

TOBACCO SETTLEMENT AGREEMENT FUND OVERSIGHT COMMITTEE

Minutes

June 13, 2024

Call to Order and Roll Call

The 2nd meeting of the Tobacco Settlement Agreement Fund Oversight Committee was held on June 13, 2024, at 10:30 AM in Room 129 of the Capitol Annex. Representative Myron Dossett, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Myron Dossett Co-Chair; Senators Gary Boswell, and Matthew Deneen; Representatives George Brown Jr., Kim King, Shawn McPherson, and Rachel Roarx.

Guests: Brandon Reed, Executive Director, Kentucky Office of Agricultural Policy (KOAP); Bill McCloskey, Deputy Executive Director, KOAP; Wayne Hunt, Board Member, Kentucky Agricultural Development Board and Kentucky Agricultural Finance Corporation

LRC Staff: Stefan Kasacavage, Hillary Abbott, Kelly Ludwig, and Rachel Hartley.

Approval of minutes for the meeting of May 9, 2024

A motion to approve the May meeting minutes made by Senator Deneen and seconded by Representative McPherson. The minutes were approved by voice vote.

Report on the projects considered for funding by the Agricultural Development Board

Brandon Reed provided a brief update of various events and site visits. Mr. Reed introduced the new KOAP interns.

For the month of May, the Kentucky Agricultural Development Board (KADB) approved \$5.8 million in funds and the Kentucky Agricultural Finance Corporation (KAFC) approved \$4.8 million in funds.

Bill McCloskey highlighted the following projects approved by the KADB:

- The Southern Kentucky Floral Exchange was approved for \$11,000 in multi-county funds to increase its cold storage facilities.
- Kentucky Highlands Investment Corporation was approved for \$250,000 in state funds to recapitalize the Kentucky Highlands Shaping Our Appalachian Region (SOAR) Small Farm Loan Fund.
- Four Rivers Packing was approved in multi-county funds and state funds in the form of a cost-reimbursement grant with the option to pursue a KADF participation loan. The combined total funding should not exceed \$500,000. The project will support the startup of a new green bean processing plant in Calloway County.

In response to Representative Dossett, Mr. McCloskey stated the Four Rivers Packing project has a 1,700-acre capacity for green beans.

In response to Senator Boswell, Mr. McCloskey stated the revenue from one acre of green beans is comparable to traditional crops, such as corn and wheat. Specialized equipment is needed to harvest green beans.

Reflections from a KADB and KAFC Founding Member

Wayne Hunt stated that HB 611, passed during the 2000 Regular Session, established the manner in which the funds that Kentucky received from the Tobacco Master Settlement Agreement (MSA) would be allocated. Through HB 611, the General Assembly invested 50 percent of the MSA funds to establish the Kentucky Agricultural Development Fund. The KADB was created to administer funds through the KADF. KADB invests funds in county, regional, and state projects designed to increase net farm income, create sustainable business enterprises, and to diversify Kentucky's agricultural economy.

From 1990 to 1999, the total agriculture cash receipts for Kentucky were \$3.4 billion with the majority coming from tobacco. In 2023, the total agriculture cash receipts were \$8.1 billion with the majority coming from poultry. Approximately 63 percent of KAFC funds are allocated to beginning farmers.

Since the spring of 2020, KADF has invested \$7 million in meat processing facilities in Kentucky to expand beef, dairy, pork, lamb, sheep, goat, and poultry processing capabilities.

Over \$683 million in KADF funds have been invested in Kentucky projects in the last 20 years. Along with county level programs, such as the County Agricultural Investment

Program, the KADF funds have been invested in projects that have a wide range of agricultural endeavors including many impacting eastern Kentucky.

In response to Representative Dossett, Mr. Hunt provided a summary of his background in agriculture and a brief overview of his companies.

Representative King stated she felt that the agriculture community was not being adequately included in economic development decisions so she sponsored House Bill 390, which was signed into law in 2022. House Bill 390 added the Commissioner of Agriculture to the Kentucky Economic Development Partnership, which is a board governing the Cabinet for Economic Development, and the bill required one member of the Kentucky Development Finance Authority to have experience in agriculture.

In response to Representative Roarx, Mr. Hunt stated Tennessee did not create a fund to distribute MSA funds. The funds Tennessee received from the MSA went into their general fund. The funding mechanism that Kentucky created for the MSA is a model for other states. Mr. McCloskey stated there are only three states that are committing funds to agriculture while other states use the funds to balance their budget.

Adjournment

There being no further business, the meeting was adjourned.