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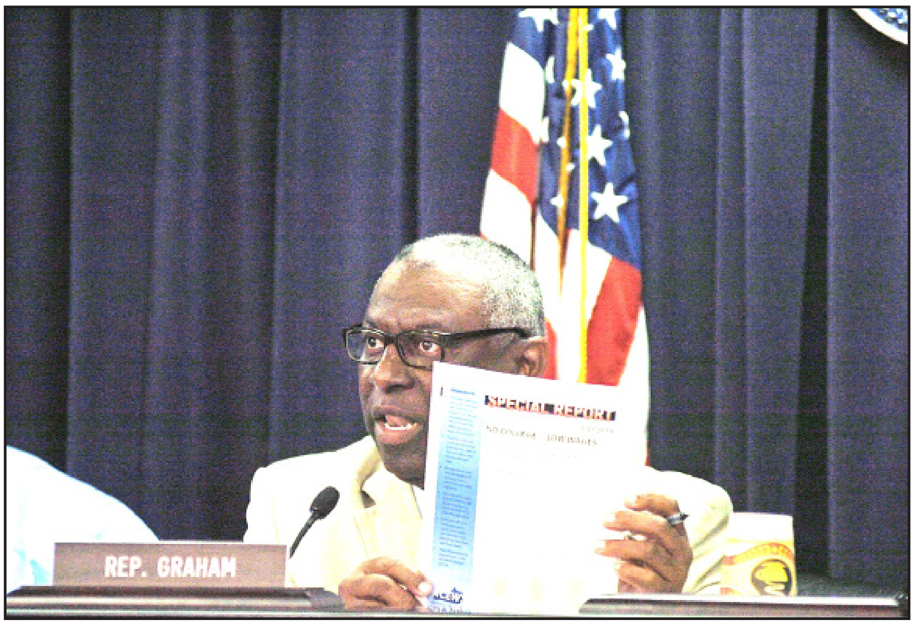
State legislators hear about efforts to improve public schools

by Jim Hannah
LRC Public Information



House Education Committee Chair Rep. Derrick Graham, D-Frankfort, comments on a wage report during the Aug. 11 meeting of the Interim Joint Committee on Education in Frankfort.

State legislators got an initial look this month at how some of Kentucky's persistently low achieving schools are improving the education provided to students.

There are 39 of the schools in Kentucky, referred to in education circles as priority schools, said Kelly Foster, the associate commissioner for the Office of Next Generation Schools and Districts in the Kentucky Department of Education. She testified before the Interim Joint Committee on Education on Aug. 11.

While the education department's annual priority schools report will not be completed until after school report cards come out in late September, Foster said 21 of the 30 high schools considered priority schools are expected to achieve their College Career Ready Delivery Targets. The goal of the targets is to increase the percentage of high school students prepared for college or careers.

Rep. Jeffery Donohue, D-Fairdale, said the only high school identified as a priority school in his district has been working hard to improve.

"I'm lucky to be part of what they have done out there," he said. "We developed a thing called the Principal's Cabinet. Basically it's an engagement of students, parents and community leaders – folks of faith and business people. We normally meet once a month and discuss the issues going on."

Donohue said it empowers the teachers and students.

"It gives them ownership of the school," he said. "I would encourage my counterparts, that if you have an opportunity to do something like that, you should do it. We have really done well out there."

To help priority schools improve, the state conducts what's called diagnostic reviews of the institutions every other year. Foster said 19 of the reviews were conducted in the spring. She said 13 of the 19 reviewed schools or districts were making progress toward meeting improvement goals they have been asked to hit.

Sen. David Givens, R-Greensburg, said he was alarmed six of the 19 were not making progress.

"I'm curious to know if there is anything common among those six that points to consistent organizational ineffectiveness?" he said.

Foster said it came down to one thing: lead-

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Sen. David Givens

ership.

"You can tell the schools that are making the largest gains, and are moving the fastest, have very strong leaders at the district level and at the principal position," she said. "Having that leader with capacity in place makes a huge difference."

Foster said the districts have the authority to change leaders.

Givens said as uncomfortable as it can be, removing ineffective school leaders is the right thing to do.

"Those districts are on the hot seat," she said. "They feel the pressure. The principals feel the pressure. I've had many principals break down and cry when they saw the results. The pressure to move that school is right on top of them."

Givens said as uncomfortable as it can be, removing ineffective school leaders is the right thing to do.

"The children's futures are at risk," he said, "so thank you for doing that."

Rep. Derrick Graham, co-chairman of the committee, said innovation to turn around a school can't happen without strong leadership.

"It is very important that leadership is there and in place and will put forth those innovative methods that are needed to help to improve," said Graham, D-Frankfort. "For us as a commonwealth, we can't afford to let any of these kids slip through the cracks. We have to be prepared to educate all kids – whether they are from Eastern Kentucky or an urban area. If they succeed, Kentucky succeeds."

Kentucky taps the latest alcoholic beverage trend

by Jim Hannah
LRC Public Information

A change this summer in a Kentucky law has allowed the state's burgeoning microbrewery industry to tap into the fastest-growing alcoholic beverage category in the nation – hard cider.

That's what Country Boy Brewing co-owner Daniel "DH" Harrison testified to before the Interim Joint Committee on Licensing and Occupations on Aug. 12 in Lexington.

"Thank you so much co-chair (Sen. John Schickel, R-Union) for championing the cider initiative last year," said Harrison. "We are extremely grateful for having the support of people like yourself and the committee. We hear horror stories from other states with what happens with micro-breweries and initiatives they are trying to get done."

Schickel sponsored legislation (Senate Bill 83) that made it legal for microbreweries to produce some types of hard cider.

SB 83 redefined ciders that contained less than 7 percent alcohol by volume (ABV) as "weak cider," and treated the product the same as malt beverages. That type of cider is not regulated by the Federal Alcohol Act, so the change did not conflict with federal law. That also meant distributors and licensed retailers could sell the weak cider where malt beverages were sold.

"The Kentucky aspect is what is going to make our cider stand out," said Harrison. "We have partnered with Evans Orchard in Scott County. That is where we are sourcing most of our apples right now. Kevan Evans, who runs the orchard, almost had a heart attack on the phone when I told him how much juice I needed for a week. And that is just to get started."

The apples are crushed at the orchard and the juice is trucked to Harrison's brewery, located in Lexington. The brewery has invested more than $100,000 strictly on cider equipment and infrastructure and hired the equivalent of three fulltime employees.

The committee hearing was held at Kentucky Eagle Inc., which is the sole distributor for Harrison's cider, named Kentucky Proud Cider.

Schickel asked if Country Boy Brewing hoped to expand. Harrison said the brewery has added four tanks strictly for cider. He said the plan was to start bottling, or canning it, next year.

The comeback of cider, which was America's beverage of choice during colonial times, has been fueled by young professionals in their 20s, Harrison said. Large brewers such as Anheuser-Busch, MillerCoors and The Boston Beer Company have all introduced their own brands of cider in recent years.

Kentucky Access tobacco fund balance aired before state committee

by Rebecca Hanchett
LRC Public Information

State officials believe there could be around $12 million in state tobacco settlement funds left in Kentucky Access, a state health insurance "high risk" pool phased out in 2013 with implementation of the federal Affordable Care Act.

The balance in tobacco funds won't be spent by Kentucky Access but will instead be handled as "a necessary government expense" as required by the Kentucky General Assembly, state Cabinet for Health and Family Services Office of Policy and Budget Executive Director Beth Jurek told the state legislative Tobacco Settlement Agreement Fund Oversight Committee on Aug. 6.

"So those dollars will be there when the General Assembly comes back, and the General Assembly will appropriate those as it deems necessary," Jurek said, adding that she is not sure about the exact amount remaining but believes it to be around $12 million.

Jurek told committee Co-Chair Sen. Paul Hornback, R-Shelbyville, that she would confirm the amount and report back to committee staff with that information.

Kentucky Access—a 13-year program of the Kentucky Health Care Improvement Authority—was funded by state tobacco settlement dollars, premiums, assessments on insurers, and some federal grant money. It provided coverage to over 18,000 individuals who "found it difficult to obtain coverage in the individual market," according to the Kentucky Health Benefit and Health Information Exchange Executive Director Carrie Banahan.

The program became obsolete as of Jan. 1, 2014 when the ACA prohibited insurers from denying individual coverage based on their health care status, she said. The last day of coverage for Kentucky Access was Dec. 31, 2013, Banahan added, with many of those who had been served by Kentucky Access going on to obtain coverage through kynect, the state's health benefit exchange.

Kentucky Access operations, including continued payouts to providers, are to end early next year, said Banahan. The program is not expected to receive any state tobacco appropriations in fiscal year 2015 which began on July 1, said Jurek.

Committee Co-Chair Rep. Wilson Stone, D-Scottsville, comments during the Aug. 6 meeting in Frankfort.

Committee Co-chair Rep. Wilson Stone, D-Scottsville, asked about the status of those who were served by Kentucky Access. Based on the data shared by the Cabinet, Stone said there were 3,546 in the program when it ceased coverage last year and 2,584 have reportedly found coverage elsewhere, leaving around 1,000 individuals in the balance. Stone asked Banahan and Jurek where those 1,000 individuals ended up.

"What about those 1,000? Is that normal attrition—folks gone into Medicare—or are some of those folks still out there looking?" he asked.

Banahan said the state believes those individuals purchased insurance outside of kynect or qualified for Medicare. "Probably quite a few of those folks…purchased their insurance outside the exchange," said Banahan.

Fiscally-speaking, Jurek told the committee that Kentucky Access was well managed. The program served around 4,000 individuals on average at "any given time" over its 13 year lifespan, she said, and only used 6 percent of its budget on administration. Jurek said the program also "has always received clean audits" from the Kentucky Auditor of Public Accounts.

Lawmakers discuss impact of REAL ID

by Rebecca Hanchett
LRC Public Information

When Kentucky driver's licenses showed up in the hands of non-U.S. pilots several years ago, federal officials came to Frankfort asking questions.

"The FBI … had found Kentucky driver's licenses in several other countries. As a matter of fact, we were told that one of the people who applied for one of the aviation schools in the United States had a Kentucky driver's license," Interim Joint Committee on Transportation Co-Chair Rep. Hubert Collins, D-Wittensville, said at the committee's Aug. 5 meeting.

Kentucky changed its licensing procedures so that "now, we don't issue very many (of those) driver's licenses" because applicants have to be a U.S. citizen or have a valid visa to get a license, said Collins.

Now, however, it appears Kentucky may have to change its licensing procedures again.

The state is among 46 states, U.S. territories, and Washington DC that are all deemed compliant with or have received an extension to comply under the 2005 REAL ID Act for safety in federally regulated facilities and commercial aircraft. Kentucky is one of the states with an extension, good until October 2015, state officials say.

If the state is not compliant under REAL ID by Jan. 1, 2016 however, it is possible that Kentuckians will not be able to use their Kentucky driver's license to board a commercial flight or enter restricted federal space. A U.S. passport, military ID, or some other acceptable form of identification would be required, officials say.

Twenty five other states or territories are in the same position—all in an extension phase for compliance. They will have to fall in line with 40 or so regulations to be fully compliant, according to the National Conference of State Legislatures.

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Committee Meetings

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LEGISLATIVE RESEARCH COMMISSION

Minutes of the 544th Meeting

August 6, 2014

Call to Order and Roll Call

The 544th meeting of the Legislative Research Commission was held on Wednesday, August 6, 2014, at 1:30 PM, in Room 125 of the Capitol Annex. Representative Larry Clark, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Robert Stivers II, Co-Chair; Senators R.J. Palmer II, Dan "Malano" Seum, Brandon Smith, and Johnny Ray Turner; Representatives John Carney, Larry Clark, Jeff Hoover, Sannie Overly, and Tommy Thompson.

LRC Staff: Marcia Seiler and Christy Glass.

There being a quorum present, Representative Larry Clark called for a motion to approve the minutes of the June 4, 2014 meeting; accept and refer as indicated items A. through E. under Staff and Committee Reports; refer prefiled bills and administrative regulations as indicated and approve items A. through J. under New Business; and accept and refer as indicated items 1. through 20. under Communications. A motion was made by Representative Thompson and seconded by Representative Overly. A roll call vote was taken, and the motion passed unanimously. The following items were approved, accepted, or referred.

The minutes of the June 4, 2014, meeting were approved.

Staff and Committee Reports

Information requests for June 2014 through July 2014.

Committee Activity Reports for June 2014 through July 2014.

Report of the Administrative Regulation Review Subcommittee meetings on June 10 and July 8, 2014.

Committee review of the administrative regulations by the Interim Joint Committee on Health and Welfare during its meetings of June 18 and July 16, 2014.

Committee review of the administrative regulations by the Interim Joint Committee on Local Government during its meeting of June 25, 2014.

New Business

Referral of prefiled bills to the following committees: BR 31 (relating to individual income tax), BR 69 (relating to the inheritance tax) to Appropriations and Revenue; BR 79 (Concurrent Resolution honoring the aviation and aerospace industry upon being the top industry exporter in the Commonwealth and requesting an evaluation of the aviation infrastructure and the industry's current employment and total economic impact upon the Commonwealth) to Economic Development and Tourism; BR 57 (relating to school funding) to Education; BR 7 (relating to public benefit corporations; BR 11 (relating to drone surveillance); BR 14 (relating to preserving the right of Kentuckians to own and use firearms); BR 19 (relating to the abolition of the death penalty); BR 20 (Concurrent Resolution establishing the Task Force on the Costs of the Death Penalty in Kentucky; BR 21 (proposing an amendment to Section 146 of the Constitution of Kentucky relating to persons entitled to vote); BR 22 (relating to offender reentry); BR 36 (relating to general principles of justification); BR 40 (relating to grandparent visitation rights); BR 56 (relating to trafficking in heroin); BR 80 (relating to the safety of minors and declaring an emergency); BR 90 (proposing an amendment to Section 145 of the Constitution of Kentucky relating to persons entitled to vote) to Judiciary; BR 35 (relating to oaths) to State Government; and BR 30 (relating to the valuation of motor vehicles for property tax purposes) to Transportation.

Referral of the administrative regulations to the following committees for secondary review pursuant to KRS 13A.290(6) and 158.6471(6): 806 KAR 38:100 (Risk-based capital for health organizations) to Banking and Insurance; 16 KAR 4:060 (Certificate renewals and teaching experience); 704 KAR 3:346

(Repeal of 704 KAR 3:345); 704 KAR 3:370 (Professional Growth and Effectiveness System) to Education; 201 KAR 8:550 (Anesthesia and sedation); 201 KAR 8:571 (Registration of dental assistants); 921 KAR 2:055 (Hearings and appeals); 921 KAR 2:060 (Delegation of power for oaths and affirmations); 921 KAR 3:030 (Application process); 921 KAR 3:042; (Supplemental Nutrition Assistance Program Employment and Training Program); 921 KAR 3:050 (Claims and additional administrative provisions); 921 KAR 3:060 (Administrative disqualification hearings and penalties); 921 KAR 3:070 (Fair hearings); 922 KAR 1:320 (Service appeals); 922 KAR 1:480 (Appeal of child abuse and neglect investigative findings) to Health and Welfare; 501 KAR 6:110 (Roederer Correctional Complex) to Judiciary; 803 KAR 2:300 (General); 803 KAR 2:306 (Occupational health and environmental controls); 803 KAR 2:308 (Personal protective equipment); 803 KAR 2:309 (General environmental controls); 803 KAR 2:314 (Machinery and machine guarding); 803 KAR 2:317 (Special industries); 803 KAR 2:318 (Electrical); 803 KAR 2:400 (Adoption of 29 C.F.R. 1926.1-6); 803 KAR 2:404 (Personal protective and lifesaving equipment); 803 KAR 2:406 (Signs, signals, and barricades); 803 KAR 2:412 (Fall protection); 803 KAR 2:421 (Adoption of 29 C.F.R. Part 1926.950-968); 803 KAR 2:423 (Adoption of 29 C.F.R. Part 1926.1050-1060); 803 KAR 2:500 (Maritime employment); 803 KAR 2:505 (Cranes and derricks in construction); 803 KAR 2:551 (Repeal of 803 KAR 2:550) to Labor and Industry; 804 KAR 1:100 (General advertising practices) to Licensing and Occupations; and 301 KAR 1:201 (Taking of fish by traditional fishing methods) to Natural Resources and Environment.

From Senator Bob Leeper and Representative Rick Rand, Co-Chairs of the Interim Joint Committee on Appropriations and Revenue: Memorandum requesting approval to meet on November 17, rather than the regularly scheduled meeting date of November 27, which is Thanksgiving. There are no apparent conflicts.

From Senator Joe Bowen and Representative Steve Riggs, Co-Chairs of the Interim Joint Committee on Local Government: Memorandum requesting approval to meet on November 19, rather than the regularly scheduled meeting date of November 26. There are no apparent conflicts.

From Senator Mike Wilson and Representative Derrick Graham, Co-Chairs of the Interim Joint Committee on Education: Memorandum requesting approval of the appointment of Senator Reginald Thomas to the Subcommittee on Postsecondary Education.

From Senator Paul Hornback and Representative Tom McKee, Co-Chairs of the Interim Joint Committee on Agriculture: Memorandum requesting approval to meet on August 21 at the Kentucky State Fair, rather than regularly scheduled meeting date of August 13. There are twenty-five (25) potential conflicts.

From Senator John Schickel and Representative Dennis Keene, Co-Chairs of the Interim Joint Committee on Licensing and Occupations: Memorandum requesting approval to meet on August 12, rather than the regularly scheduled meeting date of August 8. There are three potential conflicts.

From Senate President Robert Stivers and House Speaker Gregory D. Stumbo: Memorandum approving compensation for the Acting Director.

From Senate President Robert Stivers and House Speaker Gregory D. Stumbo: Memorandum approving the renewal of the National Conference of State Legislators contract until June 30, 2015.

From Senator Mike Wilson and Representative Derrick Graham, Co-Chairs of the Interim Joint Committee on Education: Memorandum requesting approval to meet outside of the interim on December 8.

Communications

From the Office of the Attorney General: Constitutional Challenge Report for the month of May 2014.

From the Finance and Administration Cabinet: Monthly Investment Income Report for the months of May and June 2014.

From the Cabinet for Economic Development, Office of Compliance and Administrative Services: Loan data sheets for each loan approved as of the quarter ending June 30, 2014.

From the Cabinet for Health and Family Services: 2014 Annual Kentucky Stroke Encounter Quality Improvement Project (SEQIP) Registry Data Summary Report.

From the Cabinet for Health and Family Services: FY 2012 Status of Breast Cancer in the Commonwealth.

From the Education and Workforce Development Cabinet: Unemployment Insurance Report for the second quarter of 2014.

From the Auditor of Public Accounts: Report of the Audit of the Kentucky Department of Fish and Wildlife Resources Statutory Audit for FY 13.

From the Auditor of Public Accounts: Report of the Audit of the Rural Development Fund for FY 13.

From the Auditor of Public Accounts: Report of the Audit of the Lung Cancer Research Fund for FY 13.

From the Auditor of Public Accounts: Report of the Audit of the Kentucky Health Care Improvement Fund for FY 13.

From the Auditor of Public Accounts: Report of the Audit of the Early Childhood Development Fund for FY 13.

From the Kentucky Commission on the Deaf and Hard of Hearing: Telecommunications Access Program Annual Report, FY 13.

From the Kentucky Personnel Cabinet: 2013 Annual Turnover Report of 15%+.

From the Cabinet for Health and Family Services, Department for Community Based Services: 2014 Statewide Strategic Planning Committee for Children in Placement.

From the Energy and Environment Cabinet, Division of Waste Management: 2014 Report on Revenues and Expenditures of the Hazardous Waste Management Fund.

From the Tourism, Arts and Heritage Cabinet, Kentucky Department of Fish and Wildlife: Report of the Kentucky Department of Fish and Wildlife Resources' Report from the Statewide Single Audit FY 2013.

From the Kentucky Justice and Public Safety Cabinet, Office of the State Medical Examiner: 2013 Annual Report.

From the Personnel Cabinet: Personnel Cabinet Quarterly Report as of June 30, 2014.

From the Energy and Environment Cabinet, Division of Waste Management: 2014 Hazardous Waste Management Fund Annual Report.

From the Labor Cabinet, Division of Workers' Compensation Funds: Report for Kentucky Coal Workers' Pneumoconiosis Fund, Quarter Ending June 30, 2014.

Senator Stivers expressed his appreciation for the excellent reception that Kentucky had sponsored at the Southern Legislative Conference's Annual Meeting in Little Rock, Arkansas. He thanked the Speaker Pro Tem, LRC staff, leadership staff, and Marcia Seiler for their hard work in giving others a wonderful impression of Kentucky, and for their hard work in making the state an inviting destination for SLC in 2016 in Lexington.

Representative Larry Clark said that it was the best pre-conference reception he had attended in 30 years and offered his appreciation for the hard work of LRC staff and President Stivers.

There being no further business, the meeting was adjourned.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Minutes of the 2nd Meeting of the 2014 Interim

July 24, 2014

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, July 24, 2014, at 1:00 PM, in Room 154 of the Capitol Annex. Senator Bob Leeper, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Bob Leeper, Co-Chair; Representative Rick Rand, Co-Chair; Senators Walter Blevins Jr., Tom Buford, David P. Givens, Sara Beth Gregory, Denise Harper Angel, Ernie Harris, Alice Forgy Kerr, Christian McDaniel, and Gerald A. Neal; Representatives Johnny Bell, Dwight D. Butler, John Carney, Leslie Combs, Jesse Crenshaw, Ron Crimm, Mike Denham, Bob M. DeWeese, Myron Dossett, Jim Glenn, Martha Jane King, Jimmie Lee, Marie Rader, Jody Richards, Sal Santoro, Arnold Simpson, Rita Smart, John Will Stacy, Tommy Turner, David Watkins, Addia Wuchner, and Jill York.

Guests: Elaine Walker, Commissioner, Department of Parks; Rob Richards, Chief Financial Officer, Department of Parks; Monica Conrad, Director of Resorts and Facilities Management, Department of Parks; and Lawrence Kissner, Commissioner, and Lisa Lee, Deputy Commissioner, Department for Medicaid Services.

LRC Staff: John Scott, Charlotte Quarles, Eric Kennedy, Jennifer Hays, and Sheri Mahan.

Representative Denham moved to approve the minutes of the previous meeting as written. The motion was seconded by Senator Givens and carried by voice vote.

Update and Outlook for Kentucky State Parks

Elaine Walker, Commissioner; Rob Richards, Chief Financial Officer; and Monica Conrad, Director of Resorts and Facilities Management, of the Department of Parks gave an overview of revenues generated by the state park system in past fiscal years and discussed revenue projections for fiscal year 2015. The system achieved cost savings by reducing energy consumption and reducing personnel costs during the off season months. Personnel costs will increase during FY 2015, with parks employees seeing either a 3 percent or 5 percent salary increase as enacted in the 2014 – 2016 biennial budget.

Commissioner Walker discussed various partnerships being implemented by the department. These include a partnership with the Department of Fish and Wildlife Resources for wounded warrior hunts and utilizing a black bear expert in eastern Kentucky parks. The department partnered with the Division of Forestry for an ash tree harvest at General Butler State Park. Buckhorn Lake marina and eight other state marina have been leased to private companies. She discussed revitalization efforts at several state golf courses and the installation of a 3D archery range at Kenlake State Park.

Commissioner Walker discussed the importance of marketing in the continued success of Kentucky's state parks. She discussed the technological difficulties the parks face and how outdated technology used by the parks does not allow online hotel and resort reservation websites, such as Expedia, to make reservations. Updating the department's computing technology is expected to increase park revenues by $1 million annually.

The commissioner discussed the 2014 extreme winter conditions and their effects on the parks. Most of the cost from winter storm damage was covered by insurance, but there are several parks that will incur repair costs.

Commissioner Walker discussed actual park revenue. In FY 2014, the park system took in $47.5 million, which was down $1.23 million from FY 2013. The projected revenues for FY 2015 total $48.5 million. Projected increases are due to infrastructure improvements, resort room improvements, and technology improvements, which were included in the enacted budget.

In response to questions from Representative Richards, Commissioner Walker stated that two state golf courses break even, and the rest operate at a deficit. She said that for every $.70 of state revenues the state park system generated an additional $1.00.

In response to a question from Senator Buford, Commissioner Walker said it would cost approximately $1.5 million to update the state parks IT system. Upgrading property management technology will allow the state park system to interface with websites such as Expedia to book visitors. Interface with these types of websites is not posible without system upgrades.

In response to questions from Representative Turner, Commissioner Walker stated the park system is investigating utilizing public/private partnerships to increase revenues and improve guest experiences. The state cannot afford to build a lodge at General Burnside State Park, but a private entity is interested in building a 50 room lodge. The private entity would build and maintain the property and provide a percentage of the lodge's profits to the park. The entity is also interested in assuming management of General Burnside's golf course. The department views the proposed public/private partnership at General Burnside as a pilot project. Depending on results of this partnership, the department may consider similar partnerships at other state parks. General Burnside was chosen because the local community supports the project and is offering to provide economic incentives to assist it. Representative Turner stated that he had not been included in any community discussions regarding this project and requested to be included in future discussions. He also discussed the importance in protecting state employees' jobs.

In response to a question from Senator McDaniel, Commissioner Walker stated that the local community supports the Perryville Battlefield State Park becoming part of the national park system, but the department is not actively pursuing this transfer.

Representative Rand discussed the importance of the state park system to Kentucky tourism and the need for increased state investment in the system.

Update on Medicaid Expansion

Lawrence Kissner, Commissioner, and Lisa Lee, Deputy Commissioner of the Department for Medicaid Services testified about the Medicaid expansion under the Affordable Care Act (ACA). The department's strategy is to provide better care for individuals, improve the health of Kentucky's general population, and improve financial stewardship of Medicaid funds. Medicaid is the largest payer of healthcare services for Kentucky residents, with one of every four Kentuckians being Medicaid eligible. Commissioner Kissner outlined the ten essential health benefits required by the ACA and stated that coverage for these services went into effect on January 1, 2014. Since August 2013, the department has filed and approved 27 state plan amendments, with 6 amendments pending federal approval. The department has also filed 48 regulations to implement ACA requirement.

Commissioner Kissner continued, stating that enrollment numbers in Medicaid have remained fairly constant, but the makeup of those enrolled is constantly changing. The percentage of the state population under 65 that is uninsured has decreased since the implementation of ACA, with the greatest increase in eastern Kentucky. He discussed improvements in preventive health care, stating that annual dental visits have increased by 15.8 percent, adult preventative services have increased by 36.7 percent, breast cancer screenings have increased by 20.6 percent, and colorectal cancer screenings have increased by 16.1 percent. He outlined increases in new providers added to the Medicaid system, and discussed the average MCO application processing time.

Commissioner Kissner discussed the 2015 Medicaid budget, outlining the appropriation amounts for each agency in the department. The budget for FY 2015 was reduced by 5 percent, which is a $33.4 million reduction. He discussed additional ACA data, including 46 percent reimbursement growth for urban hospitals and 36 percent growth for rural hospitals. He stated that 78 percent of hospitals should have increased revenues, and will still receive disproportionate share (DSH) payments if they qualify.

In response to a question from Representative Wuchner, Commissioner Kissner stated that the economic evaluation of the ACA by the University of Louisville shows that there is an expected increase of 17,000 new jobs in Kentucky. Representative Wuchner stated her concerns regarding the reduction in health care related jobs in her district since enactment of the ACA.

In response to questions from Senator Givens, Commissioner Kissner said that the Kentucky Kynect portal verifies enrollee information with the federal database. If there are discrepancies, the enrollee must apply in person at a local office. Biennial budget decisions will be made by the General Assembly. Financial stewardship should be judged by improved health outcomes. If a state population's health improves, citizens spend more time at work and utilize the health care system less, thus decreasing overall healthcare costs.

Chairman Leeper requested that staff draft a letter requesting the department to provide the committee with anticipated funding levels needed for the next biennium.

In response to questions from Representative Stacy, Commissioner Kissner stated there are many factors that affect hospital profits, and Medicaid receipts are just one factor. He discussed the complexity of the medical services industry and managed care organizations.

There being no further business, the meeting was adjourned at 2:45 p.m.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Transportation

Minutes of the 2nd Meeting of the 2014 Interim

July 24, 2014

Call to Order and Roll Call

The second meeting of the Budget Review Subcommittee on Transportation of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, July 24, 2014, at 10:30 AM, in Room 131 of the Capitol Annex. Senator Jimmy Higdon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jimmy Higdon, Co-Chair; Representative Leslie Combs, Co-Chair; Senators Ernie Harris, Paul Hornback, and R.J. Palmer II; Representatives Hubert Collins, Tim Couch, Jim Gooch Jr., Keith Hall, Dennis Keene, Tanya Pullin, Sal Santoro, John Short, and Jim Stewart III.

Guests: Juva Barber, Executive Director, Kentuckians for Better Transportation (KBT); Greg Curlin, Port Director, Hickman-Fulton County Riverport Authority and Chair, Kentucky Association of Riverports; Greg Pritchett, Port Director, Henderson County Riverport Authority and Chair, Water Transportation Advisory Board; Mike Hancock, Secretary, Transportation Cabinet; and, Tammy Branham, Executive Director, Office of Budget and Fiscal Management, Transportation Cabinet.

LRC Staff: Chuck Truesdell, Jennifer Anglin, and Spring Emerson.

Chair Higdon requested a motion to approve the minutes of the last meeting. A motion was made by Senator Harris and seconded by Representative Stewart, and the minutes were approved without objection.

Riverports

Ms. Barber, Mr. Curlin, and Mr. Pritchett testified about Kentucky's riverports and their significance to the Commonwealth.

In response to a question from Senator Harris, Mr. Curlin said there would be a big increase in river traffic as a result of the completion of the Panama Canal in 2015.

In response to questions from Representative Pullin, Mr. Curlin said he travels to Washington, DC at least twice per year to lobby for funding to continue operating locks and dams, and that he speaks with federal representatives when they are in Kentucky. Ms. Barber said KBT continually discusses with federal representatives the importance of the riverports in transporting goods and services.

In response to questions from Representative Collins, Mr. Curlin said the Hickman-Fulton County Riverport brings in about $1 million per year gross, and after expenses, may clear approximately $100,000 per year to put back into maintenance and repairs. He said approximately 300,000 tons of grains go out of that riverport per year which equates to about 10 million bushels at a fee of four to eight cents per bushel, and collects $5 to $6 per ton for the unloading fee. Ms. Barber said the amount in the current state budget appropriated to riverports is $500,000 per fiscal year for maintenance of access and dredging, and requires a 50 percent match in local funds. A comprehensive list of funded projects will be made available to the subcommittee at a later date. Mr. Pritchett said the Boyd-Greenup County Riverport has not submitted a grant application and that could be due to the fifty percent match. All allocated funds are being spent.

In response to a question from Representative Keene, Mr. Curlin said the Hickman Port Authority does not own or maintain the ferry between the Hickman port and Missouri.

In response to questions from Representative Hall, Mr. Pritchett said using the Mobile, Alabama, port instead of New Orleans, Louisiana, for coal traffic would not be feasible due to the intensive system of more than thirty locks on the rivers between Kentucky and Mobile.

In response to questions from Senator Hornback, Mr. Pritchett said local ports could be county entities, city entities, or a combination of the two. For example, the Hickman-Fulton Port Authority is a combined county/city facility, as is the Paducah-McCracken County Port Authority. The Owensboro Riverport is a city entity, and the Henderson County Riverport is a county entity. Typically with setting rates, local governmental unit nominates volunteers to form the board of directors for the port authority, and would hire a port director, who in turn would initiate business activity for the port. The Owensboro Riverport is the only port in Kentucky that makes sufficient revenue to return to the local government, in the amount of approximately $300,000 to $500,000 annually.

In response to questions from Representative Combs, Ms. Barber said if the riverports had received the amount requested in the budget, they would have been able to fund dredging and maintenance of access projects that are currently unfunded. Mr. Curlin said at the Hickman Riverport, the cranes used to unload and conveyors to load need to be replaced, which would cost approximately $2 million to $2.5 million for the conveyor and approximately $1 million to $2 million for a good used crane. Ms. Barber said the U.S. Army Corps of Engineers is responsible for dredging the main channel and the riverport is responsible for dredging from the channel to the dock.

In response to a question from Representative Collins, Mr. Curlin said it takes 20 days to travel from the Owensboro-Henderson Riverport to New Orleans, and only nine days from Hickman-Fulton County Riverport, due to it being the only active Kentucky port on the Mississippi River.

Transportation Cabinet Operating Budget

Ms. Branham provided a brief overview of the Transportation Cabinet operating budget.

In response to questions from Representative Gooch, Ms. Branham said Justice and Public Safety direct appropriations are used for enforcing statutes, highway safety, commercial vehicle enforcement, and weigh stations. Homeland Security direct appropriations are used for security operations related to transportation infrastructure. Secretary Hancock said Kentucky is in compliance with the REAL ID federal mandate and is working toward providing a uniform means of identification across the country.

In response to questions from Representative Collins, Ms. Branham said $940,000 was taken from Aviation funds to help balance the state budget. She said in previous years, the revenue stream for jet fuel tax has been very unpredictable, but during the past fiscal year the cabinet saw steady collections, and it is anticipated to increase slightly during the next fiscal year. She said the debt service bond for the Transportation building would be paid out in fiscal year 2022.

There being no further business before the subcommittee, the meeting was adjourned at 11:40 AM.

INTERIM JOINT COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM

Minutes of the 2nd Meeting of the 2014 Interim

July 17, 2014

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Economic Development and Tourism was held on Thursday, July 17, 2014, at 10:00 AM EDT, at Lure Lodge, Lake Cumberland State Resort Park, Jamestown, Kentucky. The meeting was a joint meeting with the Interim Joint Committee on Labor and Industry. Senator Alice Forgy Kerr, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Alice Forgy Kerr, Co-Chair; Representative Keith Hall, Co-Chair; Senators Perry B. Clark, Chris Girdler, Denise Harper Angel, Ernie Harris, Jimmy Higdon, Dennis Parrett, and Mike Wilson; Representatives Lynn Bechler, Kevin D. Bratcher, Larry Clark, Jeffery Donohue, C.B. Embry Jr., Jim Gooch Jr., Mike Harmon, Richard Heath, James Kay, Dennis Keene, Kim King, Martha Jane King, Brian Linder, Tom McKee, Terry Mills, Ruth Ann Palumbo, John Short, Arnold Simpson, John Will Stacy, Fitz Steele, Wilson Stone, and Russell Webber.

Guests: Stephen Eastin, Park Manager, Lake Cumberland State Resort Park; Bill Jasper, President, Kentucky Marina Association; Jerry Harden, President, Stardust Cruisers; Bob Stewart, Cabinet Secretary and Elaine Walker, Commissioner, Department of Parks, Kentucky Tourism, Arts and Heritage Cabinet; and Carolyn Mounce, Executive Director, Somerset-Pulaski Convention and Visitors Bureau.

LRC Staff: John Buckner, CSA, and Dawn Johnson.

Approval of Minutes

A motion by Representative Harmon and second by Representative McKee to approve the minutes of the June 19 meeting carried by voice vote.

Importance of Houseboating and Water Sports to Kentucky's Tourism Industry

Senator Girdler thanked committee members for passing legislation designating Kentucky as "The Houseboat Capitol of the World." The first houseboat was built in Somerset in 1953. Lake Cumberland is one of the state's most important economic engines, as important to the region as Toyota Motor Manufacturing to central Kentucky. It receives more visitors than the Grand Canyon and Yellowstone National Park.

Stephen Eastin, Park Manager of Lake Cumberland State Resort Park, welcomed members to the park. He explained that due to recent flooding the park has experienced significant renovation in areas, and he commended the staff for their success repairing and renovating the park so quickly.

Secretary Bob Stewart, Kentucky Tourism, Arts and Heritage Cabinet, said the staff at Lake Cumberland State Resort Park and several other state parks recently experienced various weather-related problems including flooding and burst pipes. He noted their professionalism and hard work in dealing with a multitude of issues.

Secretary Stewart explained that regional and statewide tourism is an economic engine for Kentucky. In 2013, visitors spent $12.5 billion in Kentucky, supporting over 175,000 jobs and resulting in nearly $3 billion in payroll and $1.3 billion in tax revenue, with $168.7 million in local taxes and well over $1 billion in state taxes. Also in 2013, the southern Kentucky Lakes and Rivers Region generated $300 million in visitor spending, primarily due to Lake Cumberland.

State advertising primarily focuses on Kentucky's water and natural resources when developing advertising materials. Some out-of-state markets include Cincinnati, Chicago, Charlotte, Nashville, and Birmingham. Traditionally, the primary markets were north of Kentucky, but new trends indicate southern visitors coming to the state in increasing numbers.

This year the state parks system is celebrating its 90th anniversary, which many parks are integrating and promoting in their activities. Kentucky has more shoreline than Florida and more fresh-running water than any state except possibly Alaska. Secretary Stewart said the cabinet has modestly relaunched international marketing efforts. During a recent trade mission to the United Kingdom, holiday Virgin Airlines promoters were interested in houseboating as an activity that would appeal to their clientele. Houseboating is a great marketing piece for the state.

Commissioner Elaine Walker, Department of Parks, said that Kentucky is the only state to have 17 resort parks. The parks system has faced some challenges, such as a 23 percent reduction in full-time staff and a delay in needed improvements. Parks employees have performed excellently when faced with challenges. Commissioner Walker thanked the committee for appropriating more funds for the parks system. The cabinet will be good stewards of the additional funds. Investments are being made in critical infrastructure needs, such as mattresses, televisions, and Wi-Fi to provide internet access at the parks.

Senator Girdler recognized Representative Larry Clark for his oversight of local option legislation during the 2014 legislative session that will help Kentucky's state parks compete with other resort areas. Kentucky's marketing budget is $3 million annually, compared to nearby areas like Gatlinburg which allocates $3.5 million per year and Pigeon Forge's $8.5 million marketing budget. Tennessee's statewide promotional budget is $14 million.

Bill Jasper, President of the Kentucky Marina Association, said he operates State Dock, which has a fleet of 90 rentals of which 60 are houseboats. It is the largest fleet of houseboats in one location in the United States, with approximately $4 million in houseboat rentals yearly. There are three issues affecting the tourism marina industry--the first, taxation on documented boats. Until two years ago, this tax was largely unenforced. Counties had the option to waive the 1.5 cent per $100 tax. With the economic downturn, school boards decided to levy a tax. In 2010, the tax rate in Pulaski County was eight cents per $100; in 2014, it is 66 cents per $100. There are disparities among counties, however most counties are increasing their tax rates. The result has been empty boat slips at marinas. Neither Tennessee nor Florida has a property tax, and Indiana and Ohio's rates are low. After Florida went from a high to low property tax, its boating industry has flourished. A different tax structure would be more beneficial—taxing the purchase of used boats, for example. Registration fees and personal property taxes are very low in many other states. Some taxing authorities retroactively assessed taxes and penalties five years back.

Mr. Jasper said that boat owners faced taxation without representation by being taxed for schools, libraries, and services they are unable to use. While boaters cannot live on a Corp of Engineers-maintained lake, they are taxed as residents even though they are from out-of-state. Marinas on the Tennessee side of Dale Hollow Lake are full while Kentucky marinas are not. To help resolve this problem, the Kentucky Marina Association asked that a task force be developed to address the tax issue. Based on a study by the University of Michigan, one boat, not including rentals, contributes $21,310 to the local economy.

Mr. Jasper said another important issue affecting the marina business and tourism is the school year. The school calendar has changed such that many school years begin the first week of August and end the first half of May. The summer season does not begin until June and extends through August. Business is lost because the family vacation season is cut short. Because older children must return to school during the summer season, businesses cannot hire school-aged teens. In 2013, houseboat vacations dropped from 316 in July to 184 in August—a decline of 42 percent. Ohio only saw a 5 percent decline. Somerset closed its water park due to a lack of summertime employees.

Mr. Jasper expressed concern about proposed legislation that would require marinas to make costly repairs to replace much of their equipment to address electrical shock hazards in marinas. He said there are other ways to address safety issues. A majority of the problem is with older boats that are not properly wired.

Responding to Representative Steele's question, Mr. Jasper said boats documented with the Coast Guard pay a tangible property tax while those registered with Kentucky pay the state tax. Companies pay personal property tax at the regular rate on all business property. He said boats in his marina are 60 percent documented and 40 percent registered.

Jerry Hardin, President of Stardust Cruisers, gave an overview of the houseboat company located in Monticello. Stardust cruisers have been shipped worldwide. There is a misunderstanding about average houseboaters. They are average middle class working households that use houseboating as their getaway. The dramatic increase in personal property tax has had a big impact on boat owners. The recession has been hard on the leisure business. Input costs in boat construction have increased dramatically. The $250,000 houseboat is almost impossible to build today with the increased costs. Companies also have trouble attracting and retaining skilled labor. It is very difficult to find qualified, drug-free employees. His company has been working with Somerset Community College to create a manufacturing training program. Kentucky's sales and personal property taxes affect new boat sales, making new ownership unaffordable for most families.

In 2006, there were 10 boat manufacturers with over 1,000 employees in Kentucky. This year there are two with approximately 150 employees. The two companies are joining forces to better manage costs. In 2006, 60 to 75 percent of houseboats produced stayed in Kentucky. The average price was about $290,000. Today, the average price is approximately $425,000 due to input and commodity cost increases and availability. Kentucky's tax policies are causing people to drive through Kentucky and boat in Tennessee. In Knoxville, there is a waiting list to get a marina slip, while 25 to 30 percent of slips in the Lake Cumberland area are empty. Mr. Hardin said his company generally does not take trade-ins due to the increased expense of having to pay sales tax during resale. In 2013, Stardust sold one boat in Kentucky. All other production went elsewhere. To protect his company's credibility, he tells buyers of the pending personal property tax which affects his ability to sell houseboats. Mr. Hardin asked that the legislature study the tax issue as local tax authorities are not seeing the big picture by taxing out the industry.

Representative Health said he had three recreational vehicle dealers express the same concerns about charging sales tax on trade-ins.

Responding to Senator Parrett's question, Mr. Jasper said the Marina Association is fearful that mentioning changing the tax structure may lead to both a sales tax and property tax increase. The state would make much more money if it only collected sales tax, and businesses would not be put at a disadvantage.

Responding to Senator Parrett's question, Mr. Jasper said with the water increase in Lake Cumberland houseboat rentals have increased by approximately 5 to 7 percent while slip rentals have not increased. Activity on the lake has increased; however, the weather last year was exceptionally poor.

Carolyn Mounce, Executive Director, Somerset-Pulaski Convention and Visitors Bureau, spoke about tourism expenditures in Pulaski County. Last year, visitors spent $117 million, which was a decrease of 1.5 percent from 2012. Visitation to tourist destinations decreased. Lake Cumberland visitations in 2014 for Memorial Day and July 4th weekends were 630,550.

Ms. Mounce reviewed tourism expenditures for the surrounding five counties of Lake Cumberland. After dam renovations began, they had to combat the untrue notion that Lake Cumberland was dry. The state and surrounding areas spent a lot of money addressing this issue. Ms. Mounce agreed with previous comments about the negative effects of the current school calendar on local tourism. Many out-of-state tourists have different school calendars and are affected when attractions close early. Ms. Mounce reviewed the demographics of area visitors.

In regards to tourism advertising Ms. Mounce said budget cuts have significantly affected tourism. Kentucky's tourism regions were normally allocated $111,000 for marketing and advertising from the state. These funds were matched with $137,000 locally. In 2014, funding was cut 69 percent. The region asked the state to use some of the allocation to advertise and perform marketing research. For the last three years, Kentucky has not been at boat and travel shows due to budget cuts while surrounding states continue to participate. Kentucky convention and visitors bureaus assist the state by distributing *Kentucky's Official Visitors' Guide*. Due to funding cuts, local tourism regions have been unable to market events, thus affecting the number of visitors. Tourism is the purest form of "Made in America" that aids economic recovery. Tourism will never be exported, so it should be funded to compete with surrounding states.

There being no further business, the meeting adjourned at 11:46 AM EDT.

INTERIM JOINT COMMITTEE ON EDUCATION

Minutes of the 2nd Meeting of the 2014 Interim

July 14, 2014

Call to Order and Roll Call

The second meeting of the Interim Joint Committee on Education was held on Monday, July 14, 2014, at 12:30 PM CST, in the Hodge Center located on the Lindsey Wilson College campus. Senator Mike Wilson, 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 Walter Blevins Jr., Joe Bowen, David P. Givens, Jimmy Higdon, Stan Humphries, Gerald A. Neal, Katie Stine, and Johnny Ray Turner; Representatives John Carney, Leslie Combs, Jim DeCesare, Jeffery Donohue, C.B. Embry Jr., Richard Heath, Joni L. Jenkins, James Kay, Brian Linder, Mary Lou Marzian, Donna Mayfield, Reginald Meeks, Ruth Ann Palumbo, Jody Richards, Tom Riner, Bart Rowland, Rita Smart, Wilson Stone, Ben Waide, and Jill York.

Legislative Guest: Representative Arnold Simpson

Guests: Donna House, Kentucky Association of Professional Educators; Jennifer Rowe and Joe Lancaster, Legislative Research Commission Budget Review Office.

LRC Staff: Kenneth Warlick, Daniel Clark, Joshua Collins, and Lisa W. Moore.

Chairmen Wilson and Graham congratulated Committee Staff Administrator, Dr. Ken Warlick, on his pending retirement on August 31, 2014. Dr. Warlick received a standing ovation from committee members for his outstanding service to the Legislative Research Commission from 2008-2014.

Approval of the Minutes of the June 9, 2014, Meeting

Representative Graham motioned to approve the minutes and Representative Kay seconded the motion. The motion carried.

Overview of Lindsey Wilson College

Dr. William T. Luckey, Jr., has served as the President of Lindsey Wilson College (LWC) for the past 16 years, but he began his career 32 years ago as an admissions counselor responsible for recruiting students from eastern Kentucky. He thanked the committee members for the important work that they do in promoting and supporting education. He said the mission of LWC is to provide a living-learning environment exemplified by caring and Christian concern.

Dr. Luckey said enrollment has increased from 260 students in 1977 to more than 2,645 for the 2013-14 school year. Approximately 1,145 students reside on campus increasing from 721 students five years ago. During the last 20 years, LWC has been one of the fastest-growing four-year independent colleges in Kentucky. About 80 percent of LWC students come from Kentucky and the remainder from more than two dozen states and almost three dozen foreign countries. LWC has one of the most diverse student populations among the Kentucky's independent colleges and universities. More than 15 percent of the LWC student body is composed of minority students. In May 2014, LWC graduated 664 students. This is a substantial increase from 151 graduates just eleven years ago.

Dr. Luckey said the LWC faculty has grown from 42 in 1977-98 to 114. More than 75 percent of LWC faculty members have terminal degrees, an increase from 36 percent in 1990. An aggressive building campaign resulted in more than 24 buildings added to the A.P. White Campus in the last 20 years. In the last eight years, over 300,000 square feet of facilities have been added. Highlights include: a chapel; a health-and-wellness center; nursing and counseling building; a business leadership center; a campus ministry center; a worship center; a library; four residence halls; a regional dining and conference center; a science center; an expanded student union building; a European-style soccer stadium; a sports park with a football and track-and-field stadium, and baseball and softball fields; and a renovated humanities center and art gallery.

LWC is one of the major employers of Adair County, and it is one of the county's largest private white-collar employers. LWC employees contribute more than $71 million annually to Adair County's economy and make a salary 30 percent higher than others in the county. The average wage for LWC employers is $41,230.

LWC was reaccredited by the Southern Association of Colleges and Schools (SACS) in December 2013. SACS has given LWC the authorization to begin offering a doctorate degree in counselor education and supervision. LWC offers a master's degree in counseling and human development and is recognized as the best small college counseling program in the United States.

Dr. Luckey said LWC receives more funding through the College Access Program (CAP), the Kentucky Tuition Grant (KTG), and the Kentucky Educational Excellence Scholarship (KEES) programs than any other private college in the state because it serves more financially needy Kentucky students. He said Adair County has the highest percentage of students enrolled in a private college, 61.4 percent, than any other county in the Commonwealth.

Dr. Luckey said the average student debt for a student attending LWC is $18,683, which is 35 percent less than the average debt across the country, 16 percent less than the debt incurred at Kentucky's public colleges, and 7 percent less than the graduates of other Kentucky private colleges.

Representatives Richards and Carney and Senator Wilson spoke very highly of LWC. Each has a personal connection to the college and attributed the quality of life in southeastern Kentucky to the degrees being earned at LWC.

Performance Update of the Association of Independent Kentucky Colleges and Universities

Dr. Gary Cox, President, and Mason Dyer, Vice President for External Relations and Information, Association of Independent Kentucky Colleges and Universities (AIKCU), reported on the progress and status of the nonprofit private college sector. He commended the committee members for their support of both public and private postsecondary education efforts in Kentucky. He said AIKCU has a good working relationship with the Education Professional Standards Board (EPSB), the Council on Postsecondary Education (CPE), and the Kentucky Department of Education (KDE).

Dr. Cox said the Association of Independent Colleges and Universities (AIKCU) is the member organization for the 19 private nonprofit, Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) accredited 4-year colleges and universities in Kentucky. There were 36,195 students enrolled in the fall of 2013, and 28,855 are undergraduates. He noted 71 percent of AIKCU students are Kentucky residents, representing every county in Kentucky, while 8,328 are out-of-state students, including 890 international students. Students are from all 50 United States and more than 100 countries.

Dr. Cox said AIKCU members enroll 14 percent of all postsecondary students and produce 22 percent of Kentucky's total bachelor's degrees. Discrepancies exist between CPE and the Integrated Postsecondary Education Data System (IPEDS) data for the 2012-13 cohort. Preliminary IPEDS data indicates an overall 6-year AIKCU graduation rate of 50.5 percent for 2012-13. Graduation rates vary widely by institution and the college readiness of entering students. AIKCU students are more likely to graduate in four years than in five or six. He said 76 percent of the students who graduate do so in four years. The AIKCU 4-year IPEDS graduation rate is 38.1 percent.

Dr. Cox said the Kentucky Community and Technical College System (KCTCS) transfers, adult students, and graduate degrees remain a priority for many AIKCU members. He said 25 percent of the undergraduates are 25 or older, and community campuses and partnerships with KCTCS extend AIKCU's presence to many additional communities in rural areas of the state. Designated transfer scholarships are available at many AIKCU campuses, and graduate enrollment and degrees continue to expand to meet the needs of Kentucky employers and the Commonwealth.

Dr. Cox said the average published costs at AIKCU institutions are less than southern and national private college averages. The average tuition increase for 2014-15 is approximately 2.7 percent. Almost no AIKCU student pays the sticker price. A private college education is attainable for many students thanks to a four-prong partnership of student/family, institution, federal, and state aid. He said 98 percent of full-time first year students receive some financial aid, and 92 percent receive institutional grants and/or scholarships.

Dr. Cox said Kentucky's private nonprofit colleges and universities receive no direct state money. Students attending private colleges are eligible for state financial aid programs, such as the need-based CAP and KEES. AIKCU students received a combined $29.61 million in 2012-2013 from CAP and KEES programs.

Dr. Cox said the KTG is the only state student financial aid program explicitly for Kentucky residents attending in-state private colleges. The need-based program is designed to help offset the higher costs of attending a private institution. The maximum award is half the average appropriation per full-time equivalent (FTE) student enrolled in all public institutions. The current maximum KTG award equals $2,930. He reported 10,381 students in AIKCU institutions received $27.98 million in KTG in 2012-2013.

Dr. Cox reported in 2012-2013, 14,461 unduplicated AIKCU students received $57.58 million in state grants. He said 70 percent of that total was distributed through the need-based CAP and KTG programs. KTG awards, about $28 million, to AIKCU students are equivalent to 2.4 percent of the state postsecondary appropriation. In 2012-2013, Kentucky appropriated approximately $1.2 billion to postsecondary education, including appropriations to public postsecondary institutions, CPE, and the Kentucky Higher Education Assistance Authority (KHEAA).

Dr. Cox said AIKCU's number one policy priority is to support KHEAA's budget recommendation to appropriate all lottery revenue to student aid. Kentucky's need-based programs are first-come, first-served, and are quickly exhausted. The average loan debt of 2012 college graduates is $22,380 for AIKCU students, $24,625 for Kentucky public university students, while $29,400 is the national average, including statistics for-profit colleges.

Dr. Cox reported a key finding of an economic benefit study was that AIKCU members add $617.6 million to Kentucky's economy annually. This includes $344 million in direct wages and benefits, and 7,037 total employees with annual wages and benefits of at least $48,920. He said indirect benefits are $102 million, while 1,166 Kentucky jobs exist because of AIKCU members' operations. The induced benefits--the response by Kentucky's economy to direct and indirect benefits--is $162 million.

Dr. Cox discussed the challenges facing Kentucky private colleges and the responses to the challenges. The complete list can be found in the meeting materials located in the Legislative Research Commission (LRC) library. The median endowment value at the end of fiscal 2012 was $18.6 million.

Senator Wilson said he was surprised and pleased to see the increased number of Science, Technology, Engineering, and Mathematics (STEM) degrees earned at private colleges compared to public universities.

Representative Carney said it should be a priority to get the KTG and CAP programs fully funded. The significant decrease in these funds from 2009-2014 is unacceptable.

Responding to a question from Senator Stine regarding student job placement statistics for private and public schools, Dr. Cox said there is data for teachers and nurses who go to work immediately after graduating, but some students pursue graduate degrees and are not calculated in the statistic. He noted that undergraduates tend to earn less than those who seek professional degrees initially, but earn a better income ten or fifteen years later.

Dr. Luckey said there is a 340 percent increase in the number of graduates since 1977. Dr. Cox said the small classes and personal interaction with the instructors help to keep students on the path to a timely four-year graduation.

Responding to Senator Bowen, Dr. Cox said 80 percent of AIKCU students graduate in a four-year period, but 40 percent who enroll in an AIKCU institution require at least one remedial course. Senator Bowen said he did not realize that if students transfer from a public to a private college or vise versa that they are not calculated in either graduation rate.

In response to a question from Representative Waide regarding technology and on-line courses reducing the cost of a postsecondary education, Dr. Cox said KCTCS has on-demand courses being offered in a pilot project. Teacher preparation time must be calculated in the cost of on-line degrees. Many rural areas in Kentucky still do not have internet access, which creates a problem for on-line instruction.

Responding to a question from Senator Givens regarding the value of undergraduate degrees, Dr. Cox said it is still a challenge to prove to many Kentucky families the worth of a college degree. He emphasized the importance of partnering with the business community and providing internships.

Representative Stone said many students in Allen County only attend LWC because of the close proximity and satellite campus in town. He commended the college for its ability to recruit first-time generation college students. Dr. Cox noted 20-25 percent of the AIKCU's students are adults and first-generation students.

Representative Graham said that the Kentucky Center for Education and Workforce Statistics (KCEWS) has a website that includes many of statistics mentioned in the meeting. Specifically, it provides statistical data on AIKCU's students and job placement after graduation.

Senator Neal commended the college and its success. He said his wife and her sisters graduated from LWC, and all have had successful lives and careers.

With no further business before the committee, the meeting adjourned at 3:00 PM CST.

INTERIM JOINT COMMITTEE ON EDUCATION

Subcommittee on Postsecondary Education

Minutes of the 1st Meeting of the 2014 Interim

August 11, 2014

Call to Order and Roll Call

The first meeting of the Subcommittee on Postsecondary Education of the Interim Joint Committee on Education was held on Monday, August 11, 2014, at 10:00 AM, in Room 131 of the Capitol Annex. Representative Reginald Meeks, Co-Chair, substituting for Senator Alice Forgy Kerr, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Alice Forgy Kerr, Co-Chair; Representative Reginald Meeks, Co-Chair; Senator Reginald Thomas, Representatives Leslie Combs, C.B. Embry Jr., Richard Heath, James Kay, Donna Mayfield, and Tom Riner.

LRC Staff: Ben Boggs and Lisa W. Moore.

Student Success Initiatives, Programs, and Metrics

Dr. Aaron Thompson, Executive Vice President and Chief Academic Officer, Kentucky Council on Postsecondary Education (CPE), said CPE is focusing on graduating postsecondary education students with degrees and credentials pertinent to the needs of business and industry in the state. CPE identified goals to have student success, credentials and degrees earned, and graduation rates at the national average by 2020. Kentucky is the leader in accelerating this agenda nationally.

Dr. Thompson said that Kentucky is on trajectory to meet several policy objectives. These include: increasing the associate degree graduation rate and closing achievement gaps; increasing the number of bachelor's degrees conferred and the bachelor degree graduation rate, while closing achievement gaps between the graduate rate of students who did not meet statewide college readiness benchmarks and those who did; graduate degrees conferred; transfer from Kentucky Community Technical College System (KCTCS) to four-year institutions; and college readiness of college entrants. Specific tables and percentages are in the meeting materials located in the Legislative Research Commission (LRC) library.

Dr. Thompson said the most significant increases have been in graduate degrees conferred and transfers from KCTCS to four-year institutions. Kentucky needs to improve the associate and bachelor's graduation rate gaps for underrepresented minorities, underprepared, and low income students.

Responding to a question from Representative Meeks regarding the compilation of the goal percentage numbers, Dr. Thompson said CPE determines the easiest path to reach the national average by 2020. He responded to Senator Thomas that the data reported includes Kentucky's private and public colleges and universities, but excludes proprietary, for-profit institutions, as those data are difficult to obtain. Sullivan University is the only proprietary school in Kentucky accredited by the Southern Association of Colleges and Schools (SACS).

Responding to a question from Representative Meeks regarding the number of students who drop out of postsecondary education and do not finish in a four-year timeframe, Dr. Thompson said it is unclear which students are stopping or dropping out. KCTCS has more than 50 percent of its students who are part-time and take breaks in their pursuit of a college degree. Approximately 40 percent of students enrolled in four-year public universities do not complete their degree in the normal timeframe. Representative Meeks requested the raw numbers of students who are stopping and dropping out of college, and Dr. Thompson said he would provide the data. He noted that the numbers fluctuate year-to-year and are analyzed through the metric of retention rates and if the student enrolls the next fall semester.

Responding to Representative Meeks, Dr. Thompson said about half of the underprepared students graduate compared to prepared students. He also noted that more students are entering college prepared now than the data reflected in the report because the numbers were based on the Integrated Postsecondary Education Data System (IPEDS) which uses data from the previous six years.

Responding to a question from Senator Thomas regarding the 2012-2013 data availability, Ms. Lee Nimocks, CPE, said the data would be available in the winter of 2015. She reiterated certain data points can be accelerated at the request of the committee.

Dr. Janna Vice, Chair of Council of Chief Academic Officers, Provost and Senior Vice President for Academic Affairs, Eastern Kentucky University (EKU), said Kentucky has made great strides in improving some student metrics. She said that closing the achievement gaps for underprivileged students continues to be a challenge, and she gave an overview of activities and programs that are underway at EKU to address it. EKU is part of a national initiative designed to encourage more African-American males to dedicate their lives to becoming role models in the field of education. The program, named MISTER (the Mentors Instructing Students towards Effective Role Models), began at South Carolina's Clemson University as a strategy to recruit teachers under the direction of Dr. Roy Jones.

Dr. Vice said EKU will begin an Academy for Diverse Students in the fall of 2014. The purpose of the academy is to provide more intentional, professional, and personal growth and development for freshman African-American students. Dr. Roger Cleveland will begin a Center for Equity and Excellence this fall and will work with EKU and K-12. Higher education is changing and beginning to look at closing achieving gaps. EKU's goal is to become a national center for education districts to learn about cultural competence in education fields.

Senator Thomas said he is excited about the new programs at EKU and would like to visit the campus and be an active participant and mentor in the programs.

Responding to Representative Meeks, Dr. Vice said Morehead State University and the University of Louisville also have minority initiatives to help close achievement gaps. Dr. Thompson said all Kentucky campuses and public universities have programs targeting these areas. All of the chief academic officers, and the chancellor at KCTCS, are creating initiatives specific to their issues and campuses.

Responding to questions from Representative Meeks, Dr. Vice said students from coal counties in eastern Kentucky are included in underprivileged minority groups and assisted with transitioning into postsecondary education. Dual credit is a viable option for low income students as it provides a cost savings and pathway into postsecondary education. High school counselors and principals need to encourage all students to access higher education regardless of socioeconomic status.

Representative Combs said Kentucky needs to do a better job enrolling students who want to go to college as education leads to economic development. She emphasized that no child should be denied a college education because of low socioeconomic status. Research shows that college graduates tend to stay in the area and contribute to the community where they earned their degree.

Dr. Thompson said educated people are better thinkers and entrepreneurs. College graduates tend to find financial opportunities even if they have to start their own businesses if no jobs are readily available.

Dr. Carl Rollins, Executive Director, Kentucky Higher Education Assistance Authority (KHEAA), said the impact of the Kentucky Educational Excellence Scholarship (KEES) legislation has helped establish a culture that emphasizes the importance of education to improve family income and reduce poverty rates. He said all high school students entering the ninth grade receive a letter from Governor Beshear about the importance of education and achieving good grades, and more Kentucky students are pursuing education and training beyond high school. College participation rates have gone from below the national average to above the national average and have increased for low income students. More Kentucky students are completing the Free Application for Federal Aid (FAFSA).

Dr. Rollins said $851 million is distributed for student loans in Kentucky. Specific amounts for grants such as KEES, the College Access Program (CAP), and the Kentucky Tuition Grant (KTG) are located in the meeting materials in the LRC library.

Dr. Rollins said students should complete the FAFSA form in January to begin the process. KHEAA begins the award process in late March or early April prior to the academic year. CAP and KTG funds are awarded on a first-come, first-serve basis by the student's initial FAFSA date. Kentucky's students are applying earlier for grants each year, and available funds are exhausted earlier each year.

Dr. Rollins said the average debt for students has increased. In 2012, 62 percent of Kentucky college graduates had accumulated debt, which equates to a ranking of 41st in the nation. However, students who do not graduate are more of a risk to default on student loans because they will not have a degree, or likely a job that pays enough, to pay back the debt.

Responding to a question from Senator Thomas regarding national rankings of state student loan debt level, Dr. Rollins said being ranked 41st nationally is positive as states want lower numbers in that ranking.

Responding to a question from Representative Meeks, Dr. Rollins said he would provide the cost estimate of funding the 31,846 students who were identified as KEES and Pell grant eligible, but no funds were available.

Responding to a question from Representative Meeks regarding efforts to connect with underrepresented students, Dr. Rollins said there are 13 regional coordinators who visit middle and high schools to recruit students to college. He also said that Berea College uses special recruiters who go to high schools and college fairs to help recruit students.

Representative Combs said that KHEAA had increased its efforts to reach underrepresented students in rural areas.

Senator Kerr said the Kentucky public universities should send representatives to the subcommittee meetings.

With no further business before the committee, the meeting adjourned at 11:35 AM.

SPECIAL SUBCOMMITTEE ON ENERGY

Minutes of the 2nd Meeting of the 2014 Interim

July 18, 2014

Call to Order and Roll Call

The 2nd meeting of the Special Subcommittee on Energy was held on Friday, July 18, 2014, at 10:00 AM, in Room 131 of the Capitol Annex. Representative Richard Henderson, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Richard Henderson, Co-Chair; Senators Joe Bowen, Ernie Harris, Jimmy Higdon, Ray S. Jones II, Dorsey Ridley, Brandon Smith, and Katie Stine; Representatives Dwight D. Butler, Hubert Collins, Will Coursey, Jim Gooch Jr., Keith Hall, Martha Jane King, Tom Riner, John Short, Kevin Sinnette, John Will Stacy, Fitz Steele, Gerald Watkins, and Brent Yonts.

Guests: Jason Dunn, Director of Family Support, Department for Community Based Services, Cabinet for Health and Family Services; Roger McCann, Deputy Director/CIO, Community Action Kentucky; Paul Embs, President and CEO, Clark Energy Cooperative; Mike McNalley, Executive Vice President and Chief Financial Officer, East Kentucky Power;

Cheryl E. Bruner, Director of Customer Service and Marketing, LG&E and KU Energy; Stephanie Bell, Deputy Executive Director, and Andrew Melnykovych, Public Information Officer, Kentucky Public Service Commission; David Freibert, LG&E/KU; Barry Mayfield, EKPC; and Jimmy Keeton, AEP.

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

The June 5, 2014 minutes were approved by voice vote, without objection, upon motion of Representative Fitz Steele and seconded by Representative Hubert Collins.

Presentation and public hearing on Low Income Home Energy Assistance Program (LIHEAP) Block Grant Application – FY 15

Jason Dunn, Director of Family Support, Department for Community Based Services (DCBS), Cabinet for Health and Services and Roger McCann, Deputy Director/CIO, Community Action Kentucky, Inc. (CAK) explained the Low Income Home Energy Assistance Program (LIHEAP) program and the Block Grant Application for Fiscal Year 2015. Mr. Dunn said that LIHEAP was created to support low and fixed income households which pay a higher percentage of their household income for residential energy costs. Grant funds are awarded by the United States Department of Health and Human Services to DCBS. DCBS contracts with CAK to administer LIHEAP. CAK provides administrative, training, monitoring, and technical support for 23 community action network agencies. The program is 100 percent federally funded. FFY 2015 estimated funding is $29.9 million, of which 90 percent is used for direct benefits to Kentucky's citizens.

Mr. McCann explained how the funds were divided between DCBS, CAK, and the Kentucky Housing Corporation for subsidizing home energy bills, energy payments in times of crises, and weatherization and energy-related minor home repairs. Mr. Dunn said that the subsidy program offsets home heating costs with the lowest incomes and highest heating costs. The crisis program offers assistance for an energy emergency, and applicants can apply multiple times until they reach the maximum benefit level. The maximum benefit level for natural gas and electric has been $250 but could be funded at $400 if additional federal monies are received. LIHEAP payments are made directly to the heat fuel provider or utility company. Benefits are available in all 120 Kentucky counties. Mr. Dunn said that the Weatherization Assistance Program, administered by the Kentucky Housing Corporation, has weatherized over 500 homes since January 2013.

Mr. McCann said that most middle class Americans pay closer to 6 percent of their income towards energy costs. As the cost of fuel prices continues to rise, families that consist of elderly and young children are faced with difficult choices. He explained that the subsidy program consists of a one-time benefit payment in the fall and assistance was offered to 97,685 families providing an average benefit of $140. Applications for the subsidy program are taken in November.

Mr. McCann also explained that the crisis program which begins in January saw a need to serve low income families who faced either a disconnect notice from their metered utility or who self-certified that they were within 4 days of running out a fuel source. The crisis program served 78,769 families with an average benefit of $300. Families can be helped multiple times until they reach the maximum allowed benefit. The maximum benefit is $400 for gas or electric and 200 gallons for propane, kerosene or fuel oil, 2 cords wood or 2 tons of coal.

Mr. McCann said that in the weatherization program, homes are selected to receive an energy audit which then determines what measures will be most cost effective at reducing the home's energy usage. The program also allows for measures designed to help improve the health and safety of the home such as the installation of exhaust fans, smoke and carbon monoxide detectors. The Department of Energy data states that homes receiving weatherization services save an average of $437 annually on their energy costs.

In response to questions, Mr. McCann said that funding for the subsidy program was stable, but there were still not enough funds to meet at all the demands. Some counties run out of funds.

In response to Representative Hubert Collins, Mr. Dunn said that officials work with other companies when the demand for propane cannot be provided to households. Mr. McCann stated that when a client receives a disconnect notice they should go to their local community action agency. The agency will verify the information and contact the vendor to make the payment, usually within 48 hours. He said that most clients receive their disconnect notices in the mail.

In response to Senator Jimmy Higdon, Mr. Dunn stated that each state has options for structuring the program but must include the crisis component. Mr. Dunn said that he would look at the federal regulations to see if more could be done with the subsidy component instead of the crisis component.

In response to Representative Martha Jane King, Mr. McCann said that he would find the percentage of benefits for seniors and the disabled versus other applicants and provide information to staff.

In response to Representative Brent Yonts, Mr. Dunn said that he did not have information on whether replacing windows helps with energy efficiency. He will provide that information to committee staff.

The LIHEAP Block Grant Application Proposed Findings of Fact were adopted by voice vote, without objection, upon motion of Senator Ernie Harris and seconded by Representative Martha Jane King.

Rising Electric Prices and Programs for Low Income Consumers

Mr. Paul Embs, President and CEO of Clark Energy Cooperative, testified about increasing electric costs and efforts to address impact on members of cooperatives. Clark Energy is a not-for-profit Winchester-based electric utility cooperative. The co-op serves 26,000 accounts in 11 east/central Kentucky counties. It is owned by the customers, not stockholders, and governed by 9 directors. Since 2011, there have been no base rate increases. Bills have a fuel adjustment charge and an environmental charge. Any income, after expenses, is returned to members in the form of capital credits. Rates are approved by the Kentucky Public Service Commission (PSC). Operating funds are borrowed from the Federal Rural Utilities Service (RUS). For every dollar paid to the co-op, 69 percent goes for purchase power, 18 percent for operations and maintenance expenses, and 13 percent for long term debt and depreciation.

Mr. Embs stated that energy costs are increasing because of tougher environmental regulations, skyrocketing costs of copper, steel and concrete, rising costs of labor/benefits, health care and the costs associated with the winter of 2014. The cost to comply with the new federal regulations is being passed on to the consumer. In order to comply with the EPA regulations, Clark Energy and 15 electric co-ops have invested $1.7

billion the past ten years for clean-coal units and retrofits to existing power plants. There seems to be no-end to the federal regulations being handed down. Efforts to address the rising costs have seen a reduction in Clark Energy's workforce, working with state and local officials to attract new jobs and improve finances to reduce system interest costs. Efforts have also been made to help consumers with free energy audits, payment arrangements, rebates/weatherization programs, SimpleSaver bill credits, co-op card discounts, and commercial/industrial programs.

Mr. Embs stated that there will be challenges facing the industry such as coal plants being forced into retirement, greenhouse gas regulations, affordable new power sources, and tougher EPA rules. Once again, members will bear the costs for affordable energy.

In response to Representative Hubert Collins, Mr. Embs said that at the end of the year a certain amount of money is allocated back to members in their account. If finances are good and the Board of Directors agrees, then the money in the members' account is given to them in the form of cash. Bills for customers during the winter increased from 15 percent to 20 percent.

Ms. Cheryl Bruner, Director, Customer Service and Marketing, LG&E and KU Energy (LGE/KU), discussed how investor owned utilities serve customers in need. All utilities offer budget payment plans, partial payment plans, 30-day medical extension, and 30-day certificates of Financial Need. LG&E/KU partners with Community Action, Community Ministries, Salvation Army and other local non-profits who assist in identifying customers in need. Utilities anticipate and respond timely to current needs. As an example, the record low winter temperatures in 2014 resulted in significantly higher than usual utility bills, and utilities responded to customers relating to payment arrangements. Through public service announcements and press releases, the utilities provided energy saving tips and how to avoid scams. In addition, utilities make significant donations to sponsor events of entities that help customers in need, and utility employees volunteer for weatherization events, Day of Caring, and the Mayor's give-a-day.

Ms. Bruner said that LG&E/KU has a Customer Commitment Advisory Forum (CCAF) that convenes every quarter rotating between Lexington and Louisville. The purpose of the forum is to ensure that the needs of the most vulnerable customers are identified and addressed. LG&E/KU collaborated with CAK to develop an electronic interface for LIHEAP pledges and payments made on customer utility accounts. Also created was a low-income portal to provide agencies timely information on customer accounts status. Energy Saver Squad was developed to produce periodic YouTube videos to help explain causes of high bills and to provide energy tips.

In response to questions from Representative Hubert Collins, Mr. Mike McNalley, Executive Vice President and Chief Finance Office, East Kentucky Power, stated there was one coal-fired plant that would close in 2014. The other coal-fired plants have been retrofitted. One such plant is scheduled to close in 2029 and the other plant in 2040 under current regulations, but those could close earlier. There should be no problem supplying those plants with coal. Mr. McNalley said he did not know if there was enough natural gas to sustain the industry. This past winter was a perfect example. There were gas curtailments because residential heating has priority for use of natural gas; increased demand cuts down on the supply to the industrial/commercial industries. Kentucky should be in good shape if the supply runs from northeast to south. If natural gas becomes unavailable to run the plants and power cannot be bought from other plants from around the region, then Kentucky will be forced into situations of brownouts or blackouts. Utility companies will do everything possible to avoid that situation.

In response to Representative Hubert Collins, David Friebert, LG&E/KU, stated that the percentage of profit estimated and returned to shareholders varies from company to company. It is an allowed rate of return, not a guaranteed profit. Generally speaking, the estimated rate of return is approximately 9 percent to 10 percent.

In response to Senator Jimmy Higdon, Ms. Bruner said that LG&E/KU has programs for active duty veterans and their families.

In response to Representative Brent Yonts, Ms. Bruner said that the weather was becoming more and more unpredictable as to the strength of storms that may knock out utilities. Utilities are aware of the changing weather trends and try to keep customers informed.

In response to Representative Brent Yonts, Ms. Bruner said that the LG&E/KU generation fleet performed exceptionally well throughout the winter of 2014. Mr. McNalley said that there is enough natural gas to provide for customers during extreme weather conditions. He said that the Smith plant has two supply lines both having north and south feeding directions.

Role of Kentucky Public Service Commission in Rate Making

Stephanie Bell, Deputy Executive Director and Andrew Melnykovych, Public Information Officer, Kentucky Public Service Commission (PSC) discussed the PSC ratemaking process. Mr. Melnykovych explained that the ratemaking processing is governed by statute, regulations, and legal precedent. According to Kentucky Revised Statutes, rates must be fair, just, and reasonable, and investors are entitled to an opportunity to earn a return on equity. The Kentucky Office of the Attorney General has the statutory right to intervene to represent ratepayers in general, and residential customers are guaranteed rights under the Customer Bill of Rights.

As part of the ratemaking process, Mr. Melnykovych said the PSC considers the following requirements: revenue, return on equity (ROE), and rate design. The 2013 annual average electric costs in Kentucky were 7.54 cents per kwh for all sectors and a national average of 10.08 cents per kwh, 9.71 cents per kwh for Kentucky residential costs with a national average of 12.12 cents per kwh, and 5.40 cents per kwh for Kentucky industrial costs and a national average of 6.82 cents per kwh.

In response to questions from Representative Hubert Collins, Mr. Melnykovych stated that the target rate of return for shareholders has been about 8 percent to 10 percent. It is up to the utility to perform in a manner that would allow those rates for shareholders. The PSC looks at comparable utility companies in setting the targeted rate of return. Ms. Bell said that often rate cases are decided by settlement offers that all parties agree upon before it is heard by the PSC. Mr. Melnykovych said the PSC looks at the final rates in the settlement and uses comparable rates to decide if they are just, fair, and reasonable. Mr. Melnykovych said that residential rates are higher than other sectors because rates are based on cost and maintenance of infrastructure per customer. Industrial customers are subsidizing residential customers.

In response to Representative Jim Gooch, Mr. Melnykovych said that PSC tries to get the rate as low as possible while still providing financial stability for the utility and safe, adequate, and reliable service for its customers. Mr. Melnykovych said that decisions regarding the expense of changing from coal-fired plants to gas-powered plants are already made by the utility, but PSC looks at whether or not the utility requires new generating capacity. Utilities are required to have an integrated resource plan for long-term planning. PSC is tasked with ensuring that a new generating facility is consistent with the utilities integrated resource plan and that it needs to be built. Other considerations include the short-term cost of building, the life-cycle cost of the facility, and the cost of the fuel going forward. For Kentucky, the general principal in rate making is that it must be used and useful before costs are recoverable.

There being no further questions, the meeting was adjourned.

INTERIM JOINT COMMITTEE ON HEALTH AND WELFARE

Minutes of the 2nd Meeting of the 2014 Interim

July 16, 2014

Call to Order and Roll Call

The second meeting of the Interim Joint Committee on Health and Welfare was held on Wednesday, July 16, 2014, at 1:00 p.m., at the Owensboro Health Regional Hospital, 1201 Pleasant Valley Road, Owensboro, Kentucky. Representative Tom Burch, Co-Chair, called the meeting to order at 1:08 p.m., and the secretary called the roll.

Present were:

Members: Senator Julie Denton, Co-Chair; Representative Tom Burch, Co-Chair; Senators Joe Bowen, Tom Buford, Perry B. Clark, David P. Givens, Denise Harper Angel, Jimmy Higdon, Alice Forgy Kerr, Katie Stine, and Reginald Thomas; Representatives Robert Benvenuti III, Bob M. DeWeese, Joni L. Jenkins, Mary Lou Marzian, Reginald Meeks, Tim Moore, Darryl T. Owens, Ruth Ann Palumbo, Ben Waide, David Watkins, Russell Webber, and Addia Wuchner.

Guest Legislators: Representatives Jim Glenn and Tommy Thompson.

Guests: Phillip Patterson, President and CEO, Owensboro Health Regional Hospital; Susan Zepeda, PhD, CEO, and Gabriela Alcalde, Foundation for a Healthy Kentucky; Gerry Stover, EVP, Kentucky Academy of Family Physicians; Khanh Nguyen, DO, Ronald A. Berry, M.D., Jennifer Roberts, Owensboro Health Medical Group; Dave Bolt, Deputy Director, Kentucky Primary Care Association; Lucy Juett, Center Director, AHEC South Central Region; Ed Heath, DSc, CEO, Muhlenberg County Community Hospital; Jessica Estes, APRN-NP, Hawesville, Kentucky and Leila Faucette, Executive Director, Kentucky Coalition of Nurse Practitioners & Nurse Midwives; Mary Begley, Commissioner, and Dr. Allen Brenzel, Medical Director, Behavioral Health, Developmental and Intellectual Disabilities, Cabinet for Health and Family Services; Lawrence Kissner, Commissioner, and Veronica Cecil, Chief of Staff and Director, Division of Program Integrity, Department for Medicaid Services; Rob Sprang, MBA, Director, Project Manager, Tim Bickel, Co-Project Manager, Kentucky TeleHealth Network (KTHN), University of Louisville; Mary Horsley, RN, Training Center Director, Eastern KTHN Telehealth, St. Claire Regional Medical Center; Steve Fricker, Training Center Director, West KTHN Telehealth, Baptist Health Madisonville; Russell Harper, Aetna; Kimberlee A. Richardson, LPCC, LMHC, Director, Clinical Health Services, MHNet Behavioral Health, and Fred Tolin, Chief Medical Officer, CoventryCares of Kentucky; Stephen Houghland, MD, Chief Medical Officer, Liz McKune, EdD, Director of Behavioral Health, Jill Bell, Michael Robkin, Christie Spencer, Ashlea Christiansen, and Larry Badgett, Passport Health Plan; Mike Ridenour, Senior Director, External Affairs, Lori A. Gordon, LCSW, Senior Director of Product Operations, and Tambara Nalle, WellCare of Kentucky; Lawrence Ford, Director of Government Relations, and Jennifer Ecleberry, Director, Provider Relations, Anthem Blue Cross Blue Shield Medicaid (KY); Al Mattingly, Daviess County Fiscal Court; Dana Peveler, Elizabeth Munday Center; Sarah S. Nicholson, Kentucky Hospital Association; Bob Brooks, Baptist Health Madisonville; Bev Coke, Debbie Poole, Carol Payne, Donna Ross, Debbie Nunly, Tammy Marksberry, Pam Cox, Lisa Jones, Jenny Jackson, Vickie Morris, Susie Harris, Janice Scherm, Michael Yeiser, Jeff Carpenter, Marilou Murphy, Mary Ellen, Smaley, Nick Harley, Pat Winstead, Kelly Schlachter, and Ron Taylor, MD, Owensboro Health Regional Hospital; Ashley Spalding, Kentucky Center for Economic Policy; Diana Caldwell, Bob Tarrants, and Cindy Parish, Wendell Foster's Campus; Mario Lopez, Account Manager, Samantha Pacheco, Regional Clinical Director, and Kelli Rodman, Humana-CareSource; Darrell Higginbotham, Independence Bank/Ohio Foundation; Gail Wigginton, Deborah Fillman, Clayton Horton, Merritt Bates-Thomas, and Angel Thompson, Green River District Health Department; Virginia Gray, John Y. Brown, III Group; Donald Neel; Bill Doll, Kentucky Medical Association; Nathan Goldman and Pam Hagan, Kentucky Board of Nursing; Marie Alagia Cull, Cull & Haydon, Steve Bing, Kentucky Health Department Association; Sheila Hardy, Legislative Research Commission; Vicki Goins, Governor's Office of Policy Management; Jennifer Barnett, Anthem Medicaid; Vaughn Payne, NCS; Danny Swain, SSG; Kent Gardner, University of Louisville School of Medicine; Ben Keeton, Medical News; J. Naulty, Owensboro Municipal Utilities; Vivian McNatton, Green River Area Develop District; Mark Lord, Office of Congressman Brett Guthrie; Bonnie Brown; Bill Smith, Regional Health Care Affiliates; Jan Gould, Kentucky Retail Federation; Terry Skaggs, Wells Health Systems; Chikere Uchegbu; Nelda Barnett, AARP; Alan Braden, Braden Financial Services; Megan Mortis, Regional Health Council; S. Todd Inman, State Farm; R.R. Medleyson; Mike Mountain, River Valley Behavioral Health; Nilesh Sangoi, CFO, Owensboro Medical Practice; Libby Milligan, McCarthy Strategic Solutions; John Walker, Owensboro Medical Health System; Kathy Adams, Children's Alliance; and Dirck A. Curry, Primary Care Center, Owensboro Health Regional Hospital.

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

Minutes

A motion to adopt the minutes of the June 18, 2014 meeting was made by Representative Jenkins, seconded by Representative Jenkins, and adopted by voice vote.

Consideration of Referred Administrative Regulation

The following administrative regulation was available for consideration and placed on the agenda, having been referred to the Committee on June 6, 2014, pursuant to KRS 13A.290(6): **201 KAR 20:057** – establishes the scope and standards of practice for an advanced practice registered nurse. A motion to adopt the administrative regulation was made by Senator Clark, seconded by Representative Owens, and adopted by voice vote.

Access to Primary Care

Susan Zepeda, Ph.D., President and CEO, Foundation for a Healthy Kentucky, stated that the Johns Hopkins Primary Care Policy Center defines primary care as an entry point into a health services system for all new needs and problems, person focused not disease oriented, provides care for all but uncommon or unusual conditions, coordinates or integrates care regardless of where it is provided, and assures optimized care use and health status equity. A 2012 Deloitte Consulting study stated that to meet the Affordable Care Act (ACA), Kentucky would need an additional 3,790 physicians, 612 dentists, 5,635 registered nurses, 296 physician assistants, and 269 optometrists. As of April 21, 2014, there were 413,410 Kentucky enrolled in new health coverage through Kynect, the state's health benefit exchange. Physician-led teams can provide coordinated, patient-centered, cost-effective quality care.

Gerry Stover, MS, Executive Vice-President, Kentucky Academy of Family Physicians, stated that patients with a family physician as a source of care receive more preventive services, use the emergency rooms less often, and spend less on care. Health Resources and Services Administration (HRSA) data shows that 95 percent of graduates from family medicine residencies practice primary care five years after graduation from medical school compared to 21 percent of internal medicine residency graduates. Approximately 56 percent of family medicine residents stay within 100 miles of where they graduate from residency. More needs to be done to address the shortage of primary care physicians in Kentucky. Approximately 44 percent of rural counties experience a shortage of primary care physicians. A positive early experience in rural health increases the probability that graduates will choose to work in rural health. A recent study by the Robert Graham Center for Policy Studies evaluated the impact of family physicians on a state-by-state basis. The study found that in Kentucky, family physicians have an economic impact of $878,642 per doctor, per year. The total impact of family physicians in Kentucky is estimated to be $955,962,533 per year.

The FY 2014 Loan Repayment Program is currently closed. This program is open to licensed primary care medical, dental, and mental and behavioral health providers who are employed or have accepted an offer of employment at an NHSC-approved site and will begin working by July 15, 2014. Awardees receive up to $50,000 in exchange for two years of service if they practice in a Health Professional Shortage Area (HPSA) of 14 and above (Tier I). Awardees can also receive up to $30,000 in exchange for two years of service if they practice in a HPSA of 13 and below. In FY 2013, all of the NHSC's loan repayment awards were made to providers located in a Tier 1 HPSA. There were a total of 4,505 awards made (2,106 new and 2,399 continuations) totaling $169.7 million. Mary Takach, Senior Program Director at the National Academy for State Health Policy, stated that establishing medical homes is the driving innovation model in the Medicaid system. Even commercial payers are partnering with public payers and supporting this model because it makes sense. States also are working to better coordinate Medicare and Medicaid services. Nine states are receiving federal funding to begin to coordinate services to vulnerable seniors and individuals with disabilities provided by these two major health funding sources.

Lucy Juett, Director, South Central AHEC, stated that over 12,000 health professionals have enhanced clinical skills through Area Health Education Centers' (AHECs) continuing education and retraining programs. Over 46,500 citizens have received free dental, medical, and health education services through the Kentucky AHEC. One challenge is a shortage of clinical training sites. Other challenges are that students only receive an $80 stipend per week to pay for housing costs and essentials and there is a disparity of medical student graduates to number of residency positions.

David Bolt, Deputy Director, Kentucky Primary Care Association, stated that the U.S. Department of Health and Human Services Health Resources and Services Administration (HRSA) reported that 65 percent of Kentucky counties are considered Health Professions Shortage Areas for primary care. According to the 2013 County Health Rankings and Roadmaps published by Robert Wood Johnson and the University of Wisconsin, individuals in the healthiest counties are 1.4 times more likely to have access to a primary care physician. According to 2013 research by the University of Kentucky Office of Rural and Community Health, 21.2 percent of physicians were above the age of 61 in 2012, 680 physicians need to be replaced due to retirements, and Kentucky had a 1,287 to 1 primary care physician (PCPs) to citizen ration, 557 below the United States average. Current family practice (FP) residency programs provide 57 FPs annually. Approximately 163 FPs are needed per year to get the ratio of 1,500 to 1 by 2025. A healthy, well educated workforce is Kentucky's future and needs to be approached from an investment perspective just like economic development. More community-based medical residency programs need state support for rural health programs. Kentucky needs a greater use and support for Telehealth, expanded loan repayment programs, tax credits or other incentives for health care professionals, and state funds for expansion of the physician assistant (PA) and nurse practitioner (NP) programs.

Ed Heath, D.Sc, Chief Executive Officer, Muhlenberg Community Hospital (MCH), stated that the MCH is a 135 bed acute care hospital with over 450 employees that has four employed primary care practices, two specialist clinics, and an ambulatory surgery center. There is a need to decrease non-critical use of the emergency department (ED) and provide access to care, especially after hours and on weekends. Benefits of primary care are comprehensive care, preventative exams, lower costs in primary care setting, and population management. There is a small candidate pool of family practice and internal medicine physicians. There need to be more training programs for physicians, physician assistants, and advanced practice registered nurses. Access to and delivery of services is needed to reduce the need for patients to travel to receive services.

Khanh Nguyen, DO, Family Medicine, Owensboro Health Medical Group, stated that the total number of office visits to primary care physicians is projected to increase from 462 million in 2008 to 565 million in 2025. By 2025, the demand for primary care physicians nationally will grow by 52,000. A 2013 report by the Robert Graham Center states that to maintain current rates of utilization Kentucky will need to add an additional 624 primary care physicians by 2030. Potential solutions are physician reimbursement reform, dedicated funding for primary care Graduate Medical Education (GME), increased funding for primary care training, and medical school student debt relief.

Jessica Estes, APRN-NP, stated that she is the only prescribing mental health provider in Hancock County. While mental health would be seen by some as a specialty, it is actually considered to be a primary care service. There is a need to gain access to high quality, consistent health care. The focus is not just on treatment of a range of conditions, but on early and periodic screenings, follow-through, and patient education. Nursing education and training puts the emphasis on prevention, ongoing care, and communication making the patient a partner in the process. The patient-centered approach includes participation of the patient, caregivers, and providers to assure a minimal intrusion into the patient's functioning everyday life. Only a comprehensive, patient-centered approach of primary care services is going to reverse Kentucky's poor rankings of health conditions. With the implementation of the ACA, nearly 400,000 Kentuckians now have health care coverage, many for the first time. These individuals need access to quality healthcare to address current problems, education to prepare them for healthier choices, a better understanding of their condition, and the steps that can be taken to secure a healthier future for themselves and their families. APRNs are grounded in this comprehensive, patient-focused primary care approach and stand ready to be a strong factor in the primary care workforce and strong influence in delivering services that include education, care management, and prevention.

Leila Faucette, Executive Director, Kentucky Coalition of Nurse Practitioners and Nurse Midwives, stated that the term APRN includes Nurse Practitioners, Certified Nurse Midwives, Certified Registered Nurse Anesthetists, and Clinical Nurse Specialists. According to the Kentucky Board of Nursing, there are currently 4,032 nurse practitioners and nurse midwives licensed in Kentucky which is an increase of 54 percent since 2010. In 2010, legislation was enacted for regional universities across the Commonwealth to begin offering the Doctorate of Nursing Practice (DNP) degree. Each of the regional universities now offers the program. Approximately 2,500 APRNs have completed the required four-year prescribing period and will have the option to prescribe non-scheduled, legend drugs without a collaborative prescribing agreement. This will give APRNs more choices and options about how and where they practice, increasing access for more Kentuckians to NP services, particularly those who are Medicaid eligible.

IMPACT Plus Services: Medicaid Managed Care

Mary Begley, Commissioner, and Dr. Allen Brenzel, Medical Director, Behavioral Health, Developmental and Intellectual Disabilities, Cabinet for Health and Family Services, stated that the July 1, 2014 transition has been moved to August 1, 2014 and all parties will be ready. There will be a greater opportunity to expand access to high quality, evidence based, and community based services for children with intensive behavioral health needs and their families. This opportunity allows the cabinet to implement the legislatively mandated transition of previous Department for Behavioral Health, Developmental and Intellectual Disabilities (DBHDID) subproviders from the IMPACT Plus funding stream to direct contracting with the managed care organizations (MCOs). All IMPACT Plus services will still be available, but are not being limited to 48 groups of providers. Service duplication by the DBHDID and the MCOs is eliminated. The providers have to become familiar with the claim submission process for each MCO. The MCOs and the providers need the ability to negotiate contracts with each other and do not need to go through the DBHDID. The goal is to make sure the transition is successful and children continue to have access to critical behavioral health services.

In response to a question by Senator Denton, Dr. Brenzel stated that each MCO has a contingency plan for when a provider has not been credentialed but is still providing IMPACT Plus services so there is not any interruption of services.

Lawrence Ford, Director of Government Relations, and Jennifer Ecleberry, Anthem Blue Cross Blue Shield Medicaid (KY), stated that the Medicaid provider network was built by amending the Anthem commercial network agreements to add the Medicaid product and plan requirements. Of the 16,000 providers in the Anthem network, there are 1,000 behavioral health providers. Participation requirements include an active Medicaid ID number, National Provider Identifier (NPI) number, Council for Affordable Quality Healthcare (CAQH) application for Anthem credentialing. Medicare participation is not required. The Anthem credentialing process typically takes 30-45 days, but is averaging around 24 days. Anthem has completed 100 percent outreach to IMPACT Plus agencies. Twelve agencies have already contracted with Anthem Medicaid and three more contracts from Community Mental Health Centers (CMHCs) are awaiting signature. Three Medicaid eligible children receive IMPACT Plus services. Anthem's outpatient services are very accessible through a broad network with no copays and a streamlined authorization process with many services not requiring prior authorization. If services are needed prior to a provider's completion of contracting or credentialing, a single case agreement can be utilized, but the provider must have an active Medicaid ID in order to be reimbursed.

Mario Lopez, Account Manager and Samantha Pacheco, Regional Clinical Director, Humana-CareSource, stated that since the Kentucky General Assembly passed legislation informing the Cabinet for Health and Family Services (CHFS) to transition the administration of the IMPACT Plus program from the DBHDID to MCOs contracted by Kentucky, Humana-Caresource has actively outreached to begin that transition. To date, Humana-Caresource has contracted with 28 of the 47 IMPACT Plus entities. Of the 28 contracted agencies, 20 are fully contracted and credentialed and are currently able to provide the full array and continuum of expansion services. Of the remaining eight contracted providers, most are agencies or groups that have obtained, or applied for, their Multi-Specialty Group (MSG) Medicaid designation. Five of those agencies are currently awaiting their MSG Medicaid numbers. The majority of contracted providers have submitted their credentialing documentation, some of which have already been completed for the licensed individuals working within the agency. There are 144 individuals and 61 of those are on the IMPACT Plus list, and 20 agencies fully contracted or credentialed. Of the remaining 19 non-contracted providers, 16 will have or have had contracts sent to them by July 18, 2014, as well as have either submitted credentialing documents or are currently in the process of gathering the necessary credentialing information. Three of the nineteen non-contracted providers have not responded to multiple outreach efforts. Overall, Humana-Caresource is committed to ensuring all agencies interested in contracting will be in contract negotiations and in the credentialing process by August 1, 2014. Of those agencies not fully contracted and credentialed effective August 1, 2014, Humana-Caresource will ensure children and families can be seen and the agency can bill via Letters of Intent (LOIs) while contracting or credentialing is completed. Humana-Caresource currently has 49 members engaged in IMPACT Plus services. Each of those members are actively involved with our case management services to ensure the fluidity of their transition plan and to work actively with the IMPACT Plus Provider on that plan. We initially began outreaching the nine IMPACT Plus providers involved with the 49 Humana-Caresource members. Six of the nine

IMPACT Plus providers are contracted and the other three are actively working on submitting their credentialing packet. Humana-Caresource expects to have the majority of IMPACT Plus providers contracted or actively in-process of credentialing for final contracting by August 1, 2014.

Stephen Houghland, MD, Chief Medical Officer, and Liz McKune, EdD, Director of Behavioral Health, Passport Health Plan, stated that in addition to looking at the prioritized list of providers that was provided by DMS and DBHDID, Passport looked at where members were receiving services to further prioritize. The analysis demonstrated that 98 percent of members received services from seven providers all inside Medicaid's Region 3. Of the seven, six are contracted at the group level, and one is still in contract negotiations with Passport. On a statewide basis, 13 IMPACT Plus providers are contracted at the group level with 157 individual practitioners. Ten are fully credentialed and in the system and 94 are in the process of being credentialed. Currently 570 children receive IMPACT Plus services, and 60 new children are added monthly. The IMPACT Plus program change starting August 8, 2014 only effects new children entering the program, all other children will transition on October 1, 2014. Passport's primary contingency plan is completing single case agreements with the requested provider if they are not currently participating in Passport's network. In addition, Passport will employ whatever creativity is feasible to make certain that children are receiving the services that are needed.

Mike Ridenour, Senior Director, External Affairs and Lori A. Gordon, LCSW, Senior Director of Product Operations, WellCare of Kentucky, stated that 872 children receive IMPACT Plus services from 27 agencies. Approximately 33 percent of the providers are fully in the system, and 77 percent of them have signed a contract with an effective date. Three providers have not submitted applications for contracting and two agencies are still in contract negotiations. WellCare is currently using DMS' credentialing, but will recredential the provider after they are in WellCare's system. There are 597 behavioral health providers credentialed and in the system that are not part of the IMPACT Plus program.

Kimberlee A. Richardson, LPCC, LMHC, Director, Clinical Health Services, MHNet Behavioral Health, and Fred Tolin, Chief Medical Officer, CoventryCares of Kentucky, stated that 40 of the 48 agencies are under contract, and discussions are being held with the remaining 8 providers. Approximately 130 independently licensed clinicians that are employed by these agencies have submitted credentialing packets, and 71 percent of these providers are on track to be through the process by July 25, 2014. Of these providers, 23 percent had missing information in CAQH and have been asked to complete the needed information. Non-licensed staff is not required to be credentialed. Single Case Agreements will be considered for members that need care when the provider has not completed the credentialing process. Currently there are approximately 1,500 children who require Impact Plus services, and Coventry is very confident it is well-positioned to support the transition with little to no disruption to the members who are receiving these services.

In response to a question by Senator Stine, Dr. Zepeda stated that in order to come up with savings to permit the Medicaid expansion under the Affordable Care Act, Medicare and the residency programs experienced a decrease in funding. Mr. Bolt stated that it costs $150,000 to $200,000 per year to train a family practice resident. The larger problem is the cap on existing residency programs.

In response to questions by Senator Thomas, Ms. Estes stated that there is a fine line between a patient who can and cannot adequately make mental health decisions for themselves.

In response to questions by Representative Benvenuti, Dr. Zepeda stated that some studies that conclude that tort reform is one way to attract and retain skilled healthcare providers, but it is not the complete answer. The Foundation has not conducted research or studies on medical review panels. Mr. Stover stated that tort reform and debt issues keep a lot of providers from opening up private practices.

In response to questions by Representative Moore, Mr. Stover stated that rural family medicine practice, including APRNs, will choose services that pay well. Currently, the payment system is not focused on preventive care. Family physicians are not encouraged to spend a lot of time with a patient and focus on preventive care and coordination of services because of the current payment system. Dr. Zepeda stated that multidisciplinary teams are needed to control costs. Dr. Nguyen stated that preventive care prevents more catastrophic illnesses. Kentucky has a shortage of doctors. Ms. Estes stated that APRNs are limited to where they can practice because it depends on a collaborative agreement with a physician to prescribe medications. Mental health providers get a reduction on top of a low Medicaid reimbursement rate. There are a limited number of Medicaid providers willing to provide care. Dr. Zepeda stated that the earlier the prevention the less it will cost in the long run.

In response to a question from Senator Givens, Dr. Heath stated that recruiting PCPs in rural areas is a challenge. Rural communities need to seek providers who want to practice in rural areas.

In response to questions by Representative Wuchner, Dr. Heath stated that there is a need to look at populations to demonstrate the need that there are enough physicians and clinical manpower available to provide care. There is a need to have hours available after school, after work, and on weekends for individuals to see a provider.

In response to a question by Representative Waide, Ms. Estes stated that one of the challenges with the implementation of managed care is that in a provision in the contract for outpatient providers is to see a discharged patient within seven days of discharge and referral. There is a need for more access to care at different times other than office hours. Mr. Stover stated that the physician has to find what motivates a patient to seek preventive care.

In response by questions from Senator Higdon, Commissioner Begley stated that providers have a relationship with a managed care organization (MCO) and will work with them on being credentialed.

Medicaid Expansion Overview

Lawrence Kissner, Commissioner, and Veronica Cecil, Chief of Staff and Director, Division of Program Integrity, Department for Medicaid Services, Cabinet for Health and Family Services stated that the national quality strategy is better care for individuals, better health for populations, and financial stewardship. Medicaid is now the largest payer of healthcare services for Kentucky residents. An independent study found that expanding Medicaid is beneficial for Kentucky because it creates 17,000 new jobs, provides $11 billion in funding to providers and $800 million savings in FY 2014-2021. Medicaid eligibility was limited to the elderly and persons with disabilities, children, and pregnant women.

The program has been expanded to include adults who are below 138 percent of the federal poverty level (FPL). The ACA requires that services be covered for the expansion population in each of the ten Essential Health Benefits (EHBs) that include ambulatory patient services, emergency services, hospitalization, maternity and newborn care, behavioral health including substance use disorder services, prescription drugs, rehabilitative and habilitative services and devices, laboratory services, preventive and wellness services and chronic disease management, and pediatric services including oral and vision care. Since August 2013, the department has filed and had approved 27 unique state plan amendments (SPA) to the Centers for Medicare and Medicaid Services (CMS) with six pending CMS approval and has filed 48 administrative regulations. While Kentucky has consistent enrollment figures, the individuals that make up that enrollment are constantly changing. Only 81 percent of individuals enrolled in June 2012 were still enrolled in June 2013. Medicaid expansion enrollment outpaced the enrollment anticipated in the whitepaper in every county. Whitepaper participation rates prepared by PricewaterhouseCoopers were based on estimates from the Congressional Budget Office (CBO) and anticipated 55 percent of eligible persons enrolling in the first year and eventually 70 percent. The woodwork enrollment should be at or below the whitepaper estimates.

In response to questions by Representative Benvenuti, Commissioner Kissner stated that Medicaid is not the highest paying plan. The department only has Medicaid data and does not know if there has been a financial detriment to hospitals. Approximately 80 percent of emergency room use is for mental health and substance abuse services. There is no data available on the estimated cost to Kentucky in FY 2017-2020 due to the Medicaid expansion.

Kentucky Telehealth Network

Rob Sprang, MBA, Director, Project Manager, University of Kentucky, and Tim Bickel, Co-Project Manager, University of Louisville, Kentucky Telehealth Network (KTHN), Mary Horsley, RN, Training Center Director, Eastern KTHN Telehealth, St. Claire Regional Medical Center, Steve Fricker, Training Center Director, West KTHN Telehealth, Baptist Health Madisonville, stated that stated that the Kentucky Telehealth Board is housed in the Cabinet for Health and Family Services, and is the governance structure for statewide Telehealth policy and operational standards. The board contracts with four training centers for oversight and management of the statewide Kentucky Telehealth Network (KTHN). There are four resources centers with telemedicine and Telehealth development expertise located at the University of Kentucky, University of Louisville, St. Claire Regional Medical Center, and Baptist Health Madisonville. The Telehealth centers provide statewide leadership focusing on collaborative efforts and public and privet partnerships to increase the use of Telehealth to ensure quality of care and positive health outcomes. Telehealth benefits reduce barriers to access, increase efficiency for providers, reduce overall health care costs, reduce delays in care, increase quality of care, improve health outcomes, and have virtual accessibility. Kentucky's statewide Telehealth network permits healthcare providers and systems to deploy Telehealth technology on their own, but creates a structured environment that coordinates the infrastructure and service delivery so no Kentuckian is isolated from needed healthcare services.

In response to questions by Senator Denton, Mr. Fricker stated that the Telehealth Network Board is funded by the Cabinet for Health and Family Services. Regulations state that any site that wants to provide Medicaid services has to be an approved Telehealth site.

In response to a question by Senator Thomas, Mr. Sprang stated that it would be very beneficial to have a consolidated high speed network.

Adjournment

There being no further business, the meeting was adjourned at 4:00 p.m.

INTERIM JOINT COMMITTEE ON HEALTH AND WELFARE

Minutes of the Third Meeting of the 2014 Interim

August 4, 2014

Call to Order and Roll Call

The third meeting of the Interim Joint Committee on Health and Welfare was held on Monday, August 4, 2014, at 11:00 a.m., in Room 129 of the Capitol Annex. Representative Tom Burch, Co-Chair, called the meeting to order 11:12 a.m., and the secretary called the roll.

Present were:

Members: Senator Julie Denton, Co-Chair; Representative Tom Burch, Co-Chair; Senators Tom Buford, Julian M. Carroll, Perry B. Clark, Denise Harper Angel, Alice Forgy Kerr, and Reginald Thomas; Representatives Bob M. DeWeese, Kelly Flood, Joni L. Jenkins, Mary Lou Marzian, Reginald Meeks, Tim Moore, Darryl T. Owens, Ruth Ann Palumbo, Russell Webber, Susan Westrom, and Addia Wuchner.

Guests: Beth Jurek, Executive Director, Office of Policy and Budget, Cabinet for Health and Family Services; Teresa James, Commissioner, Department for Community Based Services, and J.P. Hamm, Executive Director, Office of Human Resource Management, Cabinet for Health and Family Services; Mary Begley, Commissioner, and Beth Jordan, Branch Manager, Children's Services, Department for Behavioral Health, Developmental and Intellectual Disabilities, Cabinet for Health and Family Services; Bill Doll, Kentucky Medical Association; Eric Clark, Kentucky Association of Health Care Facilities; Mark Brengelman, Hazelrigg & Cox LLP; Sarah S. Nicholson, Kentucky Hospital Association; and Marylee Underwood, Commonwealth Council on Developmental Disabilities.

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

Approval of the Minutes

A motion to adopt the minutes of the July 16, 2014 meeting was made by Senator Buford, seconded by Senator Clark, and adopted by voice vote.

Child Protective Services Staffing Caseload

J.P. Hamm, Executive Director, Office of Human Resource Management (OHRM), Cabinet for Health and Family Services, stated that the way personnel is recruited and retained is the foundation of how casework is done. DCBS is OHRM's largest and most diverse client with 4,500 employees. Because DCBS and the cabinet are the only entity that employs workers in all 120 counties, recruitment and retention of employees varies within rural and urban communities. The commissioner and division directors are constantly looking at each of the counties, both in family support and social work areas, to see how employees can be transferred, recruited or moved to ensure quality outcomes. DCBS is always subject to turnovers. Family support workers begin at $24,000 per year and are not required to have a college degree, and social workers begin at $32,000 per year but are required to have a college degree. In the past several years the lack of raises, retirements, job burnout, and family reasons has cause the number of workers to decline. Some problems in recruiting and retaining employees are that the cabinet competes with the private sector and other government agencies that offer higher salaries. There are over 100 employees on some form of family medical leave, and their cases have to be given to other workers, causing caseloads to increase. In the past six months, DCBS has averaged 200 interested registrants per month. The DCBS commissioner works with the 11 colleges of social work, state and private institutions, to help improve the quality of the candidates that graduate. Since 2012, DCBS has either maintained or increased the number of staff while staying within its budget. In 2012, there were 3,153 field staff employees; currently, DCBS has 3,240 employees.

Teresa James, Commissioner, Department for Community Based Services, stated that child protective services and adult abuse caseloads are managed by employees classified as Social Worker I & II and Clinicians I & II. Caseloads are divided by the number of cases by the number of staff. Since July 2012, the past due cases have been reduced by 2,500 cases. DCBS continues to make aggressive efforts not to just close cases, but address the past due issues by safely and appropriately intervening. DCBS is looking for ways to keep cases from going beyond what is a reasonable timeframe and what is required in the administrative regulations. In July 2012 and July 2013, the APS caseload was 40.2 and 36 in July 2014. The CPS caseload for 2012 was 18.5, 2013 was 17.5, and 2014 was 17.7. Calls to the abuse registry in July 2012 were 12,500; July 2013 was 13,600; and July 2014 was 18,000. During this timeframe, calls that met the criteria and were investigated increased from 7,500 to 8,500. Out-of-home care cases went from 6,900 cases to 7,800 and back down to 7,600 currently. As long as there is substance abuse in Kentucky, children will have to be taken into care to ensure their safety. The number of high acuity level cases continues to rise because of mental health issues, substance abuse, and poverty. An increase in the number of children in care increases the number in caseloads and the number of investigations. There is a list of all the cases and who is covering them available daily.

In response to questions by Representative Westrom, Commissioner James stated that there are about 50 to 60 special tuition social work program students enrolled per semester with 20 to 25 graduates per semester. After students graduate, they can choose from 10 counties to work, but they agree to go anywhere statewide. Counties with the greatest need are given priority to select one of the graduates first.

In response to questions by Representative Moore, Commissioner James stated that of the 3,240 employees, 1,489 are CPS and APS workers and 1,751 are family support workers. Not included in the total are indirect employees that include specialists, supervisors, and associates. In July 2012 there were 9,664 CPS cases compared to 6,945 in July 2014. Strategies to manage cases on the front and back ends are being studied. In January 2014, workers started using the new documentation form that takes half the time to document information, is more targeted, and provides better clinical assessment of dynamics for safety and risk. One of the ways reduce caseload numbers is to provide funds to hire additional CPS and APS workers. The new healthcare benefit that provides substance abuse treatment to not only children but parents has made a huge difference and should reduce the number of children in care by stabilizing families.

In response to questions by Representative Owens, Commissioner James stated that the CPS caseload for Jefferson County was 18.78 in July 2012 and 17.3 in July 2014. The APS caseload for Jefferson County was 35.1 in July 2012 and 39.1 in July 2014. In the Jefferson County service region, 20 percent of the workers have been on the job a year or less. The national accreditation agency recommends 18 to 20 cases per worker. In Kentucky, a case is considered one case no matter the number of children in the family. If caseloads were to be measured by children and not families, the number of workers needed would double or triple. The legal statewide caseload in Kentucky cannot exceed 25 cases per worker. DCBS budget recommendations are submitted to the secretary of the cabinet who incorporates them into the cabinet's budget recommendations to the Governor.

In response to questions by Representative Wuchner, Commissioner James stated that there is one centralized intake center in nine regions that receive calls from 8:00 a.m. to 4:30 p.m. Calls are redirected by staff to the appropriate region based on area code. From 4:30 to 12:00 p.m. there are individuals in Jefferson County that take reports. DCBS has a contract with Seven Counties in Jefferson County and only takes calls from individuals from 11:00 p.m. to 8:00 a.m., on weekends, and holidays. If an immediate response is necessary, a front-line worker is contacted. In 2012, a 24 hour/7 day per week web site was created for physicians, medical providers, and educators to report cases. The wait time for assistance is ten minutes.

In response to a question by Senator Buford, Commissioner James said that state regulations specify the types of skill sets required for front-line workers and do not recommend training someone with a two-year associate degree in healthcare to become a front-line worker because of the intensity and expertise required to do the job.

In response to a question by Representative Westrom, Commissioner James stated that there are only eight children in out-of-state placement.

Legislative Hearing on Executive Order 2014-560 relating to Reorganization of the Cabinet for Health and Family Services

Beth Jurek, Executive Director, Office of Policy and Budget, Cabinet for Health and Family Services, stated that Executive Order 2014-560 directs the Cabinet for Health and Family Services (CHFS) to reorganize the Department for Medicaid Services (DMS) and the Office of Administration and Technology Services (OATS) to improve supervision, communication, and incorporate oversight of managed care organizations (MCOs) responsible for providing Medicaid covered services to over one million Medicaid members. DMS's administrative operations have been altered with the Commonwealth's implementation of statewide managed care and Medicaid expansion. These major changes in Medicaid's health care delivery and payment systems require a reorganized structure in order to accommodate the needs of the majority of Medicaid recipients now being served in a largely managed care environment. Transitioning from a primarily fee-for-service model to a primarily managed care model impacts multiple business functions such as budget and financial management activities, member and provider communication, Medicaid Management Information System (MMIS) requirements, eligibility policy and management, and MCO utilization reports, provider networks, and MCO performance monitoring.

The cabinet proposed a reorganization plan aimed at defining key roles in a managed care environment to serve both the existing Medicaid members as well as the new individuals enrolling in the Medicaid expansion. Personnel with similar functions and expertise will be placed organizationally in the same area with distinct definition of responsibilities in order to promote the Center for Medicaid and Chip Services (CMCS) Medicaid Information Technology Infrastructure (MITA) framework, to foster business and IT transformation across the Medicaid enterprise, and to improve the administration of the Medicaid program. The cabinet is recommending that Medicaid roles and responsibilities be organized into the following six divisions within DMS: Fiscal Management, Program Quality and Outcomes, Provider and Member Services, Policy and Operations, Community Alternatives, and Program Integrity. The DMS Division of Information Systems will be abolished and its functions transferred to the OATS where the Division of Medicaid Systems will be established. These changes will align all Medicaid system functions into one centralized area for greater efficiency and oversight. There are no fiscal impacts, and all changes will be within the current CHFS budget allocations. The organizational enhancements are designed to improve efficiency and provide more effective management structure, and make the functions of the department more descriptive of the agency's function. The cabinet has thoroughly evaluated the structure and streamlined it wherever possible. Positions will be established only as needed within the current personnel cap. Therefore, the changes will be budget neutral.

A motion to accept Executive Order 2014-560 was made by Representative Jenkins, seconded by Representative Palumbo, and approved by voice vote. A motion for a roll call vote was made by Representative Moore, seconded by Representative Wuchner, and approved by voice vote. After a roll call vote, there were 11 yes votes, 7 no votes, and 0 pass votes.

Legislative Hearing on Executive Order 2014-561 relating to Establishment and Operation of the Office of the Kentucky Health Benefit Exchange

Beth Jurek, Executive Director, Office of Policy and Budget, Cabinet for Health and Family Services, stated that Executive Order 2014-561 directs the Cabinet for Health and Family Services to establish the Kentucky Office of Health Benefit (KHBE) and Health Information Exchange (HIE). The Kentucky Health Care Improvement Authority is established under Chapter 304-17B of the Kentucky Revised Statutes as an administrative body attached to the CHFS for administrative purposes. The KHBE and HIE shall not establish procedures or rules that conflict with or prevent the application of the Affordable Care Act (ACA). The kynect Advisory Board is created and attached to the cabinet for administrative purposes. As a result of the Patient Protection and Affordable Care Act, effective January 1, 2014, individuals now have access to health coverage through the newly established KHBE. Individuals and small businesses can use the exchange to purchase affordable health insurance from a choice of products offered by qualified health plans. The exchange ensures that participating health plans meet certain standards and facilitate competition and choices by rating the quality of health plans. Individuals and families purchasing health insurance through the exchange may qualify for premium tax credits and reduce cost-sharing if their household income is between 138 and 400 percent of the federal poverty level. The exchange also coordinates eligibility and enrollment with the State Medicaid and Children's Health Insurance Programs (CHIP) to ensure individuals eligible for those programs have affordable health coverage. The cabinet was designated the lead for the KHBE due to the large number of health-related programs housed within the cabinet. The Governor's Office of Electronic Health Information (GOEHI), created by executive order in 2009, is also housed within the cabinet. GOEHI developed the Kentucky health information exchange and coordinates the work with health care providers through the Commonwealth in guiding implementation of electronic health information technology. The personnel impacts will be budget neutral based on existing funding. The organizational enhancements being made to the cabinet are designed to improve efficiency and appropriately satisfy the requirements of the federal grants while remaining budget neutral.

In response to questions by Representative Moore, Director Jurek stated that the executive order was drafted by the Governor, acting on behalf of the Commonwealth, and filed with the Secretary of State's Office. House Bill 235, enacted in 2014 and containing the executive branch operating budget, allocated $30 million in 2015 and $26 million in 2016 for the Kentucky Health Benefit Exchange.

A motion to accept Executive Order 2014-561 was made by Senator Clark, seconded by Representative Marzian, and accepted by voice vote. A motion for a roll call vote was made by Representative Moore, seconded by Representative Wuchner, and approved by voice vote. After a roll call vote, there were 11 yes votes, 7 no votes, and 0 pass votes.

Children's Behavioral Health Update

Mary Begley, Commissioner, and Beth Jordan, Branch Manager, Children's Services, Department for Behavioral Health, Developmental and Intellectual Disabilities (BHDID), Cabinet for Health and Family Services, stated that 20 percent of Kentucky's children and youth may have a diagnosable behavioral health problem, ten percent may suffer from a serious emotional disability, 66 percent report at least one traumatic event by age 16, and 14 percent do not graduate from high school on time. Suicide is the second leading cause of death among youth ages 10 to 24 years. Sixty percent have behavioral health challenges and do not receive the help needed. Before 1980, Kentucky had a single state funded children's psychiatric facility. After 1980, Kentucky began to focus more on children, youth, and families, and by the 1990s, a System of Care (SOC) infrastructure was created. The Department for Behavioral Health, Developmental and Intellectual Disabilities (BHDID) received the first Substance Abuse and Mental Health Services Administration (SAMSHA) SOC grant that focused on integrating mental health into schools and building relationships with families. Kentucky also received a SAMHSA grant for a statewide family network and statewide youth council. Local Interagency Councils (LIACs), Regional Interagency Councils (RIACs), and State Interagency Councils (SIACs) were created in statute. Kentucky implemented a statewide Interagency Mobilization for Progress in Adolescent and Child Treatment (IMPACT) program. The Department for Juvenile Justice separated from child welfare.

In the 2000s, the Kentucky Invests in Developing Success NOW (KIDS NOW) was created to implement programs focused on family and young child well-being, including early childhood mental health. BHDID received a second SAMHSA SOC grant that focused on serving youth with co-occurring mental health and substance use challenges in school settings, also an early childhood component. BHDID also received a SAMHSA grant that focused on building the capacity of clinicians to treat youth with mental health and substance use. Kentucky received a third SAMHSA SOC grant that focused on integrating early childhood mental health program and KY IMPACT to more comprehensively service ages 0 to 5 years. The Department for Public Health received a MCHB perinatal depressions grant and the Division of Behavioral Health received a SAMSHA youth suicide prevention grant.

Systemic barriers to effective care included lack of adequate funding, limited home and community-based services and supports, reliance on overly restrictive, expensive, and ineffective services, fragmentation of the system when families and youth have multi-system needs, limited provider network, limited evidence-based interventions, disparities and disproportionality, limited engagement with families and youth, inadequate accountability, and over reliance on psychotropic medication as the sole intervention. In 2013, BHDID was awarded a SAMHSA SOC Expansion Implementation cooperative agreement that provides human and fiscal resources to support expansion and redesign efforts. The strategy to improve outcomes includes increased access, an enhanced infrastructure, and high quality services and supports.

In response to a question by Senator Thomas, Ms. Jordan stated that the Department for Public Health has received federal grants where the HANDS program can now serve more than just first-time parents in over half of Kentucky's counties. BHDID has a perinatal depression project pilot that identifies mothers who are pregnant or shortly after post partum who meet criteria for a major depressive disorder. In seven regions, the mothers are referred to the community mental health centers (CMHCs) who have clinicians trained specifically in best practice shown to work in home for pregnant moms with depression.

Adjournment

There being no further business, the meeting was adjourned at 12:28 p.m.

INTERIM JOINT COMMITTEE ON LABOR AND INDUSTRY

Minutes of the 2nd Meeting of the 2014 Interim

July 17, 2014

The 2nd meeting of the Interim Joint Committee on Labor and Industry was held on Thursday, July 17, 2014, at 10:00 AM EDT, at Lure Lodge, Lake Cumberland State Resort Park, Jamestown, Kentucky. The meeting was a joint meeting with the Interim Joint Committee on Economic Development and Tourism. Senator Alice Forgy Kerr, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Alice Forgy Kerr, Co-Chair; Representative Rick G. Nelson, Co-Chair; Senators Perry B. Clark, Chris Girdler, Denise Harper Angel, Ernie Harris, Jimmy Higdon, Dennis Parrett, and Mike Wilson; Representatives Lynn Bechler, Regina Bunch, Denver Butler, Will Coursey, Jeffery Donohue, C.B. Embry Jr., Joni L. Jenkins, Adam Koenig, Mary Lou Marzian, Terry Mills, Tom Riner, Jim Stewart III, and Brent Yonts.

Guests: Stephen Eastin, Park Manager, Lake Cumberland State Resort Park; Bill Jasper, President, Kentucky Marina Association; Jerry Harden, President, Stardust Cruisers; Bob Stewart, Cabinet Secretary and Elaine Walker, Commissioner, Department of Parks, Kentucky Tourism, Arts and Heritage Cabinet; and Carolyn Mounce, Executive Director, Somerset-Pulaski Convention and Visitors Bureau.

LRC Staff: Carla Montgomery, CSA; Matt Ross, Adanna Hydes, and Sasche Allen.

Approval of Minutes

A motion by Senator Clark and second by Senator Harris to approve the minutes of the June 19 meeting carried by voice vote.

Importance of Houseboating and Water Sports to Kentucky's Tourism Industry

Senator Girdler thanked committee members for passing legislation designating Kentucky as "The Houseboat Capitol of the World." The first houseboat was built in Somerset in 1953. Lake Cumberland is one of the state's most important economic engines, as important to the region as Toyota Motor Manufacturing to central Kentucky. It receives more visitors than the Grand Canyon and Yellowstone National Park.

Stephen Eastin, Park Manager of Lake Cumberland State Resort Park, welcomed members to the park. He explained that due to recent flooding the park has experienced significant renovation in areas, and he commended the staff for their success repairing and renovating the park so quickly.

Secretary Bob Stewart, Kentucky Tourism, Arts and Heritage Cabinet, said the staff at Lake Cumberland State Resort Park and several other state parks recently experienced various weather-related problems including flooding and burst pipes. He noted their professionalism and hard work in dealing with a multitude of issues.

Secretary Stewart explained that regional and statewide tourism is an economic engine for Kentucky. In 2013, visitors spent $12.5 billion in Kentucky, supporting over 175,000 jobs and resulting in nearly $3 billion in payroll and $1.3 billion in tax revenue, with $168.7 million in local taxes and well over $1 billion in state taxes. Also in 2013, the southern Kentucky Lakes and Rivers Region generated $300 million in visitor spending, primarily due to Lake Cumberland.

State advertising primarily focuses on Kentucky's water and natural resources when developing advertising materials. Some out-of-state markets include Cincinnati, Chicago, Charlotte, Nashville, and Birmingham. Traditionally, the primary markets were north of Kentucky, but new trends indicate southern visitors coming to the state in increasing numbers. This year the state parks system is celebrating its 90th anniversary, which many parks are integrating and promoting in their activities. Kentucky has more shoreline than Florida and more fresh-running water than any state except possibly Alaska. Secretary Stewart said the cabinet has modestly relaunched international marketing efforts. During a recent trade mission to the United Kingdom, holiday Virgin Airlines promoters were interested in houseboating as an activity that would appeal to their clientele. Houseboating is a great marketing piece for the state.

Commissioner Elaine Walker, Department of Parks, said that Kentucky is the only state to have 17 resort parks. The parks system has faced some challenges, such as a 23 percent reduction in full-time staff and a delay in needed improvements. Parks employees have performed excellently when faced with challenges. Commissioner Walker thanked the committee for appropriating more funds for the parks system. The cabinet will be good stewards of the additional funds. Investments are being made in critical infrastructure needs, such as mattresses, televisions, and Wi-Fi to provide internet access at the parks.

Senator Girdler recognized Representative Larry Clark for his oversight of local option legislation during the 2014 legislative session that will help Kentucky's state parks compete with other resort areas. Kentucky's marketing budget is $3 million annually, compared to nearby areas like Gatlinburg which allocates $3.5 million per year and Pigeon Forge's $8.5 million marketing budget. Tennessee's statewide promotional budget is $14 million.

Bill Jasper, President of the Kentucky Marina Association, said he operates State Dock, which has a fleet of 90 rentals of which 60 are houseboats. It is the largest fleet of houseboats in one location in the United States, with approximately $4 million in houseboat rentals yearly. There are three issues affecting the tourism marina industry--the first, taxation on documented boats. Until two years ago, this tax was largely unenforced. Counties had the option to waive the 1.5 cent per $100 tax. With the economic downturn, school boards decided to levy a tax. In 2010, the tax rate in Pulaski County was eight cents per $100; in 2014, it is 66 cents per $100. There are disparities among counties, however most counties are increasing their tax rates. The result has been empty boat slips at marinas. Neither Tennessee nor Florida has a property tax, and Indiana and Ohio's rates are low. After Florida went from a high to low property tax, its boating industry has flourished. A different tax structure would be more beneficial—taxing the purchase of used boats, for example. Registration fees and personal property taxes are very low in many other states. Some taxing authorities retroactively assessed taxes and penalties five years back.

Mr. Jasper said that boat owners faced taxation without representation by being taxed for schools, libraries, and services they are unable to use. While boaters cannot live on a Corp of Engineers-maintained lake, they are taxed as residents even though they are from out-of-state. Marinas on the Tennessee side of Dale Hollow Lake are full while Kentucky marinas are not. To help resolve this problem, the Kentucky Marina Association asked that a task force be developed to address the tax issue. Based on a study by the University of Michigan, one boat, not including rentals, contributes $21,310 to the local economy.

Mr. Jasper said another important issue affecting the marina business and tourism is the school year. The school calendar has changed such that many school years begin the first week of August and end the first half of May. The summer season does not begin until June and extends through August. Business is lost because the family vacation season is cut short. Because older children must return to school during the summer season, businesses cannot hire school-aged teens. In 2013, houseboat vacations dropped from 316 in July to 184 in August—a decline of 42 percent. Ohio only saw a 5 percent decline. Somerset closed its water park due to a lack of summertime employees.

Mr. Jasper expressed concern about proposed legislation that would require marinas to make costly repairs to replace much of their equipment to address electrical shock hazards in marinas. He said there are other ways to address safety issues. A majority of the problem is with older boats that are not properly wired.

Responding to Representative Steele's question, Mr. Jasper said boats documented with the Coast Guard pay a tangible property tax while those registered with Kentucky pay the state tax. Companies pay personal property tax at the regular rate on all business property. He said boats in his marina are 60 percent documented and 40 percent registered.

Jerry Hardin, President of Stardust Cruisers, gave an overview of the houseboat company located in Monticello. Stardust cruisers have been shipped worldwide. There is a misunderstanding about average houseboaters. They are average middle class working households that use houseboating as their getaway. The dramatic increase in personal property tax has had a big impact on boat owners. The recession has been hard on the leisure business. Input costs in boat construction have increased dramatically. The $250,000 houseboat is almost impossible to build today with the increased costs. Companies also have trouble attracting and retaining skilled labor. It is very difficult to find qualified, drug-free employees. His company has been working with Somerset Community College to create a manufacturing training program. Kentucky's sales and personal property taxes affect new boat sales, making new ownership unaffordable for most families.

In 2006, there were 10 boat manufacturers with over 1,000 employees in Kentucky. This year there are two with approximately 150 employees. The two companies are joining forces to better manage costs. In 2006, 60 to 75 percent of houseboats produced stayed in Kentucky. The average price was about $290,000. Today, the average price is approximately $425,000 due to input and commodity cost increases and availability. Kentucky's tax policies are causing people to drive through Kentucky and boat in Tennessee. In Knoxville, there is a waiting list to get a marina slip, while 25 to 30 percent of slips in the Lake Cumberland area are empty. Mr. Hardin said his company generally does not take trade-ins due to the increased expense of having to pay sales tax during resale. In 2013, Stardust sold one boat in Kentucky. All other production went elsewhere. To protect his company's credibility, he tells buyers of the pending personal property tax which affects his ability to sell houseboats. Mr. Hardin asked that the legislature study the tax issue as local tax authorities are not seeing the big picture by taxing out the industry.

Representative Health said he had three recreational vehicle dealers express the same concerns about charging sales tax on trade-ins.

Responding to Senator Parrett's question, Mr. Jasper said the Marina Association is fearful that mentioning changing the tax structure may lead to both a sales tax and property tax increase. The state would make much more money if it only collected sales tax, and businesses would not be put at a disadvantage.

Responding to Senator Parrett's question, Mr. Jasper said with the water increase in Lake Cumberland houseboat rentals have increased by approximately 5 to 7 percent while slip rentals have not increased. Activity on the lake has increased; however, the weather last year was exceptionally poor.

Carolyn Mounce, Executive Director, Somerset-Pulaski Convention and Visitors Bureau, spoke about tourism expenditures in Pulaski County. Last year, visitors spent $117 million, which was a decrease of 1.5 percent from 2012. Visitation to tourist destinations decreased. Lake Cumberland visitations in 2014 for Memorial Day and July 4th weekends were 630,550.

Ms. Mounce reviewed tourism expenditures for the surrounding five counties of Lake Cumberland. After dam renovations began, they had to combat the untrue notion that Lake Cumberland was dry. The state and surrounding areas spent a lot of money addressing this issue. Ms. Mounce agreed with previous comments about the negative effects of the current school calendar on local tourism. Many out-of-state tourists have different school calendars and are affected when attractions close early. Ms. Mounce reviewed the demographics of area visitors.

In regards to tourism advertising Ms. Mounce said budget cuts have significantly affected tourism. Kentucky's tourism regions were normally allocated $111,000 for marketing and advertising from the state. These funds were matched with $137,000 locally. In 2014, funding was cut 69 percent. The region asked the state to use some of the allocation to advertise and perform marketing research. For the last three years, Kentucky has not been at boat and travel shows due to budget cuts while surrounding states continue to participate. Kentucky convention and visitors bureaus assist the state by distributing *Kentucky's Official Visitors' Guide*. Due to funding cuts, local tourism regions have been unable to market events, thus affecting the number of visitors. Tourism is the purest form of "Made in America" that aids economic recovery. Tourism will never be exported, so it should be funded to compete with surrounding states.

There being no further business, the meeting adjourned at 11:46 AM EDT.

INTERIM JOINT COMMITTEE ON LICENSING AND OCCUPATIONS

Minutes of the 2nd Meeting of the 2014 Interim

July 11, 2014

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Licensing and Occupations was held on Friday, July 11, 2014, at 10:00 AM, in Room 129 of the Capitol Annex. Representative Dennis Keene, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator John Schickel, Co-Chair; Representative Dennis Keene, Co-Chair; Senators Tom Buford, Julie Denton, Jimmy Higdon, Morgan McGarvey, R.J. Palmer II, Dan "Malano" Seum, and Damon Thayer; Representatives Julie Raque Adams, Tom Burch, Denver Butler, Larry Clark, Jeffery Donohue, Dennis Horlander, Joni L. Jenkins, Adam Koenig, Reginald Meeks, Charles Miller, Brad Montell, David Osborne, Darryl T. Owens, Ruth Ann Palumbo, Sal Santoro, Arnold Simpson, and Diane St. Onge.

Guests: Allen Brenzel, M. D., Medical Director, Department of Behavioral Health and Developmental and Intellectual Disability, Department for Health and Family Services, Mike Townsend, President, Kentucky Association of Addiction Professionals, Pat McKiernan, Kentucky Department of Veteran Affairs, Veronica Cecil, Chief of Staff, Department of Medicaid Services; Sonja Minch, Administrator, Francis Simpson Chairman, Kentucky Board of Barbering; Arch Gleason, President/CEO, Mary Harville, General Counsel, and Howard Kline, Chief Financial Officer, Kentucky Lottery Corporation.

LRC Staff: Tom Hewlett, Bryce Amburgey, Jasmine Williams, Michel Sanderson, and Susan Cunningham.

Approval of minutes

A motion to approve the minutes from the June 13, 2014 meeting was made by Representative Miller and seconded by Senator Palmer. The motion carried by voice vote.

Licensure of Clinical Alcohol and Drug Counselors

Representative Joni Jenkins introduced a group of mental health professionals to speak in favor of a bill to add licensure to the existing certification of clinical alcohol and drug counselors.

Pat McKiernan, Kentucky Department of Veterans Affairs, said the Licensed Clinical Alcohol and Drug Counselor bill is intended to encourage another tier of practice within the state of Kentucky. There are approximately 800 certified alcohol and drug counselors in the state, but there are an estimated 280,000 individuals needing drug and alcohol treatment. By adding this level of licensure and increasing the competency level of the profession, more people would be encouraged to treat the disease.

Alan Brenzel, M.D., Medical Director of the Department of Behavioral Health and Developmental and Intellectual Disabilities, and Veronica Cecil, Chief of Staff with the Department of Medicaid Services, said substance abuse is a growing epidemic that affects all aspect of state government from law enforcement to judiciary and education. It hinders economic development and impacts families and children. A common reason children come into state custody is the result of the dysfunction related to substance abuse disorders. Overdose deaths are increasing from heroin. The cabinet believes this issue has become urgent.

In January, Medicaid added a substance abuse benefit to the state plan. To obtain a provider number, independent licensure is required. Therefore, it is necessary to create a category called Licensed Clinical Alcohol and Drug Counselors (LCADCs) that allows professionals to practice independently in order to gain Medicaid provider status, and thus provide a qualified workforce to provide treatment to adults, children, and families. The Mental Health and Substance Parity Act requires that private insurers cover substance abuse treatment. The bill would create a board that will oversee the work of counselors and protect the public from someone who is not practicing in the scope of practice for the profession. Veronica Cecil, as Director for Program Integrity that oversees provider licensing, said that adding licensed Alcohol and Drug Counselor providers will benefit the Medicaid members as well as the state.

In response to a question from Senator Schickel, Dr. Brenzel said the changes would allow the licensed professionals to become credentialed and gain independent Medicaid provider status. Overall health costs are related to untreated substance abuse. Identifying and treating substance abuse early controls health care costs and prevents more expensive medical costs later. Ms. Cecil said that Certified Clinical Alcohol and Drug Counselors may provide services to Medicaid members in a Community Mental Health Center setting, but they are limited to that setting. However, if they gain independent provider status they may provide treatment outside the clinic.

In response to a question from Representative Montell, Dr. Brenzel said that all states, under the Mental Health and Substance Abuse Parity Act, are required to provide coverage for substance abuse treatment. Based on a January estimate of the number of active abusers, only a small number are seeking treatment, which makes it difficult to develop an estimate of demographics and total cost. An actuarial analysis is part of the negotiation with Managed Care Organizations. Ms. Cecil said that other states have been providing this coverage for quite some time. Representative Jenkins said the treatment is already being provided; however, with passage of this legislation there will be more qualified practitioners to provide the service.

In response to a question from Senator Buford, Representative Jenkins said the language regarding license fees is consistent with other licensing boards and the notwithstanding language allowing fees to be swept is built into the budget document.

Representative Burch said that these services are needed to serve people who have addictions. The cost of an alcoholic cannot be measured. The federal government is fully funding Medicaid for the next two years and funding it at an enhanced level for years after that.

Changes to Kentucky Board of Barbering policies and procedures

Sonja Minch, Administrator for the Kentucky Board of Barbering, said the board had explored the possibility of not accepting checks for renewal fees due to cost and delays in issuing licenses while waiting for checks to clear. However, boards are required by statute to accept payment for license renewal in the form of a check, so the board has decided not to prohibit checks. The board is exploring the possibility of online renewal. With the changing demographics, many new licensees do not use personal checks, so a number of options are being considered.

In response to a question from Senator Schickel, Ms. Minch said the number of barbers in Kentucky is not declining, but the demographic is changing. There are 5,000 licensed barbers. Some are independent contractors, and some are shop owners. All licenses are renewed annually in June. The change from the apprentice to probationary period has led to some difficulty because it takes away oversight of new barbers.

In response to a question from Representative Miller, Ms. Minch said barbers and cosmetologists are trained differently. The law requiring a wall of separation is in the cosmetology statutes; however, as a barber, she would not be interested in combining a shop with hairdressers.

Francis Simpson, Board Chairman for the Kentucky Board of Barbering, said he has five barbers and eight hairdressers working in the same building, divided by a wall. Barbers are trained differently, and the apprentice program is useful in training new barbers.

Representative Clark suggested that the board consider changing the license renewal program to a staggered system to avoid the burden of all licenses renewing on July 1.

Keno and future plans for Kentucky Lottery Corporation

Howard Kline, Chief Financial Officer, said the Kentucky Lottery Corporation (KLC) saw record sales in 2014 totaling $857.7 million, a 1.3 percent increase over 2013. There was a two percent increase in the 2014 transfer to the General Fund. In 2015, sales are projected at $935 billion with a net income of $247 million and $238 million projected to be transferred to the General Fund. Sales of scratch-off ticket in 2014 were $1.8 million less than in 2013. Also, a lack of major, sustained Powerball jackpots had a negative effect on that game's sales. However, Mega Millions sales made up some of the shortfall with sales of $12.7 million over the previous year.

Keno began play in November of 2013 with 394 retailers: 194 Keno-only retailers, and 200 traditional retailers. Sales for 2013 were $29.5 million, $1.5 million more than projected. Currently there are 510 Keno retailers, 269 Keno-only retailers and 241 traditional lottery retailers. A $24 million increase is expected in 2015.

Arch Gleason, President and CEO of KLC, said the decline in scratch-off ticket sales is troubling because that has been the dominant product since the inception of the lottery, with 60 percent of sales in the form of the scratch-off ticket. Keno has had some impact on scratch-off sales, but it is not anticipated for the long term. Sales of Keno are typically in social settings, and KLC will continue to grow this market.

In October, KLC is scheduled to launch a third, nationally based lottery game. This will be a draw game, sold through a terminal on a weekly basis, based on the game of Monopoly. Lotteries from across the country participate in the weekly drawing. The initial jackpot will be $15 million. It is anticipated that it will take approximately 12 weeks for a winner. Kentucky will win a share based on sales.

KLC is the sole funding source for the Kentucky Education Excellence Scholarship (KEES), the need-based College Access Program (CAP), and Kentucky Tuition Grant (KTG) programs. These proceeds have been distributed to 569,542 Kentucky college students to help defray college expenses.

In response to a question from Senator Thayer, Mr. Gleason said KLC has had discussions regarding equine lottery and offering that product in recent years. It is the opinion of KLC that it would require a law change. There is a question about whether KLC could legally split funds with the racing enterprises. Additionally, it is felt that this particular game will not have the benefits that the designer believes it will have. It is not in the current plans of KLC to offer that product. Mary Harville, General Counsel for KLC, said that 100 percent of Keno revenue goes to scholarships, the same way as all lottery revenue is handled. In the equine lottery game, the race tracks would receive part of the proceeds even though the lottery would be the seller of the tickets.

Ms. Harville said that, in January 2014, KLC began to focus on iLottery, the sale of lottery products over the internet. A team from the lottery traveled to three other state whose lotteries that are selling products over the internet. These states included Minnesota, Michigan and Georgia. KLC officials observed their systems and vendors. There was an option in the contract with KLC's current vendor to institute Internet based sales. However, because the contract was aging, it was felt a Request for Proposal (RFP) was necessary. The specifications should be finalized and the RFP sent out this summer. It is anticipated that a contract could be finalized by the end of the year. Sales should begin in about one year.

The iLottery system will be able to determine if the player is in Kentucky and is 18 years of age, which will be verified with each wager. There will be the ability to set limits on amount and time spent wagering. Games offered initially would consist of the multi-state draw games, Powerball, Mega Millions, and the Monopoly game. In approximately three months, KLC will add other draw games and later implement an electronic version of scratch-off games.

In response to a question from Representative St. Onge, Mr. Gleason said KLC has gathered information from lotteries around the world. Illinois has set a global dollar limit on the amount wagered at $200 per player per cycle. There is also a self exclusion program so that a player who does have a problem could elect to self-exclude. Banking will be established for players and cash will have to be in their account for them to play. In Georgia, a player can apply for a card through the lottery, which is linked to a bank account that the player must fund. KLC may also offer a prepaid card with a set amount already on the card. Ms. Harville added that KLC is not aware of any law that prohibits them from deciding the manner in which the product should be responsibly sold.

In response to a question from Senator Higdon, Mr. Gleason said that maintaining business with retailers is important to the lottery. The percentage of iLottery sales at this time is less than one percent and should not have a significant impact on retail sales.

In response to a question from Representative Osborne, Ms. Harville said KLC ensures they are in compliance with federal law. In 2011, the Department of Justice was clear that lotteries can engage in this type of internet wagering if it is within each state's borders, is not sports wagering, and is consistent with the laws of the state.

Representative Osborne said that he would like to have Equine Lottery come before the committee to get a better understanding of how the game works.

Senator Schickel said the next meeting of the committee will not be on the regular meeting date. The meeting will be Tuesday, August 12, at 1:30 PM at Eagle Distributors. Lunch will be served at 12:30 PM. More information will be sent in the mail.

There being no further business to come before the committee the meeting was adjourned at 11:13 AM.

INTERIM JOINT COMMITTEE ON TRANSPORTATION

Minutes of the 3rd Meeting of the 2014 Interim

August 5, 2014

Call to Order and Roll Call

The 3rd meeting of the Interim Joint Committee on Transportation was held on Tuesday, August 5, 2014, at 1:00 PM, in Room 171 of the Capitol Annex. Representative Hubert Collins, Chair, called the meeting to order, and the secretary called the roll. The minutes from the July 1, 2014 Interim Joint Committee on Transportation meeting were approved.

Present were:

Members: Senator Ernie Harris, Co-Chair; Representative Hubert Collins, Co-Chair; Senators Bob Leeper, Morgan McGarvey, Dorsey Ridley, Albert Robinson, Brandon Smith, Johnny Ray Turner, and Whitney Westerfield; Representatives Kevin D. Bratcher, Denver Butler, Leslie Combs, Tim Couch, Jim DeCesare, David Floyd, Keith Hall, Richard Henderson, Toby Herald, Kenny Imes, Jimmie Lee, Donna Mayfield, Charles Miller, Terry Mills, Rick G. Nelson, Marie Rader, Steve Riggs, Sal Santoro, John Short, Arnold Simpson, Diane St. Onge, John Will Stacy, Fitz Steele, Jim Stewart III, Tommy Turner, and David Watkins.

Guests: Molly Ramsdell, Director, Washington Office, National Conference of State Legislators (NCSL); From the Kentucky Transportation Cabinet (KYTC): Rodney Kuhl, Commissioner, Department of Vehicle Regulation; Caroline Brown, Director of the Division of Drivers' Licensing; Doug Sutton, Assistant Director of the Division of Drivers' Licensing; Mike Hancock, Secretary; Tammy Branham, Executive Director, Office of Budget and Fiscal Management; and Russell Romine, Deputy Secretary, Policy Advisor, Office of the Secretary.

LRC Staff: John Snyder, Brandon White, Dana Fugazzi, and Christina Williams.

Deadlines for REAL ID Act and How Act Affects Kentucky Citizens

Molly Ramsdell, Director, Washington Office, National Conference of State Legislators (NCSL) discussed the impending deadlines regarding the REAL ID Act and how it affects Kentucky citizens.

Ms. Ramsdell stated after the events of September 11, 2001, the 9/11 Commission was established, which issued its report in 2004 that referenced the drivers' license and secure identification process, and recommended that the federal government set the standards for the issuance of birth certificates and sources of identification. In December 2004, the Intelligence Reform and Terrorism Prevention Act of 2004 was adopted, implementing a number of the Commission's recommendations. It also established a negotiated rulemaking process to be run by the federal Department of Transportation in consultation with the Department of Homeland Security (DHS), for drivers' licenses and identification issued by states. A positive aspect of the process is that it brought all of the involved entities and stakeholders together to standardize drivers license and identification requirements. Five months later, after the negotiated rulemaking process had started, the language establishing the process was repealed and the REAL ID Act was enacted. The REAL ID Act was added to an emergency supplemental spending bill and was not received well due to the lack of transparency of the bill. The REAL ID Act terminated the negotiated rulemaking process and required DHS to develop standards for state issued drivers' licenses and identification cards. The requirements would apply to all 56 licensing jurisdictions, U.S. territories, and the District of Columbia. REAL ID affects all of the approximately 240 million drivers' license holders in the United States.

REAL ID requires states to verify the validity of source documents (the documents that an applicant must provide to the DMV to apply for a drivers' license), retain copies of source documents, and provide actual physical security of the locations where drivers' licenses are issued. There are requirements for drivers' license card design. Each person may have only one drivers' license and not multiple drivers' licenses for multiple states. States must also verify the individual's lawful presence in the United States.

The final regulations issued in January 2008 were far less prescriptive than the draft regulations. The National Governor's Association, NCSL, and the American Association of Motor Vehicle Administrators (AAMVA) worked together to provide DHS guidance with input from the states as to how to fulfill the requirements of the law and simultaneously ease the burden on states so that they could implement the REAL ID Act.

It was estimated that the cost to states to implement the final regulation would be about \$3.9 billion over 11 years. To date, Congress has only appropriated \$263 million to cover the \$3.9 billion mandate. While REAL ID costs are an allowable expense for states under their Homeland Security Grant Program funds, this would reduce the Homeland Security funds available for other purposes.

Ms. Ramsdell stated the penalty for non-compliance to the REAL ID Act is that the states' citizens will not be able to use the states' driver's licenses as identification to enter certain federal facilities or board commercial aircraft.

There has been opposition from states, with some voicing concerns that the REAL ID Act is a federalism issue and that there is not enough funding, and that it is also a privacy issue due to having access to databases that will be able to verify source documents. There is concern that the databases may not be secure with personal information.

There are 17 states with statutory opposition to comply with the REAL ID Act. There has been no recent discussion of repealing the REAL ID Act.

In fall 2013, the enforcement schedule was released. Ms. Ramsdell discussed the phases of the schedule: phase one, dealing with restricted areas for DHS headquarters, specifically the Nebraska Avenue complex; phase two, dealing with restricted areas for all federal facilities and nuclear power plants; and phase three, which will not have full enforcement until January 2015. Phase three will involve semi-restricted areas for the remaining federal facilities, and phase four will deal with restrictions on commercial aircraft.

Ms. Ramsdell stated concerning phase four, DHS is contemplating allowing individuals to use other forms of identification in addition to their non-compliant drivers' license to allow them to board a commercial aircraft, however, a regulation has not been put into place at this time to allow that.

Ms. Ramsdell added that if a state is noncompliant, its residents will still be able to board a commercial aircraft, but they will need another form of federally accepted identification, such as a passport, military ID, or another form of identification deemed acceptable by the federal government. The Transportation Security Administration (TSA) is the agency that designate acceptable forms of ID. Citizens may go through secondary screening with an extra level of screening at an airport if they do not have a compliant license or other form of federally accepted identification.

Chairman Collins stated that, after 9/11, the 2002 General Assembly adopted some of the most stringent license requirements for proof of legal presence in the United States.

In response to a question from Representative DeCesare, Ms. Ramsdell stated the REAL ID Act regulations and the law were written to give states' a choice to have a two tier system. The state can issue a REAL ID compliant card, which can only authorize individuals who are lawfully present, or the state could enact a two tier system for citizens who do not wish to have a compliant card or those who are not eligible for a compliant card, to have a non-compliant card that states that card is not good for federal purposes. The non-compliant card could not be used to board commercial aircraft or to access federal facilities. She added there will however be a phase-in period where a citizen could be from a compliant state, but the license is not yet compliant because the re-enrollment period has not been completed.

In response to a question from Representative DeCesare, Ms. Ramsdell stated even if Kentucky did not adhere to the REAL ID Act requirements, the citizens would have access the offices of their federal Representatives and Senators. She is unsure if the United States Capitol building could be accessed, but the congressional offices would be accessible.

Chairman Collins clarified that someone does not necessarily have to be a citizen of the United States to receive a drivers' license in Kentucky, but if a visa were acquired, the person holding it could receive a license in the state until the visa expired.

In response to a question from Representative Floyd regarding other acceptable forms of identification, Ms. Ramsdell stated any form of identification that is currently accepted in place of a drivers' license, such as a military ID or a passport, would continue to be acceptable after the REAL ID Act has been fully implemented.

Ms. Ramsdell said that, when the regulatory debate of the REAL ID process was occurring, some states considered the possibility of it being more feasible to assist citizens in obtaining a passport, as opposed to obtaining a REAL ID, depending on the number of citizens within that state that may not have another form of acceptable ID such as a passport or military ID.

Ms. Ramsdell offered to send to members TSA's list of acceptable forms of ID to board commercial aircrafts.

In response to a question from Representative St. Onge, Ms. Ramsdell stated REAL ID requires proof of lawful presence in the United States. The regulation has a list that defines which visa categories would be eligible.

Representative St. Onge suggested having a database in which the Division of Drivers' Licensing and the State Board of Elections, where voter registrations are issued, would be able to cross-communicate to eliminate fraud, errors, and other issues that may arise because of different names or different legal ways of writing the same name.

Ms. Ramsdell stated there is no central REAL ID database, and information often times has to be verified by an assortment of databases; this is not addressed by the Act. REAL ID requires citizens to show proof of name change.

In response to a question by Representative Miller, Ms. Ramsdell stated that all states are committed to ensuring increased security, integrity, and the issuance of the drivers' licenses and that a single approach does not necessarily work for all states. Implementation of the REAL ID Act came at a difficult time for many states due to hard economic times and decreasing budgets. DHS is only implementing what Congress enacts, and Congress has not appropriated additional funds since 2011. Congress feels there has been additional flexibility given to states by being able to use Homeland Security Grant programs.

Ms. Ramsdell added that an example of a costly change in the system concerns when a citizen takes a photo for identification. Currently, the photo is taken at the point of final issuance, but REAL ID will require the photo to be taken at the point of application. This change will require a complete transformation in some DMV systems.

There are certain aspects with which DHS has been flexible during the transition period, but there are requirements and limitations that must be adhered to within the law unless the law changes.

In response to a question by Representative Steele, Ms. Ramsdell stated the commercial aircraft portion of REAL ID will not be enforced until 2016.

Rodney Kuhl, Commissioner, Department of Vehicle Regulation; Caroline Brown, Director of the Division of Drivers' Licensing, and Doug Sutton, Assistant Director of the Division of Drivers' Licensing, clarified questions regarding Kentucky and REAL ID.

Commissioner Kuhl stated that, going forward, Kentucky will need to make tough decisions if the REAL ID Act will be implemented. The state will need to address how the Act will be implemented, whether licenses will still be issued in each county or move to a regional or central issuance system, whether the state issue both a regular drivers' license and a REAL ID compliant license for those who wish to have a REAL ID only. Another option is to create a duel license REAL ID. Kentucky is in compliance until October 2015 due to the extension that was given.

Chairman Collins stated any changes that need to be made statutorily will need to be made in the upcoming Regular Session of the General Assembly.

Commissioner Kuhl stated another issue that will arise because of REAL ID is the physical security aspect of circuit clerk branches. Several circuit clerk branches have actively begun the security assessment process to evaluate which branches are compliant within the security parameters of REAL ID, and which branches will need security changes. This process could take time due to the number of older courthouses that more than likely will need updating.

In response to a question from Representative Floyd, Commissioner Kuhl stated it was correct that the current drivers' license will not look different after REAL ID, but the source documents that are needed to renew the licenses will change. Kentucky's current physical drivers' licenses could be REAL ID compliant. The department has already identified the fields within the drivers' license itself and within the face where the REAL ID compliant indicator would go. The department has already identified where the "not for official federal use" language would be placed if needed.

In response to a question from Chairman Collins, Commissioner Kuhl stated implementing REAL ID would allow citizens to not only board commercial aircraft but to be allowed access to other federal facilities that would be restricted to citizens who are not REAL ID compliant. There will be an evaluation period for the commercial aircraft requirements that will not start sooner than 2016, therefore it will be at least 2016 before a Kentucky citizen would have problems boarding commercial aircraft.

In response to a question from Representative DeCesare, Commissioner Kuhl stated there is a chance that some judicial centers will be REAL ID compliant with security but others will not. For those that are not, the security systems will need to be changed if Kentucky decides to become REAL ID compliant.

In response to a question from Representative DeCesare, Commissioner Kuhl stated at this stage there is no way to know the cost of revamping the circuit clerk offices to meet REAL ID Act security requirements.

Road Fund and FY 2014 Close-out Report

Mike Hancock, Secretary, Kentucky Transportation Cabinet; Tammy Branham, Executive Director, Office of Budget and Fiscal Management, Kentucky Transportation Cabinet; and Russell Romine, Deputy Secretary, Policy Advisor, Office of the Secretary, Kentucky Transportation Cabinet, gave an update on the Road Fund and the FY 2014 close-out report.

Ms. Branham stated the fiscal year 2014 ended June 30, 2014. The December Consensus Forecasting Group (CFG) estimated 2014 Road Fund revenue at $1.582 billion; the state actually collected $1.560 billion, missing the estimate by $22.2 million. Motor fuels taxes were $14.5 million below the estimate. Motor vehicle usage taxes were $5.4 million below the estimate and the various other categories were $2.3 million below the estimate.

Ms. Branham stated that $22.2 million shortage seems a little worse than it is because the budget was actually built on the December 2011 Road Fund estimate of $1.568 billion, and after the lapses, the budget only had to be reduced by $3.7 million, $3.4 million of which came from Research due to toll credits being used to match federal grants instead of being used for the Road Fund. State construction was reduced by $259,000. Road Fund revenues in FY 2014 to FY 2013 had growth of $68.8 million or 4.6 percent, but had been expected to be 6.1 percent.

In response to a question from Representative Combs, Ms. Branham stated the particular expenditure lapses include: $912,000 in aviation, $306,000 in revenue sharing, $4 million in highways, $2.6 million in vehicle regulation, $3 million in general administration, and $1.9 million in capital projects, all of which account for $12.7 million.

In response to a question from Representative Simpson, Ms. Branham stated toll credits are a mechanism that allows the state to access federal dollars without having a cash match, but there is no purchasing power. If there is a grant that is an 80/20 split, and the state does not have the 20 percent cash match, it can access the 80 percent by using toll credits on a one for one basis. Mr. Romine said that toll credits are earned by investment of state dollars in the federal highway system.

Status of Federal Highway Trust Fund

Mr. Romine testified about the Highway Trust Fund. Congress acted on the Highway Trust Fund by authorizing a transfer of $10.9 billion to the Highway Trust Fund over the span of the upcoming 10 months. MAP-21, the current federal transportation bill, was due to expire in September 2014. The transfer extends MAP-21 through May 31, 2015. The $10.9 billion comes through three different avenues. One is through pension smoothing ($6.4 billion), which allows corporations to reduce their contributions to retirement funds but make them up later. Since retirement fund contributions are tax deductible, they will be paying more on corporate earnings in the short term, with the idea that they will be made up over the long-term. Restructuring customs user fees will account for $3.5 billion, which are fees paid to customs services for goods, services, and people who enter the United States. Also, $1 billion from the leaky underground storage tank fund will be transferred into the Highway Trust Fund to make up the rest.

Mr. Romine emphasized the difficulty for the cabinet to engage in long-term planning when there is no more than a 10 month window of funding. Congress averted the current crisis this time, but in June 2015, the situation will need to resolved again.

Mr. Romine stated the last fully funded Transportation bill was TEA-21 in 1998, which expired September 2003. Congress did not immediately reauthorize TEA-21, but there were 12 extensions before SAFETEA-LU was signed by President George W. Bush in August 2005. SAFETEA-LU passed, predicated on greater levels of funding than what the Highway Trust Fund has realized. There were more outlays from the levels of spending that were authorized in SAFETEA-LU than money coming into the Highway Trust Fund. Beginning in 2008, the crisis with the Highway Trust Fund became very apparent. Since 2008, $55 billion in non-highway General Fund money has been transferred into the Highway Trust Fund to keep it solvent. With the latest action, that amount is now $66 billion. The Highway Trust Fund is a deteriorating revenue source. A long term solution is needed.

Discussion of Changes in VTR forms and Temporary Tags, and Consideration of Resolution Expressing the Committee's Concerns

Commissioner Kuhl provided an update on the previous meeting's discussion on changes in VTR forms and temporary tags.

Chairman Collins stated the motor vehicle usage tax brings in over $400 million per year. Any impediment to the transaction going smoothly might endanger a sale, so there is a need to be careful to make sure the process is streamlined and fast as possible.

Commissioner Kuhl provided an omitted email dated June 16th email that was sent to the County Clerks that was presented at the previous meeting. The email addressed the department's intentions for the August 1, 2014 deadline, for clearing up old forms that sometimes in from clerks and that no longer need to be used, even though the forms are still acceptable.

In response to a question from Chairman Collins concerning lack of space for a mileage listing on the back of old titles, Commissioner Kuhl said the current VTR form should be used. The odometer disclosure statement is within the new VTR form. Commissioner Kuhl added that the TC965 form, referenced at the last meeting, is an odometer disclosure form that is mainly used for corrections of odometer reading discrepancies.

Chairman Collins said he understood that if the title is unavailable, then whoever sells the automobile must have a mileage statement. Commissioner Kuhl responded in the affirmative. He stated dealerships can continue to use KADA odometer disclosure forms as part of keeping up with their files.

Commissioner Kuhl said the department did a state survey through AAMVA concerning temporary tags. He stated that 36 other states and jurisdictions responded, indicating that 43 percent used plain paper as temporary tags. About 58 percent allowed temporary tags to be placed on the inside back window of vehicles. Most responding states do not have any sort of imbedding security within temporary tags, as Kentucky does now.

Commissioner Kuhl stated the department is doing materials research on the temporary tags, including testing the longevity of the tags.

At the previous meeting, the department was asked about the disposition of damaged temporary tags. Since there is a limit of only one temporary tag per vehicle, the department has been working with the Motor Vehicle Commission on a process to allow a dealership to issue another temporary tag if needed. To issue another temporary tag, the dealership must document the old tag, the new tag, and the reasons for the new one.

Commissioner Kuhl stated that during the auditing process the department is not citing dealerships for the issue of new temporary tags or the reissuance of temporary tags.

Commissioner Kuhl stated there are remaining temporary tags in inventory. There is discussion on what should be done with them. One suggestion is to purchase protecting sleeves to use with the remaining temporary tag inventory until a more permanent solution is realized.

In response to a question from Chairman Collins, Commissioner Kuhl stated there are approximately 400,000 temporary tags in inventory.

Chairman Collins added that Indiana prints temporary tags from a computer with an expiration date already on them and charges $3.00 per tag. Ohio prints temporary tags with handwritten dates and charges $18.50. If the dealer inputs the information into the system, the charge is $15.50 per temporary tag.

Commissioner Kuhl showed a temporary tag in a protective sleeve to the committee. In response to a question from Chairman Collins, Commissioner Kuhl stated the temporary sleeve cost is $0.03 per sleeve.

Commissioner Kuhl added that another way to address damage to temporary tags would be to amend KRS 186.170 to allow the temporary tags to be placed in the back window.

Representative Simpson applauded the cabinet for printing the new temporary tag, as it has proved to be more economical than the printing of the older temporary tags.

In response to a question from Chairman Collins, Commissioner Kuhl stated the cost to produce the current temporary tag is approximately $0.09. However, the state will continue to charge $2.00 to citizens to obtain the tag.

Chairman Collins requested information as to the cost to produce the old temporary tag that is no longer in use. He reiterated that he was impressed with the quality of the older tag. Commissioner Kuhl stated he has requested that information and has also requested the cost for using the older temporary tags without the embedded security measure.

Commissioner Kuhl stated the current temporary tag is used as an inventory number. If law enforcement were to run the temporary tag, there is no database to find out if the tag belonged to another vehicle previously. He said that fraud would be easily monitored if there were such a database.

Chairman Collins questioned Commissioner Kuhl about a committee resolution to require the state to provide the forms to the automobile dealers. Commissioner Kuhl stated he agrees with the idea that the state must provide the forms necessary and that the department will continue to provide the forms.

Representative Lee reiterated his position that the State needed to cut down on paperwork associated with the automobile purchasing process, specifically paper titles. He advocated paperless titles, which would be easier to keep track of because the titles would be in a database versus a paper copy with a vehicle owner that would often be lost and have to be reissued.

In response to a question from Representative Santoro, Commissioner Kuhl stated the 400,000 temporary tags that are in inventory last through the year.

Representative Santoro stated that, due to his experience as a former state trooper, temporary tags that are placed in the back windows of vehicles do not work.

Representative Lee moved to adopt the resolution. Chairman Harris seconded the motion, and the resolution passed and was signed by Chairman Collins and Chairman Harris.

With there being no further business, Chairman Collins adjourned the meeting at 2:34 P.M.

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

Minutes of the 1st Meeting of the 2014 Interim

July 10, 2014

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Veterans, Military Affairs, and Public Protection was held on Thursday, July 10, 2014, at 1:00 PM, in Room 154 of the Capitol Annex. Senator Jimmy Higdon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jimmy Higdon, Co-Chair; Senators Carroll Gibson, Ernie Harris, Christian McDaniel, Dennis Parrett, Albert Robinson, Reginald Thomas, Whitney Westerfield, and Mike Wilson; Representatives Johnny Bell, Robert Benvenuti III, Regina Bunch, Tom Burch, Denver Butler, Dwight D. Butler, Larry Clark, Leslie Combs, Tim Couch, Myron Dossett, David Floyd, Kenny Imes, Martha Jane King, Jimmie Lee, Donna Mayfield, David Meade, Terry Mills, Tom Riner, Rita Smart, John Tilley, and Russell Webber.

Guests: Dr. Ray Biggerstaff, CPT (RET) 101st Airborne Vietnam; Nick Cook, Community and Economic Development Coordinator, Barren River Area Development District; Col. (Ret.) Bill Lytle, Air Force; Heather French Henry, Commissioner, Margaret Plattner, Deputy Commissioner, and Gilda Hill, Kentucky Department of Veterans' Affairs; Nicole Luddington, MD, Staff Psychiatrist, PTSD Clinical Team, Cynthia Ramminger, LCSW, Program Coordinator, PTSD Clinical Team, and Mary Sweeney, PhD, Staff Psychologist, PTSD/Substance Use Disorder Specialist, PTSD Clinical Team, Robley Rex VA Medical Center; Danny "Greasy" Belcher, Vietnam veteran, Founder of Task Force Omega of Kentucky; and MSgt. (Ret.) Thomas Vance, Air Force; Molly Sawyers, President, VFW Auxiliary 1170; Victoria Burgin and Kim Callis, KYMMS; Joey Allen, Brian Deel, Sara Penn, and Robert Clark II, Veterans for Medical Cannabis.

LRC Staff: Erica Warren, Daniel Carter, Kristopher Shera, and Rhonda Schierer.

Proposed Bowling Green Veterans' Center

Dr. Biggerstaff, Nick Cook, and Col. Lytle discussed a handout for members that contained information on a proposed nursing home for veterans in Bowling Green, Kentucky. Col. Lytle discussed the need for the nursing home. There are 22,000 veterans in the area, and there is a potential growth of 22,000 veterans just outside the area. Mr. Cook discussed the Community

Blueprint Project that focused on eight areas that would improve if a veterans' nursing home were built in Bowling Green. These areas are education, behavioral health, family strength, employment, reintegration, volunteerism, financial and legal aid, and housing. There was a kick off meeting in 2013 and a follow up meeting in 2014 with the Warrior and Family Support program, Department of Defense, Washington, D.C. The main goal was to sustain and improve the quality of life for service members, families, and families of fallen heroes. Special projects include updating a community resource guide, the veterans initiative of providing in-home visits, and improving efforts to better identify veterans in the area.

Col. Lytle stated that Warren County has excellent healthcare services to support centers and clinics, including a new primary care center that will assist the VA hospital in Nashville in service to the area. Warren County has two regional hospitals with emergency care services and over 250 practicing and registered physicians who support a vast number of health care services.

Col. Lytle stated that the services available in the area include transportation to a VA hospital in Nashville. The lack of travel support from rural areas is always a problem, the need for a facility is increasing, and congressmen from Kentucky will help Bowling Green get on the VA project list when support and funding is passed by the legislature.

Commissioner Heather French Henry discussed the initial application required for state nursing home construction and acquisition grants, and members were provided a copy of an application from the Kentucky Department of Veterans Affairs.

Gilda Hill said there had not been a completed assessment by Kentucky since the Radcliff nursing home. She discussed the needs assessment criteria on the application. The assessment should include demographic characteristics of the veteran population; the number of VA, state, and community based nursing homes beds and the occupancy rate from the previous fiscal year; waiting lists for existing state home programs; plans for acute medical care/emergency care services as required by state home residents; and availability of qualified medical care personnel to staff the proposed facility.

In response to a question from Chairman Higdon, Ms. Hill stated that it would take at least six months to complete a needs assessment, and that the VA is pushing for more in-home care rather than more nursing homes because in-home care is becoming the preferred model.

In response to a question from Representative Dossett, Commissioner French Henry stated that KDVA is looking to partner with community and legislative offices to spread the word in surrounding areas that the Hanson nursing home in western Kentucky has beds available.

In response to a question from Representative Benvenuti regarding soldiers being on long waiting lists for care from VA facilities, Commissioner French Henry stated that the KDVA would look into his recommendation of a pilot project in Kentucky that allows veterans a medical voucher to use non-VA, private facilities for care if they have been on long waiting lists.

In response to questions from Representatives Bell and Tilley, Deputy Commissioner Plattner stated that the Kentucky Military Behavior Health Initiative has partnered with the Department of Behavioral Health and Community Health Centers to create an infrastructure for mental health services and is creating programs to help veterans. Deputy Commissioner Plattner discussed a vision for tele-mental health services for veterans in rural areas.

PTSD Treatment Options

Nicole Luddington, Cynthia Ramminger, and Mary Sweeney, from the Robley Rex VA Medical Center in Louisville, Kentucky, gave a PowerPoint presentation on post traumatic stress disorder (PTSD) protocols and options. Ms. Ramminger stated that the center treats four types of trauma: combat and war-zone trauma, traumatic grief and loss, military sexual trauma and accidents. Common co-morbidities with PTSD in veterans are substance abuse, depression, traumatic brain injuries (TBI), chronic pain, and insomnia. As of February 2014, there were 350,898 veterans with potential or provisional PTSD nationwide. Individuals with PTSD have elevated risk for substance abuse, suicide, relationship issues, homelessness and risk of poor physical health. Patients who are presumed to have symptoms of PTSD or who are positive for PTSD on the initial screening receive a thorough assessment of symptoms. Other psychological testing is utilized when symptoms are complex and multiple diagnoses are under consideration. When assessing trauma exposure, the clinician considers the veteran's ability to tolerate the recounting of traumatic material, since it may increase distress and exacerbate PTSD symptoms.

Psychotherapy, trauma focused therapy, eye movement desensitization and reprocessing therapy, and group therapy are the evidence-based treatments for PTSD. Other treatments include motivational interviewing, safety treatment, acceptance, and commitment therapy for anger. The center provides services for couples counseling, cognitive behavior therapy for insomnia, suicide prevention, in-home visits, compensated work therapy program, peer support, homeless services, substance abuse treatment, and veteran's court. There is no medication proven to specifically treat PTSD, but types of medication used for treatment include antidepressants, mood stabilizers, atypical antipsychotics, anticonvulsants, anxiolytics, and sleep aids. Tele-mental health includes individual therapy services and medication management services available to other VA outpatient offices and to the veteran's home.

In response to a question from Chairman Higdon, Dr. Luddington stated that she is not aware of any evidence confirming that medical marijuana can be successfully used to treat humans with PTSD, but there is anecdotal evidence that it helps. Studies on animals show that it helps extinguish fear.

In response to a question from Representative Benvenuti, Dr. Sweeney stated that if a veteran is using drugs, he or she will not be admitted to residential treatment but will be treated on an outpatient basis.

Danny Belcher and Thomas Vance testified in favor of medical cannabis treatment for PTSD. Mr. Belcher stated that it helped him get off multiple drugs he had been taking for a broken back and PTSD. Thomas Vance stated that he is a senior advisor and a member of the national group, Veterans for Medical Cannabis Access. He stated that he works with veteran medical cannabis patients to help them with the VA system. Mr. Vance presented handouts with information on the VHA Directive 2011-004. This directive provides access to clinical programs for veterans participating in state-approved marijuana programs. Mr. Vance stated that medical marijuana has helped him with PTSD.

Copies of handouts and presentations are included with the official record of the meeting. There being no further business, the meeting adjourned.

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

July 15, 2014

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee meeting was held on Tuesday, July 15, 2014, at 1:00 p.m., in Room 169 of the Capitol Annex. Senator Chris Girdler, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senators Chris Girdler, Julian Carroll, and Christian McDaniel; Representatives Steven Rudy, Kevin Sinnette, and Jim Wayne.

Guests Testifying Before the Committee: Mr. Scott Aubrey, Director of Real Properties, Finance and Administration Cabinet; Mr. John Hicks, Deputy State Budget Director; Mr. Jeff Abshire, Financial Analyst, Kentucky Infrastructure Authority; Mr. Roger Recktenwald, Director of Research and Planning, Kentucky Association of Counties; Ms. Katie Smith, Executive Director, Office of Financial Services, Kentucky Cabinet for Economic Development; and Mr. Ryan Barrow, Executive Director, Office of Financial Management.

LRC Staff: Josh Nacey, Katherine Halloran, and Angela Offerman.

Approval of Minutes

Representative Rudy moved to approve the minutes of the June 17, 2014, meeting. The motion was seconded by Senator Carroll and approved by voice vote.

Information Items

Mr. Josh Nacey, Committee Staff Administrator, presented four information items. The first items were notices of advertisement for leased space from the Finance and Administration Cabinet for the Department of Corrections in Jefferson and Fayette Counties and the Cabinet for Health and Family Services in Perry County.

The second item included quarterly status reports on capital projects provided by the Administrative Office of the Courts, the Commonwealth Office of Technology, Finance and Administration Cabinet, and the universities that manage their own capital construction programs.

The third item was an article from Standard & Poor's on U.S. State Pension Funding.

The fourth item was a letter from the committee co-chairs to the Attorney General regarding the Louisville Arena Authority. The letter was requesting an opinion on various issues concerning the Authority and the financial management of the arena.

Lease Reports from the Finance and Administration Cabinet

Mr. Scott Aubrey, Director of Real Properties, Finance and Administration Cabinet, presented seven items. The first item was for new leases for the Department for Workforce Investment in Fayette County to create separate regional and local offices. The lease for the regional office was for 7,275 square feet (sq ft) of office space at $16.40 per sq ft for an annual cost of $119,310. The lease for the local office was for 11,513 sq ft of office space at $16.50 per sq ft for an annual cost of $189,965. The leases will expire June 30, 2020.

Senator McDaniel made a motion to approve the new leases. The motion was seconded by Representative Rudy and approved by roll call vote.

The second item was for a new lease for the Cabinet for Health and Family Services in Clay County. The lease was for 12,755 sq ft of office space at $12 per sq ft for an annual cost of $153,060. The lease will expire June 30, 2021.

Senator Carroll made a motion to approve the new lease. The motion was seconded by Representative Sinnette and approved by roll call vote.

The third item was for a lease renewal for the Cabinet for Health and Family Services in Franklin County for office and storage space. The lease was for 44,263 sq ft of office space ($9.35 per sq ft) and 1,311 sq ft of storage space ($4 per sq ft) for an annual cost of $124,300. The lease will expire October 17, 2014.

In response to questions from Senator McDaniel, Mr. Aubrey said the state currently occupies, and will be vacating, approximately 400,000 sq ft of space in the Fair Oaks buildings. Due to the lack of supply in rental facilities in Frankfort, the rental rates are increasing.

Senator McDaniel made a motion to approve the lease renewal. The motion was seconded by Senator Carroll and approved by roll call vote.

The fourth item was for a lease renewal for the Department of Public Advocacy in Franklin County for office and storage space. The lease was for 45,495 sq ft at $10.50 per sq ft for office space and $3.85 per sq ft for storage space for an annual cost of $288,650. The lease will expire August 31, 2015.

Senator McDaniel made a motion to approve the lease renewal. The motion was seconded by Representative Rudy and approved by roll call vote.

The fifth item was for a lease modification and amortization of leasehold improvements for the Department of Public Advocacy in Jessamine County. The department assumed responsibility of the lease from the Cabinet for Health and Family Services and revised the terms to include four automatic extension periods, reduction of six sq ft, quarterly payments, and the addition of eight windows.

The lease was for 3,313 sq ft at $7.14 per sq ft for an annual cost of $23,600. Two estimates were obtained for the improvements and the department recommended accepting the lowest bid of $6,986 from Warnick Construction. The cost will be amortized through the term of the lease, which will expire June 30, 2018. No action was required.

The sixth item was for a lease modification and amortization of leasehold improvements for the Transportation Cabinet in Jefferson County. The cabinet requested an additional 51,383 sq ft of space to increase storage capacity to 110,000 tons of road salt.

The lease was for a total of 126,400 sq ft for salt storage space (47,850 sq ft at $2.08 per sq ft and 78,550 sq ft at $1.97 per sq ft) for an annual cost of $254,272. The cost will be amortized through the term of the lease, which will expire June 30, 2019.

Senator Carroll made a motion to approve the lease modification. The motion was seconded by Senator McDaniel and approved by roll call vote.

The seventh item was for a lease modification and amortization of leasehold improvements for the Cabinet for Health and Family Services in Franklin County for security improvements.

Two estimates were obtained for the improvements and the cabinet recommended accepting the lowest bid of $17,600 from Frankfort Leasing and Rental. The cost will be amortized through the term of the lease, which will expire June 30, 2015. No action was required.

Project Reports from the Finance and Administration Cabinet

Mr. John Hicks, Deputy State Budget Director, presented two items. The first item was a new unbudgeted capital project from the Department of Military Affairs. The Construct Weapons Repair Shop – Bluegrass Station project involved the construction of 2,800 sq ft for a new weapons repair shop, renovation of an existing building, and the construction of new electrical, security, sprinkler, and HVAC systems.

The $656,744 capital project will be funded with $328,372 (50 percent) from the federal funds provided by the Department of Defense Special Operations Forces Support Activity and $328,372 (50 percent) from restricted funds.

Senator Carroll made a motion to approve the capital project. The motion was seconded by Representative Rudy and approved by roll call vote with one "no" vote.

The second item was a report of equipment pool project in excess of $200,000. The Kentucky Community and Technical College System reported the purchase of a double two-story portable live fire-training unit to simulate fires in a controlled environment for firefighter training. The total cost of the purchase was $661,100. No action was required.

Kentucky Infrastructure Authority (KIA) Loans

Mr. Jeff Abshire, Financial Analyst, KIA, presented 11 items. The first item was for two Fund A loan assumptions and a new Fund B loan for the Greenup Joint Sewer Agency in Greenup County. The $2,000,000 Fund B loan will retire the $1,884,938 Fund A loan debt and fund $90,062 of equipment updates. The loan will have a 20-year term, an interest rate of 1.75 percent, and an estimated annual debt service payment of $122,951.

Mr. Abshire said Sun Chemical was responsible for approximately 90 percent of the City of Wurtland's wastewater treatment revenues. Sun Chemical terminated operations with the city in March 2013, resulting in an unsustainable debt structure. The best solution identified for the region was to consolidate wastewater treatment activities with the City of Greenup and form a regional entity, Greenup Joint Sewer Agency.

In response to questions from Representative Wayne, Mr. Roger Recktenwald, Director of Research and Planning, Kentucky Association of Counties, said there was no involvement of the Economic Development Cabinet with Sun Chemical. The existing Wurtland plant was built to accommodate insufficient capacity and to accommodate the new Sun Chemical flow. There were no penalties if Sun Chemical left the area, but if any payment is received it will go toward the debt.

Senator Carroll made a motion to approve the Fund A loan assumptions and the new Fund B loan. The motion was seconded by Representative Rudy and approved by roll call vote.

The second item was for a Fund A loan increase for Lexington-Fayette Urban County Government in Fayette County. The request was for an increase of $10,159,970 to a previously approved loan for the Town Branch Wastewater Treatment Flow Equalization Storage Tank project to replace local funds that were originally budgeted for the project. The $31,801,000 loan will have a 20-year term, an interest rate of 1.75 percent, and a debt service payment of $1,954,986.

Senator Carroll made a motion to approve the Fund A loan increase. The motion was seconded by Senator McDaniel and approved by roll call vote.

The third item was for a Fund A loan for Lexington-Fayette Urban County Government in Fayette County. The request was for a $19,837,063 loan for Phase I of a multi-phase wastewater storage facility at the Lower Cane Run Pump Station. The loan will have a 20-year term, an interest rate of 1.75 percent, and a debt service payment of $1,219,495.

In response to questions from Representative Wayne, Mr. Abshire said the Fund A loans to the Lexington-Fayette Urban County Government represent approximately 40 percent of available loan funds.

Senator McDaniel made a motion to approve the Fund A loan. The motion was seconded by Senator Carroll and approved by roll call vote.

The fourth item was for a Fund B loan for the City of Greensburg in Green County. The request was for a $350,000 loan for the Greensburg New Water Treatment Plant project. The loan will have a 20-year term, an interest rate of 0.75 percent, and a debt service payment of $19,578.

In response to questions from Senator McDaniel, Mr. Abshire said this loan will supplement a previously approved loan and was necessary due to higher than expected expenses.

Senator Carroll made a motion to approve the Fund B loan. The motion was seconded by Representative Rudy and approved by roll call vote.

The fifth item was for a Fund C loan for the City of Glasgow for the benefit of the Glasgow Water Company in Barren County. The request was for a $3,000,000 loan for the Glasgow Peak Storage Basin project. The loan will have a 20-year term, an interest rate of three percent, and a debt service payment of $206,563.

Senator Carroll made a motion to approve the Fund C loan. The motion was seconded by Representative Rudy and approved by roll call vote.

The sixth item was for a Fund F loan increase for the City of Harrodsburg in Mercer County. The request was for an increase of $1,014,472 to a previously approved loan for the Water Distribution Improvements and North Main Water Storage Tank projects to replace an additional 15,000 linear feet of six-inch water lines with eight-inch PVC lines. The $2,703,422 loan will have a 20-year term, an interest rate of 1.75 percent, and a debt service payment of $150,792.

Senator Carroll made a motion to approve the Fund F loan increase. The motion was seconded by Representative Wayne and approved by roll call vote.

The seventh item was for a Fund F loan increase for the City of Danville in Boyle County. The request was for an increase of $4,467,849 to a previously approved loan for the Water Treatment Plant and Raw Water Intake project to replace previously proposed bond funding. The $12,467,849 loan will have a 20-year term, an interest rate of 1.75 percent, and a debt service payment of $247,902.

Senator Carroll made a motion to approve the Fund F loan increase. The motion was seconded by Senator McDaniel and approved by roll call vote.

The eighth item was for a Fund F loan increase for the Northern Kentucky Water District in Kenton County. The request was for an increase of $4,000,000 to a previously approved loan for the Kenton and Campbell County Water Main projects to fund additional costs. The $8,000,000 loan will have a 20-year term, an interest rate of 1.75 percent, and a debt service payment of $495,805.

In response to questions from Senator McDaniel, Mr. Abshire said the federal American Iron and Steel provisions of the Consolidated Appropriations Act of 2014 contributed to the increased costs of the project.

Senator Carroll made a motion to approve the Fund F loan increase. The motion was seconded by Senator McDaniel and approved by roll call vote.

The ninth item was for a Fund F loan for the City of North Middletown in Bourbon County.

The request was for a $680,000 loan for the Water Tank Reconstruction and SCADA project. The loan will have a 20-year term, an interest rate of 0.75 percent, and a debt service payment of $38,377.

Senator Carroll made a motion to approve the Fund F loan. The motion was seconded by Senator McDaniel and approved by roll call vote.

The tenth item was for a Fund F loan for the City of Flatwoods in Greenup County. The request was for a $325,000 loan for the Jones Street Waterline Upgrade project. The loan will have a 20-year term, an interest rate of 1.75 percent, and a debt service payment of $20,142.

Senator McDaniel made a motion to approve the Fund F loan. The motion was seconded by Senator Carroll and approved by roll call vote.

Mr. Abshire reported 12 non-coal Infrastructure for Economic Development Grants. The grants were for Shelbyville Municipal Water and Sewer Commission in Shelby County for the Benson Road Gravity Sewer project; Bourbon County Fiscal Court for the Bourbon County-City of Paris Centerville Sewer project; City of Wurtland in Greenup County for the sewer project; Greenup County Fiscal Court for the Water Lines project; Greenup Fiscal Court for the Water and Sewer Lines project; Jessamine-South Elkhorn Water District in Jessamine County for the Catnip Hill Pike 1.0MG Elevated Storage Tank Project; City of Tompkinsville in Monroe County for the Beldon Water Tank Rehabilitation project; Monroe County Water District for the Tooley Ridge Tank Replacement project; Monroe County Water District for the Monroe County-City of Edmonton Interconnect project; Monroe County Water District for the Treatment Plant Upgrade Phase Two project (two grants); and City of Campbellsville in Taylor County for the Wastewater Treatment Plant Improvements. No action was required.

Reports from the Office of Financial Management (OFM)

Ms. Katie Smith, Executive Director, Office of Financial Services, Kentucky Cabinet for Economic Development, presented one Economic Development Bond project. The $1,000,000 grant was made to Inter-Modal Transportation Authority, Inc. for the benefit of Bilstein Cold Rolled Steel LP (Bilstein) to establish a 150,000 sq ft production plant in Bowling Green, Kentucky to produce steel for the automotive and tooling industries.

The company agreed to create 90 new full-time jobs for Kentucky residents with an average hourly wage of $21, including benefits. Bilstein will be required to create 50 new, full-time Kentucky resident jobs in Warren County by January 1, 2021, increasing to 75 jobs on the measurement dates of January 1, 2022, 2023, and 2024, and reaching 90 jobs by January 1, 2025.

In response to questions from Senator McDaniel, Ms. Smith said once the $1,000,000 is spent, Bilstein may submit construction or equipment invoices, including documentation, to the Inter-Modal Transportation Authority who will submit the documentation for reimbursement to the cabinet. Disbursement of funds occurs through the local government agency.

Ms. Smith said incentive programs are available to new and existing businesses. Approximately 75 percent of the projects are with existing businesses to aid in growth and retention.

In response to questions from Representative Wayne, Ms. Smith said job creation, future projects, new suppliers and customers are considered factors in the incentive packages. Collateral in the form of a letter of credit and the mortgage on the property was required.

Representative Wayne made a motion to approve the grant. The motion was seconded by Representative Sinnette and passed by roll call vote with one “pass” vote.

Mr. Ryan Barrow, Executive Director, OFM, presented two items. The first item was a new bond issue for the Kentucky Economic Development Finance Authority (KEDFA) Healthcare Facilities Revenue Bonds, Series 2014, (Masonic Homes Independent Living II, Inc. Project), anticipated to be issued in two series in an aggregate amount not to exceed $13,000,000. As a conduit bond issue, the debt will be a general obligation of Masonic Homes and not a debt of the state or KEDFA.

The bond issue will finance the acquisition, construction, installation, and equipping of independent living units on the Masonic Homes campus in Louisville, Kentucky.

Representative Wayne made a motion to approve the new bond issue. The motion was seconded by Senator McDaniel and approved by roll call vote.

The second item was a follow-up report for the Turnpike Authority of Kentucky (TAK) Economic Development Road Revenue Refunding Bonds (Revitalization Projects), 2014 Series A, dated June 25, 2014. The bond issue will finance the advance refunding of TAK’s Economic Development Road Revenue Bonds (Revitalization Projects), 2005 Series B, for economic savings, and to pay certain costs of issuance.

The total par amount of the bonds was $121,325,000. Peck, Shaffer and Williams, a division of Dinsmore and Shohl served as bond counsel; Goldman Sachs, underwriter; Office of Financial Management, financial advisor; and Bank of New York Mellon, trustee. No action was required.

New School Bond Issues with School Facilities Construction Commission (SFCC) Debt Service Participation

Mr. Barrow reported nine school bond issues with SFCC debt service participation with a total par amount of $83,600,000. The state portion of the annual debt service payment was $866,343 and the local contribution was $5,871,346. The bond issues did not involve tax increases.

Representative Rudy made a motion to approve the school bonds. The motion was seconded by Senator Carroll and approved by roll call vote.

New School Bond Issues with 100 Percent Locally Funded Debt Service Participation

Mr. Nacey said two local bond issues were reported to the committee. The bond issues were 100 percent locally funded and do not involve tax increases. No action was required.

With there being no further business, the meeting was adjourned at 2:05 p.m.

TOBACCO SETTLEMENT AGREEMENT FUND OVERSIGHT COMMITTEE

Minutes

August 6, 2014

Call to Order and Roll Call

The meeting of the Tobacco Settlement Agreement Fund Oversight Committee was held on Wednesday, August 6, 2014, at 10:00 AM, in Room 129 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; Representative Wilson Stone, Co-Chair; Senators Carroll Gibson, Dennis Parrett, Robin L. Webb, and Whitney Westerfield; Representatives Mike Denham, Terry Mills, Ryan Quarles, and Jonathan Shell.

Guests: Mr. Roger Thomas, Mr. Joel

Neaveill, Mr. Bill McCloskey, and Mr. Biff Baker, Governor's Office of Agricultural Policy; Ms Carrie Banahan, Office of Kentucky Health Benefit and Health Information Exchange; and Ms. Beth Jurek, Office of Policy and Budget, Cabinet for Health and Family Services.

LRC Staff: Lowell Atchley, Kelly Ludwig, and Kelly Blevins.

The July 8, 2014 minutes were approved, without objection by voice vote, upon a motion by Senator Parrett and second by Representative Mills.

Governor's Office of Agricultural Policy

Mr. Roger Thomas, Executive Director, Mr. Joel Neaveill, Chief of Staff, and Mr. Bill McCloskey, Director of Financial Services, Governor's Office of Agricultural Policy, summarized the project funding decisions by the Agricultural Development Board (ABD) during its July meeting.

Mr. Neaveill discussed tobacco settlement funding allocations for the previous months under the County Agricultural Improvement (CAIP), Deceased Farm Animal Disposal Assistance, and Shared-use Equipment programs.

After summarizing some CAIP funding amendments that allowed for additional funding, Mr. Neaveill responded to Co-Chairs Stone and Hornback that money allowed came from newly received 2014 tobacco settlement funds.

Mr. McCloskey and Mr. Neaveill summarized the state and regional projects that received funding approvals. Those were: Beef & Bacon Custom Processing LLC, up to $100,000 in state and $100,000 in multi-county funds to construct a 4,000-square-foot animal processing facility in McLean County; Louisville/Jefferson County Metro Government, $120,000 in state funds for a two-year continuation of the Louisville Farm to Table program; Owensboro Community and Technical College, $7,500 in Daviess County and $4,583 in Hancock County funds to construct a 40-by-80-foot facility to house and handle livestock as a part of a newly established veterinary technician training program; Green River Area Beef Improvement Group Inc., $20,000 in Daviess County funds to provide a youth cost-share program for agricultural production projects.

Mr. Thomas said that the Beef & Bacon facility would be similar to other livestock processing concerns that had received funding in the past. Responding to committee members' questions, Mr. McCloskey said the processor will offer some limited USDA meat inspection.

Representative Stone said it would be ideal if the facility could process and market its products on the site, which is done at some other processing sites in the state. Senator Parrett concurred with Representative Stone and asked if the tobacco funds should be used to process meat for individual customers' own use. Mr. Thomas said that an overriding goal of the program is to increase net farm income. Senator Parrett said the USDA inspection might be part of the criteria for approving tobacco funds for meat processing facilities.

Responding to Senator Gibson, Mr. Thomas listed some other existing meat processing facilities that had sought tobacco settlement funds to improve or upgrade their operations.

Responding to Representative Stone, Mr. Thomas said an earlier feasibility study centering on the possibility of a meat jerky plant in the Somerset area never resulted in the construction of a jerky plant. The study was later offered to other communities. Senator Gibson said that such projects should be undertaken with market certainty, not speculation.

Commenting on the Owensboro Community College veterinarian technician project, Co-Chair Stone said people in that area were excited about the potential for the training program.

Mr. Neaveill described at length the Louisville/Jefferson County Metro Government Farm to Table program. A regionally-focused study would will be undertaken to determine trends in food production and market development. The program has a goal of reducing or eliminating the need for future agriculture development funds.

Co-Chair Hornback commented that it was good the program is moving toward self-sustainability. Responding to Representative Mills, Mr. Thomas said that public perception or acceptance of a project can be meaningful.

Responding to Representative Denham, Mr. Thomas discussed the GOAP outreach that has been undertaken and that is needed still in parts of eastern and northeastern Kentucky. He said that GOAP staff would be available to accompany legislators who wish to meet with constituents regarding the availability of the tobacco settlement funds.

Kentucky Health Care Improvement Authority

Ms. Carrie Banahan, Office of Kentucky Health Benefit and Health Information Exchange, and Ms. Beth Jurek, Office of Policy and Budget, Cabinet for Health and Family Services, provided the annual report on the Kentucky Health Care Improvement Authority (HCIA). HCIA monitors four programs receiving tobacco programs: the former Kentucky Access high-risk health insurance, Kentucky Lung Cancer Research, Tobacco Use Prevention and Cessation, and Kentucky Agency for Substance Abuse Policy programs, all of which report separately to the committee.

Regarding the closeout of the former Kentucky Access program, Ms. Banahan said that, under the federal Affordable Care Act, as of January of this year, insurers could no longer deny health insurance coverage to high risk individuals, thus insurers were given the option of enrolling in the state's Kynect program.

A total of 3,546 members were enrolled in Kentucky Access when it closed in December 2013; 2,584 of those enrolled in the Kynect program. Kentucky Access will continue to pay "run-out claims" for services from six to 12 months after medical treatments. Kentucky Access will likely cease all operations in early in 2015.

Ms. Banahan and Ms. Jurek talked about the individual HCIA programs, program accomplishments, and the role of the HCIA. Ms. Jurek reviewed how tobacco settlement funds were used by various programs. Lingering challenges are the tobacco appropriations decreases that are occurring and the ability to carry the funds forward into the next fiscal year.

Responding to Senator Hornback, Ms. Jurek said there could be about $12 million in tobacco funds left in Kentucky Access accounts. The funds will be available for the General Assembly to appropriate.

Responding to Senator Hornback, Ms. Jurek said she believed the smoking cessation treatment offered by the Prevention and Cessation Program was in the form of nicotine patches.

Responding to Representative Denham, Ms. Jurek said that drug addiction treatment clinics contemplated for communities primarily fall under the jurisdiction of the federal Drug Enforcement Administration. No tobacco funds were used for the clinics. In a response to Representative Stone, Ms. Banahan said the fewer number of people enrolling in Kynect versus Kentucky Access in late 2013 may have been attributable to people enrolling in Medicare or seeking insurance outside the exchange.

Co-Chair Stone mentioned the recent news reports about serum derived from modified tobacco plants being used on persons infected by the deadly Ebola virus. The tobacco plants were grown at Kentucky Bioprocessing in Owensboro. Documents distributed during the committee meeting are available with meeting materials in the LRC Library. There being no further business, the meeting was adjourned.

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