her office does not cover the McCreary County area or the Big South Fork area, however, the Somerset/Pulaski County Convention and Visitors Bureau does partner with some small offices for travel shows. She stressed the power of advertising for the areas her office covers and for the much smaller destination marketing offices. Addressing a follow up, she explained that the southern region has had issues with insurance and topography for some outdoor recreational activities.

Answering a question from Co-Chair Russell Webber, Ms. Allen listed the five counties that surround Lake Cumberland which include the counties of Wayne, Clinton, Russell, McCreary, and Pulaski. For many years, the average number of visitors per year

to the Lake Cumberland area has been about four million. The average number of visitors for 2020 has yet to be calculated, but Ms. Allen estimated that, thus far for 2020, there have been about two million visitors.

Representative Ashley Tackett Laferty further stressed how much the tourism industry in the state has been affected by COVID-19. She highlighted the tourism and outdoor recreation in her district in the counties of Pike and Floyd.

Representative Adam Bowling expressed his concerns for the industry and said the General Assembly will do what they can to assist in the industry's recovery.

Addressing a question from Co-Chair Russell Webber, Ms. Ramer said she does not know of any Lexington hotels that have closed permanently but many are concerned about the making it through the next six months without their typical reserves that would normally get them through the winter months.

Update on the Business Community

Ashli Watts, the President and CEO of the Kentucky Chamber of Commerce, gave an overview of the current state of the Kentucky business community and some of the issues that the Chamber will be advocating for during the 2021 Regular Session. She also addressed the Unemployment Insurance Trust Fund, which was completely depleted to zero dollars after the pandemic began. As a result of the almost \$900 million loan taken out with the federal government to pay unemployment insurance benefits, state employers will have increased rates in 2021 to repay the loan. In some cases, some businesses may see a 2000 percent increase in their unemployment insurance rates and the state has moved to the worst unemployment insurance rate schedule.

Ms. Watts also discussed the issue of workforce participation which has been a major problem in the state. Although Kentucky had improved over time before the pandemic, as of July 2020 the state ranks 49th in the nation for workforce participation. In partnership the Education and Workforce Development Cabinet, the Chamber has created an online database called "Who's Hiring" in an effort to increase participation rates and display employers that are actively seeking employees. There are currently about 90,000 open positions listed on the "Who's Hiring" webpage. In addition, Ms. Watts spoke about the issue of childcare for Kentucky employees and explained the need of more in-home and at work childcare options. Prior to the pandemic there were already childcare deserts across the state, but the pandemic has led to the possibility of 40 percent of childcare facilities across the state closing by the end of 2020 if relief is not provided to the industry. There have also been issues of legal liability due to the COVID-19 pandemic. Businesses have stepped up to protect their employees, customers, and consumers throughout the pandemic. A recent U.S. Chamber of Commerce study said that 80 percent of Americans support COVID-19 related legal liability reform unless there was gross negligence

involved. Other issues that Ms. Watts said that the Chamber wants to address during the 2021 Regular Session include infrastructure investment and criminal justice reform.

Responding to Senator Jimmy Higdon, Ms. Watts explained that Kentucky was on an unemployment insurance rate Schedule A prior to the pandemic but is now on Schedule D. Although a 2000 percent rate increase is an outlier, employers' rates for 2021 will be based on the total number of employees, total number of employees that were laid off, how much the employer has contributed to unemployment insurance trust fund, amongst other factors. This rate increase will be imposed on all Kentucky employers. Answering a follow up question, Ms. Watts explained that unemployment insurance benefits paid to independent contractors during the pandemic were paid out of federal funds and additional weeks of benefits paid most recently were paid out of the state UI trust fund.

Senator Mike Wilson spoke about the unemployment insurance surcharge not being paid back until 2023, the effect of the rate increase on employers, and the imperative need of childcare.

Responding to Senator Max Wise, Ms. Watts stated the Chamber has not stressed the reopening of state ran area technology centers but has made a push for reopening all schools across the state to the administration.

Co-Chair Danny Carroll spoke about childcare and adult services centers and stated childcare must be considered when discussing economic development.

There being no further business, the meeting adjourned at 9:56 a.m.