

# **INTERIM JOINT COMMITTEE ON ECONOMIC DEVELOPMENT AND WORKFORCE INVESTMENT**

## **Minutes of the 4th Meeting of the 2022 Interim**

**September 29, 2022**

### **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 29, 2022, at 9:00 AM, in Room 149 of the Capitol Annex. Representative Russell Webber, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Russell Webber, Co-Chair; Senators Christian McDaniel, Reginald Thomas, and Phillip Wheeler; Representatives Shane Baker, Tina Bojanowski, Josh Bray, George Brown Jr., Josh Calloway, McKenzie Cantrell, Daniel Elliott, Chris Freeland, Mark Hart, Thomas Huff, DJ Johnson, Kim King, Nima Kulkarni, William Lawrence, Matt Lockett, Scott Sharp, Steve Sheldon, and Timmy Truett.

Guests: Nancy Galvagni, President and CEO, Kentucky Hospital Association; Jim Musser, Senior Vice President, Policy and Government Relations; Kentucky Hospital Association; Chad Harpole, Director of Government and Community Affairs, Century Aluminum; Kenneth Calloway, Vice President for Human Resources, Century Aluminum; Michael Early, Corporate Energy Director, Century Aluminum; Richard Vincent, Executive Vice President, Associated General Contractors of Kentucky, Inc.; and Kyle Johnson, Member, Frost, Brown, Todd.

LRC Staff: Janine Coy, Audrey Ernstberger, Kirk Smith, and Sasche Allen.

### **Approval of Minutes**

A motion to approve the minutes of the July 21, 2022 meeting was made by Representative Bray, seconded by Representative Sharp, and approved by voice vote.

A motion to approve the minutes of the August 25, 2022 meeting was made by Representative Bray, seconded by Representative Sharp, and approved by voice vote.

### **The Role of Hospitals in Economic Development**

Nancy Galvagni, President and CEO of the Kentucky Hospital Association (KHA) and Jim Musser, Senior Vice President of Policy and Government Relations for KHA, gave an overview of the economic impact of hospitals across the Commonwealth and discussed

the KHA's proposal for the expansion of the Hospital Rate Improvement Program (HRIP). Hospitals add \$13.5 billion to the state's economy and employ nearly 75,000 people. Ms. Galvagni detailed current challenges for the industry and the increased costs of wages, services, and products. To combat rising costs, the KHA is proposing that the existing inpatient HRIP be expanded to outpatient Medicaid admissions. The program would allow hospitals to utilize federal dollars to increase Medicaid payments to a rate that is closer to the average commercial rate. The necessary infrastructure is already in place, and the expansion would be particularly beneficial to rural hospitals because they tend to have more Medicaid patients. Due to federal resources being utilized, the expansion would not cost the state according to Ms. Galvagni.

Senator McDaniel made comments regarding the healthcare system's financial model and the existing federal debt. Ms. Galvagni added that hospitals are only being paid 80 percent of cost for Medicaid patients which is not a sustainable model.

Responding to a question from Representative Bojanowski, Ms. Galvagni stated that Medicare is not the same in every state; Kentucky is paid less than some other states yet is facing the same labor shortages as the rest of the nation. Answering a follow up, she confirmed that the federal government determines how Medicare rates are set.

Addressing Representative Webber, Ms. Galvagni said of the 118 hospitals that the KHA represents, all are facing financial challenges and labor shortages.

### **Update on Kentucky's Primary Aluminum Industry**

Century Aluminum operates aluminum smelters to produce high grade primary aluminum products. In June 2022, the company was forced to close its Hawesville plant and lay off 620 employees due to rising energy costs. The Hawesville smelter was the last smelter in a NATO country that produced Department of Defense grade aluminum. The aluminum is now being sourced from the Middle East and Russia. The Century Aluminum plant located in Sebree remains operational but has had labor shortage challenges. Michael Early, Corporate Energy Director for Century Aluminum, discussed the current power market in the United States and what is driving the recent increases in energy costs.

Replying to questions from Senator McDaniel, Chad Harpole, Director of Government and Community Affairs for Century Aluminum, discussed an agreement made in 2012 with Big Rivers Electric Corporation and the Public Service Commission that allowed Century Aluminum to purchase power on the open market. In addition, he confirmed the company does not receive government subsidies. Addressing another question about nuclear facilities, Mr. Early explained that nuclear power plants have been relatively unsuccessful in the United States.

Answering a question from Representative Calloway, Mr. Early stated the war between Russia and Ukraine had a material impact on natural gas prices in the United States.

Responding to a question from Representative Johnson, Mr. Harpole reiterated that the Hawesville plant was the last primary aluminum smelter in a NATO country that produced Department of Defense grade aluminum. Producing the same type of aluminum at the Sebree location would require a \$1 billion dollar investment. Answering a follow up, Mr. Harpole said it would require Century Aluminum to make a significant investment and four to six months to reopen the Hawesville plant.

Addressing Representative Bray, Mr. Early stated the issues related to increasing energy prices could be solved by the ending of the war between Russia and Ukraine, the Department of Energy taking a more reasonable approach to liquefied natural gas facility permitting and export approvals, and an increase in domestic gas production.

Representative King made comments concerning the General Assembly's prediction of the current state of energy prices and gave her unfavorable opinion of the use of solar and wind power.

Replying to a question from Senator Wheeler, Mr. Early agreed that if the coal industry existed as it did 20 years ago, then the recent energy increases would not be occurring. Addressing a follow up, Mr. Harpole said there would be financing and permitting issues associated with opening new coal mining companies.

Answering a question from Senator Thomas, Mr. Early said there should be one central agency responsible for the permitting of natural gas pipelines and expressed the need for the revision of applicable standards. Mr. Harpole added that Century Aluminum monitors federal energy legislation and works closely with all parties involved.

### **Employee Misclassification**

Richard Vincent, Executive Vice President of the Associated General Contractors of Kentucky, Inc., and Kyle Johnson, a Member of Frost, Brown, Todd, discussed administrative regulation 803 KAR 1:006 Employer – Employee Relationship, which was found deficient during the May 10, 2022 meeting of the Administrative Regulation Review Subcommittee.

In response to questions from Representative Webber, Mr. Johnson stated that the responsibility of enforcing employee classification depends on the situation, and any changes to employee classification should be addressed through legislative action.

Addressing a question from Representative King, Mr. Vincent said 803 KAR 1:006 was submitted in early 2022 and found deficient by the Administrative Regulation Review Subcommittee on May 10, 2022.

Representative Calloway made remarks about businesses use of independent contractors.

Representative Webber made comments about the reasons the regulation was found deficient.

There being no further business before the committee, the meeting adjourned at 10:41 a.m.