

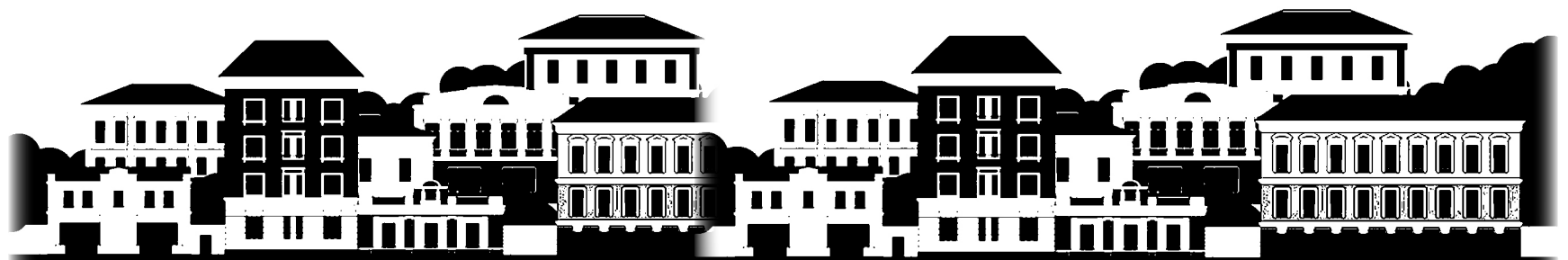
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RECORD



Cities, counties present agendas to GA

by Rebecca Hanchett
LRC Public Information

Cities

Kentucky's cities have placed increased 911 call center funding at the top of their state legislative wish list for the second year in a row.

Officials from the Kentucky League of Cities appeared before the Interim Joint Committee on Local Government on Oct. 28 to request that lawmakers pass legislation in 2016 that would raise the 911 call center fee on wireless phone users to what they call "a reasonable level." Wireless 911 fees comprise only a fraction of fee receipts but represent a growing number of 911 calls in the state, said KLC President and Williamsburg Mayor Roddy Harrison.

In Whitley County where Harrison lives, 911 call volume has increased 50 percent. "And we're on pace right now to hit 60,000 calls" in a county of 36,000 people, he said.

That's a problem for the call centers or, more officially, PSAPs (public safety answering points) that at present are most reliant on fees from dwindling landline phone users. Local governments are having to dip into their General Funds to cover costs—and that is straining their budgets, Harrison said.

"This has forced cities and counties to use our General Fund dollars to replace lost funding for maintenance of this service," said Harrison.

Harrison told lawmakers that KLC in turn supports incentives to encourage consolidation of PSAPs statewide—there are 112 PSAPs in Kentucky today—and hopes to correct discrepancies in collection of 911 fees from prepaid phone users who are largely exempt from paying the fees.

"We are seeking to replace lost revenue," not create new revenue, Harrison told the committee.

Committee Co-Chair Sen. Joe Bowen, R-Owensboro, said he is glad to hear about KLC's support for incentivizing consolidation of more PSAPs.

"I think that's probably one of the most critical components of this whole issue, and certainly one that we're going to have to probably address in some

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Counties

County officials hope to protect prosecutors and county property valuation administrators (PVAs) from any cuts that may be considered during the state budget session beginning in January, according to testimony in a state legislative meeting on Nov. 18.

Funding was preserved in the last budget cycle for prosecutors and PVAs despite 5 percent cuts across most state agencies with the passage of 2014 House Bill 235. At the meeting, Kentucky Association of Counties (KACo) President-Elect and Simpson County Judge-Executive Jim Henderson told the Interim Joint Committee on Local Government that funding for these offices must be preserved.

PVAs in Kentucky receive state funding to pay their deputy salaries but lately, according to Henderson, funding has been stretched tight. That has forced the offices to spend nearly 65 percent of their local operating funds to supplement funds to pay their deputies.

"The PVAs are telling us that they will have no alternative but to continue layoffs if they are not able to receive some assistance," said Henderson. He said PVAs leverage \$13 in revenue collections for every \$1 spent on operations "so it's a good investment to have the PVAs doing their jobs."

Henderson and KACo Director of Governmental Relations Shellie Hampton were before the committee to present the county association's platform for the 2016 legislative session. At the top of the list was increased funding for 911 center operations—a top priority shared by the Kentucky League of Cities during its presentation before the same committee last month.

The KACo proposal will be focused on legislative transparency in use of 911 money, more ideas for funding of 911, more local representation on the CMRS (Commercial Mobile Radio Service) Board that administers funding for implementation of wireless enhanced 911 service in Kentucky, incentives

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manner,” said Bowen. His fellow co-chair, Rep. Steve Riggs, D-Louisville, was also interested in that subject.

“Where did we get the notion that every county or every unit of local government has to have a PSAP? Perhaps that’s our fault that we didn’t say you have to have one per Area Development District) or one per every 200,000 in population, give or take, because what you want to base the cost and expense on is the certain number of people you serve,” said Riggs.

Second on the KLC legislative wish list is legislative changes to the state’s nearly 70-year-old local road funding formula. Cities receive municipal road aid under a 1972 law, while county road aid and rural secondary road aid is divided based on a “formula of fifths” that divides 3/5 of funds based on an equal share to counties, percentage of rural road mileage and percentage of rural population. The remaining 2/5ths are allocated based on a county’s percent of total state rural land area. The formula has become “antiquated” as counties grow and change, said Harrison, who told the committee that KLC would like the General Assembly to move to a single road program and new formula that better serves municipalities.

The new program would do away with equal share to counties and references to rural and urban population, said Harrison. It would also put population and road miles ahead of land area as factors for funding and require counties to spend road aid funds in a way that ensures roads in Kentucky are “adequately maintained,” he said.

The third KLC wish list item shared by Harrison is twofold: get state legislative approval grant-



Sen. Jared Carpenter, R-Berea, and Rep. Russ Meyer, D-Nicholasville, talk before the start of the Interim Joint Committee on Local Government in November.

ing all cities the option to levy a restaurant tax and, secondly, get a local option sales tax amendment placed on statewide ballot (similar to a proposal approved this year in the House by a vote of 62-35) for voter approval.

Currently 38 states allow at least one of their local governments to enact a local option sales tax, according to the KLC.

“The (local official) turnover is constant, and just because you do it once every five years, there are a lot of people who are not hearing about that merger,” said Riggs.

Other ideas supported by KACo, said Henderson, include a local option sales tax which would allow citizens of a city or county to vote to raise their local sales tax up to a penny for a limited period of time to fund a specific project. Having that option “is an issue that KACo’s position is to support,” he told the committee.

Then there is the question of public pensions. Since the County Employees Retirement System, or CERS, is better funded than the state employees’ pension system or KERS—60-62 percent funded to around 19 percent funded at KERS—Henderson said there is some talk among local officials of breaking away from the Kentucky Retirement Systems and creating stand-alone county employees’ pension system.

There is no immediate plan to break away from KRS, however, nor a 2016 proposal on that subject for lawmakers to consider, said Hampton.

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Counties, from page 1

for further consolidation of Kentucky’s 112-114 PSAPs—or public safety answering points—which are the state’s 911 call centers, and elimination of some 911 cost-recovery provisions for phone companies.

Committee Co-Chair Sen. Joe Bowen, R-Owensboro, said he is glad to see the idea of further PSAP consolidation addressed in KACo’s plans. “For this concept to go forward, we have to address that.”

Co-Chair Rep. Steve Riggs, D-Louisville, said Kentucky’s large number of counties requires consideration of merger of services, especially in the 30 or so counties that cannot fully operate on their local revenue base. He said regular education of members on “interlocal agreements,” pacts between local governments to provide/share services, needs to be on KACo’s agenda.

Needle exchanges point to challenges

by Jim Hannah
LRC Public Information

Nearly eight months after state lawmakers passed legislation to attack heroin use, three local health departments have embraced one of the more debated elements of the omnibus bill by opening needle-exchange programs for addicts.

The exchanges are in the state's two largest urban centers, Louisville and Lexington, and one of its most rural communities, Pendleton County, according to a presentation given in November to a legislative panel called the Senate Bill 192 Implementation Oversight Committee. Members heard how the approaches taken by health officials running the exchanges have varied about as widely as the geographical, economical and social differences of each of those communities.

Lexington-Fayette County Health Department Director Dr. Rice Leach said his exchange only gives out a clean needle if a dirty needle is turned in. That exchange has collected 2,104 dirty needles and handed out 1,976 clean needles since opening on Sept. 4.

"In a word, we are doing pretty much what you said," Leach said in reference to a debate on whether the legislation intended one-to-one needle exchange or just encouraged it. "If you don't bring needles in, you don't get needles back."

Critics of Lexington's approach said health officials wouldn't be able to get enough dirty needles off the streets to effectively curb the spread of diseases since addicts often share one needle among themselves.

"It is working slowly," Leach said on Monday in response to that qualm. "Those with gray hair will remember the flight path of a D.C. 3 – slow but gradual takeoff."

Lexington's exchange has served 104 people with 52 returning for at least a second visit, Leach said. Five people have been screened for HIV. Nine people have been referred for treatment for sexual-

ly transmitted diseases such as hepatitis.

Leach said none of the people who have visited the exchange have followed up with a drug abuse consultation. He said the major challenge that remains is convincing the intravenous drug users to get treatment for their addiction.

Louisville Metro Department of Public Health & Wellness Interim Director Dr. Sarah Moyer said her city adopted a need-based needle distribution program where exchanging dirty needles is allowed but not required.

Dr. Rice
Leach said no one who has visited his local exchange has followed up with a drug abuse consultation.

When the exchange in Louisville opened in June, Moyer said health workers were giving out nearly nine clean needles for every one dirty needle collected. The ratio of syringes distributed to syringes returned has steadily decreased since then to a little more than two needles for every one needle collected.

"We have had a little different experience ... than other counties," Moyer said.

Critics of Louisville's approach said that it amounted to a tacit endorsement of drug use while undermining one goal of the law – reducing the number of needles on the street. A goal of the anti-heroin legislation had been to decrease the risk of people getting stuck by improperly discarded needles – a particularly acute problem among police officers.

Moyer said there have been 1,102 participants in the exchange with 42 percent returning. Health workers have referred 64 people for drug treatment.

Pendleton County's needle exchange hasn't

had one participant, said Three Rivers District Health Department Public Health Director Georgia Heise, adding that wasn't because of a lack of need.

"It is everywhere," she said in reference to heroin. "There is nobody in our area that hasn't been affected in some way or another. It is not like something that is happening to somebody else."

When panel co-chair Rep. Denver Butler of Louisville asked why no one has used the needle exchange, Heise attributed the lack of participation to erroneous posting on social media that the exchange was an elaborate sting by police.

"I think we are overcoming that a little bit," she said.

Northern Kentucky Independent Health District Director Dr. Lynne Sadler would like to set up a needle exchange, but she hasn't received all the necessary approvals in her district's region – Boone, Campbell, Kenton and Grant counties. She said Williamstown may be the closest to opening an exchange but Grant County Fiscal Court hasn't granted the required approval.

"As you well know, this is a controversial issue and so our elected officials really want to delve into it and really understand the program, the depth and breadth of what the program is, and what the program is trying to accomplish," Sadler said.

She said you can't run an effective program without community support.

"A tremendous amount of time has been spent in trying to educate the community, as well as the elected officials, about what the program is and trying to garner formal support from a number of sectors of the community," Sadler said.

Butler said he looks forward to seeing legislation to address the challenges of getting addicts treatment.

"We are doing a fantastic job of identifying addicts ... and we are not doing such a good job getting them the care they need to them," he said. "I wish there was an easy fix."

It was the anti-heroin bill implementation oversight committee's final meeting.

Rural economy shows promise, though problems linger

by Rebecca Hanchett
LRC Public Information

Companies all over the world are investing in rural Kentucky, and more investments—and jobs—seem likely.

That is the indication from the state Economic Development Cabinet's Department for Business Development whose officials told the legislative Subcommittee on Rural Issues in November that 51 percent of economic development projects and 53 percent of newly announced capital investments announced in the past year are locating in rural Kentucky.

Many of those projects and jobs are found in

the state's manufacturing sector, according to Department Commissioner Mandy Lambert. She said 57 percent of newly announced manufacturing projects and 53 percent of new capital investment in manufacturing were in rural Kentucky over the past year.

Rural counties also benefited from 64 percent of manufacturing job growth over the past year, she said.

"We are seeing significant interest in rural Kentucky," Lambert said. "That doesn't mean there are not areas and pockets that we still need to work on significantly, but we feel good that Kentucky's business climate is moving in the right direction," said Lambert.

Over half of all foreign-owned economic development investment in Kentucky in the past year has been in rural areas, too, according to Deputy Commissioner John Bevington, who detailed the Cabinet's various economic development programs benefiting rural areas.

Programs that fit that description include the state Build-Ready program, which accelerates the site selection process for companies (six sites have been certified so far, and six more are in-process), and KY FAME, a one-year-old company-sponsored training partnership that puts high school students, older students and even military transitioning to civilian life on a fast track to jobs in manufacturing trades.

2016 REGULAR SESSION CALENDAR

2016 REGULAR SESSION CALENDAR

JANUARY

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1	2
3	4	5	6	7	8 *HR 49 Posting required for prefiled House Bills	9
10	11	12 (1)	13 (2)	14 (3)	15 (4)	16
17	18 Martin Luther King, Jr. Day HOLIDAY	19 (5)	20 (6)	21 (7)	22 (8)	23 (9)
24	25	26 (10)	27 (11)	28 (12)	29 (13)	30 (14)
31						

*House Rule 49 states in part: "In the case of prefiled House bills receiving the affirmative votes of a majority of the House members of the interim joint committee to which they were assigned, posting by the chair or the committee shall occur during the first four days of the session, and those bills may be considered by the appropriate committee during the first fifteen legislative days of the session. No posting request shall be required for those prefiled bills."

FEBRUARY

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4	5	6
	(19)	(20)	(21)	(22)	(23)	
7	8	9	10	11	12	13
	(24)	(25)	(26)	(27)	(28)	
14	15 Presidents' Day HOLIDAY	16 (29)	17 (30)	18 (31)	19 Last Day for Bill Requests (32)	20
21	22	23	24	25	26	27
	(33)	(34)	(35)	(36)	(37)	
28	29 Last Day for New House Bills (38)					

() Denotes Legislative Day

2016 REGULAR SESSION CALENDAR

MARCH

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2 Last Day for New Senate Bills	3	4	5
		(39)	(40)	(41)	(42)	
6	7	8	9	10	11	12
	(43)	(44)	(45)	(46)	(47)	
13	14	15	16	17	18	19
	(48)	(49)	(50)	(51)	(52)	
20	21	22	23	24	25 Concurrence Only	26
	(53)	(54)	(55)	(56)	(57)	
27	28 Concurrence Only	29 VETO	30 VETO	31 VETO		
	(58)					

APRIL

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1 VETO	2 VETO
3	4 VETO	5 VETO	6 VETO	7 VETO	8 VETO	9
10	11	12 SINE DIE	13	14	15	16
	(59)	(60)				
17	18	19	20	21	22	23
24	25	26	27	28	29	30

2015

Kentucky

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TOURISM AND DEVELOPMENT SUBCOMMITTEE

Minutes of the 3rd Meeting of the 2015 Interim

September 28, 2015

Call to Order and Roll Call

The 3rd meeting of the Tourism and Development was held on Monday, September 28, 2015, at 1:00 PM, at Rough River Dam State Resort Park Lodge. Representative Rita Smart, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Chris Girdler, Co-Chair; Representative Rita Smart, Co-Chair; Senators Carroll Gibson and Morgan McGarvey; Representatives James Kay, Jerry T. Miller, and Jill York.

Citizen Members: Carolyn Mounce, Eric Summe, Mary Quinn Ramer, and Prakash Maggan.

Guests: Senator Robert Stivers, Senate President; Michael Ricks, Manager, Rough River Dam State Resort Park; Bob Stewart, Secretary, Tourism, Arts and Heritage Cabinet; Elaine Walker, Commissioner, Department of Parks; and Tim Pollard, Executive Director, Office of Finance.

LRC Staff: John Buckner, Lou DiBiase, and Ashlee McDonald.

Approval of Minutes

A motion to approve the August 26, 2015 minutes carried by voice vote.

Kentucky States Parks

Bob Stewart, Secretary of the Tourism, Arts, and Heritage Cabinet, welcomed the subcommittee and spoke about the economic impact of Kentucky State Parks. In 2014, the statewide economic impact of visitor spending in the Commonwealth was \$13.1 billion with \$890 million being attributed to Kentucky State Parks. Over the last 10 years, that number has declined due to years of underfunding the growing maintenance and capital construction needs of Kentucky's State Parks system.

Elaine Walker, Commissioner, Department of Parks, explained that the most recent budget increase from the General Assembly helped with maintenance improvements and upgrades to facilities. The strategy for the future of the Department of Parks is concentrated on four key areas: technology, maintenance, infrastructure and staffing.

Tim Pollard, Executive Director, Office of Finance, gave an overview of the Six-Year Capital Plan. The Six-Year Capital Plan covers three biennia and is submitted every two years to the Legislative Research Commission's Capital Planning Advisory Board. The Six-Year Capital Plan can be broken down into three categories: general maintenance,

with a budget of \$53.6 million, repair and replace infrastructure, with a budget of \$137 million and facility improvements with a budget of \$50.3 million, bringing the total for the Six-Year Capital Plan to \$241 million.

In response to a question from Senator Stivers, Mr. Stewart explained that the Department of Parks has always implemented a six-year plan which is similar to the state's road plan. The large dollar amounts are to repair the items that will last the parks the longest. Ms. Walker added that by not repairing these items, it has a negative impact on the number of visitors to the parks.

Responding to a question from Representative Smart, Mr. Stewart explained that it was financially feasible at this time to tap into surrounding county or city water, rather than build a new sewer treatment plant.

Mr. Stewart also answered another question from Representative Smart by explaining that using a search engine such as Google would make park reservations more accessible. He stated that the Department of Parks was simplifying the process by keeping reservations located on the State Park website.

In response to a question from Representative York, Ms. Walker explained that the connectivity issue was due to the system being overloaded with information and access. Representative York suggested using separate T-1 lines.

Responding to a question from Senator Gibson, Ms. Walker stated that the campgrounds at the state parks close after Halloween, since Halloween is typically a busy time. Senator Gibson recognized Friends of Rough River and its continued hard work.

In response to a question from Representative J. Miller, Ms. Walker explained that \$53 million would be used for maintenance and equipment needs at resorts and lodges directly.

Responding to a question from Representative J. Miller, Ms. Walker stated she did not have the statistics for the visitor profile specific to state parks with her, but would get that information to the committee.

There being no further business before the committee, the meeting was adjourned at 2:30 p.m.

INTERIM JOINT COMMITTEE ON EDUCATION

Minutes of the 5th Meeting of the 2015 Interim

October 12, 2015

Call to Order and Roll Call

The 5th meeting of the Interim Joint Committee on Education was held on Monday, October 12, 2015, at 1:00 PM, in Room 149 of the Capitol Annex. Senator Mike Wilson, Chair, called

the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Mike Wilson, Co-Chair; Senators Julie Raque Adams, Jared Carpenter, Danny Carroll, David P. Givens, Jimmy Higdon, Gerald A. Neal, Reginald Thomas, Johnny Ray Turner, and Stephen West; Representatives Linda Belcher, George Brown Jr., Regina Bunch, John Carney, Hubert Collins, Leslie Combs, Jim DeCesare, Jeffery Donohue, Jim Glenn, Cluster Howard, James Kay, Brian Linder, Mary Lou Marzian, Reginald Meeks, Charles Miller, Ruth Ann Palumbo, Marie Rader, Jody Richards, Tom Riner, Bart Rowland, Rita Smart, Wilson Stone, David Watkins, and Addia Wuchner.

Guests: Vicki Alger, Bluegrass/Freidman; David Alger, Bluegrass/Freidman; Clyde Caudill, Kentucky Association of School Administrators (KASA); Wayne Young, KASA; Andrew Vandiver, Catholic Conference of Kentucky.

LRC Staff: Jo Carole Ellis, Ben Boggs, Joshua Collins, Janet Stevens, and Daniel Clark.

Approval of the Minutes of the September 14, 2015, Meeting

Upon motion from Representative Jody Richards, seconded by Representative Hubert Collins, the minutes were approved by voice vote.

Reports from Subcommittee Meetings

Representative Reginald Meeks reported that the Subcommittee on Postsecondary Education met to hear presentations on university foundations from the University of Louisville, University of Kentucky, and Western Kentucky University. The Subcommittee on Postsecondary Education also heard a presentation on career and technical education from the Kentucky Department of Education. Representative Wilson Stone reported that the Subcommittee on Elementary and Secondary Education met to hear presentations on the United Way Born Learning Academies, Driven by Toyota from the Family Resource and Youth Service Centers, the United Way Born Learning Academy, a United Way Born Learning Academy Graduate, and United Way of Kentucky. The Subcommittee on Elementary and Secondary Education also heard a presentation on the Superintendent School Readiness Toolbox from the Governor's Office of Early Childhood.

Presentation: Personalizing Learning Through Education Savings Accounts

Vicki Alger, Research Fellow, Independent Institute, Oakland, California, spoke about parental choice in education and said Arizona charter public schools rank close to first in the national rankings each year and receive \$3500 less in state per-pupil funding than Kentucky. Dr. Alger credits the success of the Arizona charter public schools to expansive parental choice programs across the state. Four percent of all Arizona public school students currently are attending the public school of their parents' choice within or outside their resident district because of mandatory statewide open enrollment. Also, Arizona leads the nation in public charter school growth.

Dr. Alger said in 1997, Arizona became the

first state to enact a tax credit scholarship program, and in 2011 Arizona became the first state to enact educational savings accounts (ESAs). ESAs are the latest advance in parental choice in regards to education. With parents being in charge of their child's education dollars, parents can now customize how their child is educated. Today, ESAs are helping more than 3,000 school children in Arizona and Florida.

Ms. Alger said ESAs are easy to use, and the concept behind them is simple. Parents who do not prefer a public school for their child can inform the state education agency or local school district and sign a contract promising not to enroll their child in a public school. The state then deposits at least 90 percent of the formula funding it would have spent into an ESA for that child instead. In regards to ESAs, a parent would receive a dedicated use debit card for purchasing authorized educational services including private school tuition, home school curricula, online courses, tutoring, testing fees, and special education services. Any leftover funds rollover from one year to the next for future education expenses, including college.

Dr. Alger said ESAs put parents directly in charge of their child's education funding, and every expenditure must be accounted for. ESA funds are distributed quarterly and parents must submit quarterly expense reports with receipts for verification. If parents misuse funds, the child's ESA is forfeited, and they must repay any misused funds or face legal prosecution.

Dr. Alger said parental choice programs introduce competition for students and their associated funding. This puts powerful pressure on public schools to perform, which benefits public school students. Also, ESAs expand the kind of personal learning options that have long been available for higher education students, but not for school-aged children. Every student, regardless of his or her circumstances, should have the opportunity for personalized learning. ESAs are easy to use, offer unlimited choices, are fiscally responsible, and abide by the constitution.

Chairman Mike Wilson thanked Dr. Alger for her presentation and said he is impressed with Arizona and their parental choice programs, especially the impact on special needs children.

In response to Chairman Mike Wilson's questions regarding the ESA funding formula and misuse of the ESA debit card, Dr. Alger said the remaining 10 percent of the base formula funding goes to the school district. Also, Arizona has a zero tolerance policy for misuse of the card and if someone misuses the card, the account is immediately frozen.

In response to Representative Rita Smart's question regarding mistakes other states have made using ESAs and what happens to a child if the account is frozen, Dr. Alger said when using ESAs, states should have transparency, immediate accountability, zero tolerance policies, and unannounced audits. Also, if an account is frozen because of parent misuse, the child can enroll in a public school.

In response to Representative Hubert

Collins's questions regarding the total enrollment of students in California and the percentage of students enrolled in charter schools, Dr. Alger said the total enrollment of students in California is 35 million with about 4 percent of students attending charter schools.

In response to Senator Danny Carroll's question regarding the percentage of students leaving the public school system in Arizona to participate in parental choice programs, Dr. Alger said around 1 percent of students have left the public school system in Arizona to join the parental choice programs.

In response to Representative John Carney's questions regarding funding and athletics, Dr. Alger said in Arizona 90 percent of the base funding for ESAs is around \$4,000 and the average ESA account is around \$14,000. Also, ESA funds can be used for sports programs like swimming therapies at local public schools.

Representative John Carney stated to the committee that he hoped there would be more consideration from the committee on issues regarding children with disabilities.

In response to Representative Linda Belcher's questions regarding funding for special needs students and mainstreaming special needs students, Dr. Alger said Arizona parents of special needs children will do anything in their power to make sure their child is adequately funded. Dr. Alger respectfully disagreed that parents do not know how to mainstream their special needs children, and special needs students in parental control programs are not always isolated and do get to interact with other students.

Representative Linda Belcher said that, in her school district, students with disabilities are getting the services needed without the parents spending their own money.

In response to Representative Ruth Ann Palumbo's questions regarding funding following a child and how that affects the public schools, Dr. Alger said the public school does not have the expense associated with the child, the per-pupil funding goes up for a year, and only a portion of the funding follows the child.

In response to Representative Wilson Stone's question regarding counseling and advising of parents who have students with ESAs in Arizona, Dr. Alger said the Arizona State Department of Education provides excellent advising, and there are workshops provided for parents.

Presentation: Scholarship Tax Credits

Andrew Vandiver, Associate Director, Catholic Conference of Kentucky, spoke about scholarship tax credit programs and said the program would allow individuals, businesses, and banks to make contributions to non-profit scholarship organizations to help provide scholarships for low-income students and help them attend a non-public school of their parents' choice.

Heather Huddleston, Executive Director, School Choice Scholarships, said the School Choice Scholarships Program was founded in 1998 by a group of local business leaders in Louisville to provide scholarships for low-income students.

The scholarships allow parents to choose any school for their child to attend in Jefferson and Oldham Counties from kindergarten through eighth grade. This year, the program has 345 children on scholarship at 51 different schools.

Sylvie Umuhoza, recipient of a School Choice Scholarship, said she moved to Louisville from Rwanda 15 years ago. The School Choice Scholarship Program helped with her transition and gave her the opportunity to attend a private school and receive a great education. Also, the School Choice Scholarship Program helped and prepared her to become successful after high school graduation. Ms. Umuhoza recently received her Master's Degree in Public Administration from Virginia Commonwealth University and recently submitted her Fulbright Scholarship application with the idea of returning to Senegal to conduct research on girls' education and women's empowerment.

In response to Chairman Mike Wilson's question regarding tax credits and the difference between a charitable gift and a tax credit, Ms. Huddleston said businesses or organizations that donate to the School Choice Scholarship Program do not get a tax credit. Mr. Vandiver said if a business or organization donates to a non-profit, it would receive a tax deduction, which is usually a partial tax credit.

Chairman Mike Wilson thanked Ms. Umuhoza for attending the meeting and commended her on all of her achievements.

In response to Senator David Givens's question regarding model legislation for scholarship tax credit programs, Mr. Vandiver said 16 other states have adopted school choice programs. Also, legislation on scholarship tax credit programs was introduced in the 2015 General Assembly and the same legislation with a few modifications will be introduced in the 2016 General Assembly.

In response to Senator Reginald Thomas's question regarding tax liability, Mr. Vandiver said there is a reduction of revenue for the Commonwealth and providing more students access to non-public schools will save the Commonwealth money.

In response to Representative Reginald Meeks's question regarding who would be responsible for the accounting in scholarship tax credit programs, Mr. Vandiver said the overall structure of the programs would be monitored by the Kentucky Department of Revenue.

Review of Administrative Regulations

Representative Jim DeCesare spoke about administrative regulation 11 KAR 15:090 and said there are students in his district that do not have the opportunity to attend a catholic school in Kentucky and have to travel to Tennessee to do so. Since the student is attending school in another state, the Kentucky Educational Excellence Scholarship (KEES) money is not available for those students. Representative DeCesare stated that students who live in Kentucky but have to travel to another state to attend a school of their parents' choice should be eligible for KEES money.

There was no action taken on 11 KAR 15:090,

11 KAR 15:100, or 11 KAR 16:060.

Representative Linda Belcher asked members of the committee if they were familiar with the Gemini Educational System for kids who have autism and asked if committee staff would research the topic.

With no further business before the committee, the meeting adjourned at 2:29 p.m.

INTERIM JOINT COMMITTEE ON EDUCATION

Subcommittee on Postsecondary Education

Minutes of the 3rd Meeting of the 2015 Interim

October 12, 2015

Call to Order and Roll Call

The 3rd meeting of the Subcommittee on Postsecondary Education of the Interim Joint Committee on Education was held on Thursday, October 12, 2015, at 10:00 AM, in Room 131 of the Capitol Annex. Representative Reginald Meeks, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Reginald Meeks, Co-Chair; Senators David P. Givens, and Stephen West; Representatives George Brown Jr., Leslie Combs, Kelly Flood, Jim Glenn, Cluster Howard, Mary Lou Marzian, Jody Richards, Tom Riner, Rita Smart, and David Watkins.

LRC Staff: Jo Carole Ellis, Ben Boggs, and Amy Tolliver.

Approval of the Minutes of the July 13, 2015 and August 10, 2015, Meetings

Representative Glenn motioned to approve the minutes and Representative Smart seconded the motion. The motion carried.

Presentation: University Foundations

Ms. Leslie Strohm of the University of Louisville (UofL), Dr. Donald Smith of Western Kentucky University (WKU), and Ms. Angie Martin of the University of Kentucky (UK) provided an overview of university foundations at Kentucky's public universities. They provided information regarding the purpose of each of their institution's foundations, the governing structures, and what it means to be affiliated or non-affiliated with the universities. They also shared the history of each foundation's establishment and the array of activities they support across the university's communities.

They discussed that institutionally-related foundations are separate 501(c)(3) nonprofit organizations that perform a wide range of functions, but their primary purpose is to raise and/or manage private support for their universities. It was explained that, like other charitable organizations, these foundations are governed by an independent volunteer board. In most cases, the university president or other senior staff sit on the foundation board, although they may be non-voting members. This arrangement helps maintain open communication between the foundation and its university. As public charities, university

foundations are accountable to their donors and to their institutions. They are also legally accountable to the IRS.

In response to a question from Representative Smart regarding FirstBuild, Ms. Strohm explained that FirstBuild is a partnership among General Electric Co., UofL and Arizona-based Local Motors. FirstBuild is one component of the Institute for Product Realization. She stated that it is not expected to drive a tremendous revenue stream to the university but that it allows the university to leverage resources primarily for creating learning opportunities for students. The partnership allows students to work with GE engineers on campus daily to develop new products.

In response to Representative Riner's question regarding public access to donor information, Ms. Strohm stated that the names of the donors are available to the public. She said that she did not know if the donation amounts are available but will find out and report back to Representative Riner.

In response to Representative Givens's questions related to governance, Ms. Strohm explained that the board of trustees for UofL has influence on the UofL Foundation at a structural level, as four of the 15 directors and the chair are trustees. The university president also serves on the board of directors. Ms. Strohm acknowledged that concerns were raised and an audit requested by individual trustees but not by the board of trustees. She stated that the board of trustees is very comfortable with the relationship between the board of trustees and the board of the foundation.

In response to Representative Givens's question regarding compensation packages with administrators, Ms. Strohm stated that she is not aware of contracts containing a specific compensation amounts provided by the foundation. She explained, however, that the board of trustees have historically made requests to the foundation with respect to the support that they would like the foundation to provide to members of the senior leadership team. She stated that it is a common model for university foundations to provide additional support.

In response to Representative Givens's question about what UofL means by the terms "net state appropriation" and "other general funds" on slide 16 of the presentation, Ms. Strohm stated that she would report back to Representative Givens with that information. Representative Givens stated that it is his understanding that "net state appropriation" is the state appropriation for instruction and that "other general funds" includes state appropriations for capital construction. He said that the Commonwealth's public universities are getting more capital construction costs covered by the General Assembly than they have in the past.

In response to Representative Marzian's question, Ms. Strohm explained that she came to UofL because it is focused on and driven by a mission of furthering the education of students of the Commonwealth through innovation, collaboration, and service. Representative Marzian thanked Ms. Strohm for her testimony and expressed her optimism for the university and its foundations

operating with openness and transparency under her leadership.

Representative Riner asked to be provided with gender and racial composition of each of UofL's foundation boards. Ms. Strohm stated that she would provide the requested information.

In response to Representative Jody Richards's question as to whether it is common for a university president to serve on a university's foundation board, Ms. Strohm stated that from her experience, it is common for the president, or his or her senior executive officer, to serve on the university's foundation board. She explained that this is done so that the two organizations are aligned in their purposes, vision, and goals.

In response to Representative Meeks's questions about donor gifts, Ms. Strohm explained that almost all donors give their gifts on a restricted basis for specific programmatic areas. She explained that in some cases the restrictions are such that the gift can't be well-utilized. In such cases, she explained, the foundation works with the donor to restructure the gift so that it can be used more effectively.

Representative Watkins, as father of a UofL employee, a graduate, and a scholarship recipient himself, expressed his gratitude for the institution and thanked Ms. Strohm for her presentation.

In response to Representative Meeks's question about student debt, Ms. Strohm reported that the average student loan debt of UofL students at the time of graduation is approximately \$20,000 for those students who graduated with debt.

In response to a request from Representative Meeks, Dr. Donald Smith stated that he would provide a gender and racial composition of each of WKU's foundation boards.

In response to Representative Smart's question about endowments, Dr. Smith explained that WKU's foundations have a combined total endowment of \$142.9 million. Ms. Strohm stated that UofL's foundations total endowment is \$700-800 million and the amount that they contributed to the university's budget each year is around \$150 million. Representative Smart requested that the education committee staff create and provide to members a chart comparing all public university foundations endowment data.

In response to Representative Howard's question regarding athletic coaches, Dr. Smith explained that athletic coaches report to the athletic director who ultimately reports to the president of the institution. Dr. Smith stated that the athletic association is asked to supplement the coach's salary, but they have no decision making authority on the hiring or firing of coaches.

In response to Representative Meeks's question about accountability, Dr. Smith stated that the foundations are separate 501(c)(3) nonprofit organizations accountable to the IRS. He added that on the state level, the attorney general is the state agent who would investigate issues. Ms. Martin pointed out that UK's foundations are different in that they are included in the university's audited financial statements.

Representative Jody Richards thanked Dr. Smith for his presentation and praised WKU for the hard work they have put into increasing their endowment from \$20 million in 1997 to the current \$149 million.

In response to Representative Smart's question about alumni and athletic associations, Ms. Strohm explained that UofL's alumni association is part of the university and that the athletic association is an affiliated entity of the university. Dr. Smith said that WKU's alumni association is inter-dependent meaning that salaries come from the university, but all the programmatic dollars spent are all generated privately by the 501(c)(3) board.

In response to Representative Meeks's request, Ms. Strohm stated that she would provide a chart showing the race and gender of the UofL Athletic Association's board of directors.

In response to Representative Given's question about dissolved foundation's funds, Ms. Martin explained that the UK foundations bylaws state that the assets become those of the university if the foundation dissolves. Dr. Smith said that at WKU the funds from foundations created by WKU's board regents go to the university, but not necessarily funds from independent foundations. Ms. Strohm stated that if UofL's three foundations were to dissolve, provisions would require that their funds transfer to the university subject to whatever restrictions applied as held in the foundation.

In response to Senator West's question about UK's endowment, Ms. Martin stated that UK's endowment is about \$1.1 billion. Senator West requested that WKU and UK provide members with a chart similar to slide 16 in UofL's presentation.

Presentation: Career and Technical Education

Ms. Laura Arnold and Ms. Leslie Slaughter of the Office of Career and Technical Education, in the Kentucky Department of Education (KDE) provided an overview of the current efforts in career and technical education (CTE) to provide a stronger workforce across the Commonwealth. Ms. Slaughter explained that with the passing of House Bill 207 in the 2013 Regular Session, CTE was transferred to KDE from the Cabinet for Education and Workforce Development. This change led to a redefined mission to help all students acquire the skills necessary for a successful transition to postsecondary education or works, and a desire for life-long learning in a global society. Ms. Slaughter stated that today, almost 70 percent of Kentucky high school students are enrolled in a CTE program. The largest enrollments are in Business & Administration, Family & Consumer Sciences, and Agriculture & Natural Resources. She noted that 98 percent of Kentucky's preparatory CTE seniors graduated from high school in 2014.

In response to Representative Smart's questions related to authority and budget, Ms. Arnold said that all secondary CTE falls under the management of KDE. Ms. Arnold explained that \$50,000 of CTE's budget is allocated to KCTCS for the administration of the Carl D. Perkins funds.

In response to Representative Smart's question about employee raises, Ms. Arnold stated that the

employees of CTE's 53 state-operated centers are identified as state employees rather than school district employees. She said that they received raises this year based on how state employees received raises.

In response to Representative Glenn's question regarding CTE centers, Ms. Arnold explained that to be a center, the district or the school has to have five or more CTE programs in order to receive additional state funds to support their programs.

Representative Given stated that he would like to see public and private universities offering dual credit for students in CTE centers.

In response to Representative Given's question about synthesizing and taking action on the Southern Regional Education Board report, the Council of Chief State Board Officers report and the Kentucky Rising initiative, Ms. Arnold stated that CTE's economic competitiveness agenda, referenced in slide 29, is a synthesis of the reports and is what is being used to guide the work of CTE.

Representative Givens encouraged CTE to show a connection to this work and to the performance-based funding piece in their budget request.

In response to Representative Meeks's questions related to federal dollars, enrollment, and foundations, Ms. Arnold indicated that CTE's \$18 million in federal funds have been fairly steady over the past several years. She stated that there has been an increase in enrollment over the past couple of years and said that none of the CTE centers have foundations specific to them.

In response to Representative Meeks's question about other states models, Ms. Slaughter stated that CTE is looking at tiered reimbursement programs used in Florida and Canada as well as legislated equipment bonds in Alabama. Additionally, CTE is monitoring states applying performance-based funding.

With no further business before the committee, the meeting adjourned at 12:04 PM.

INTERIM JOINT COMMITTEE ON EDUCATION

Subcommittee on Elementary and Secondary Education

Minutes of the 3rd Meeting of the 2015 Interim

October 12, 2015

Call to Order and Roll Call

The 3rd meeting of the Subcommittee on Elementary and Secondary Education of the Interim Joint Committee on Education was held on Monday, October 12, 2015, at 10:00 AM, in Room 129 of the Capitol Annex. Representative Wilson Stone, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Danny Carroll, Co-Chair; Representative Wilson Stone, Co-Chair; Representatives Linda Belcher, Hubert Collins, Jeffery Donohue, Brian Linder, and Jim Stewart III.

Guests: Clyde Caudill, Kentucky Association of School Administrators (KASA); Wayne Young,

KASA.

LRC Staff: Janet Stevens, Joshua Collins, and Daniel Clark.

United Way Born Learning Academies, Driven By Toyota

Katie Morris, United Way Born Learning Academy Coordinator, Division of Family Resource and Youth Service Centers, said neural connections are important for language, thought, and skills needed for daily interactions. By age five, a child's brain will reach 90 percent of its adult weight and the United Way Born Learning Academies try to take advantage of this critical time for children, and help them become school ready.

Ms. Morris said the United Way Born Learning Academy curriculum was developed by Kenton County Schools, early childhood faculty members from Northern Kentucky University, and the United Way of Greater Cincinnati Success by 6, to support kindergarten readiness. Under the leadership of former Superintendent Tim Hanner, Beechgrove Elementary was selected to pilot the project. The model was so well received that it expanded to four other school districts and has been copyrighted by United Way worldwide.

Ms. Morris spoke about the basics of the United Way Born Learning Academy and said it is a six session caregiver engagement project that teaches how to turn everyday moments into learning opportunities. Also, classes take place one night after school each month for six months. Each academy is driven by the Family Resource Center in the school and the Family Resource Center has to have an Implementation Team.

Ms. Morris spoke about the success of the United Way Born Learning Academy and said after the first year of implementation, the parents believed their child's first year is the best time to start reading with them and almost all parents increased their understanding of the importance of playing, talking, reading, and singing with their children. Also, 100 percent of parents indicated that they used materials with their child and found that the materials helped them understand how their child could learn.

Melissa Goins, Executive Director, Division of Family Resource and Youth Services Centers (FRYSC) said FRYSCs mission statement is to create and sustain partnerships that promote early learning and successful transition into school, academic achievement, well-being, and graduation with successful transition into adult life.

Helen Carroll, United Way of Kentucky, said there are now 42 United Way Born Learning Academies in Kentucky funded by Toyota and led by United Way. Toyota made a one million dollar investment over five years for the born learning academies, and by 2017, there will be more than 60 Toyota Born Learning Academies in more than 30 communities across the Commonwealth.

LuLu Cisse, parent and a Born Learning Academy Graduate, spoke about her positive experiences while participating in the United Way Born Learning Academy and said the atmosphere of the academy was very relaxing for her and her child. The teachers and facilitators at the academy

showed parents how to relate and interact with their children to help them learn. Ms. Cisse said she hoped more parents would participate in an academy because of how wonderful the program is preparing children for kindergarten.

In response to Senator Danny Carroll's questions regarding the recruitment of families to the born learning academies and born learning academies being involved with non-profit childcare centers, Ms. Morris said recruitment is the biggest challenge of the academies. Other school programs such as FRYSC has an influence on the recruitment of families to the United Way Born Learning Academy. Also, Ms. Carroll said the academy is open to everybody, not just a certain population of families but typically the academies are established in elementary schools.

Senator Danny Carroll complimented and commended the United Way Born Learning Academy for its work with young children.

In response to Chairman Wilson Stone's question regarding an ideal class size for the academies and how many sessions are held during the school year, Ms. Morris said most of the academies across the Commonwealth start with six to eight families for the first year. Also, there is typically one session each month for six months that usually start in September.

Representative Linda Belcher thanked Toyota and other businesses for realizing how important early childhood education is to the Commonwealth.

In response to Representative Linda Belcher's question regarding the process for a school district to become a part of the United Way Born Learning Academy and the academy's funding, Ms. Morris said the United Way Born Learning Academy sent out 70 applications to the school districts' FRYSC Coordinators for next year along with an email providing directions on how to complete the application. The United Way Born Learning Academy will review those applications in December. Ms. Carroll said each school will receive a grant for \$6,000 from Toyota the first year, and \$3,000 for the next few years.

Chairman Wilson Stone said the FRYSCs are very important to the children of the Commonwealth and do very good work. He would like to see more funding for FRYSCs and programs like the United Way Born Learning Academy.

In response to Senator Danny Carroll's question regarding the expansion of the United Way Born Learning Academies, Ms. Goins said there has not been specific discussions regarding future expansion but there has been broad discussions about moving forward in the future at the end of the grant period.

In response to Chairman Wilson Stone's question regarding training for United Way Born Learning Academy staff, Ms. Morris said two professors from Northern Kentucky University who wrote the curriculum for the academy also wrote a training manual for staff. Also, Ms. Morris and Ms. Carroll provide two training sessions a year along with webinars for staff.

Superintendent School Readiness Toolbox

Terry Tolan, Executive Director, Governor's

Office of Early Childhood, said the Superintendent School Readiness Toolbox is being funded by a \$25,000 grant and in 2013 every child was screened for kindergarten readiness before entering kindergarten. Out of 55,000 students in 2014, about 50 percent entered at a kindergarten ready level. The Governor's Office of Early Childhood believes 40 percent of Kentucky's children do not attend an organized childcare setting prior to entering kindergarten.

Ms. Tolan said the Superintendent School Readiness Toolbox is available on the Kentucky Department of Education's (KDE) home webpage. The web based toolbox is designed to be easily used and does not require the creation of a lot of new materials while identifying partners and promoting best practices. The toolbox has six sections; an introduction section that tells superintendents what to expect; a section on brain research and the return on investment; a section that has data available for superintendents; a section on community partners; a section that shows the approach on how to convene with partners; and a section on what the best practices are in the Commonwealth.

Ms. Tolan spoke about the School Readiness Summit and said the Governor's Office of Early Childhood posted applications for the summit last week. The School Readiness Summit is an opportunity for superintendents statewide to focus on school readiness with a team of community partners.

In response to Chairman Wilson Stone's questions regarding school readiness data for kindergarten students and kindergarten readiness screening parameters, Ms. Tolan said in December, KDE will release the 2015 school readiness data results. Also, in 2016 the students who were first screened for kindergarten readiness will take the third grade assessment and the Governor's Office for Early Childhood will begin to compare the kindergarten readiness scores to the third grade reading and math scores. Ms. Tolan said there are no conversations or plans to change the parameters of the kindergarten screening.

In response to Senator Danny Carroll's questions regarding the future of early childhood learning, the Child Care and Development Block Grants, and the Hands Program, Ms. Tolan said the Governor's Office of Early Childhood's recommendation is to look at a mixed delivery system for preschool as eligibility is expanded across Kentucky. The Governor's Office of Early Childhood would also like to see preschool delivered in high quality child care. The final results of CCDB grants have not been released but Ms. Tolan said there is a possibility there will be a proposed higher level of accountability for licensed childcare programs in Kentucky. Also, in regards to the Hands Program, Kentucky is the only state in the nation that has in-home visiting in every county.

With no further business before the committee, the meeting adjourned at 11:14 a.m.

INTERIM JOINT COMMITTEE ON JUDICIARY

Minutes of the 5th Meeting of the 2015 Interim

October 14, 2015

Call to Order and Roll Call

The 5th meeting of the Interim Joint Committee on Judiciary was held on Wednesday, October 14, 2015, at 10:00 AM, in Hopkinsville. Senator Whitney Westerfield, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Whitney Westerfield, Co-Chair; Representative John Tilley, Co-Chair; Senators Danny Carroll, Perry B. Clark, Ray S. Jones II, Alice Forgy Kerr, Wil Schroder, Dan “Malano” Seum, and Robin L. Webb; Representatives Johnny Bell, Kelly Flood, Joni L. Jenkins, Mary Lou Marzian, Reginald Meeks, Suzanne Miles, Darryl T. Owens, Ryan Quarles, Tom Riner, and Brent Yonts.

Guests: Kelly Stephens, Judge Jerry Crosby, Judge Brandi Rogers, Vince Riggs, Judge Jay Wethington, Sherry Currens, Marion Brown, Mary Savage, Darlene Thomas, Christie Foster, Eileen Recktenwald, Gretchen Hunt, Representative David Floyd, Russell Coleman, and Sarah Davasher-Wisdom.

LRC Staff: Jon Grate, Matt Trebelhorn, Dallas Hurley, Alice Lyon, Chandani Jones.

HB 8 Implementation Update

After a brief introduction, Kelly Stephens, counsel for the Kentucky Administrative Office of the Courts (AOC), testified that the court system has been updating forms and software systems to implement the new interpersonal protection order system that was authorized by HB 8 in order to meet the January 1, 2016 deadline.

District Judge Jerry Crosby, of Oldham, Trimble, and Henry Counties stated that implementation of HB 8 has not resulted in drastic changes to court protocols.

Family Court Judge Brandi Rogers of Crittenden, Union, and Webster Counties said that her biggest concern is fear of the unknown in terms of the number of newly eligible persons seeking protection under HB 8. Judge Rogers has been meeting with county and school officials to formulate a plan for how to protect victims of dating violence who attend the same school as their assailant while ensuring that the assailant still has access to a constitutionally-guaranteed education.

Vince Riggs, the Fayette County Circuit Court Clerk, assured the committee that the AOC has properly trained Circuit Court Clerks throughout the Commonwealth in anticipation of HB 8 going online in January 2016.

Circuit Judge Jay Wethington of Owensboro invited members to reach out to the Circuit Judges Association in regards to issues affecting the courts. Judge Wethington also asked the committee to approve a family court division in Davis County during the upcoming budget session.

Responding to a question from Senator Robin Webb, Kelly Stephens stated that a uniform model protocol has been distributed and is being

implemented in the local court rules throughout the Commonwealth.

Judge Rogers responding to a question from Senator Danny Carroll about the bill’s effect on smaller schools, stated there are methods for alternative instruction that can accommodate new interpersonal protection orders.

Strengthening Kentucky’s Response to Domestic Violence: Civil and Criminal Remedies

Marion Brown, Executive Director of Sanctuary, discussed how her shelter is one of the few shelters that combines services for victims of both domestic violence and sexual assault.

Sherry Currens, Executive Director of the Kentucky Coalition Against Domestic Violence (KCADV) described her organization as an alliance of the fifteen domestic violence shelters operating throughout the Commonwealth. In addition to asking for more financial support from the General Assembly, KCADV presented four domestic violence-related legislative initiatives for the 2016 Regular Session which include:

Creating a twelve hour hold for individuals charged with domestic violence whose pretrial assessment reveals a risk of further harm to victims;

Creating leasing protections for victims of domestic and dating violence, sexual assault, and stalking;

Providing parents with legal representation at the initial hearing for cases alleging dependency, neglect, and abuse proceedings; and

Creating a felony strangulation offense in the penal code.

Representative Joni Jenkins informed the committee that she plans on filing legislation allowing persons who have protective orders to terminate their leases. Sherry Currens stated 24 states already have some form of leasing protection for tenants who are victims of domestic violence.

Senator Perry Clark asked if the legislation would violate the either the state or federal constitutional prohibition of the impairment of contracts. Mary Savage stated that the legislation only applied to leases formed after the bill becomes law.

Senator Dan Seum asked the panel how a landlord would know if one of their tenants was protected by a protective order. Sherry Currens stated that many victims proactively inform landlords of the existence of protective orders. Senator Seum then asked how the bill would be enforced against landlords. Mary Savage explained that the tenant would have an affirmative defense to eviction under the bill. Sherry Kearns also stated that the type of protections offered to tenants under the bill already apply to persons receiving Section 8 housing assistance pursuant to federal law, and this proposed bill would simply ensure that it applies to all Kentuckians.

Darlene Thomas, Executive Director of GreenHouse17, explained the need for civil representation of parents at the initial hearing for a case where the Cabinet for Health and Family Services (CHFS) alleges dependency, neglect, and abuse. Darlene Thomas added that non-offending parents are often pressured by CHFS to stipulate to

charges of dependency, neglect, and abuse because only the Cabinet, not the parents, is represented by an attorney at the initial hearing which often results in the wrongful loss of custody by the victimized parent. Ms. Thomas added that this imbalance of power hurts children by placing them into foster care when the non-offending parent is perfectly capable of caring for the children.

Christie Foster, Assistant Jefferson County Commonwealth’s Attorney, spoke of the need for felony legislation addressing strangulation. Ms. Foster stated that victims of strangulation are seven times more likely to become homicide victims at the hands of intimate partners. According to Ms. Foster, 38 states have passed strangulation-specific statutes.

Senator Whitney Westerfield asked Ms. Foster for her recommendations in terms of the necessary elements of a strangulation offense and the penalty level. Ms. Foster stated that any statute should specifically define strangulation as the impeding of the airway of the victim. Senator Westerfield expressed his support for the legislation and the need for more clarity in the language of the existing assault offenses. Responding to a statement by Senator Danny Carroll, Ms. Foster stated that juries struggle with strangulation cases where there is no visible marks left on the victim. Senator Ray Jones suggested that the proposed bill represents a “fundamental departure” from how the Commonwealth currently criminalizes behavior and proves criminal conduct before a jury. Senator Robin Webb stated that the proposed approach wrongly removes the need to present expert evidence to the jury.

Improving Justice for Victims of Sexual Violence in the Commonwealth

Eileen Recktenwald, Executive Director of the Kentucky Association of Sexual Assault Programs (KASAP), stated that their 2016 legislative goals come directly from requests by staff delivering services to victims. Ms. Recktenwald stated that 1 in 4 college students experience some form of sexual violence in their lifetime. Ms. Recktenwald stated that Kentucky’s 13 rape crisis centers responded to over 30,000 requests for services in 2014. In response to new federal grant requirements, KASAP has had to start initiatives aimed at preventing sexual assault. As a result of KASAP’s new funding requirements, over 80,000 Kentucky college students participated in an unprecedented study which showed a 50 percent reduction in all forms of sexual violence where the GreenDot program was implemented in 13 Kentucky universities.

Gretchen Hunt, KASAP Staff Attorney, stated that Kentucky has higher than average rates of sexual violence. Ms. Hunt stated that 47 percent of Kentucky women have experienced some type of criminal sexual conduct. Ms. Hunt added that according to national statistics, 63 percent of sexual assaults are never reported while the FBI estimates 92-98 percent of reports of rape are truthful. According to Ms. Hunt, Kentucky-specific data regarding the number of unreported sexual assault is non-existent.

Gretchen Hunt stated that KASAP plans on supporting legislation that implements the Auditor of Public Accounts' sexual assault kit testing recommendations including to supporting legislation which would require the testing all sexual assault kits collected from survivors of sexual assault. KASAP also wants to see the legislature mandate a uniform sexual assault reporting form for statewide use. Ms. Hunt also proposed that the Kentucky Crime Victims Bill of Rights be amended to require continuous victim notification by law enforcement.

Ms. Hunt then presented KASAP's other legislative priorities for the 2016 regular session, including extending the civil statute of limitations for cases involving sexual assault to allow victims to recover costs associated with medical care, therapy, lost wages, and relocation expenses and combating so-called "revenge pornography." Senator Ray Jones stated that he supported extending the civil statute of limitations in sexual assault cases and legislation addressing revenge pornography. Senator Danny Carroll stated that his police department experienced higher levels of false reporting in regards to sexual assaults than the FBI reported.

Reducing Recidivism through Successful Economic Reintegration

Representative Darryl Owens stated that Kentucky employers are turning away thousands of applicants because of old low-level felony convictions which is why he is reintroducing a bill to allow the expungement of a non-violent Class D felony. Sarah Davasher-Wisdom of Greater Louisville Inc. presented the organization's support for criminal record expungement reform because it improves economic growth by addressing workforce shortages. Russell Coleman, of the U.S. Justice Action Network, stated that his organization is a bipartisan organization that was founded to promote criminal justice reform through expungement and offender reentry programs. Mr. Coleman added that any expungement reform has been shown to reduce recidivism by allowing persons to reenter the workforce and rebuild their lives after paying their debt to society.

Wes Powell, a convicted felon and father of five, told the committee about his struggle to find employment and education opportunities because of his 25 year old criminal conviction. Mr. Powell who is now student with a 4.0 grade point average is worried about not being able to find a physical therapy clinical rotation because of his old conviction.

Representative David Floyd reiterated his continuing support for expungement reform. Representative Floyd stated his intention to reach out to his colleagues in the Senate during the 2016 regular session to address any lingering concerns about expungement reform.

Senator Wil Schroder asked Representative Floyd if the last expungement bill had a five year waiting period, to which Representative Floyd responded in the affirmative. Senator Schroder stated that he has seen business owners who have had to cease operations because of thefts

or other criminal acts and that any reform must balance damage to victims with the damage to ex-offenders. Senator Robin Webb thanked the panel for their testimony and voiced her continued support for the initiative. Senator Danny Carroll expressed concerns over the ability of an offender to get multiple felonies expunged and stated that he would like a provision in the bill that would limit expungement to offenses to those which occurred prior to the offender reaching 25 years of age.

There being no further business, the meeting was adjourned at 12:44 PM.

INTERIM JOINT COMMITTEE ON LOCAL GOVERNMENT

Minutes of the 4th Meeting of the 2015 Interim

October 28, 2015

Call to Order and Roll Call

The fourth meeting of the Interim Joint Committee on Local Government was held on Wednesday, October 28, 2015, at 10:00 AM, in Room 171 of the Capitol Annex. Senator Joe Bowen, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Joe Bowen, Co-Chair; Representative Steve Riggs, Co-Chair; Senators Ralph Alvarado, Stan Humphries, Christian McDaniel, Morgan McGarvey, Albert Robinson, Dan "Malano" Seum, and Damon Thayer; Representatives Linda Belcher, Ron Crimm, Mike Denham, Jim DuPlessis, Adam Koenig, Stan Lee, Tom McKee, Michael Meredith, Russ A. Meyer, Phil Moffett, Jonathan Shell, Arnold Simpson, Rita Smart, James Tipton, and Susan Westrom.

Guests: Roddy Harrison, City of Williamsburg; Claude Christensen, City of Sadieville; Jonathan Steiner, J.D. Chaney, Bert May, Joe Coleman, and Bryanna Carroll, Kentucky League of Cities; Shelley Hampton, Kentucky Association of Counties; Dan Meyer, Wine and Spirits Wholesalers of Kentucky; and Ollie Barber, Kentucky Public Transit Association.

LRC Staff: Mark Mitchell, John Ryan, Joe Pinczewski-Lee, Tom Dorman, Jay Hartz, Brian Traugott, Vaughn Murphy, and Cheryl Walters.

Approval of Minutes

Upon the motion of Representative Crimm and second by Senator Alvarado, the minutes of the September 23, 2015 meeting were approved.

Kentucky League of Cities' Legislative Platform for 2016 Session of the General Assembly

Jon Steiner, Executive Director of the Kentucky League of Cities (KLC) said that the focus of cities is fixing issues that are negative to cities and creating new opportunities and tools for cities. He introduced KLC's officers who would present the details of the legislative agenda: KLC President and Williamsburg Mayor Roddy Harrison, and KLC First Vice-President and Sadieville Mayor Claude Christensen.

Mayor Harrison said that the KLC Board of Directors had recently completed its meeting to

rank more than 25 legislative issues. KLC's top priorities include:

911 funding shortfall. The KLC Board of Directors voted the 911 funding shortfall as the number one priority for the 2016 legislative session for the second year in a row. The growing concern of the unsustainable funding model for the 911 system has been increasing over the past several years. Advancements in technology, increased 911 call volumes from wireless devices, along with the migration away from landlines, has resulted in decreased funding for 911. From 2000 to 2013, the total number of landlines decreased by 23 percent while the number of wireless users increased by 294 percent. This has forced cities and counties to use general fund dollars to replace lost funding for maintenance of this essential service.

In fiscal year 2014, local governments contributed over \$32 million from their general funds to support local 911 efforts. Those general funds dollars accounted for 41 percent of all the resources used for funding public safety answering points in Kentucky. Local fees from landlines made up 36 percent of funding and those range from 50 cents to \$4.00. Funds generated by the wireless fee made up just 23 percent of total local 911 revenue but accounted for 71 percent of the 911 call volume. The wireless fee was set at 70 cents at its inception in 1998 and remains unchanged today.

The KLC Board of Directors would like to urge members of the committee and the entire General Assembly to support legislation that raises the Commercial Mobile Radio Services (CMRS) wireless fee to a reasonable level which would offer much needed relief to local governments. In addition, cities remain committed to supporting legislation that maintains clear guidelines and transparency for 911 expenditures. While KLC has accomplished a great deal of efficiencies through consolidation by decreasing the number of public safety answering points (PSAPs) across the state to 112, KLC will continue to support policies that encourage interlocal cooperation and incentivize consolidation. Legislation will likely include components that eliminate provider reimbursement, address CMRS governance, and corrects the collection issues surrounding prepaid wireless users.

Local officials are not seeking new revenues—instead they are seeking to replace lost revenues. Cities would prefer to do this without legislative assistance, however, state laws preempt local governments from making the necessary adjustments, so KLC needs the General Assembly to be a partner to ensure there is a solution. City leaders also look forward to working with counties on this issue.

In response to a question from Senator McDaniel, Mayor Harrison replied that the KLC Board of Directors is still in dialogue about how many PSAPs they would recommend having. The state needs to be careful how much consolidation is appropriate, but KLC is open to discussing consolidation.

Senator Bowen commented that expense should be a built-in incentive to consolidate.

In response to a question from Representative Tipton, Mayor Harrison said there is no collection tax for prepaid wireless users.

Representative Smart commented that her district consolidated PSAPs in 2009 and are still having the same problem of keeping employees. Mayor Harrison stated that he did not have any information on employment issues in other parts of the state.

Representative Riggs commented that interlocal agreements are not being utilized enough and that the agreements could help with freeing up money by saving it in the first place. Mayor Harrison said KLC agrees and encourages interlocal agreements.

Senator Bowen commented that there are too many counties.

In response to a question from Senator Robinson, Mayor Harrison said the consolidation of PSAPs would not be done in such a way as to affect fire and police service to rural areas but that they have not looked into the efforts of consolidating PSAPs in regards to the actual services of the departments.

Senator Humphries commented that he hoped there was a voice for rural Kentucky if consolidation of PSAPs is considered so that personal safety is not sacrificed to save money.

Representative Simpson said that Kenton County has an alternative means to collect 911 funding by putting a fee on tax bills, and suggested that all communities look at that option to fund 911.

In response to a question from Representative DuPlessis, Mayor Harrison said there was quite a bit of misused 911 calls.

Representative DuPlessis suggested a co-pay fee for those that used prepaid phones and those that misuse 911 be charged a fee as well. Mayor Harrison said those were viable suggestions that KLC would look into.

Representative McKee commented that it was not right for customers to pay 70 cents for 911 service when prepaid users do not pay anything.

Road aid funding formula. Mayor Harrison stated that the KLC Board of Directors voted modernizing the state's road aid funding formula its second priority in late September and encourage members of the committee to examine and support revisions to the antiquated formula. In 1948, the General Assembly established the road aid funding formulas which include municipal road aid, county road aid or municipal secondary road aid. These formulas have not been updated since their inception nearly 70 years ago.

Kentucky's cities spend more than one quarter of a billion dollars each year on constructing and maintaining nearly 10,000 miles of city streets, yet one-third of that money comes from intergovernmental resources such as the state municipal road aid program or federal grants. In fiscal year 2014, cities spent nearly \$270 million on municipal roads but received less than \$60 million from the municipal road aid fund. Conversely, unincorporated areas spent less than \$290 million to maintain county or rural roads yet received almost \$325 million from the county and rural road

funds. The cost of constructing and maintaining unincorporated roads are funded more than 112 percent by the state road fund while city roads are funded less than 22 percent by the same fund.

KLC supports the restructuring of the road funding formulas for a more equitable allocation to local governments with higher traffic areas that have more frequent needs. KLC proposes retaining the 48.2 percent of Kentucky motor fuels taxes and consolidating all three separate road programs into one "Local Road Aid Program."

Currently, the formula of fifths is used to divide the road aid dollars. One-fifth is divided equally among all counties, 1/5 is divided by rural road miles, 1/5 is divided by rural population and 2/5 is divided by rural land area. KLC's proposal would eliminate equal shares to counties and references to urban and rural populations, reduce the influence of land area and increase the influence of population and road miles. It would also require counties to spend road aid dollars based on the current proportional split between county road aid and rural secondary road aid so that roadways in the state are adequately maintained. KLC proposes a formula of thirds. Under this funding formula, 1/3 of the funds would be divided by incorporated versus unincorporated population, 1/3 divided by incorporated versus unincorporated road miles and 1/3 incorporated versus unincorporated land area. This new funding formula would increase road aid dollars for all cities and some counties including Boone, Christian, Laurel, Oldham, Pulaski, and Warren. This would allocate enough funds to counties to cover almost 100 percent of total road fund expenditures in a year.

In response to a question from Senator Bowen, Mayor Harrison stated that KLC is working with KACo on road aid funding formula legislation.

In response to a question from Representative Riggs, Mayor Harrison said he did not have any specific examples where counties are spending money inside cities but would get that information for the Committee.

In response to a question from Representative Belcher, Joseph Coleman, KLC staff, said it was the way the numbers came out using the one-third funding formula was the reason why those particular six counties' road aid dollars would increase.

In response to a question from Representative Meredith, Mr. Coleman said that in broad terms, about \$38 million would be shifted from rural, unincorporated parts of the state to cities. Representative Meredith commented that KLC should make sure they work with KACo in order for everyone to benefit.

In response to a question from Representative Moffett, Mayor Harrison said using land area to calculate the funding formula is the way the state has always been doing it.

Senator Humphries commented on the fiscal obligations that counties are responsible for such as the provision of jails.

Representative Simpson commented that the appropriations should be fair and that he has prefiled a bill that will serve as a discussion starter.

In response to a question from Senator Seum,

Mayor Harrison stated that federal monies comes to the state and county, but they have to apply every time for each grant.

Representative Crimm commented that it was not just small cities and rural counties that have road problems.

Revenue diversification. Mayor Harrison stated the Kentucky Constitution severely limits the revenue options available to city governments. Cities need access to varied revenue options to ensure the quality of life that makes Kentucky an attractive place to live and do business. Fifty-six percent of all non-utility Kentucky city revenue comes from taxes. Currently, Kentucky ranks 44th in local taxes collected.

KLC is asking for the legislature's support to expand the authority to impose a restaurant tax to all cities. Cities would retain 75 percent of the revenues for quality of life enhancements while 25 percent would be remitted to local tourism commissions. The restaurant tax would be used in lieu of the collection of net profits or gross receipts taxes on restaurants; however, participating cities would still have the option to impose payroll taxes on restaurant employees and maintain their regulatory business licensing requirements. It is important to note that this expansion of authority to all cities only gives the cities the option to impose a restaurant tax. It will be up to local officials and communities to determine if a restaurant tax would be a good revenue option for their city.

The KLC Board of Directors strongly supports a constitutional amendment that would allow Kentuckians to decide on the issue of a voter-approved local option sales tax for a specific community project that would sunset after a period of time. The amendment passed the House last year and KLC is asking that the full General Assembly approve the constitutional amendment in 2016 so that the voters of Kentucky can decide this issue. Thirty-eight states have given local communities the ability to make the decision to invest in themselves. Kentucky is the only southern state without this ability.

In response to a question from Representative Smart, J.D. Chaney, KLC Staff, replied that the KLC Board voted, relating to the split of the tax, not to grandfather in those cities that are already collecting a restaurant tax. This would be for the proposed bill as it stands at present. A deal has not been struck yet.

Representative Smart commented that the City of Pigeon Forge, Tennessee spends more on marketing that the whole state of Kentucky.

Abandoned and blighted properties. Mayor Harrison told the Committee that abandoned, blighted and code-deficient properties are a major source of concern for nearly every Kentucky City. KLC supports incentivizing property owners or other stakeholders to take responsibility for those properties and finding proven methods to reintegrate the properties into the community.

Amendment of anti-spiking provision in retirement legislation and CERS separation from KRS. KLC will seek legislation to maintain 2013 SB 2's provisions prohibiting the abuse

that caused exorbitant artificial spikes, while making considerations for valid increases in compensation. The legislation will also provide relief to employers to authorize necessary work and allow employees to work without fear of being penalized for legitimate increases of their creditable compensation. Members of the coalition have been working on compromise language with the Kentucky Retirement Systems (KRS) and will have it ready to file for the upcoming session.

The KLC Board of Directors also voted to seek legislation that explores options for the County Employee Retirement System (CERS) to separate from KRS. After the pension reform of 2013, CERS has been on an upward trajectory and has seen its funding ratio increase while employer contributions have steadily decreased.

Prevailing wage. Mayor Christensen told the committee that the repeal of prevailing wage would mean more tax dollars that can stretch further for economic development, and capital and infrastructure projects. Kentucky's city leaders seek to be good stewards of the tax revenues that they receive and ask that members of the General Assembly consider repealing this costly unfair law.

Drug abuse. KLC strongly supports legislation that proactively addresses drug abuse and its consequences. Cities will continue to advocate for legislation that addresses the evolving issue from both a criminal and a treatment perspective.

Increase in police and fire incentive pay. Cities support the increase of the training incentive payments to police and professional firefighters to \$4,000 annually, and urge the payment of the additional costs associated with the payment.

Rehiring of retired police officers. A great number of cities in Kentucky struggle with maintaining a fully staffed police force as hiring a new recruit is costly and comes with a long waiting period due to training. Sheriffs' offices have the ability to rehire retired police officers without making employer contributions to retirement or reimbursing or otherwise providing health insurance benefits to the rehired retiree. City leaders ask that police departments are afforded the same ability as their county counterparts.

Newspaper publication reforms. The KLC Board of Directors has voted to continue to work together to modernize the newspaper publication laws in the Commonwealth by incorporating technology to provide citizens more access to information about the operation of their city government in a more cost-effective manner. The cities do not intend to do away with the printed word. Cities want expanded opportunities to use resources that are less expensive, but equally effective.

Public-private partnerships. KLC asks that the legislature support legislation that would clarify the use of public-private partnerships in the Commonwealth and offers clear guidelines for entering into a P3 for capital projects. Public-private partnerships are a valuable economic development and alternative financing tool for local governments.

Lastly, as during any legislative session, state

officials can also expect city leaders to vigorously oppose any bills that other interest groups will likely introduce that attempt to preempt local home rule authority or impose unfunded costs on our local taxpayers. Protecting home rule is the core of our organization's entire legislative platform.

In response to a question from Senator Robinson, Mayor Harrison said that the cities will support changes to the prevailing wage law.

Senator Bowen announced that the next meeting will be November 18th.

There being no further business, the meeting was adjourned at 11:45 a.m.

INTERIM JOINT COMMITTEE ON VETERANS, MILITARY AFFAIRS, AND PUBLIC PROTECTION

Minutes of the 4th Meeting of the 2015 Interim

October 8, 2015

Call to Order and Roll Call

The 4th meeting of the Interim Joint Committee on Veterans, Military Affairs, and Public Protection was held on Thursday, October 8, 2015, at 1:00 PM, in . Senator Albert Robinson, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Albert Robinson, Co-Chair; Senators C.B. Embry Jr., Ernie Harris, Stan Humphries, and Mike Wilson; Representatives Robert Benvenuti III, Tom Burch, Leslie Combs, Tim Couch, Ron Crimm, Myron Dossett, Jim Gooch Jr., David Hale, Kenny Imes, David Meade, Terry Mills, Tim Moore, Tom Riner, and Russell Webber.

Guests: MAJ GEN (Ret.) Steve Collins, Director, Bluegrass Station; Gen. Steve Bullard, Kentucky Air National Guard (KyANG); and Mike Jones, Director, Kentucky Logistical Operations Center (KYLOC).

LRC Staff: Erica Warren, Jessica Zeh, and Rhonda Schierer.

Welcome and Overview of Bluegrass Station's Mission, Past, and Future

MAJ GEN (Ret.) Steve Collins, Director, gave a PowerPoint presentation on Bluegrass Station's mission, past, and future. Bluegrass Station consists of 777 acres with 291.47 mostly developed. In 2013, Bluegrass Station was able to repurpose 211.71 acres from solely a recreational area and former golf course to usage defined by U.S. Department of Homeland Security and the Federal Emergency Management Agency for emergency response; 273.86 acres are still undeveloped. The property houses over 2.2 million square feet of commercial space and 112 buildings.

MAJ Collins discussed the Bluegrass Station federal and state initiatives and administrative solution to previous land restrictions verses federal legislation. The installation capabilities of Bluegrass Station include: a military culture with a better business plan, operations and management based lease versus rent based lease, expansion without federal military construction funding,

integrated anti-terrorism plan with local, state, and federal agencies, including use of on-site and statewide military response, secure access control points, roving patrols and electronic surveillance, access to military networks, email and domain, linkage with local and military weather warning systems, redundant broadband and buried fiber capability, access to the defense switching network telephones, environmental permits including air, water and waste, onsite railhead and rail loading coordination, separate fire system to achieve from 1500-2300 gallons per minute on-site, manned 24/7 fire department, electronic billing using federal wide area workflow system, surge capability with offsite storage, and provide on-site vehicle exercise and test area.

At the Bluegrass Station, the Department of Defense (DOD), National Guard Bureau (NGB), Kentucky Logistical Operations Center (KYLOC), military units and state police have a mission to meet task order or tenant needs, and develop strategic partnerships. Bluegrass Station recognizes that its tenants are what make up the Bluegrass Station, and therefore creates capabilities that set conditions for tenant success, and uses complementary abilities of local, state, and federal governments. The goal is to continue improving and gaining jobs.

In response to a question from Representative Burch, MAJ Collins stated that it is hard to anticipate the number of simulations and missions that take place daily at the Bluegrass Station but that Bluegrass Station receives 200 task orders daily.

Mike Jones, Director, provided an overview of the Kentucky Logistical Operation Center (KYLOC), located at Bluegrass Station, and the uniform services provided to each branch of the military. Mr. Jones stated that no state dollars are spent at the KYLOC. KYLOC provides uniforms anywhere in the world and is constantly looking for other groups to accommodate. It provides patches and other detailed information clients want on their uniforms. The college Reserve Officers' Training Corps (ROTC) have always reused uniforms from previous members, and now members get new uniforms specifically fitted to the persons needing them. Uniforms are shipped directly to their clients. Mr. Jones invited members to see KYLOC in operation following the committee's bus tour of Bluegrass Station.

In response to a question from Representative Mills, Mr. Jones stated that uniforms are not available to high schools at this time, but he hopes that high schools will use the program in the future.

Other Business

General Bullard announced that the Veterans, Military Affairs, and Public Protection Interim Joint Committee will meet November 12, 2015, at the Air National Guard Base in Louisville and spoke about the Kentucky National Guard Youth Challenge Program.

Chairman Robinson announced to members that a bus tour of the Bluegrass Station would be immediately after adjournment.

There being no further business, the meeting was adjourned.

INTERIM JOINT COMMITTEE ON LABOR AND INDUSTRY

Minutes of the 5th Meeting of the 2015 Interim

October 15, 2015

Call to Order and Roll Call

The 5th meeting of the Interim Joint Committee on Labor and Industry was held on Thursday, October 15, 2015, at 11:00 AM, at the Jim Beam American Stillhouse in Clermont, KY. This was a joint meeting with the Interim Joint Committee on Economic Development and Tourism. Senator Alice Forgry Kerr, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Alice Forgry Kerr, Co-Chair; Senators Perry B. Clark, Carroll Gibson, Ernie Harris, Jimmy Higdon, Reginald Thomas, and Mike Wilson; Representatives Lynn Bechler, Linda Belcher, Regina Bunch, Denver Butler, Jeffery Donohue, Jim DuPlessis, Dennis Horlander, Joni L. Jenkins, Mary Lou Marzian, Charles Miller, Jerry T. Miller, Terry Mills, Tom Riner, Jim Stewart III, James Tipton, and Brent Yonts.

Guests: Deputy Secretary Beth Brinly, Education and Workforce Development Cabinet; Clay Lamb, Staff Attorney, Office of Legal and Legislative Services, Education and Workforce Development Cabinet; Melanie Roberts, Judge Executive, Bullitt County; Jerry Summers, Director of Community Relations, Beam Suntory; Kristen Meadors, Director of Governmental and Regulatory Affairs, Kentucky Distillers Association; Randy Strobo, Downey Strobo PLLC; Johnny Miller, President, Earthwell Energy Management Incorporated; Chris Woolery, Program Coordinator, HowSmartKY; Josh Bills, Program Coordinator, Energy Efficient Enterprises; and Eric Dixon, Coordinator of Policy and Community Engagement, Appalachian Citizens Law Center.

LRC Staff: Carla Montgomery, Adanna Hydes, and Sasche Allen.

Approval of Minutes

A motion by Senator Wilson and a second by Representative Belcher to approve the minutes from the September 15, 2015 meeting carried by voice vote.

Consideration of Referred Administrative Regulation

The following referred administrative regulation was on the agenda for consideration: **787 KAR 2:040 & E** - establishes the membership criteria and operating guidelines for local workforce development boards, requires interlocal and partnership agreements for local workforce development areas, and establishes the process for the identification of regions and designation of local workforce development areas under the Workforce Innovation and Opportunity Act, 29 U.S.C 3122, et seq. A motion to accept the referred administrative regulation was made by Representative Yonts, seconded by Representative Marzian, and accepted by voice vote.

Welcome

Representative Belcher welcomed legislators and guests to Bullitt County and mentioned the various attractions of the area. She invited committee members to come back and visit in the future.

Melanie Roberts, Judge Executive, Bullitt County, welcomed members and thanked the co-chairs for allowing her to speak. She thanked Representatives Webber, Belcher, and Tipton for their service to the local community. Judge Roberts informed the members that next year the area will attain Work Ready status. The community has secured a location at the local college to offer certified production technician classes.

Kentucky's Signature Industry Update *Beam Suntory*

Jerry Summers, Director of Community Relations, Beam Suntory, gave an overview of the company, which is a division of Suntory Holdings and employs over 900 people in the state. Suntory Holdings is the third largest spirits company in the world, with 37,613 employees, \$20.4 billion in sales, and 36 percent of its business being alcohol sales. Key markets include the United States, Japan, and Australia. Key brands include Pinnacle Vodka, Cruzan Rum, Knob Creek, and Makers Mark.

Beam Suntory is the #1 seller of bourbon and the #1 seller of Jim Beam in the world and sells to 130 different countries. The Jim Beam Distillery in Clermont sits on 420 acres and was built in 1934 as James B. Beam Distillery. In 1968 it was purchased by American Tobacco and in 1987 James B. Beam Distillery purchased National Distillers, becoming Jim Beam Brands Company. The Clermont complex distills, warehouses, processes, bottles, and ships case products worldwide. The complex has 30 barrel warehouses, while the Franklin County location, Frankfort Old Grand Dad Plant, has 13 warehouses, and the Nelson County location, Booker Noe Plant, has 27 warehouses. The Franklin County location is the largest in the supply chain network, producing 14 one million cases a year and over 1300 different products.

The Beam Suntory Global Innovation Center, located in Clermont, houses the company's trade/on premise testing and customer engagement areas, which is responsible for efficient and fast prototyping and testing of new product formats. It provides a dynamic environment to attract talent, catalyze teamwork, and reinforce a bold entrepreneurial spirit. The Beam on 4th facility in Louisville accommodates the company's global business services including payroll, human resources, procurement, master data, and expense accounts. The Jim Beam American Stillhouse, a \$20 million investment, at the Clermont distillery opened in 2012, has 135,000 visitors a year, offers a craft distillery tour, and has an onsite restaurant. The Jim Beam Urban Stillhouse, a \$5.2 million investment, opened October 1, 2015 in Louisville at 4th Street Live and is a craft distillery that offers customers the opportunity to do tastings and purchase merchandise. Due to Alcohol Beverage Control regulations, the facility is only allowed to offer one tasting a day, thus it requires customers to show their driver's licenses upon entering to avoid

allowing two tastings on the same day.

All Kentucky distilleries market KY Bourbon Tourism as well as the Kentucky Tourism Arts, and Heritage Cabinet, the Kentucky Bourbon Trail, local convention and visitor centers, the Kentucky Travel Industry Association, the Kentucky Bourbon Festival, and the Kentucky Distillers Association. Mr. Summers elaborated on the 245 Tourism Corridor, which the Jim Beam American Stillhouse and the Clermont Distillery is included in. Other tourism venues in the area which are included in the 245 Tourism Corridor he discussed are the Bernheim Forest, Forest Edge Winery, Four Roses, and the R.J. Corman Dinner Train that passes through the area. The 245 Corridor makes up 60 percent of tourism in Bullitt County, and there is currently a redesign of Highway 245 underway.

Mr. Summers discussed what changes and support are needed for Kentucky tourism. ABC regulations need to be updated and distillers need to be treated more fairly. He stated that distilleries should be treated the same as breweries and wineries as far as how much alcohol can be sold to customers. Members were urged not to sweep state tourism funds due to the limits that can be placed on marketing abilities of all state tourism activities as a result. He requested continued support for the Highway 245 redesign with that infrastructure being needed for tourism throughout the state and as the entrance into bourbon tourism for central Kentucky. He highlighted the positive programs and efforts of the employees of Beam Suntory such as its Operation Homefront and United Way Campaign. In 2014 over 400 employees were involved in civic, charitable, and community activities.

Addressing Representative DuPlessis, Mr. Summers said that Kentucky can stay competitive by having a fair playing field compared to other states but the ABC laws and regulations need to be changed to do so.

Kentucky Distillers Association – Keeping Kentucky Competitive

Kristen Meadors, Director of Governmental and Regulatory Affairs, Kentucky Distillers Association (KDA), gave a presentation entitled "Keeping Kentucky Competitive". The KDA was founded in 1880 in Louisville and has the objective of promoting, protecting, and uniting Kentucky's signature bourbon and distilled spirits industry. Currently, the goal is to strengthen the state's rightful place as the true and authentic home of bourbon due to other states presently attempting to lure away lucrative distilling operations and opportunities. At this time, the KDA has 27 member companies, which is the most it's had since prohibition. According to Ms. Meadors, Kentucky produces 95 percent of the world's bourbon here in the Commonwealth. When KDA partnered with the University of Louisville to do an economic impact study, KDA found that bourbon is a \$3 billion industry and has a workforce that has doubled in the last two years with well over 15,000 employees in the state. The number of distilleries has tripled in Kentucky and there is \$1.3 billion in capital investment. In 2014 there were 1,306,375 barrels of bourbon produced in Kentucky, which is a 170

percent increase in production since 1999. There are currently 5.7 million barrels of bourbon gently aging in the state, making it the highest inventory of bourbon in Kentucky since 1975. The 2015 tax assessed value of aging barrels is \$2.1 billion, up \$223 million from 2014 and double the amount since 2006.

The KDA also operates the Kentucky Bourbon Trail and the Kentucky Bourbon Trail Craft Tour. The Kentucky Bourbon Trail was created in 1999 with the goal of giving visitors a first-hand, intimate, and educational experience into the art and science behind crafting bourbon. Then in 2012 the Kentucky Bourbon Trail Craft Tour was launched to showcase the state's micro-distilleries, becoming the first of its kind in the world. There are nine locations on the bourbon trail and nine on the craft tour. Many of the locations are sited in the "amber triangle", which is between Lexington, Louisville, and Bardstown. A record 627,032 people visited the bourbon trail last year, which is a 10 percent increase from 2013. An additional 96,471 people traveled the craft tour in 2014, a 56 percent increase from the previous year. Over the past five years there has been an average growth of 62 percent, with visitors coming from all 50 states and over 50 different countries and territories. A person can have a Kentucky Bourbon Trail Passport stamped upon each visit to a location on the bourbon trail. There have been more than 75,000 people to complete their passports by visiting all nine locations. About 85 percent of the visitors to the bourbon trail have come from outside of Kentucky and 31 percent made multiple trips to complete the bourbon trail experience.

According to Ms. Meadors, Kentucky is falling behind and is now ranked eighth in the U.S. in operating distilleries behind California, Washington, New York, Colorado, Texas, Michigan, and Oregon. Other states have adapted quickly in changing their laws and reducing their fees to attract the next generation of distillers, jobs, and investment. Rhode Island permanently exempted wine and spirits from its 7 percent sales tax. Colorado enacted legislation to allow distillery pubs. New York increased marketing funds and allowed distillery restaurants and sales by the drink. Washington dropped all limits on sales, allowed distilleries to participate in special events, and raised production limits. In 2005, Washington had zero distilleries and now has 110 based on its legislative changes. She expressed what the KDA believes the legislature can do through legislative changes to ensure that Kentucky continues to attain its historic bourbon monopoly. These changes included allowing distillers to sell by the drink, expanding bottle limits for visitors, increasing sample sizes, authorizing local option precinct elections for distilleries, and permitting the sale of antique spirits at retail. Ms. Meadors pointed out that currently distilleries cannot serve or sale by the glass, there is a bottle size limit of 3 liters that can be sold to visitors, and the sample size is only one ounce. She provided a chart comparing the alcohol privilege between wineries, breweries, and distilleries in the state.

The presentation was summarized by Ms. Meadors giving the members some of the benefits of changing and introducing new legislation, such as allowing out-of-state tourists purchasing their favorite new spirit at their local package store, bar, or restaurant once they return home, modernizing all three tiers of the alcohol industry, and keeping Kentucky competitive with other states. After doing an economic analysis with the University of Louisville's Urban Studies Institute, the KDA found that by modernizing the laws and regulations, there is a potential of more than \$2 million in annual revenue. She also pointed out that making these changes wouldn't cost anything, however, by not making these changes there is a loss of revenue, jobs, and potentially the state's current monopoly.

Senate Majority Caucus Chair Senator Seum spoke briefly about Bullitt County and expressed his belief that the 6 percent retail sales tax that was put on liquor in Kentucky, making the current total sales tax 17 percent, should be repealed.

Responding to Representative Clark, Ms. Meadors pointed out the slide of her presentation that listed the KDA's prioritized list of legislation, allowing distillers to sell by the drink being number one. She also said that KDA would do research on comparing the sales of out of state distillers to those of Kentucky and make that available to the members.

Addressing Representative Webber, she stated that the amount given of \$978 that the average visitor spends when traveling along the Kentucky Bourbon Trail is an all-inclusive amount that includes costs such as lodging, gas, food, and rental car charges. Also, on average 40 percent of visitors request to purchase more than the 3 liter maximum.

After a comment from Representative McKee, Ms. Meadors confirmed that 40 percent of all grains purchased for production are from Kentucky growers. KDA is trying to increase that percentage. It was also pointed out that the new distillery being built in Shelby County will use 100 percent Kentucky grown grain.

Replying to Representative DuPlessis, Ms. Meadors pointed out that passing new legislation would not only help the larger distilleries but the smaller craft distilleries as well. She noted that it is difficult for certain distillers to compete with those distillers that are in close proximity in other states who are allowed to host special events and serve and sell alcohol by the drink. These distilleries are losing potential clients who would like to host special events at their locations but choose not to because of the strict regulations.

Representative Stone mentioned that in his district of Simpson County efforts were made with grain cleaning in order to sell products to Kentucky distilleries, strengthening the partnership between the bourbon and agriculture industries here within the state.

Following a request from Representative Kay, Ms. Meadors gave details regarding the Bourbon Chase, which is a 200 mile overnight relay race through the state's historic distilleries with teams of 12 runners that starts at the Jim Beam Clermont complex and ends in Lexington.

2015 House Bill 229 AN ACT relating to economic development.

Representative Marzian and Senator Thomas along with Randy Strobo, Downey Strobo PLLC; Johnny Miller, President, Earthwell Energy Management Incorporated; Chris Woolery, Program Coordinator, HowSmartKY; Josh Bills, Program Coordinator, Energy Efficient Enterprises; and Eric Dixon, Coordinator of Policy and Community Engagement, Appalachian Citizens Law Center spoke about HB 229 (2015), which would "create new sections of KRS Chapters 278 to require retail electric suppliers to use increasing amounts of renewable energy; require retail electric suppliers to take energy-efficiency measures and implement energy-efficiency programs that increase energy savings over a period of time; provide for alternative compliance plans for public utilities who fail to meet renewable energy or efficiency requirements; define renewable energy; specify reporting requirements to the Public Service Commission regarding progress in diversifying energy sources and energy savings; require the Public Service Commission to develop tariff guidelines for purchase of renewable power."

The proposed legislation is modeled after similar policies in 29 other states and is supposed to drive investment and new jobs while keeping energy bills affordable. According to the material given to members provided by the Kentucky Sustainable Energy Alliance, the bill will create jobs, save money, and curb pollution; expand renewable energy generation to 12.5 percent by 2025; shrink overall electricity demand by 10.25 percent by 2025; encourage in-state investment, creating jobs for Kentuckians; and offer flexibility, oversight, and accountability. With this legislation there is a projection of 28,000 net new jobs for workers over the next decade, an average decrease of electric bills of 8-10 percent at the end of ten years, and no requirement for state tax dollars. Other states have created their own policies to promote renewables and efficiency with clean energy being one of the fastest growing job markets in the U.S.

Co-Chair Short pointed out that Kentucky has the third lowest energy rate in the country, and the cost of 100 kilowatts of power in California is \$236 compared to Kentucky, which is \$98 for the same amount of power, noting that California utilizes several different types of renewable and alternative energy such as hydroelectric, wind, and solar powers. He said that he had just returned from an energy conference in Washington D.C. where one of the presenters said solar energy is one of the biggest injustices to low income people that could ever be done. Co-Chair Short affirmed that solar power is the most expensive form of energy in the U.S. and other forms, such as hydro power, can have adverse effects on the environment.

Representative Marzian stressed the possible job creation in the state if this bill were passed and voiced that these positions would be good paying jobs with benefits for all of the members' constituents.

Senator Thomas expressed his support for the bill, saying that Kentucky cannot avoid

considering alternative energy sources, and he has done extensive research with the Tennessee Valley Authority (TVA). According to Senator Thomas, TVA provides power to one third of the state, and presently about 34 percent of its energy sources come from coal. In 2020, that will decrease to 23 percent. Currently, about 15 percent of its energy sources come from hydroelectric power, but that will increase to 27 percent by 2020. Today's water companies will be tomorrow's energy companies. Although he supports the coal industry, Senator Thomas said that, as of June 2015, there were only about 9,000 coal jobs across the Commonwealth and that the price of coal in some other states is significantly lower than that of Kentucky. He expressed that, in the future, an all-of-the-above approach should be taken when considering different forms of energy for the state while providing jobs and a cleaner environment for the citizens of Kentucky.

Other Business

The Interim Joint Committee on Economic Development and Tourism will meet on November 19, 2015 at Shelby Valley High School in Pikeville, KY at 11:00 AM.

The Interim Joint Committee on Labor and Industry will not meet in November.

There being no further business, the meeting was adjourned at 12:45 PM. Following the meeting, members were given the opportunity to take a bus tour of the Jim Beam facilities.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Postsecondary Education

Minutes of the 3rd Meeting of the 2015 Interim

October 22, 2015

Call to Order and Roll Call

The 3rd meeting of the Budget Review Subcommittee on Postsecondary Education of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, October 22, 2015, at 1:00 PM, at the Murray State University CFSB Center in Murray, Kentucky. Senator Stephen West, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stephen West, Co-Chair; Representative Arnold Simpson, Co-Chair; Senators Danny Carroll, C.B. Embry Jr., and Stan Humphries; Representatives Larry Clark, Jim DeCesare, Derrick Graham, Kenny Imes, and Jody Richards.

Guests: Bob Rogers, Superintendent, Murray Independent Schools; Tres Settle, Superintendent, Calloway County Schools; Dr. Tim Todd, Interim Provost, Murray State University (MSU); Jordan Smith, Director of Government Relations, MSU; Joanne Lang, Executive Director, AdvanceKentucky; Callie Adams, Student, MSU; and Lindsey Coleman, Student, MSU.

LRC Staff: Chuck Truesdell, Jennifer Krieger, and Ben Thompson.

Welcome

Superintendents Bob Rogers and Tres Settle welcomed the subcommittee to Murray, testified about their school districts, and expressed budgetary concerns for school districts statewide.

Murray State University

Dr. Tim Todd and Mr. Jordan Smith presented a video featuring University President Dr. Robert O. Davies discussing MSU.

In response to a question from Representative DeCesare, Dr. Todd noted that President Davies is very supportive of performance based funding, specifically for new any new funding.

In response to a question from Representative Carney, Dr. Todd noted that MSU has had students from every county in Kentucky.

AdvanceKentucky

Executive Director Joanne Lang, Ms. Callie Adams, and Ms. Lindsey Coleman provided testimony on the effectiveness of the AdvanceKentucky program.

In response to a question from Chair West, Director Lang noted that AdvanceKentucky is a voluntary program that schools apply for. Director Lang said that AdvanceKentucky pays roughly half of the Advance Placement (AP) exam fees for participating students, as well as giving \$100 for each qualifying score to students and their teachers.

In response to questions from Representative Graham, Director Lang noted that 32 of the 101 schools in the program are in eastern Kentucky. Director Lang noted that some schools aren't prepared to implement AdvanceKentucky, while reiterating that the program is entirely voluntary. Director Lang noted that districts that are currently in the laying foundation phase are utilizing pre-AP teacher training.

In response to a question from Representative Carney, Ms. Adams stated that in her opinion dual credit courses are more beneficial than AP courses. Director Lang noted that nearly all of the schools in the AdvanceKentucky network have both AP and dual credit courses.

There being no further business, the meeting was adjourned at 3:25 p.m.

INTERIM JOINT COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM

Minutes of the 4th Meeting of the 2015 Interim

October 15, 2015

Call to Order and Roll Call

The 4th meeting of the Interim Joint Committee on Economic Development and Tourism was held on Thursday, October 15, 2015, at 11:00 AM, at Jim Beam American Stillhouse, Clermont, KY. This was a joint meeting with the Interim Joint Committee on Labor and Industry. Senator Alice Forgry Kerr, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Alice Forgry Kerr, Co-

Chair; Representative John Short, Co-Chair; Senators Perry B. Clark, Carroll Gibson, Ernie Harris, Jimmy Higdon, Reginald Thomas, and Mike Wilson; Representatives Lynn Bechler, George Brown Jr., Larry Clark, Hubert Collins, Leslie Combs, Tim Couch, Mike Denham, Jeffery Donohue, Myron Dossett, Richard Heath, Dennis Horlander, Cluster Howard, James Kay, Kim King, Martha Jane King, Brian Linder, Tom McKee, Terry Mills, David Osborne, Ruth Ann Palumbo, Dean Schamore, Arnold Simpson, Fitz Steele, Wilson Stone, Russell Webber, and Jill York.

Guests: Melanie Roberts, Judge Executive, Bullitt County; Jerry Summers, Director of Community Relations, Beam Suntory; Kristen Meadors, Director of Governmental and Regulatory Affairs, Kentucky Distillers Association; Representative Marzian; Randy Strobo, Attorney, Downey Strobo PLLC; Johnny Miller, Founder, Earthwell Energy Management Inc.; Chris Woolery, Program Coordinator, HowSmartKY; Josh Bills, Project Coordinator, Energy Efficient Enterprises; Eric Dixon, Coordinator, Appalachian Citizens Law Center; Senator Seum, Majority Caucus Chair and Senator Reginald Thomas.

LRC Staff: John Buckner, Lou DiBiase, and Ashlee McDonald.

Minutes

A motion by Representative Clark, seconded by Representative York, to approve the minutes of the September 17, 2015 meeting carried by voice vote.

Kentucky's Signature Industry Update

Jerry Summers, Director of Community Relations, Beam Suntory, gave an overview of Beam Suntory. Beam Suntory is the world's third largest distilled spirits company, and Jim Beam is the number one selling Kentucky bourbon in the world. Beam Suntory has 329 companies worldwide, over 37,000 employees, and over \$20 billion in sales, of which 36 percent are generated by alcohol sales. Jim Beam bourbon accounts for sales of over 7 million cases to 130 countries.

Tourism plays a vital role in Jim Beam's brand development. The Jim Beam American Still House, Claremont, Kentucky, opened in September 2012 with a \$20 million investment. The facility alone hosts over 135,000 visitors annually, and for many visitors is the starting point of the Kentucky Bourbon Trail. A companion facility – the Jim Beam Urban Still House – was opened in Louisville on October 1, 2015. Located on 4th Street Live, it represents a \$5.2 million investment, and will capitalize on the 4 million annual visitors to Louisville's 4th Street Live area.

Mr. Summer emphasized the importance of the Highway 245 tourism corridor, which is the official trailhead of the Kentucky Bourbon Trail. It sees over 200,000 visitors annually, and is the location for the Bernheim Forest, the Four Roses distillery, the Forrest Edge Winery, and the R.J. Corman Dinner Train.

Mr. Summers explained that fair alcohol beverage control regulations that help facilitate tourism development, maintaining state advertising funds for travel and tourism promotion, and the

continued support of Highway 245 redesign are the industry's legislative priorities.

Kristen Meadors, Director of Governmental and Regulatory Affairs, Kentucky Distillers Association, explained several ways that Kentucky Distillers can remain competitive. An economic impact study shows that bourbon is now a \$3 billion dollar industry. The work force has doubled in the last two years, the number of distilleries has tripled and it has produced a \$1.3 billion dollar capital investment. KDA created the Kentucky Bourbon Trail in 1999 to highlight the bourbon industry. In 2012, KDA launched the Kentucky Bourbon Trail Craft Tour to showcase Kentucky's micro distilleries, becoming the first state in the country to have such a tour. Ms. Meadors stated that although Kentucky is well known for its bourbon, there are many challenges facing distilleries. Legislators can help improve the tourism aspect of Kentucky bourbon by allowing distillers to sell by the drink, expand bottle limits for visitors, increase sample sizes, authorize local option precinct elections for distilleries and permit the sale of antique spirits at retail. Ms. Meadors emphasized to the committee that these are simple changes that require no additional funding. The tourism modernization will generate more than \$2 million in annual revenue according to University of Louisville's Urban Studies Institute.

Senator Seum, Majority Caucus Chair, Kentucky Senate, welcomed the committee to his district and expressed his support for repealing the 6 percent sales tax that was implemented for alcohol sales.

Responding to a question from Representative Clark, Ms. Meadors stated that the Kentucky Distillers Association has prioritized its requests for legislative help. The KDA has also looked at other states for examples on improving the bourbon industry.

In response to Representative Webber, Ms. Meadors stated that on average, customers spend about \$1,000 in merchandise, product, and rental car fees, among others, in completion of the Kentucky Bourbon Trail.

In response to Representative McKee regarding agriculture and its relation to Kentucky Bourbon, Ms. Meadors explained that in the KDA Economic Impact Study, due to funds from the Kentucky Agriculture Development fund, Kentucky distilleries are using 40 percent of grains from Kentucky.

In response to Representative DuPlessis, Mr. Summers explained that if the ABC regulations are made equal for the bourbon industry, the bourbon industry revenue will continue to rise.

In response to Representative Kay, Ms. Meadors explained that along with the Kentucky Bourbon Trail and Kentucky Bourbon Trail Craft Tour, the distilleries also offer activities such as the Great Bourbon Chase in hopes of attracting a younger generation.

2015 House Bill 229 – An act relating to economic development

House bill 229 creates new sections of KRS Chapters 278 to require retail electric suppliers to

use increasing amounts of renewable energy; require retail electric suppliers to take energy-efficiency measures and implement energy-efficiency programs that increase energy savings over a period of time; provide for alternative compliance plans for public utilities who fail to meet renewable energy or efficiency requirements; define renewable energy; specify reporting requirements to the Public Service Commission regarding progress in diversifying energy sources and energy savings; require the Public Service Commission to develop tariff guidelines for purchase of renewable power.

Randy Strobo, Johnny Miller, Chris Woolery, Josh Bills, and Eric Dixon provided their examples and testimonials of the success while using or installing energy efficient devices. Each presenter expressed support for rural electric companies to offer energy efficient options.

Senator Reginald Thomas expressed his support for House Bill 229 and implementing energy efficient options across Kentucky.

There being no further business to come before the committee, the meeting was adjourned at 12:45 p.m.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE Budget Review Subcommittee on Primary and Secondary Education Minutes of the 3rd Meeting of the 2015 Interim

October 22, 2015

Call to Order and Roll Call

The 3rd meeting of the Budget Review Subcommittee on Primary and Secondary Education of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, October 22, 2015, at 1:00 PM, at the Murray State University CFSB Center in Murray, Kentucky. Senator Stephen West, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stephen West, Co-Chair; Senators Danny Carroll, C.B. Embry Jr., and Stan Humphries; Representatives John Carney, Will Coursey, Jeffery Donohue, Derrick Graham, and Dennis Horlander.

Guests: Bob Rogers, Superintendent, Murray Independent Schools; Tres Settle, Superintendent, Calloway County Schools; Dr. Tim Todd, Interim Provost, Murray State University (MSU); Jordan Smith, Director of Government Relations, MSU; Joanne Lang, Executive Director, AdvanceKentucky; Callie Adams, Student, MSU; and Lindsey Coleman, Student, MSU.

LRC Staff: Chuck Truesdell, Jennifer Krieger, and Ben Thompson.

Welcome

Superintendents Bob Rogers and Tres Settle welcomed the subcommittee to Murray, testified about their school districts, and expressed budgetary concerns for school districts statewide.

Murray State University

Dr. Tim Todd and Mr. Jordan Smith presented

a video featuring University President Dr. Robert O. Davies discussing MSU.

In response to a question from Representative DeCesare, Dr. Todd noted that President Davies is very supportive of performance based funding, specifically for new any new funding.

In response to a question from Representative Carney, Dr. Todd noted that MSU has had students from every county in Kentucky.

AdvanceKentucky

Executive Director Joanne Lang, Ms. Callie Adams, and Ms. Lindsey Coleman provided testimony on the effectiveness of the AdvanceKentucky program.

In response to a question from Chair West, Director Lang noted that AdvanceKentucky is a voluntary program that schools apply for. Director Lang said that AdvanceKentucky pays roughly half of the Advance Placement (AP) exam fees for participating students, as well as giving \$100 for each qualifying score to students and their teachers.

In response to questions from Representative Graham, Director Lang noted that 32 of the 101 schools in the program are in eastern Kentucky. Director Lang noted that some schools aren't prepared to implement AdvanceKentucky, while reiterating that the program is entirely voluntary. Director Lang noted that districts that are currently in the laying foundation phase are utilizing pre-AP teacher training.

In response to a question from Representative Carney, Ms. Adams stated that in her opinion dual credit courses are more beneficial than AP courses. Director Lang noted that nearly all of the schools in the AdvanceKentucky network have both AP and dual credit courses.

There being no further business, the meeting was adjourned at 3:25 p.m.

INTERIM JOINT COMMITTEE ON AGRICULTURE Subcommittee on Horse Farming Minutes of the 1st Meeting of the 2015 Interim

November 4, 2015

Call to Order and Roll Call

The 1st meeting of the Subcommittee on Horse Farming of the Interim Joint Committee on Agriculture was held on Wednesday, November 4, 2015, at 10:00 AM, in Room 129 of the Capitol Annex. Senator Stephen West, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stephen West, Co-Chair; Representative James Kay, Co-Chair; Senators Paul Hornback, Dennis Parrett, and Robin L. Webb; Representatives Lynn Bechler, Kelly Flood, Derrick Graham, Martha Jane King, David Osborne, Tom Riner, Rita Smart, Wilson Stone, and James Tipton.

Guests: Mr. John T. Ward and Ms. Jamie Eads, Kentucky Horse Racing Commission; Mr. Vince Gabbert, Keeneland Race Course; and Ms. Katy Ross, Kentucky Horse Council.

Legislative Guest: Representative Susan

Westrom.

LRC Staff: Lowell Atchley, and Kelly Blevins.

Before hearing from speakers, the new subcommittee co-chairs, Senator West and Representative Kay, talked about the importance of the subcommittee in following the horse industry in the state. The co-chairs presided over different segments of the meeting.

Kentucky Horse Racing Commission

Mr. John T. Ward, Executive Director of the Kentucky Horse Racing Commission (KHRC), and Ms. Jamie Eads, Director of the KHRC's Division of Incentives and Development, reported to the subcommittee.

Mr. Ward indicated horse farming is big business, not only in Central Kentucky, but throughout the state. He talked about the state of the horse industry both during the recession and after. With the future looking brighter, now breeders are selling their horses again and are producing a good animals. The middle and lower part of the industry is still a little shaky. He said that legislative decisions have helped the industry.

Ms. Eads testified about the Breeders' Incentive Funds program, which benefits Thoroughbred, Standardbred, and non-race breeders. Over \$10 million was awarded for Thoroughbred races won in 2014. Some administrative regulations going into effect soon will help even more breeders. For Standardbreds, the funds have helped bolster purses in races at the Red Mile. In terms of the non-race breeds, 11 horse groups will benefit, with the two largest being the Quarter Horse Association and the Kentucky Walking Horse group.

Responding to Senator West, who asked about other issues about which legislators should be aware, Mr. Ward mentioned amending statutes related to the distribution of historic racing funds, and the constant need to monitor historic racing sites. The Commission expects the handle on historic races to surpass \$1.5 billion.

In a response to Representative Tipton, Ms. Eads said the Breeders' Incentive Funds program typically generates \$12-\$13 million annually to be distributed to breeders.

Mr. Ward told Co-Chair Kay that the hope is to see race day purses increase by virtue of extra funds from the historic racing venues.

Keeneland Breeders' Classic Report

Mr. Vince Gabbert, Vice President and CEO of the Keeneland Race Course, testified about the very successful Breeders' Cup races at Keeneland, and also talked about Keeneland's Thoroughbred sales, one of which was going on at the time.

Mr. Gabbert recalled the highlight of the two-day Thoroughbred racing event was the Breeders' Cup Classic, won by Triple-Crown Winner American Pharoah. He said about 95,000 people attended the two days of races. Wagering was strong, with the handle totaling \$20 million. He thanked the legislature for granting the two-day pari-mutuel tax waiver for the races. The races drew 32 horses from Europe, which shows the international impact of the races.

Responding to questions from Representative Stone and Co-Chair West, Mr. Gabbert talked about

the community involvement and economic impact seen from the two days of racing. Patrons were able to view races and bet as well at the Red Mile and at the Kentucky Horse Park. He said the races drew many of the principals in the industry, some of whom stayed in Lexington for the sales that began shortly after the Breeders' Cup. Mr. Gabbert said he is hopeful the Breeders' Cup will return to Keeneland, perhaps in the next five to six years.

Kentucky Horse Council

Ms. Katy Ross, Executive Director of the Kentucky Horse Council, testified about the programs offered to horse owners and enthusiasts.

In her report, Ms. Ross said the Council is dedicated to the protection and development of the horse industry in the state. Most of its funds come from a special license plate. The council operates several programs, including livestock investigative training, large animal emergency rescue, a barn fire prevention and response training (new for 2016), the Kentucky Equine Network Association, and equine health and welfare training and assistance. The Council is a co-sponsor, with the Department of Agriculture, of a mobile agriculture science center. The Council is actively involved in supporting trail riding and hosts the Kentucky Trail Summit.

In terms of legislation that the General Assembly may be seeing in the coming session, Ms. Ross said the Kentucky Horse Council supports equine sales tax equity on behalf of the state's \$4 billion equine industry.

Ms. Ross responded to questions from Senator West and Representative Tipton. She reported that funding from the money generated by the special license plate ranges from \$100,000 to \$270,000 each year. Ms. Ross said a few entities in the state have the equipment necessary to undertake large animal rescue. There is a need to broaden horse trail opportunities.

Documents distributed during the meeting are available with meeting materials in the LRC Library. There being no further business, the meeting was adjourned.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Minutes of the 5th Meeting of the 2015 Interim

October 22, 2015

Call to Order and Roll Call

The 5th meeting of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, October 22, 2015, at 10:00 AM Central time, in the Community Financial Services Bank Center at Murray State University. Senator Christian McDaniel, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Christian McDaniel, Co-Chair; Representative Rick Rand, Co-Chair; Senators Ralph Alvarado, Danny Carroll, Chris Girdler, David P. Givens, Stan Humphries, Morgan McGarvey, Wil Schroder, Brandon Smith, Robin L. Webb, and Stephen West; Representatives Denver Butler, John Carney, Larry Clark, Ron Crimm,

Jeffery Donohue, Myron Dossett, Joni L. Jenkins, Terry Mills, Steven Rudy, Arnold Simpson, Jim Stewart III, Susan Westrom, and Jill York.

Guests: Dr. Tim Todd, Interim Vice President for Academic Affairs and Provost, Jordan Smith, Director of Government Relations, Murray State University; Russ Salsman, Chief of Staff, Department for Local Government, Amy Barnes, Branch Manager, Coal Development Branch, Office of State Grants, Department for Local Government; Ryan Barrow, Executive Director, Office of Financial Management; Steve Rucker, Executive Director, Kentucky Network Communications Authority, Mike Hayden, Executive Advisor, Kentucky Network Communications Authority, John Hicks, Office of the State Budget Director, Dave Davis, General Manager, South Central Rural Telephone Cooperative, Tyler Campbell, Executive Director, Kentucky Telecom Association.

LRC Staff: Pam Thomas, Charlotte Quarles, and Jennifer Beeler.

Approval of the Minutes

Representative Rudy made a motion, seconded by Senator Carroll, to approve the minutes of the September 24, 2015 meeting. The motion carried.

Welcome from Murray State University

Dr. Tim Todd, Interim Vice President for Academic Affairs and Provost, and Jordan Smith, Director of Government Relations, Murray State University, welcomed the committee to Murray State University and gave a brief overview of the university.

Department for Local Government—Discussion of the flow of severance tax revenues

Amy Barnes, Branch Manager, Coal Development Branch, Office of State Grants and Russ Salsman, Chief of Staff, Department for Local Government gave a brief overview of severance tax revenues and their impact on the Commonwealth.

Amy Barnes explained the distribution of coal and non-coal mineral severance taxes to local governments. Distributions are made through two funds—the Local Government Economic Assistance Fund (LGEAF) and the Local Government Economic Development Fund (LGEDF).

Ms. Barnes provided a more detailed explanation of how mineral severance revenues are distributed. She explained that non-coal minerals on which severance taxes are paid include natural gas, limestone and oil. Fifty percent of the funds generated from non-coal minerals are deposited in the general fund. The remaining fifty percent is deposited in the LGEAF. From the amounts deposited in the LGEAF, distributions are made to producing counties based on actual tax collected in each county. Ten percent of each county allocation is then distributed to each municipality within the county based on population.

Ms. Barnes then discussed the distribution of the coal severance tax revenue. She noted that like the minerals tax revenues, tax receipts are split with fifty percent going to the general fund and fifty percent going to local governments. The amounts going to local governments are subject to several alternative allocations, deductions, and redistributions before the statutory distribution

formula is applied.

Ms. Barnes provided a detailed explanation of how the distribution formula works, the categories in which expenditures can be made, and the various accounts within the LGEDF and LGEAF. She also reviewed specific allocations and appropriations from county coal severance funds made in budget bills.

Ms. Barnes supplemented her presentation with several charts, tables, graphs, and spreadsheets which are available with the meeting materials in the LRC Library.

In response to a question from Representative York, Ms. Barnes explained that with non-coal severance revenues, the amount that goes back to the county is determined based on gross revenue, then distributions are made in accordance with the statutory formula.

In response to a question from Representative Simpson, Ms. Barnes stated that in 2009, the annual coal severance tax revenues were \$290.7 million, and in 2015 annual coal severance revenues were \$179.2 million. Russ Salsman stated that line items from the budget within a county are prioritized by the county and are funded as the revenues become available for each priority. If there are not enough revenues, some of the line item projects may not get funded.

Discussion of the Commonwealth's Credit Rating

Ryan Barrow, Executive Director, Office of Financial Management, Finance and Administration Cabinet, gave a brief overview of what a credit rating is, and which agencies provide credit ratings of the Commonwealth. He noted that credit rating agencies are independent entities that assign a grade based on the risk of default.

He listed the factors considered by the ratings agencies in establishing a credit rating, and noted specifically that adjusted net pension liabilities is one of the factors considered.

Mr. Barrow explained that none of the three top credit rating agencies rate Kentucky the same way. He noted that in June 2014, Moody's revised Kentucky's general obligation implied Aa2 rating outlook from negative to stable. In September 2015, Standard and Poor's downgraded Kentucky's general obligation implied rating from AA- with a negative outlook from A+ with a stable outlook primarily due to "chronic underfunding" of pensions.

Mr. Barrow concluded by noting that for the Commonwealth's credit rating to improve there would need to be significant improvement in pension funding levels, a continued build-up and maintenance of reserves, and continued economic and revenue growth.

In response to a question from Senator Givens, Mr. Barrow stated that all three credit rating agencies provide a slightly more negative rating for Kentucky because Kentucky only issues lease appropriation debt rather than general obligation debt.

In response to a question from Chairman Rand, Mr. Barrow explained that the rating agencies typically consider adequate reserves to be

at least five percent, however states can be above or below that number without impact depending on other factors.

In response to a question from Senator Givens relating to net tax-supported debt and what is included, Mr. Barrow explained that debt associated with projects that generate revenues to offset the debt expenditure are excluded from that debt balance.

In response to a question from Chairman Rand, Mr. Barrow stated that credit rating agencies do not pay a lot of attention to the methods used by state in calculating debt – they have their own methods for calculation, however they do pay attention to circumstances in which states deviate from their own policies relating to debt.

In response to a question from Senator Carroll relating to the impact on the Commonwealth's credit rating if pension obligation debt had been issued, Mr. Barrow stated that pension bonds have at best a neutral assessment. Assessments are either negative or neutral depending on the structure of the bonds.

KentuckyWired

Steve Rucker, Executive Director, and Mike Hayden, Executive Advisor, Kentucky Network Communications Authority, Ryan Barrow, Executive Director, Office of Financial Management, and John Hicks, Office of the State Budget Director provided an overview of KentuckyWired and how the project will impact the Commonwealth.

Mr. Rucker explained that KentuckyWired is an open access, state-owned fiber network designed to provide "middle mile" broadband access throughout the state. The network will bring broadband closer to communities so that local providers can provide the "last mile" directly to the consumer's premises. The network will serve approximately 1,100 government entities, and there will be a presence in every county. Mr. Rucker noted that KentuckyWired is not a local service provider (ISP).

Mike Hayden explained the reasons Kentucky is pursuing the KentuckyWired approach. He stated that historically governmental agencies have obtained broadband services through separate carrier arrangements with outside entities. The existing system provides limited high capacity fiber which translates to limited speed, and that Kentucky pays two to five times more for the service than what surrounding states pay for comparable services. Anchor tenants of the system will include 1,100 governmental entities.

Ryan Barrow explained why Kentucky chose to use a public-private partnership to finance the KentuckyWired project, and reviewed the various revenue streams.

Mr. Barrow stated that total project financing will be approximately \$325 million. \$270 million of that amount will be generated through bond sales and private equity investors, \$30 million will come from state-issued bonds, and the remaining \$23 million will come from federal grants and other federal funding sources.

Mr. Hayden stated that the open access

network provided by KentuckyWired will be a unique opportunity for local public or private internet service providers to tap into the system and offer broadband to businesses and homes. Third party discussions and negotiations are underway with local service providers and power and utility companies regarding pole attachment agreements and use of their existing fiber in the KentuckyWired network.

Tyler Campbell, Executive Director, Kentucky Telecom Association and Dave Davis, General Manager, South Central Rural Telephone Cooperative and President of the Kentucky Telecom Association briefly discussed the local provider perspective on KentuckyWired noting several concerns the association has regarding the initiative.

In response to a question from Representative Clark relating to provision of a clearinghouse number for contractors interested in participating in the project, Mr. Rucker noted that the number listed on the KentuckyWired website can be used for job inquiries.

Senator Webb asked where she can obtain a copy of the P3 contract. Mr. Hayden responded that the contract can be accessed on the KentuckyWired website.

Senator McDaniel commented that the General Assembly spent a great deal of time discussing the KentuckyWired initiative during budget negotiations, and that the debt the Commonwealth would be required to issue was reduced substantially during that process. He expressed concern regarding the liability of the Commonwealth in the event of default on one of the conduit bonds issued on behalf of the private partners. Mr. Barrow explained that there are different types of default addressed in the contract with the private partner, but the Commonwealth is not responsible should the private partner default on payments.

Senator Givens encouraged Mr. Hayden, Mr. Barrow, and Mr. Rucker to not overbuild broadband capacity where adequate capacity is currently available through existing providers.

In response to a question from Senator Givens as to what predicated the rebidding of the Commonwealth's current contract with AT&T to provide broadband for K-12 educational facilities, given that Kentucky was recently recognized as first in the nation for K-12 broadband access, Mr. Rucker stated that to obtain that status, an annual appropriation of \$5 million was required for 173 locations and that there are well over 1,700 governmental locations with the same need for broadband growth. Therefore, under the current contract, significant additional appropriations would be required to get those entities to the same level. Mr. Rucker added that the FCC sets the broadband standards and those standards will increase in the next three years.

In response to a question from Senator Givens, John Hicks stated that during the development of KentuckyWired and the bid process, there has been constant communication with the Department of Education and the FCC, the federal agency that

administers the e-rate program to ensure that the receipt of federal e-rate matching funds will not be in jeopardy.

In a response to a question from Senator McGarvey, Mr. Barrow explained that Macquarie is an investor in the project and is also part of a consortium of companies that will design, build and operate the system.

Senator McGarvey asked whether it is possible within the next few years that the Commonwealth will be paying more for internet services than it would otherwise because of the commitment made under the agreement with Macquarie. Mr. Rucker responded that there is no contractual provision that would allow the price to increase other than by the CPI. The 1,100 governmental entities are consumers served by the KentuckyWired network. Mr. Hicks stated that the Commonwealth should not be paying more for service under this proposed model because we are currently paying 2 to 5 times more than our peers under our existing broadband contract.

Senator McGarvey expressed concern that by removing the 1,100 governmental entities from the service base, that local providers would no longer be able to afford to provide service to other households and businesses in very rural areas. In response, Mr. Rucker stated that the middle mile infrastructure will allow other ISPs to build in areas where they haven't been before, resulting in more carriers and better pricing.

In response to a question from Senator McGarvey relating to ownership and control of the KentuckyWired network, Mr. Hicks responded that once the network is completed, it will be turned over to the Commonwealth and the Commonwealth will be the owner.

In response to a question from Senator Schroder, Mr. Hayden stated that KentuckyWired will serve governmental entities and educational facilities. He explained that the Commonwealth Office of Technology (COT) has assured them that all governmental and educational facilities will be able to support the increased network capabilities.

Senator McDaniel noted that in the bond issuance documents for the \$270 million conduit bonds, the 1,100 governmental users were specifically referenced, which includes the 173 K-12 school districts. He asked what will happen if KentuckyWired does not win the K-12 contract currently out for bids. Mr. Hicks responded that if that happens, then there will be an issue from the budget side in the ability of the Commonwealth to provide the resources for the full amount of the availability payment.

In response to a question from Chairman McDaniel regarding who is currently holding the bond funds for the KentuckyWired project, Mr. Barrow explained that the \$270 million in bonds for this project are currently being held by a trustee, as with any Commonwealth transaction.

Senator McDaniel asked, with the movement of personnel from COT to KentuckyWired, how we know there are no internal conflicts or potential exposure relating to the K-12 solicitation and the fact that KentuckyWired will be one of the

bidders. Mr. Rucker responded that he is the only person who moved from COT to KentuckyWired, and that he ceased participation in the drafting and development of the solicitation once the FCC determined that the same entity could not be both the applicant and provider of services. Prior to that determination, the services were to be provided through the Finance Cabinet. Once the determination was made, a separate entity was established.

With no further business before the committee, the meeting adjourned at 12:21 p.m.

INTERIM JOINT COMMITTEE ON STATE GOVERNMENT

Minutes of the 3rd Meeting of the 2015 Interim

October 28, 2015

Call to Order and Roll Call

The third meeting of the Interim Joint Committee on State Government was held on Wednesday, October 28, 2015, at 1:00 PM, in Room 154 of the Capitol Annex. Representative Brent Yonts, Presiding Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Joe Bowen, Co-Chair; Representative Brent Yonts, Co-Chair; Senators Julie Raque Adams, Ralph Alvarado, Stan Humphries, Christian McDaniel, Morgan McGarvey, Albert Robinson, and Damon Thayer; Representatives Johnny Bell, Kevin Bratcher, John Carney, Leslie Combs, Will Coursey, Jim Gooch Jr., Derrick Graham, David Hale, Mike Harmon, Kenny Imes, James Kay, Mary Lou Marzian, David Meade, Suzanne Miles, Phil Moffett, Brad Montell, Darryl Owens, Tom Riner, Steven Rudy, Sal Santoro, Kevin Sinnette, Diane St. Onge, Tommy Turner, and Ken Upchurch.

Guests: David Byerman, Legislative Research Commission; Bill Thielen, Kentucky Retirement Systems (KRS); Beau Barnes, Kentucky Teachers' Retirement System (KTRS).

LRC Staff: Judy Fritz, Alisha Miller, Karen Powell, Greg Woosley, Kevin Devlin, Terrance Sullivan, and Peggy Sciantarelli.

Approval of Minutes

The minutes of the September 23 meeting were approved without objection, upon motion by Senator Bowen.

Discussion with the LRC Director

David Byerman, Director, was invited to speak about his ideas and vision for the future of LRC. Mr. Byerman said he wants to change the way LRC interacts externally as well as internally. He views academia as an important partner with LRC and plans to visit all of the state universities. He stated that there is a lot of work to do and some serious issues that need to be addressed in an expeditious manner. He invited legislators to give him ideas and feedback and asked for their patience. At an agency wide meeting on his first day he advised staff that change is coming but that it will take time.

The director's primary focus at this time is to prepare for the 2016 legislative session. He does

not plan to institute new policies and procedures that might imperil the ability to have a good session. However, he stated that there are things he can do now to begin altering the agency's direction, to build morale, and to deliver on the promise of change. He has directed staff to post all job openings, other than those unique to only one individual, and there is a link on the LRC home page designated for career opportunities. There has been a dramatic increase in the number of positions posted, including some senior positions that will be filled in the next couple of months. The assistant director for human resources is retiring, and that position is being renamed "assistant director for human resources and professional development." The new human resources hire will be responsible for training. He stated that staff needs more professional opportunities to grow and develop.

Mr. Byerman said he has invited all staff to meet with him one on one, and he has had 35 meetings so far with staff representing a wide cross section of the agency, but not many senior management staff. Concerns from staff have been raised, but the meetings have reflected a spirit of cooperation and collaboration. Public Information staff is working on an internal newsletter geared toward employees. The first issue should be ready before Thanksgiving. The director stated that he has held weekly staff meetings with his senior staff for the last four weeks and that he will be convening a meeting with all supervisors in mid-November. An atmosphere of internal communication is being encouraged, and there is a need to better disseminate information across the agency. He recently e-mailed all staff regarding a new standard for responding to e-mail, termed the "One Day Response Time Guarantee." For e-mails containing a specific request or question, staff is asked to at least send an acknowledgment within one business day. A new personnel policy manual is being drafted and will be submitted for approval at the December meeting of the Commission. That manual will not address pay equity or position classification. Discussion of those and other serious matters, and implementation of solutions, will be first priority after adjournment of the session.

Mr. Byerman displayed a "We Are LRC" poster signed by many employees and said he senses optimism among them. His office is geared toward serving two constituencies—LRC staff and members of the General Assembly—and, by extension, the residents of Kentucky. He will be soliciting feedback from legislators in the coming months on how to best move forward. He is confident that significant changes will be made and that agency problems will be solved.

Representative Yonts commended Mr. Byerman for improving communication within the agency and for prioritizing the key issues of personnel policy and pay structure.

Representative Graham suggested that it would be beneficial for the director to meet with employees in their own work space, as well as in the front office. Mr. Byerman agreed and said this is recommended in the NCSL report. He has been in the Annex a lot during his first month. He feels that

even informal hallway conversations are important and can provide valuable perspective and feedback. He plans to begin working two or three days a week from a satellite office in the Annex, beginning next May or June.

Representative Graham said he has an ongoing concern about the disparity in LRC salary levels and the need to place more women and minorities in higher positions. He hopes these will be priorities of the agency and the new human resources assistant director. Mr. Byerman said he will be filling vacancies for some of his senior management team, including a budget director who is familiar with the process in Kentucky, and a general counsel who is a member of the Kentucky Bar and knowledgeable about the Kentucky Constitution. The director will “cast a wide net” to fill the human resources assistant director position, and he has sought the help of former colleagues in other state legislatures to identify well qualified prospects for the position. The person hired for this position needs to be dynamic, with the ability to help craft personnel policy. Diversity in hiring is important to him also, and it is his goal to have a workforce in LRC that is reflective of the population. His workforce in Nevada reflected that state’s diverse population.

Representative Kay said he believes LRC staff are encouraged at the new direction being taken regarding personnel policy, transparency, and the compensation system. He attempted to address these issues when he introduced HB 262 in the 2015 regular session. He asked the director whether these issues will be assigned to a team of upper management staff or to the new assistant director for human resources and professional development, and whether an outside consultant will be brought in to help. Mr. Byerman said he has not yet determined whether to ask the Commission to hire an outside consultant. He plans to attend a NCSL conference on human resources next week that will include staff from 25 states—typically human resource directors for state legislatures. State of the art for personnel management is his goal as director. He is not going to delegate to the assistant director for human resources and professional development the task of developing new policy on position classification and compensation. The assistant director may be the lead person, but the work that is produced will be the result of collaboration between Mr. Byerman and the assistant director. He said he addressed similar issues during his tenure in Nevada and that it takes time for such a transition. Expertise from NCSL and SLC will be solicited in order to identify best practices.

Representative Kay said that some LRC support staff do not want to be referred to as secretaries. During orientation for legislators, the question was raised whether that title is appropriate in modern administrative terms. He encouraged the director to look at questions like this relating to staff. Mr. Byerman agreed that LRC should take a modern approach to nomenclature and position titles. He would like to do this in a way that is interactive with staff.

Representative Riner expressed concern that salaries in the past had sometimes been based on

favoritism. He asked whether he and some of his friends on staff could meet with the director to share their information. Mr. Byerman said he needs all the help he can get and welcomes such meetings. He came to LRC with no prior allegiances or preconceptions and wants to learn what the issues are.

Representative Yonts asked whether future policy regarding salaries will address the issue of compensatory (“comp”) time. Mr. Byerman responded affirmatively. He said there should be accountability for the amount of comp time that is awarded to an individual or team of employees. He is not sure how to structure that at this time, but the process should be objective transparent that people understand the reason behind awards of comp time.

There were no further questions, and Representative Yonts thanked Mr. Byerman for his testimony.

Kentucky Retirement System Funding Proposals

Bill Thielen, Executive Director, Kentucky Retirement Systems, discussed the projected increase in rates and dollars that will be needed to fully fund the actuarially required employer contribution (ARC) in FYs 2017-18. He said it is only an estimate at this point because the actuary is still working on the FY 2015 evaluation, which will be reported to the board of trustees at the December 3 meeting. At that time the board will set the two-year employer contribution rate for the Kentucky Employees Retirement System (KERS) and the State Police Retirement System (SPRS). The current rate for KERS-nonhazardous is 38.77 percent of payroll. It is projected to rise to 45.46 percent in 2017 and 45.8 percent in 2018. The current rate for KERS-hazardous is 26.34 percent of payroll; it is projected to decrease to 24.13 percent—a savings of approximately \$2.5 million. For SPRS, the increase to fully fund the ARC would be about \$6 million. The rate would increase from 75.76 percent of payroll to approximately 86.71 percent. The total projected increase for KERS and SPRS is \$130.4 million.

The total projected increase to fully fund the County Employees Retirement System (CERS) is projected to be about \$34 million for the next biennium, spread across almost 1,500 participating employers. The rate for CERS-nonhazardous is projected to increase from 17.06 percent to about 17.89 percent. The CERS-hazardous rate is expected to decrease slightly—from 32.95 percent to 32.91 percent.

Responding to Representative Yonts, Mr. Thielen confirmed that the projected increase of \$130.4 million for KERS and SPRS is over and above the additional \$100 million that was appropriated for FY 2015-16 to fund the ARC at 100 percent. In 2014, the ARC was funded at only 57 percent.

Responding to questions from Representative Montell regarding the unfunded liability, payroll growth, and accuracy of the projections, Mr. Thielen said that the KERS-nonhazardous pension plan is the major problem. At the end of FY 2014, it was funded at 21.7 percent. Even with

100 percent payment of the ARC and 7.5 percent investment return, actuaries have projected that the funded status will drop to about 15 percent and not start to rise until after seven years. He believes the projections are accurate. The board recently changed a number of important assumptions based on a five-year experience study. The payroll growth assumption was reduced from 4.5 percent to 3.5 percent, and that is a long-term projection. The assumed investment rate of return assumption has been reduced and the mortality table extended to account for the fact that people are living longer.

Senator McDaniel said that investment return was only two percent this past year, while the assumed rate of return was 7.5 percent. He asked what size cash infusion would be needed to permit a more liquid investment strategy for KERS-nonhazardous. Mr. Thielen said that KRS invests differently in that plan, not choosing long-term investments that may lock up the money for 8-10 years. Any infusion of money into KERS-nonhazardous over and above the ARC would help the cash flow situation. The actuary did an analysis of yearly bonding in the amounts of \$250 million, \$1 billion, \$2 billion, \$3.5 billion, or \$5 billion. Bonding of \$1 or \$2 billion had little impact; bonding at \$5 billion would only raise the funding level into the 53-58 percent range. A series of small bond issues over a period of years would improve cash flow, but it would take several years to reach the point where long-term investments would be feasible.

Responding to another question from Senator McDaniel, Mr. Thielen said that the Kentucky Communications Network Authority, a new state agency, has been approved by the board to participate in KERS-nonhazardous, pending issuance of the required executive order by the Governor. At this time no employees of the new agency have joined KERS. He agreed with Senator McDaniel that the influx of new employees brings cash into the system in the short term but also increases the ARC dollar amount and long-term liability of the system.

Responding to questions from Representative Moffett, Mr. Thielen discussed the current 30-year amortization period to fund the ARC in the KERS-nonhazardous plan. He also explained that when more employees retire than expected, it adds to the system’s liability and the need to increase the ARC. The 1998 retirement window legislation that increased the retirement factor for certain employees, the downturn in the economy, and the lack of cost-of-living increases for state employees have all led to higher than usual retirement rates.

Representative Moffett said the pension crisis was a primary motivation for him to run for office. Employees and retirees are worried about their pensions, and he views Mr. Thielen’s recent 25 percent salary increase as a “slap in the face” of KERS members. In response, Mr. Thielen said he announced last April that he would retire at the end of 2015, after serving as executive director for nine and one-half years, but agreed to stay during the 2016 legislative session if needed. To fill his position, the board hired a national

executive search firm that was used previously by the board. The search firm indicated it would be a difficult hire because of location, because the position was significantly underpaid compared to other public pension plans, and because of the funding and other problems facing KRS. For two months the search firm solicited applications. Three internal applications were received. Five applied from outside Kentucky—a tax commissioner, a development corporation finance officer, a city comptroller, a benefits attorney with a research organization, and an ex-city pension plan executive director who had had negative publicity nationally. The board decided that no applicants were suitable and asked Mr. Thielen to consider staying. He said it was not an easy decision and that he would not have stayed at the same salary level. The consultant advised that the salary would have to be in the \$200,000 to \$230,000 range in order to attract qualified applicants. The board accepted the suggested salary level, and Mr. Thielen agreed to stay as executive director. A person not experienced with the system or the Kentucky legislature could probably be hired at a lesser rate, but he stated that KRS is a complex system that is facing numerous problems. The KRS staff are hardworking and dedicated, and Mr. Thielen said he is hopeful that within the next 30 months he can help the system reach the point where KRS is not in a problematic situation.

When Representative Moffett said he hopes transparency will increase, Mr. Thielen said that KRS is probably as transparent as any public retirement system in the country. KRS has changed its investment reporting. In the past, fees were not reported as line item amounts but were netted against investment activity like in other public pension plans. The fees are now reported as separate line items for every manager. He stated that the board passed a resolution last Friday requesting an independent comprehensive audit, to be initiated and paid for outside of KRS with funds separately appropriated. A host of audits, studies, inquiries, and investigations in the past have found no significant problems. Although it will burden staff resources, KRS is willing to undergo another comprehensive audit.

Representative St. Onge said she is stunned that the KRS board would recommend such a large salary increase for Mr. Thielen, and she believes it was poor judgment on his part to accept it. The funding problem occurred during his tenure, and the problem is still there.

When Representative Yonts asked whether the funding level floor had once been projected lower than 15 percent, Mr. Thielen said he believes 15 percent is the current lowest projection. It might have been lower though prior to passage of House Bill 1 in 2008 and the changes enacted by Senate Bill 2 in 2013.

Senator Bowen said he had publicly voiced his concerns about the pay increase. He asked whether the KRS board members on the search committee had interviewed any applicants for the executive director position, and Mr. Thielen said that none were interviewed.

Senator Bowen said he will introduce legislation in 2016 to increase oversight of the pension systems and that Representative Harmon will introduce similar legislation in the House. The bills will add four nonvoting legislative members to the KRS and KTRS boards, thus enabling the legislative members to gain important knowledge early in the process. In the past, the legislature has had to react rather than act on problems in the retirement systems. The legislation will make all future appointed KRS and KTRS board members subject to Senate confirmation. This will create a system of checks and balances and ensure that board memberships conform to the law. The legislation will also remove the KRS and KTRS exemption from the Model Procurement Code, and any contracts entered into by those agencies will be subject to review by the legislature's Government Contract Review Committee. This process has worked well for other state government agencies, and the same level of transparency should extend to KRS and KTRS. Mr. Thielen responded that it is up to the General Assembly to decide the framework, requirements, and standards relative to the systems. It is the duty of KRS, and his duty as executive director, to provide the General Assembly with the information needed to make decisions. KRS has strived to do that and will continue to do so.

Representative Kay said it is not his intent to tear down or attack Mr. Thielen but feels he must stand up for the many state employees he represents. He respects the job of the KRS executive director and its challenges, but such a large pay increase looks bad at a time when state employees may not be getting a five, three, or even one percent raise in the next budget cycle. Those employees, who work hard and deserve a raise, are worried about the pension system that is managed by Mr. Thielen. When things like this happen, it is more difficult for them to trust in the system.

Representative Harmon thanked Senator Bowen for reaching out to him to file the 2016 legislation. He said his constituents are concerned, and for quite some time he has been calling for a full performance audit for both KRS and KTRS. The bills will be a good first step toward diagnosing and fixing the funding problem. The systems need to be fully funded—though not through bonding but through recommended ARC payments.

There was no further discussion, and Representative Yonts thanked Mr. Thielen.

Kentucky Teachers' Retirement System Funding Proposals

Beau Barnes, Deputy Executive Secretary of Operations and General Counsel, Kentucky Teachers' Retirement System, discussed the KTRS budget request for the 2016 regular session. He said the numbers he will provide are preliminary estimates. The KTRS accounting department is working on final numbers, which should be available soon.

Ms. Barnes said the fixed employer contribution rate of 13.105 percent is paid through the SEEK (Support Education Excellence in Kentucky) funding formula as part of the Kentucky Department of Education's budget request for

school districts. It is currently funded at \$372 million in FY 2014-15 and \$380 million in FY 2015-16. For the new biennium, the employer contribution is projected to be \$388 million for FY 2017 and \$395 million for FY 2018.

The KTRS budget request for the next biennium includes three significant items. As a result of 2010 shared responsibility legislation, active and retired teachers and school districts are paying part of the health insurance cost for retired teachers. The commonwealth's share of that cost is projected to be \$76 million for FY 2017 and \$83 million for FY 2018. Another portion of the KTRS budget request is a special appropriation for past benefit adjustments such as sick leave and old COLAs that are going away—referred to as green box dollars. The green box dollars are estimated at \$114 million for FY 2017 and \$112.7 million for FY 2018. The combined totals for retiree health insurance and green box dollars are estimated at \$190 million for FY 2017 and \$196 million for FY 2018. Thirdly, KTRS will need additional funds to maintain the pension fund on an actuarially sound basis. It is projected that an additional \$520 million is needed for FY 2017 and an additional \$488 million for FY 2018.

Representative Carney said he hopes the KTRS board will support legislation prefiled by Representative Montell—and co-sponsored by many of their colleagues—that would, in the future, direct that surplus monies in the public employee health insurance trust fund be transferred to the KRS and KTRS pension funds. Mr. Barnes said he does not normally speak on behalf of the board but feels safe to say that any bill that would provide additional funding for the teachers' pension fund would be greatly appreciated.

When asked by Senator Bowen, Mr. Barnes clarified that the reduction in projected green box dollars reflects that the old COLAs will be paid off. There have been no changes in sick leave benefits, so the two-year preliminary budget request includes the estimated cost of the sick leave benefit.

Responding to questions from Representative Yonts, Mr. Barnes said that if SEEK formula funding from the Department of Education budget is included, the total appropriation for KTRS is projected to be a little under \$1.1 billion in the first year of the biennium and a little over \$1.1 billion in the second year. Funding needs have reached a critical point. In order to pay retirement benefits, KTRS sold about \$650 million in assets last year and will have to sell about \$755 million in assets in the current fiscal year. It is projected that about \$845 million in assets will have to be sold in FY 2017 and about \$940 million in FY 2018. If nothing changes, under the new GASB (Governmental Accounting Standards Board) accounting rules, the system will be depleted in about 20 years. The unfunded liability is increasing about \$1 billion each year.

Responding to Representative Meade, Mr. Barnes said that the ratio of active to retired teachers currently is approximately 5:4. It has not been 2:1 for quite some time. It is approaching 1:1 but will eventually flatten out, which is the general

trend in all maturing retirement systems. He does not recall what the ratio was 15 or 20 years ago but will be glad to get that information.

When Representative Meade asked whether the plan is sustainable as now designed, Mr. Barnes said the plan itself is sustainable. The cost for a new teacher entering the system is about \$6.57 for every \$100 of teacher salary, and that is sustainable. What is not sustainable is the unfunded liability. As of June 30, 2014, KTRS had only 53.6 percent of the assets needed to pay for benefits that have already been earned.

Responding to Senator Thayer, Mr. Barnes said that KTRS funding needed for FY 2017 is projected at \$76 million for medical insurance, \$114 million for green box dollars, \$35 million to cover shortfalls, and \$388 million from the SEEK formula (Department of Education budget). This represents a total of about \$600 million and does not include the additional \$520 million requested to address the unfunded liability. Senator Thayer said he wants everyone to understand the enormity of the amounts requested, which are separate from increased funding needs in other areas of the commonwealth budget. He said that a surplus of money does not exist in the commonwealth, and he cautioned everyone to be careful about making any funding promises relative to the next budget.

Representative Carney inquired about activity of the KTRS Funding Work Group. Mr. Barnes said there have been eight meetings so far, with two more scheduled for November 16 and December 3. The final report is due in December. The meetings have been productive, with a lot of discussion. The group has been looking at funding for teachers' pensions, a possible new benefit tier for new teachers, and retirement benefits for current teachers which are not subject to the inviolable contract.

Representative Carney, who is a teacher, said the principal at his school is retiring and that he expects a mass exodus of teacher retirements in the future, due not only to concern about KTRS funding but also because of legislative and regulatory burdens that have been placed on school systems. Retirement funding is obviously a huge issue, but the legislature needs to look at revamping the education system to relieve some of the burdens teachers are facing.

Answering questions from Senator Bowen, Mr. Barnes said that if KTRS does not use the new GASB standard, the target date when the system could run out of money would be much later than the projected 20 years. KTRS is not obliged to apply the new standard. With regard to selling of assets, KTRS has increased its asset base by about \$2 billion since 2013, despite having to sell assets. Investment return has been very good, with an exceptional return of 18.1 percent in FY 2014. Selling assets is a normal part of the investment process, but it is a problem when assets must be sold just to pay bills. KTRS is only 53.6 percent funded and in the current budget cycle is selling about \$1.4 billion in assets. The great recession of 2008 presented a buying opportunity, at a time when the system was better funded. By contrast, when the market declined more than 10 percent in

September 2015, KTRS had to sell assets at a loss.

Senator Bowen thanked Mr. Barnes and said that the legislature is committed to do its best to help both KRS and KTRS and will continue that commitment. He feels that the legislation which he and Representative Harmon are going to prefile will help everyone work toward that goal in a more collaborative manner.

When asked by Representative Bratcher, Mr. Barnes said he does not have the final numbers, but KTRS paid out approximately \$2.1 billion in pension and medical insurance benefits in FY 2015 and about \$1.9 billion in FY 2014.

Subcommittee Report

Senator Bowen, Co-Chair of the Task Force on Elections, Constitutional Amendments and Intergovernmental Affairs, read the report for the October 27 meeting of the task force.

There being no further business, the meeting was adjourned at 2:47 p.m.

SPECIAL SUBCOMMITTEE ON ENERGY

Minutes of the 5th Meeting of the 2015 Interim

October 16, 2015

Call to Order and Roll Call

The 5th meeting of the Special Subcommittee on Energy was held on Friday, October 16, 2015, at 9:00 AM EST at the Emerging Technology Center, West Kentucky Community and Technical College, Paducah, Kentucky. Representative Gerald Watkins, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Gerald Watkins, Co-Chair; Senators Dorsey Ridley, Brandon Smith, and Robin L. Webb; Representatives Tim Couch, Will Coursey, Jim Gooch Jr., Martha Jane King, Jerry T. Miller, Tom Riner, Dean Schamore, and Brent Yonts.

Guests: Senator Danny Carroll; Representative Richard Heath; Dr. Barbara M. Veazy, President of the West Kentucky Community and Technical College; Bob Leeper, McCracken County Judge Executive; Gayle Kaler, Mayor of Paducah; Donald Shively, Superintendent of the Paducah Public School System; Casey Allen, Superintendent of the Ballard County School System; Sandra Wilson, President of the Paducah Area Chamber of Commerce and Paducah City Commissioner; and Matthew Crozat, Senior Director for Business Policy, Nuclear Energy Institute.

LRC Staff: D. Todd Littlefield, Janine Coy-Geeslin, and Susan Spoonamore, Committee Assistant.

Representative Gerald Watkins stated that he has been a part of the West Kentucky Community and Technical College (WKCTC) for 25 years. WKCTC has finished in the top 10 out of 1,200 two-year community colleges in the United States, and last year WKCTC finished second.

Dr. Barbara M. Veazy, President of the West Kentucky Community and Technical College, said the Emerging Technology Center has allowed the

community to move forward with partnerships in industries and in the recruitment of business. As part of the build smart project, the Paducah School of Design will open in 2016.

McCracken County Judge Executive Bob Leeper welcomed everyone to the meeting. The closure of the Paducah Uranium Enrichment facility is in the clean-up phase, which members will see on the tour.

Economic Outlook for the Nuclear Industry

Matthew Crozat, Senior Director for Business Policy, Nuclear Energy Institute (NEI), explained that his job consists of overseeing economic analyses and works on market policy issues as it effects the nuclear industry. Prior to joining NEI, Mr. Crozat spent 9 years at the Department of Energy (DOE). His last position with DOE was Senior Policy Advisor in the Office of Nuclear Energy. Mr. Crozat presented information on the current status of the nuclear industry, technology, and issues for the Commonwealth.

Nuclear power provides 19 percent of the electricity in the U.S. We have 99 nuclear reactors in the U.S. fleet. There are 5 reactors under construction today with the first of these expected to come on line later this year – not too far from here in Tennessee. Nuclear power provides 24/7 electricity. These plants were originally licensed to operate for 40 years, but over three-quarters of the reactors have received license renewals to operate another 20. Most of the remaining plants either have or are in the process of seeking renewals or will begin that soon. Some of the units are even looking at subsequent license renewals to operate beyond 60 years.

Mr. Crozat stated that nuclear power plants are anchors of regional economies. During construction, employment at the site will be approximately 3,500 people. Once the plant is operational each reactor will require between 400 and 700 employees to run the plant regularly. The average salary at nuclear plants is about 35 percent higher than the areas in which they operate. Mr. Crozat presented an example of the Davis-Besse plant in Oak Harbor, Ohio on Lake Erie. There are 700 employees working directly at the site. But the economic activity produced by those employees in the operation of the plant supports another 2,500 jobs in the county itself and another 2,100 in industries across Ohio. The economic output – the value of that effort is on the order of \$800 million dollars a year plus another \$1.1 billion or so for the rest of the state. Mr. Crozat represented that these plants are important generators of economic activity within the regions they operate.

Mr. Crozat spoke about the economic, technological, and policy issues faced by the nuclear industry. Because of improved technology in hydraulic fracturing, competitive production of has changed how the electricity sector operates. Incentives for the deployment of renewable technologies have led to increased supply and depressing market prices as well. These issues will not likely impact Kentucky because Kentucky's system follows a long-term planning for the infrastructure needs of the state rather than

responding to the short-term market pressures.

Safety is a big concern for the nuclear industry. There are layers upon layers of safety barriers – physically separated safety systems overseen by a Nuclear Regulatory Commission (NRC), which is an independent agency of the U.S. Government. NRC sets the standards and conducts the inspections to make sure that these standards are being met. Mr. Crozat said the nuclear industry sees safety as the great hallmark of success in the U.S. nuclear industry, and the strong safety record speaks to the safety culture throughout the workforce. Having operated the Paducah Gaseous Diffusion Plant for so long, this safety culture is understood by the workforce in Paducah.

There are new reactors being built in the United States and abroad, such as Finland, France, and the United Kingdom. Mr. Crozat spoke about how small modular reactors are changing the paradigm for the manufacturing industry. These modular concepts have the potential for increased manufacturing and decreased construction time. He mentioned Babcock and Wilcox in Indiana and NuScale in Oregon. You can put several small modular reactors now and add more power later.

Mr. Crozat spoke about fuel cycles and how spent fuel is stored currently. Fuel cycles for the nuclear plants tend to run on 18 or 24 month cycles. Approximately, one-third of the fuel in a reactor will be removed every year and a half to two years. Used or spent fuel is hot and radioactive, so it is stored cooling pools at the reactor site. Cooling pools are built with reinforced concrete and stainless steel linings with no drains anywhere. The spent fuel will stay in these pools for about at least 10 years while it cools down. After 10 years, the fuel rods are usually put in dry cask storage, and the air continues to cool them in concrete and steel lined containers on site.

Originally, the federal government was to bear responsibility for the long-term management and disposal of used fuel. Every company who owns a nuclear plant has a contract with the federal government. For every kilowatt hour produced, owners would pay a fee, and in return the government will bear the responsibility for the long-term management and disposal of spent fuel. This plan was supposed to begin in 1998.

In 1987, DOE was directed to focus their attention on a geologic repository at Yucca Mountain in Nevada. In 2008, DOE submitted a license application to the NRC to move forward with the repository. Two years later the Obama administration decided that they wanted to abandon the licensing effort declaring the situation to be unworkable. The Blue Ribbon Commission of eminent scholars, businessmen and political figures was established to look at the idea of how the government should go about managing its program. And it came back with a number of suggestions. However, Congress has not agreed on management of spent fuel. The nuclear storage fund is approximately \$35 billion dollars, and about one billion dollars per year is added in interest. Mr. Crozat said the nuclear industry is confident that the federal government will resolve its political

issues and fulfill its responsibilities to remove and dispose of used fuel.

The U.S. Department of Energy's Energy Information Administration forecasts its energy expectations and predicts about 10 percent growth in nuclear power over the next 10 years, 40 years, 25 years. Mr. Crozat said that if there are emission constraints under the Clean Power Plan nuclear power would provide headroom for coal to remain a key part of electricity infrastructure. He offered that nuclear could provide the emissions credits that would allow coal to operate as part of a diverse portfolio of electricity generation. He sees nuclear and coal as complementary pieces of a strategy for Kentucky's future.

In response to Representative Jerry Miller, Mr. Crozat said the cost per kilowatt hour between nuclear and coal was 10 cents. Natural gas is closer to 6 - 8 cents per kilowatt hour and renewables would cost 8 - 12 cents per kilowatt hour depending on location. Mr. Crozat said the prices are gross but change considerably after subsidies.

In response to Representative Tom Riner, Mr. Crozat said security has become an area of intense focus since 911. He said that security staff, at nuclear plants, is now the largest class of employees at the facilities. In the wake of 911, the nuclear industry has been and is required to demonstrate to the NRC that the plants could withstand the impact of an aircraft. The facilities themselves are hardened in a way that very few structures in the world are. The opportunity for intruders to get close and or for projectiles has been a significant aspect of investment and concern. Mr. Crozat noted Representative Riner's concerns and said he would provide more information to Representative Riner regarding safety and security.

In response to Representative Jim Gooch, Mr. Crozat stated that there is no data on job implications for modular units. One thing to consider would be the opportunity for some of the manufacturing to be done regionally.

Representative Gooch stated that if the construction of modular units was being considered for Kentucky, it might be easier to look at lifting the moratorium.

In response to Representative Martha Jane King, Mr. Crozat said explained that support for nuclear power tends to be highest in the immediate area round nuclear power plants. For those who do not work at a nuclear plant, they would probably be surprised that the employees do not consider it a risk. He said that the health effects experienced from Fukushima and 3 Mile Island were not as dramatic as portrayed. The 3 Mile Island event might have contributed to maybe two extra cancers in the entire population. Mr. Crozat said the United Nations expected no premature deaths from the radiation released at Fukushima. It is agreed that Fukushima was a disaster that should never have happened.

In response to Representative Dean Schamore, Mr. Crozat said that seismic concerns is a significant aspect of nuclear regulatory safety review. Unless there is confidence that the technology and construction would enable the

facility to withstand an earthquake, then there would be no construction of a nuclear plant. Mr. Crozat explained that South Carolina and Georgia are in the process of building of what is called "Twin AP1000" nuclear reactors. There are two units and each can produce 1,100 megawatts. The smaller units have different configurations. Some designs go from 140 megawatts up to 220 megawatts. The new scale of modular units will allow you to put 6 to 12 units in the same plant and run as a complete set – each one producing 50 megawatts. Depending on how forward the industry goes, it could reach 1 to 3 gigawatts.

In response to Senator Danny Carroll, Mr. Crozat stated that coal and nuclear do complement each other. Coal provides the largest share of electricity generation in the United States, and nuclear power provides 20 percent. He said that the Environmental Protection Agency's (EPA) rule regarding nuclear and new nuclear construction would allow those plants to generate emissions for credits. Those credits could be sold to provide other generation technology that has emissions. That would be create a chance for coal and nuclear to work together. Mr. Crozat also said that it could be possible to leave some of the coal plants in place since they have similar infrastructure that would be required for small modular reactors which would provide opportunities for maintaining power plants with different technologies. The removal of the moratorium would allow for those opportunities.

In response to Senator Robin Webb, Mr. Crozat said that he had not had the opportunity yet to research Minnesota's review of lifting their moratorium. He would look into it and get back with Senator Webb. He said that the states who have regulatory protocol in place such as economic incentives allowing for reduction of costs during construction would be considered. He said that NRC, through their regional offices, can do inspections of individual sites. Many states have what they call "state compacts" that allow the NRC to help provide oversight. There is a need for each state to determine its needs in terms of oversight and independence.

Chairman Gerald Watkins stated that people in Paducah were very comfortable with nuclear power. Over the years, the plants have provided a lot of high paying jobs in the McCracken County area.

There being no further business, the meeting was adjourned.

INTERIM JOINT COMMITTEE ON JUDICIARY

Minutes of the 6th Meeting of the 2015 Interim

November 6, 2015

Call to Order and Roll Call

The 6th meeting of the Interim Joint Committee on Judiciary was held on Friday, November 6, 2015, at 10:00 AM, at the Votruba Student Union Building at Northern Kentucky University in Highland Heights, KY. Representative John Tilley, Chair, called the meeting to order, and the secretary

called the roll.

Present were:

Members: Senator Whitney Westerfield, Co-Chair; Representative John Tilley, Co-Chair; Senators Danny Carroll, Perry B. Clark, Ray S. Jones II, John Schickel, Wil Schroder, and Dan “Malano” Seum; Representatives Robert Benvenuti III, Denver Butler, Joseph M. Fischer, Chris Harris, Thomas Kerr, Ryan Quarles, and Tom Riner.

Guests: NKU President Geoffrey Mearns, Chief Justice John D. Minton, Director of the Administrative Office of the Courts Laurie Dudgeon, Executive Director of the National Association for Public Defense Ernie Lewis, and Rebecca DiLoreto of the Kentucky Association of Criminal Defense Lawyers.

LRC Staff: Director David Byerman, Jon Grate, Matt Trebelhorn, Dallas Hurley, Chandani Jones, Natalie Burikhanov, and Beth Taylor.

Prior to testimony from the speakers, the committee observed a moment of silence for fallen Richmond Police Officer Daniel Ellis.

Northern Kentucky University (NKU) President Geoffrey S. Mearns welcomed the committee to the university, which has over 15,000 students and 2,000 faculty and staff. President Mearns provided background information on the Chase College of Law, including its unique tradition of night-school and full-time class options. Legislative Research Commission (LRC) Director David Byerman followed with a brief welcome and introduction, emphasizing his commitment to proactively reaching out to the public and promoting education programs about the legislative system.

2015 State of the Judiciary Address

Chief Justice John D. Minton of the Supreme Court of Kentucky continued the tradition of providing a “State of the Judiciary Address” before the committee, and he called 2015 a “Seminal Year for Kentucky Courts” due to events, accomplishments, and turning points for the judicial branch since 2014.

New Technology Transforming Court, Legal Systems. Chief Justice Minton spoke about the technological efforts within the judicial branch, including eCourts. This initiative involves upgrading hardware and software infrastructure, replacing case management for trial and appellate courts, and creating a document management system for electronic storage of court documents. Another successful initiative of the judicial branch is eFiling, which has been available in each of the state’s 120 counties since October 21, 2015. Kentucky is now one of the few states who join the federal court system to offer electronic filing, and Chief Justice Minton plans on opening e-Filing access to self-represented litigants. AOC provides training on eFiling and plans on providing online training soon; AOC staff has offered on-site training to over 6,200 attorneys and staff thus far. At the end of October 2015, around 42,000 eFiling submissions were recorded, and the largest number of filings came from Boone, Campbell, Fayette, Franklin, and Kenton counties. With the success of eFiling, the judicial system is considering when to

transition from the official court record from paper file to electronic court record.

The judicial branch plans on implementing a new appellate case management system with Thomson Reuter’s C-Track Court Case Management System. Chief Justice Minton stated that the new C-Track System will enhance the ability of the Supreme Court and Court of Appeals to capture, track, process, and report on cases at every stage. The system is expected to take 18 months before it will be fully operational.

CourtNet 2.0, the first major upgrade to CourtNet, is another technological advancement for the justice system that occurred in the past year. It allows for nearly real-time, online access to Kentucky civil and criminal cases, and it improves upon the original search functions and security features. More than 6,000 users have subscribed to CourtNet 2.0, and it is widely available to legislative, judicial, and executive personnel, as well as members of the Kentucky Bar Association. It will soon be available to law enforcement agencies through the Kentucky State Police.

The court system’s new automated Accounts Receivable system is available to 113 counties, and it is expected to have statewide access once Jefferson County goes live in May 2016. Mercer County will begin testing a Restitution Module in December 2015 which calculates interest owed in court-ordered restitution. Upon successful testing, the Restitution Module will become a part of the Accounts Receivable system.

New Legislation and the Courts. Chief Justice Minton also spoke about the changes in the court system which have arisen from successful legislation. In particular, Chief Justice Minton discussed the ways in which the justice system has responded to SB 200 on juvenile justice reform. The AOC has redesigned the court designated worker program (CDW) and the juvenile court process in response to SB 200 with great success so far. AOC expects that there will be a large increase in the entry of juveniles into diversion programs in FY 2016 due to requirements under the bill for first-time misdemeanor offenders with no prior diversions or adjudications to enroll in these programs. The court system has also seen successes with Family Accountability, Intervention and Response (FAIR) Teams, which derived from SB 200, including a reduction in juvenile caseloads in District Court and Family Court. FAIR teams have reviewed over 552 cases with 21 percent of those resolved outside of court, 26 percent referred to court for formal processing, and the remaining cases still in the process of review. Furthermore, FAIR Teams are hearing cases in 34 judicial districts with 12 additional districts meeting to review cases and 14 other districts in the orientation stage.

SB 200 demonstrated a need for statewide juvenile court rules, and Chief Justice Minton discussed the pilot program of a uniform system. Recommendations for the uniform system will be accepted until February 1, 2016, and the final version of the system will be adopted by the Supreme Court in the fall of 2016. Existing Juvenile Court forms were revised and new ones developed;

these new forms were made available in July 2015.

Chief Justice Minton discussed the ways in which the justice system has responded to the implementation of the dating violence protection bill, HB 8, and how AOC remains on target to fulfill its responsibilities. Revisions are occurring on 18 legal forms in the domestic violence series, and these changes are in the process of being integrated into Kentucky State Police’s LINK system. Four core protective order forms have been revised and sent to the vendor for the e-EPO program in Boone, Christian, Fayette, Gallatin, Jefferson, and Kenton counties. The court system is also in the process of preparing an informational brochure for the public on the protective order process. Furthermore, all jurisdictions have until November 15, 2015 to provide a preliminary protocol for protective order review which also indicates which court will handle the cases. The final protocol is due November 30, 2015.

Changing Trends in Drug Court and Specialty Courts. Chief Justice Minton spoke about the increasing demand for specialty courts in Kentucky, and he discussed the Drug Court program as an exemplary model of success. Because of the successes of Drug Court, Kentucky has been able to implement Veterans Treatment Court in Northern Kentucky and Christian, Fayette, Hardin, and Jefferson counties. The Drug Court model also serves as the basis for Kentucky’s growing Mental Health Courts. In August, AOC created the new Department of Specialty Courts to focus solely on the oversight of these programs.

Chief Justice Minton spoke about the state’s growing heroin epidemic, mentioning that the state has the third-highest drug overdose mortality in the country. He stated that SB 192, aimed at addressing this issue, expanded “rocket dockets” which allow prosecutors and defense attorneys to expedite drug-related cases to provide treatment sooner. Additionally, the AOC has developed a pilot program which uses Vivitrol, an opioid antagonist, as part of a medically-assisted treatment (MAT) for eligible Drug Court participants. Unlike other MATs, Vivitrol requires a monthly injection from a physician’s office and cannot be diverted or abused. Chief Justice Minton stated that Vivitrol is cost-prohibitive at \$1,200 a month. He spoke about his initiative to form a Judicial Medically Assisted Treatment Panel in May 2015 to examine the use of MAT in specialty courts. This was done in response to changing grant policies to provide federal funding only to Drug Court programs which allow all forms of MAT. Chief Justice Minton discussed the varying viewpoints on MAT.

Pretrial Services Program a National Model. Each of the state’s counties have pretrial services, and pretrial officers are required to interview and investigate all individuals within 24 hours of arrest. Chief Justice Minton spoke of how this contributes to a reduction in crime, improved public safety, and smaller jail populations. In FY 2015, 75 percent of defendants obtained pretrial release. He also mentioned that Kentucky has become a national model for evidence-based pretrial reform.

Judicial Center Construction. Chief Justice

Minton stated that there are no judicial centers under construction in Kentucky.

Retired Judges Program. The Supreme Court created a new Temporary Assignment of Retired Judges Program this past year to help relieve the burden of vacancies. The program is limited to 21 judges who are willing to commit up to 120 days per year. These judges are paid a per diem and are not eligible for benefits or the accrual of additional service credits toward retirement.

Judicial Workload Assessment Study. Chief Justice Minton also spoke about the Judicial Workload Assessment Study, which is the first of its kind in Kentucky's modern court system history. Over a four-week period, judges log their hours worked into an Intranet site to provide a profile of time spent handling cases and attending to judicial duties. The study worked with the National Center for State Courts and included on-site focus groups made up of family and district judges in several jurisdictions. All trial judges were asked in September to complete an online Sufficiency of Time Survey, which differs from the previous survey in that it assess whether or not judges have sufficient time to fulfill all their judicial responsibilities given the current level of resources. The results from this study will be presented in January 2016.

Kentucky Judicial Compensation Commission. Chief Justice Minton stated that there was an urgent need to address the salaries of Kentucky judges, who earn less than their counterparts throughout most of the country. Kentucky's Supreme Court justices rank 45th out of 50, Court of Appeals judges rank 37th out of 40, and Circuit Court judges rank 42nd out of 50. Kentucky is last in regards to salary compensation among its surrounding states. Chief Justice Minton also expressed concern over the recent reductions in pension benefits for new judges and the effects it could have on attracting and retaining qualified lawyers. In response to this concern, Chief Justice Minton created the independent Judicial Compensation Commission which reviewed data and found, among many things, that since FY 2009, judges have only received two salary increases of 1 percent each.

Responding to questions from Senator Seum and Representative Harris, Chief Justice Minton stated that the justice system will expand its programs like eWarrants and e-Filing. He continued that eventually the entire system will be on eFiling because this is what is demanded by users and because it allows the system to be more accessible. AOC Director Laurie Dudgeon added that every jurisdiction has these capabilities built in and that the court system prioritizes incentives to use rather than mandates.

The Need for Reform from the Criminal Defense Perspective

Ernie Lewis, Executive Director of the National Association for Public Defense and former legislative liaison for the Kentucky Association of Criminal Defense Lawyers (KACDL), spoke on the need for reform to the judicial system, particularly in regards to criminal justice. Mr. Lewis stated that criminal justice reform is a popular topic

throughout the country with bipartisan support and that the issue has reached a tipping point with 20 percent of Americans holding a criminal record. Reform at the state level has been advanced by bills that promote evidence-based practices, including SB 200 and HB 463, but Mr. Lewis argued that reducing the prison population remains at a standstill with 22,000 inmates. While the overall violent crime rate has decreased over the years, a higher percentage of those arrested are convicted than in 1970 with around 25 percent ending up in prison, and average lengths of sentences have increased 36 percent since 1990.

Mr. Lewis stated that the Kentucky must do something different in regards to its criminal justice system, and he proposed several solutions, including:

Reducing costs and rates of imprisonment by addressing non-violent felonies, such as flagrant non-support and raising the felony theft threshold. Mr. Lewis explained that the state currently pays \$22,000 per year for someone sentenced for non-support and that it costs a total of \$9.5 million to incarcerate those who steal over \$500 worth of items.

Continuing support for criminal reform bills filed in the past.

Using only evidence-based practices in parole decisions.

Reforming both the penal code and sentencing laws. Mr. Lewis suggested establishing a penal code commission to review the current code, and he also suggested that the state lower sentences for Persistent Felony Offenders (PFOs) and certain violent offenders. In regards to the latter recommendation, Mr. Lewis promoted lowering the mandatory minimum time served of sentence from 85 percent to 50 percent which would allow these individuals to be eligible for parole.

Mr. Lewis discussed the need to pay attention to Kentucky jails where more felons are incarcerated than in any other state except Louisiana. Of particular concern is overcrowding, especially in rural jails, and the lack of opportunity for rehabilitation needs of inmates.

Further recommendations presented by Mr. Lewis include:

Looking at models which have brought about successful criminal reform in other jurisdictions with New York, Alabama, California, New Jersey, Mississippi, Texas, and North Carolina as models;

Additional funding for the Public Defender system where 25 percent of the yearly load are felony cases;

Addressing the "death penalty regime";

Recognizing the faults and limitations of eyewitness identification; and

Tackling collateral consequences of imprisonment, including post-jail prohibited activities.

Following a discussion with Senator Schroder, Mr. Lewis emphasized the need for a more creative solution to individuals charged with flagrant non-support. He said that there has to be a better option than incarcerating often poor and disadvantaged men. Mr. Lewis discussed the complications caused

by PFO status, which he called a misnomer.

Rebecca DiLoreto, the new legislative liaison for KACDL, introduced herself to the committee.

The meeting adjourned at 12:16 PM.

INTERIM JOINT COMMITTEE ON HEALTH AND WELFARE

Minutes of the fifth Meeting of the 2015 Interim

October 21, 2015

Call to Order and Roll Call

The fifth meeting of the Interim Joint Committee on Health and Welfare was held on Wednesday, October 21, 2015, at 12:00 p.m. CDT/1:00p.m. EDT, at the Wendell Foster's Campus for Individuals with Developmental Disabilities, Young Meeting House, 815 Triplett Street, Owensboro, Kentucky 42303. Representative Tom Burch, Co-Chair, called the meeting to order at 1:12 p.m. EDT, and the secretary called the roll.

Present were:

Members: Senator Julie Raque Adams, Co-Chair; Representative Tom Burch, Co-Chair; Senators Ralph Alvarado, Danny Carroll, Julian M. Carroll, Jimmy Higdon, and Reginald Thomas; Representatives George Brown Jr., Bob M. DeWeese, Joni L. Jenkins, Mary Lou Marzian, Reginald Meeks, Phil Moffett, Tim Moore, David Watkins, Russell Webber, and Susan Westrom.

Guest Legislators: Senator Joe Bowen; and Representatives Suzanne Miles and Tommy Thompson.

Guests: Todd Inman, Chair of the Board of Directors, and Clay Ford, Vice-Chair of the Board of Directors, Wendell Foster's Campus for Developmental Disabilities; Diana Caldwell, Vice President, Quality and Strategic Development, Wendell Foster's Campus for Developmental Disabilities; Mark Chumbler, CEO, and Susan Vickers, Clinical Director Hugh Edward Sandefur Training Center; Arthur Campbell, Louisville, Protection & Advocacy for Individuals with Developmental Disabilities (PADD) Advisory Board; Katherine Bowen, case manager; Kimberley Kirtley, Supported Employment Coordinator, Wendell Foster's Campus for Developmental Disabilities; Jason Cole, Regional Program Manager and Ann Haynes, Kentucky Office of Vocational Rehabilitation; Amanda Owen, Executive Director and Founder, and Kathy Hempel, Puzzle Pieces; Jaime Rafferty, Parent; Philip Patterson, President/Chief Executive Officer, and Debbie Zuerner Johnson, Owensboro Health; Jane Stahl, NeuroRestorative; Karen Lentz, Commonwealth Alliances; Camille Collins, Jeff Edwards, and Lissette Johnson, Kentucky Protection and Advocacy; Brad Schneider and Jan Eblen, Lifeskills, Inc.; Jaqueline Smith, Humana; Robert Hobson, CoventryCares of Kentucky; Mary Reinle Begley and Tabitha Burkhart Wilson, Department for Department for Behavioral Health, Developmental and Intellectual Disabilities; Rosie McMichael, Green River District Health Department; Cindy Chapman, Innovative Support Solutions; Cuba Armstrong, Maggie Price,

Karen Rednour, Scott Miller, Jeff Hagan, Carrie Blackham, Kelly Turnham, and Beth Shepherd, Wendell Foster's Campus for Developmental Disabilities; Steve Bing, Kentucky Health Department Association and Kentucky Public Health Association; Angela Mayfield, Hospice of Western Kentucky; Michele Keel and Mike Mountain, RiverValley Behavioral Health; and Shannon McCracken, Kentucky Association of Private Providers; and Colleen Hagan, Legislative Director, Cabinet for Health and Family Services.

LRC Staff: DeeAnn Wenk, Miranda Deaton, Ben Payne, Sarah Kidder, Gina Rigsby, and Jonathan Scott.

Welcome Remarks

Todd Inman, Chair of the Board of Directors, and Clay Ford, Vice-Chair of the Board of Directors, Wendell Foster's Campus for Developmental Disabilities, stated that the Wendell Foster's Campus (WFC) for Developmental Disabilities, Inc. was founded in 1947 by Wendell and Edith Foster in their commitment to provide the care needed for their daughter, Louise, and other children in the Owensboro, Kentucky area. The WFC has historically specialized in serving people with severe cerebral palsy and related disorders, but now offers cutting edge services to children and adults with other disabilities ranging from autism to traumatic brain injury and muscular dystrophy. The WFC's mission is to empower people with developmental disabilities to realize their dreams and potentials. The current budget is \$16,427,875 for fiscal year 2016 and there are over 300 employees. Services offered are outpatient therapies, Western Kentucky Assistive Technology Center (WKATC), Kelly Autism Program (KAP), supported employment, case management, Michelle P waiver, independent living, staffed residences, day training, and intermediate care facility for individuals with intellectual and developmental disabilities (ICF/ID).

In response to a question by Representative Burch, Mr. Inman stated that the WFC receives funding from private insurance, Medicare, Supports for Community Living (SCL) waiver, the Office of Vocational Rehabilitation KATS grant, First Steps Assistive Technology grant, training fees, private pay, Michelle P waiver, and community donations.

Approval of the Minutes

A motion to approve the minutes of the September 16, 2015 meeting was made by Senator Julian Carroll, seconded by Representative Marzian, and approved by voice vote.

Person-Centered Thinking and Planning

Diana Caldwell, Vice President, Quality and Strategic Development, Wendell Foster's Campus for Developmental Disabilities, stated that individuals with disabilities need to be recognized for their contributions. Every person has a gift that can be used, they just need encouragement and empowerment. A case manager helps individuals find and utilize available services.

Bryan Stone answered questions from his case manager, Amy Staves, saying that he liked living on his own and his job at the Bingo Hall. Bryan lives in one of Wendell Foster's independent

living homes where staff visit him twice a week. He loves to bowl and currently competes with three different leagues.

The Value of Sheltered Workshops within the Medicaid Waiver System

Mark Chumbler, CEO, and Susan Vickers, Clinical Director Hugh Edward Sandefur Training Center, stated that the concept for sheltered workshops has been around for 50 years. The Hugh Edward Sandefur Training Center is involved in sheltered workshops and integrated employment. Medicaid waivers provide opportunities for individuals with disabilities to be integrated into the community.

In response to a question by Senator Julian Carroll, Mr. Chumbler stated that one-third of the center's funding comes from community partnerships, two-thirds from Medicaid, and some private funds. The center wants to be able to provide services even if state funds are unavailable.

In response to question by Senator Alvarado, Mr. Chumbler stated that some individuals in the sheltered workshops are paid \$4 per hour. If an individual is paid less than minimum wage, the rate is determined by a piece rate worked hourly or time settings worked monthly. Individuals who participate are required to pay taxes. Sheltered workshops in other states have survived because of private funds. Person-centered thinking and planning must allow individuals to pursue their own goals. Ms. Vickers stated that case managers provide options that are available for individuals to choose.

Living Wages in Sheltered Workshops

Arthur Campbell, Louisville, Protection & Advocacy for Individuals with Developmental Disabilities (PADD) Advisory Board, translated by his case manager, Katherine Bowen, stated that he is philosophically opposed to sheltered workshops. Most people think that individuals with severe disabilities should not be allowed to live out in the community. He has lived in the community in his own apartment for 31 years and is able to lead a full life. Individuals with disabilities are not patients. Families need good and dependable respite. Nationally there is talk about raising the minimum wage, but individuals with disabilities in Kentucky are still paid \$4 per hour. He questioned what that says about that person's time and worth. Individuals with disabilities do not want to be disrespected or discriminated against because of their disabilities. In 1999, Kentucky received a federal Medicaid grant to study how to best implement the Olmsted decision and make recommendations on how to desegregate the disabled population from the institution, nursing home, and workshop setting. In his opinion, the current workshop model is in violation of the Olmsted decision for many individuals. The goal of individuals with disabilities is to be paid a living wage without segregation.

Senator Danny Carroll stated that some individuals with disabilities cannot work in the community and need to have other options available to them. Employment programs are needed. There is a place for individuals with disabilities in the work place. Fair working standards and equitable

pay is needed for these individuals. It is about equality for individuals with disabilities not just what they get paid. Individuals with disabilities deserve to get paid the same amount for the same job as individuals without disabilities.

Representative Watkins stated that workshops build self-esteem and confidence.

Supported Employment

Jason Cole, Regional Program Manager, Kentucky Office of Vocational Rehabilitation, stated that the Office of Vocational Rehabilitation receives state and federal funds. An individual has to have a disability to be eligible to receive vocational rehabilitation services. Approximately 4,000 individuals are placed in the workforce yearly. Their employment provides millions of dollars in taxes and helps the individual be less dependent on state benefits. Individuals are physically and mentally better when employed. Because there are different disabilities, there is no one solution.

Kimberley Kirtley, Supported Employment Coordinator, Wendell Foster's Campus for Developmental Disabilities, stated that supported employment started two and a half months ago at WFC and receives referrals from the Office of Vocational Rehabilitation. The program helps individuals with disabilities learn social skills and helps bring out the talents of these individuals. The program is helping to prepare individuals to live on their own. Individuals' skills need to stop being minimized.

In response to questions by Senator Thomas, Ms. Kirtley stated that currently there are no certificate programs, but programs are needed to help individuals learn how to improve their skills. Mr. Cole stated that the Office of Vocational Rehabilitation has excellent partnerships with educational facilities. To look at some individuals, no one could tell the individual has a disability.

In response to a question by Representative Marzian, Mr. Cole stated that employers are willing to hire individuals with disabilities, but there is not a list of companies to choose from that are willing to hire them. There needs to be alternatives for individuals with disabilities.

Autism Panel

Amanda Owen, Executive Director and Founder of Puzzle Pieces, stated that there should not be a cookie cutter aspect for person-centered programs. The person-centered approach is different for every individual. Employers need to be shown the benefits of hiring individuals with disabilities. Autism is on the rise, and an array of services needs to be available for autistic children and their families.

Jaime Rafferty stated that autism is a life altering event for not just the child, but also the family. Her son, Beau, had to be taken out-of-state to get a diagnosis. There are not enough mental health providers available for autism. A comprehensive team approach is needed. Resources need to be put into programs for autism. She was told that her son was very smart and has the capability to go to college and earn a degree. He just needs help with his social skills.

In response to a question by Senator Danny

Carroll, Ms. Owen stated that individuals can access services from the Michelle P waiver. Health care providers are needed who understand autism and which medications to prescribe. Unfortunately, the medications are expensive and some parents cannot afford them. Puzzle Pieces opened because of a grant received from a local hospital in Owensboro. Donations from the community are needed to be able to sustain autism programs. There needs to be more support available for child care services to help parents and caregivers of autistic children.

Representative Burch stated that more research needs to be conducted to find out what causes autism.

Discussion of 900 KAR 5:020

Philip Patterson, President/Chief Executive Officer, Owensboro Health, stated that comments were submitted to the Cabinet for Health and Family Services opposing the cabinet's proposed Ambulatory Surgical Center Review Criteria 5 and 6 in the 2015-2017 Kentucky State Health Plan found 900 KAR 5:020. These criteria create potentially very broad exceptions to the legislative mandated need methodology for ASCs. Changes could lead to proliferation of unneeded ASCs and could lower the quality and raise the cost of outpatient surgery services. If there is a need for additional ASCs in particular locations, the cabinet should adopt a reasonable need methodology addressing those needs. The Kentucky Hospital Association (KHA) stated there should be no change made to the review criteria for ASCs. If the changes are implemented, there is the potential for extremely damaging consequences for community hospitals.

In 2014, the General Assembly enacted the biennial state budget that included a requirement that all applications proposing to establish an ASC be reviewed against the utilization based need criteria contained in the State Health Plan. However, the cabinet has proposed four exceptions to the need criteria that conflict with the state budget. Under the changes being made to the State Health Plan, surgery centers can be established by any entity including entities from out of state. The applicant would only need to argue that a particular surgical procedure was not sufficiently available and they could be granted a CON for a surgery center. The surgery center would have an unrestricted license to perform any type of surgical procedure. The new surgery center could be approved regardless of whether there is an existing local hospital that has available capacity to serve additional patients.

The cabinet creates an exception to the need criteria to allow any physician's office to establish a surgery center if the physician's office has been operating in the state for ten years. The physician only needs to acknowledge the same procedures will be performed in the surgery center as those already performed in the physician's office. The proposed changes would give the physicians an unrestricted surgery center allowing any type of procedure to be performed in the facility. Another change allows ophthalmologists who have practiced in the state for ten years to be eligible to open a surgery center if \$300,000 is spent on laser equipment by

March 31, 2016. Only ophthalmic surgery would be allowed to be performed.

The fourth exception is to allow surgery centers to be built anywhere in the state if the facility is owned by a Kentucky hospital. The surgery center could be built in either the county of the hospital or any surrounding county, regardless of whether there was any other hospital in the county or a surrounding county with available outpatient surgical capacity. This exception also treats hospitals differently based on whether or not quality data is reported to a Medicare data base, HospitalCompare. The cabinet's own data shows there is no need for additional surgery services.

The proposed changes to the State Health Plan need criteria will result in an explosion of surgery centers throughout the entire state of Kentucky, movement of the most profitable surgeries and patients out of hospitals, and ultimately threaten the financial viability of many community hospitals. The changes would be devastating to rural and safety net hospitals which are already struggling.

The cabinet also proposed to create a number of exceptions to the review criteria for Megavolt Radiation Equipment. An application for a new radiation oncology program by any hospital or entity that falls within one of these exceptions would automatically be consistent with the State Health Plan, even if it is inconsistent with the need methodology. Approval of additional radiation oncology programs should be tied to a need for such programs and the availability of existing programs in an area.

The Legislative Research Commission's Administrative Regulation Review Subcommittee (ARRS) reviewed the State Health Plan at its September meeting and found 900 KAR 5:020 deficient. CON applications can still be filed, but many applicants will never be required to show a need for their project if they fall into a State Health Plan exception and then are deemed to meet the separate need and access review criteria.

Senator Raque Adams stated that the cabinet was trying to usurp the General Assembly's authority. Everyone needs to take a step back and find the regulation deficient or defer it to be able to get more information about concerns and receive more public comments. A letter from Secretary Audrey Tayse Haynes of the Cabinet for Health and Family Services, was distributed to members of the Interim Joint Committee on Health and Welfare that outlined the background and overview of the process for the State Health Plan updates. Also attached was the letter from Governor Beshear that overrode the finding of deficiency by the ARRS.

Senator Bowen stated that at the September 8, 2015 meeting, the ARRS voted 8 yes votes to 0 no votes to find 900 KAR 5:020 deficient. It was not a partisan issue.

Adjournment

There being no further business, the meeting was adjourned.

INTERIM JOINT COMMITTEE IN NATURAL RESOURCES AND

ENVIRONMENT

Minutes of the 5th Meeting of the 2015 Interim

November 5, 2015

Call to Order and Roll Call

The 5th meeting of the Interim Joint Committee on Natural Resources and Environment was held on Thursday, November 5, 2015, at 1:00 PM, in Room 149 of the Capitol Annex. Senator Jared Carpenter, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jared Carpenter, Co-Chair; Representative Jim Gooch Jr., Co-Chair; Senators C.B. Embry Jr., Chris Girdler, Ernie Harris, John Schickel, Brandon Smith, Johnny Ray Turner, Robin L. Webb, and Whitney Westerfield; Representatives Hubert Collins, Tim Couch, Jim DuPlessis, Chris Harris, Reginald Meeks, Marie Rader, John Short, Fitz Steele, and Jill York.

Guests: Mr. Steve Hohmann and Mr. Keith Smith, Department of Natural Resources; Mr. Larry Adams, Booth Energy; Mr. David Wicker, Kentucky Department of Fish and Wildlife Resources; Ms. Lane Boldman, Kentucky Conservation Committee.

LRC Staff: Tanya Monsanto, Stefan Kasacavage, and Kelly Blevins.

Chairman Carpenter requested that the committee join him in a moment of silence for Richmond Police Officer Daniel Ellis, who had been killed in the line of duty.

Kentucky Reclamation Guaranty Fund and Bond Pool

Commissioner Steve Hohmann, Department of Natural Resources (DNR), explained that the Department of Natural Resources is a regulatory authority for the Federal Office of Surface Mining (OSM). The department conducted a national review of the state's bonding in January 2011. The published study stated that Kentucky's reclamation bonding was insufficient in bond forfeiture. The cabinet uses performance bonds in forfeiture to perform the reclamation on the coal mine site. In response to the study, Secretary Len Peters, Energy and Environment Cabinet, formed a bonding work group to develop bond increases and new bonding protocol. In May 2012, OSM issued a 733 letter that stated the reclamation program in Kentucky was deficient and needed to make changes to ensure that coal mine site could be reclaimed to the standards.

Since 1982, Kentucky has only received one other 733 letter. The letter required both immediate and long term steps to shore up the reclamation program. The cabinet promulgated emergency regulations to increase bonding, to raise the minimum bond and the rate per acre for supplemental insurance. The new standards and rates were imposed in conjunction with midterm review of coal mine permits. The new protocol increased bond amounts by 60 percent, and imposed a twenty year bond requirement for substandard water discharges. However, all these protocols were immediate. The Office of Surface Mining required long-term changes.

The long-term change was instituted when the

cabinet requested legislation to create a mandatory bond pool. The cabinet hired an actuarial company to perform a study, and the results of the study indicated need to completely restructure the current small operators bond pool and create the coal mine reclamation bond fund. In March 2013, House Bill 66 was signed by the Governor, and HB 66 created the Kentucky Reclamation Guaranty Fund. The previous small bond pool was folded into the larger bond pool which requires mandatory participation by all coal operators. All of the commission funds and obligations were transferred to the new fund. However, subsidence or discharge of water would need a supplemental bond; those discharges and associated damages would not be covered by the new fund.

Administrative regulations, which were promulgated in 2013, established a structure for claims and mechanisms to review the viability of the fund. These administrative regulations established that representatives of regulatory, small and large bonding, surety, and the Environmental Protection Agency (EPA) entities would serve on the commission's membership. The statute allowed bond subsidization of small bond members. There have been 19 new companies formed that pay the \$10,000 fee. There have been five bids to conduct a study for Fiscal Year 2014-2015, the bid will be awarded in March 2016.

Since the fund's inception, revenues show a slow increase from \$2.7 million in 2013 to \$3.4 million in 2015.

In response to a question from Chairman Carpenter, Commissioner Hohmann said that 1,131 miles of permitted land are governed by the fund. There are 307 companies. There have been 41 forfeitures, and the fund has only made one payment for excess.

In response to a question regarding when reclamation is performed and if the cabinet has sufficient funds to cover reclamation, Commissioner Hohmann said that reclamation depends on the state of a permit when forfeited and whether bond money covers the reclamation costs. If an operation is in trouble early on, the bond fund is not enough and can represent a large liability to the fund.

In response to a question about whether the bond reverts to the General Fund, Commissioner Hohmann stated that money associated with the bond when all performance is performed normally reverts back to the company surety or bank rather than the General Fund.

In response to a question by Representative Harris regarding an increase in forfeitures due to economic downturn, Commissioner Hohmann said that the number has remained about the same. The assets in bankruptcy are orphaned, and another company usually picks them up.

A representative from the Department of Fish and Wildlife Resources requested an amendment to administrative regulation 301 KAR 1:201. After a motion and a second, the amendment was approved.

The meeting materials are on file in the LRC

Library. There being no further business, the meeting was adjourned at approximately 2:00 PM.

INTERIM JOINT COMMITTEE ON EDUCATION

Minutes of the 4th Meeting of the 2015 Interim

November 9, 2015

Call to Order and Roll Call

The 6th meeting of the Interim Joint Committee on Education was held on Monday, November 9, 2015, at 1:00 PM, in Room 154 of the Capitol Annex. Representative Derrick Graham, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Mike Wilson, Co-Chair; Representative Derrick Graham, Co-Chair; Senators Julie Raque Adams, Jared Carpenter, Danny Carroll, David P. Givens, Jimmy Higdon, Alice Forgy Kerr, Gerald A. Neal, Reginald Thomas, Johnny Ray Turner, Stephen West, and Max Wise; Representatives Linda Belcher, George Brown Jr., Regina Bunch, John Carney, Hubert Collins, Jeffery Donohue, Kelly Flood, Cluster Howard, James Kay, Mary Lou Marzian, Reginald Meeks, Charles Miller, Ruth Ann Palumbo, Marie Rader, Jody Richards, Tom Riner, Bart Rowland, Rita Smart, Wilson Stone, David Watkins, and Addia Wuchner.

Guests: Craig, Susan, and Morgan Guess, Paducah Kentucky; Erin Klarer, Kentucky Higher Education Assistance Authority; and Clyde Caudill, Kentucky Association of School Administrators.

LRC Staff: Jo Carole Ellis, Ben Boggs, Joshua Collins, Janet Stevens, Amy Tolliver, and Daniel Clark.

Approval of Minutes of the October 12, 2015, Meeting

Upon motion from Senator Carroll, seconded by Senator Wilson, the minutes were approved by voice vote.

Reports from Subcommittee Meetings

Senator Alice Forgy Kerr, reported that the Subcommittee on Postsecondary Education met to hear presentations on computer science/coding programs in public schools and Kentucky Education Television's Study at Home Adult Education/GED Preparatory Courses. Senator Danny Carroll reported that the Subcommittee on Elementary and Secondary Education met to hear presentations by Kentucky Department of Education (KDE) staff and district personnel on academic standards and curriculum development.

Presentation: Kentucky Youth Bullying Prevention Task Force

Secretary Audrey Tayse Haynes, Cabinet for Health and Family Services

Kelly Foster, Associate Commissioner, Office of Next Generation Schools and Districts, Kentucky Department of Education

Morgan Guess, Lone Oak Middle School Student, Paducah

Presentation: Unbridled Learning Assessments and Accountability Results

Rhonda Sims, Associate Commissioner, Office of Assessment and Accountability, Kentucky Department of Education

Kelly Foster, Associate Commissioner, Office of Next Generation Schools and Districts, Kentucky Department of Education

Presentation: STARS for KIDS NOW

Terry Tolan, Executive Director, Governor's Office of Early Childhood

Joe Roberts, Race to the Top – Early Learning Challenge Project Manager, Governor's Office of Early Childhood

Presentation: Kindergarten Readiness Camps

Sam Corbett, Executive Director, Jefferson County Public Education Foundation

Tess McNair, Executive Director, C. E. and S. Foundation

Tony Peyton, Program Officer, C. E. and S. Foundation

Karen Branham, Assistant Superintendent for Curriculum and Instruction, Jefferson County Public Schools

Jimmy Wathen, Early Childhood Specialist, Jefferson County Public Schools

Other Business

Chairman Graham announced that there are no plans for an interim meeting in December.

With no further business before the committee, the meeting adjourned at 3:30 PM.

INTERIM JOINT COMMITTEE ON AGRICULTURE

Minutes of the 6th Meeting of the 2015 Interim

November 4, 2015

Call to Order and Roll Call

The 6th meeting of the Interim Joint Committee on Agriculture was held on Wednesday, November 4, 2015, at 1:00 PM, in Room 149 of the Capitol Annex. Senator Paul Hornback, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Paul Hornback, Co-Chair; Senators C.B. Embry Jr., Chris Girdler, Stan Humphries, Dennis Parrett, Dorsey Ridley, Robin L. Webb, Stephen West, and Whitney Westerfield; Representatives Lynn Bechler, Johnny Bell, Mike Denham, Myron Dossett, Kelly Flood, Derrick Graham, David Hale, Richard Heath, James Kay, Kim King, Martha Jane King, Michael Meredith, Terry Mills, David Osborne, Ryan Quarles, Dean Schamore, John Short, Rita Smart, Wilson Stone, James Tipton, and Tommy Turner.

Guests: Dave Maples, Kentucky Cattlemen's Association, Nikki Whitaker, Kentucky Cattlemen's Association, Laura Knott, Kentucky Corn Growers Association, Ryan Bivens, Kentucky Soybean Association, Joe Clabes and Frank Penn, Kentucky Equine Education Project, Tamara Sandberg, Executive Director, Kentucky Association of Food Banks and Dr. Shubin Saha, Vegetable Specialist, University of Kentucky, Pat Clements, President,

Small Grain Growers Association, Dr. Rick Bennett, University of Kentucky, Dr. Chad Lee, University of Kentucky and Philip McCoun, Kentucky Corn Promotion Council.

LRC Staff: Lowell Atchley, Kelly Ludwig, and Susan Spoonamore, Committee Assistant.

The October 2, 2015 minutes were approved, without objection, upon motion by Representative Wilson Stone and second by Senator Chris Girdler.

Reports from Subcommittee on Horse Farming and Subcommittee on Rural Issues

The reports of the Subcommittee on Horse Farming and the Subcommittee on Rural Issues were approved, without objection, upon motion made by Representative Mike Denham and seconded by Representative James Kay.

Legislative Issues for 2016 Session

Representative Ryan Quarles was introduced as the newly elected Commissioner of Agriculture. He said that in 2016 his office plans to continue the success of the Kentucky Proud Program with more consumer education. He said that international trade is important to Kentucky farmers and agribusinesses. The bourbon business is continuing to grow and he would like to see more Kentucky corn used in their products. Only 40 percent of the grain being used now is from Kentucky. He said that he would be looking to the Department of Agriculture for help in creating economic development in rural Kentucky. Representative Quarles stated that emphasis needed to be placed on urban agriculture – particularly in agriculture education. He said hunger was also a real issue in Kentucky and he looked forward to working with the food banks. Regulations will continue to be a dominant issue, especially water quality and access to water. It is important that Kentucky play a pro-active role in better managing water resources, he said.

Dave Maples, Kentucky Cattlemen's Association (KCA), introduced Nikki Whitaker, KCA's membership and communications coordinator. Mr. Maples stated that animal health issues are always a concern. He said that in January 2017, farmers would be faced with a veterinarian fee directive. A lot of farmers go out-of-state to buy their animal health products to avoid paying taxes on the product, he said. It is an issue that needs to be watched in regards to federal mandates. Mr. Maples said that Dr. Robert Stout, Kentucky State Veterinarian, wants to create a task force with Farm Bureau, KDA and the Livestock Marketing Association to deal with bovine viral diarrhea (BVD) and other related issues. The Kentucky Cattlemen's Association supports the creation of a Grains Center of Excellence at the Research and Education Center in Princeton. Another issue is the ability to move locally produced foods through processing plants. The University of Kentucky has a \$250 million food contract and the Kentucky State Fair has a \$150 million contract. It is important that someone look at the contracts and hold the folks who are overseeing the contracts accountable. It does not make sense to export all of Kentucky cattle out of state and then import food back. They need to be buying Kentucky products.

In response to Senator Hornback, Mr. Maples

said the livestock industry had a good year although the prices are not where they were last year.

Representative Flood commented that she would commit to working with the new Commissioner of Agriculture to broaden the amount of Kentucky Proud products in food contracts such as UK and the Kentucky State Fair Board. She said she also agreed that UK needed to upgrade the facilities serving students of agriculture.

Representative Smart asked that extension specialists be added to the list for expanded or new facilities.

In response to Representative Stone, Mr. Maples said that Kentucky is in the process of rebuilding cow numbers.

Representative Kim King asked Nikki Whitaker to describe some of the youth leadership programs available to KCA's youth members. Ms. Whitaker said that the average age of farmers was 63 years old. She said that KCA decided to focus their attention on the youth by hosting youth events across the state. The beef scholars program will include youth from across the state competing for scholarships.

In response to Representative Tipton, Mr. Maples said that the number of livestock entries for the North American International Livestock Exposition (NAILE) was up in some areas and the other areas remained about the same.

Drew Graham, Assistant Dean, UK College of Agriculture, Food and Environment, stated that the latest information regarding entries at the NAILE shows that dairy and beef cattle numbers might be slightly down but swine, sheep and goat entries are up.

Laura Knoth, Kentucky Corn Growers Association (KCGA), Philip McCoun, Kentucky Corn Promotion Council (KCGA), Pat Clements, President, Kentucky Small Grain Growers Association, Dr. Rick Bennett and Dr. Chad Lee, University of Kentucky, and Ryan Bivens, Kentucky Soybean Association, spoke in support for the establishment of a University of Kentucky Grain Center of Excellence at the Research and Education Center in Princeton. Mr. Clements stated that small grain growers has contributed over \$200,000 annually to the University of Kentucky for grain research. Mr. Bivens stated that the Kentucky Soybean Board had invested over \$250 million to the University of Kentucky for research projects pertaining to soybeans. Mr. Bivens and Mr. Clements stated that the contributions to UK would be continued for research. Rick Bennett, Associate Dean for Research and Director of the Kentucky Agriculture Experiment Station, University of Kentucky, said that he supports all things related to agriculture research and offered his support if needed. Dr. Chad Lee, University of Kentucky, Extension Agronomist said that he works with corn, soybean and wheat and other small grains as well and supports the updates to the Grains Center of Excellence.

In response to Senator Parrett, Mr. Bivens stated that check-off monies have been used for monitoring the threat of soybean rust. If soybean rust is found, then it is already too late to save the

crop. Monies have been used for irrigation studies and a new (\$300,000) combine was purchased for the Princeton Research Center. Mr. Bivens said that they were able to help with a cancer project at the University of Louisville.

In response to Representative Tipton, Ms. Knoth said that all three of the organizations at the state and national level support genetically modified organism (GMO) labeling at the federal level. If that happens, it needs to be standardized and the same label across the United States. It also needs to be very clear and capable of being regulated, she said.

Ms. Knoth stated that a task force had been put together to develop the Grains Center of Excellence. The purpose is to focus on research in order to feed the world, protect the environment, expand the economy and allow farmers to pass their farms on to the next generation. She said the challenges will be increasing grains and oilseeds production efficiently and explaining the environmental footprint, and learning how to reduce it. The task force would like to ensure that all of the research areas address questions relevant to Kentucky citizens and Kentucky agriculture.

Ms. Knoth pointed out that corn, soybean and wheat generate about \$2 billion in Kentucky each year and contribute approximately \$42 million to the Kentucky labor-income each year. She said that Kentucky livestock was the primary consumer of grains followed by food, fuel, bourbon and exports.

Ms. Knoth stated that the associations would like to see Agriculture Development Funds to be used for the renovation and expansion of the Grains Center for Excellence. She also noted that the task force is working on an endowment fund for annual maintenance.

Senator Hornback said this project is supported by all of agriculture in seeing that the Research Center is enhanced for the future of agriculture research. He said no general fund dollars would be used since the money for the upgrades to the Grains Center have already been set aside.

Joe Clabes, Executive Director, and Frank Penn, Kentucky Equine Education Project (KEEP) addressed the committee. KEEP is a grassroots organization created to preserve, promote and protect Kentucky's \$4 million horse industry, which supports 100,000 jobs, either directly or indirectly. He said there are approximately 5,000 members who represent all equine, breeds and disciplines. Mr. Clabes stated that the board had unanimously approved a resolution in support of equine tax equity in Kentucky. The resolution urges the Governor and State Legislators to make it a top priority in supporting a sales tax exemption for equines, equivalent to the tax policy for other livestock and farm animals.

Mr. Frank Penn, Chairman, Equine Sales Tax Equity Task Force, said the sales tax equity for equine is all about fairness. He stated that there is a tremendous inequity in the equine industry. Horses are not treated as production animals or as part of production agriculture. The industry should not have to pay 6 percent sales tax on the inputs to raise a horse let alone the equipment that is purchased

to operate a horse farm. Mr. Penn said that the industry would find a way to make the equine sales tax exemption a reality.

Senator Webb said that supporting the equine sales tax equity is important. The statutes need to be consistent in designating equine as livestock.

Representative Denham stated that in moving horses across state lines, there has been problems with health papers. He asked that KEEP work on reciprocity agreements with other states, especially Northern states. Mr. Clabes said that KEEP is aware of the issue and is working to find the best way to move equine across state lines via technology.

Update on Funding for Kentucky Association of Food Banks

Tamara Sandberg, Executive Director, Kentucky Association of Food Banks and Dr. Shubin Saha, Vegetable Specialist, University of Kentucky discussed the current funding for the Farms to Food Banks program. Ms. Sandberg stated that farmers were paid just below wholesale prices for their produce and the program provides them with a market to sell #2 grade produce. Produce has been delivered to all of Kentucky's 120 counties. She said that approximately 300 farmers have benefitted from this past growing season. The average paid to a farmer was \$1,400 and the maximum paid out to a farmer was \$32,000. Ms. Sandberg stated that 2.4 million pounds of produce (equivalent to 4 million meals) has been distributed throughout the state.

Dr. Saha stated that the weather impacted the growth of crops for 2015. He said that the month of April received four times the amount of rain as normal which delayed getting the crops in the ground. He said that Kentucky also received over three times the normal amount of rain in July. The crops that were in the ground and doing well suffered from leaf wetness which affects plant management. Because of the above normal rain, farmers were prohibited from getting into the fields to harvest their produce which limited the amount of produce available to the food banks.

Ms. Sandberg explained there was still money available to purchase produce because of low production in the summer. The food banks should be able to provide produce through December. She said that the farms to food banks association had talked with the Kentucky Department of Agriculture about purchasing protein through egg farmers. Ms. Sandberg noted that the Kentucky Department of Agriculture was the largest contributor to the food bank, (budget appropriation) along with private foundations and individuals supporting the program through the income tax checkoff. In addition, she said that the Governor's Office of Agricultural Policy contributed \$33,000 from the tobacco growers settlement trust fund.

In response to Representative Martha Jane King, Ms. Sandberg said that a dollar donation can be turned into \$10 worth of food because of the bulk purchasing power.

There being no further business, the meeting

was adjourned.

PUBLIC PENSION OVERSIGHT BOARD

Minutes

September 28, 2015

Call to Order and Roll Call

A meeting of the Public Pension Oversight Board was held on Monday, September 28, 2015, at 12:00 PM, in Room 169 of the Capitol Annex. Representative Brent Yonts, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Joe Bowen, Co-Chair; Representative Brent Yonts, Co-Chair; Senators Jimmy Higdon and Gerald A. Neal; Representatives Brian Linder and Tommy Thompson; Robyn Bender, Tom Bennett, Robert Damron, Jane Driskell, James M. "Mac" Jefferson, Sharon Mattingly, and Alison Stemler.

Guests: Representative Derrick Graham; Bill Thielen, Executive Director, Kentucky Retirement Systems; Rich Robbins, Deputy Chief Investment Officer, Kentucky Retirement Systems; Joe Gilbert, Director of Public Equity, Kentucky Retirement Systems; Gary Harbin, Executive Secretary, Kentucky Teachers' Retirement System; Eric Wampler, Deputy Executive Secretary, Kentucky Teachers' Retirement System; Donna Early, Executive Director, Judicial Form Retirement System; L. B. VanMeter, Chair of the Board of Trustees, Judicial Form Retirement System; J.W. Bryan, State Social Security Administrator; Kim Nicholl, Senior Vice President and Actuary, Segal Consulting; Matthew A. Strom, Vice President and Actuary, Segal Consulting; Todd B. Green, Principal and Consulting Actuary, Cavanaugh MacDonald Consulting; and Alisa Bennett, Principal and Consulting Actuary, Cavanaugh MacDonald Consulting.

LRC Staff: Brad Gross, Committee Staff Administrator; Bo Cracraft; Terrance Sullivan; and Maurya Allen.

Approval of Minutes

Senator Bowen moved that the minutes of the August 24, 2015, meeting be approved. Representative Linder seconded the motion, and the minutes were approved without objection.

Kentucky Retirement Systems Update

Mr. Bill Thielen, Executive Director, Mr. Rich Robbins, Deputy Chief Investment Officer and Director of Fixed Income, and Mr. Joe Gilbert, Director of Public Equity, Kentucky Retirement Systems, presented on the investment performance of the Kentucky Retirement Systems.

Mr. Thielen stated that the total fund return for the past fiscal year was 2.02 percent, compared to the benchmark of 3.31 percent, and that returns were far less than the desired 7.50 percent. For the fiscal year to date, the total pension fund is down 3.30 percent and the total insurance fund is down 3.49 percent, both trailing the total fund benchmarks. The private equity fund is the only asset class currently showing a positive trend, up 0.15 percent for pensions and 0.10 percent for insurance funds.

Mr. Thielen also addressed investment fees and he noted that reported fees have increased 75 percent since 2014, from \$62 million to \$108 million. However, he assured the board members that the fees paid did not increase from 2014 to 2015, but that changes to the investment reporting methodology are the reason for reports of differing amounts over the last year. The new reporting methods are an effort to provide greater transparency and more information to the public and to the board. For 2014, and before, investment fees for private equity were reported using the Equity Method of reporting, which is endorsed by generally accepted accounting principles (GAAP) issued by the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB). That method is used across the country for public pension plans and investors, but it does not report private investment fees as a separate line item. For 2015, it was decided to report fees using the Investments Share Method, which reports investment fees as a separate line item instead of netting them against the investment activity. The fees year to year would have been the same if they had been reported in the same, rather than a different, method. He also clarified that the different method does not affect net returns, it was merely a different view of the system's investments and expenses. Chairman Yonts asked if it was more accurate to look at basis points rather than dollar values when evaluating fees. Mr. Robbins answered that it would provide a more equivalent comparison; however, these fees are not unique to KRS. Any private equity investor is incurring the same fee, KRS has just adopted a new methodology that goes outside of the norms that GAAP endorses, and other groups may soon be following suit.

Chairman Yonts asked for clarification that the fees reflect a netting out of expenses compared to earnings because individual fees may not be reflected in a bill. Mr. Robbins explained that it could be viewed like profit-sharing where anything above a set rate is shared with the investors, thus becoming an incentive to forming a partnership. Prior reporting does not show that activity, but net activity has not changed significantly. Senator Higdon commented that the board may recommend a performance audit to better understand the current situation. Mr. Thielen stated that he would be covering Senator Higdon's concerns in the rest of his remarks detailing the most recent audit report. Senator Bowen asked if actual costs expended were 75 percent more than the previous year. Mr. Thielen stated that fees have been virtually the same from year to year, and that only the reporting format has changed. Mr. Gilbert added that the easiest way to explain it was that all of KRS's investments are partnerships. If everyone in a partnership purchased something like a racehorse and that horse won a race and everyone got their proportional share, a member's share is not an expense to any other member. In private equity, it is also referred to as carried interest and can be considered expenses of the partnership, but they are not additional fees to being in the partnership. Mr. Thielen stated that it was not their desire to justify past actions, they were

merely explaining why they had chosen to report in a different manner than GAAP recommends and that this may better contribute to the transparency desired by the committee.

Mr. Thielen next explained changes in the hazardous duty retiree dependent child contribution for health insurance. As a result of the federal Affordable Care Act (ACA) changes in 2010, access to health insurance for dependent children was assured up to age 26. Prior to 2011, KRS contributed to the cost of health insurance for hazardous duty dependent children as defined in KRS 16.505, where a dependent child is defined as “a child in the womb and a natural or legally adopted child of the member who has neither attained age eighteen (18) nor married or who is an unmarried full-time student who has not attained age twenty-two (22).” In 2011, KRS erroneously began paying health insurance contributions on dependent children up to age 26. The error was not discovered until 2014 during an internal audit so, in February 2015, a regulation was promulgated that contributions would only be paid for dependent children as defined in statute. Because of the hardship on retirees with children between the ages of 22 and 26, and because the 2015 plan year had already begun, it was decided that the regulation would be effective for the upcoming 2016 plan year.

As his final update, Mr. Thielen stated that there have been a number of audits of KRS over the last several years as a result of requests from many sectors. Since 2008, the following studies, audits, inquiries and investigations have been performed:

- An annual financial audit by an independent CPA firm;

- A financial audit conducted by the Auditor of Public Accounts every five years, last completed in 2013;

- Two studies of the investment program and investment performance by the General Assembly’s Program Review and Investigations Committee, one in 2008 and another in 2012;

- A comprehensive governance audit conducted by the Auditor of Public Accounts, with a report issued in June 2011;

- A two-and-one-half year inquiry into the use of placement agents by investment firms utilized by KRS by the Securities and Exchange Commission;

- Three asset liability modeling studies from 2000-2013;

- An actuarial audit conducted by the Segal company that would be presented to the oversight board members later in the agenda;

- A private equity return benchmarking report in December 2011;

- An investment cost effectiveness analysis conducted by CEM Benchmarking, Inc. to be presented before the oversight board in the near future; and

- An administrative cost effectiveness analysis to be conducted by CEM Benchmarking, Inc. to be presented to the board in the spring of 2016.

Mr. Thielen noted that all of these studies and investigations have prompted improvements to processes and procedures, but none have shown

any problems in terms of fraud or mismanagement. Senator Bowen asked if KRS had requested all of the audits and investigations be performed or if they had been initiated by outside agencies. Mr. Thielen responded that some were outside requests, such as the study of KRS’s investment performance by the General Assembly’s Program Review and Investigations Committee, but some were instituted by KRS. In closing, Mr. Robbins wanted to emphasize that regarding private equity and related fees, the expected returns are outside or in excess of the public markets and that last year was a good example. Private equity returns were 9.6 percent, net of fees, while public equity markets returned 7.3 percent, so even after fees private equity returned 2.3 percent more than public markets.

Chairman Yonts asked how health insurance premiums were expected to change from 2015 to 2016 for retirees. Mr. Thielen stated that he thought the change was going to be flat. Chairman Yonts also asked, in regards to the audits performed by the State Auditor of Public Accounts every five years by statute, how much KRS was charged for the audits. Mr. Thielen answered that the audit performed in 2013, which went beyond a typical financial audit, cost about \$120,000. The typical cost of an audit by Dean Dorton would be in the range of \$60,000. Chairman Yonts stated that he had heard a quote for hiring an actuary to perform an external audit in excess of \$200,000. Mr. Bennett responded that because there is not an actuary on staff, and it is unclear if one is already employed in state government, that would be an accurate estimation of cost for hiring an external actuary to perform an audit.

Kentucky Teacher Retirement Systems Update

The next agenda item was a report on the Kentucky Teachers’ Retirement System (KTRS) from Mr. Gary Harbin, Executive Secretary, and Mr. Eric Wampler, Deputy Executive Secretary, Kentucky Teachers’ Retirement System. Mr. Harbin began with an investment update, stating that the investment performance was 5.1 percent for the last quarter of the year ending June 30, 2015. This outpaced the benchmark by approximately 1 percent, but does not meet the needs of the system. Returns of 15 percent are necessary to break even on a system which is 50 percent funded, resulting in a projection of an unfunded liability increase of \$1 billion over a year’s time. Mr. Harbin went on to discuss the funding workgroup which is looking into a solution to the unfunded liability and the reality of selling \$670 million in investments to meet the \$1.8 billion annual payroll. This meant that roughly 37 cents for every dollar spent came from selling investments, which places a burden on the investment staff having to manage the cash flow needs of the system by selling investments. This has already impacted long-term goals by preventing investment in higher return opportunities, such as private equity. Mr. Harbin stated that KTRS is one of only six pension plans in the nation without a funding plan in place for members, which results in having to use a lower discount rate for assumed liabilities.

Mr. Harbin reported that the KTRS funding workgroup is comprised of 23 members representing educators, state officials, members of the Public Pension Oversight Board, members of the Kentucky Chamber of Commerce and professional consultants. The group is roughly halfway through the process, and it recently heard testimony from current, future, and retired teachers concerned about their retirement security. Surprises included the volume of loan debt current and future teachers face when trying to pay bills, and the number of retired teachers on Medicaid because of low benefits received from their retirement. Mr. Harbin stated that while it is a very affordable benefit, at 15.68 percent of pay and with net cost to the state of about 6.5 percent compared to the cost of Social Security at 6.2 percent, testimony from interest groups served as a reminder that teachers do not get Social Security benefits. According to Mr. Harbin, the workgroup participants are hoping to reassure the current, future, and retired teachers that their retirements are secure for the long term and they are beginning to debate specific possibilities to fulfill their charge of making a recommendation to the Governor by December 1, 2015.

Mr. Harbin also stated that consultants at the last workgroup meeting documented the existing unfunded liability of \$14 billion and that the cost represents about 21 percent of pay, which cannot be reduced or eliminated by lowering benefits for current teachers or lowering benefits for new teachers according to Mr. Harbin. He stated the cost of the existing benefit is only marginally greater than the costs of Social Security, and when consultants looked at the possibility of moving new teachers to Social Security, rather than continuing them in KTRS, they found that it would not be a reasonable option. He stated the system needs approximately \$490 million more per year and how that will be achieved is the task of the workgroup to determine. Senator Bowen asked what the current asset balance was for KTRS. Mr. Harbin said that currently KTRS has \$18 billion in assets. Senator Bowen followed that by asking what the balance was in 2013. Mr. Harbin answered that he did not know precise figures, but that it was less. He noted there had been good investment performance since then, although over the last year the balance has decreased from roughly \$18.3 billion to \$18 billion due to benefit payments. Senator Bowen then asked if assets had been sold to realize gains or to cover expenses. Mr. Harbin stated that assets had been sold to cover expenses, but additionally, assets are valued using market values and as a result of down markets, the assets lost approximately \$1.3 billion of value since July 1, 2015.

Senator Higdon asked for clarification of the 15.68 required contribution compared to the true cost of the retirement system. Mr. Harbin stated that because the system has an unfunded liability of 47 percent, the debt must be paid in addition to the normal cost of benefits. The 15.68 percent would be the cost of the benefit if the system was 100 percent funded. However, because the system is only 53 percent funded, and because the markets have dropped so dramatically, earnings

of 7.5 percent were not realized, resulting in the \$14 billion unfunded liability, which compounds at 7.5 percent. Mr. Harbin also acknowledged that the General Assembly has consistently met their statutorily required contribution and provided additional contributions when it was requested in 2006-2008 to keep the system actuarially sound. Senator Higdon asked what the cumulative costs have been since 2008. Mr. Harbin replied that since 2008, KTRS has sold \$2.1 billion in assets to meet the retiree payroll. There have been \$1.9 billion in requests to the General Assembly during this same time. Senator Higdon added that there had been a lot of good information brought at the last meeting of the workgroup, in particular that lowering the benefits for new hires would not solve the problem alone and that additional, and increasing, contributions will be necessary.

Chairman Yonts asked if an actuarial audit was currently being performed on KTRS. Mr. Wampler responded that an audit was being performed and that he would report on the progress of that audit. He stated that KTRS contracted with the Segal Company in June 2015 to conduct an audit that will include a full replication of the pension and health insurance actuarial reports for 2014, which is consistent with GFOA best practices. The audit began in July 2015 and must be completed by December 2015 when the results will be presented to the KTRS Board of Trustees. Chairman Yonts stated that the oversight board would also like a copy of the results of the audit as soon as possible after its completion. He also asked if the working group report would be ready by the November 20, 2015 deadline. Mr. Harbin clarified that the report is due to the Governor by December 1, 2015 so that is the actual deadline. Chairman Yonts asked if there was any indication that the recommendation will be anything other than a bond issue. Mr. Harbin stated that he was unsure at this point what the recommendation would be, but that the working group is open to many different options.

Mr. Harbin also wanted to make the board aware of the approximately 40,000 retirees who receive healthcare coverage through the retirement system. Of those, approximately half are covered under Medicare Part B, the premium for which is scheduled to increase by 52 percent on January 1, 2016, roughly increasing from \$104 per month to \$159 per month. KTRS has been reaching out to contacts in Washington, D.C. to get the most accurate and up to date information regarding this change. As a result of the "hold harmless" provision of Social Security, if there is not a COLA awarded to Social Security recipients, then the Medicare Part B premium cannot increase. Social Security recipients without a COLA make up about 70 percent of the population that receive Medicare Part B, meaning that Medicare will charge the remaining 30 percent of the population what is necessary to cover the difference. This will result in a final cost of \$159 per month for all retirees, including teachers who have Medicare Part B. Additionally, with the shared responsibility legislation passed in 2010, all retirees under age 65 are required to pay a Medicare Part B equivalent into a medical trust so their premiums

will also increase on January 1, 2016. Senator Higdon commented that he felt the shared sacrifice bill was a good piece of legislation, but he asked if it had indirectly caused this increase to members' out-of-pocket expenses. Mr. Harbin replied that the under 65 population agreed to pay more, but as a result of things happening on the federal level, the under 65 population will be matching the over 65 population's premium increase. There is currently a bill on the federal level designed to address this and prevent future inequity.

Representative Linder asked if there was no resolution at the federal level, because this only applies to those with a COLA increase, will the increase be greater than their COLA thus resulting in a negative impact on wages. Mr. Harbin answered that the phrasing of the harmless clause implies that the Medicare Part B increase should be covered by COLA increases. Representative Graham asked for clarification regarding the cost increase to Medicare Part B being covered by the premium increase on those that receive a COLA. Mr. Harbin explained that because there is no COLA for those receiving Social Security, there will be an increase for those that do not receive Social Security but pay into Medicare Part B and that will be passed on to non-recipients. Representative Graham asked what the solution at the federal level will look like, but Mr. Harbin said it was unclear at this time and he would give the board an update at a later meeting.

Judicial Form Retirement Systems Update

The oversight board then heard an update on the Judicial Form Retirement Systems by Ms. Donna Early, Executive Director, and Judge L. B. VanMeter, Chair of the Board of Trustees, Judicial Form Retirement Systems. Ms. Early explained that the Judicial Form Retirement System is charged with the administration of the judicial and legislators retirement plans. The Board of Trustees for the system consists of eight members: three judicial appointees, three legislative appointees, and two gubernatorial appointees. These individuals also serve on the investment committee for the system. They meet quarterly and at the October 9, 2015, meeting they will be discussing several items that are not ready to be reported on at this time. The system is on schedule for the actuarial audit to be completed, and a draft of proposed insurance rates will go before the board at the next meeting and will be shared with the oversight board once those rates are approved. Ms. Early also indicated that the presentation from LRC staff on investments will cover some of the Judicial Form Retirement Systems' investment performance as well. Judge VanMeter stated that there was additionally some clean-up legislation to propose during the upcoming legislative session, some of which was proposed last session but did not pass. Chairman Yonts asked about the healthcare rates for the system in the upcoming year. Ms. Early said that the costs would remain flat, but the contribution levels would be determined by the Board of Trustees and could potentially increase.

FICA Withholding on Employee Pension Contributions Update

The fifth agenda item was an update on FICA withholding on employee pension contributions presented by Mr. J. W. Bryan, State Social Security Administrator. Mr. Bryan gave a brief overview of the history of Social Security for government employees. He also presented information on the IRS Memorandum of Agreement regarding costs to employees and employers. Mr. Bryan explained that a recent ruling determined that the method used by the Commonwealth to calculate Social Security tax liability was incorrect, and the IRS is requiring Kentucky to prepare a reasonable plan to address the treatment of pension contributions to bring the state into compliance. The agreement was reached via contract negotiations and the new calculation will go into effect on January 1, 2017, giving agencies time to plan, implement payroll systems, and communicate with impacted employers and employees. All governmental employers (including the executive, legislative, and judicial branches of state government), eight universities and the Kentucky Community and Technical College System, and 1,471 county, city, and local school districts are impacted. Mr. Bryan stated that this will cost an estimated \$5.7 million in additional payroll taxes but, for employees who participate in Social Security, the additional contributions will result in increased Social Security benefits upon retirement.

Chairman Yonts asked if teachers who participate in Social Security and Medicare would experience an increase and if they were aware of that increase. Mr. Bryan assured him that teachers were aware, as were members of local governments. He has been working with the Kentucky Association of Counties (KACo), the Kentucky League of Cities (KLC), and the Kentucky County Employees Retirement System (CERS). Chairman Yonts also asked about cafeteria plan expenditures, whether they would be paid by employee or employer. Mr. Bryan stated that the employer would still be responsible for those contributions, and he noted this is covered under a federal statute making it separate from other income contributions made by the employer. Senator Bowen asked for reassurance that this would not be retroactively implemented. Mr. Bryan assured him that it would not. Representative Graham asked if the costs for teachers would be in addition to the Medicare costs mentioned earlier. Mr. Harbin answered on behalf of the KTRS that this would impact active teachers, not current retirees.

Kentucky Retirement Systems Actuarial Audit Results

The sixth item discussed was the results of the actuarial audit recently performed on the Kentucky Retirement Systems (KRS) by Segal Consulting. Ms. Kim Nicholl, Senior Vice President and Actuary, and Mr. Matthew A. Strom, Vice President and Actuary, Segal Consulting, presented the audit findings. Ms. Nicholl covered the scope of the audit, the data used, and verification of the test life detail. The audit was limited in scope, and they noted Segal did not perform a full replication audit, but rather used "test life" data. Test lives are actual members and highlight the scope of

the system and its benefits, including all the tiers, retirement systems, and benefits covered by KRS. The data was compared and found to be accurate, although several recommendations were provided concerning some assumptions made regarding the data. The data provided to the actuaries for evaluation of liabilities and contributions showed a match within 1 percent, which is better than the 5 percent generally accepted as good. The only difference greater than 5 percent was the data applicable to beneficiary age; however, the difference seems to be a result of the way the data was reported. Ms. Nicholl assured the members that this small discrepancy would have no measurable impact on the results. Concerning the valuation report, it was noted that the recommended employer contribution rate (dollar amount of contribution divided by payroll) appeared to contain a slight miscalculation. Ms. Nicholl also drew members' attention to the comments section of the valuation report, indicating that there were some noteworthy items for future review.

Ms. Nicholl noted a second recommendation regarding the "experience gain / (loss)" assumptions. She explained there were differing types of gains and losses, demographic and asset. These were currently totaled and expressed as a percentage of the actuarially accrued liability, and it was recommended that these be split. The demographic gains and losses should be expressed as a percentage of liabilities, while the asset gains and losses should be expressed as a percentage of the assets. Finally, she commented that several of the actuarial assumptions were either incorrectly or incompletely disclosed in the valuation reports.

Mr. Strom spoke regarding the test life data and he noted that it reflected individual active members, and regarding retired individuals with known benefit amount and date of birth it would be expected to match very closely with expected liability, which it did. Some areas of improvement regarding programming and reporting were highlighted, but they were found to have no net effect on the valuation report of the whole system. There were no major issues noted with the economic assumption recommendations and only one question regarding the mortality data, where actual deaths were nearly double expected for the 55 to 64 age range. Mr. Strom also highlighted recommendations to the retirement rate analysis and lower term rates regarding turnover and termination. He also gave a brief overview of valuation methods. Overall, Ms. Nicholl said the data appeared complete and the assumptions and methods were reasonable and complied with actuarial standards of practice. Some suggestions were made to improve the usefulness of reports and to fine tune the actuarial liabilities.

Senator Bowen asked what the differences would be between the limited scope audit of KRS and the full scope audit proposed for KTRS. Ms. Nicholl explained that the limited scope audit does not replicate the total valuation, but the liabilities for test lives. Because the test lives cover all the different tiers, plans, and benefits, it can be said that they are within the reasonable range for a match.

A full scope audit will do the same but look at all the members' liabilities and combine them to establish a total liability and total contribution rate. Mr. Jefferson asked if it was necessary to change actuaries in the same way that businesses are recommended to change auditors periodically. Ms. Nicholl responded that it is not necessary as long as there is a good relationship with the actuary and a belief that accurate figures are being presented. Mr. Jefferson then asked if it was preferable to have a different firm perform the experience study than performs the annual or regular audit. Ms. Nicholl answered that it makes sense for the actuary that performs the valuation study to perform the experience study because they are most familiar with the data and the plan benefits. Mr. Jefferson asked if it is unusual for boards of trustees to include scenario analysis in actuarial reports. Ms. Nicholl said that it is typically provided as a supplement if requested. However, she stated that while it was good to have to account for assumptions and inform decision making, it would increase fees. Mr. Jefferson had a final question regarding payroll growth and if it was similar across the nation. Ms. Nicholl said that it has been similarly flat or negative growth across the country because of the economy, but that it is expected to rebound.

Ms. Stemler asked if there were some systems performing more frequent audits or if the five-year audit was standard. Ms. Nicholl responded that she occasionally sees three-year audits, but a five-year audit is standard and provides the best overall picture of the system. Ms. Stemler then asked if it was accurate that the approach to payroll did not make a significant impact on growth. Ms. Nicholl said that the payroll growth assumption needs to be investigated because the system is not achieving the 4.5 percent payroll growth assumption. Senator Higdon asked if there were any concerns using the test life data. Ms. Nicholl said that yes, some small areas of concern regarding calculation programming were noted in the report, but that overall these impacted such a small number of individuals that there was no real impact on the system as a whole.

Kentucky Retirement Systems Consulting Actuary Response to Actuarial Audit

The seventh item on the agenda was a response to the actuarial audit by the KRS consulting actuary, Cavanaugh MacDonald Consulting. Representing Cavanaugh MacDonald Consulting were Mr. Todd B. Green, Principal and Consulting Actuary, and Ms. Alisa Bennett, Principal and Consulting Actuary. Mr. Thielen also briefly spoke to some questions the members had concerning the audit. First, he stated that a limited scope audit was chosen because it is an accepted actuarial process. The costs of conducting a full scope audit on such a complex system as KRS would have been much higher. Additionally, he noted that the board has decided to put some sensitivity analysis in the valuation reporting this year to address some concerns. Mr. Green stated that the actuarial audit is a value to the system, improving the valuation process. It also helps the board of trustees and members of the Public Pension Oversight Board

be more confident that the numbers reported have been calculated correctly. The methodology of using raw test case data for the audit allowed for a more nuanced audit. Ms. Bennett added that this certainly seemed to be the case because the coding errors were very tiny and will allow for fine-tuning of future valuations.

Mr. Green covered some of the recommendations presented in the audit results, such as the employer contribution rates being slightly understated. It was the position of Cavanaugh MacDonald to disagree because the valuation rate was presented as a dollar contribution that is adjusted for the timing of payments. Mr. Green also pointed out that the valuation reports are always accompanied by a 20-year projection. If the contribution rates were significantly understated it would be reflected in the 20-year projection. Ms. Bennett said that one of the benefits of an outside audit is having an objective party interpret reports and highlight where communication would be better. Clearly there are some areas where the reports do not communicate effectively and efforts will be made to correct that. Mr. Green stated that Cavanaugh MacDonald is working with the KRS Board of Trustees to implement most of the corrections recommended by Segal Consulting in their report.

Mr. Green next stated that in the area of projected benefits Cavanaugh MacDonald agreed with the findings concerning differences and have corrected the numbers applicable to liabilities, which now range from 0.06 percent to a negative 0.09 percent. Ms. Bennett stated that this was further evidence that this was a very thorough audit because it was able to increase accuracy to this level. Mr. Green went on to discuss how the fact that members may have service in more than one of KRS's five systems can affect how the retirement benefits are calculated. The system is currently making the assumption that members with hazardous and non-hazardous service will retire from the non-hazardous system and that will defer payment of benefits until after age 65. However, a member retiring in the hazardous system will receive benefits at age 55. Cavanaugh MacDonald plans to improve the description of this calculation in their valuation report. It was also recommended that other assumptions be lowered following the last experience study performed.

Chairman Yonts asked about the valuation in 2013, once the law changed it was assumed all the unfunded liability would be paid in 30 years but a more recent report has indicated the system will be insolvent in 20 years. Mr. Green answered that they cannot say there is no chance, but at this point the systems seem sound, pending changes made by the Commonwealth. Chairman Yonts emphasized that the state's commitment to pay the actuarially required contribution and an improving economy are essential to the funded status of the systems. Mr. Green added that hiring more individuals into the system without service in another system would also contribute positively.

Fiscal Year 2015 State Administered Retirement System Investment Review

The eighth and final item on the agenda was an investment review of the state-administered retirement systems for the 2015 fiscal year. The presentation was given by LRC staff member Bo Craycraft. Mr. Craycraft specifically drew members' attention to the information regarding the legislative and judicial retirement systems, which have posted strong returns of 10.5 and 10.9 percent respectively over the last two years. He also noted that they are small plans and are limited in their investment potential in comparison to larger plans, such as KTRS. Mr. Craycraft illustrated how the plans compare to their peer group systems and emphasized how these plans compare to the KTRS plan. He noted that over the 10- and 20-year periods most of the plans have come close to or exceeded their benchmarks and their investment return assumptions. Mr. Craycraft also highlighted a comparison of asset allocation between systems. Again, he showed how the state administered plans compare to peer groups such as an aggregate LRC peer group and a peer group reported by Cliffwater. Mr. Craycraft briefly discussed the sources of fees and fees reporting, and he highlighted several factors that impact fees, including internal management and asset allocation.

Chairman Yonts asked for clarification on the alternative asset allocation, specifically hedge funds. Mr. Craycraft explained that there are four large classes of alternative assets: private equity; real estate; real assets; and hedge funds. He briefly described the liquidity and expected returns of these classes. Senator Higdon asked about the fee differences between KRS and KTRS versus the Legislative Retirement Plan (LRP) and the Judicial Retirement Plan (JRP). Mr. Craycraft emphasized that the LRP and JRP are able to take risks that would not be prudent for the larger systems and that this strategy results in the higher returns and lower fees seen by the systems. Mr. Jefferson asked about the management fees for KTRS, assuming all fixed income is handled in-house, if it would be safe to assume that the management fees reported are largely staff salaries. Mr. Craycraft answered that no, the fees represent external manager fees for things such as high-yield bonds and European / non-US bank loans. Mr. Jefferson then asked if it would be necessary to have a separate line item for staff salaries, technology expenses, external fees, etc. in order to make a true comparison. Mr. Craycraft stated that yes, it would be necessary to break the category down and that would also affect the basis points figures. He noted that what was given in the presentation was an aggregate figure. Finally, Mr. Jefferson asked, regarding costs reported for KRS and hedge funds, if the data provided was strictly base fees or if incentive fees were included in the figures. Mr. Craycraft stated that it does include performance fees paid to managers.

Chairman Yonts asked about the possibility of utilizing internal management to cut expenses for KRS such as was suggested for KTRS and JFRS. Mr. Thielen said that it is something that could be looked into but would require budget approval from the State Budget Office and the General Assembly in order to hire more staff at a

competitive rate. Representative Thompson asked when the Board of Trustees for KRS would be reevaluating asset allocation. Mr. Thielen stated there is a retreat scheduled for the board in October where reports on asset classes will be heard, but it is unclear whether a decision will be made at that time or at a later meeting. He clarified that there is not a significant investment in alternative asset classes at this time, but that is something that will be considered moving forward.

Senator Bowen asked to speak prior to adjournment to recommend a full scope actuarial audit of KRS by an outside firm. He felt that while the information provided by KRS at this meeting was valuable and was all the information available, it does not provide the outside perspective needed for members to perform their oversight function well. An outside source would truly gauge the effectiveness and efficiency of all KRS management practices. In his opinion, a limited scope audit as presented at the meeting was simply inadequate to allow policy makers to make decisions, and he noted that just as private industry regularly hires consultants to evaluate and make best practice recommendations to maximize performance, KRS is a multi-billion dollar government agency and it is in no less need of an independent review.

With no further comments or questions, Chairman Yonts thanked the members and presenters and the meeting was adjourned. He announced that the next regularly scheduled meeting would be on October 26, 2015 at 12:00 noon.

EDUCATION ASSESSMENT AND ACCOUNTABILITY REVIEW SUBCOMMITTEE

Minutes

October 20, 2015

Call to Order and Roll Call

The meeting of the Education Assessment and Accountability Review Subcommittee (EAARS) was held on Tuesday, October 20, 2015, at 10:00 AM, in Room 129 of the Capitol Annex. Senator Mike Wilson, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Mike Wilson, Co-Chair; Representative James Kay, Co-Chair; Senator Alice Forgy Kerr; Representatives Linda Belcher, John Carney, and Mary Lou Marzian.

Guests: Clyde Caudill, Kentucky Association of School Administrators and Lynne Williams, Kentucky Department of Education.

LRC Staff: Joshua Collins, Janet Stevens, Jo Carole Ellis, and Amy Tolliver.

Office of Education Accountability Safe Schools Study Update

Cassie Blausey, Research Analyst, Office of Education Accountability (OEA) discussed the statutory framework which governs school safety in Kentucky. She explained that school safety is a complex web of statutory requirements and interagency interactions that cover everything from building safety and emergency management to

discipline and reporting requirements.

Ms. Blausey provided an historical overview of school safety law from the 1980s to today, noting that changes in law over time have primarily followed in the wake of horrific tragedies and as a result of society's increased understanding of bullying. Key school safety legislation includes House Bill 330, the "school safety bill"; House Bill 91, the "bullying bill"; and House Bill 354, relating to emergency management. Ms. Blausey also highlighted the establishment of the Kentucky Youth Bullying Prevention Task Force. Ms. Blausey stated that there have also been observable changes over time in school safety community involvement. Societal views of school safety have evolved to focus on social climate as well as building safety.

Ms. Blausey said that the four key areas addressed in the scope of school safety law include: overall school safety, discipline, reporting statutes, and emergency management. She explained that statutes enacted in the 1998 school safety bill, and since are guided by three main requirements that every student access to a safe, secure, and orderly school that is conducive to learning; that every school establish plans, policies, and procedures that address at-risk students and disruptive behavior; and that state and local resources are needed to support research, programming and evaluation to successfully address safety and discipline in the schools.

Ms. Blausey stated that KRS 158.442 established the creation of the Kentucky Center for School Safety (KCSS) which serves as the central point for data analysis, research, and dissemination of information. KCSS works in collaboration with Kentucky Department of Education (KDE) and others to provide safe school assessments and technical assistance on bullying, classroom management, internet safety and suicide prevention.

Ms. Blausey said that KRS 158.444 delegates certain responsibilities to KDE, namely the creation of school safety and discipline regulations. It also requires KDE establish and maintain a statewide data collection system that reports school safety information regarding school violence and discipline. This statute also mandates that KDE collaborate with KCSS in carrying out its mission.

Ms. Blausey explained that the series of statutes governing discipline (KRS 158.148; KRS 158.150; KRS 158.153; 160.345(i)(7)), covers guidelines for discipline, suspension and expulsion, and the protection and regulation of student disciplinary records. KRS 158.154, KRS 158.155 (4), and KRS 158.156 are the three main statutes that focus on reporting of criminal activity, specifying who has the duty to report, what incidents or offences are reported, and to whom to report and when.

Ms. Blausey explained that emergency management statutes are among the newest. She said that KRS 158.162, which went into effect in 2013, is the most recent school safety legislation. This statute lays out requirements for an emergency response plan. KRS 158.163 requires a procedure system that includes a building disaster plan before during and after the occurrence of an earthquake or tornado. KRS 158.164 requires the adoption of

lockdown procedures, training for students and staff, and mandatory practice of those procedures.

Ms. Blausey discussed the specific responsibilities within the emergency management framework, and the specific responsibilities for the principal, superintendent, local board, school based decision making council, first responders, and the Department of Housing.

Sabrina Olds, Research Analyst, Office of Education Accountability, presented OEA's preliminary analysis of data reported since 2012 on board violations of bullying, harassment, verbal abuse, threatening staff, and threatening another student. She explained that there are currently no definitions in statute or regulations that define the violations. However, KDE provides definitions for schools to use.

Ms. Olds stated that the increase in reported board violations, which will be further investigated in the final report, could possibly be attributed to either an increase in reporting requirements or an increase in incidents. She also noted that the data reported is based on reported incidents. If a student had multiple board violations in one year, the student is counted for each violation.

Ms. Olds reported that in 2012, there were 6,782 bullying, harassment, and threat violations reported in the state. This number more than doubled the following year. By 2014, the number had tripled, then plateaued in 2015, only increasing by 908 incidents.

Ms. Olds presented further analysis of the violations reported by violation type. She stated that in 2012, harassment accounted for almost half the total violations at 49 percent. In 2013, all categories more than doubled with the exception of threatening staff. In 2014, a new board violation code was added for threatening another student for which a little over 1,600 incidents were reported. She said that harassment increased the most, adding about 2,500 more incidents and was 45 percent of the total incidents that year. The biggest shift in the incident types occurred in 2015 with threatening another student almost doubling from the prior year, reaching 19 percent of the total violations. Threatening staff was the only other incident that had an increase with 220. Bullying decreased the most by 831 incidents from 2014, followed by harassment being down 694 incidents.

Ms. Olds shared analysis of violations with regard to grade level, gender, race of offender, and the location of the offense. In 2015, the middle school age student violations accounted for 49 percent of the total violations, with a little under 10,000 incidents. Threatening staff at the middle school level was two times more likely to happen than at the elementary or high school levels. Ms. Olds said that in 2015, violations by males, who make up 51.3 percent of the population, have 75 percent of the violations. In 2015, white students who make up 81 percent of the population, had 59 percent of total violations compared with black students, who make up 11 percent of the population, had 32 percent of total violations. In 2015, 74 percent of incidents occurred within the classroom.

Ms. Olds provided data on resolution

measures for violations in 2015. Ms. Olds explained that the state mandates schools use the following codes to report resolutions to violations: out of school suspension, in school removal, expelled with services, expelled without service, corporal punishment, restraint, and seclusion. Resolutions that fall outside of these mandated codes are reported as blank. The blank records indicate that measures such as verbal warning, parent conference, counseling, detention, or Saturday school were taken. In 2015, 35 percent of violations were coded as blank. Ms. Olds noted that close scrutiny of the data revealed that approximately 1,000 of the resolution measures coded as blank should have been coded as "in school removal".

Lastly, Ms. Olds provided data showing the total number of bullying incidents reported and the percentage of those reported that were committed by students with no other offenses. In 2015, there were 3,843 incidents of bullying reported, of which 76 percent were committed by students with no prior offenses.

Ms. Olds stated that in order to gain a better understanding of how districts are coding violations, OEA staff will make school site visits to review and discuss staff practices for coding board violations. Insight gained will be presented in the safe schools study final report.

In response to Senator Mike Wilson's question regarding total enrollment, Ms. Kimmel stated that approximately 600,000 students are enrolled in Kentucky's public schools.

In response to Senator Mike Wilson's question regarding the 14,233 increase in number of incidents from 2012 to 2015, Ms. Olds stated that the increase may be attributed to the lack of prior reporting, especially by schools, that according to news reports, are experiencing high rates of incidents. Senator Wilson stated that the increase in reporting after 2012 could be a result of increased awareness and diligence in reporting as a result of the Sandy Hook shooting in 2012 and passage of HB 354, the "safe schools bill," during the following legislative session.

In response to Representative Derrick Graham's question regarding coding of violation resolutions, Ms. Olds explained that if the resolution taken does not fit into one of the state mandated codes, the field is left blank and the resolution is described in the comments field. Representative Graham suggested that more specific categories be created so that offense resolutions can be monitored.

Representative John Carney stated that he is in his first year of serving as district safety coordinator. He said that based on his experience, creating a code for counseling would cover a large portion of the resolutions. In response to Representative Carney's question about suspensions, Ms. Olds stated that the decrease in suspensions is due to districts being increasingly careful to keep the students in school.

In response to Representative John Carney's question about discipline records for transferring students, Ms. Olds clarified that KDE is the

appropriate agency to speak with regarding the issue of timely transfer of discipline records. Ms. Kimmel added that OEA can look at this issue throughout the remainder of the study.

In response to Representative John Carney's comment regarding the difficulty schools have in working with the court system to address dangerous situations in a timely manner, Ms. Blausey said that Senate Bill 200, relating to juvenile justice reform will have implications for school safety that OEA will likely look at and report on after the completion of the safe schools study.

In response to Representative James Kay's suggestion about cyber bullying, Ms. Blausey stated that OEA can examine cyber bullying as part of the study.

Representative Linda Belcher stated that it can often take months for students needing special education services to get placement resulting in the student experiencing behavior problems which cause safety issues for the student and others in the school. She suggests implementing a process for emergency placements.

In response to Representative Linda Belcher's question about threats to teachers, Ms. Olds said that OEA plans to survey teachers. This will include questions that yield information regarding the seriousness of threats to teachers and the implications of threats on teacher discipline. She will also conduct deeper analysis of the comment fields from data collected thus far.

Approval of September 15, 2015, Meeting Minutes

Upon motion from Representative Mary Lou Marzian and a second by Representative Linda Belcher, the minutes were approved by voice vote.

Office of Education and Accountability 2014 Annual Report

Ms. Karen Timmel, Acting Director of OEA and Mr. Gerald Hoppmann, Research Division Manager of OEA presented the 2014 OEA annual report sharing the status and results of the annual research agenda and a summary of completed investigative activity.

Ms. Timmel presented a summary of OEA's 2014 investigative data. She stated that OEA received 514 written complaints in 2014, resulting in 66 new cases being opened, which is less than 13 percent of all the complaints received. Of the 514 written complaints 437 were filed on-line; 283 of those complaints were submitted anonymously. Of those 283, only 26 cases were opened: 19 investigative cases and 7 SBDM cases. Ms. Timmel said that no violation of school law was found in 19 of 63 cases completed by OEA in 2014. In the other 44 cases OEA found 57 violations of school law.

Ms. Timmel stated that OEA recommends the General Assembly consider additional statutory guidance in the area of penalties within KRS Chapter 160. Providing specific detail as to what agency or court shall make the determination of guilt, what mental state is required for guilt, and who shall enforce and collect the fine would to allow for proper enforcement of the statute.

Mr. Gerald Hoppmann, Research Division Manager, OEA, gave a brief summary of OEA's

2014 assigned research studies, including recommendations that were presented to and approved by EAARS. All of the studies have been published and can be found on the LRC publications website. The four studies completed include an Atlas of K-12 Education Data School Year 2013; Kentucky District Data Profiles: School Year 2013; Education Revenue, Expenditures, and Staffing Over 10 Years; and A Look Inside Kentucky's College And Career Readiness Data.

In response to Representative Linda Belcher's question about punishments, Ms. Timmel explained that OEA cannot impose fines for violations, but as mandated, does take resolution measures, such as requiring training and proof of compliance. She added that OEA refers egregious cases to the Education Professional Standards Board and/or KDE.

In response to Representative John Carney's question regarding fines, Ms. Timmel specified that fines for violations range from \$100 to \$1,000.

In response to Representative John Carney's question about school board members, Ms. Timmel stated that OEA is aware of the difficulty in getting individuals to run for the school board in less populated counties. She stated that through its investigations OEA has encountered many board members with a specific agenda who end up violating required processes rather than patiently following them to accomplish their desired goals. She said that individuals who run need to understand and follow the processes. She stated that OEA has made recommendations in the past regarding board member qualifications.

Approval of Office of Education and Accountability 2014 Annual Report

Upon motion from Representative James Kay and a second by Representative Linda Belcher, the report was approved by voice vote.

Office of Education and Accountability 2016 Research Agenda

Chairman Mike Wilson announced that suggestions for the 2016 OEA Research Agenda have been collected and distributed to members. The final study agenda will be approved during the next EAARS meeting, scheduled for November 17, 2015, 10:00 AM.

With no further business before the committee, the meeting adjourned at 11:25 AM.

SB 192 IMPLEMENTATION OVERSIGHT COMMITTEE Minutes of the 5th Meeting of the 2015 Interim

October 23, 2015

Call to Order and Roll Call

The 5th meeting of the SB 192 Implementation Oversight Committee was held on Friday, October 23, 2015, at 10:00 AM, at Volunteers of America, Louisville, Kentucky. Representative Denver Butler, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Christian McDaniel, Co-Chair; Representative Denver Butler, Co-

Chair; Senators Morgan McGarvey and Whitney Westerfield; Representatives David Floyd, Joni L. Jenkins, and John Tilley.

Guests: Representative Mary Lou Marzian; Jennifer Hancock, President and CEO, Volunteers of America Mid-States; Katie Warren, Program Graduate, Volunteers of America Mid States; Jefferson County Circuit Court Judge McKay Chauvin, Board Member, Volunteers of America Mid-States; Honorable Mark Baker, Assistant Commonwealth Attorney, Jefferson County; Honorable Rob Sanders, Commonwealth Attorney, Kenton County; Honorable Chris Cohron, Commonwealth Attorney, Warren County; Major Steven Long, Commander, Kentucky State Police Special Enforcement Troop; Christopher Conners, Director, Northern Kentucky Drug Strike Force; Shara Parks, Major, Louisville Metro Police Department Fifth Division; Micky Hatmaker, President, Kentucky Narcotics Officers' Association; Honorable David Tapp, Circuit Court Judge, Pulaski County; Elizabeth Blevins, Physician Assistant, Florence Medical Group; Dr. Sarah Moyer, Interim Director, Louisville Metro Department of Public Health and Wellness; Scott Davis, United States Attorney Office; Heather Gibson, The Healing Place; Dave Stengel, Legislative Research Commission; Frank Dahl, Commonwealth Attorney; Richard Gee, County Attorney; Tom Wine, Office of Commonwealth Attorney; Shellie Hampton, KACo; Karen Lentz, Commonwealth Alliances; Catherine Troop, DBHDID; Emalee Lundin, LMG; Tara Moseley, Young People in Recovery; Rachel Kragman, Florence Medical Group; Jim Beiting; J. Michael Brown, Secretary, Justice and Public Safety Cabinet; Steve Bing, KHDA and KPHA; Christina Gordley, Office of State Budget Director; Bill Diemf; Schuyler Olt; Rick Sanders, Police Chief, Jeffersontown Police Department; Geoff Pinkerton, Office of State Budget Director; Jessica Padgett, NKY Hates Heroin; Mark Mangeot, Kentucky Department of Corrections; Steve Florian, Boone Public Defenders; Leo Smith, Louisville Public Defender Office; and Katrine Lock, Florence Medical Group.

LRC Staff: Jon Grate, Jonathan Scott, Sarah Kidder, Alice Lyon, and Katie Carney.

The minutes of the September 14, 2015 meeting were approved without objection.

Service Overview from Volunteers of America

Jennifer Hancock, President and CEO, Volunteers of America Mid-States, provided an overview of the services offered through the Volunteers of America (VOA). The Mid-States region includes all of Kentucky, Tennessee, Southern Indiana, West Virginia, and Southern Ohio, reaching 23,000 people per year. Programs include services to veterans, individuals with developmental disabilities, homeless individuals and families, and substance abuse issues.

At the VOA Shelby Street Clinical Campus, 125 men and women receive licensed drug and alcohol treatment. The men and women treated at this facility include veterans with co-occurring

disorders of a mental health condition and substance abuse disorder; men who exited the Department of Corrections and are required to spend 6 months with a licensed facility prior to their reintegration with society; and women who are pregnant or parenting with a substance abuse disorder. VOA's Freedom House is one of three providers in Kentucky to allow children to stay with mothers who are being treated, rather than being forced to choose between residential treatment and living with their children.

The Freedom House program recently expanded because of the rise in opioid addiction among pregnant women. There is a finite window of opportunity to intervene, successfully influence the outcome of a woman's pregnancy, and help with reuniting the woman with her other children. The program celebrated the 100th healthy baby born within the program on July 10, 2015. VOA received some funding through SB 192 to provide additional medical oversight to pregnant heroin users at Freedom House and follow-up services to the mothers after they rejoin the community.

Judge McKay Chauvin, Chief Circuit Court Judge in Jefferson County and Volunteers of America board member, explained how approximately 95 percent of criminal dockets are drug crime related. One of the many reasons that the "War on Drugs" phrase is imperfect is that there is no frontline, drugs are everywhere. Heroin is the most recent drug that has exploded onto the drug scene in Kentucky. The defendants in his courtroom are those who are under-educated, under-employed, and under the influence of drugs. We do not need to fill our prisons with drug addicts; prisons should be reserved for people society is afraid of, rather than those we are angry with.

Katie Warren, a program graduate of Freedom House, provided testimony on her struggle with alcohol and drug addiction. While pregnant with her first daughter, now 6, Ms. Warren was able to stop drinking. But after her daughter was born, Ms. Warren started taking OxyContin. Ms. Warren lost custody of her daughter and became pregnant with another daughter while addicted to heroin. While in a 10-day detoxification program, Ms. Warren learned of Freedom House. Ms. Warren now has custody of both daughters and is a full-time student at Jefferson Community and Technical College.

Disrupting the Supply of Heroin

Chris Conners, Director of the Northern Kentucky Drug Strike Force, presented a review of legislative initiatives that could disrupt the supply chain of heroin. Mr. Conners stated that 44 states currently have statutes that allow for wire interception, and included information on those states in the meeting folder. While wire interceptions require personnel around the clock to monitor communication, intercepts provide a tool to disrupt trafficking organizations, which will decrease the availability of illegal drugs and could dissuade new users. Wire interceptions could also assist with multi-jurisdictional prosecutions. The panel requested that potential legislation allow for roving interceptions.

Mr. Conners addressed the current drug weight thresholds in Kentucky. The panel suggested

lowering the threshold for aggravated trafficking of 100 grams to around 25 or 27 grams. Mr. Conners stated that most wholesale distributors are selling heroin and cocaine in ounce-sized packaging, and these dealers are not typically heroin users.

In regards to manslaughter or homicide overdose death prosecutions, the panel said an autopsy is necessary to show a specific cause of death due to heroin. If a presumptive cause of death could be considered that would not require an autopsy, law enforcement would have the ability then to immediately gather evidence and charge the dealer in the user's death. Mr. Conners stated that this change would be similar to federal prosecution guidelines for murder.

Micky Hatmaker, President, Kentucky Narcotics Officers' Association explained that due to limited resources and time, most overdose death cases will not be sent to the medical examiners' office for autopsy. Mr. Hatmaker suggested having a court hearing post-indictment to stipulate that the drugs were the cause of death in prosecuting for manslaughter, reckless homicide, or homicide.

Mr. Conners stated the panel would like the legislature to consider mandatory minimum sentences that would ensure equal treatment across all jurisdictions for drug crimes. The panel believes that will encourage more cooperation with law enforcement by allowing defendants to identify others in the drug supply chain in exchange for reduced sentences or earlier parole eligibility.

Mr. Conners and the panel reviewed the Kentucky statutes relating to asset forfeiture for drug crimes that currently require the assets to be located in the same jurisdiction where the criminal conviction occurs. Upon conviction, assets can be sold to generate funds for law enforcement. In some inter-jurisdictional investigations, illegal drugs are often confiscated and prosecuted in one jurisdiction, with substantial property assets seized in another. The panel recommended that the statute only require a felony drug conviction without regard to where, therefore enabling state forfeiture wherever the assets were seized.

In response to a question by Senator Westerfield, Mr. Conners responded that he is not aware if other state statutes specify additional stipulations for individuals monitored by roving interceptions who have a significant number of burner phones. Roving interceptions require additional proof to determine probable cause; however, if you can confirm that burner phones are being used over a time frame, then it might be easier to justify the use of roving interception.

In response to a follow-up question by Senator Westerfield, Mr. Conners stated that obtaining authorization for a wire interception is similar to obtaining a search warrant. With wire interceptions, software is used that analyzes call patterns from an initial phone and, with assistance from an informant, additional phones can be confirmed as part of the pattern.

In response to a question by Senator McGarvey, Chairman Butler informed the committee a copy of Tennessee's wire interception statute, which does not include a roving clause, is included in the

meeting folder. Mr. Conners stated Ohio's wire interception legislation is less cumbersome than at the federal level, but it does provide judicial oversight by including the Attorney General's Office in the process. Mr. Hatmaker added that a vast majority of state statutes do mirror the federal statutes and in some multi-jurisdictional situations, federal law enforcement applies for the state wiretap rather than a federal wiretap.

Representative Tilley commented that approximately two years ago, legislation was introduced by Chairman Butler that would allow for wire interception. In response to a follow-up question, Mr. Conners said a wire interception statute should be written broadly, covering any type of electronic communication in addition to telephones.

Senator Westerfield commented that the 100 gram threshold for aggravated trafficking was a policy compromise. Mr. Conners responded that a 27 gram threshold could distinguish dealers because few drug users buy more than one ounce (28.3 grams) at a time.

In response to questions by Senator McDaniel, Mr. Conners said that the panel would prefer to see a threshold level of 25 grams being sold at one occurrence, rather than an aggregate confiscation of 25 grams over 90 days.

In response to a question by Senator Westerfield, Mr. Conners said the penalty for wholesale distribution should automatically be a Class B felony.

In response to a question by Senator McGarvey, Mr. Hatmaker stated that there should not be a time window for aggregation when determining if you are a major player in dealing 25 grams or more of heroin. Mr. Hatmaker and Mr. Conners added that undercover law enforcement officers buying in small doses to reach the 100 gram mark is not effective.

Representative Tilley commented that the suggestion of a time frame for aggregating undercover drug purchases actually came from law enforcement.

In response to a question by Representative Tilley, Mr. Conners stated that incarceration does work to a point as it deters the current dealer; however, the demand for heroin is still in play. In response to follow-up comments and questions, Mr. Conners added that having a tiered penalty system does encourage defendants to be cooperative and working with law enforcement towards catching the largest players in the drug trafficking organizations.

Representative Tilley commented how determining the correct sentence ranges is a national issue. He stated that a Senator from Iowa has filed a bill to reduce the mandatory minimums in an effort to decrease the prison population while still having an impact on the drug problem. The federal prison population has increased 750 percent and a balance needs to be achieved. Currently, the average length of time a heroin dealer was serving was 40-45 percent of the sentence, and to have a mandatory minimum requirement for certain drug convictions might be the route to go. Communication needs to take place with the parole boards to gain their

cooperation since they make the decisions as to a prisoner's release.

Representative Tilley discussed the difficulty in actually determining which drug is the actual cause of death. Typically there is a combination of drugs and alcohol in the overdose victim's system. Mr. Hatmaker replied that receiving an autopsy for all overdose deaths is almost impossible, which is why they are looking for an alternative solution.

In response to a question by Representative Floyd, Mr. Conners stated that prosecutors would be able to confirm, but to his understanding conviction is required prior to criminal asset forfeiture.

In response to a question by Senator McDaniel, Mr. Conners and the panel agreed that if someone has 25 grams of drugs on them, that they are more than just a street level dealer. Senator McDaniel commented that he would like to speak to the panel in more detail at a later date regarding this recommendation as it relates to the appropriation side of drug trafficking investigations.

Mark Baker, Assistant Commonwealth Attorney, testified that electronic interception is the single most effective tool in dealing with large scale narcotics organizations. However, it is the one tool denied to police and prosecutors in Kentucky. Once the criminal is captured and charged, prosecutors seek adequate proof to confirm who committed the crime, and wiretapping cannot be altered.

Mr. Baker commented how Kentucky's forfeiture statute requires a conviction to move forward with the asset forfeiture, then it reads like a civil statute. In the civil portion of the statute a lot of proof is required preceding taking any assets. He would change the statutes to not require a conviction prior to seizing assets. Mr. Baker believes that guidelines for seizing assets and asset forfeiture should be within the criminal rules of procedure.

Rob Sanders, Commonwealth Attorney, testified on how SB 192 rocket docket funding has allowed him to hire an extra prosecutor for low-level drug cases. Mr. Sanders believes reports will show improved treatment opportunities for low-level dealers who are users, and more time freed up for other prosecutions of higher level drug traffickers. Mr. Sanders asked that the rocket docket program become a permanent fixture in future budget allocations. He stressed that the resources generated to the commonwealth attorney offices provide them with flexibility and replenishes funds that had previously been cut.

Mr. Sanders discussed the importance of punishment levels and parole eligibility percentages. He explained that part of the problem after HB 463 was implemented and the punishment levels for possession became one to three years, the motivation was removed for criminals to cooperate with law enforcement in return for a lower sentence or parole eligibility at a lower percentage of time served. Mr. Sanders recommended changing parole eligibility to around 50 percent of sentence, and if the accused cooperates with law enforcement to provide information about the larger drug traffickers and wholesale dealers, then the parole eligibility could be reduced to 20 percent.

Chris Cohron, Commonwealth Attorney, testified that Volunteers of America drug recovery treatment facilities work, while some half-way house treatment facilities for recently released prisoners are merely an avenue to continue using or dealing narcotics.

Mr. Cohron stated that he is in favor of a statewide wiretapping program and also requiring collection of DNA upon arrest. In regards to wiretapping, he stressed there is a necessity for adequate levels of oversight. While wiretapping is a strain on law enforcement resources, it would be an important tool used in monitoring large scale drug trafficking organizations.

Mr. Cohron agreed with other presenters on requiring 50 percent of sentence before parole eligibility in drug crimes. In many instances the parole eligibility level is not appropriate or in accordance with the crime convicted of. There is too much bandwidth of parole eligibility percentages between nonviolent and violent offenses. He would like to see implementation of more treatment options.

Representative Tilley stated that he agrees that Kentucky needs to allow for wiretapping and DNA upon arrest. He requested that law enforcement, prosecuting attorneys, and other groups continue voicing their support to the legislature. In response, Mr. Cohron commented that individuals need to be educated on how these programs work and to explain the levels of oversight each program would have.

Vivitrol Treatment

David Tapp, Circuit Court Judge, presented information on the use of Vivitrol in treating drug addiction. Vivitrol is a once-per-month injectable formulation of naltrexone, which blocks opioid cravings and the euphoric effects of opioids. It can only be used after detoxification. Vivitrol is currently being used in Judge Tapp's drug court pilot program, the Supervision Motivation Accountability Responsibility and Treatment (SMART) court program, and some pre-trial and probation supervision. After a consultation with physicians and lawyers, the defendant agrees to frequent drug testing, counseling, and 12-step meetings as an alternative to incarceration.

Judge Tapp believes that the Vivitrol pilot program is one of the most exciting things to happen in the criminal justice arena. Vivitrol is a non-addicting form of medical treatment that does not have any potential for abuse or diversion. Vivitrol's only function is to assist individuals in becoming sober. Every court system in Kentucky has received information on Vivitrol, and there has been one state-wide meeting. He sees a need for more education among lawyers, Department of Corrections, defendants, and the medical community explaining how Vivitrol is a better non-addictive medically assisted treatment option than buprenorphine or methadone.

Most insurance and the Affordable Care Act provides coverage through Medicaid, and in some instances the manufacturer has worked with Judge Tapp to ensure that drug is provided to defendants in his drug court pilot program.

Judge Tapp stressed that the decision to participate in the Vivitrol program is ultimately a medical one. Any previous medical issues must be taken into consideration, specifically the patient's liver enzymes. Any health issues need to be considered as early as possible for treatment to be adjusted in order to avoid long-term damage.

Representative Butler stated that in the SMART program, 26 out of 27 defendants were successful cases after deciding to participate in the Vivitrol treatment program. Judge Tapp clarified that there have been a few individuals who have begun the treatments, but discontinued due to health concerns.

Elizabeth Blevins, physician assistant, Florence Medical Group stated that there are no special conditions for a provider to offer Vivitrol as a treatment option. Any type of medical practice can prescribe the drug and her practice is one of the largest Vivitrol distributors in Kentucky.

While patients are going through outpatient detoxification, she provides a range of medications to control withdrawal symptoms, none of which include a controlled substance or addictive medications. Patients are screened for drugs prior to receiving the first dose of Vivitrol and must have a negative result. The practice stresses to the patients that the drug should be used in conjunction with counseling. In addition to these stipulations, if the patient has Hepatitis C, they must consult a gastroenterologist prior to and during the treatment.

Ms. Blevins testified that her medical group has seen a few patients who experience cravings near the end of the 30 days between injections, and in those cases they will administer a small number of naltrexone pills prior to the next injection. Vivitrol is not addictive and it does not show up in drug screenings, making it easier for patients to find jobs and get back on their feet. It is an avenue for helping a patient's brain get back to normal after the changes due to opioid addiction.

Ms. Blevins testified that the national average for a patient to be on Vivitrol is around four to five months. The trend within her medical group for Vivitrol treatment is seven months.

Ms. Blevins testified that there have been issues with medical insurance providers approving the shot. In some instances insurance companies will not provide pre-authorization for Vivitrol until buprenorphine is tried first. Ms. Blevins is concerned that a second detoxification from buprenorphine is required before non-addictive Vivitrol can finally be taken. Ms. Blevins noted that doctors licensed to prescribe buprenorphine are limited to 100 patients at a time and clinics often have long waiting lists, while Vivitrol can be administered by any type of medical practice after a patient detoxes. Some insurers require the daily pill form of naltrexone, rather than injectable Vivitrol, which means treatment is dependent on patient compliance and the risk of relapse increases tremendously. Representative Tilley commented that buprenorphine clinics have more federal regulation, which contributes to the waiting lists.

In response to a question by Representative Tilley, Ms. Blevins stated that over 80 percent of

her patients have Hepatitis C and must consult with a gastroenterologist to continue Vivitrol treatment.

In response to a question by Representative Butler, Ms. Blevins explained that throughout the patient's detoxification time frame, drug tests are administered regularly.

In response to a question by Representative Jenkins, Ms. Blevins stated that the cost for a shot is around \$1200 with the patient being responsible for around \$700. Judge Tapp added that an individual pill is around \$6.

Representative Tilley explained that this committee is very much in favor of Vivitrol and stated funding for Vivitrol programs was the largest expenditure of the \$10 million appropriation from SB 192. Judge Tapp stated that he has received calls from heroin users who are not in the criminal justice system requesting information on how to obtain Vivitrol.

Representative Tilley explained he has received a range of costs for administering Vivitrol as an injection anywhere from \$550 through Medicaid to around \$1800. An audience member, Eric Duncan, stated they would provide the committee with an average cost for the drug.

Representative Butler informed Ms. Blevins he would like to have a follow-up meeting to discuss the insurance barriers providers are experiencing. Ms. Blevins stressed that the chance of relapse increases while administering naltrexone in pill form. Ms. Blevins believes that all insurance companies should approve Vivitrol.

Louisville Metro Syringe Exchange Program Update

Sarah Moyer, Interim Director, Louisville Metro Department of Public Health and Wellness, testified that in the first four months of Louisville's needle exchange program, 962 individuals from Louisville, across Kentucky, Indiana, Ohio, and Tennessee, have participated with approximately 40 percent returning. Through the program, the health department offers HIV and Hepatitis C testing. All of the 114 tested for HIV were negative and of the 48 tested for Hepatitis C, around 40 percent were positive. Approximately 70 to 80 percent of the individuals who have participated in the program have Hepatitis C. The needle exchange program has referred 61 people for drug treatments and the program has helped prevent many new HIV and Hepatitis C cases.

In response to a question by Representative Jenkins, Dr. Moyer announced that the first satellite program site within the community opened on October 22, and she hopes more will open up later.

In response to a question by Senator Westerfield, Dr. Moyer stated that they have maintained a 2:1 ratio for the last two or three months for returning participants.

Representative Butler commented that an individual's first step to recovery is when people begin to participate in a needle exchange program. Dr. Moyer explained that each participant receives information from a certified drug and alcohol counselor.

Senator Westerfield commented that he sees a passion for what is being done and is happy with

numbers trending in the direction he would like for them to be in. He agrees that anyone seeking a needle exchange has taken the first step towards recovery and he would like to see the number being referred towards recovery continue to increase. Senator Westerfield recommended people to take a tour of the facility and become educated and informed.

Dr. Moyer stated that the exchange program has expanded its hours and number of days open, and the health department is working on opening more community sites.

Tara Moseley, Chapter Lead, Young People in Recovery, Louisville Chapter, said she started the Louisville chapter in an effort to provide trainings and offer a continuum of care when transitioning out of treatment and into long-term recovery. The Louisville chapter is trying to start a recovery community center in Jefferson County and expand peer-to-peer programs through receiving trainings from the Department of Behavioral Health.

The meeting was adjourned at 12:03 p.m.

CAPITAL PLANNING ADVISORY BOARD

Minutes of the 5th Meeting of the 2015 Calendar

October 20, 2015

Call to Order and Roll Call

The 5th meeting of the Capital Planning Advisory Board was held on Tuesday, October 20, 2015, at 10:00 AM, in Room 171 of the Capitol Annex. Representative Terry Mills, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stan Humphries, Co-Chair, Representative Terry Mills, Co-Chair, Senator Whitney Westerfield, Representative Tom Riner, Charles Byers, Jane Driskell, Laurie Dudgeon, Carole Henderson, John Hicks, Mary Lassiter, Dan Markwell, and Katie Shepherd.

LRC Staff: Shawn Bowen, Katherine Halloran, and Jennifer Luttrell.

Approval of Minutes

A motion to approve the minutes of the August 19 and September 15 meetings was made by Mr. Hicks, seconded by Ms. Lassiter, and approved by voice vote.

2016-2022 Statewide Capital Improvements Plan

The one item of business was approval of the *2016-2022 Statewide Capital Improvements Plan*. The capital plan consists in part of policy recommendations and individual state-funded project recommendations selected by members. The policy recommendations were reviewed and approved by the board at its September 15 meeting and included the following: funding for the Budget Reserve Trust Fund in an amount that represents 5 percent of general fund revenues, adequate funding for state agency maintenance pools, endorsement of the Council on Postsecondary Education's multiyear approach for financing capital needs of the postsecondary institutions, and endorsement

of the Commonwealth Office of Technology's approach to developing enterprisewide business solutions for capital information technology projects. The individual project recommendations included 47 state general fund projects in three categories: maintenance and renovation of existing facilities, information technology, and new construction. As in the past, both the policy and project recommendations address the high priority the board places on maintenance of existing facilities.

Representative Mills discussed his concerns with one project recommendation, the University of Kentucky Facilities Renewal and Modernization project. This \$250 million project establishes a pool of funds to address certain facilities on campus that require modernization. The pool is comprised of \$125 million agency bonds and \$125 million state general funds, and the proposed projects will cost \$600,000 or more. After the August meeting, the university was asked to provide additional information regarding this project. Specifically, the university was requested to provide a list of the projects and the dollar amounts for each. Additional information was provided, however, the proposed projects and corresponding dollar amounts were not identified.

Representative Mills said he realized there was a need for this project, and noted that the \$125 million general fund request was comparable to amounts requested by the other universities. He commended the other universities for submitting projects with a level of detail that is needed, however, he said the lack of information provided for the University of Kentucky Facilities Renewal and Modernization project was cause for concern. He explained that projects submitted during the planning process with incomplete or scant details may impart a negative message about the capital planning process in general and the amount of detail that is required in project descriptions. He added that the lack of transparency in this instance was an issue as well; the public is entitled to know how state tax dollars will be spent.

Representative Mills said after meeting with university officials and receiving additional details about the project, the co-chairs agreed to include the project in the capital planning process. Senator Humphries added that after the co-chairs met with university officials there was a level of assurance gained regarding the project. He echoed Representative Mills' comments regarding the need for this project, and said he appreciated Representative Mills' hard work on this issue.

Representative Mills said that, to ensure the proposed projects are reported to the board, additional language was added to the University of Kentucky Facilities Renewal and Modernization project description: *This project is included in this plan with the understanding that prior to the submission by the Governor of his proposed 2016-2018 Budget of the Commonwealth, the University of Kentucky will provide to the Capital Planning Advisory Board and to the chairs of the Appropriations and Revenue Committee, a list of the proposed buildings that will be addressed from*

this pool authorization. The university is currently in the process of completing a condition analysis and needs assessment with respect to this project. The results are not yet final, but will be completed before the final list is submitted.

Representative Mills said the capital plan meets the statutory requirements of KRS Chapter 7A and focuses on the needs of the agencies and the universities. Both he and Senator Humphries then expressed appreciation to the board's staff for their guidance and to the members for their participation.

There was a motion made by Ms. Lassiter, seconded by Representative Riner, and adopted by roll call vote to approve the draft *2016-2022 Statewide Capital Improvements Plan*, including the policy recommendations and the state-funded project recommendations. The motion also included the authorization for staff to make the necessary editing changes in finalizing the plan for publication.

Adjournment

With there being no further business, the meeting was adjourned at 10:25 AM.

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

October 20, 2015

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee meeting was held on Tuesday, October 20, 2015, at 1:03 p.m., in Room 169 of the Capitol Annex. Representative Linda Belcher, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Linda Belcher, Co-Chair; Senators Julian M. Carroll, Stan Humphries, and Christian McDaniel; Representative Will Coursey.

Guests: Chris Brummett, Interim Director of Asset Management, Kentucky Community and Technical College System; Larry Blake, Assistant Vice President for Facilities, Northern Kentucky University; Elizabeth Baker, Director of Planning, University of Kentucky; Mitchell Payne, J.D., Senior Associate Vice President for Business Affairs, University of Louisville; Scott Aubrey, Director of Real Properties; John Hicks, Deputy State Budget Director; J. Michael Brown, Secretary, Justice and Public Safety Cabinet; Brandi Norton, Financial Analyst, Kentucky Infrastructure Authority; Adam Scott, Staff Assistant, Kentucky Infrastructure Authority; Ryan Barrow, Executive Director, Office of Financial Management; Kristi Culpepper, Executive Director, School Facilities Construction Commission.

LRC Staff: Josh Nacey, Committee Staff Administrator; Katherine Halloran, Analyst; and Maurya Allen.

Approval of Minutes

Senator Carroll moved to approve the minutes of the August 18, 2015 meeting. The motion was seconded by Senator McDaniel and approved by voice vote.

Correspondence Items

Mr. Nacey presented two items of correspondence between the committee and the Finance and Administration Cabinet and Northern Kentucky University concerning the cancellation of the September 15, 2015 meeting due to lack of quorum. The Finance and Administration Cabinet and Northern Kentucky University each responded with their intention to either proceed with or withhold action on various projects or bond issues.

Information Items

Mr. Nacey also presented ten information items to the committee. The first two were advertisements for lease space, the first for the Cabinet for Health and Family Services in Clay County and the second for the Department of Alcoholic Beverage Control in Franklin County. The third item included the quarterly status reports on capital projects from the Administrative Office of the Courts, the Commonwealth Office of Technology, the Finance and Administration Cabinet, and the universities which manage their own capital construction programs. Mr. Nacey also provided an answer to a previous question from the committee regarding the length of time projects are reported. Staff had been informed that the budget office and the Department of Facilities and Support Services discussed the matter and agreed that some projects should have been closed out but had been listed as "not closed" in error. The Cabinet has begun the process of closing out various projects so the correct status will be recorded on future reports. It was noted that the supplement portion of the report contains information that explains the reasoning behind some projects remaining listed after being closed. The fourth item was the semi-annual report of the Kentucky Asset/Liability Commission (ALCo) discussing the state's investment and debt portfolios and associated interest rate derivative contracts. The fifth item was a report on Kentucky's Bonded Indebtedness, prepared by LRC staff and presented at the September 15, 2015 Capital Planning Advisory Board meeting.

The sixth item was another follow-up from the August meeting regarding the Business One-Stop Portal Phase II project and why it was listed as "no report given" in the quarterly status report. Mr. Nacey stated that the Commonwealth Office of Technology did not receive an update from the consortium of agencies working on the project so the quarterly report reflected the default answer. Staff has been assured that this occurrence will not be repeated. The seventh item was a follow-up regarding progress of litigation concerning the University of Kentucky (UK) Equine Isolation Facility. Committee staff was provided an update from university staff, which revealed that the case is currently pending in Franklin Circuit Court and regards a claim of faulty construction of the facility. Pursuant to the performance bond, UK gave notice of defective construction to the surety and eventually sued the surety for failure to pay on the bond among other grievances. The circuit court granted partial summary judgment in favor of UK but later vacated that ruling upon a motion to reconsider made by the surety. A bench trial was

held in July but the ruling is still pending.

The eighth item was an update on the Louisville-Southern Indiana Ohio River Bridges (LSIORB) project and toll rates. Committee staff have received confirmation from the Transportation Cabinet that rate information in the environmental justice study reported earlier this year is still valid. Toll rates range from \$1 for frequent users and passenger vehicles with a transponder to \$12 for heavy trucks. Mr. Nacey informed the committee that more details were provided in the meeting materials. He then presented an update on the construction of the Downtown Ohio River Bridge where the Governor had announced the project as being ahead of schedule and on budget. A recent press release was included indicating the bridge would open for traffic before Christmas although an exact date has not been set. The final item was an update regarding the engineering fees for a Kentucky Infrastructure Authority (KIA) project, specifically why engineering fees for the Sherm Ditch Phase IV project for the City of Owensboro had been reduced from approximately \$360,000 last year to approximately \$144,000 currently. KIA informed committee staff that a portion of the original amount was inadvertently listed because the project plans had already been designed. The current budget reflects the actual bid amounts for the project, thus the engineering fees decreased while the construction amount increased.

Chairman Belcher asked, in regards to the tolls on the Louisville-Southern Indiana Ohio River Bridges, how emergency vehicles would be handled or if it was known. Mr. Nacey stated that he did not know, and because the Transportation Cabinet was unable to send a representative to the meeting, staff would have to contact the cabinet and report an answer at a later meeting.

Discussion Items

Mr. Nacey brought members' attention to a discussion item tabled from previous meetings regarding whether the attendance of an agency representative should be required when the only items being presented are non-action/non-voting items. Chairman Belcher opened the floor for discussion from the members. Senator McDaniel stated that he appreciated that the committee had taken the time to fully consider the matter and it appeared that the committee would be well served to have a standing procedure where information items can be presented by staff, unless committee members would like a representative in attendance to answer specific questions. He did not feel it was necessary to ask individuals to leave their work in order to present non-action items before the committee. Senator Carroll agreed, adding that a shortage of personnel has led to heavy workloads in offices across the commonwealth and requiring a trip to Frankfort was an unnecessary burden on already overburdened state workers. Maximizing the time an employee has at their place of employment is critical and therefore he made a motion that agencies are not required to send a representative for informational items unless informed in advance by staff that they are needed to respond to specific questions from committee

members. Senator McDaniel seconded the motion with an amendment that the motion apply to all non-action items, not specifically information items. The motion was passed by a roll call vote of 5 yeas, 0 nays. Chairman Belcher stated that this does not mean agencies are not welcome to attend, merely that they are not required to attend.

Project Reports from the Universities

Mr. Chris Brummett, Interim Director of Asset Management, Kentucky Community and Technical College System (KCTCS) was present seeking retroactive approval for a lease for Gateway Community and Technical College in Kenton County. The lease was between Gateway Community and Technical College and the Gateway Community and Technical College Foundation for approximately 54,000 sq. ft. of classroom and office space. The cost is \$3.22 per sq. ft. coming to a total of \$175,000 annually. The lease term began July 1, 2014 and Mr. Brummett sought to be on the agenda as soon as it was discovered that this lease was not reported to the committee last year. Senator McDaniel made a motion to approve the lease, seconded by Senator Carroll. The motion passed by a roll call vote of 5 yeas, 0 nays.

Mr. Larry Blake, Assistant Vice President for Facilities, Northern Kentucky University, presented a scope increase for the Replace Callahan Roof project. The request is for \$180,000, a 15 percent increase from the \$1.2 million authorized by the General Assembly in House Bill 235 of the 2014 Regular Session, to address additional repairs to the brick veneer which has come away from the structure. The increase would also cover the costs to repaint existing fascia rather than purchase new and replace drain leaders along the roof perimeter. Senator Carroll made a motion to approve, seconded by Senator McDaniel. The motion passed by a roll call vote of 5 yeas, 0 nays.

Ms. Elizabeth Baker, Planning Director, University of Kentucky, presented three items on behalf of the university. The first was a report of using the Construction Management at Risk protocol for the Good Samaritan Hospital renovation and upgrading project authorized by the General Assembly in House Bill 235 of the 2014 Regular Session. The second item was a report of five items of medical/research equipment purchased with restricted funds. These items were a hemodynamic monitoring system, a Philips digital diagnostic system, an integrated CT scanner, an afterloader for brachytherapy, and a SOMATOM force CT scanner. No action was required on these items.

Ms. Baker then presented a new lease for the UK Healthcare Interventional Pain Associates. The clinic is being moved to a larger facility to accommodate increasing numbers of staff. The lease is for 6,152 sq. ft. and will have an annual cost of \$138,420. Senator Carroll moved to approve the lease. Representative Coursey seconded the motion and it passed by a roll call vote of 5 yeas, 0 nays.

Mr. Mitchell Payne, J.D., Senior Associate Vice President for Business Affairs, University of Louisville presented two items. The first was interim authorization for the Herman and Heddy

Kurz Visitor Center and the second was interim authorization for a soccer practice field. These projects are interrelated in that the new visitor's center will be built on the current practice soccer field. Senator Carroll moved to combine the two projects into a single item. Motion was seconded by Senator McDaniel and passed by voice vote. Senator Carroll then moved to approve the projects, seconded by Senator McDaniel. The motion passed by a roll call vote of 5 yeas, 0 nays.

Lease Reports from Finance and Administration Cabinet

Chairman Belcher stated that she would entertain a motion to combine the lease reports into a single item unless members had any objections. Hearing none, Senator Carroll made a motion to combine the lease reports into a single item. Motion was seconded by Representative Coursey and passed by voice vote.

Mr. Scott Aubrey, Director of Real Properties, was present to report 12 lease renewals, 2 new leases, and one lease modification amortization. Senator Carroll moved to approve all the lease reports, seconded by Representative Coursey. The motion passed by a roll call vote of 5 yeas, 0 nays.

Project Reports from the Finance and Administration Cabinet

Mr. John Hicks, Deputy State Budget Director, was present to report on projects from the Finance and Administration Cabinet. The first was a new project for KCTCS to appropriate \$4.5 million for the Big Sandy Community and Technical College construction of a Pikeville Technology Center. Approximately \$3.3 million will be funded through federal grants and the remaining approximately \$1.2 million will be funded with KCTCS restricted funds. Senator Humphries made a motion to approve, seconded by Senator Carroll. The motion passed by a roll call vote of 5 yeas, 0 nays.

The second report was a new project for the Department of Military Affairs to install solar panels at the Richmond Armed Forces Reserve Center. The total project appropriation was \$659,000 and will be 75 percent financed with federal funds. The remaining 25 percent will be financed with restricted funds. Senator Humphries moved to approve the project, seconded by Representative Coursey. The motion passed by a roll call vote of 5 yeas, 0 nays.

The third report was another for the Department of Military Affairs to install HVAC at the Lexington National Guard Armory. The project appropriation was \$842,800 being financed half with federal funds and half through bond funds from the Department's 2014-16 Maintenance Pool. Senator Humphries made a motion to approve the project. Senator Carroll seconded the motion and it passed by roll call vote of 5 yeas, 0 nays.

The fourth report was also for the Department of Military Affairs to construct a fire station storage building at the Wendell H. Ford Regional Training Center. The project is entirely financed with federal funds of \$750,000. Senator Humphries moved to approve the project, seconded by Representative Coursey. The motion passed by a roll call vote of 5 yeas, 0 nays.

Secretary J. Michael Brown of the Justice and Public Safety Cabinet was present to speak regarding an emergency repair, maintenance, or replacement project to renovate the Bingham Building. The building is part of the Central State Hospital campus in Jefferson County. Mr. John Hicks stated that the secretary had approved \$3.35 million from the emergency fund to renovate the building, which has been vacant for approximately three years, to relocate the office of the medical examiner from downtown Louisville. Secretary Brown added that the number one capital priority for the cabinet over the last few years has been a facility for the medical examiner's office in Jefferson County where the State Police Crime Laboratory could also be co-located. The capital request has been most recently reported at \$22 million, with costs rising each time fulfilling the request was delayed. The office of the chief medical examiner in downtown Louisville currently handles the largest number of cases in the state and is located in a very old building on Barrett Avenue. The building has reached a state of such disrepair, including containing dangerous levels of mold, that the medical examiner's office has been asked to vacate as soon as possible. Senator Carroll stated that he was in support of the project and thanked Secretary Brown for his work on this matter. Chairman Belcher also stated her appreciation to the secretary for bringing this project before the committee. No action was required on this item.

Mr. Hicks presented another project for the Justice and Public Safety Cabinet, the upgrade to the failed HVAC system in the Funderburk building housing the Department of Criminal Justice Training. The project appropriation is \$3,001,200 funded from unbudgeted receipts from the Kentucky Law Enforcement Foundation Program fund. No action was required for this item.

The seventh item was an appropriation increase for Eastern Kentucky University to improve/renovate athletics facilities. The original appropriation was for \$15 million and the request is for an increase of \$1 million from private funds to construct a weight room under new seating in Roy Kidd Stadium. Senator McDaniel moved to approve the increase, seconded by Senator Carroll. The motion passed by a roll call vote of 5 yeas, 0 nays.

The final item presented was a report of the purchase of two portable live fire training units for KCTCS. The total cost was \$1,046,600 and was paid using KCTCS's equipment pool. No action was required on this item.

Report from the Office of Financial Management

Ms. Brandi Norton, Financial Analyst, and Mr. Adam Scott, Staff Assistant, were present representing the Kentucky Infrastructure Authority (KIA). Mr. Scott reported that Mr. John Covington had retired September 30, 2015 as KIA Director. Currently, Commissioner Tony Wilder is serving as Director per his position as chairman of the board and Mr. Scott is handling day-to-day operations until a permanent director is hired.

Ms. Norton presented three items on behalf

of KIA. The first was a Fund B Loan for the City of Hustonville in Lincoln County. The request was for an increase of \$130,300 to an existing \$476,400 Fund B Loan for the replacement of 16,000 linear feet of aged cast iron waterlines with four- and six-inch PVC lines. The bidding was very competitive and more than seven bids were reviewed. The increase will cover the overage required from the lowest bidder to complete the project. The loan will have a 20-year term, an interest rate of 1.75 percent, and a debt service payment of \$37,297.

Senator McDaniel asked if the increase reflects a low engineering estimate on this project. Mr. Scott answered that yes, the engineer's estimate was probably low because it was a highly competitive bidding process. Senator McDaniel commented that from his perspective it appeared that there is an industry-wide trend that the increase of pricing is greater than what engineers and architects can account for in their estimations. He mentioned that this may be something that will be seen more often over time as the market is changing and previous pricing models cannot keep pace. This runs the risk of having projects being significantly under budgeted in the upcoming budget cycle as well, and caution must be urged for borrowers. Senator Carroll contributed that in his experience delay may help prevent overspending for projects that are not critical and it might benefit borrowers to wait until the economy settles. Senator McDaniel made a motion to approve the loan, seconded by Senator Carroll. The motion passed by a roll call vote of 5 yeas, 0 nays.

The second item was for a Fund F loan for the Bath County Water District in Bath County. The request was for a \$925,470 loan for the Scattered Site System Improvements 2015 project. The loan will have a 20-year term, an interest rate of 0.75 percent, and a debt service payment of \$39,173. Senator Carroll made a motion to approve the loan. The motion was seconded by Senator McDaniel and approved by roll call vote of 5 yeas, 0 nays.

The third item was for a Fund F loan for Crittenden-Livingston County Water District in Livingston County. The request was for a \$1,039,500 loan for the Moore Hill Tank project. The loan will have a 20-year term, an interest rate of 1.75 percent, and a debt service payment of \$64,424. Senator Humphries made a motion to approve the loan. The motion was seconded by Senator McDaniel and approved by a roll call vote of 5 yeas, 0 nays.

Mr. Ryan Barrow, Executive Director, Office of Financial Management was present to report five items. The first was State Property and Buildings Commission (SPBC) General Fund Revenue and Refunding Revenue Bonds, Project Number 110 and Road Fund Revenue Bonds, Project Number 111. This bond issue will refund some KIA loans as well as provide \$135 million for projects authorized by the General Assembly. It will be a negotiated transaction with Citi serving as underwriter. Senator Carroll moved to approve the bond issue, seconded by Representative Coursey. The motion passed by a roll call vote of 5 yeas, 0 nays.

The second item was a Kentucky Housing

Corporation (KHC) Conduit Multifamily Housing Revenue Bonds (Volunteer Management & Development Portfolio) Series 2015 bond issue. Proceeds from this bond issue will finance the acquisition, rehabilitation, and equipping of various multifamily residential rental facilities in western Kentucky owned by BTT Development and pay associated costs of issuance. As a conduit issuer, the Commonwealth is not responsible for its repayment, which will be explicitly stated in the offering documents. Senator Carroll asked, when the Commonwealth is not responsible for repayment of the bond, if the bond is listed as an outstanding bond issue. Mr. Barrow stated that no, because it is a conduit issue and the state has no responsibility for repayment it is not considered a liability and is therefore not reported as an outstanding bond. Senator Carroll made a motion to approve, seconded by Senator Humphries. The motion passed by a roll call vote of 5 yeas, 0 nays.

The third item was Kentucky Economic Development Finance Authority (KEDFA) Revenue Bonds, Series 2015, for the benefit of the Next Generation Kentucky Information Highway Project. This is a conduit transaction as well as a lease and includes several series of bonds used to fund the project, totaling approximately \$305 million. Kentucky Wired Operations Company (OpCo) was created to allow for tax-exempt borrowing for this transaction and this is a novel innovation in the United States for this asset class. The proceeds will be lent to Kentucky Wired OpCo for the development of the system and site-by-site turnover to the system. Senator McDaniel asked, regarding the availability payments expected to cover operating and maintenance costs plus 1.25 times senior debt service payments, if it is correct to assume that the state is not responsible for debt service and Macquarie is responsible. Mr. Barrow answered that the state is not servicing the debt on the transaction, however there are still contractual financial liabilities because the state cannot walk away from the system once it is in place. Senator McDaniel then asked if after operations were paid and if Macquarie were unable to make debt service payments, would the state need to increase the availability payment to ensure that the debt service is paid. Mr. Barrow said that the availability payment will increase based on inflation, but cannot be increased arbitrarily based on not servicing debt or meeting coverage ratios. Mr. Hicks added that if Macquarie was unable to make debt service payments, they would be forced to default but it would not require the state to increase availability payments.

Senator McDaniel asked if, so long as internet services are provided, the Commonwealth would ensure that the debt service and operations were covered. Mr. Hicks stated that the Commonwealth is contractually obligated to an availability payment and as long as there is service and it meets agreed upon performance standards, the state will make payments. However, the state could pay less than the agreed payment if performance standards are not met. The only instance where the state would pay more would be covering the annual inflation-

like increase. Senator McDaniel asked what would happen if Macquarie defaulted. Mr. Hicks said that if they defaulted, the state would find another provider to operate the system and cover the debt service payment. The state has the right to step in and operate the system in the event of default to ensure access to all users and seek another vendor to take over long-term. Additionally, the lenders have the ability to step in prior to shut-down to ensure the system is working and payments are made. Senator McDaniel stated that in the Fitch ratings, it was implied that the Commonwealth would ensure the debt. Mr. Hicks answered that that was only true if the Commonwealth defaulted, not the vendor.

Senator McDaniel said that it was his understanding that Fitch assumed the Commonwealth was guaranteeing a revenue stream to the vendor and if that is not met, the Commonwealth would be responsible for debt service payments. He asked what would occur if Macquarie approached the Commonwealth stating that the revenue stream was not enough to meet debt service obligations and that they needed a greater payment. Mr. Hicks stated that Macquarie has no contractual right to make that claim. Senator McDaniel cautioned, based on recent events in Tennessee, that this is a risky model. Mr. Hicks answered that after much research into subscription based models, it was decided to provide guaranteed users (i.e. all state agencies) instead of being dependent upon future subscribers to make the debt service payment. Mr. Barrow agreed that this was the major distinction in the system as it is designed, because we are supplying an agreed-upon user base not dependent on usage, there is a reduction of risk. Barring large performance deductions, the availability payment will cover debt service.

Senator McDaniel asked if this meant the Commonwealth was guaranteeing the customer base to one entity in lieu of private sector carriers as is currently being done. Mr. Hicks and Mr. Barrow said that this was correct. Senator McDaniel then asked how customers would receive service, whether it would happen when previous contracts expire or when the services are available. Mr. Hicks stated that sites would be connected on a site-by-site basis as the service rings are in place. For each site, the state will exercise their 30-day contract termination notice with the existing carrier and the site will be connected to the new network. Senator McDaniel then asked if this would result in the large scale cancellation of contracts and what impact this will have on large and small carriers throughout the state. Mr. Hicks stated that it will result in cancellations on a site-by-site basis. Senator McDaniel finished by saying he still had some reservations about this project, including whether it would negatively impact the ability of educational institutions to competitively negotiate prices in the future, and would like to continue discussion in later meetings. No action was required on this item.

The fourth item was also for KEDFA for Owensboro Health, Inc. This issue was of Hospital Revenue Bonds, Series 2015A, and Hospital Revenue Refunding Bonds, Series 2015 B and

was dated August 13, 2015. The proceeds will finance acquisition, construction, and equipping of five Healthplex outpatient facilities in Daviess, Hopkins, Muhlenberg, Henderson, and Hancock counties. No action was required on this item.

Mr. Barrow presented the fifth and final item, the Annual Report of Outstanding Bonds as of fiscal year ending June 30, 2015. He stated it is a statutory requirement to present the report to the committee each year and that he would welcome questions if there were any. Hearing none, no action was required on this item.

New School Bond Issues with School Facilities Construction Commission Debt Service Participation

Ms. Kristi Culpepper, Executive Director, School Facilities Construction Commission (SFCC), reported eleven school bond issues with SFCC debt service participation with a total par amount of \$119,908,000. The state portion of the annual debt service payment was \$5,995,476 and the local contribution was \$2,808,491. All bond issues will finance new construction or improvements at existing school facilities. Boyd County, Corbin Independent, Kenton County, and Nicholas County were each required by House Bill 235 of the 2014 Regular Session to levy a five cent equivalent tax in order to qualify for project funding. Raceland-Worthington Independent enacted a recallable nickel tax increase, but it was not required to do so under House Bill 235. Otherwise, these bond issues did not involve tax increases. Senator Carroll made a motion to approve the school bond issues. The motion was seconded by Representative Coursey. The motion passed by a roll call vote of 5 yeas, 0 nays.

New School Bond Issues with 100 Percent Locally Funded Debt Service Participation

Mr. Nacey said eight local school bond issues were reported to the committee. Each bond issue had 100 percent local debt service support and involved no School Facilities Construction Commission participation. No tax increases were required for these issues. These bond issues will finance a variety of projects including roof improvements, energy conservation measures, football stadium improvements, and the purchase of a building for central office staff. Three of the issues refinance previous issues. No action was required on this item.

Mr. Nacey also said that included in members' folders was the updated debt issuance calendar.

With there being no further business, the meeting was adjourned at 1:50 p.m. The next meeting of the committee will be November 17, 2015 at 1:00 p.m. in Capitol Annex Room 169.

ADMINISTRATIVE REGULATION REVIEW SUBCOMMITTEE Minutes of the October Meeting

October 13, 2015

Call to Order and Roll Call

The October meeting of the Administrative Regulation Review Subcommittee was held on Tuesday, October 13, 2015, at 1:00 PM, in Room

149 of the Capitol Annex. Senator Ernie Harris, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members : Senator Ernie Harris, Co-Chair; Representative Mary Lou Marzian, Co-Chair; Senators Julie Raque Adams and Perry B. Clark; and Representative Tommy Turner.

Guests: Marcie Lowe, Education Professional Standards Board; Steve Bullard, Jake McKinney, Department of Military Affairs; Dick Carroll, Board of Accountancy; Connie Calvert, Jonathan Shrewsbury, Board of Optometric Examiners; Marcus Jones, Greg Wells, Board of Licensure for Long term Care Administrators; Leanne Diakov, Board of Medical Licensure; Kristen Reese, Rhonda Richardson, Real Estate Commission; Johnathan Buckley, David Cox, State Board of Licensure for Professional Engineers and Land Surveyors; Marcus Jones, Marci Purtell, Board of Interpreters for the Deaf and Hard of Hearing; Ryan Halloran, Applied Behavior Analysis Licensing Board; Sheryl Abercrombie, Andrea Cornelle, Brian Judy, Elizabeth Morgan, Carol Scherbak, Board of Medical Imaging and Radiation Therapy; John Cummings, Parole Board; Gerald Ross, Law Enforcement Council; Noelle Bailey, Scott Jones, Department of Charitable Gaming; Christa Bell, Virginia Carrington, Sarah Cooper, Todd Trapp, Department for Community Based Services; Sandra Hackney, Bluegrass Community and Technical College, Pam Mooney, John Weikel, Sr., John Weikel, Jr., A-Pass-Weikel Institute; and Tim Arnold, DPA.

LRC Staff: Donna Little, Sarah Amburgey, Carrie Klaber, Karen Howard, Emily Harkenrider, Emily Caudill, Ange Bertholf, and Betsy Cupp.

The Administrative Regulation Review Subcommittee met on Tuesday, October 13, 2015, and submits this report:

Administrative Regulations Reviewed by the Subcommittee:

EDUCATION PROFESSIONAL STANDARDS BOARD: Teaching Certificates

16 KAR 2:100. Junior Reserve Officers Training Corps certification. Marcie Lowe, legislative liaison, represented the board.

In response to questions by Senator Clark, Ms. Lowe stated that this administrative regulation, which applied to military-related school programs, was being amended to allow the Kentucky Department of Education to create a new career pathway related to the Junior Reserve Officers Training Corps. The requirement for documentation of honorable military service applied to initial applicants as instructors for the programs.

A motion was made and seconded to approve the following amendments: (1) to amend the TITLE to clarify that this administrative regulation also applies to Junior Guard certification; (2) to amend the RELATES TO paragraph to add a citation; and (3) to amend Sections 1, 2, and 3 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

16 KAR 2:110. Endorsement for teachers for gifted education.

In response to a question by Senator Clark, Ms. Lowe stated that 16 KAR 2:110 through 2:200, 16 KAR 3:030 and 3:040, and 16 KAR 9:030 and 9:040 were amended to add character and fitness questions to the applications incorporated by reference. The character and fitness questions were an opportunity for the applicant to self-disclose matters such as allegations of misconduct, instances of licensure discipline, and relevant criminal convictions.

A motion was made and seconded to approve the following amendments: to amend Section 2 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

16 KAR 2:140. Probationary certificate for teachers of children, birth to primary.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add citations; and (2) to amend Sections 1, 2, and 3 to comply with the drafting requirements of KRS Chapter 13A. Without objection and with agreement of the agency, the amendments were approved.

16 KAR 2:150. Probationary certificate for teachers of engineering and technology information.

A motion was made and seconded to approve the following amendments: to amend Sections 2 and 3 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

16 KAR 2:160. Probationary certificate for teachers of exceptional children.

A motion was made and seconded to approve the following amendments: to amend Sections 2 through 5 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

16 KAR 2:170. Probationary certificate for middle school teachers.

A motion was made and seconded to approve the following amendments: to amend Sections 2 and 3 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

16 KAR 2:200. Probationary certificate for teachers for English as a second language.

Administrative Certificates

16 KAR 3:030. Professional certificate for directors and assistant directors of pupil personnel.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add a citation; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (3) to amend Sections 2 and 3 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the

agency, the amendments were approved.

16 KAR 3:040. Director of special education.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add a citation; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; (3) to amend Sections 2 and 3 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (4) to amend Section 5 to update the material incorporated by reference so that the form complies with the amendments to this administrative regulation. Without objection, and with agreement of the agency, the amendments were approved.

Alternative Routes to Certification

16 KAR 9:030. Professional certificate for college faculty.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add a citation; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220. Without objection, and with agreement of the agency, the amendments were approved.

16 KAR 9:040. Part-time adjunct instructor certificate.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add a citation; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (3) to amend Sections 2 and 3 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

DEPARTMENT OF MILITARY AFFAIRS: National Guard Tuition Award Program

106 KAR 3:010. Kentucky National Guard Tuition Award Program. Brigadier General Steve Bullard, chief of staff, and Major Jake McKinney, State Education Officer, represented the department.

In response to a question by Co-Chair Harris, Brigadier General Bullard stated that funding for the Kentucky National Guard Tuition Award Program was being exhausted. The program eliminated funding for summer sessions and no longer funded master's degrees. The department was amending this administrative regulation to continue to be a good steward of the program's funds.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs to correct citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (3) to amend Sections 1 through 7 to comply with the drafting and formatting requirements of KRS Chapter 13A.

Without objection, and with agreement of the agency, the amendments were approved.

**GENERAL GOVERNMENT CABINET:
Board of Accountancy: Board**

201 KAR 1:050. License application. Dick Carroll, executive director, represented the board.

In response to a question by Co-Chair Harris, Mr. Carroll stated that a photograph was no longer required to sit for an examination because fingerprints, which were a more secure means of identification, were now required to be scanned.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; (2) to amend the STATUTORY AUTHORITY paragraph to add a citation; and (3) to amend Sections 1 and 2 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 1:063. Certificate of experience.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; (2) to amend Section 3 to clarify requirements; (3) to amend the RELATES TO paragraph to correct a citation; and (4) to amend Sections 1 through 3 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 1:071. Repeal of 201 KAR 1:064.

201 KAR 1:081. Firm license, renewal, and reinstatement.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; (2) to amend Section 3 to specify requirements; (3) to amend Sections 1, 2, and 6 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (4) to amend Sections 2, 6, and 7 to establish that fees shall be nonrefundable. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 1:140. Procedures for the reinstatement or reissuance of CPA license.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; (2) to amend the RELATES TO paragraph to add a citation; (3) to amend Sections 1 through 4 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (4) to amend Section 3(2)(d) to add that continuing professional education credits previously used to satisfy Kentucky reinstatement requirements shall not be used for subsequent

reinstatement purposes. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 1:150. Procedures for the dissemination of information relative to hearings held before the Kentucky State Board of Accountancy.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (2) to amend Section 1 to add a link the board's Web site. Without objection, and with agreement of the agency, the amendments were approved.

Board of Optometric Examiners: Board

201 KAR 5:030. Annual courses of study required. Connie Calvert, executive director, and Dr. Jonathan Shrewsbury, OD, board member, represented the board.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add a citation; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 2 and 6 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 5:110. Expanded therapeutic procedures.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs to correct citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; (3) to amend Sections 1 through 6 to comply with the drafting requirements of KRS Chapter 13A; and (4) to add a new section to establish who shall file the documents incorporated by reference. Without objection, and with agreement of the agency, the amendments were approved.

**PUBLIC PROTECTION CABINET:
Office of Occupations and Professions: Board of
Licensure for Long-term Care Administrators:
Board**

201 KAR 6:070. Continuing education. Marcus Jones, assistant attorney general, and Greg Wells, chair, represented the board.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (2) to amend Sections 2 through 6, 8, and 10 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

**GENERAL GOVERNMENT CABINET:
Board of Medical Licensure: Board**

201 KAR 9:305. Continued licensure of athletic trainers. Leanne Diakov, general counsel, represented the board.

A motion was made and seconded to approve the following amendments: to amend Section 2 to clarify that an athletic trainer shall still complete the required HIV/AIDS course referenced in KRS 311.901, but only once upon initial licensure or within the first three (3) year renewal cycle from initial licensure. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 9:310. Continuing medical education.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to correct a citation; (2) to amend Section 4 to insert examples of what constitutes "sufficient cause" for granting an extension of time for completing the continuing medical education requirements; (3) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 5 and 8 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Real Estate Commission: Commission

201 KAR 11:170 & E. Real estate school and pre-license course approval. Kristen Reese, director of education and licensing, and Rhonda Richardson, general counsel, represented the commission. Sandra Hackney, associate professor at Bluegrass Community and Technical College; Pam Mooney, instructor at the A-Pass-Weikel Institute; John Weikel, Jr., president of the A-Pass-Weikel Institute; and John Weikel, Sr., appeared in opposition to these administrative regulations.

Ms. Hackney stated that, as real estate option coordinator at Bluegrass Community and Technical College, she believed that the original intent of the authorizing legislation was to include hands-on courses for post-licensure training, which would support licensees in understanding licensee responsibilities to the public and requirements of the commission. Ms. Hackney stated that, while she fully supported that intent, there were some practical problems with the requirements. For colleges, courses were established in forty-eight (48) or thirty-two (32) hour divisions. If the administrative regulation required sixteen (16), rather than the current eighteen (18), hours of electives, this would be evenly divisible into the existing class time structure. Likewise, if the total class requirements were for thirty-two (32), rather than thirty (30), hours, the requirements would fit the existing class time structure. Also, the brokerage management class should qualify for credit toward the post-licensure education requirements.

In response to questions by Co-Chair Harris, Ms. Hackney stated that graduates of the program received the instruction necessary to sit for the real estate licensure examination; however, education programs did not actually approve or issue the licenses. The program also provided continuing education and post-licensure education.

Mr. Weikel, Jr. stated that he supported

what he believed to be the legislative intent to raise the bar regarding education for licensees; however, he requested several amendments to these administrative regulations. KRS 324.085(2) was not intended to require a specific curriculum for post-licensure, which would place education providers at a disadvantage. 201 KAR 11:235, Section 2(8) should be amended so that any real estate course offered by an accredited institution would qualify for credit toward post-license education. Those courses had already been approved by the commission and should not require another level of scrutiny and documentation. A high level course, such as brokerage management, should substitute in lieu of a lower level course. The A-Pass-Weikel Institute, which was one of the largest pre-licensure and post-licensure education providers in Kentucky, was not given an opportunity to participate in the development of these administrative regulations. Sixteen (16), rather than the current eighteen (18), hours of electives should be required in order to evenly divide electives into the existing class time structure. Total class requirements should be for thirty-two (32), rather than thirty (30), hours, in order to fit the existing class time structure. All real estate education courses were designed to protect the public. Mr. Weikel, Jr. stated that he would not have supported the authorizing legislation had he known that it would be applied inflexibly in these administrative regulations.

In response to a question by Senator Raque Adams, Ms. Richardson stated that the commission met several times with Mr. Weikel, Jr. regarding the curriculum courses, and the commission did not agree to his proposed amendment. Licensees in the post-licensure education program would be sales associates, not brokers; therefore, a brokerage management class was not generally appropriate for credit. There were three (3) levels of education for sales associates: prelicensure, post-licensure, and continuing education. Each level of education required its own, topically based approval process. It was inappropriate for a brokerage management class to receive automatic approval for credit toward post-licensure education requirements. Brokerage management courses were generally directed toward career advancement, while the post-licensure intent was toward public protection. The workgroup, which consisted of geographically diverse providers throughout Kentucky, licensees, realtor association members, and public stakeholders, established the curriculum hour standards, including hour standards for specific topics. She stated that the commission would agree to revise 201 KAR 11:235, Section 4(2), to amend the total class requirements from thirty (30) to thirty-two (32) hours, to amend the elective class requirements from eighteen (18) to sixteen (16) hours, and to add a two (2) hour required class for Risk Management.

Ms. Mooney, a pre-license instructor at A-Pass-Weikel Institute, stated that she supported Mr. Weikel's proposed amendment to 201 KAR 11:235, Section 2(8).

In response to questions by Co-Chair Marzian, Mr. Weikel, Jr. stated that there were probably fewer

than fifty (50) proprietary education providers in Kentucky. Ms. Richardson stated that there were fourteen (14) pre-licensure education providers and forty-five (45) continuing education providers. University and college providers had a separate process for approval.

In response to a question by Co-Chair Harris, Ms. Richardson stated that the commission preferred not to defer consideration of these administrative regulations to the November meeting of the Subcommittee because these requirements needed to be in place by January 1, 2016.

Mr. Weikel, Sr., stated that brokerage management was the best real estate education course available, and it should be approved for credit toward post-licensure requirements. Brokerage management skills translated to sales associates.

A motion was made and seconded to approve the following amendments: (1) to amend Sections 1, 2, 3, 5, 7, and 8 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (2) to amend Sections 1 and 9 to incorporate an application form by reference. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 11:175 & E. Instructor approval procedures and guidelines.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1, 2, and 3 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 11:195. Informal settlement procedures.

A motion was made and seconded to approve the following amendments: (1) to amend the STATUTORY AUTHORITY paragraph to add a citation; and (2) to amend Section 1 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 11:210. Licensing, education, and testing requirements.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add a citation; and (2) to amend Sections 1 and 2 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 11:230. Continuing education requirements.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add citations; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 2, 4, 5, and 6 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 11:232. Continuing education

provider requirements.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (2) to amend Sections 1 through 4 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 11:235 & E. Post-license education requirements.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY and Sections 2 through 6 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (2) to amend Section 4(2) to: (a) change total post-licensure education hour requirements from thirty (30) to thirty-two (32); (b) change elective post-licensure education hour requirements from eighteen (18) to sixteen (16); and (c) add a two (2) hour elective for a Risk Management course to the list of electives. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 11:240 & E. Distance education requirements.

A motion was made and seconded to approve the following amendments: (1) to amend Sections 1 through 6 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (2) to amend Section 6 to incorporate the Distance Education Guidelines by reference. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 11:460. Minimum rating requirements for instructors.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (2) to amend Sections 1 and 2 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Board of Licensure for Professional Engineers and Land Surveyors: Board

201 KAR 18:104. Seals and signatures. Jonathan Buckley, general counsel, and David Cox, executive director, represented the board.

A motion was made and seconded to approve the following amendments: to amend the STATUTORY AUTHORITY paragraph and Sections 1 through 4 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 18:142. Code of professional practice and conduct.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add a citation; and

(2) to amend Sections 1 through 4, 6, 7, 8, 10, and 12 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Board of Interpreters for the Deaf and Hard of Hearing: Board

201 KAR 39:030. Application; qualifications for licensure; and certification levels. Marcus Jones, assistant attorney general, and Marci Purtell, vice chair, represented the board.

In response to a question by Co-Chair Harris, Mr. Jones stated that the level required for successful completion of the performance assessment had changed from 3.5 to 4.0. Ms. Purtell stated that, because the required level had changed, the references to the 3.5 level in the administrative regulation and the form were obsolete.

201 KAR 39:070. Application qualifications for temporary license.

Applied Behavior Analysis Licensing Board: Board

201 KAR 43:010. Application procedures for licensure. Ryan Halloran, assistant attorney general, represented the board.

A motion was made and seconded to approve the following amendments: (1) to amend Sections 2 and 3 to clarify the application review fee and licensure fee; and (2) to amend Section 4 to revise the application for licensure, which was incorporated by reference. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 43:020. Application procedures for temporary licensure.

A motion was made and seconded to approve the following amendments: (1) to amend Section 1 to comply with the drafting requirements of KRS Chapter 13A; (2) to amend Sections 2 and 3 to clarify that there is an application review fee and a licensure fee that is required to be submitted with the application for licensure; and (3) to update the REGULATORY IMPACT ANALYSIS to correct a response to a question to indicate the changes made to the administrative regulation. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 43:050. Requirements for supervision.

A motion was made and seconded to approve the following amendments: to amend Sections 3, 4, 10, 14, and 15 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 43:080. Renewals.

A motion was made and seconded to approve the following amendments: (1) to amend Section 3 to clarify that the expiration of a license shall not occur unless the license is not renewed before the last day of the calendar month following the calendar month during which the license was issued; and (2) to amend Section 4 to clarify that the fee mentioned is the reinstatement fee. Without objection, and with agreement of the agency, the amendments were approved.

Board of Medical Imaging and Radiation Therapy: Board

201 KAR 46:010. Definitions for 201 KAR Chapter 46. Sheryl Abercrombie, chair; Brian Judy, assistant attorney general; and Carol Scherbak, board member, represented the board.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1 and 2 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (2) to amend Section 1 to: (a) include in the definition for “advanced imaging professional” the certification organization for credentialing; and (b) add a definition for “computed tomography” or “CT”. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 46:020. Fees.

In response to questions by Co-Chair Harris, Mr. Judy stated that some of the fees in this administrative regulation were existing and some were new. The fees were initially established by the Cabinet for Health and Family Services, but the board was now an independent body. Fees needed to reflect current cost increases since the board had become independent. Ms. Abercrombie stated that most licensees were expecting and supportive of the fee changes.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs to correct citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; (3) to amend Section 4 to clarify that the provisional training licensee fee is only for a radiation therapist and a nuclear medicine technologist; (4) to amend Section 10 to clarify that the home study course fee for an independent study course is only for a limited x-ray machine operator; (5) to amend Section 12 to clarify that the written verification of documents fee is the verification of qualifications fee required by KRS 311B.120(2); and (6) to amend Section 14 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 46:030. Education for medical imaging technologists, advanced imaging professionals and radiation therapists.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs to correction citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; (3) to amend the TITLE and Section 1 to comply with the drafting requirements of KRS Chapter 13A; (4) to amend Section 2 to clarify that a student shall not be employed for the purpose of medical imaging or radiation therapy in Kentucky, in accordance with

KRS 311B.090(2); and (5) to delete Section 3 because the material incorporated by reference is already incorporated in 201 KAR 46:040. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 46:040. Medical imaging technologist, advanced imaging processional and radiation therapist licenses.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs to correct citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; (3) to amend Section 1 to clarify what kind of supervision is required for an individual who performs medical imaging or radiation therapy for diagnostic medical imaging or therapeutic purposes while under the supervision of a licensed practitioner of the healing arts; (4) to amend Section 2 to clarify what the eligibility requirements are for a radiographer and a nuclear medicine technologist; (5) to amend Sections 11 and 14 to include in the incorporation by reference section: (a) all of the practice standards; and (b) the license application and license renewal forms in the incorporation by reference section; (6) to amend the TITLE and Sections 2, 3, 4, and 6 through 15 to comply with the drafting requirements of KRS Chapter 13A; and (7) to amend Section 3 to permit the board to waive the requirement of graduation from a program accredited by the Joint Review Committee on Education in Radiologic Technology or the Joint Review Committee on Educational Programs in Nuclear Medicine Technology, if a student enters a program not under probation and the majority of the education program is completed under the accreditation required pursuant to 201 KAR 46:030, as long as the graduate passes the American Registry of Radiologic Technologists (ARRT) examination on the first attempt. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 46:045. Temporary license application for medical imaging technologists, advanced imaging professionals, and radiation therapists.

A motion was made and seconded to approve the following amendments: (1) to amend the STATUTORY AUTHORITY paragraph to correct citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (3) to amend the TITLE and Sections 1 through 4 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 46:050. Provisional training license for medical imaging technologists and radiation therapists.

A motion was made and seconded to approve the following amendments: (1) to amend the STATUTORY AUTHORITY paragraph to

correct citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (3) to amend the TITLE and Sections 1 through 6 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 46:060. Continuing education requirements.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs to correct citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; (3) to amend Sections 1 and 2 to clarify what continuing education is required for a radiographer and for a nuclear medicine technologist; (4) to amend Section 2 to clarify what is the Recognized Continuing Education Mechanism (RCEEM); (5) to amend Section 3 to: (a) clarify who does the submitting for the board approval of a continuing education program; and (b) add criteria for the basis of the board's decision to approve a continuing education activity; and (6) to amend Sections 1, 2, 3, 5, and 7 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 46:070. Violations and enforcement.

In response to questions by Co-Chair Harris, Mr. Judy stated that late fees were tiered, with different penalties for different tiers. During the public comment period, there were no comments regarding the fees. The board had problems in the past with former licensees continuing to practice after licensure had lapsed.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to correct citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; (3) to amend Section 1 to clarify the kinds of board orders requiring licensee compliance; (4) to amend Section 3 to: (a) establish that failure to apply for renewal by an individual who would be eligible for renewal of a license, but who does not currently qualify due to insufficient continuing education, shall, upon a violation being discovered, be assessed a civil penalty of twenty-five (25) dollars per day until the application has been approved by the board; (b) clarify that the fee schedule assessed for failure to renew a license by the expiration date is a late fee; and (c) establish the civil penalty of \$100 per day until an application is approved for an individual performing a procedure requiring a license who is not qualified for licensure upon the violation being discovered; and (5) to amend Sections 1 through 3 to comply with the drafting and formatting requirements of KRS Chapter 13A.

Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 46:081. Limited x-ray machine operator.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs to correct citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; (3) to amend Section 1 to clarify what kind of supervision shall be required for an individual who performs limited diagnostic radiography while under the supervision of a licensed practitioner of the healing arts, a licensed limited x-ray machine operator, or a licensed radiographer; (4) to amend Section 4 to add a reference to the home study course fee for an independent study course; (5) to amend Sections 6 and 7 to establish what constitutes appropriate supervision; and (6) to amend Sections 1, 3, 4, and 9 through 14 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

JUSTICE AND PUBLIC SAFETY CABINET: Parole Board: Board

501 KAR 1:080. Parole Board policies and procedures. John Cummings, counsel, represented the board. Tim Arnold represented the Department for Public Advocacy.

Senator Clark asked that the Parole Board take note of an article in the most recent issue of Governing Magazine. The article examined parole boards across the nation, many of which seemed to be focused more on discipline than rehabilitation.

Mr. Arnold stated that the committee amendment addressed the Department for Public Advocacy's concerns.

A motion was made and seconded to approve the following amendments: (1) to amend Section 1 and KYPB 10-00, 10-01, 11-00, 12-00, 13-00, 13-01, 13-02, 20-00, 21-00, 22-00, 23-00, 23-01, 23-02, 30-00, 30-01, and 30-02 to remove the amendments filed by the board on February 13, 2015; and (2) to amend KYPB 21-00 to require offenders on mandatory reentry supervision to make reasonable efforts toward paying court ordered restitution and any sum payable to the Crime Victims Compensation Fund pursuant to KRS 439.3406(6). Without objection, and with agreement of the agency, the amendments were approved.

Law Enforcement Council: Council

503 KAR 1:140. Peace officer, telecommunicator, and court security officer professional standards. Gerald Ross, assistant general counsel, represented the council.

A motion was made and seconded to approve the following amendments: (1) to amend the STATUTORY AUTHORITY paragraph and Section 4 to correct citations; (2) to amend Sections 2 through 5, 7, 9, 10, 11, and 15 to update form titles, edition dates, and required usage; and (3) to amend Sections 4, 10, and 15 to comply with the drafting

and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

PUBLIC PROTECTION CABINET: Department of Charitable Gaming: Charitable Gaming

820 KAR 1:001. Definitions for 820 KAR Chapter 1. Noelle Bailey, general counsel and legislative liaison, and Scott Jones, commissioner, represented the department.

A motion was made and seconded to approve the following amendments: to amend Section 1 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

820 KAR 1:032. Pulltab construction.

A motion was made and seconded to approve the following amendments: (1) to amend Section 12 to clarify that if a product cannot be replaced, or defect corrected, the distributor shall provide a refund to the organization; and (2) to amend Sections 6, 10, and 12 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

820 KAR 1:033. Electronic pulltab system, electronic pulltab device, and electronic pulltab construction.

A motion was made and seconded to approve the following amendments: (1) to amend Section 2 to clarify that: (a) the department has sixty (60) days after receiving the testing results from the independent testing facility to inform the manufacturer of its decision to approve or disapprove the electronic pulltab system and software; and (b) modifications to an electronic pulltab system or its software that require testing and certification do not include routine maintenance activities; (2) to amend Section 3 to require the department to be notified of any changes of information needed to access the system at least three (3) days prior to the change to be consistent with the department having real-time access; (3) to amend Section 4 to clarify that a point of sale station shall not display information relating to prizes already paid out in a particular game set; (4) to amend Section 9 to specify that the total amount of all monetary transactions includes those related to electronic pulltabs and electronic pulltab devices at each gaming occasion; and (6) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph; Sections 1 through 6 and 9 through 13; and the material incorporated by reference to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

CABINET FOR HEALTH AND FAMILY SERVICES: Department for Community Based Services: Division of Family Support: K-TAP, Kentucky Works, Welfare to Work, State Supplementation

921 KAR 2:006. Technical requirements for the Kentucky Transitional Assistance Program (K-TAP). Virginia Carrington, director, and Todd Trapp, branch manager, represented the division.

In response to questions by Senator Raque Adams, Ms. Carrington stated that the changes to these administrative regulations were for compliance with new technology and automation systems, including those used to determine eligibility for Medicaid, food stamps, and other cabinet programs. The division was correcting a backlog of hearings as part of a corrective action plan. Ninety (90) percent of the hearing backlog had been corrected, and current hearings were being handled in a timely fashion.

In response to questions by Co-Chair Harris, Ms. Carrington stated that these administrative regulations were being amended to include a Web-based system for tracking. The division previously used a COBALT system. The new Web-based system was more efficient and accurate. The new system was capable of interfacing with systems from other states and included a self-service portal for participants. Because of the system's interfacing and integrated capabilities, duplication and fraud were expected to be significantly reduced. The system was scheduled to begin operating December 28, 2015. Participants without a personal computer would be able to access library computers to use the self-service application portal.

921 KAR 2:016. Standards for need and amount for the Kentucky Transitional Assistance Program (K-TAP).

921 KAR 2:017. Kentucky Works Program (KWP) supportive services.

921 KAR 2:046. Adverse action; conditions.

921 KAR 2:050. Time and manner of payments.

921 KAR 2:055. Hearings and appeals.

921 KAR 2:060. Delegation of power for oaths and affirmations.

921 KAR 2:370. Technical requirements for Kentucky Works Program (KWP).

921 KAR 2:500. Family Alternatives Diversion (FAD).

921 KAR 2:510. Relocation Assistance Program.

921 KAR 2:520. Work Incentive or "WIN".

Department for Community Based Services: Division of Family Support: Supplemental Nutrition Assistance Program

921 KAR 3:035. Certification process.

921 KAR 3:042. Supplemental Nutrition Assistance Program Employment and Training Program.

921 KAR 3:050. Claims and additional administrative provisions.

921 KAR 3:090 & E. Simplified assistance for the elderly program or "SAFE".

Division of Protection and Permanency: Child Welfare

922 KAR 1:310. Standards for child-placing agencies. Christa Bell, assistant director; Sarah Cooper, policy analyst; and Teresa James, commissioner, represented the division.

A motion was made and seconded to approve the following amendments: (1) to amend Sections 4, 6, 8, 10, and 22 to clarify the conditions for exceptions; and (2) to amend Sections 1, 2, 4, 5, 6, 8, 10, 12, 13, 14, and 17 to comply with the drafting

requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

922 KAR 1:340. Standards for independent living programs.

A motion was made and seconded to approve the following amendments: to amend Sections 1 through 3 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

922 KAR 1:350. Family preparation for foster parents, adoptive parents, and respite care providers for children in the custody of the cabinet.

A motion was made and seconded to approve the following amendments: (1) to amend Sections 2 through 5, 12, and 16 to clarify the conditions for exceptions; and (2) to amend the RELATES TO paragraph and Sections 1 through 4, 6, 9, 10, and 16 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

922 KAR 1:495. Training requirements for foster parents, adoptive parents, and respite care providers for children in the custody of the cabinet.

A motion was made and seconded to approve the following amendments: (1) to amend Section 3 to clarify a training deadline; and (2) to amend Sections 1 through 4, and 7 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

The following administrative regulations were deferred to the November 10, 2015, meeting of the Subcommittee:

CABINET FOR ECONOMIC DEVELOPMENT: Economic Development Finance Authority: Authority

307 KAR 1:005. Applications for Kentucky Incentive Programs.

EDUCATION AND WORKFORCE DEVELOPMENT CABINET: Board of Education: Department of Education: General Admission

702 KAR 1:170. School district data security and breach procedures.

PUBLIC PROTECTION CABINET: Department of Charitable Gaming: Charitable Gaming

820 KAR 1:005. Exempt Organizations.

820 KAR 1:015. Issuance of annual license for a charitable organization.

820 KAR 1:016. Distributor and manufacturer licensees.

820 KAR 1:017. Licensing inspections.

820 KAR 1:025. Financial reports of a licensed charitable organization.

820 KAR 1:029. Facility licensees.

820 KAR 1:034. Pulltab dispenser construction and use.

820 KAR 1:036. Pulltab rules of play.

820 KAR 1:046. Bingo rules of play.

820 KAR 1:050. Raffle standards.

820 KAR 1:055. Charity fundraising event

standards.

820 KAR 1:056. Special limited charity fundraising event standards.

820 KAR 1:057. Accurate records.

820 KAR 1:058. Gaming occasion records.

820 KAR 1:120. Allowable expenses.

820 KAR 1:125. Gaming inspections.

820 KAR 1:130. Administrative actions.

CABINET FOR HEALTH AND FAMILY SERVICES: Office of Inspector General: Division of Health Care: Health Services and Facilities

902 KAR 20:091. Facilities specifications, operation and services; community mental health center.

902 KAR 20:180. Psychiatric hospitals; operation and services.

Department for Medicaid Services: Division of Policy and Operations: Medicaid Services

907 KAR 1:026. Dental services' coverage provisions and requirements.

Division of Community Alternatives: Medicaid Services

907 KAR 1:045. Reimbursement provisions and requirements regarding community mental health center services.

Division of Policy and Operations: Medicaid Services

907 KAR 1:046. Community mental health center primary care services.

Division of Community Alternatives: Medicaid Services

907 KAR 1:595. Model Waiver II service coverage and reimbursement policies and requirements.

907 KAR 1:626. Reimbursement of dental services.

Division of Policy and Operations: Hospital Service Coverage and Reimbursement

907 KAR 10:020. Coverage provisions and requirement regarding outpatient psychiatric hospital services.

907 KAR 10:025. Reimbursement provisions and requirements regarding outpatient psychiatric hospital services.

The Subcommittee adjourned at 2:45 p.m. until November 10, 2015, at 1 p.m.

GOVERNMENT CONTRACT REVIEW COMMITTEE

Committee Minutes

November 10, 2015

Call to Order and Roll Call

The Government Contract Review Committee met on Tuesday, November 10, 2015, at 10:00 AM, in Room 131 of the Capitol Annex. Senator Max Wise, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Max Wise, Co-Chair; Representative Dennis Horlander, Co-Chair; Senators Julian M. Carroll, and Paul Hornback; Representatives Jim Gooch Jr., Brad Montell, and Brent Yonts.

Guests: Bill Harris, Murray Clark, Colonel (Ret.) David Thompson, Tom Dorman, Charlie Harman, Kelly Foster, Karen Dodd, Jamie Link, Stephanie Craycraft, Allen Brenzel, Karen Sams, and Gloria Dennis.

LRC Staff: Kim Eisner, Daniel Carter, and Jarrod Schmidt

A motion was made by Representative Yonts to approve Minutes of the July 2014, meeting of the committee. Representative Montell seconded the motion, which passed without objection.

A motion was made by Representative Yonts to consider as reviewed the Personal Service Contract List, with exception of those items selected for further review by members of the committee. Senator Carroll seconded the motion, which passed without objection.

A motion was made by Representative Yonts to consider as reviewed the Personal Service Contract Amendment List, with exception of those items selected for further review by members of the committee. Senator Carroll seconded the motion, which passed without objection.

A motion was made by Representative Yonts to consider as reviewed the Memoranda of Agreement List, with exception of those items selected for further review by members of the committee. Senator Carroll seconded the motion, which passed without objection.

A motion was made by Representative Yonts to consider as reviewed the Memoranda of Agreement Amendment List, with exception of those items selected for further review by members of the committee. Senator Carroll seconded the motion, which passed without objection.

A motion was made by Representative Yonts to consider as reviewed the Correction List. Senator Carroll seconded the motion, which passed without objection.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE REVIEWED WITHOUT OBJECTION:

AGRICULTURE, DEPARTMENT OF:

Frank, Rimerman, and County, LLP, 1600000779.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION:

Stantec Consulting Services, Inc., 1600000644.

DEPARTMENT FOR NATURAL RESOURCES:

Francis Water Company, 1600000016.

EASTERN KENTUCKY UNIVERSITY:

Clark Schaefer Consulting, LLC, 16-157; Wyatt, Tarrant & Combs, LLP, 16-159.

ECONOMIC DEVELOPMENT - OFFICE OF THE SECRETARY:

TCB International, LLC, 1600000729.

EDUCATIONAL TELEVISION, KENTUCKY:

Neville Brett Smith, 1600000707.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING:

Facility Commissioning Group, 1600000613; AMEC Foster Wheeler Environment & Infrastructure, Inc., 1600000665; CMTA, Inc.,

1600000674; CMTA, Inc., 1600000738; Facility Commissioning Group, 1600000778.

KENTUCKY COMMISSION ON MILITARY AFFAIRS:

Dale Stewart Ditto II, 1600000689.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM:

Crowe Horwath, LLP, 649; Baptist Health Madisonville, 650.

KY RACING COMMISSION:

Stoll Keenon Ogden, PLLC, 1600000623.

MILITARY AFFAIRS, DEPARTMENT OF:

Mark E. Demuth, 1600000690.

MOREHEAD STATE UNIVERSITY:

Murphy Graves Trimble, PLLC, 16-047.

MURRAY STATE UNIVERSITY:

Wheless Partners, 008-16.

NORTHERN KENTUCKY UNIVERSITY:

Heapy Engineering, 2016-711.

OCCUPATIONAL THERAPY, BOARD OF:

Marisa Neal, 1600000696.

PUBLIC ADVOCACY, DEPARTMENT FOR:

Molly Rose Green, 1600000723.

STATE POLICE, DEPARTMENT OF:

Donald R. Bowman Jr., 1600000715; Michael Ray, 1600000716; Todd Simon, 1600000717; Isaiah Hill, 1600000718; Dwayne Ison, 1600000719; Darrel Hutchison, 1600000720; Michael Wolfe, 1600000721.

TRANSPORTATION CABINET:

L-3 Communications Corporation, 1600000649; CDP Engineers, Inc., 1600000781; Michael Baker International, Inc., 1600000799.

UNIVERSITY OF KENTUCKY:

Heaton Smith Group, LLC, K16-155; Virtustream, Inc., K16-156; Robert Swaney Consulting, Inc., K16-157; Smith Management Group, K16-158; Anderson Strickler, LLC, K16-159; Attain, LLC, K16-160; Censeo Consulting Group, Inc., K16-161; Thomas P. Miller and Associates, LLC, K16-162; Aureus Medical Group, K16-163; SC Search Consultants d/b/a BeecherHill, K16-164.

UNIVERSITY OF LOUISVILLE:

Strothman and Company, 16-025; Advances in Education, 16-028; Academic Search, Inc., 16-030; Right Management, Inc., 16-033

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

DEPARTMENT FOR ENVIRONMENTAL PROTECTION:

Stantec Consulting Services, Inc., 1000001351.

EASTERN KENTUCKY UNIVERSITY:

Stoll Keenon Ogden, PLLC, 16-089.

EDUCATION, DEPARTMENT OF:

ACT, 1400002919.

FINANCE AND ADMINISTRATION

CABINET:

Multi, 1400003224.

FINANCE AND ADMINISTRATION

CABINET - DIVISION OF ENGINEERING:

Stantec Consulting Services, Inc., 0600002723; Staggs and Fisher Consulting

Engineers, Inc., 1200000308; Ross Tarrant Architects, Inc., 1200001550; AMEC Foster Wheeler Environment & Infrastructure, Inc., 1500000606; Omni Architects, 1500000941.

INFRASTRUCTURE AUTHORITY:

Blue & County, LLC, 1500002145.

TRANSPORTATION CABINET:

Michael Baker International, Inc., 0700004078; HDR Engineering, Inc., 1100001727; Parsons Brinckerhoff, Inc., 1200000666; QK4, Inc., 1200002605; Bacon Farmer Workman Engineering & Testing, Inc., 1300002000; ICA Engineering, Inc. f/k/a Florence & Hutcheson, Inc., 1300002157; GRW Aerial Surveys, Inc., 1400000280; Strand Associates, Inc., 1400000472; McMurtry and Livingston, 1400002074; Walther, Roark & Gay, PLC, 1400002086; Walther, Gay & Mack, PLC, 1400003009; American Engineers, Inc., 1500000305; HNTB Corporation, C-99005232-8; Parsons Brinckerhoff, Inc., C-99110767-4.

UNIVERSITY OF KENTUCKY:

Omni Architects, A141210; Lord, Aeck & Sargent, Inc., A151160; Cornett Integrated Marketing Solutions, K16-103.

WORKFORCE INVESTMENT, OFFICE

OF:

Thomas P. Miller and Associates, 1500001001.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE REVIEWED WITHOUT OBJECTION:

CORRECTIONS, DEPARTMENT OF:

Kentuckianetworks, 1600000590.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES:

Pennyroyal Mental Health Mental Retardation Board, 1500001722; Green River Regional Mental Health Mental Retardation Board, 1500001723; Seven Counties Services, 1500001726; Northern Kentucky Regional Mental Health Mental Retardation Board, 1500001727; Comprehend, Inc., 1500001728; Kentucky River Community Care, 1500001731; Lake Cumberland Mental Health Mental Retardation Board, 1500001733; Bluegrass.org, 1500001734; Lifeskills, Inc., 1500001993.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Kentucky State Police Headquarters, 1500001137; Seattle Jobs Initiative, 1600000652.

DEPARTMENT FOR PUBLIC HEALTH:

St. Elizabeth Medical Center, 1600000452; Ashland Hospital Corporation d/b/a Kings Daughter Medical Center, 1600000453; Norton Healthcare Foundation, 1600000454.

DEPARTMENT OF WORKPLACE STANDARDS:

University of Kentucky Health, 1600000353.

EDUCATION PROFESSIONAL STANDARDS BOARD:

Kentucky Department of Education, 1600000795.

EDUCATION, DEPARTMENT OF:

Western Kentucky University Research Foundation, Inc., 1500002860; Barren County Board of Education, 1600000010; NKU Research

Foundation, 1600000105; Advance Education, Inc., 1600000107; Murray State University, 1600000187; The Partnership for Successful Schools, 1600000249; Department of Corrections, 1600000423; Kentucky Valley Education, 1600000470; Kentucky Association of School Administrators, 1600000493; West Kentucky Education Cooperative, 1600000512; Green River Regional Education, 1600000513; Western Kentucky University Research Foundation, Inc., 1600000514; Bellarmine University, 1600000516; Murray State University, 1600000517; Ohio Valley Education Cooperative, 1600000518; University of Louisville Research Foundation, 1600000519; Carroll County Board of Education, 1600000520; Green River Regional Education, 1600000522; University of Kentucky Research Foundation, 1600000523; NKU Research Foundation, 1600000524; Green River Regional Education, 1600000525; Research Foundation of SUNY, 1600000632; Jefferson County Board of Education, 1600000655; Hopkins County Board of Education, 1600000673; Covington Independent Board of Education, 1600000680; Cabinet for Workforce Development, 1600000741.

FAIR BOARD:

Louisville Convention & Visitors Bureau, 1600000765.

FISH & WILDLIFE, DEPARTMENT OF:

Division of Forestry, 1600000457.

INFRASTRUCTURE AUTHORITY:

Bluegrass Area Development District, 1600000043; Buffalo Trace Area Development District, 1600000074.

MILITARY AFFAIRS, DEPARTMENT OF:

Woodford County EMA, 1600000612; Wildlife Management Institute, 1600000668.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT:

Campbell County Fiscal Court, 1600000658; Henderson County Fiscal Court, 1600000666; Lincoln Trail Area Development District, 1600000672; Bluegrass Area Development District, 1600000679; Buffalo Trace Area Development District, 1600000682; Kentucky River Area Development District, 1600000683; Kentuckiana Regional Planning & Development Agency, 1600000684; Lake Cumberland Area, 1600000688; Franklin County Fiscal Court, 1600000722; Boyd County Fiscal Court, 1600000817; City of Dawson Springs, 1600000820.

POST SECONDARY EDUCATION, COUNCIL ON:

Collaborative for Teaching and Learning GEAR, 1600000663.

STATE POLICE, DEPARTMENT OF:

Kentucky Medical Service, 1600000651.

TRANSPORTATION CABINET:

Kentucky Division of Water, 1600000397; Kentucky Association of Chiefs of Police, 1600000526; Kentucky Association of Chiefs of Police, 1600000529; Kentucky Association of Chiefs of Police, 1600000531; Kentucky Association of Chiefs of Police, 1600000533.

WORKFORCE INVESTMENT, OFFICE OF:

Downs Syndrome of Louisville, 1600000348; Key Assets Foundation, Inc., 1600000350; Options Unlimited, Inc., 1600000368.

THE FOLLOWING MEMORANDA OF AGREEMENT AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS:

Four Rivers Behavioral Health Corporate Office, 1300001349; Lifeskills Corporation Offices, 1300001352; Seven Counties Services, Inc., 1300001729.

AGRICULTURE, DEPARTMENT OF:

Multi, 1500001216; Multi, 1500001218.

DEPARTMENT FOR AGING & INDEPENDENT LIVING:

Multi, 1400001066; Multi, 1400001073; Multi, 1400001156; Multi, 1400001157; Multi, 1400001158; Multi, 1400001159; Multi, 1400001160; Multi, 1400001163; Multi, 1400001164; Multi, 1400001202; Multi, 1400003278.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES:

Four Rivers Behavioral Health, 1500001721; Communicare, Inc., 1500001725; Pathways, Inc., 1500001729; Mountain Comp Care Center, 1500001730; Cumberland River Behavioral Health, Inc., 1500001732.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Seven Counties Services, 1500000970.

DEPARTMENT FOR PUBLIC HEALTH:

DMA Kentucky Community Crisis Board, 1400003221; University of Louisville Research Foundation, 1500002423.

EDUCATION, DEPARTMENT OF:

Kentucky Science and Technology Corporation, 1500000204; Jefferson County Board of Education, 1500001390; Hopkins County Board of Education, 1500002339; Lawrence County Board of Education, 1500002685; Kentucky Educational Development Corporation, 1500002700; University of Louisville Research Foundation, 1600000488.

FISH & WILDLIFE, DEPARTMENT OF:

Mammoth Cave Resource Conservation & Development Area, Inc., 1500000428.

JUSTICE CABINET:

University of Kentucky Research Foundation, 1500001030.

MILITARY AFFAIRS, DEPARTMENT OF:

Multi, 1200000537.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT:

Muhlenberg County Fiscal Court, 1500000586; Martin County Fiscal Court, 1500000616; Martin County Fiscal Court, 1500000734; Rockcastle County Fiscal Court, 1600000085; City of Vicco, 1600000234; Union County Fiscal Court, 1600000433.

TRANSPORTATION CABINET:

U. S. Department of Homeland Security, 1500000534.

OCTOBER 2015 DEFERRED ITEM

UNIVERSITY OF KENTUCKY:

Deloitte Consulting, K15-174. Bill Harris and Murray Clark discussed the contract with the committee. A motion was made by Representative Montell to consider the contract as reviewed. Representative Yonts seconded the motion, which passed.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE SELECTED FOR FURTHER REVIEW:

KENTUCKY COMMISSION ON MILITARY AFFAIRS:

Anthony Pucciarella, 1600000678. Colonel (Ret.) David Thompson and Tom Dorman discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Representative Horlander seconded the motion, which passed with Senator Hornback voting no.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE SELECTED FOR FURTHER REVIEW:

EDUCATION, DEPARTMENT OF:

The Hanover Research Council, LLC, 1500000889. Charlie Harman, Kelly Foster and Karen Dodd discussed the contract with the committee. A motion was made by Representative Montell to consider the contract as reviewed. Representative Yonts seconded the motion, which passed.

HORSE PARK, KENTUCKY:

Upper Right Marketing, 1500000973. Jamie Link discussed the contract with the committee. A motion was made by Senator Hornback to consider the contract as reviewed. Representative Yonts seconded the motion, which passed.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE SELECTED FOR FURTHER REVIEW:

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES:

Mountain Comp Care Center, 1600000486. Stephanie Craycraft and Allen Brenzel discussed the contracts with the committee. A motion was made by Representative Yonts to consider the contracts as reviewed. Senator Carroll seconded the motion, which passed.

THE FOLLOWING MEMORANDA OF AGREEMENT AMENDMENTS WERE SELECTED FOR FURTHER REVIEW:

DEPARTMENT FOR PUBLIC HEALTH:

University of Kentucky Research Foundation, 1500000417; U of L Research Foundation, 1500000418; University of Kentucky Research Foundation, 1500000420. Karen Sams and Gloria Dennis discussed the contracts with the committee. A motion was made by Senator Carroll to consider the contracts as reviewed. Representative Yonts seconded the motion, which passed with Representative Montell electing to pass.

EDUCATION, DEPARTMENT OF:

Bell County Board of Education, 1500002302. Charlie Harman, Kelly Foster and Karen Dodd discussed the contract with the committee. A motion was made by Representative Yonts to consider the

contract as reviewed. Representative Horlander seconded the motion, which passed.

With no further business before the committee, the meeting adjourned at 11:07 a.m.

2015 FEDERAL ENVIRONMENTAL REGULATION IMPACT ASSESSMENT TASK FORCE Minutes of the 2nd Meeting of the 2015 Interim

October 19, 2015

Call to Order and Roll Call

The 2nd meeting of the 2015 Federal Environmental Regulation Impact Assessment Task Force was held on Monday, October 19, 2015, at 1:00 PM, in Room 131 of the Capitol Annex. Senator Jared Carpenter, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jared Carpenter, Co-Chair; Representative Jim Gooch Jr., Co-Chair; Senator Brandon Smith; Representatives Tim Couch and Fitz Steele; Rodney Andrews, Jason Bentley, Jeff Derouen, Greg Higdon, Dave Moss, Len Peters, and James See.

Guests: John N. Moura, Director, Reliability Assessment and System Analysis, and Janet Sena, Senior Vice President and Director of Policy and External Affairs, North American Electric Reliability Corporation.

LRC Staff: D. Todd Littlefield, Committee Staff Administrator; Janine Coy-Geeslin; and Kate Talley, Committee Assistant.

John Moura appeared before the committee to speak about potential impacts on reliability perspectives on the Clean Power Plan (CPP). The North American Electric Reliability Corporation (NERC) has been conducting reliability assessments since 1965. After the Energy Policy Act of 2005, NERC established and enforced mandatory reliability standards. NERC also assesses current and future reliability, and system event analysis.

Reliability assessments are done annually and look out 10 years to ensure resource adequacy and operating reliability, transmission adequacy, and demand forecasts. Over 1,800 stakeholders come together to share data to create a plan that NERC follows.

The initial CPP rule caused two major concerns for NERC. One centered around timing and the other was reliability assurance. There was an increase in total reduction from 30 percent to 32 percent in the final CPP rule, which may be difficult for some states to attain. There are also significant increases in renewable energy and energy efficiency within the Clean Energy Incentive Plan. The EPA projects trading to be a large mitigating factor for attaining compliance goals.

NERC met with the EPA prior to the final rule to discuss some of the challenges regarding reliability. They were pleased that the EPA developed a provision for states to demonstrate consideration for reliability, mechanisms for states to seek revisions to plans for unanticipated and significant reliability changes, and a 90-day

reliability safety valve to address unanticipated or other extraordinary circumstances.

Essential Reliability Services (ERS) are the building blocks of reliability and are inherently provided by baseload generators such as coal, gas, and conventional generators. ERS must be maintained when building new generation that uses solar and wind resources. As variable resource generation replaces baseload generation, ERS will be strained. Market options, new technology, and basic requirements are some solutions to help maintain reliability, though the cost of these solutions are unresolved and need to be determined.

In November 2014, NERC conducted an Initial Reliability Review of the EPA's CPP. It highlighted potential reliability impacts such as accelerated changes to the resource mix, the impacts on ERS characteristics and increased dependency on natural gas, displacement or retirement of baseload capacity, expansion of natural gas and variable resources, and potential transmission needs. It also served as a platform to inform policy discussions on bulk-power systems reliability. In the Phase I analysis, NERC performed a resource adequacy evaluation to determine if there is enough generation to serve future demands and also looked at transmission implications to determine what upgrades are necessary. Kentucky is going to need more transmission. Construction of infrastructure takes a lot of time. As an example, a new urban, 20 mile, 115kV transmission line takes 64 months to complete. The reliance on gas-fired generation is growing based on gas prices that have been at relative, historic lows and the CPP accelerates this reliance.

NERC is working on a comprehensive guidance document together with recommendations and guidance for states in regards to the CPP. It will address the roles and responsibilities of all the planning agencies and reliability authorities. It will emphasize implications of the reliability assurance provision and address future characteristics of resources. It will describe how planning reserve margin and ancillary service requirements are impacted by the resource mix change and address the need to maintain adequate ERS. Lessons learned will be provided from other systems that have experienced similar significant shifts, such as in Ontario where there were several challenges and deadlines had to be constantly moved back. It will address implications of increased distributed resources and control changes as well as discuss potential options for solutions, including technologies that can support reliability. The guidance document will be ready in January 2016 and Phase II of the CPP analysis is scheduled to be completed in March 2016.

There are a lot of changes happening in the industry and the CPP focuses on the acceleration of those changes that need to be made. The future holds a lot of uncertainty in dealing with nuclear power, carbon regulations, fracking, climate trends, and data analytics. Emerging reliability issues bring new technical and political challenges as well. NERC has the ability to study and assess these reliability issues.

In response to a question from Greg Higdon regarding lead-time for infrastructure, Mr. Moura said construction on generation facilities, transmission lines, and natural gas pipelines are real-time project based. There was no feedback available in the plan construct.

In response to a question from Jeff Derouen, Mr. Moura said there will only be one comprehensive guidance document for all 50 states.

In response to questions from Representative Gooch, Mr. Moura said \$13 billion was lost in productivity as well as 13 lives in the 2003 blackout. At the time, state estimators were not available to look at the grid and see how it was working. Since then, there has not been a single transmission violation from a vegetation standard. The polar vortex was an interesting precursor to the future. Future scenarios show us that non-firm gas customers will not receive gas, some current generators will be retired, gas-fired generators are difficult to start in cold weather and controls can freeze. These scenarios show us weak points and vulnerabilities where we need to focus.

In response to questions from Representative Gooch, Mr. Moura said a big picture solution is necessary. Diversifying resources and implementing new policies and practices for how these resources are connected is key. Worrying about peak times of use is good for older systems, but with new systems, maintenance is often performed during off-peak times and that is when vulnerability occurs.

In response to a question from Representative Steele, Mr. Moura said NERC's reliability standards will keep the lights on. The challenge faced is dealing with political pressures.

In response to a question from Len Peters, Mr. Moura said NERC had no formal role with the EPA while they were preparing the CPP. However, they did comment and provide technical guidance on an informal basis.

In response to questions from Mr. Derouen, Mr. Moura said NERC does not have any role in initiating the reliability safety valve. It is a 90-day period that is rarely useful. The annual reliability assessments, composed by industry participants, look at reliability every year. This provides oversight for any coming issues and policy uncertainty. It's unfair to have an organization choose which rule to violate, and this is why reliability standards are important.

In response to a question from Mr. Higdon, Mr. Moura said NERC does not focus on the affordability of reliability. NERC does not set up trading plans, but they do help discuss the risks in plans, such as becoming a rate-based state or mass-based state.

In response to a question from Mr. Derouen, Mr. Moura said mandatory reliability standards need to be incorporated into plans and operations. These standards set a baseline for states to decide what size margin needs to be set for inclement occurrences.

In response to a question from James See, Mr. Moura said the TPL standard is critical to reliability. The standard says that if any one element needs to be disconnected, the system will not be impacted.

In response to a question from Senator Smith, Mr. Moura said the EPA listened to NERC's comments regarding reliability. The timeline for compliance was extended two years as well as having reliability assurance provisions incorporated into the plan.

Janet Sena thanked the committee for the opportunity to appear. NERC is a resource for challenges like the CPP and available to help with any questions.

Minutes for August 24, 2015

Upon motion by Representative Gooch and second by Representative Steele, the minutes for the August 24, 2015, meeting were approved by voice vote, without objection.

The meeting adjourned at 2:33.

PUBLIC PENSION OVERSIGHT BOARD

Minutes

October 26, 2015

Call to Order and Roll Call

A meeting of the Public Pension Oversight Board was held on Monday, October 26, 2015, at 12:00 p.m., in Room 169 of the Capitol Annex. Representative Brent Yonts, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Joe Bowen, Co-Chair; Representative Brent Yonts, Co-Chair; Senators Jimmy Higdon and Gerald A. Neal; Representatives Brian Linder and Tommy Thompson; Robyn Bender, Tom Bennett, Robert Damron, Jane Driskell, James M. "Mac" Jefferson, Sharon Mattingly, and Alison Stemler.

Guests: Representatives Derrick Graham and Arnold Simpson; Hope McLaughlin, Government Relations Director, Kentucky School Boards Association; J.D. Chaney, Deputy Executive Director, Kentucky League of Cities; Shellie Hampton, Director of Governmental Relations, Kentucky Association of Counties; David Livingston, Scott County 7th District Magistrate; David Adkisson, President & CEO, Kentucky Chamber of Commerce; Jim Carroll, Co-Founder, Kentucky Government Retirees; Larry Totten, State KRS Liaison, Kentucky Public Retirees; Stephanie Winkler, President, Kentucky Education Association; Patsy Rainey, President, Kentucky Retired Teachers' Association; Bill Thielen, Executive Director, Kentucky Retirement Systems; David Peden, Chief Investment Officer, Kentucky Retirement Systems; Brian Thomas, General Counsel, Kentucky Retirement Systems; Gary Harbin, Executive Secretary, Kentucky Teachers' Retirement System; Beau Barnes, Deputy Executive Secretary, Kentucky Teachers' Retirement System; Donna Early, Executive Director, Judicial Form Retirement System.

LRC Staff: Brad Gross, Committee Staff Administrator; Greg Woosley; Terrance Sullivan; Bo Cracraft; and Maurya Allen.

Approval of Minutes

Senator Bowen moved that the minutes of the September 28, 2015, meeting be approved. Mr.

Bennett seconded the motion, and the minutes were approved without objection.

Testimony and Recommendations from Employee, Employer, and Retiree Groups

Ms. Hope McLaughlin, Government Relations Director, Kentucky School Boards Association (KSBA), stated that the KSBA represents all 173 local school boards in Kentucky. Healthy pension systems for all school district employees are a top priority for the KSBA. During the last legislative session, a large coalition of groups worked on legislation to address pension spiking not caused by abuse. KSBA has been working with the many unique constituent groups and Kentucky Retirement Systems (KRS) to find agreeable language to meet the needs of everyone affected by pension spiking. A solution to this issue is a top priority for KSBA in the upcoming legislative session. Employees have artificially inflated their compensation; however, there are school districts where spikes are triggered when an employee is on authorized leave without pay, such as Family Medical Leave Act (FMLA) leave. As a result, when legislation was created to address spiking, many school districts were forced to reconfigure existing budgets, taking money away from classrooms and the ultimate goal of educating children.

Finding a solution to the issues facing the Kentucky Teachers' Retirement System (KTRS) is also a top priority for KSBA. Compromise and changes to the system are going to be vital to resolving the current liability, and KSBA looks forward to hearing the recommendation of the Governor's workgroup. The largest concern from school board members is what impact changes will have on the quality of teachers being recruited to replace retiring teachers. Additionally, KSBA recognizes that the budget is currently strained, but asks that adequately funding the actuarially required contribution (ARC) for KRS and KTRS remain a priority.

Chairman Yonts stated that there was a solution proposed to resolve the spiking issue late in the previous legislative session, so it is the hope of the board that the issue can be resolved in the upcoming session.

Mr. J.D. Chaney, Deputy Executive Director, Kentucky League of Cities (KLC), spoke briefly about the retirement crisis and the perspective of city governments and the employers who participate in the County Employees Retirement System (CERS). He stated the KLC constituent groups are very satisfied with the language and impact of Senate Bill 2 from the 2015 Regular Session regarding CERS. Employer contribution rates are declining while the percentage of funding is increasing, so the organization feels that it is in a slightly better position relative to other retirement systems. As a result, KLC is not seeking any structural changes in regard to CERS. The KLC Board of Directors voted in June to explore the option of separating CERS from Kentucky Employees Retirement System (KERS), and KLC is seeking greater distinction between the two systems from the legislature in the future. Mr. Cheney said KLC is also very interested in the issue of pension spiking and will continue to

seek a solution to the inadvertent effects of Senate Bill 2. Currently, legislation places the burden on employers to pay for abusive spikes, but a solution proposed last session and supported by a diverse array of organizations would have resolved the issue by capping an employee's credible compensation used for retirement calculations. This legislative proposal has been refined to hopefully be satisfactory to all parties in the upcoming session. Finally, Mr. Chaney directed members' attention to Bill Request 63 prefiled by Representative Butler for the 2016 Regular Session. The legislation would allow cities to operate the way sheriff's offices do in regards to hiring, or rehiring, retired law enforcement officials without making an employer contribution for pension or health insurance. This is extremely important for smaller cities having difficulty entering new hires into the Department of Criminal Justice training program.

Regarding the proposal to separate CERS from KERS and creating an independent system, Senator Bowen asked if the relationship between school and municipal employees was good. Mr. Chaney answered that it was a good relationship.

Ms. Shellie Hampton, Director of Governmental Relations, Kentucky Association of Counties (KACo), was present with Mr. David Livingston, Scott County 7th District Magistrate, to speak regarding the state and county retirement systems. There are 1,500 county elected officials in the Commonwealth who, through KACo, appreciate the oversight the board has over their retirement systems. Funding for KERS may be even more urgently needed than that of KTRS, which is currently funded at 53 percent. KACo has members in both the KERS and CERS systems, as well as retired school professionals and former legislators, and therefore has a vested interest in all the public pension systems. Mr. Livingston briefly touched on three issues, the first being funding the ARC. He encouraged the legislature to remain committed to the schedule established by the latest pension reform legislation in order to provide 100 percent funding for the ARC. Secondly, he suggested the legislature explore options for a dedicated revenue stream to meet the ARC payment. Mr. Livingston stated that this was not a popular solution; however, there is an obligation the state must meet and increased revenue is necessary. Finally, he asked for an answer to the pension spiking concerns previously raised by other organizations. Mr. Livingston said that clean-up language was needed to reverse the unintended consequences of the previous legislation addressing pension spiking.

Mr. Dave Adkisson, President and CEO, Kentucky Chamber of Commerce, came forward to present testimony on behalf of 60,000 member employers. He said business people across the state are concerned about the pension system as well as the repeated downgrading of Kentucky's bonds and the extremely low rating of the state's financial situation. The Kentucky Chamber of Commerce is deeply committed to finding a solution to the pension crisis.

Mr. Adkisson presented four items, beginning with a recommendation for a performance audit for

KRS. He was encouraged to see many members of government, including candidates for governor, candidates for auditor, and members of the Public Pension Oversight Board, also endorsing the need for an independent audit of KRS. He suggested that the board make a recommendation to the Legislative Research Commission (LRC) to appropriate existing LRC funds to finance the audit rather than waiting for a budgetary appropriation. Secondly, he suggested the board members look more deeply into the use of placement agents. The two major pension systems in the state have made contradictory statements regarding the necessity of using placement agents. Third, Mr. Adkisson stated that the depletion of investment assets for KTRS threatens tax payers with huge bills in the future. He mentioned his service on the governor's working group seeking a solution to the funding concerns and his suggestion of a shared responsibility strategy much like that used for KTRS in 2010 regarding health insurance expenses. Additionally, he recommended structural changes in benefits to help ensure the system can be sustained, but that additional funding is necessary to meet current obligations of the system. Finally, if bonding will be part of the final solution, which the business community is skeptical of, it will be necessary to consider KTRS in relation to KRS regarding lack of assets. Any bonding capacity the state can use to rescue KRS should also be considered for KTRS, and it is unclear that bonding would be capable of restoring both systems in a cash-only eventuality.

Mr. Jim Carroll, co-founder of Kentucky Government Retirees, was present to speak on behalf of 6,000 member retirees. He stated that more resources were needed for the KERS Non-Hazardous fund and the State Police Retirement System (SPRS) fund. Last year, the solvency issue was brought to light and that issue has gotten worse. As of the end of the fiscal year in June, the assets had declined by \$248 million; in 2014 they had declined by \$183 million; in 2013 by \$212 million; and in 2012 by \$556 million. This comes to a total of \$1.2 billion of lost value over the course of the last 4 years, even when the assumed rate of investment returns was sometimes exceeded. Last summer, RVK Consulting (RVK) performed an asset liability study of KRS concluding there was a 5-8 percent chance of total insolvency for the KERS Non-Hazardous fund in the next 20 years, even with the assumption that the full ARC is paid and the 7.5 percent assumed rate of return on assets is met. There is also a risk of a cash-only portfolio as a result of low assets, meaning the foundation of the defined benefit system is destroyed. The chance of this happening is 56 percent according to the RVK study results. A cash-only portfolio would be catastrophic for the budget as \$1.5 billion would have to come from agency funds to cover 100 percent of the employer contributions necessary to pay retiree benefits. Also, bond ratings by Moody's and Standard and Poors would drop significantly. As a solution, Kentucky Government Retirees advocates an ARC plus strategy, where the full employer contribution is made with additional contributions to provide a cushion.

However, the budget cannot sustain ARC plus, so a separate revenue stream must be found, such as an incremental bond issue of \$250 million a year laddered over 8 years where bond payments would be nominal in the early years.

Mr. Larry Totten, State KRS Liaison, Kentucky Public Retirees (KPR), spoke briefly about recommendations for pension reform. He stated that member retirees are both upset and concerned about the future of public pensions, specifically about funding. Mr. Totten extended an open invitation to legislators to attend KPR chapter meetings to continue to foster an open conversation between the legislature and public retirees. He urged the board to consider several recommendations. First, he asked for continued commitment to fully funding the ARC in the upcoming budget. Second, to improve the condition of the most vulnerable fund, KERS Non-Hazardous, by exploring additional options such as a dedicated funding source to supplement, but not replace, the fully funded ARC. He recognized that this would require funding which is not readily available; however, it is KPR's belief that not doing this will further erode the full faith and credit of the Commonwealth. Mr. Totten said that KPR had surveyed all the gubernatorial candidates and all were in support of fully funding the ARC. He went on to state that retirees on average receive \$16,609 per recipient in pension benefits, and that KPR asks legislators to resist attempts to reduce the amount of benefits paid to current retirees who rely on these benefits. Mr. Totten also stated the housekeeping legislation to address KRS reforms was not passed in previous sessions, and that it is strongly recommended to pass such legislation in the upcoming session. Specifically, he focused members' attention on the investment committee voting membership provision, stating it was necessary to increase the number of voting members to match the increase in the size of the board. Finally, by the end of the biennial budget that will be approved next year, KRS retirees will have had their benefits eroded by 6 years of inflation so some consideration of a cost of living adjustment (COLA) would be in order.

Representing Kentucky Education Association was Ms. Stephanie Winkler, President. She stated that members were dependent on their benefits and underfunded obligations were creating a growing problem. Many members are concerned that the pensions they have paid into over many years will not be there upon retirement. The KEA supported House Bill 4 during the 2015 Regular Session as a viable solution that the state could maintain. Bonding and a commitment to fully funding the ARC would have put KTRS on a path to solvency. As a result of failure to pass any kind of legislation addressing funding of the pension systems, specifically KTRS, Kentucky's credit rating has been downgraded and the situation has become worse than before. Ms. Winkler reminded members that public employees provide valuable service to the state during their working years by paying taxes, supporting local economies, and sending their children to public schools. They continue to contribute to Kentucky's economy in retirement as

over 90 percent of state retirees remain in Kentucky and spend their retirement income in-state. KTRS pays over \$1.6 billion in benefits every year and without those incomes coming into every county in the state, the recent recession would have hit small towns and small businesses even harder. Public employees do not receive wages equal to private sector counterparts, making it imperative that the retirement systems are maintained.

The final presentation was given by Ms. Patsy Rainey, President of the Kentucky Retired Teachers' Association. Ms. Rainey opened by briefly describing her personal history with public service and the public pension systems as a teacher. She stated the need for a comprehensive and long-term solution for the crisis facing the public pension system without delay. She pointed out that over 90 percent of KTRS female retirees over the age of 80 are single, as are approximately 70 percent of KTRS male retirees over the age of 80, meaning that they are solely dependent on the benefits they receive from their KTRS pensions. KTRS has 144,000 active and retired educators who have contributed to the system and, as of October 19, 2015, there are 44,265 retired members receiving benefits. Historically, approximately 70 percent of monthly benefit payments, which average approximately \$2,600, come from the KTRS' diverse and conservative investment earnings. Ms. Rainey reiterated the sentiment that \$2.1 billion in annual benefit payments have a significant impact on local economies. KRTA members are also active contributors to volunteer organizations at an estimated value of over \$19.1 million given to state and local communities in the last year.

Ms. Rainey said that the solution to pension funding problems needs to be swift and to not repeat the mistakes made by other states that waited too long to implement solutions. She presented three aspects of a solution from the perspective of KRTA. First, it must ensure that retired teachers receive the benefits that they have earned over their many years of service. Second, the state must provide competitive pension benefits to active and future teachers, otherwise potential teachers will be lost to other states or professions. In other words, a failure to provide such benefits will undermine the pension system and make the state less competitive. Third, the solution must not make mistakes made by other states, such as the hard lessons learned from West Virginia, Michigan, and Alaska when switching from pensions to individual accounts. In conclusion, she said that KRTA supports a defined benefit group retirement plan.

Kentucky Retirement Systems Housekeeping Legislation and Litigation Update

Mr. Bill Thielen, Executive Director, Kentucky Retirement Systems (KRS) was present with Mr. David Peden, Chief Investment Officer, and Mr. Brian Thomas, General Counsel, to discuss housekeeping legislation and pending litigation. Mr. Thielen reported that, regarding investment performance, the system is down 4.8 percent over the first three months of the current fiscal year. He went on to direct members' attention to a summary of the housekeeping legislation proposed for the

upcoming legislative session and a copy of the bill, House Bill 108, as it stood at the end of the last regular session. A new version of the bill should be prefiled soon and will be very similar to the previous version. It is designed to bring the system into compliance with federal law changes, provide authority that will allow the system to increase efficiency, and resolve ambiguity in existing statutes. The mandatory requirement to issue benefits through electronic funds transfer or debit card in lieu of a paper check has been removed from the new language as it was highly controversial.

Chairman Yonts asked about the opt-out bill passed last session and the organizations wishing to exercise the ability to opt-out, specifically referencing KRS 61.522(7), and whether the system was going to establish a different assumed rate of return for the organizations wishing to opt-out, which would increase the costs to do so. Mr. Thielen stated that it would be up to the General Assembly and the KRS Board of Trustees to determine how the opt-out process will function. He went on to explain that KRS is in the process of drafting an emergency administrative regulation to establish the process used to withdraw, but that this is a complex issue with many aspects that were not defined when the initial legislation was discussed. Actuarial staff have stated that while it is possible to assess liability on an ongoing basis, it is difficult to assess liability for withdrawal. Approximately 15 percent of the organizations in the KERS Non-Hazardous plan could leave the plan under the new legislation. The major source of concern is in the risk carried by other employers should the 7.5 percent rate of return not be met. Because it is so rare for public pension plans to allow withdrawal, it is difficult to know how to design the system to allow for withdrawal without significantly overburdening those that remain. Chairman Yonts reiterated that the statute clearly states that if the organizations cover the assumed rate of return at the time of withdrawal in cash, they are allowed to leave and it is his understanding that the organizations that have expressed a desire to exercise the opt-out option are prepared to pay in cash and at the 7.5 percent assumed rate of return that the system currently uses. Mr. Thielen stated that he was not aware of that commitment at this time. He also stated that the KRS Board of Trustees would be ill advised from a fiduciary standpoint to make a decision that ultimately leaves considerable risk of additional liability on the state.

Senator Bowen asked to make a statement regarding a recent decision by the KRS Board of Trustees. He stated that he was troubled that the KRS Board of Trustees, in the midst of rising shortfalls, stagnant raises for state employees, unfavorable investment returns and a lack of transparency in fees paid, chose to raise the chief executive's salary by 25 percent at their last meeting to nearly \$250,000 per year. After the decision to extend this contract, one of the members of the KRS Board of Trustees noted that he was not concerned by criticism from the legislature because he does not work for the legislature. Senator Bowen stated that while that may be true, they all do work for the people of the

Commonwealth, and he did not think tax payers would understand why government leaders should be granted huge raises while the people that pay these large salaries struggle to make ends meet.

Earlier in the year, Senator Bowen had expressed concern to Chairman Yonts that KRS and KTRS were paying hefty hourly rates to law firms far in excess of the normal \$125 per hour maximum without the responsibility to have these contracts reviewed by the Government Contract Review Committee. This is another instance of KRS awarding a large salary increase to an employee or contractor and the contract not being subject to review by the General Assembly, unlike almost every other state government agency or personal service contract. Both KRS and KTRS are currently exempt from the Model Procurement Code, which establishes conflicts of interest and anti-kickback rules, grants vendors the right to file protests with the Finance and Administration Cabinet over the awarding of a contract, and makes personal service contracts subject to review by the Government Contract Committee. The Public Pension Oversight Board was created by the General Assembly in 2013 to bring more transparency to the operation of KRS, and in 2015 the board's authority was extended to include oversight of the legislator's retirement plan, the judicial plan, and KTRS. This trend toward greater transparency should continue. KRS and KTRS should not operate as islands unto themselves, so he urged the board to adopt consensus legislation to remove these agencies' exemption from the model procurement code so that personal service contracts, such as this one with the executive director, will be subject to review by the General Assembly.

Mr. Thielen explained that, in April, he announced his intention to retire at the end of the calendar year, but was willing to serve through the next legislative session because of his experience and depending on the needs of the KRS Board of Trustees. At that time, a request for proposal (RFP) was issued and a national search firm specializing in assisting public pension organizations was hired to help find an executive director. The firm, while meeting with the executive search committee, indicated that it would be a very difficult search for a number of reasons. Primary among them was the reality that the position was significantly underpaid, and the firm noted that in order to attract qualified applicants from outside the state and agency, it would be necessary to raise the pay range to \$200,000-230,000 at a minimum. The executive search committee proceeded with their search and received a number of applicants, many of whom were not qualified. There were five applicants from out-of-state placed under consideration; however the search committee was not satisfied. At that time, they asked Mr. Thielen to remain with KRS. He stated that he would continue to serve as executive director, but not for the salary he was receiving at the time, because he agreed that the position was underpaid. The board of trustees was gracious enough to make an offer to meet his salary demands, so he chose to continue working as executive director for KRS for 30 months, to try to

assist the system in these difficult times and make the changes that need to be made. It is Mr. Thielen's understanding that the board feels a fiduciary responsibility to the system and its members and believes that his experience far exceeds that of the applicants and that he would be a benefit to the system at this time.

Senator Higdon stated that the pay raise was concerning to him as well and that the size of the increase was particularly glaring in light of the 1 percent pay raise for state employees and no cost of living adjustment (COLA) for retirees. He also asked that the board include in its recommended legislative changes a proposal to make non-elected members of the KRS Board of Trustees subject to Senate confirmation and to make any executive director pay raise above normal consumer price index (CPI) subject to contract review. Senator Higdon also expressed concerns about the cost of the search committee and costs related to spiking.

Mr. Thielen responded that he had been working with KRS for nine-and-a-half years and has approximately 41 years of experience with the General Assembly. He also worked for local governments that participate in the retirement systems for 23 years. This demonstrates his wealth of experience and that experience is what is needed for the system at this time. He further explained that it would be possible to hire a new director for a much lower salary, but they would have no experience with the General Assembly or knowledge of local governments or of the extremely complex system that KRS has become with its recent reforms.

Representative Miller asked, if the position does require such a wealth of experience, what experience Mr. Thielen had when he first took the position nine-and-a-half years ago aside from being a member in a public pension plan. He also commented that he did not know of any situation in the private sector where a failing CEO would threaten to leave and then be given a 28 percent pay increase to stay. Mr. Thielen covered his personal history, highlighting his service in the U.S. Air Force, attendance at and graduation from the University of Kentucky's law school, his work for the Chief Justice of the Kentucky Supreme Court and for the U.S. Attorney's Office in Washington D.C. After returning to Kentucky, he said he began working for KLC, serving 23 years as general counsel. During that time he served as de facto director of legislative services for KLC during the 1984, 1986, and 1988 legislative sessions. In those sessions he worked to fight legislation that would force city governments into the CERS plan, and was well aware of the requirements of CERS at the time, which ultimately became law in 1988. Prior to 2000, he was in attendance at KRS board meetings because of KLC's interest in the CERS system, and in 2000, he was instrumental in putting together the documentation to allow KLC to begin participation in CERS. He served as chief operations officer for KRS before he began as executive director, a position he has held for four years.

In response to reports of low investment returns of 2 percent last year, Senator Higdon asked if the investment strategies were expected

to change. Mr. Thielen stated that an asset liability study had just been completed to inform the change in asset allocation that is expected to happen in upcoming board meetings and that this should improve investment returns. KRS has already begun investing KERS Non-Hazardous plan funds differently because of many issues with that plan; however, those funds cannot be invested in long-term investments because of cash-flow requirements. Mr. Jefferson asked, regarding testimony in a previous meeting, if there were any decisions made at this time about liquidity issues for the more severely unfunded plans. Mr. Peden answered that the asset discussion had been tabled after the August meeting, but it was expected to be taken up at the November 4, 2015 investment committee meeting. He did not anticipate any issues receiving approval for the three relatively healthy pension systems or the five insurance plans; however, it is likely the committee will not take action on the KERS Non-Hazardous or SPRS plans. He noted that because of liquidity concerns for those funds, it is not possible to construct a responsible portfolio that will earn the desired 7.5 percent return, so there is a conflict that the investment committee and the Board of Trustees will delay addressing until the May investment committee meeting after the legislature responds to the ARC request in the upcoming budget session.

Mr. Thielen then testified regarding Kentucky Community and Technical College Systems' (KCTCS) cessation of reporting new employees to the KRS in January 2014. He stated there is a perceived ambiguity in the statute, which has prevented KRS from challenging the action, and that KRS prefers to wait for the General Assembly to determine through legislation whether KCTCS can use this mechanism to leave the system. Chairman Yonts stated that he recalls the statute in question, passed in May of 1997, which took individuals out of the University of Kentucky system in order to separate the systems. KCTCS was seeking to redefine and eliminate choices established by that statute by using it to justify not reporting new employees into the KERS or KTRS system, an effort made to save money. Mr. Thielen stated that other organizations were using the same mechanism to avoid making contributions and that this process is starving the system for the current members. He asked to come before the board at the November meeting to more fully discuss this issue.

Representative Graham asked that if it was the case that KCTCS had decided not to provide KRS or KTRS membership for new employees, what the ramifications would be if KCTCS chooses to come back into the system in the future. Chairman Yonts stated that to his knowledge there is no mechanism for that at this time. Representative Graham stated that if KCTCS does take this action to leave the system, they should be prohibited from returning to the system in the future. Mr. Thielen concurred that there is nothing in statute to address the issue of returning at this time and if they chose to return, the biggest concern would be omitted contributions going back over the years that employees had not been reported. Chairman Yonts agreed that it

would also be necessary to have a representative from KCTCS present to speak on this issue at the November meeting. Further discussion of this item was tabled until that time.

Mr. Thielen informed the board that the KRS Board of Trustees had passed a resolution at their last meeting requesting a comprehensive audit and benchmarking study. The audit will establish a baseline of comparison to other systems and will be independently performed and paid for, although costly. Estimates currently place an independent comprehensive audit at roughly \$1 million. Recommendations were that the Auditor of Public Accounts should hire an independent auditor and the funds be appropriated by the General Assembly apart from monies appropriated to KRS for the ARC.

In his summary remarks, Mr. Thielen stated that KRS is very near a solution for the problem of spiking. Also, there was a two-and-one-half year inquiry by the Securities and Exchange Commission (SEC) on the use of placement agents, in addition to a nine-month comprehensive audit performed by the state Auditor, which showed that KRS had not contracted with a firm using placement agents for over five years. The total amount of commissions theoretically paid to placement agents over a ten-year period, as disclosed in the state audit, was \$12 million. There is now a comprehensive placement agent disclosure policy in place and that has reduced the reliance on placement agents to nothing. Senator Bowen stated that he felt it was not necessarily the use of placement agents, but rather the lack of transparency concerning fee payment that was more concerning. Mr. Thielen responded that KRS was moving toward greater transparency than the industry standard in terms of reporting fees and commissions. All fees and commissions are reported per investment manager and per each class of investment. Additionally, KRS is working with its custodial bank to receive additional information that would allow for reporting of fees that are not typically reported by public pension plans.

Senator Bowen asked about the disclosure of fees, as current testimony is at odds with previous testimony where it was stated that reporting fees would negatively impact bid prices. Mr. Thielen answered that at the time, and in many sectors today, that was the thinking, but there is now a national trend toward disclosure of unreported fees among public pension systems. Mr. Peden stated that the system is now reporting fees because they are being requested and that the information is relatively inconsequential from a decision-making standpoint. Private equity fees being shown are predominantly performance fees paid when earnings exceed 8 percent. The better performance, the higher the fees, so in some ways high fees are preferable as they reflect high earnings. Mr. Peden also noted that for the KERS Non-Hazardous fund, which is facing liquidity challenges and cannot invest in private equity, the expected rate of return will decrease, the ARC will increase, and the unfunded liability will increase. Last month only two asset classes, real estate and private equity, showed positive trends, which demonstrates that

the fears of alternative investments costing the system are unfounded. Mr. Peden said that the only reasons the systems did poorly with respect to its peer groups so far this year are because emerging markets and non-U.S. equities are down. When those trends revert to the mean, losses will be recuperated. He also explained that currently all the groups in private equity report fees differently and there is a request for standardization among the peer group systems, but in reality the fees do not impact performance.

Mr. Brian Thomas, General Counsel, Kentucky Retirement Systems spoke briefly about litigation involving KRS. Currently the case with Seven Counties Services is under appeal at the federal district court level and KRS has requested that the court seek guidance from the Kentucky Supreme Court regarding the contractual nature of the relationship between KRS and Seven Counties Services. Chairman Yonts clarified that KRS is certifying a question to the Kentucky Supreme Court regarding whether Seven Counties Services is a proper quasi-governmental agency. Also, there are local litigation cases regarding the City of Fort Wright and Mr. Damien Stanton asserting that some of the investments are not authorized by the CERS enabling statute. KRS maintains that the General Assembly amended the investment statutory scheme to allow KRS to invest CERS, SPRS, and KERS monies to a point where they can earn a competitive return. These cases are before the Kentucky Court of Appeals concerning claims of sovereign immunity. Chairman Yonts asked if any of the groups that had filed suit against KRS had returned to the system after litigation was decided. Mr. Thomas said that yes, in the case of Bluegrass Oakwood versus Kentucky Retirement Systems, Bluegrass Oakwood had filed a declaration of rights seeking to remove one of their associated organizations from KERS. That case went to the Court of Appeals, but an agreement was reached and the case was dismissed, vacating all of the orders of the Franklin Circuit Court.

Kentucky Teachers' Retirement System Housekeeping Legislation and Litigation Update

Mr. Gary Harbin, Executive Secretary, KTRS and Mr. Beau Barnes, Deputy Executive Secretary, KTRS, were present to speak regarding housekeeping legislation and litigation against the system. Chairman Yonts asked what the perspective of KTRS was regarding KCTCS not reporting new employees into the public retirement systems. Mr. Barnes answered that there were major concerns about KCTCS not reporting new hires, similar to those voiced by the KRS representatives. Chairman Yonts asked if there can be a declaration of rights suit filed. Mr. Barnes said that the understanding is that KCTCS has changed job descriptions so that no new positions at KCTCS qualify for participation at KTRS as a way to circumvent participation and payment into the system.

Mr. Barnes went on to discuss the housekeeping legislation package to be presented during the upcoming legislative session. In its current form, the legislation is identical to House Bill 500 from the 2015 Regular Session. The

legislative committee and the KTRS Board of Trustees will meet once more and may recommend some minor additional changes, but the draft is largely considered complete. Proposed legislation makes technical amendments to the plan to ensure continued compliance with federal tax law, to take advantage of efficiencies from a recent overhaul of the information technology used by the system, and a couple of other technical changes that will not change current practice or procedure. Additionally, he noted there were some substantive changes, specifically recommendations to tighten provisions that allow retired members to return to work and provisions relating to disability.

In regards to litigation, Mr. Barnes reported that there were no large litigation matters, and most of the KTRS cases were appeals by members regarding benefits. One item filed in Louisville by three plaintiffs, including two active teachers and one retired teacher, has been reported as a class-action lawsuit but has not been certified by the court as a class. Additionally, the plaintiffs filed without the assistance of counsel and are seeking for KTRS to lobby members of the General Assembly for funding for the pension fund and to undo the 2010 shared responsibility legislation. Finally, they are requesting to restrict KTRS's ability to invest in government-backed bonds and debt obligations, certificates of deposit with banks, and real estate approved by the Franklin District Court. Mr. Barnes stated that, for the sake of argument, if the system invested in that manner it would never invest in stocks.

Mr. Jefferson drew attention to the KTRS Board Summary document distributed to Public Pension Oversight Board members prior to the meeting. In the section on proposed changes, KRS 161.6202 and KRS 161.6205 were mentioned with the suggestion to update ad hoc COLA language and make technical amendments. The change would allow KTRS to request funding for ad hoc COLAs, which would be a COLA over and above the guaranteed 1.5 percent. He asked if this meant that KTRS is currently receiving a guaranteed 1.5 percent COLA. Mr. Barnes stated that yes, teachers are guaranteed a self-funded 1.5 percent COLA every July 1st, which is built into the contribution rate structure. He stated that the reason for this is because teachers do not participate in Social Security, which typically also incorporates an annual COLA.

Judicial Form Retirement System Housekeeping Legislation

Ms. Donna Early, Executive Director, Judicial Form Retirement System, was present to speak regarding housekeeping legislation. She directed members' attention to a handout that summarized the proposed legislation from the JFRS, which consists primarily of technical corrections to Senate Bill 2 of the 2015 Regular Session. As implementation of hybrid plans has begun, the system has discovered the need for more direction and some ambiguities that need clarification. Additionally, there are some items that deal with legislative intent or federal regulations. Chairman Yonts asked about the practice of continuing healthcare benefits to

dependents up to age 26, which KERS attempted and then had to change after the Affordable Care Act specified that coverage had to be offered but not necessarily paid until age 26. This language, if adopted, would make the policies governing JFRS beneficiaries different from the policies in the other public pension systems.

Ms. Early stated that the system is already different and currently the statutes refer to a minor but there are many different definitions of minor in statute. These language changes will better reflect the intent of the legislature to make the judicial system more similar to the legislative system by specifically defining minors. Chairman Yonts agreed that while that is a noteworthy goal, it is essential to have all the public pension systems uniform in their approach to providing insurance coverage to dependents. He then asked, regarding the ARC payments, if an additional 1 percent was being paid toward the unfunded liability. Ms. Early answered that yes, it is part of the rolling amortization schedule currently in place rather than a fixed amortization schedule. It has been recommended to the JFRS board by actuarial staff that the system needs to transition to a fixed schedule in order to allow for the liability to be paid down. Chairman Yonts asked if that would result in an instant unfunded liability situation. Ms. Early answered that according to actuarial staff, the liability will remain constant for the first few years, after which it would increase. However, there would eventually be an endpoint where the liability will be paid off. She clarified that it was still an ongoing discussion with the board.

In other business, Representative Thompson asked for the representatives of the pension systems to provide an analysis of the ratios of active members versus retired members, essentially comparing the amounts being contributed to the system to the amounts being paid out as benefits. He asked that they provide information for the last five years and a forecast of the next five years.

There being no further comments or questions, Chairman Yonts thanked the members and the meeting was adjourned. He announced that the next regularly scheduled meeting would be on November 23, 2015 at 12:00 noon.

2016 Prefiled Bills

BR 1 - Representative Jody Richards (09/04/15)

AN ACT relating to powdered or crystalline alcoholic beverage products.

Create a new section of KRS Chapter 244 to prohibit powdered or crystalline alcoholic beverage products; amend KRS 241.010 to include powdered or crystalline alcohol in the definition of an alcoholic beverage.

(Prefiled by the sponsor(s).)

BR 3 - Senator Ray S. Jones II (10/27/15)

AN ACT relating to concealed deadly weapons training.

Amend KRS 237.110 to prohibit administrative regulations which would require concealed deadly weapon license applicants to clean guns in class; replace hands-on classroom gun cleaning requirements with instructor demonstrations; amend KRS 237.120 to require instructor trainers to have 3 years of prior experience as applicant instructors; amend KRS 237.122 to allow firearms instructor trainers or certified firearms instructors to charge any amount for courses, rather than capping the applicant course at \$75 and the instructor course at \$150; amend KRS 237.128 and 237.132 to conform.

(Prefiled by the sponsor(s).)

BR 5 - Senator John Schickel (06/25/15)

A RESOLUTION adjourning the Senate in honor of Nell Fookes upon the occasion of her retirement as the head coach of the Boone County High School girls' basketball team.

Honor Nell Fookes upon the occasion of her retirement as the head coach of the Boone County High School girls' basketball team.

(Prefiled by the sponsor(s).)

BR 7 - Representative Brad Montell, Representative Kevin D. Bratcher, Representative John Carney, Representative Jim DeCesare, Representative Myron Dossett, Representative Joseph M. Fischer, Representative David Hale, Representative Mike Harmon, Representative Jeff Hoover, Representative Kenny Imes, Representative Thomas Kerr, Representative Adam Koenig, Representative Stan Lee, Representative David Meade, Representative Michael Meredith, Representative Suzanne Miles, Representative David Osborne, Representative Ryan Quarles, Representative Bart Rowland, Representative Sal Santoro, Representative Jonathan Shell, Representative Tommy Turner, Representative Ken Upchurch (08/28/15)

AN ACT relating to the Health Insurance Trust Fund and making an appropriation therefor.

Amend KRS 18A.2254 to specify how surplus funds from a prior plan year of the Public Employee Health Insurance Program shall be allocated.

(Prefiled by the sponsor(s).)

BR 8 - Representative Chris Harris (10/07/15)

AN ACT relating to the registration of trailers.

Amend KRS 186.655, regarding the licensing of trailers, to shift the annual registration renewal date from April 1 to April 30.

(Prefiled by the sponsor(s).)

BR 11 - Representative Joni L. Jenkins (09/03/15)

AN ACT relating to tenancies in real property.

Create a new section of KRS Chapter 383 to provide that, after the effective date of this Act, residential tenants who hold a domestic violence order, a pretrial release no contact order, or an interpersonal protective order may terminate a lease with at least 30 days notice to landlords, while the lease continues for co-tenants; establish civil action for a landlord's economic losses due to termination against persons restrained by protective orders; for those tenants or applicants for tenancy who hold an emergency protective order, a domestic violence order, a pretrial release no contact order, an interpersonal protective order, or a temporary interpersonal protective order, those orders cannot serve as a basis for denying a lease and new locks may be requested at the tenant's expense; create a new section of KRS Chapter 383 to provide that, after the effective date of this Act, rental agreements shall not penalize tenants for requesting assistance from emergency services.

(Prefiled by the sponsor(s).)

BR 15 - Representative Diane St. Onge (05/07/15)

AN ACT relating to service animals.

Amend KRS 525.200 to remove from the elements of the offense of assault on a service animal the requirement that service animal be unable to return to work; amend KRS 525.210 and 525.215 to conform; repeal KRS 525.205.

(Prefiled by the sponsor(s).)

BR 16 - Senator John Schickel (06/25/15)

A RESOLUTION adjourning the Senate in honor and loving memory of Audrey Henke

Metzger.

Adjourn the Senate in honor and loving memory of Audrey Henke Metzger.

(Prefiled by the sponsor(s).)

BR 17 - Representative Darryl T. Owens (05/19/15)

AN ACT relating to criminal records.

Amend KRS 431.076 to expand the scope of an expungement motion under that statute to include felonies referred to a grand jury where no indictment ensues; amend KRS 431.078 to expand that statute's expungement process to include Class D felonies; amend KRS 527.040 to expressly provide that an expunged felony does not trigger the application of that statute; create a new section of KRS Chapter 413 to prohibit the introduction of information pertaining to an expunged conviction as evidence in a civil suit or administrative proceeding alleging negligent hiring or licensing.

(Prefiled by the sponsor(s).)

BR 18 - Representative Darryl T. Owens (05/19/15)

AN ACT proposing an amendment to Section 145 of the Constitution of Kentucky relating to persons entitled to vote.

Propose to amend Section 145 of the Constitution of Kentucky to restructure the voting restrictions contained therein relating to felons and persons with mental disabilities; submit to the voters for ratification or rejection.

(Prefiled by the sponsor(s).)

BR 20 - Senator Reginald Thomas (06/02/15)

AN ACT relating to oaths.

Amend KRS 6.072 to require witnesses appearing before a committee, subcommittee, or task force of the General Assembly to take an oath prior to giving testimony.

(Prefiled by the sponsor(s).)

BR 21 - Senator Reginald Thomas (07/13/15)

AN ACT relating to general principles of justification.

Create a new section of KRS Chapter 503 to incorporate the "no duty to retreat" provisions elsewhere in the chapter; amend KRS 503.050, 503.055, 503.070, and 503.080 to require a reasonable belief that defensive force is necessary before it is justified; change the term "great bodily harm" to "serious physical injury" as used throughout the Penal Code; amend KRS 503.060 to require an initial aggressor to retreat before the use of force can be rejustified; repeal KRS 503.120.

(Prefiled by the sponsor(s).)

BR 24 - Senator Reginald Thomas (11/12/15)

AN ACT relating to breast-feeding.

Amend KRS 211.755 to establish that a mother breast-feeding a child or expressing milk in any location, public or private, where the mother and child are otherwise authorized to be shall report any violations to the local health department, independent health department, or county health department, having jurisdiction for the county in which the violation occurred; provide that the local health department, independent health department, or county health department shall conduct an investigation of any reported violation; amend KRS 211.990 to establish a fine of \$500 for the first offense and \$1,000 for each subsequent offense for any person or municipality that who violates of KRS 211.755(2) or(3).

(Prefiled by the sponsor(s).)

BR 25 - Senator Reginald Thomas (11/12/15)

A CONCURRENT RESOLUTION recognizing the importance of removing barriers to breastfeeding in the Commonwealth.

Recognize the importance of removing barriers to breastfeeding in the Commonwealth.

(Prefiled by the sponsor(s).)

BR 26 - Senator Reginald Thomas (10/09/15)

AN ACT relating to arrest-related deaths.

Amend KRS 72.025 to add deaths which occur during arrest to cases which are investigated by coroner; create a new section of Chapter 72 to require coroners to notify Medical Examiners Office of arrest-related deaths and require an annual public report.

(Prefiled by the sponsor(s).)

BR 31 - Representative Derrick Graham (07/07/15)

AN ACT relating to governance of postsecondary education institutions.

Amend KRS 164.011 to require new appointees to the council to complete orientation and education program to be eligible for a second term; amend KRS 164.020 to direct the Council on Postsecondary Education (CPE) to develop an orientation and education program for new governing board members of the council, public universities, and Kentucky Community and Technical College System (KCTCS); require that the program include six hours of instruction time with specific information and be delivered within one year of a new member's appointment; require an annual report listing new board members not completing the program; invite board members of private colleges and universities to participate; authorize the CPE to develop continuing education programs for all governing board members of public institutions and to review and approve orientation programs for governing boards of each

public university and KCTCS; amend KRS 164.131 to require appointed and elected governing board members of the University of Kentucky to complete an orientation and education program to be eligible for a second term; amend KRS 164.321 to require appointed and elected governing board members of the comprehensive public universities and KCTCS to complete an orientation and education program to be eligible for a second term; amend KRS 164.821 to require appointed and elected governing board members of the University of Louisville to complete an orientation and education program to be eligible for a second term.

(Prefiled by the sponsor(s).)

BR 37 - Representative Terry Mills (06/02/15)

AN ACT relating to problem, compulsive, or pathological gambling and making an appropriation therefor.

Amend KRS 222.005 to define "pathological gambling" and "problem gambling"; create new sections of KRS Chapter 222 to establish the Problem and Pathological Gamblers Awareness and Treatment Program; direct the use of funds and limit annual administrative costs to \$200,000; establish the Gamblers Awareness and Treatment Program Advisory Council; establish the council's membership and responsibilities; require the Cabinet for Health and Family Services to promulgate administrative regulations in collaboration with the council; establish a funding and application process, certify disbursement of funds, and require reports annually; assign responsibilities to the director of the Division of Behavioral Health; amend KRS 222.001 and 222.003 to conform; APPROPRIATION.

(Prefiled by the sponsor(s).)

BR 38 - Representative Terry Mills (08/05/15)

AN ACT relating to sales and use tax.

Amend KRS 139.480 to exempt bees used in a commercial enterprise for the production of honey or wax for sale and certain items used in that pursuit; EFFECTIVE August 1, 2016.

(Prefiled by the sponsor(s).)

BR 40 - Senator John Schickel (06/25/15)

A RESOLUTION honoring Wilbur M. Zevely upon his recognition by the Northern Kentucky Bar Foundation with its Lifetime Achievement Award.

Honor Wilbur M. Zevely upon his recognition by the Northern Kentucky Bar Foundation with its Lifetime Achievement Award.

(Prefiled by the sponsor(s).)

BR 42 - Senator Max Wise (07/14/15)

AN ACT relating to alternative certification programs.

Amend KRS 161.048 to allow a veteran with a bachelor's degree in any area to be issued a provisional teaching certificate if other criteria are

met.

(Prefiled by the sponsor(s).)

BR 45 - Representative Rick G. Nelson (09/10/15)

AN ACT relating to welding safety.

Create new sections of KRS Chapter 198B to establish requirements for projects requiring structural steel welding such as certification of welders and certified inspectors; provide definitions.

(Prefiled by the sponsor(s).)

BR 54 - Senator Dennis Parrett (06/10/15)

AN ACT relating to driving under the influence and declaring an emergency.

Amend various sections in KRS Chapter 189A, relating to driving under the influence, to expand the look-back window for prior offenses from five years to 10 years; amend KRS 189A.330 to expand the window for quarterly reporting of pending DUI cases; EMERGENCY.

(Prefiled by the sponsor(s).)

BR 58 - Representative Arnold Simpson (07/15/15)

AN ACT relating to county clerks.

Repeal 1860 Kentucky Acts Chapter 351, approved February 18, 1860, entitled "AN ACT to establish an office for the recording of deeds and mortgages at Covington." which required individuals recording deeds and mortgages relating to properties in certain areas of the county to file those in Covington rather than Independence.

(Prefiled by the sponsor(s).)

BR 61 - Senator Joe Bowen (10/16/15)

AN ACT relating to motor vehicle registration fees.

Create a new section of KRS Chapter 186 to establish an additional initial and renewal registration fee of \$100 for plug-in electric vehicles; amend KRS 186.010 to define "plug-in electric vehicle"; EFFECTIVE 1/1/2017.

(Prefiled by the sponsor(s).)

BR 63 - Representative Denver Butler (10/13/15)

AN ACT relating to reemployment of retired police officers.

Create a new section of KRS Chapter 95 to define "police officer" and "city"; permit cities to employ retired police officers if the officer: participated in the Law Enforcement Foundation Program or retired as a commissioned State Police officer, retired with at least 20 years of service credit with no administrative charges pending, and met the separation of employment requirements so that retirement benefits from Kentucky Retirement Systems were not voided; specify that retired police officers employed by a city shall continue to receive the benefits they were eligible to receive

upon retirement but shall not accrue any additional retirement or health benefits during reemployment; preclude retirement and any health contributions from being paid by the city to Kentucky Retirement Systems or the Kentucky Employees Health Plan on a retired officer who is reemployed under the provisions of this section; permit individuals employed under this section to be employed for a term not to exceed one year which may be renewed at the discretion and need of the city; amend KRS 61.637 to conform.

(Prefiled by the sponsor(s).)

BR 64 - Representative David Hale, Representative James Tipton (10/26/15)

AN ACT relating to personal safety and declaring an emergency.

Create a new section of KRS Chapter 411 to provide civil immunity for damaging a vehicle to a person who enters a vehicle with the reasonable, good faith belief that a minor or vulnerable adult is in imminent danger of harm if not removed from the vehicle; encourage Transportation Cabinet to implement education on children left in vehicles; EMERGENCY.

(Prefiled by the sponsor(s).)

BR 65 - Senator Danny Carroll (09/11/15)

AN ACT relating to the safety of minors and declaring an emergency.

Create a new section of KRS Chapter 411 to provide civil immunity for damaging a vehicle to a person who enters a vehicle with the reasonable, good faith belief that a minor is in imminent danger of harm if not removed from the vehicle; encourage Transportation Cabinet to implement education on children left in vehicles; EMERGENCY.

(Prefiled by the sponsor(s).)

BR 67 - Representative Kelly Flood (06/11/15)

AN ACT relating to driving under the influence and declaring an emergency.

Amend various sections in KRS Chapter 189A, relating to driving under the influence, to expand the look-back window for prior offenses from five years to 10 years; amend KRS 189A.330 to expand the window for quarterly reporting of pending DUI cases; EMERGENCY.

(Prefiled by the sponsor(s).)

BR 72 - Representative Brad Montell (08/11/15)

AN ACT relating to licensing fees and making an appropriation therefor.

Amend KRS 198B.6674, 227.050, and 318.136 to determine excess funds within the Division of Heating, Ventilation, and Air Conditioning, the Division of Plumbing, and the Electrical Division of the Department of Housing, Buildings and Construction; direct excess funds to be used to credit licensing fees; limit any transfer of funds to only excess funds in the account.

(Prefiled by the sponsor(s).)

BR 75 - Representative Jim DuPlessis (07/29/15)

AN ACT relating to patient notification of mammogram results showing dense tissue.

Amend KRS 304.17-316 to require the provider of mammography services to provide information to a patient on breast density when appropriate; permit the Department for Public Health to provide update the definition of “dense breast tissue” if appropriate.

(Prefiled by the sponsor(s).)

BR 77 - Representative Jeffery Donohue (08/31/15)

AN ACT relating to ziplines.

Amend KRS 247.232 to define “zipline”; create a new section of KRS Chapter 247 to direct the Department of Agriculture to promulgate administrative regulations related to ziplines; require the department to establish administrative penalties and civil penalties.

(Prefiled by the sponsor(s).)

BR 88 - Representative Tom Burch (11/04/15)

AN ACT relating to oral health care and making an appropriation therefor.

Create new sections of KRS Chapter 313 to establish the Kentucky Dentistry Board; establish composition, duties, and authority of the board; require a license to practice dentistry; establish licensing requirements, penalty, and appeals provisions.

(Prefiled by the sponsor(s).)

BR 91 - Representative Dean Schamore (09/29/15)

AN ACT relating to emergency medical services.

Amend KRS 61.315 and 164.2841 to make the survivors of emergency medical services providers and rescue squad members who are killed in the line of duty eligible for the state lump-sum death benefit and exemption of matriculation or tuition fees; amend KRS 164.2842 to include the spouse or child of a permanently and totally disabled emergency medical services provider in the exemption of matriculation or tuition fees.

(Prefiled by the sponsor(s).)

BR 101 - Representative Stan Lee, Representative David Meade, Representative Lynn Bechler, Representative Richard Heath, Representative Kim King, Representative Tim Moore (07/16/15)

AN ACT relating to marriage.

Amend KRS 344.130, 402.050, and 446.350 to exempt persons, officials, and institutions with religious objections to same-sex marriage from any requirement to solemnize, or to

issue or record licenses for, such marriages.

(Prefiled by the sponsor(s).)

BR 102 - Representative Addia Wuchner, Representative Joseph M. Fischer, Representative David Floyd, Representative David Hale, Representative Richard Heath, Representative Kenny Imes, Representative Kim King, Representative Stan Lee, Representative Brian Linder, Representative Brad Montell, Representative Marie Rader, Representative Sal Santoro (07/02/15)

AN ACT relating to the exercise of religious freedom in the solemnization of marriage.

Amend KRS 344.130, 402.050, and 446.350 to exempt persons, officials, and institutions with religious objections to same-sex marriage from any requirement to solemnize such marriages.

(Prefiled by the sponsor(s).)

BR 113 - Representative Joni L. Jenkins (07/23/15)

AN ACT relating to civil rights.

Amend KRS 344.030 to include within the definition of reasonable accommodations, accommodations made for pregnancy, childbirth, and related medical conditions; amend KRS 344.040 to make an unlawful practice for employers who fail to accommodate an employee affected by pregnancy, childbirth, or related medical condition; require employers to provide notice to all employees regarding discrimination for pregnancy, childbirth, and related medical conditions.

(Prefiled by the sponsor(s).)

BR 116 - Representative Kevin D. Bratcher (07/31/15)

AN ACT relating to the posting of historical documents.

Amend KRS 158.195 to require the postings of the preambles of the US Constitution and the Kentucky Constitution in all public school classrooms; allow a classroom teacher to choose placement within the classroom.

(Prefiled by the sponsor(s).)

BR 118 - Representative Mike Denham, Representative Addia Wuchner (10/28/15)

AN ACT relating to persons with developmental or intellectual disabilities.

Create new sections of KRS Chapter 41 to create within the Office of the State Treasurer a trust to be used to establish accounts for the benefit of disabled persons as a companion to the federal ABLE Account legislation; amend KRS 205.200 to provide that ownership or activity of an ABLE Account shall not be used when conducting means-based testing for eligibility measurements for public assistance programs.

(Prefiled by the sponsor(s).)

BR 122 - Representative Mike Denham

(09/24/15)

AN ACT relating to the impact of refunds of natural resources severance and processing tax upon distributions from the local government economic assistance fund and declaring an emergency.

Amend KRS 42.470 to provide that effective July 1, 2016, quarterly distributions of local government economic assistance fund moneys to a mineral producing county and its cities shall be reduced by no more than 50% as a result of any refund of natural resources severance and processing tax, and that if the local share of a refund exceeds this limit the remainder shall carry forward to be offset in successive quarters as necessary until it is satisfied in full; EMERGENCY.

BR 125 - Senator Ralph Alvarado (09/16/15)

AN ACT relating to physicians.

Create a new section of KRS 311.530 to 311.620 to prohibit the Board of Medical Licensure from requiring any maintenance of certification and related continuing education requirements for licensure as a physician.

(Prefiled by the sponsor(s).)

BR 126 - Senator Ralph Alvarado (09/16/15)

AN ACT relating to medical coverage.

Amend KRS 304.17A-254 to establish a policy governing the procedures for an insurer changing an existing agreement with a provider; amend KRS 304.17A-545 to require an insurer offering a health benefit plan to establish a policy governing the procedures for a Managed Care Organization changing an existing agreement with a provider.

(Prefiled by the sponsor(s).)

BR 127 - Senator Ralph Alvarado (09/16/15)

AN ACT relating to the Board of Medical Licensure.

Amend KRS 311.530 to stipulate that appointees shall be appointed from a list of names submitted by the Kentucky Medical Association and delete language requiring the Governor to ensure that specialties are represented.

(Prefiled by the sponsor(s).)

BR 131 - Senator Ralph Alvarado (10/14/15)

AN ACT relating to Medicaid provider appeals and declaring an emergency.

Create new sections of KRS Chapter 205 to define terms, and permit a provider that has exhausted an internal appeals process of a Medicaid managed care organization (MCO) to be entitled to an administrative appeals hearing; require an MCO to send a final determination letter; establish proceedings for an administrative appeals hearing; establish a mechanism for attorneys' fees; establish a fee for the party that does not prevail to cover costs of the proceeding; clarify that this bill applies to all MCO contracts enacted on or after July 1,

2016; amend KRS 13B.020 to include the provider appeals process as a type of administrative hearings to be conducted by the CHFS.

(Prefiled by the sponsor(s).)

BR 134 - Representative Wilson Stone (09/02/15)

AN ACT relating to tuition waivers for children.

Amend KRS 164.2847 to provide a tuition waiver to a student at a Kentucky public postsecondary institution if the student's biological parents are deceased or have had their parental rights terminated due to neglect or abuse, if the student was adopted by a blood relative or assigned a legal guardian at least 12 months prior to the student's 18th birthday, and if documentation and information requested to confirm eligibility status is provided.

(Prefiled by the sponsor(s).)

BR 135 - Representative Myron Dossett (08/06/15)

AN ACT relating to the solemnization of marriage.

Amend KRS 402.050 and 446.350 to exempt persons, officials, and institutions with religious objections to any marriage from any requirement to solemnize such a marriage.

(Prefiled by the sponsor(s).)

BR 140 - Representative Dean Schamore (10/20/15)

A JOINT RESOLUTION designating the "Breckinridge County Veterans Memorial Highway."

Direct the Transportation Cabinet to designate US 60 in Breckinridge County as "Breckinridge County Veterans Memorial Highway" and to erect signage denoting this designation;

(Prefiled by the sponsor(s).)

BR 141 - Representative Jeffery Donohue (08/07/15)

A JOINT RESOLUTION designating the new downtown bridge on Interstate 65 in Jefferson County in honor of former Governor and United States Senator Wendell H. Ford.

Direct the Transportation Cabinet to designate the downtown bridge on Interstate 65 in Jefferson County as the "Wendell H. Ford Memorial Bridge," and to erect the appropriate signage.

(Prefiled by the sponsor(s).)

BR 147 - Representative Ron Crimm (07/23/15)

AN ACT relating to the promotion of organ and bone marrow donation.

Create a new section of KRS Chapter 141 to establish the employers' organ and bone marrow

donation tax credit; amend KRS 141.0205 to provide the ordering of the credit; declare short title to be the Living Organ and Bone Marrow Donor Assistance Act of 2016.

(Prefiled by the sponsor(s).)

BR 154 - Representative David Hale, Representative James Tipton (08/13/15)

AN ACT related to marriage and making an appropriation therefor.

Create a new section of KRS Chapter 213 to move marriage licensing and recording duties from county clerks to the state registrar of vital statistics, to allow a fee of \$35.50 for licenses, and to provide for the transfer of existing marriage records; amend KRS 344.130, 402.050, and 446.350 to exempt persons, officials, and institutions with religious objections to same-sex marriage from any requirement to solemnize such marriages; amend KRS 47.110, 64.012, 142.010, 209.160, 213.116, 402.080, 402.100, 402.110, 402.210, 402.220, 402.230, and 402.990 to conform; repeal KRS 402.240 which allows county judges/executive to issue marriage licenses in the absence of a county clerk; repeal KRS 402.170 which requires county clerks to distribute marriage manuals; EFFECTIVE JANUARY 1, 2017.

(Prefiled by the sponsor(s).)

BR 156 - Representative Jim Wayne (10/02/15)

AN ACT relating to planning and zoning in consolidated local governments.

Amend KRS 100.137 to delete language relating to certain cities and their requirements to adopt planning and zoning requirements; amend KRS 100.201, 100.202, and 100.205 to conform.

(Prefiled by the sponsor(s).)

BR 158 - Representative Dennis Keene (09/04/15)

AN ACT relating to involuntary treatment for substance abuse.

Amend KRS 202A.011 to include substance use in the definition of "mentally ill person"; amend KRS 218A.133 to ensure that a petition may be filed pursuant to KRS Chapter 202A.

(Prefiled by the sponsor(s).)

BR 164 - Representative Chris Harris (11/05/15)

AN ACT relating to open records.

Amend KRS 61.870 to narrow the funding criteria that determines exemptions from the definition of "public agency" in the Kentucky Open Records Act.

(Prefiled by the sponsor(s).)

BR 167 - Representative Kelly Flood (08/11/15)

AN ACT relating to superintendent screening committee membership.

Amend KRS 160.352 to require a school equity council member be appointed to the superintendent screening committee, if an equity council exists.

(Prefiled by the sponsor(s).)

BR 174 - Representative Kenny Imes (08/26/15)

AN ACT relating to travel required for certain state employees prior to appointment.

Amend KRS 18A.115 to require certain nonmerit employees to travel to Fulton or Hickman County and to Pike, Martin, or Letcher County prior to being appointed and every six years thereafter.

(Prefiled by the sponsor(s).)

BR 176 - Representative Kenny Imes (09/24/15)

AN ACT relating to elections.

Amend KRS 242.020 to require petitions for local option elections to contain legibly printed name and year of birth; amend KRS 242.030 to require local option elections to be held on the same day as a primary or regular election and to establish filing deadlines for petitions; amend KRS 242.060 to specify who will bear the cost of the local option election; amend KRS 242.022, 242.040, 242.1242, 242.1244, 242.125, and 242.1292 to conform.

(Prefiled by the sponsor(s).)

BR 178 - Representative Kenny Imes (08/14/15)

AN ACT proposing to amend Section 95 of the Constitution of Kentucky relating to the election of state officers.

Propose to amend Section 95 of the Constitution of Kentucky to hold the elections of statewide constitutional officers in even-numbered years, every four years, beginning in 2024; provide transitional schedule; submit to the voters for ratification or rejection.

(Prefiled by the sponsor(s).)

BR 179 - Representative Kenny Imes (11/04/15)

AN ACT proposing an amendment to Section 32 of the Constitution of Kentucky relating to terms of members of the General Assembly.

Propose to amend Section 32 of the Constitution of Kentucky to prevent Senators from serving more than four consecutive terms of office and Representatives from serving more than eight consecutive terms of office, whether complete or partial terms, and prevent a legislator from serving more than sixteen consecutive years in the General Assembly, regardless of the House in which he or she served, beginning in 2018; allow legislators to resume service after two years have elapsed since leaving office; provide ballot language; submit to voters for ratification or rejection.

(Prefiled by the sponsor(s).)

BR 180 - Representative Kenny Imes (08/14/15)

AN ACT relating to the commissioner of education.

Amend KRS 156.148 to require Senate confirmation of the commissioner of education.

(Prefiled by the sponsor(s).)

BR 189 - Representative Donna Mayfield (10/28/15)

AN ACT relating to abandoned infants.

Amend KRS 405.075 and 216B.190 to add staffed churches to the list of permitted safe havens at which an abandoned infant can be dropped off; prohibit criminal or civil liability for any actions taken by safe havens; and amend KRS 620.355 to delete reference to a repealed statute.

(Prefiled by the sponsor(s).)

BR 196 - Representative Larry Clark (11/16/15)

AN ACT relating to the appropriate care and disposition of human remains.

State the purpose of the Act; amend KRS 213.076 to require the place of final disposition to be recorded on the death certificate; amend KRS 367.934 to require that any grave space, underground crypt, or mausoleum crypt must match the place of final disposition before a final payment shall be made; amend KRS 367.946 to require registrants to identify the location of each grave space, underground crypt, mausoleum and niche sold annually, and to require each registrant to submit a report listing the specific location of each grave space within the cemetery, and to require the Office of the Attorney General to establish and maintain a database; amend KRS 367.948 to require a cross-reference between grave spaces, underground crypts, and mausoleum crypts to any contract entered into for the sale of the space; create a new section of KRS 367.934 to 367.974 to require a space of at least six inches between grave spaces.

(Prefiled by the sponsor(s).)

BR 197 - Representative Diane St. Onge (08/04/15)

AN ACT relating to drone surveillance.

Create a new section of KRS Chapter 500 to define “drone”; prohibit a law enforcement agency from using a drone to gather evidence or other information; provide exceptions; prohibit use of evidence obtained in violation; provide that the Act may be cited as the “Citizens’ Freedom from Unwarranted Surveillance Act.”

(Prefiled by the sponsor(s).)

BR 199 - Representative Fitz Steele (08/04/15)

AN ACT relating to the property tax on

unmined coal.

Amend KRS 132.820 to exempt unmined coal reserves from state and local property taxation if on January 1 of any tax year the owner or lessee of the reserve does not hold a valid permit from both the state and federal governments to mine coal from the reserve, and does not anticipate that coal will be mined from the reserve at any point during the tax year; amend KRS 131.190 to conform; make technical corrections; EFFECTIVE for property assessed on and after January 1, 2017.

(Prefiled by the sponsor(s).)

BR 200 - Representative Fitz Steele (08/04/15)

AN ACT relating to coal severance revenues.

Amend various sections in KRS Chapter 42 to distribute 100 percent of coal severance revenues among the coal-producing counties on the basis of the tax collected on coal severed or processed in each respective county; amend KRS 143.090, 164.7890, and 164.7891 to make conforming changes; repeal KRS 42.490.

(Prefiled by the sponsor(s).)

BR 201 - Representative Fitz Steele (08/04/15)

AN ACT relating to sales and use tax holidays and declaring an emergency.

Create a new section of KRS Chapter 139 to establish a three day sales and use tax holiday during the first weekend in August each year to exempt clothing, school supplies, school art supplies, computers, and school computer supplies; EMERGENCY.

(Prefiled by the sponsor(s).)

BR 202 - Representative Brad Montell (10/20/15)

AN ACT relating to credit freezes for protected consumers.

Create a new section of KRS 367.363 to 367.365 to define “protected person,” “representative,” and “sufficient proof of authority”; require a consumer reporting agency to place a security freeze on a protected person’s record or report upon proper request by a representative; require the freeze be placed within ten days of receiving the request; set forth when the credit reporting agency is required to remove the freeze; allow the credit reporting agency to charge a fee under certain circumstances; establish penalties for violations.

(Prefiled by the sponsor(s).)

BR 206 - Senator Ralph Alvarado (10/07/15)

AN ACT relating to credit freezes for protected consumers.

Create a new section of KRS 367.363 to 367.365 to define “protected person,” “representative,” and “sufficient proof of authority”; require a consumer reporting agency to place a security freeze on a protected person’s record or

report upon proper request by a representative; require the freeze to be placed within ten days of receiving the request; set forth when the credit reporting agency is required to remove the freeze; allow the credit reporting agency to charge a fee under certain circumstances; establish penalties for violations.

(Prefiled by the sponsor(s).)

BR 213 - Representative James Tipton (11/10/15)

AN ACT relating to autopsy records.

Create a new section of KRS Chapter 72 to limit lawful distribution of autopsy photographs, images, video, or audio recordings to specified persons and agencies; amend KRS 72.992 to provide penalty for violating the prohibition on dissemination of autopsy photographs, images, or video or audio recordings.

BR 214 - Representative Diane St. Onge (08/25/15)

AN ACT relating to preserving the right of Kentuckians to own and use firearms.

Create new sections of KRS Chapter 237 to declare legislative intent; invalidate and nullify all federal laws and regulations restricting ownership or possession of firearms; direct the General Assembly to take all appropriate action to safeguard Kentuckians' rights to possess firearms in accordance with the second Amendment to the Constitution of the United States and Section 1 of the Constitution of Kentucky; amend KRS 527.040 to add persons who have been dishonorably discharged from the Armed Forces of the United States and persons illegally or unlawfully in the United States to the list of persons who shall not possess firearms.

(Prefiled by the sponsor(s).)

BR 217 - Representative Larry Clark (08/14/15)

AN ACT relating to student assistants.

Create a new section of KRS Chapter 117 to allow minors 16 years of age or older to be appointed as student election assistants; amend KRS 117.045 to conform.

(Prefiled by the sponsor(s).)

BR 219 - Representative Diane St. Onge (10/23/15)

AN ACT relating to drone harassment.

Create a new section of KRS Chapter 525 to define the new offense of drone harassment; amend KRS 446.010 to define "drone."

(Prefiled by the sponsor(s).)

BR 222 - Senator Tom Buford (09/21/15)

AN ACT relating to donated clothing, household items, or other items.

Create a new section of KRS 367.650 to 367.670 to require proper labeling on donation

boxes and donation drop-off sites when the donations do not qualify as charitable contributions for federal tax purposes; amend KRS 367.668 to require lettering to be not less than 2 inches in height; amend KRS 367.665 to grant the county attorney concurrent jurisdiction and powers with the Attorney General and allow the county attorney to impose penalties which shall be paid to the county.

(Prefiled by the sponsor(s).)

BR 225 - Representative Kelly Flood (09/15/15)

AN ACT relating to public benefit corporations.

Amend KRS 14A.3-010, 271B.1-400, 271B.2-020, 271B.6-260, 271B.7-400, 271B.8-300, 271B.13-020, and 271B.16-210, and create a new section of Subtitle 11 of KRS Chapter 271B to establish public benefit corporations.

(Prefiled by the sponsor(s).)

BR 234 - Representative Jonathan Shell (10/21/15)

AN ACT relating to synthetic drugs.

Amend KRS 218A.1412 to include synthetic drugs in the offense of trafficking in a controlled substance in the first degree; amend KRS 218A.1415 to include synthetic drugs in the offense of possession of a controlled substance in the first degree; amend KRS 218A.1416 to remove reference to synthetic drugs; amend KRS 218A.1401 to include synthetic drugs in the offense of selling a controlled substance to a minor; amend 218A.410 to allow for the forfeiture of real property used to commit or facilitate offenses involving synthetic drugs; amend KRS 530.064 to include synthetic drugs in the offense of unlawful transaction with a minor in the first degree; amend KRS 530.065 to remove reference to synthetic drugs; repeal KRS 218A.1430, relating to synthetic drugs.

(Prefiled by the sponsor(s).)

BR 236 - Representative Brad Montell (09/08/15)

A CONCURRENT RESOLUTION directing the staff of the Legislative Research Commission to study municipal bankruptcy.

Direct the staff of the Legislative Research Commission to study municipal bankruptcy.

(Prefiled by the sponsor(s).)

BR 241 - Senator Danny Carroll (09/11/15)

AN ACT relating to the safety of animals.

Create a new section of KRS Chapter 411 to provide civil immunity for damaging a vehicle to a person who enters a vehicle with the reasonable, good faith belief that a dog or cat is in immediate danger of death if not removed from the vehicle.

(Prefiled by the sponsor(s).)

BR 249 - Representative Linda Belcher (11/06/15)

AN ACT relating to maximum class size.

Amend KRS 157.360 to prohibit the number of pupils enrolled in a class on the fifteenth student instructional day from exceeding the established maximum class size; amend KRS 157.420 to conform.

(Prefiled by the sponsor(s).)

BR 251 - Representative Mike Denham (11/16/15)

AN ACT relating to the public employee health insurance trust fund.

Amend KRS 18A.2254 to prohibit any fund transfers from the public employee health insurance trust fund to the general fund, and direct that as part of the annual premium-setting process any surplus determined to exist in the balance for a prior plan year shall be transferred to the plan year for which premiums are being set so as to reduce the cost of employee premiums in that year to the extent prudently and reasonably possible.

(Prefiled by the sponsor(s).)

BR 254 - Representative Kim King (09/09/15)

AN ACT relating to sex offender registrants.

Amend KRS 17.545 to prohibit sex offender registrants from being present on the grounds of a publicly owned playground without advance written permission.

(Prefiled by the sponsor(s).)

BR 255 - Representative Kim King (09/09/15)

AN ACT relating to legislative procedures for state fiscal measures.

Create a new section of KRS Chapter 6 to require roll call votes on any state fiscal measure, including an appropriation or revenue-raising measure, voted upon in the Senate or House or a committee thereof; require identification of any state fiscal measure by the director of the Legislative Research Commission, or upon a determination by the Senate or House or a committee of either; require separate votes for any state fiscal measure.

(Prefiled by the sponsor(s).)

BR 256 - Representative Kim King (09/09/15)

AN ACT relating to foreign law.

Create a new section of KRS Chapter 454 to establish legislative intent that the rights of an individual afforded under the Constitutions of the Commonwealth and the United States take precedence over the application of any foreign law in any judicial or quasi-judicial proceeding; define specific terms; strictly construe waivers of constitutional rights; provide exceptions for corporate entities; prohibit choice of venue outside of the Commonwealth or United States to preserve the constitutional rights of the person against whom

enforcement is sought.

(Prefiled by the sponsor(s).)

BR 257 - Representative Kim King (09/09/15)

AN ACT relating to school notification of persons authorized to contact or remove a child.

Create a new section of KRS Chapter 620 to require the Cabinet for Health and Family Services, if the cabinet is granted custody of a dependent, neglected, or abused child, to notify the school in which the child is enrolled of persons authorized to contact the child or remove the child from school grounds.

(Prefiled by the sponsor(s).)

BR 258 - Representative Kim King (09/09/15)

AN ACT proposing an amendment to Section 42 of the Constitution of Kentucky relating to compensation for members of the General Assembly.

Propose to amend Section 42 of the Constitution of Kentucky to prohibit members of the General Assembly from receiving legislative pay for a special session that has been called by the Governor because the General Assembly adjourned without passing a state budget; submit to the voters with ballot question.

(Prefiled by the sponsor(s).)

BR 260 - Representative Tom Burch (10/08/15)

AN ACT relating to the address protection program and declaring an emergency.

Amend KRS 14.260 to require the Secretary of State or designee to operate the address protection program; clarify that a sworn statement may be used to prove abuse or neglect; require the program to issue a document to a participant to prove the individual's county of residence; amend KRS 14.304 to allow an individual participating in the expanded address program to vote; amend KRS 23A.208 and 24A.178 to allow an administrative fee for a crime found to have an underlying factual basis of domestic violence or abuse; amend KRS 186.412 to require a circuit clerk to accept a participant's verified substitute address for driver's license applications, amend KRS 209.030 and 209A.030 to define an application assistant and exempt that individual from certain reporting requirements, EMERGENCY.

(Prefiled by the sponsor(s).)

BR 277 - Representative Tom McKee (11/09/15)

AN ACT relating to tobacco products.

Amend KRS 138.130 to define "reference tobacco products"; exclude reference tobacco products from the definition of "tobacco products" and "snuff"; EFFECTIVE August 1, 2016.

(Prefiled by the sponsor(s).)

BR 288 - Representative Myron Dossett

(10/02/15)

AN ACT relating to exemptions from workers' compensation coverage.

Amend KRS 342.650 concerning exemptions from workers' compensation to include lawn services as well as maintenance, repair, remodeling, or similar work on a private home for not more than 20 days.

(Prefiled by the sponsor(s).)

BR 289 - Representative Brad Montell (10/16/15)

AN ACT relating to an income tax deduction for qualified tuition programs.

Amend KRS 141.010 to allow a tax deduction for contributions to a qualified tuition program for higher education.

(Prefiled by the sponsor(s).)

BR 292 - Representative Lynn Bechler, Representative Tim Couch, Representative Jim DeCesare, Representative Jim DuPlessis, Representative David Floyd, Representative Kim King, Representative Stan Lee, Representative Brian Linder, Representative Tim Moore, Representative Bart Rowland, Representative James Tipton, Representative Ken Upchurch (10/09/15)

AN ACT prohibiting the use of public resources for abortion services.

Amend KRS 311.720 to define "abortion services"; amend KRS 311.715 to define "affiliate", to provide that public funds shall not be paid to any entity or affiliate of an entity that provides abortion services, and to establish exceptions.

(Prefiled by the sponsor(s).)

BR 298 - Representative Linda Belcher (11/06/15)

AN ACT relating to tuition waivers for foster children.

Amend KRS 164.2847 to permit tuition waivers for foster children enrolled in a dual credit or dual enrollment course in high school.

(Prefiled by the sponsor(s).)

BR 300 - Representative Mary Lou Marzian (10/20/15)

A CONCURRENT RESOLUTION urging the Congress of the United States to propose an amendment to the Constitution of the United States to allow Congress and the States to set reasonable limits on spending to influence elections.

Urge Congress to propose an amendment to the Constitution of the United States to allow Congress and the states to set reasonable limits on spending to influence elections.

(Prefiled by the sponsor(s).)

BR 301 - Representative Rick G. Nelson (10/14/15)

AN ACT relating to Kentucky jobs.

Create new sections of KRS Chapter 336 establish definitions and to require contractors in public works projects over \$250,000 to have 51% of its employees be Kentucky residents and 15% of its employees be apprentices in an approved apprenticeship program for the entirety of the project; require, for public works projects under \$250,000, contractors to have at least one apprentice in an approved apprenticeship program; require a public authority to include the employment requirements in the bid and contract for the public works project and provide written notice of the requirements; grant the Department of Workplace Standards enforcement authority over violations by public authorities or contractors; amend KRS 336.990 to provide civil penalties for violation; designate the Act as the "Kentucky Jobs Act."

(Prefiled by the sponsor(s).)

BR 307 - Representative Dean Schamore (10/20/15)

AN ACT related to unclaimed property.

Amend KRS 393.280 to require the State Treasurer to promulgate administrative regulations to exempt an administrator or an executor of an estate from submitting a Social Security number and a driver's license when making a claim from unclaimed property on behalf of an estate..

(Prefiled by the sponsor(s).)

BR 310 - Senator Ralph Alvarado (10/02/15)

AN ACT relating to utilization reviews.

Amend KRS 304.17A-600 to include the Accreditation Association for Ambulatory Health Care (AAAHC) in the definition of nationally recognized accreditation organizations.

(Prefiled by the sponsor(s).)

BR 319 - Senator Julian M. Carroll (10/07/15)

AN ACT relating to school safety and declaring an emergency.

Create a new section of KRS Chapter 158 to require school resource officers to have basic and advanced training provided by the Department of Criminal Justice Training; amend KRS 158.441 to conform; EMERGENCY.

(Prefiled by the sponsor(s).)

BR 326 - Representative Arnold Simpson (10/27/15)

AN ACT relating to the distribution of fuel tax revenues and declaring an emergency.

Amend KRS 177.320, regarding allocation of a portion of fuel tax revenue to the rural secondary and county road aid funds, to change the revenue sharing formula to divide 48.2% of motor fuel tax revenues between incorporated and unincorporated areas based on population, road mileage, and land area; clarify that the share of the three splits allocated to incorporated areas shall be used by cities in accordance with Sections 3,4, and 5 of the Act; clarify that the share of the three splits

allocated to unincorporated areas shall be used by counties, with 54.8% going to rural secondary roads and 45.2% used for county roads; amend KRS 177.360 to eliminate the formula of fifths for allocation of rural secondary and county road aid funds among the counties and instead allocate funds to counties based on population, road mileage and land area; amend KRS 177.365 to clarify that the allocation of fuel taxes to incorporated areas shall be used by cities for city streets; eliminate references to “urban roads”; amend KRS 177.366 to eliminate the use for population as the sole factor in distributing municipal road aid funds and instead allocate funds based on population, road mileage, and land area; eliminate references to “unincorporated urban places”; amend KRS 177.369 to eliminate references to counties, urban roads, and unincorporated urban places; amend KRS 177.010 to define the term “revenue sharing road” amend KRS 177.330, 179.410, 179.415, 138.220, 177.020, 177.037, and 177.055 to conform; repeal KRS 67.805 and 81.015; EMERGENCY, EFFECTIVE JULY 1, 2016.

(Prefiled by the sponsor(s).)

BR 332 - Representative Tom Burch (10/14/15)

A JOINT RESOLUTION relating to a per diem increase for the care of children placed in state foster homes.

Direct the Cabinet for Health and Family Services to expend appropriated funds to provide the Department for Community Based Services foster homes with a per diem increase of six percent beginning July 1, 2016; urge the General Assembly to appropriate \$1.5 million for each fiscal year to provide for the six percent increase.

(Prefiled by the sponsor(s).)

BR 334 - Representative Kenny Imes (10/09/15)

AN ACT proposing to amend Sections 91, 93, and 95 of the Constitution of Kentucky relating to the Commissioner of Education.

Propose to amend Sections 91, 93, and 95 of the Constitution of Kentucky to allow for statewide election for the Commissioner of Education, to be held during regular elections.

(Prefiled by the sponsor(s).)

BR 337 - Representative Dennis Keene (10/06/15)

AN ACT relating to tax increment financing.

Amend KRS 154.30-060 to expand the definition of “mixed-use” project, and to delete the upper investment limit on a project that can qualify as a mixed-use development project; provide that the provisions of the act are effective for applications received after the effective date.

(Prefiled by the sponsor(s).)

BR 340 - Representative Kevin D. Bratcher

(11/16/15)

AN ACT relating to military service.

Amend KRS 159.035 to allow for any high school student participating in basic training required by a branch of the United States Armed Forces to be considered present for all purposes for up to ten days.

(Prefiled by the sponsor(s).)

BR 341 - Senator Ray S. Jones II, Senator Johnny Ray Turner (10/01/15)

AN ACT relating to coal severance revenues.

Amend various sections of KRS Chapter 42 to distribute 100 percent of coal severance revenues among the coal-producing counties on the basis of the tax collected on coal severed or processed in each respective county; amend KRS 143.090, 164.7890, and 164.7891 to make conforming changes; repeal KRS 42.490.

(Prefiled by the sponsor(s).)

BR 348 - Senator Dennis Parrett (11/09/15)

AN ACT relating to financial literacy.

Create a new section of KRS Chapter 158 to require the Department of Education to develop and implement the Kentucky Financial Literacy Program; require a high school student to complete instruction in financial literacy, included within the existing curriculum, prior to graduation.

(Prefiled by the sponsor(s).)

BR 356 - Representative Jim DeCesare (11/09/15)

A RESOLUTION encouraging school bus safety.

Encourage the Kentucky Center for School Safety to provide additional support for school bus safety; encourage the Kentucky Department of Education to provide additional training specifically geared for bus safety of young students; encourage the Kentucky School Boards Association to provide model policies to ensure greater safety for young students while boarding and disembarking from school buses.

(Prefiled by the sponsor(s).)

BR 362 - Senator Ralph Alvarado (10/30/15)

AN ACT relating to evidence in medical malpractice actions.

Create a new section of the Kentucky Rules of Evidence to prohibit the introduction of expressions of sympathy, compassion, commiseration, or a general sense of benevolence in medical malpractice actions.

BR 364 - Senator Ray S. Jones II (10/27/15)

AN ACT relating to prevention-oriented child sexual education.

Amend KRS 156.070 to permit the establishment of age-appropriate education

programs pertaining to the recognition of child physical, sexual, and emotional abuse and neglect and how to report suspected abuse; create a short title, “Erin’s Law,” for Section 1 of this Act and KRS 156.095(7).

(Prefiled by the sponsor(s).)

BR 369 - Senator Julian M. Carroll (10/21/15)

A CONCURRENT RESOLUTION encouraging the Kentucky Board of Education to continue and expand collaboration with the Council on Postsecondary Education, the Education Professional Standards Board, the Kentucky Chamber of Commerce, and industry interests to develop and align policies and practices to support strong career pathways that help more students earn industry and postsecondary credentials and obtain good jobs.

Encourage the Kentucky Board of Education to continue and expand collaboration with the Council on Postsecondary Education, the Education Professional Standards Board, and the Kentucky Chamber of Commerce to align policies and practices in support of career and technical education.

(Prefiled by the sponsor(s).)

BR 371 - Representative Jody Richards (10/30/15)

AN ACT relating to donated clothing, household items, or other items.

Create a new section of KRS 367.650 to 367.670 to require proper labeling on donation boxes and donation drop-off sites when the donations do not qualify as charitable contributions for federal tax purposes; amend KRS 367.668 to require lettering to be not less than 2 inches in height; amend KRS 367.665 to grant the county attorney concurrent jurisdiction and powers with the Attorney General and allow the county attorney to impose penalties which shall be paid to the county.

(Prefiled by the sponsor(s).)

BR 378 - Representative Jonathan Shell (10/19/15)

AN ACT relating to eligibility for public assistance.

Amend KRS 205.200 to require the Cabinet for Health and Family Services to implement a substance abuse screening program for applicants and recipients of public assistance who have a felony or misdemeanor history of substance abuse; permit the cabinet to design the program and utilize testing of blood or urine or other reliable methods of substance abuse detection; state conditions under which an adult person is ineligible for public assistance; require testing as a requirement before the receipt of public assistance and once each subsequent year; require the cabinet to promulgate administrative regulations governing the program and testing, including requirements that applicants pay for

all substance abuse screening costs and receive a reimbursement if the test is passed; grant the right to additional screenings for applicants who fail a test; require both parents in two-parent families to comply with screening requirements if both parents have a felony or misdemeanor history of substance abuse; require that an individual who fails a test receive a list of licensed substance abuse treatment providers in his or her area; require passage of a drug test before receiving benefits; permit parents or guardians who fail a test to designate another individual to receive benefits for the parent's minor children; require designated individuals to pass substance abuse screenings; create a 60-day grace period to enter a treatment program after the initial positive test; require individuals to pay for a test at the end of the 60-day grace period; provide that if they pass that test, they must pass two additional randomized testings during the next 24 months, or if an individual tests positive after the 60-day grace period, he or she must show evidence of having entered a substance abuse treatment program within 14 days, during which time, benefits may be suspended and only be payable for the benefit of any children in that recipient's home.

(Prefiled by the sponsor(s).)

BR 380 - Representative Jonathan Shell (10/19/15)

AN ACT relating to welfare to work.

Amend KRS 205.200 to establish a graduated earnings disregard program to incentivize public assistance recipients to seek employment.

(Prefiled by the sponsor(s).)

BR 396 - Representative Stan Lee, Representative Lynn Bechler, Representative Robert Benvenuti III, Representative Tim Couch, Representative Ron Crimm, Representative Jim DeCesare, Representative Kenny Imes, Representative Jerry T. Miller, Representative Phil Moffett, Representative Addia Wuchner (10/30/15)

AN ACT relating to interscholastic extracurricular activities.

Create a new section of KRS Chapter 158 to authorize participation in a public school interscholastic extracurricular activity by a private school student when the private school does not offer the interscholastic extracurricular activity; establish criteria for participation therein.

(Prefiled by the sponsor(s).)

BR 402 - Senator Max Wise (11/10/15)

AN ACT relating to cardiopulmonary resuscitation training in schools.

Create a new section of KRS Chapter 158 to require that students receive CPR training one time while enrolled in grades 7-12.

(Prefiled by the sponsor(s).)

BR 407 - Representative Arnold Simpson (11/12/15)

AN ACT relating to the Kentucky Driver Manual.

Create a new section of KRS Chapter 186 to direct the Office for the Blind to provide the Kentucky State Police with language regarding visually impaired and blind pedestrians to be added to the Kentucky Driver Manual.

(Prefiled by the sponsor(s).)

BR 416 - Representative Mike Denham (11/16/15)

A JOINT RESOLUTION designating a portion of Kentucky Route 324 in Mason County in honor and memory of Colonel Charles Young for his dedication to service to our country and distinction as the highest-ranking African American officer in the United States Armed Forces until his death.

Direct the Transportation Cabinet to designate a portion of Kentucky Route 324 in Mason County in honor and memory of Col. Charles Young.

(Prefiled by the sponsor(s).)

BR 428 - Senator Julian M. Carroll (10/29/15)

AN ACT relating to funding of government services and making an appropriation therefor.

Create a new section of KRS Chapter 42 establishing the county jail restricted fund; establish mechanism for funding; establish process of expending fund receipts; amend KRS 30A.120 to provide direction to circuit clerks on depositing receipts of specified fines collected; amend KRS 56.990, 177.530, 186.991, 187.990, 189.2329, 189.394, 189.751, 189.945, 189.990, 189.993, 189A.010, 534.040, and 534.050 to increase fines resulting from violations of motor vehicle licensing, registration, and traffic law infractions, and increase fines that may be imposed as a result of convictions of violations or Class A or Class B misdemeanor offenses, with a percentage of each fine directed to the fund.

(Prefiled by the sponsor(s).)

BR 441 - Representative Jim Wayne (11/13/15)

AN ACT relating to taxation.

Amend KRS 141.066 and 141.0205 to implement a Kentucky earned income tax credit; amend KRS 141.200 to require combined reporting of business income; amend KRS 141.120 to implement a throwback rule for income not taxed elsewhere and to provide sourcing of certain sales; amend KRS 141.205 to disallow tax haven transactions and require disclosure of all reportable transactions; amend KRS 136.310, 136.530, 141.040, 141.0401, 141.121, 141.206, and 141.420 to conform; provide that the Act applies to taxable years beginning on or after January 1, 2016.

(Prefiled by the sponsor(s).)

BR 442 - Representative Jim Wayne, Representative Russell Webber (11/05/15)

AN ACT relating to tax credits for airport noise mitigation.

Create a new section of KRS Chapter 141 and amend KRS 141.0205 to create a refundable income tax credit for the costs of mitigating noise from a commercial airport; make tax credit applicable to tax years beginning on or after January 1, 2016.

(Prefiled by the sponsor(s).)

BR 466 - Senator John Schickel (11/13/15)

AN ACT relating to school councils.

Amend KRS 160.345 to require the school superintendent or designee to consult with the principal or principal's designee and the school council when establishing school policy, making personnel decisions, determining instructional materials, and student support services; allow a principal vacancy to be filled by the superintendent; require the superintendent to adopt policies to be implemented in the schools; require the superintendent to plan professional development; require the principal or principal's designee to develop and implement a wellness policy; amend KRS 158.197 to allow the principal or principal's designee to authorize the display of specific educational materials; amend KRS 158.153, 158.792, and 158.844 to conform.

(Prefiled by the sponsor(s).)

BR 467 - Senator John Schickel (11/13/15)

AN ACT relating to judicial redistricting.

Create a new section of KRS Chapter 21A to require the Supreme Court to analyze and propose adjustments to the Commonwealth's judicial circuits and districts and the judicial assignments therein to account for population changes and caseloads in the same years as legislative redistricting is required.

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* - denotes primary sponsorship of BRs

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