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Lawmakers discuss nonprofits' role in pension system

by Rebecca Hanchett
LRC Public Information

It appears likely that legislation will be filed during the 2015 legislative session to address future participation of nonprofit private agencies in the state's public pension system, according to a discussion in a legislative committee meeting on June 25.

Rep. Brad Montell, R-Shelbyville, called for bipartisan legislation during the meeting of the Interim Joint Committee on State Government following a report from Kentucky Retirement Systems about the nonprofit Seven Counties Services, Inc.—a non-stock, nonprofit mental health/mental retardation services agency under contract with the Commonwealth of Kentucky to serve the Louisville area and, at least for now, a member of the Kentucky Employee Retirement System non-hazardous plan under KRS.

A Louisville-based U.S. bankruptcy judge ruled in May that the agency, which filed a Chapter 11 bankruptcy action last year to avoid payment to KERS, is not a government agency under federal bankruptcy law and could indeed reject its contract with KRS and leave the retirement system.

KRS is now filing an appeal to that ruling in the 6th U.S. Circuit Court of Appeals. If the pension system loses, KRS Executive Director Bill Thielen said Seven Counties will be able to leave the system without paying approximately $90 million toward the KRS' unfunded actuarial liability. That unfunded liability now totals around $18 billion, approximately $8.5 billion of which is tagged to the KERS non-hazardous plan.

"I can't help but believe that had we passed legislation that addressed this in a proper way that we would be in much better standing in the courts today," said Interim Joint Committee on State Government member Montell, who suggested lawmakers pre-file a bill for consideration and passage early in the 2015 session to protect the KRS moving forward.

If KRS loses its appeal and Seven Counties leaves the system with its $90 million, that cost will have to be picked up by other employers in

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Keno boosts state lottery sales to 25-year high

by Jim Hannah
LRC Public Information

The introduction of Keno last year boosted Kentucky Lottery Corporation sales to the highest level in its 25-year history.

The corporation brought in $857.7 million for fiscal year 2014, lottery President and CEO Arch Gleason told the Interim Joint Committee on Licensing and Occupations on July 11 in Frankfort. That's a 1.3 percent increase over the previous fiscal year.

Kentucky's general fund received $219.5 million from lottery sales. Gleason said that is a 2 percent increase over last year but $4.5 million short of estimates from the Consensus Forecasting Group, a group of economists

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Senate Majority Leader Damon Thayer, R-Georgetown, at left, talks with Sen. Morgan McGarvey, D-Louisville, at the July 11 meeting in Frankfort.

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the KERS non-hazardous system, said Thielen, adding that KRS actuaries believe the contribution rate for those other employers would rise 2.5 percent over a 20-year period if just Seven Counties leaves. If all mental health/mental retardation agencies in the system were to follow Seven Counties' lead, actuaries estimate the contribution rate over 20 years would ratchet up around 6.5 percent, amounting to around $2.4 billion in additional cost to employers in the system, Thielan said.

Thielen said it could take 18 months to two years to appeal the Seven Counties case.

Committee member Sen. Chris McDaniel mentioned that the KRS spoke in support of legislation last session that would have allowed quasi-government agencies to opt out of the KRS while paying their actuarial cost. That legislation, which passed the Senate unanimously but stalled in the House, was Senate Bill 216 sponsored by McDaniel, R-Taylor Mill. Thielen said many states do allow non-government agencies to opt out of their public pension systems but at the same time, they require that any unpaid obligations to the retirement fund be paid.

Committee Co-Chair Brent Yonts, D-Greenville, said he plans to form a work group to research the involvement of nonprofit, non-stock private agencies in the state retirement system over the next few months, with the end goal being legislation drafted to address the issue in time for the start of the 2015 session in January. Yonts said the committee will also look more closely in its October meeting at agency withdraw from the KRS, along with the issue of public pension "spiking" that has allowed some KRS members to drive up their retirement pay through large bonuses or other forms of compensation added to their final salary.

As for the Seven Counties case, Thielen said it could take 18 months to two years to appeal the case.

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that works up projections for state budgeting purposes.

Sen. Tom Buford, R-Nicholasville, comments during the July 11 meeting of the Interim Joint Committee on Licensing and Occupations.

Lottery sales for fiscal year 2015 are expected to jump another $77.3 million to $935 million, said Gleason. Of that figure, $238 million is projected to be transferred to the state's general fund.

While Keno racked up sales of $29.5 million in the only 34 weeks it was offered in fiscal year 2014, Gleason attributed the game's popularity with the softening of scratch-off ticket sales. The sales of scratch-off tickets totaled $520.4 million. That was $1.8 million less than the previous fiscal year and $35.6 million less than budgeted.

"Our scratch-off ticket sales decline last year is something that is concerning to us," he said. "The scratch-off ticket has been the dominate product for the lottery since its inception."

Historically, 60 percent of the lottery corporation's sales come from the scratch-off tickets.

Powerball ticket sales also stagnated because of a lack of a major jackpot in the multistate lottery, said Gleason. Powerball sales in Kentucky were down $25.4 million from the previous year. The Mega Millions game however helped make up some of this shortfall, exceeding last year's sales mark by $12.7 million.

Scratch-off ticket sales and Powerball ticket sales collectively were down $12.7 million and missed projections by $7.6 million.

Gleason outlined to legislators his strategy to overcome the weak sales in scratch-off and Powerball tickets. First, the corporation has tightened its own belt.

The lottery corporation's total operating expense since its inception is 6.7 percent of sales. In fiscal year 2014 operating expenses were 4.9 percent of sales, or a 27 percent reduction from the 25-year average.

"Our costs of operating have gone down substantially," said Gleason.

Another goal for the lottery corporation is to sign up additional Keno retailers who do not sell scratch-off tickets, such as country clubs and lodges. Gleason said the hope is that will prevent Keno from undercutting scratch-off ticket sales.

Another boost in sales is expected to come from a third nationally-based lottery game starting in the fall. Gleason was coy about the details but said the product will be based off the Monopoly board game.

Lottery corporation General Counsel Mary Harville told legislators that Kentucky will soon launch iLottery, the sale of lottery tickets online. New technology allows the lottery corporations to restrict Internet sales to people who are physically in Kentucky while on the Internet. She also said limits will be placed on the amount of money someone can spend.

Rep. Diane St. Onge, R-Lakeside Park, asked if it was legal for the lottery corporation to restrict someone's ability to participate in a legal activity online.

"I'm not aware of any law that would prohibit us from deciding the manner which the product should be responsibly sold," said Harville.

Sen. Jimmy Higdon, R-Lebanon, a retired grocer, asked if iLottery would hurt retailers who get a percentage of lottery sales. Gleason said he anticipates that the amount of iLottery sales will be so small that it will not impact retailers.

Proposed federal greenhouse gas rules aired before state committee

by Rebecca Hanchett
LRC Public Information

Above: Senate Majority Whip Brandon Smith, R-Hazard, comments during the July 3 meeting of the Interim Joint Committee on Natural Resources and Environment. At bottom: Sen. Robin Webb, D-Grayson, talks with Rep. Fitz Steele, D-Hazard, at the July 3 meeting.

A Kentucky energy official said two proposed Environmental Protection Agency (EPA) rules to limit new and existing fossil fuel electric power generation are expected to be finalized by June 2015.

Kentucky Assistant Secretary for Climate Policy John Lyons told the Interim Joint Committee on Natural Resources and Environment on July 3 that one of the rules will affect greenhouse gas emissions from new sources while the other will affect emissions from existing plants. In the meantime, Lyons said the state is evaluating a June 23 U.S. Supreme Court ruling which he said "largely" upholds the EPA's authority to regulate greenhouse gases from stationary sources.

The two proposed rulings are the latest in a line of federal EPA regulatory actions since 2007, when the U.S. Supreme Court ruled that greenhouse gases qualify as pollutants under the Clean Air Act.

Rep. Fitz Steele, D-Hazard, asked Lyons if he thinks the way the EPA has handled regulation of fossil fuel generation over the past several years is "right," to which Lyons responded, "I don't think what they've done has been beneficial to the state, no."

Most of the discussion today was on the proposed rule for regulation of existing sources. That proposed rule, Lyons said, would establish "state specific" carbon dioxide intensities under EPA-issued guidelines that fit an allowable emission rate –based on a "fleet wide average" of all plant generation in that state—to each state's economy and energy profile. Kentucky has been given the highest rate, he said.

"The EPA looked at coal-producing states and all (those states) got the highest rates, and we were by far the highest out of the bunch," Lyons said. Kentucky's rate, he explained, is an interim goal of 1,844 pounds of carbon dioxide per megawatt hour for 2020 through 2029, and a final goal of 1,763 pounds of carbon dioxide per megawatt hour for 2030—a rate that Lyons said should prevent any further shutdowns of power plants (and particularly coal-fired plants) in the Commonwealth.

Speaking on the proposed regulation, Rep. Tim Moore, R-Elizabethtown, questioned its "supposed benefit." He added that the matter seems to have been deferred to the EPA, which Moore said "is not supposed to be the lead agency on these kinds of things."

Committee Co-Chair Rep. Jim Gooch, D-Providence, told Lyons that Kentucky's reliance on coal power in light of the proposed rules could mean much higher industry electricity rates—not the "modest" increase mentioned in some media. "When you are talking about national rates as opposed to Kentucky, I think (it's important) to understand what these rates mean to the Commonwealth of Kentucky, not nationally," Gooch said.

Lyons agreed that the impact would be "negative," adding that impact scenarios are studied regularly by his agency and will be included in comments provided by Kentucky to the EPA.

2014 Kentucky General Assembly

Senate

Walter Blevins Jr. (27)
115 Hill N Dale
Morehead, KY 40351
(LRC) 502-564-8100
(Home) 606-743-1212
(Home FAX) 606-743-1214
(Work) 606-743-1200

Joe Bowen (8)
2031 Fieldcrest Dr
Owensboro, KY 42301
(LRC) 502-564-8100
(Home) 270-685-1859

Tom Buford (22)
409 W Maple St
Nicholasville, KY 40356
(LRC) 502-564-8100
(LRC FAX) 502-564-2466
(Home) 859-885-0606
(Home FAX) 859-885-0606

Jared Carpenter (34)
PO Box 100
Berea, KY 40403
(LRC) 502-564-8100

Julian M. Carroll (7)
702 Capitol Ave
Annex Room 229
Frankfort, KY 40601
(LRC) 502-564-8100

Perry B. Clark (37)
5716 New Cut Rd
Louisville, KY 40214
(LRC) 502-564-8100
(Home) 502-366-1247

Julie Denton (36)
1708 Golden Leaf Way
Louisville, KY 40245
(LRC) 502-564-8100

Carroll Gibson (5)
PO Box 506
Leitchfield, KY 42755
(LRC) 502-564-8100
(Home) 270-230-5866

Chris Girdler (15)
PO Box 395
Somerset, KY 42502
(LRC) 502-564-8100

David P. Givens (9)
PO Box 12
Greensburg, KY 42743
(LRC) 502-564-8100

Sara Beth Gregory (16)
PO Box 1835
Monticello, KY 42633
(LRC) 502-564-8100
(Home) 606-348-9767
(Home FAX) 606-348-3459

Denise Harper Angel (35)
2521 Ransdell Ave
Louisville, KY 40204
(LRC) 502-564-8100
(Home) 502-452-9130

Ernie Harris (26)
PO Box 1073
Crestwood, KY 40014
(LRC) 502-564-8100
(Home) 502-241-8307

Jimmy Higdon (14)
344 N Spalding
Lebanon, KY 40033
(LRC) 502-564-8100
(Home) 270-692-6945

Paul Hornback (20)
6102 Cropper Rd
Shelbyville, KY 40065
(LRC) 502-564-8100

Stan Humphries (1)
763 Sinking Fork Rd
Cadiz, KY 42211
(LRC) 502-564-8100
(Home) 270-522-0195

Ray S. Jones II (31)
PO Drawer 3850
Pikeville, KY 41502
(LRC) 502-564-8100
(Work) 606-432-5777
(Work FAX) 606-432-5154

Alice Forgy Kerr (12)
3274 Gondola Dr
Lexington, KY 40513
(LRC) 502-564-8100
(Home) 859-223-3274

Bob Leeper (2)
229 S Friendship Rd
Paducah, KY 42003
(LRC) 502-564-8100
(Home) 270-554-2771
(Work) 270-554-9637
(Work FAX) 270-554-5337

Christian McDaniel (23)
PO Box 15231
Latonia, KY 41015
(LRC) 502-564-8100

Morgan McGarvey (19)
2250 Winston Ave
Louisville, KY 40205
(LRC) 502-564-8100
(Home) 502-589-2780

Gerald A. Neal (33)
462 S 4th St
Meidinger Twr, Ste. 1250
Louisville, KY 40202
(LRC) 502-564-8100
(Home) 502-776-1222
(Work) 502-584-8500
(Work FAX) 502-584-1119

R.J. Palmer II (28)
1391 McClure Rd
Winchester, KY 40391
(LRC) 502-564-8100
(Home) 859-737-2945

Dennis Parrett (10)
731 Thomas Rd
Elizabethtown, KY 42701
(LRC) 502-564-8100
(Home) 270-765-4565

Jerry P. Rhoads (6)
9 E Center St
Madisonville, KY 42431
(LRC) 502-564-8100
(Home) 270-825-2949

Dorsey Ridley (4)
4030 Hidden Creek Dr
Henderson, KY 42420
(LRC) 502-564-8100
(Home) 270-826-5402
(Work) 270-869-0505
(Work FAX) 270-869-0340

Albert Robinson (21)
1249 S Main St
London, KY 40741
(LRC) 502-564-8100
(Home) 606-878-6877

John Schickel (11)
2147 Natches Trace
Union, KY 41091
(LRC) 502-564-8100

Dan "Malano" Seum (38)
1107 Holly Ave
Fairdale, KY 40118
(LRC) 502-564-8100
(Home) 502-749-2859

Brandon Smith (30)
PO Box 846
Hazard, KY 41702
(LRC) 502-564-8100
(Home) 606-436-4526
(Home FAX) 606-436-4526

Katie Stine (24)
21 Fairway Dr
Southgate, KY 41071
(LRC) 502-564-8100
(Home) 859-781-5311

Robert Stivers II (25)
207 Main St
Manchester, KY 40962
(LRC) 502-564-8100
(Home) 606-598-8575
(Work) 606-598-2322
(Work FAX) 606-598-2357

Damon Thayer (17)
102 Grayson Way
Georgetown, KY 40324
(LRC) 502-564-8100

Reginald Thomas (13)
702 Capitol Ave
Annex Room 229
Frankfort, KY 40601
(LRC) 502-564-8100
(LRC FAX) 502-564-0777

Johnny Ray Turner (29)
849 Crestwood Dr
Prestonsburg, KY 41653
(LRC) 502-564-8100
(Home) 606-889-6568

Robin L. Webb (18)
404 W Main St
Grayson, KY 41143
(LRC) 502-564-8100
(Home) 606-474-5380

Whitney Westerfield (3)
700 South Main Street
PO Box 1107
Hopkinsville, KY 42241-1107
(LRC) 502-564-8100
(Work) 270-885-7671

Mike Wilson (32)
631 Washington Ave
Bowling Green, KY 42103
(LRC) 502-564-8100

* Members of the Kentucky General Assembly may also be contacted by calling 502-564-8100.

House

Julie Raque Adams (32)
213 S Lyndon Ln
Louisville, KY 40222
(LRC) 502-564-8100
(Home) 502-744-9264

Rocky Adkins (99)
PO Box 688
Sandy Hook, KY 41171
(LRC) 502-564-8100
(Home) 606-738-4242
(Work) 606-928-0407
(Work FAX) 606-929-5913

Lynn Bechler (4)
2359 Brown Mines Rd
Marion, KY 42064
(LRC) 502-564-8100
(Home) 270-988-4171

Johnny Bell (23)
108 N Green St
Glasgow, KY 42141
(LRC) 502-564-8100
(Home) 270-590-0110
(Work) 270-651-7005

Robert Benvenuti III (88)
2384 Abbeywood Rd
Lexington, KY 40515
(LRC) 502-564-8100
(Home) 859-421-1464

Kevin D. Bratcher (29)
10215 Landwood Dr
Louisville, KY 40291
(LRC) 502-564-8100
(Home) 502-231-3311

Regina Bunch (82)
179 Mountain St
Williamsburg, KY 40769
(LRC) 502-564-8100
(Home) 606-549-3439

Tom Burch (30)
4012 Lambert Ave
Louisville, KY 40218
(LRC) 502-564-8100
(Home) 502-454-4002

Denver Butler (38)
PO Box 9041
Louisville, KY 40209
(LRC) 502-564-8100
(Work) 502-817-3044

Dwight D. Butler (18)
PO Box 9
Harned, KY 40144
(LRC) 502-564-8100
(Home) 270-756-0100

John Carney (51)
341 Pembroke Way
Campbellsville, KY 42718
(LRC) 502-564-8100
(Home) 270-465-5400

Larry Clark (46)
5913 Whispering Hills Blvd.
Louisville, KY 40219
(LRC) 502-564-8100
(Home) 502-968-3546

Hubert Collins (97)
72 Collins Dr
Wittensville, KY 41274
(LRC) 502-564-8100
(Home) 606-297-3152

Leslie Combs (94)
245 E Cedar Dr
Pikeville, KY 41501
(LRC) 502-564-8100
(Home) 606-444-6672

Tim Couch (90)
PO Box 710
Hyden, KY 41749
(LRC) 502-564-8100
(Home) 606-672-8998
(Home FAX) 606-672-8998

Will Coursey (6)
285 Oak Level Elva Rd
Symsonia, KY 42082
(LRC) 502-564-8100
(Home) 270-851-4433
(Work) 270-252-1278

Jesse Crenshaw (77)
121 Constitution St
Lexington, KY 40507
(LRC) 502-564-8100
(Home) 859-252-6967
(Work) 859-259-1402
(Work FAX) 859-259-1441

Ron Crimm (33)
PO Box 43244
Louisville, KY 40253
(LRC) 502-564-8100
(Home) 502-245-8905
(Work) 502-400-3838

Robert R. Damron (39)
231 Fairway West
Nicholasville, KY 40356
(LRC) 502-564-8100
(Home) 859-887-1744

Jim DeCesare (21)
PO Box 122
Rockfield, KY 42274
(LRC) 502-564-8100
(Home) 270-792-5779
(Work) 270-792-5779

Mike Denham (70)
306 Old Hill City Rd
Maysville, KY 41056
(LRC) 502-564-8100
(Home) 606-759-5167

Bob M. DeWeese (48)
6206 Glenhill Rd
Louisville, KY 40222
(LRC) 502-564-8100
(Home) 502-426-5565

Jeffery Donohue (37)
PO Box 509
Fairdale, KY 40118
(LRC) 502-564-8100
(Work) 502-439-6175

Myron Dossett (9)
491 E Nashville St
Pembroke, KY 42266
(LRC) 502-564-8100
(Home) 270-475-9503

C.B. Embry Jr. (17)
PO Box 1215
Morgantown, KY 42261
(LRC) 502-564-8100
(Home) 270-791-1879
(Work) 270-526-6237

Joseph M. Fischer (68)
126 Dixie Place
Ft Thomas, KY 41075
(LRC) 502-564-8100
(Home) 859-781-6965
(Work) 513-794-6442

Kelly Flood (75)
121 Arcadia Park
Lexington, KY 40503
(LRC) 502-564-8100
(Home) 859-221-3107

David Floyd (50)
102 Maywood Ave
Bardstown, KY 40004
(LRC) 502-564-8100
(Home) 502-350-0986

Jim Glenn (13)
PO Box 21562
Owensboro, KY 42304
(LRC) 502-564-8100
(Home) 270-686-8760

Jim Gooch Jr. (12)
714 N Broadway B2
Providence, KY 42450
(LRC) 502-564-8100
(Home) 270-667-7327
(Work FAX) 270-667-5111

Derrick Graham (57)
702 Capitol Ave
Annex Room 367
Frankfort, KY 40601
(LRC) 502-564-8100
(Home) 502-223-1769

Jeff Greer (27)
PO Box 1007
Brandenburg, KY 40108
(LRC) 502-564-8100
(Home) 270-422-5100
(Home FAX) 270-422-5100

Keith Hall (93)
213 E. Fourth St
Frankfort, KY 40601
(LRC) 502-564-8100

Mike Harmon (54)
633 N 3rd St
Danville, KY 40422
(LRC) 502-564-8100
(Home) 859-238-7792

Richard Heath (2)
438 Millers Chapel Rd
Mayfield, KY 42066
(LRC) 502-564-8100
(Home) 270-705-7539
(Work) 270-247-2210
(Work FAX) 270-247-2304

Richard Henderson (74)
120 Dove Trace Dr
Mt. Sterling, KY 40353
(LRC) 502-564-8100
(Home) 859-585-0886

Toby Herald (91)
PO Box 1602
Beattyville, KY 41311
(LRC) 502-564-8100
(Home) 606-464-8510

Jeff Hoover (83)
PO Box 985
Jamestown, KY 42629
(LRC) 502-564-8100
(Home) 270-343-2264
(Work) 270-343-5588

Dennis Horlander (40)
1806 Farnsley Rd, Ste 6
Shively, KY 40216
(LRC) 502-564-8100
(Home) 502-447-2498
(Work) 502-447-9000

Kenny Imes (5)
4064 US 641 N
Murray, KY 42071
(LRC) 502-564-8100

Joni L. Jenkins (44)
2010 O'Brien Ct
Shively, KY 40216
(LRC) 502-564-8100
(Home) 502-447-4324

James Kay (56)
PO Box 1536
Versailles, KY 40383
(LRC) 502-564-8100

Dennis Keene (67)
1040 Johns Hill Rd
Wilder, KY 41076
(LRC) 502-564-8100
(Home) 859-441-5894

Thomas Kerr (64)
5415 Old Taylor Mill Road
Taylor Mill, KY 41015
(LRC) 502-564-8100
(Home) 859-356-1344
(Work) 859-431-2222
(Work FAX) 859-431-3463

Kim King (55)
250 Bright Leaf Dr
Harrodsburg, KY 40330
(LRC) 502-564-8100

Martha Jane King (16)
Lake Malone
633 Little Cliff Estates
Lewisburg, KY 42256
(LRC) 502-564-8100
(Home) 270-657-2707
(Home FAX) 270-657-2755

Adam Koenig (69)
No 12
170 Harrington Ct
Erlanger, KY 41018
(LRC) 502-564-8100
(Home) 859-653-5312

Jimmie Lee (25)
901 Dogwood Dr
Elizabethtown, KY 42701
(LRC) 502-564-8100
(Home) 270-737-8889
(Work) 270-765-6222
(Work FAX) 270-765-2312

Stan Lee (45)
PO Box 2090
Lexington, KY 40588
(LRC) 502-564-8100
(Home) 859-252-2202
(Home FAX) 859-259-2927

Brian Linder (61)
16 Ridgeview Cir
Dry Ridge, KY 41035
(LRC) 502-564-8100

Mary Lou Marzian (34)
2007 Tyler Ln
Louisville, KY 40205
(LRC) 502-564-8100
(Home) 502-451-5032

Donna Mayfield (73)
2059 Elkin Station Rd
Winchester, KY 40391
(LRC) 502-564-8100
(Home) 859-745-5941

Tom McKee (78)
1053 Cook Rd
Cynthiana, KY 41031
(LRC) 502-564-8100
(LRC FAX) 502-564-0152
(Home) 859-234-5879

David Meade (80)
PO Box 121
Stanford, KY 40484
(LRC) 502-564-8100

Reginald Meeks (42)
PO Box 757
Louisville, KY 40201
(LRC) 502-564-8100
(Work) 502-741-7464

Michael Meredith (19)
PO Box 292
Brownsville, KY 42210
(LRC) 502-564-8100
(Work) 270-597-6049

Suzanne Miles (7)
PO Box 21592
Owensboro, KY 42304
(LRC) 502-564-8100

Charles Miller (28)
3608 Gateview Cir
Louisville, KY 40272
(LRC) 502-564-8100
(Home) 502-937-7788

Terry Mills (24)
690 McElroy Pk
Lebanon, KY 40033
(LRC) 502-564-8100
(Home) 270-692-2757

Brad Montell (58)
543 Main St
Shelbyville, KY 40065
(LRC) 502-564-8100
(Home) 502-633-7533
(Work) 502-633-7017

Tim Moore (26)
417 Bates Rd
Elizabethtown, KY 42701
(LRC) 502-564-8100
(Home) 270-769-5878

Rick G. Nelson (87)
117 Gumwood Rd
Middlesboro, KY 40965
(LRC) 502-564-8100
(Home) 606-248-8828
(Home FAX) 606-248-8828

David Osborne (59)
PO Box 8
Prospect, KY 40059
(LRC) 502-564-8100
(Home) 502-228-3201
(Work) 502-645-2186

Sannie Overly (72)
340 Main St
Paris, KY 40361
(LRC) 502-564-8100
(Home) 859-987-9879

Darryl T. Owens (43)
1018 S 4th St, Ste 100
Louisville, KY 40203
(LRC) 502-564-8100
(Home) 502-584-6341

Ruth Ann Palumbo (76)
10 Deepwood Dr
Lexington, KY 40505
(LRC) 502-564-8100
(Home) 859-299-2597

Tanya Pullin (98)
1026 Johnson Ln
South Shore, KY 41175
(LRC) 502-564-8100
(Work) 606-932-2505

Ryan Quarles (62)
PO Box 1001
Georgetown, KY 40324
(LRC) 502-564-8100

Marie Rader (89)
PO Box 323
McKee, KY 40447
(LRC) 502-564-8100
(Home) 606-287-7303
(Work) 606-287-3300
(Work FAX) 606-287-3300

Rick Rand (47)
PO Box 273
Bedford, KY 40006
(LRC) 502-564-8100
(Home) 502-255-3392
(Work) 502-255-3286
(Work FAX) 502-255-9911

Jody Richards (20)
817 Culpeper St
Bowling Green, KY 42103
(LRC) 502-564-8100
(Home) 270-842-6731

Steve Riggs (31)
PO Box 24586
Louisville, KY 40224
(LRC) 502-564-8100
(LRC FAX) 502-564-6543

Tom Riner (41)
1143 E Broadway
Louisville, KY 40204
(LRC) 502-564-8100
(Home) 502-584-3639

Bart Rowland (53)
PO Box 336
Tompkinsville, KY 42167
(LRC) 502-564-8100

Steven Rudy (1)
3430 Blueridge Dr
W Paducah, KY 42086
(LRC) 502-564-8100
(Home) 270-744-8137

Sal Santoro (60)
596 Walterlot Ct
Florence, KY 41042
(LRC) 502-564-8100
(Home) 859-371-8840
(Home FAX) 859-371-4060

Jonathan Shell (36)
PO Box 138
Lancaster, KY 40444
(LRC) 502-564-8100

John Short (92)
PO Box 1133
Hindman, KY 41822
(LRC) 502-564-8100
(Work) 606-785-9018

Arnold Simpson (65)
112 W 11th St
Covington, KY 41011
(LRC) 502-564-8100
(Home) 859-581-6521
(Home FAX) 859-261-6582
(Work) 859-261-6577

Kevin Sinnette (100)
PO Box 1358
Ashland, KY 41105
(LRC) 502-564-8100
(Home) 606-324-5711
(Home FAX) 606-329-1430

Rita Smart (81)
419 W Main St
Richmond, KY 40475
(LRC) 502-564-8100
(Home) 859-623-7876

Diane St. Onge (63)
PO Box 17351
Lakeside Park, KY 41017
(LRC) 502-564-8100

John Will Stacy (71)
PO Box 135
West Liberty, KY 41472
(LRC) 502-564-8100
(Home) 606-743-1516
(Home FAX) 606-743-1516

Fitz Steele (84)
176 Woodland Ave
Hazard, KY 41701
(LRC) 502-564-8100
(Home) 606-439-0556
(Home FAX) 606-439-0556

Jim Stewart III (86)
545 KY 223
Flat Lick, KY 40935
(LRC) 502-564-8100
(Home) 606-542-5210

Wilson Stone (22)
1481 Jefferson School Rd
Scottsville, KY 42164
(LRC) 502-564-8100
(Home) 270-622-5054

Greg Stumbo (95)
PO Box 1473,
108 Kassidy Dr
Prestonsburg, KY 41653
(LRC) 502-564-8100
(Home) 606-886-9953

Tommy Thompson (14)
PO Box 458
Owensboro, KY 42302
(LRC) 502-564-8100
(Home) 270-926-9736
(Work) 270-926-1740
(Work FAX) 270-685-3242

John Tilley (8)
126 Moreland Dr
Hopkinsville, KY 42240
(LRC) 502-564-8100
(Home) 270-881-4717

Tommy Turner (85)
175 Clifty Grove Church
Somerset, KY 42501
(LRC) 502-564-8100
(Home) 606-274-5175

Ken Upchurch (52)
PO Box 969
Monticello, KY 42633
(LRC) 502-564-8100
(Home) 606-340-8490

Ben Waide (10)
352 Calumet Ln
Madisonville, KY 42431
(LRC) 502-564-8100

David Watkins (11)
5600 Timberlane Dr
Henderson, KY 42420
(LRC) 502-564-8100
(Home) 270-826-0952
(Home FAX) 270-826-3338

Gerald Watkins (3)
702 Capitol Ave
Annex Room 332A
Frankfort, KY 40601
(LRC) 502-564-8100

Jim Wayne (35)
1280 Royal Ave
Louisville, KY 40204
(LRC) 502-564-8100
(Work) 502-451-8262

Russell Webber (49)
PO Box 6605
Shepherdsville, KY 40165
(LRC) 502-564-8100
(Home) 502-543-8209

Susan Westrom (79)
PO Box 22778
Lexington, KY 40522
(LRC) 502-564-8100
(Work) 859-266-7581

Addia Wuchner (66)
PO Box 911
Burlington, KY 41005
(LRC) 502-564-8100
(Work) 859-525-6698

Brent Yonts (15)
232 Norman Cir
Greenville, KY 42345
(LRC) 502-564-8100
(Home) 270-338-6790
(Work) 270-338-0816
(Work FAX) 270-338-1639

Jill York (96)
PO Box 591
Grayson, KY 41143
(LRC) 502-564-8100
(Work) 606-474-7263
(Work FAX) 606-474-7638

* Members of the Kentucky General Assembly may also be contacted by calling 502-564-8100.

Committee Meetings

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INTERIM JOINT COMMITTEE ON AGRICULTURE

Minutes of the 1st Meeting of the 2014 Interim

June 11, 2014

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Agriculture was held on Wednesday, June 11, 2014, at 10:00 AM, in Owenton, Kentucky at the Eden Shale Research Farm. Representative Tom McKee, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Paul Hornback, Co-Chair; Representative Tom McKee, Co-Chair; Senators Walter Blevins Jr., Carroll Gibson, Sara Beth Gregory, Stan Humphries, Dennis Parrett, Dorsey Ridley, Damon Thayer, and Robin L. Webb; Representatives Lynn Bechler, Mike Denham, Derrick Graham, Richard Heath, James Kay, Kim King, Michael Meredith, Suzanne Miles, Terry Mills, David Osborne, Ryan Quarles, Tom Riner, Bart Rowland, Steven Rudy, Jonathan Shell, John Short, Wilson Stone, and Tommy Turner.

Guests: Dave Maples, Executive Vice President, Kentucky Cattlemen's Association; Becky Thompson, Director and Dan Miller, Industry Coordinator, Kentucky Beef Network; Dr. Nancy Cox, Dean, University of Kentucky College of Agriculture, Food, and Environment; Dr. Robert Stout, State Veterinarian; and Dr. Scott Flynn, Dow Agrosciences.

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

Kentucky Cattlemen's Association

Chairman McKee welcomed local officials and honored guests. Mr. Dave Maples, Executive Vice President of the Kentucky Cattlemen's Association, gave a brief history of Eden Shale Farm and the association's role in its management.

Kentucky Beef Network

Ms. Becky Thompson, Director of the Kentucky Beef Network (KBN), described the operating structure at Eden Shale Farm. Ms. Thompson explained the open intention of the farm and the hope that research being done there will help area farmers with similar soil types as that of Eden Shale Farm. The farm began when a group of area producers combined efforts to purchase the land in 1955. The land was then taken over by the Commonwealth under the purview of the University of Kentucky before officials contacted KBN about taking over its operations.

Mr. Dan Miller, Industry Coordinator for KBN, gave an overview of farm activities and events are hosted at Eden Shale Farm, such as field days for producers around the state.

In response to questions by Senator Gibson regarding lodging for students visiting the farm, Ms. Thompson said that there are no overnight facilities, but such facilities are a long-term goal. In response to funding questions, she explained the farm was purchased for $65,000. KBN has received money from the Agricultural Development Board. Operational money is received from KBN which provides services to cattlemen.

Mr. Miller further explained that the land is home to one hundred head of cattle. The land is also used for research on weed management, herd health, and field days, which are open to the public.

In response to a question by Representative Riner regarding youth groups, Ms. Thompson said that there is an area near the back of the farm that is used for youth shooting. She commented that 4-H and Future Farmers of America (FFA) groups often utilize the farm. Hunting is not permitted on the land.

University of Kentucky, College of Agriculture, Food, and Environment

Dr. Nancy Cox, Dean, University of Kentucky, College of Agriculture, Food, and Environment, elaborated on the positive outcome of Eden Shale Research Farm since 2012. The experiment stations that were created to help farmers become prosperous have revived the spirit of the farm.

Office of the State Veterinarian: animal health responsibilities

Dr. Robert Stout, State Veterinarian, testified about recent Livestock Care Standards Committee regulations. He described the long and intense process to produce the regulations, which are designed to be an on-farm standard. The intent was to create minimal-care standards and species-specific standards.

Chairman McKee noted that it is important to have functioning care standards in place, but that 99 percent of farmers know how to care for their animals.

Senator Webb expressed appreciation for Senator Gregory's work with the equine standards.

In response to a question by Representative Denham, Dr. Stout said that porcine epidemic diarrhea is underreported and has caused significant loss to Kentucky producers. The United States Department of Agriculture (USDA) will provide funding to profile the swine industry in Kentucky.

Dr. Stout described the Bovine Viral Diarrhea-Persistent Infection (BVD-PI) impact on the cattle industry in Kentucky and the potential loss if infected calves are taken to stockyards.

In response to Representative Stone, Dr. Stout said that animals that have been exposed to BVD-PI could be treated if isolated and tested periodically.

Dow Agrosciences

Dr. Scott Flynn, Dow Agrosciences, explained the company's work with Eden Shale Research Farm in the area of forage management. Kentucky's land resources are underutilized, and producers could double cattle production if lands were properly utilized. Dr. Flynn spoke about research on fescue toxicosis and its cost to the state. He described products that Dow Agrosciences is developing to stop the plant from producing the seed that is the source of the problem for grazing livestock. He recommended that Kentucky producers diversity their forage to suit their needs.

Senator Webb expressed concern about new chemicals. Dr. Flynn noted that this particular chemical has been in use for 20 years. The research has just found a new use for it.

In response to a question by Representative Mills, Dr. Flynn responded that much of the work is with state Department of Transportation (DOT), and that Dow has done demonstration plots with DOT.

Other Business

In response to a request for an update from Senator Hornback, Mr. Drew Graham, University of Kentucky (UK) College of Agriculture, Food, and Environment, explained that industrial hemp seeds of 10 to 13 varieties have been planted at UK test plots.

The handouts are on file with the LRC Library. There being no further business, the meeting was adjourned.

INTERIM JOINT COMMITTEE ON AGRICULTURE

Minutes of the 2nd Meeting of the 2014 Interim

July 9, 2014

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Agriculture was held on Wednesday, July 9, 2014, at 10:00 AM, at Fresh Start Farms, Hodgenville, Kentucky. Senator Paul Hornback, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Paul Hornback, Co-Chair; Representative Tom McKee, Co-Chair; Senators Walter Blevins Jr., Carroll Gibson, David P. Givens, Stan Humphries, Dennis Parrett, Dorsey Ridley, Robin L. Webb, and Whitney Westerfield; Representatives Lynn Bechler, Jim DeCesare, Derrick Graham, Richard Heath, James Kay, Kim King, Michael Meredith, Suzanne Miles, Terry Mills, Ryan Quarles, Tom Riner, Steven Rudy, Jonathan Shell, John Short, Rita Smart, and Wilson Stone.

Guests: Ryan Bivens, LaRue County farmer, Kentucky Soybean Industry; Mike Burchett, Calloway County farmer, Kentucky Soybean Industry; Jonathan Miller, McLean County farmer, Kentucky Soybean Industry; Larry Thomas, Hardin County farmer, Kentucky Soybean Industry; Kori Andrews, Smith Management Group; LaRue County Judge Executive Tommy Turner and members of the Future Farmers of America, LaRue County.

Upon motion of Representative Derrick Graham and seconded by Representative Wilson Stone, the June 11, 2014 minutes were approved by voice vote.

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

Overview of the Kentucky Soybean Industry

Ryan Bivens, owner and operator of Fresh Start Farms said that, in 2001, he started farming with zero acres. He now farms 6,400 acres consisting of corn, soybeans, and wheat. In 2012, his family was chosen as the Kentucky Farm Bureau Outstanding Young Farm Family and also won the American Farm Bureau Young Farmers and Ranchers Achievement Award.

Mr. Bivens stated that the Kentucky Soybean Association (KSA) has over 1,000 members and is led by 19 farmer-directors who are elected by the members. The mission of KSA is to advocate for soybean farmers in federal and state policymaking and farmer education. Soybean growers contribute half of one percent of every bushel sold to the Kentucky Soybean Board (KSB). The Kentucky Soybean Promotion Board keeps half and the United Soybean Board receives the other half. The money is invested and used for research and market development projects.

Mr. Blevins stated that soybeans are 80 percent meal and 20 percent oil. Kentucky is 18th in the nation for soybean meal usage, which is primarily in the poultry industry along with horses, sheep, goats, and aquaculture.

Issues Affecting Kentucky Soybean Farmers

Mr. Mike Burchett, Calloway County farmer, explained that agriculture is especially dependent on functional roads and bridges in order to get their products to the market. Support from state leaders would be beneficial in keeping the federal government's attention on inland waterways. There is a financing proposal pending in Congress, including a 9-cent-per-gallon increase in the barge diesel fuel user fee. Commercial shippers support the tax increase. It is crucial to Kentucky that the financing method not be lock fees since Kentucky has multiple locks and dams on the Ohio River. Soybeans are Kentucky's second largest agriculture export product.

As to other transportation issues, Mr. Burchett stated that farmers cross state lines to haul grain or equipment. Vehicle enforcement actions by the Department of Transportation continue to be inconsistent, even in other states. Weight tolerance on commercial trucks moving farm goods needs to be changed to allow a 10 percent gross weight variance. The change would have a direct impact on farmers having to use commercial grain haulers and would also help poultry growers move their product from the farm.

Mr. Burchett said that biodiesel should be supported because of air quality improvements, reducing carbon footprint and reducing dependence on foreign petroleum.

In response to Senator Gibson, Mr. Bivens stated that farmers are open to all options regarding transportation methods. He is not opposed to using the new Brandenburg regional port facility, but finances are important. Moisture control machines are regulated by the Kentucky Department of Agriculture.

In response to Senator Givens, Mr. Bivens said that purchasing a farm and making it successful depend upon determination and working with good people.

In response to Representative Rudy, Mr. Bivens said that he paid approximately $6,400 per acre.

Several legislators expressed concerns regarding Vehicle Enforcement targeting grain trucks and coal trucks.

Food System Challenges

Mr. Jonathan Miller, McLean County farmer, stated that it was important for farmers to pull together to get the correct message out to consumers. There are many activist groups that are not qualified or educated about the subject matter that present challenges to food marketing, animal welfare, and genetically modified foods. That technology is helping soybean farmers to manage nutrients and protect water quality. The Kentucky Soybean Board is one of six states that partners with the Strategies Targeting American Agricultural Resources and Sustainability (STAARS) program. STAARS is a national, farmer-led initiative to improve farm profitability, energy efficiency, and environmental performance, while collecting, analyzing, and reporting data documenting current on-farm resource management and sustainability.

Representative Rita Smart stated that farmers, farm organizations, and the Kentucky Department of Agriculture must push harder to get correct information to consumers.

Water Quality

Mr. Larry Thomas, Hardin County farmer, and Kori Andrews, Smith Management Group, discussed the Kentucky Agriculture Water Quality Authority Act. The Authority, a 15 member board appointed by the Governor, oversees statewide adoption of Agriculture Water Quality Plans and reviews Best Management Practices. Although it is mandatory for landowners who own 10 or more acres in agriculture or silviculture production to file their plans, there are a lot of farmers who do not complete their plans. The Authority will be renewing efforts to get more people signed up. Conservation districts have limited funding and not enough employees to help the farmers complete their plans. The University of Kentucky has been working with small dairy farmers to get their plans completed. Most farmers are willing to implement conservation practices, which has made a difference.

Ms. Kori Andrews, Smith Management Group, discussed state water quality issues. The Energy and Environment Cabinet, Division of Water, is developing a web-based mapping system called the Kentucky Water Health Portal, which will contain the Total Maximum Daily Load (TMDL) information for streams and impaired waters. The main purpose of the Kentucky Nutrient Reduction Strategy is to address nutrient impairments in Kentucky waters. In the next few years, there will be much more discussion on the basis for water quality standards and the definition of impaired water.

Ms. Andrews explained the federal regulation that has been proposed jointly by the Environment Protection Agency and the U.S. Army Corps of Engineers. Called the Waters of the United States Rule, the main purpose is to expand and broaden the definition of water for purposes of the Clean Water Act. The Rule will eventually affect Kentucky in that landowners will have to get permits to do something on their land. The American Farm Bureau Federation has a web-site that speaks to the regulation. The EPA says the Rule will result in a two percent increase in more waters being protected, and others say it will be the entire land. Under this Rule, it does not have to be wet to be water. More permits will be required. She said that Kentucky needs to be involved in this issue by commenting before October 20, 2014.

Chairman Hornback said that Kentucky was fortunate to have an abundance of water, but the regulations are prohibitive for the agriculture industry.

In response to Senator David Givens, Ms. Andrews said that the federal government has declared that water does not have to be wet.

Mr. Thomas noted that the Kentucky Geological Service has testing monitors across the state. The results will show exactly where contaminated water comes from.

A motion that the IJC on Agriculture submit a comment on the regulation before the October deadline was made by Senator Robin Webb and seconded by Representative Tom Riner. The motion passed, without objection, upon voice vote.

Chairman Hornback said that a copy of the comment would be prepared and submitted to the committee for approval at the August meeting.

There being no further business, the meeting was adjourned.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Minutes of the 1st Meeting of the 2014 Interim

June 26, 2014

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, June 26, 2014, at 1:00 PM, in Room 154 of the Capitol Annex. Representative Rick Rand, 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, Ernie Harris, Stan Humphries, Ray S. Jones II, Alice Forgy Kerr, and Robin L. Webb; Representatives Dwight D. Butler, Leslie Combs, Ron Crimm, Mike Denham, Bob M. DeWeese, Myron Dossett, Kelly Flood, Jimmie Lee, Reginald Meeks, Marie Rader, Jody Richards, Sal Santoro, Arnold Simpson, Rita Smart, John Will Stacy, Tommy Turner, Susan Westrom, Addia Wuchner, and Jill York.

Guests: Jack Conway, Kentucky Attorney General; Jane C. Driskell, State Budget Director; John Hicks, Deputy State Budget Director, Office of Policy and Management; Larry Hayes, Secretary, Cabinet for Economic Development; Shawn Rogers, Executive Staff Advisor, Office of Entrepreneurship; Edward C. Monahan, Public Advocate; Robert Walker, M.S.W., L.C.S.W., Assistant Professor, Department of Behavioral Science and Center on Drug and Alcohol

Research, University of Kentucky; Kita Clement, M.S.W., C.S.W., Bowling Green Department of Public Advocacy.

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

Discussion of the provisions and budgetary impact of the Master Settlement Agreement (MSA) arbitration settlement

Jack Conway, Kentucky Attorney General, discussed the Master Settlement Agreement (MSA) arbitration settlement, discussing the history and original provisions of the MSA. States are required to "diligently enforce" the collection of non-participating tobacco company taxes and deposit these into an escrow account for MSA payments to states. Since 2003, the participating companies have protested, claiming that this requirement has not been met by Kentucky. In 2013, this protest went before arbitration, and Kentucky was found to be one of six states that did not diligently enforce. The Office of the Attorney General began settlement negotiations in November 2013 with the participating tobacco companies. An agreement was reached which will give Kentucky $.45 on the dollar from disputed accounts, provide some certainty in receipt of payments owed the state in the future, and provide guidance to the state for future enforcement.

In response to a question from Senator Givens, Attorney General Conway stated that there is a dispute as to whether the remaining $.55 on the dollar from the escrow account reverts back to the participating tobacco companies. The money Kentucky will receive will be paid in one lump sum, settling the decade of disputed payments.

Ms. Jane C. Driskell, State Budget Director, and Mr. John Hicks, Deputy State Budget Director, Office of Policy and Management, discussed the budgetary impact of the MSA arbitration settlement. Ms. Driskell stated that the settlement prevents $42.5 million in budget cuts to tobacco programs in FY 14 and ensures that the enacted appropriations for FY 15 and FY 16 will be fully funded. The settlement provides an estimated $57.9 million over the next three fiscal years, removes the biggest element of uncertainty to Tobacco Fund receipts over the next 10 years, and saves the annual expense of litigation/arbitration. She outlined the enacted budget reduction plan and highlighted the areas where proposed cuts have been restored to full funding.

Ms. Driskell discussed additional funds anticipated from the settlement in FY 14 and how they will be utilized. The expected excess receipts of $68.6 million will be used to offset the estimated shortfall in FY 15 tobacco receipts of $26.6 million. The remaining $42 million from the FY 14 receipts will be reserved until the General Assembly takes further action to appropriate the funds. She gave an overview of tobacco settlement appropriations for the biennium in the following areas: agricultural development, early childhood development, and heath care improvement.

In response to a question from Chairman Rand, Ms. Driskell said that the presented receipts for FY 15 and FY 16 are estimates and the totals could potentially be larger. Mr. Hicks added that the payment amounts are still subject to the original MSA settlement formulas.

In response to a question from Senator Givens, Mr. Hicks answered that the excess funds from the settlement will cover the anticipated shortfall in FY 15. Ms. Driskell stated that any excess over that amount could be utilized within the budget by action of the General Assembly.

Update regarding activities of the Cabinet for Economic Development

Mr. Larry Hayes, Secretary of the Cabinet for Economic Development, and Ms. Shawn Rogers, Executive Staff Advisor for the Office of Entrepreneurship discussed current economic development activities in Kentucky. Secretary Hayes discussed the declining manufacturing projects coming to Kentucky and emphasized the importance of fostering small business development in the state.

Ms. Rogers discussed entrepreneurship and small business growth. According to data from the Bureau of Labor Statistics, Kentucky is ranked first in the percentage growth of new business establishments, and fifth in entrepreneurial activity. The cabinet has established the Kentucky Innovation Network, which provides more than 500 Kentucky companies support and free services, including idea assessment, market research, prototype development, business strategy, and capital access. The network has 13 offices statewide, including the newest office located in Pikeville.

Ms. Rogers discussed the importance of angel investors to small business growth. Angel investors, or those individuals who provide capital for business start-ups, put an average of $20 billion into new companies each year. The Kentucky Angel Investors Network was launched in November 2013, which brings new ventures and accredited investors together. This provides investors access to early-stage companies on a statewide basis. Membership is open to accredited investors within the state who are dedicated to investing in Kentucky companies. The network also sponsors a statewide "pitch" competition to engage local startups with potential investors. Regional winners will compete in November during the annual investment summit. She also discussed the small business credit initiative, which leverages funding from private lenders to help finance creditworthy small businesses which would fall short of traditional lenders' underwriting standards. There are 34 participating lenders in the state, which have approved $4.9 million to date. Those funds have allowed the leveraging of $47.5 million in small business loans since the program's inception, with a majority of the loans originating in low to moderate-income communities.

Ms. Rogers discussed recent angel investor tax credit legislation, which expands the Kentucky Investment Fund Act tax credit to allow individual investors to receive the credit. Investors will receive a tax credit of up to 40 percent of their investment (50 percent in enhanced counties) in a qualified Kentucky small business. The tax credit will be administered by the Cabinet for Economic Development and applications will be developed over the coming months. She discussed the small business tax credit, which is a non-refundable tax credit to eligible businesses that create one or more eligible full-time jobs and invest $5,000 or more in qualifying equipment or technology. The tax credit ranges from $3,500 to $25,000, dependent on the number of jobs created.

Ms. Rogers discussed the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Funds Program, which helps Kentucky small businesses, or those willing to relocate to Kentucky, leverage federal program funds. Since January 2013, 39 high-tech Kentucky companies have been awarded $8.8 million in state funds through the program, leveraging an additional $16.3 million in federal funds. Nearly $46 million has been awarded to 97 companies, leveraging $81 million federal funds.

Ms. Rogers discussed the Kentucky Export

Initiative, which promotes Kentucky products globally. Kentucky's exports reached $25.3 billion in 2013, with products and services going to nearly 200 countries. The state's export growth rate ranked second nationally, increasing 14 percent compared to the national average of 2 percent. The state's top export categories include aerospace products, motor vehicles and parts, and synthetic rubber and resins. The fastest growing export is aquaculture, increasing 362 percent.

Ms. Rogers discussed the Governor's School for Entrepreneurs, which started in 2013. The school is a three week course where teams of high school students create a product or service, develop a business plan, and learn from some of the top business leaders in the nation. Students are accepted based on team skills, imaginations, and innovation. Grades and test scores are not considered, and more than 60 students are anticipated to participate this year.

In response to a question from Senator Humphries, Secretary Hayes stated that Toyota did not inform the cabinet that it intended to move operations from northern Kentucky to other states. He discussed some of Toyota's reasons for moving.

Department of Public Advocacy Social Worker Program

Ed Monahan, Commissioner of the Department of Public Advocacy, Mr. Robert Walker, M.S.W., L.C.S.W., Assistant Professor, Department of Behavioral Science and Center on Drug and Alcohol Research, University of Kentucky discussed the Kentucky Alternative Sentencing Social Worker Program, along with Kita Clement, M.S.W., C.S.W., social worker for the Bowling Green Department of Public Advocacy. Mr. Monahan discussed Kentucky's alternative sentencing and social worker program, stating that is it nationally recognized. He discussed the state's prison problems, stating that rising substance abuse, high unemployment rates, and lower job skills have contributed to increased prosecution and incarceration. Deinstitutionalization of persons with mental illness has resulted in more people in prisons and jails with mental illness. Inmate populations have risen from 19,937 in July 2013 to 21,500 in July 2014.

Mr. Monahan discussed HB 463, which was enacted during the 2011 Regular Session to reduce unnecessary incarceration of individuals who present low risk of harm to the public and who could benefit from rehabilitation services. Attorneys must seek alternatives to incarceration for their clients. To further this goal, the Department of Public Advocacy has placed 8 social workers throughout the Commonwealth to assist defense attorneys in formulating alternative plans to incarceration. The 2014–2016 biennial budget provides funds for an additional 15 social worker in the program. Combining social worker and attorney costs, each alternative sentencing case costs about $825, which is significantly less than the cost of annual incarceration.

Mr. Walker discussed the Center on Drug and Alcohol Research's (CDAR) study regarding alternative sentencing plans. The study followed 20 client records for twelve months after the court's acceptance of an alternative sentencing plan. Each record included an estimate of the likely sentence that would have been issued for each case and the actual sentence from the disposition of the case. Each record also included the actual time served during the 12 months after the court's decision. The study found that without alternative sentencing, the clients would have served an average of 153 days during the 12 months post-disposition of the court case. With alternative sentencing, the clients actually served only an average of 23.5 days in that same period. The net savings to the state per client for the year was between $3,687 and $5,608. The study showed that for every dollar spent on social worker alternative sentencing services there is a $4.47 to $6.80 savings to the state.

Mr. Walker discussed the cost savings from utilizing treatment and recovery services instead of incarceration. A year's incarceration for an inmate costs an average of between $12,742 and $18,166 per year. One year of public substance abuse treatment expenditures averages $2,300 per client. A completed stay in a recovery center costs about $5,800. The study data for community based treatment and recovery programs show significant gains in the number of persons remaining drug and alcohol free 12 months after completion of treatment. Post-treatment success rates vary from 45 percent to 80 percent, with the higher percentage success rates show in long-term residential treatment centers.

Ms. Clement provided examples of the assistance that department social workers provide to clients in formulating alternative sentencing plans, and outcomes achieved from implementing these plans.

In response to a question from Chairman Rand, Mr. Walker replied that preliminary data shows a decrease in recidivism, but that the data collection as only recently begun and more solid trends will be available in the near future. Mr. Monahan stated that even if the recidivism rate remains the same, that the state gleans cost savings when persons complete alternative sentencing plans since those individuals have not been incarcerated. Mr. Walker said that the availability of treatment facilities for substance abuse is varied, and in urban areas access to treatment can be a challenge.

Being no further business, the meeting was adjourned at 3:15 p.m.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Postsecondary Education
Minutes of the 1st Meeting of the 2014 Interim

June 26, 2014

Call to Order and Roll Call

The 1st meeting of the Budget Review Subcommittee on Postsecondary Education of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, June 26, 2014, at 10:00 AM, in Room 149 of the Capitol Annex. Representative Kelly Flood, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stan Humphries, Co-Chair; Representative Arnold Simpson, Co-Chair; Senators David P. Givens, Johnny Ray Turner, and Mike Wilson; Representatives Julie Raque Adams, Derrick Graham, Reginald Meeks, Jody Richards, and Rita Smart.

Guests: David Couch, Associate Commissioner, Office of Knowledge, Information and Data Services; Dr. Amanda Ellis, Associate Commissioner, Office of Next Generation Learners; Hiren Desai, Association Commissioner, Office of Administration and Support.

LRC Staff: Jennifer Rowe, Joe Lancaster, Tom Willis, Perry Papka, and Amie Elam.

Expansion of Broadband and Other Technology Initiatives

Associate Commissioner David Couch testified on the expansion of broadband and other technology initiatives throughout the Commonwealth.

In response to a question by Senator Givens, Mr. Couch said E-rate laws prevent using broadband for other community purposes after school hours. He expects many changes to E-rate laws in the near future. Within the school building, there is more latitude for taking advantage of broadband services.

In response to a question by Representative Meeks, Mr. Couch said that students and teachers always have priority regarding the utilization of internet services. For smaller districts, the only reliable high-speed connection for students might be the service in the school.

In response to a question by Representative Carney, Mr. Couch said that the use of high-speed internet will include career and technical centers and satellite campuses around the commonwealth.

Technology and Improved Education Opportunities

Dr. Amanda Ellis testified about technology and improved education opportunities in Kentucky school districts.

In response to a question by Chair Flood, Dr. Ellis said that PD360 is a professional development platform that will save school districts money on travel and training and give educators the opportunity to learn on-demand.

In response to a question from Senator Turner, Dr. Ellis said that PD 360 provides sample videos on flipped classroom instruction.

In response to a question from Senator Turner, Dr. Ellis said that students that do not have access to the internet at home will have opportunities to download content to devices before they leave school.

Flex Focus Update

Associate Commissioner Hiren Desai testified about allocation of flexible focus and preschool funds for FY 2014-2015.

In response to a question by, Representative Carney, Mr. Desai said the flexibility in the budget bill allows districts to use flex focus funds in more innovative ways.

In response to a question by Senator Givens, Mr. Desai said that current budget language allows school districts to move money from restricted accounts and use it for any operating costs.

In response to a question by Representative Adams, Mr. Desai said that the Department of Education will report to the committee regarding school districts' management tactics.

There being no further business, the meeting was adjourned at 10:47 a.m.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Primary and Secondary Education
Minutes of the 1st Meeting of the 2014 Interim

June 26, 2014

Call to Order and Roll Call

The 1st meeting of the Budget Review Subcommittee on Primary and Secondary Education of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, June 26, 2014, at 10:00 AM, in Room 149 of the Capitol Annex. Representative Kelly Flood, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stan Humphries, Co-Chair; Representative Kelly Flood, Co-Chair; Senators David P. Givens, Johnny Ray Turner, and Mike Wilson; Representatives John Carney, Jeffery Donohue, Derrick Graham, Dennis Horlander, Charles Miller, and Steven Rudy.

Guests: David Couch, Associate Commissioner, Office of Knowledge, Information and Data Services; Dr. Amanda Ellis, Associate Commissioner, Office of Next Generation Learners; Hiren Desai, Association Commissioner, Office of Administration and Support.

LRC Staff: Jennifer Rowe, Joe Lancaster, Tom Willis, Perry Papka, and Amie Elam.

Expansion of Broadband and Other Technology Initiatives

Associate Commissioner David Couch testified on the expansion of broadband and other technology initiatives throughout the Commonwealth.

In response to a question by Senator Givens, Mr. Couch said E-rate laws prevent using broadband for other community purposes after school hours. He expects many changes to E-rate laws in the near future. Within the school building, there is more latitude for taking advantage of broadband services.

In response to a question by Representative Meeks, Mr. Couch said that students and teachers always have priority regarding the utilization of internet services. For smaller districts, the only reliable high-speed connection for students might be the service in the school.

In response to a question by Representative Carney, Mr. Couch said that the use of high-speed internet will include career and technical centers and satellite campuses around the commonwealth.

Technology and Improved Education Opportunities

Dr. Amanda Ellis testified about technology and improved education opportunities in Kentucky school districts.

In response to a question by Chair Flood, Dr. Ellis said that PD360 is a professional development platform that will save school districts money on travel and training and give educators the opportunity to learn on-demand.

In response to a question from Senator Turner, Dr. Ellis said that PD 360 provides sample videos on flipped classroom instruction.

In response to a question from Senator Turner, Dr. Ellis said that students that do not have access to the internet at home will have opportunities to download content to devices before they leave school.

Flex Focus Update

Associate Commissioner Hiren Desai testified about allocation of flexible focus and preschool funds for FY 2014-2015.

In response to a question by, Representative Carney, Mr. Desai said the flexibility in the budget bill allows districts to use flex focus funds in more innovative ways.

In response to a question by Senator Givens, Mr. Desai said that current budget language allows school districts to move money from restricted accounts and use it for any operating costs.

In response to a question by Representative Adams, Mr. Desai said that the Department of Education will report to the committee regarding school districts' management tactics.

There being no further business, the meeting was adjourned at 10:47 a.m.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Transportation
Minutes of the 1st Meeting

of the 2014 Interim

June 26, 2014

Call to Order and Roll Call

The first meeting of the Budget Review Subcommittee on Transportation of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, June 26, 2014, at 10:30 AM, in Room 131 of the Capitol Annex. Representative Leslie Combs, 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, Ray S. Jones II, and R.J. Palmer II; Representatives Hubert Collins, Tim Couch, Jim Gooch Jr., Sal Santoro, John Short, and Jim Stewart III.

Guests: Representative Arnold Simpson; Russ Romine, Deputy Secretary, Transportation Cabinet; Tammy Branham, Executive Director, Office of Budget and Fiscal Management, Transportation Cabinet; Brent Cooper, Interim President, Northern Kentucky Chamber of Commerce; Chad Day, Executive Secretary, Greater Cincinnati Building Trades Council; and Sherry Carran, Mayor, City of Covington, KY.

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

Federal Highway Trust Fund (FHTF) Update

Effect of FHTF on Federal Projects in Kentucky

Update on Brent Spence Bridge/Tolling Legislation in Ohio

Russ Romine, Deputy Secretary, Kentucky Transportation Cabinet, testified about the Federal Highway Trust Fund (FHTF), the FHTF's effect on federal projects in the Commonwealth, and the Brent Spence Bridge tolling legislation in Ohio.

In response to questions from Representative Simpson, Mr. Romine said the President's proposal gives the states more flexibility for using tolls on interstate highways. He said Oregon has a pilot program in place for weaning themselves off the gas tax and moving toward taxing miles traveled.

In response to questions from Representative Collins, Mr. Romine said there are GPS elements in tracking usage of the highway system. He also said funded active projects would continue to progress. In the coming weeks, we will see details on how USDOT will implement a delayed reimbursement process. If no more funds become available from the FHTF, there will be no new projects for 2015. Typically a project takes three years to spend out.

In response to questions from Chair Combs, Mr. Romine said the $55 billion needed to keep the FHTF solvent represents national numbers, which translates to about $700 million per year for Kentucky. Chair Combs requested a breakdown of those numbers be provided to the subcommittee in the future, including more detail on the type of projects involved.

In response to a question from Representative Couch regarding the effect of inflation on purchasing power, Mr. Romine said that, in 2013, the federal tax of 18.4 cents is worth 11.0 cents in purchasing power.

In response to questions from Representative Simpson, Mr. Romine said the cabinet closely follows any proposals that could impact the Corridor project. He said Senator Paul has advocated the elimination of aid to foreign countries in order to fund large infrastructure projects. The process of analyzing disproportionate impacts of tolls on low income and minority populations is ongoing. Toll discounts or free passes cannot be provided based on place of residence. Chair Combs requested that additional information be provided to the subcommittee at a later date.

Road Fund Update

Tammy Branham, Executive Director, Office of Budget and Fiscal Management, Transportation Cabinet, provided an update of the Road Fund.

In response to a question from Representative Collins regarding the usage tax, Ms. Branham said she had anticipated it would cost 2.4 cents per gallon in the fourth quarter. In the current quarter the loss was 1.4 cents per gallon, indicating an overestimated projection for the fourth quarter.

In response to a question from Senator Higdon, Ms. Branham said the taxes are collected at the wholesale level.

In response to questions from Representative Stewart regarding railroad projects with fences and other additional costs, Mr. Romine said they look at all projects to determine if they could be built in a more practical and cost efficient manner.

Discussion of Public-Private Partnership (P3) Legislation

Brent Cooper, Interim President, Northern Kentucky Chamber of Commerce, Chad Day, Executive Director, Greater Cincinnati Building Trades Council, and Sherry Carran, Mayor, City of Covington, testified about the use of Public-Private Partnerships.

In response to a question from Representative Simpson, Mr. Cooper said Kentucky is one of only ten states not using P3s.

In response to a question from Representative Collins, Mr. Cooper said the numbers presented on highway safety were provided in a study performed by OKI and the information was based on a seven mile corridor in Kentucky and Ohio, including the Brent Spence Bridge. He did not have data regarding the number of fatalities on the bridge, but noted that the bridge is unsafe. He said the number of trucks and commuters was tracked by traffic counts.

There being no further business, the meeting was adjourned at 11:55 AM.

INTERIM JOINT COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM

Minutes of the 1st Meeting of the 2014 Interim

June 19, 2014

Call to Order and Roll Call

The first meeting of the Interim Joint Committee on Economic Development and Tourism was held on Thursday, June 19, 2014, at 1:00 PM, in Room 154 of the Capitol Annex. Senator Alice Forgy Kerr, chairperson, 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 Julian M. Carroll, Ernie Harris, Jimmy Higdon, Dennis Parrett, and Mike Wilson; Representatives Lynn Bechler, Kevin D. Bratcher, Larry Clark, Tim Couch, Mike Denham, Myron Dossett, C.B. Embry Jr., Jim Gooch Jr., Mike Harmon, Richard Heath, Dennis Horlander, Dennis Keene, Kim King, Martha Jane King, Tom McKee, Terry Mills, Ruth Ann Palumbo, John Short, John Will Stacy, Fitz Steele, and Russell Webber.

Guests: Robert Riggs, Kentucky Aviation Association, Aviation Museum of Kentucky Board of Directors, and Kentucky Institute for Aerospace Education Board Member; Dr. Tim

Smith, Executive Director and Chief Executive Officer, Kentucky Institute for Aerospace Education; Dr. Benjamin K. Malphrus, Chair, Department of Earth and Space Sciences, Space Science Center, Morehead State University; Dr. Larry Ferguson, Vice-Chancellor of Economic Development and Workforce Solutions, Kentucky Community and Technical College System; Dr. Michael Benson, President, Eastern Kentucky University; Ralph Gibbs, Chief Flight Instructor, Eastern Kentucky University (EKU) Aviation; Dr. Suzanne Weaver Smith, PE, Director, NASA Kentucky Space Grant and EPSCoR Programs; John R. Hughes, Program Manager, Belcan Engineering Group, Inc., Lexington; and, Mike Young, Co-Founder, Kentucky Aviation Council.

LRC Staff: John Buckner, Lou DiBiase, and Dawn Johnson.

Economic Impact of Aerospace/Aviation on the Commonwealth

Mike Young, Co-Founder of the Kentucky Aviation Council, spoke of the many exciting opportunities in Kentucky's aerospace industry. The Governor announced in February that aerospace components exports are greater than the state's automotive industry exports. The Kentucky Aviation Council was formed in 1995 to address the needs of the industry. At that time, aviation was the largest employer in the state and economic projects were the result of the state's aviation infrastructure. Mr. Young gave an overview of the agency's mission, including increasing airport development in Kentucky by using the jet fuel tax.

Mr. Young explained the purpose of the meeting was to share the development of the aerospace and aviation business and the educational activities across the state. He said Kentucky could be the number one aerospace manufacturing state.

Robert Riggs, Kentucky Aviation Association, the Aviation Museum of Kentucky, and Kentucky Institute for Aerospace Education, said a 1998 aviation economic impact study on airports reflected a $10 billion industry with 100,000 employees. New estimates suggest it was a $12 billion industry with 130,000 employees before the most recent recession. Kentucky has 59 public airports, with 28 having 5,000 feet runways, and six commercially certified for scheduled air carrier service. Referring to Mr. Young's comments, he said aerospace exports in 2013 were almost two percent more than automotive exports. Employment in aerospace manufacturing has increased 63 percent since 2012, while product exports have increased 85 percent. Of the 71 categories of space products and services identified by Morehead State University, 52 are made in Kentucky.

Dr. Tim Smith, Executive Director and Chief Executive Officer of the Kentucky Institute for Aerospace Education (KIAE), said the program prepares students for a future in aerospace by working with students beginning in high school, through technical college and university level education and into the workplace. KIAE is a nonprofit organization whose mission is to increase student engagement in aerospace by improving science, technology, engineering, and mathematics (STEM) learning and providing an authentic connection to the work. The program results in college and career ready graduates. Currently, 32 schools in Kentucky and Tennessee participate in the program with most being in Kentucky. Dr. Smith explained the program's collaboration with state universities. KIAE is in the process of building an Aerospace Education Center in partnership with the Transportation Cabinet. The student graduation rate has been 100 percent the last three years. Students score 17 percent higher than the state average on the ACT and not only meet but exceed the benchmarks for college readiness in math and science. Seventy-five percent of the program's students go into STEM fields upon graduation and 25 percent go into aviation.

Dr. Smith explained that the program needs support to complete the Education Center and increased resources to provide more technical assistance to students. He would like to see increased partnership between state agencies as aerospace and aviation are transportation, economic development, and education initiatives. Dr. Smith introduced three students who spoke of their experiences in the program.

Dr. Benjamin Malphrus, Chair of the Department of Earth and Space Sciences Center, Morehead State University, discussed the space economy, noting that it is a $5.6 billion state industry. The Space Sciences Center's focus is on small satellites or "nano satellites" that are easier to manufacture and launch. Dr. Malphrus explained the CubeSat program and the satellite uses, such as constellations that may be used for data transfer, GPS, security measures, and financial transactions. Projections indicate substantial growth in the field and Kentucky is poised to be a major player. Morehead State's program has partnered with government agencies including NASA as well as aerospace companies, universities, and consortia. Dr. Malphrus gave an overview of the Space Science Facility including the Spacecraft Integration Facilities and the Space Systems Verification Lab. Dr. Malphrus explained that the program's purpose is to generate the next generation of aerospace workforce.

Dr. Malphrus urged the governor and Kentucky congressional representatives to lobby the United States Department of Commerce to extend the Southwestern Aerospace Region manufacturing corridor into central and eastern Kentucky to include Louisville, Lexington, and Morehead to allow for greater opportunities for economic growth.

Dr. Larry Ferguson, Vice Chancellor of Economic Development and Workforce Solutions, Kentucky Community and Technical College System (KCTCS), gave an overview of how KCTCS is involved in the aerospace and aviation in Kentucky. He said Somerset Community College has a successful two-year aviation maintenance technology program approved by the Federal Aviation Administration. The program has an almost 100 percent job placement rate. It is a competitive, STEM oriented program. KCTCS has a two-plus-two agreement with Eastern Kentucky University and other state institutions. Through the Workforce Solutions Unit, KCTCS provides workforce training for multiple companies across the state. KCTCS has several Advanced Technology Centers on its campuses that partner with STEM related companies linked to aerospace. They provide skill sets for employment high tech companies.

Dr. Michael Benson, President of Eastern Kentucky University, said the university has one of the best aviation programs in the country.

Ralph Gibbs, Chief Flight Instructor with EKU Aviation, explained the program's mission to prepare students for careers in aviation and to be a world-class aviation academic and flight training institution. Students are trained to be job ready either as flight instructors or flying on-demand air charter. Mr. Gibbs said the goal is to make Kentucky the state of choice for aviation education. The program curriculum was recently revised to mandate that all airline pilots are to have an Airline Transport Pilot Certificate. The

EKU curriculum is an exact duplicate of the Naval Aviation Training Command. EKU collaborates with nine regional carriers. These regional carriers recognize the coming pilot shortage due to the new regulations. EKU offers postsecondary an aviation program with concentrations include aerospace management, professional flight, and aerospace technology.

Dr. Suzanne Weaver Smith, Director of the NASA Kentucky Space Grant and EPSCoR Programs and University of Kentucky Systems Research Consortium, explained that NASA has invested in Kentucky's aerospace workforce for approximately 25 years. They have invested millions in multiple projects annually involving 14 academic institutions across the state. The program provides seed money for beginning projects; for example, $400,000 was invested over a five year period in developing autonomous aircraft, which in turn produced 300 graduates in engineering, many of whom found employment at GE Aviation and Belcan Engineering Group. She said the NASA Kentucky program is investing in the Institute for Aerospace Education in projects that involve authentic, hands on STEM education for workforce development and faculty development for research capacity.

Dr. Smith said research in unmanned aerial systems (UAS) is emerging now. In 2015, the FAA will allow commercial flights and sell services with UAS. The Association for Unmanned Vehicle Systems International released an economic development report in 2013 estimating an economic impact of $82 billion over the next 10 years in the US with an estimated $537 million economic impact and 600 additional jobs in Kentucky. This estimate was based on an understanding of the state's infrastructure not the actuality of Kentucky's assets.

Dr. Smith explained that research in Kentucky over the last 12 years has resulted in industry standard designs on unmanned aerial systems. Kentucky has over 14 years of agriculture applications experience. Kentucky is a leader in UAS technology. She explained that a group of faculty and students joined together December 2013, to form a research consortium to share information and bring assets together to benefit business as well as each other, and, more UAS manufacturing companies are locating to Kentucky. The training available at KCTCS has been an attractive feature of Kentucky. She said to support these developments, Kentucky needs UAS air space. Other states are turning to installing unmanned systems air strips which must be located away from other airports. Dr. Smith said this infrastructure investment would be a huge benefit to companies wanting to locate in Kentucky.

Dr. Malphrus explained Space Tango, a program that bridges the gap between higher education and the space industry. It is a for-profit venture, with 51 percent owned by Kentucky Space, a not-for-profit venture managed by the Science Technology Corporation. The goals are to create a new sustainable high-growth, high-value industry in Kentucky to attract entrepreneurs and inventors to the state. This can be achieved through reinvestment. The program created the nation's first aerospace incubator and accelerator for aerospace. Areas of concentration are space operations, space logistics, and nanosatellite technology. Dr. Malphrus noted that FedEx is opening a space logistics operation to process and ship sensitive space assets. The program received $10 million in contracts in just one week.

John Hughes, Program Manager at Belcan Engineering Group, Inc. expressed support of the KIAE program as the company will ultimately benefit from aerospace graduates. Belcan would rather hire graduates from Kentucky than out of state. He noted that the University of Kentucky produces a lot of engineering graduates but many leave the state. The Lexington office of Belcan was created to keep graduates in state. He said it is hard to attract engineers to Kentucky. Promoting STEM education will help provide the state with future engineers. He noted that a proposal has been sent to the Ohio legislature to set up an aerospace committee consisting of legislators and industry representatives to collaborate on aerospace development. Belcan recently learned of other aerospace initiatives in Kentucky and would like to be involved in a partnership or committee to promote collaboration and increase companies in the aerospace workforce.

Senator Kerr said it has been her vision to get industry representatives together to discuss the future of aerospace in Kentucky.

Mr. Riggs said it would help the industry to change the tax structure to be more favorable to aviation/aerospace because it is an economic engine.

There being no further business the meeting adjourned at 2:45 PM.

INTERIM JOINT COMMITTEE ON HEALTH AND WELFARE

Minutes of the First Meeting of the 2014 Interim

June 18, 2014

Call to Order and Roll Call

The first meeting of the Interim Joint Committee on Health and Welfare was held on Wednesday, June 18, 2014, at 10:00 a.m., in Room 129 of the Capitol Annex. Representative Tom Burch, Co-Chair, called the meeting to order at 10:08 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, Jimmy Higdon, and Reginald Thomas; Representatives Bob M. DeWeese, Mary Lou Marzian, Darryl T. Owens, Ruth Ann Palumbo, Russell Webber, Susan Westrom, and Addia Wuchner.

Guests: Representative Jimmie Lee; Beth Jurek, Executive Director, Office of Policy and Budget, Cabinet for Health and Family Services; Mary Begley, Commissioner, Allen Brenzel, Medical Director, and Natalie Kelley, Director, Division for Behavioral Health, Department for Behavioral Health, Developmental, and Intellectual Disabilities, Cabinet for Health and Family Services; Lisa Lee, Deputy Commissioner, Department for Medicaid Services, Cabinet for Health and Family Services; Oliver Olson, Registered Nurse Practitioner; Eric Crawford, Mason County Resident; Jaime Montalvo, President and Tori Burgin, KY4MM; Eric T. Clark, Kentucky Association for Health Care Facilities; Kimberlee Richardson, Coventry; David Beyer, Executive Director, Kentucky Board of Dentistry; Sarah S. Nicolson, Kentucky Hospital Association; and Patti Parsons, mother of an autistic child.

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

IMPACT Plus Program Changes

Mary Begley, Commissioner, Dr. Allen Brenzel, Medical Director, and Natalie Kelly, Director of the Division of Behavioral Health, Department for Behavioral Health, Developmental, and Intellectual Disabilities, and Lisa Lee, Deputy Commissioner of the Department for Medicaid Services, Cabinet for Health and Family Services, testified that

IMPACT Plus was designed to serve children with high intensity behavioral health needs who were in or at a risk of out-of-home placement. Children were required to meet program eligibility criteria established in 907 KAR 3:030. Under the Title V Agreement, the Department for Behavioral Health, Developmental, and Intellectual Disabilities (DBHDID) has had the primary responsibility for payment to subcontractors, developing policy, managing subcontractor network through enrollment and termination, credentialing individual providers, enforcement through onsite monitoring of billing documentation and the clinical records of each agency, and collecting quality improvement and outcome data. The DBHDID's current role is duplicative of the managed care organizations (MCOs), creates inefficiency in program administration and service delivery, and increases costs.

On January 1, 2014, the Center for Medicare and Medicaid Services (CMS) authorized a State Plan Amendment for Kentucky. Key services that were once unique to the IMPACT Plus program and the new substance abuse treatment benefit are now included in Kentucky's Medicaid State Plan. IMPACT Plus services will no longer require prior authorization unless required by the MCOs. The MCOs do not require prior-authorization on all behavioral health services. Providers will receive payment from the MCOs directly. The provider network is open to providers other than the Community Mental Health Centers (CMHCs) for behavioral health services. Kentucky is ready to fully transition the administration of IMPACT Plus services from DBHDID to the MCOs.

The transition will begin July 1, 2014 when no new children will be enrolled into the Title V IMPACT Plus program. Beginning July 1, 2014, newly eligible children may receive services under traditional Medicaid. Services will be billed directly by the contracted MCO provider to the MCO. DBHDID will continue as the administrator of the IMPACT Plus program for eligible children enrolled through June 30, 2014 and will continue to credential individual service providers from the 49 DBHDID subcontracted agencies. Subcontractors will continue to deliver services to children under 21 who were determined eligible for the Title V IMPACT Plus program through June 30, 2014 and billing for those children will still require the pass through between DBHDID, the MCO, and the IMPACT Plus subcontractor until October 1, 2014. Beginning October 1, 2014, all behavioral health services for all children who are in need of intensive, community-based behavioral health services, will be authorized through the traditional Medicaid benefit by the MCO.

IMPACT Plus services will be available to all Medicaid-eligible children rather than only those who meet the regulated eligibility criteria of the IMPACT Plus program. Providers will be able to negotiate their own rates and have more freedom of choice in their participation with MCO selection. Clients will have a broader panel of providers from which to choose. DBHDID is maintaining an updated database which will track all subcontractors and individual professionals who are providing IMPACT Plus services as they enroll with Medicaid and are contracted with each MCO. Training sessions and a Frequently Asked Questions document regarding obtaining Medicaid numbers, expanded services, and information about MCOs are available to providers.

In response to questions by Senator Denton, Commissioner Begley stated that if there is no adequate network by July 1, 2014, children can receive needed services; however, the MCOs say they will be ready by that date. Nine of the 49 active IMPACT Plus subcontractors have obtained a multi-specialty provider group number. Ms. Lee stated that the multi-specialty provider group number is a Medicaid number created to allow providers within a group to participate in the program and bill under the same number so each individual provider in the group would not have to enroll and bill as an independent provider. Ms. Kelley stated that since January 1, 2014, 670 independent providers have enrolled and obtained a Medicaid number. Some MCOs will allow providers to contract on a case-by-case basis until the provider becomes credentialed. Commissioner Begley stated that the July 1, 2014 date was established to keep the process moving forward so that all Medicaid-eligible children can receive services and more providers could provide the services. The implementation date can always be moved if the MCOs are not ready.

In response to questions by Representative Westrom, Ms. Lee stated that all providers can negotiate rates with the MCOs that include flexibility for children with more complex needs than the standard rate would allow. Dr. Brenzel stated that the cabinet enforces the contractual requirement for MCOs to maintain an adequate network that helps providers in negotiations. Since November 2011, MCOs have determined who is eligible for IMPACT Plus services required by regulation. MCOs can and will offer services to children who may not meet regulatory eligibility requirements for IMPACT Plus. MCOs are incentivized to provide and authorize services.

In response to a question by Senator Higdon, Commissioner Begley stated that the DMS will now keep the $400,000 currently given to BHDID to monitor the IMPACT Plus program. Payment for behavioral health services is already included in the contract with each of the MCOs.

In response to questions by Senator Buford, Commissioner Begley stated that no additional money will be given to the MCOs for providing the new services. Ms. Lee stated that flexibility to provide behavioral health services was built into the contracts negotiated between the provider and the MCO. Additional funds were appropriated to provide substance abuse treatment because these services were not part of the data book when the MCOs bid on contracts with the cabinet. When services are denied, the family has to go through a denial process. The first step when a child is denied services is a peer-to-peer review from the physician and a provider of similar background at the MCO. After appeal rights from the MCO have been exhausted, then an appeal can filed with the state.

In response to questions by Representative Burch, Commissioner Begley stated that there are currently 3,500 children who receive IMPACT Plus services. There are 49 agencies that have 1,100 individual providers. Ms. Lee stated the cabinet will monitor the appeals claims process and results to see which MCOs have denied more children services, watch claims utilization outliers, and identify areas of concern by the DMS Division of Quality Management who is responsible for reviewing all claims and reports from MCOs. Senator Denton stated that the MCOs will conduct their own audits and quality controls.

In response to questions by Representative Wuchner, Dr. Brenzel stated that Medicaid-eligible children are already enrolled with the MCO, therefore, there will be no changes in formularies and will not require any disruption of services. Commissioner Begley stated that geographical data on all providers is on the DHDID web site. DHDID is working on a web site that lists the location of providers by county. Some providers still do not have contracts with the MCOs.

In response to questions by Representative Owens, Ms. Kelley stated that the number of IMPACT Plus children is higher in June because one MCO did not submit accurate data in May. Dr. Brenzel stated that the cabinet anticipates a significant increase in number of children who will have access to the services that were previously only accessible through the IMPACT Plus Program. The number of children receiving IMPACT Plus services will be difficult to track because the children will only be receiving the appropriate behavioral health services as a part of the full array of behavioral health benefits. Commissioner Begley stated that some providers have obtained a Medicaid number but are waiting on approval from the MCOs to provide services.

In response to a question by Representative Marzian, Commissioner Begley stated that all CMHCs will be able to provide services under the new program. The CMHCs can expand and contract for services they were unable to in the past because they are now a part of the Medicaid program. This is a continued expansion of the behavioral health network and behavioral health services. Ms. Lee stated that she would follow-up to see why Anthem requires providers to be Medicare eligible to participate in the new behavioral health network.

Bart Baldwin stated that the DMS is working hard to expedite the process to get a Medicaid number to providers as soon as possible in order to get credentialed by and negotiate a contract with the MCOs. One concern is what happens after July 1, 2014 if a provider has not completed the MCO credentialing process. Sometimes there are multiple individual providers within a provider group, and each of them has to have a Medicaid number and be credentialed.

In response to a question by Representative Westrom, Mr. Baldwin stated that once a provider has a Medicaid number, the standard timeline to go through the MCO credentialing process is 30 to 90 days.

Cabinet for Health and Family Services Budget Overview

Beth Jurek, Executive Director, Office of Policy and Budget, stated that final FY 2014 financial information will be available in mid-July. All agencies are ending the year as expected and as budgeted for FY 2014. Once the fiscal year is closed out, the cabinet will be able to project the budget for FY 2015. The cabinet had a five percent general fund reduction. The difference between the Governor's recommendation and the enacted budget is $17.7 million less. Across the cabinet, program agencies and their community partners are transitioning from an environment where many persons are uninsured to an environment where most are either Medicaid eligible because of the expansion or they are able to obtain affordable health insurance. The cabinet will begin to pay for services that were not previously covered by Medicaid or health insurance. The Department for Community Based Services did not receive additional funds to serve the 300 new children in out-of-home care. DCBS is trying to develop more community-based services so children can remain at home or go home sooner from an out-of-home placement. The adult abuse registry, juvenile justice, and cybersecurity requirements enacted during the 2014 General Assembly will significantly impact the cabinet's budget.

In response to questions by Representative Burch, Ms. Jurek stated that information on the amount of funds Kentucky will receive from the tobacco company settlement could be obtained from the state budget office, which has been working with the Attorney General on negotiations with tobacco companies. She did not know when the funds would appear in the general fund. Between August 1, 2014 and September 1, 2014, the cabinet will be able to fund childcare assistance up to 125 percent of the federal poverty level (FPL) and 150 percent in 2016 with funds provided by the General Assembly in the FY 2014-2016 budget.

In response to questions by Senator Denton, Ms. Jurek stated that the $35 million Medicaid administration budget baseline has remained the same or slightly less than FY 2013. Since 2012, the number of Medicaid administration employees has remained between 170 and 180. Kentucky has one of the smallest Medicaid administration staff nationwide. The cap on employees in the Office of Health Benefit Exchange (OHBE) is 30, but OHBE is not presently fully staffed. The OHBE used temporary staff in the start-up of the exchange, because they did not know how many employees would be needed on a full-time basis.

Consideration of Referred Administrative Regulations

The following administrative regulations were 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 8:016** – establishes fees for the issuance, renewal, and reinstatement of registrations of dental laboratories with the Kentucky Board of Dentistry; **201 KAR 8:532** – establishes requirements and procedures for licensure of dentists; **201 KAR 8:562** – establishes requirements and procedures for the licensure of dental hygienists; **908 KAR 2:240 & E** – establishes the minimum eligibility and training requirements for a Kentucky youth peer support specialist; and **908 KAR 2:250 & E** – establishes the eligibility criteria and training requirements for community support associates employed by an entity which provides comprehensive community support services. A motion to adopt a technical amendment to **201 KAR 8:016** from the Kentucky Board of Dentistry was made by Senator Clark, seconded by Senator Denton, and adopted by voice vote. David Beyer, Executive Director of the Kentucky Board of Dentistry was present to explain the amendment. A motion to adopt the administrative regulations as amended was made by Senator Clark, seconded by Representative Palumbo, and adopted by voice vote.

Medicinal marijuana

Oliver Olson, Kentucky Registered Nurse Practitioner, stated that there should not be a prohibition on the use of medicinal marijuana. Marijuana has been used for medicinal purposes since 1830 and is one of the most studied drugs. Access to marijuana is a national issue not just a state issue.

Eric Crawford, Mason County resident, stated that individuals with medical conditions have to worry about their health every day. He does not care about recreational uses of marijuana but wants to talk about medical cannabis and the immediate need for the laws of Kentucky to change to allow truly sick and disabled people to legally use medical marijuana as an option to treat illnesses. There are a lot of people whose body or mind do not handle narcotics very well. A huge problem for most individuals is that they have to travel far distances to see a doctor. One of his doctors recommended the use of medicinal marijuana to lower the pressure in his eyes. Medical marijuana helps control his glaucoma. He and other people need medical cannabis for relief of pain and a better quality of life. A May

2013 Fox News poll found that approximately 85 percent of Americans think that marijuana should be allowed to be used for medical purposes if prescribed by a doctor. One-third of Americans live in a state where patients can use cannabis with a doctor's advice. He asked that legislators legalize the use of medical cannabis so that individuals do not have to leave Kentucky to have better health and quality of life.

Senator Clark stated that there is no reason why Kentucky cannot be compassionate enough to allow its people access to something that is effectual with many modalities. The time to do something is now and it should be done quickly.

Senator Thomas stated that during the 2014 Regular Session, Senate Bill 124 was enacted that would allow the use of cannabis oil. The committee needs some results about the use of cannabidiol from the University of Louisville and the University of Kentucky in order to make an informed decision.

Representative Burch and Senator Denton agreed that it was known that there would be obstacles with the use of cannabidiol, but there has to be a starting place. Representative Burch stated that approximately 87 percent of the people in his district support the legalization of medicinal marijuana. If there are no marijuana plants available, the universities cannot conduct the needed research.

Senator Denton stated that the University of Louisville is aggressively trying to implement the enacted legislation. Approval from the federal government to grow hemp plants could be a huge economic advantage for Kentucky.

Jaime Montalvo, President of KY4MM, stated that it is illegal to bring marijuana cross the state line. The growth of marijuana plants could bring revenue to the Commonwealth. The laws need to be changed so it is not illegal for a person to obtain medicinal marijuana for relief from health issues. Approximately 150,000 Kentuckians could benefit from pain relief if medicinal marijuana is legalized.

Representative Burch stated that it takes time for change, but the legalization of medical marijuana will happen eventually.

Tori Burgin stated that the diagnosis of her husband's esophageal cancer affected the lives of everyone in the family. He was diagnosed on December 2, admitted to the hospital on December 5, and suffered toxic shock to his body on December 11. The medications alone prescribed each month costs $10,000. When injected, cannabis oil or medical marijuana in highly concentrated forms has been shown to kill cancer. The federal government has known since 1972 that cannabidiol can heal cancer. She is willing to go to jail to obtain marijuana if it will relieve her husband's pain.

In response to a question by Senator Higdon, Mr. Crawford stated that he uses a vaporized form of marijuana to help his symptoms. Mr. Montalvo stated that each state will have to deal with the issue of impaired driving, but currently there is no set standard to check the levels of cannabis in a person's body. Someone can test positive 30 days after smoking marijuana.

Senator Denton and Representative Burch stated that the committee needs as much scientific data available in order to make an informed decision. There are challenges with the federal law, and Kentucky does not typically violate federal law.

Adjournment

There being no further business, the meeting was adjourned at 12:30 p.m.

INTERIM JOINT COMMITTEE ON JUDICIARY

Minutes of the 1st Meeting of the 2014 Interim

June 6, 2014

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Judiciary was held on Friday, June 6, 2014, at 10:00 AM, at the Northpoint Training Center in Burgin, KY. Senator Whitney Westerfield, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Whitney Westerfield, Co-Chair; Representative John Tilley, Co-Chair; Senators Perry B. Clark, Carroll Gibson, Sara Beth Gregory, and Robin L. Webb; Representatives Johnny Bell, Robert Benvenuti III, Joni L. Jenkins, Stan Lee, Reginald Meeks, Suzanne Miles, Darryl T. Owens, Ryan Quarles, Tom Riner, and Steven Rudy.

Guests: LRC Acting Director Marcia Seiler, Commissioner LaDonna Thompson, Secretary J. Michael Brown, Warden Don Bottom, Ken McGinnis, James Austin, and Deputy Commissioner Jim Erwin.

LRC Staff: Jon Grate, Matt Trebelhorn, Dallas Hurley, Alice Lyon, Chandani Jones, Dale Hardy, Matthew Doane, and Natalie Burikhanov.

Restricted Housing (Segregation)

After a brief introduction, Department of Corrections (DOC) Commissioner LaDonna Thompson discussed the Kentucky Correctional Facility Segregation Unit Audit that was conducted by CNA Analysis Solutions and Eastern Kentucky University (EKU). Ken McGinnis and Dr. James Austin, on behalf of CNA, discussed their research, discoveries, and suggestions that resulted from the study.

Mr. McGinnis spoke about the national trends regarding segregation units. Overall, the group found that placement into a segregation unit is often arbitrary, prolonged, and unstructured. Furthermore, these trends demonstrate that segregation units across the country face elevated suicide rates, decentralized oversight, and incidents of excessive use of force. Many inmates are in segregation for an undefined amount of time, and the unit often houses inmates who suffer from mental illnesses, who are placed in segregation due to a lack of treatment resources and proper assessments. While Kentucky has a better segregation unit system than others around the country, it still possesses many of the qualities found in these national trends.

Before delving further into the study, Dr. Austin provided nationally held definitions of segregation, as follows:

Investigative segregation: applied to those who are arrested within the prison system and are awaiting trial. This type of segregation usually lasts 60-90 days.

Disciplinary segregation: once an inmate is found guilty of a crime within the prison, they are held in the segregation unit as a part of their sentence for a specified amount of time.

Administrative segregation: given to inmates who are considered too dangerous to be kept in the general prison population. They could have been charged and convicted of an offense or could suffer from mental health issues, and they are kept indefinitely.

Protective custody: applied to those who are moved for their own protection.

Of those listed, administrative segregation and protective custody often lead to the longest lengths of stay.

Following these definitions, Dr. Austin provided a background of the audit, which was completed in the summer of 2013 and was the collaborative effort of CAN, JFA Institute, EKU, and DOC. The objective was to assess the Kentucky DOC's segregation units, compare the system to others throughout the nation, and determine if the policies met best practices. The study found that Kentucky's segregation population was around 6 percent, which was just below the national average of 6.5 percent. As was expected, the Kentucky State Penitentiary had the largest segregation population due to its status as the only high-security prison facility.

Dr. Austin and Mr. McGinnis then presented their primary recommendations:

Initiate a review and revision of the disciplinary guidelines as specified in the Kentucky DOC Policy 15.2. By doing this, DOC would establish a length of stay for inmates in the segregation units.

Modify the approach to special management population by utilizing administrative control for long-term segregation housing. This would better place inmates within categories based on risks.

The present stay in what should be called investigative administrative segregation should be reviewed and shortened from the current 60 days to 30-45 days.

Inmates claiming protection needs and housed in segregation pending investigations should be separated from other non-protection inmates. As it stands, Kentucky is a national model in this area.

The mixing of different segments of the segregation population should be minimized.

The Kentucky DOC information system should be modified so that inmates can be clearly tracked by their segregation status and the time in such status.

The long-term segregation unit should develop step-down programs that allow inmates to earn their way out of segregation within 9-12 months (with exceptions).

Transition programs should be established that utilize the principles and approach already in place at the Enhanced Supervision Unit at EKCC.

Kentucky DOC should review staffing levels.

The Department should review the recreational access of each facility and develop a plan that would maximize access to outdoor recreation.

Kentucky DOC should review options for expansion of program offerings in the step-down programs for administrative segregation.

Kentucky DOC should develop a specialized training curriculum for staff assigned to the special management units, just as a similar method employed by Indiana DOC.

Review Kentucky DOC policy 18.1 to clarify and expand the role of mental health professionals in the classification process.

Kentucky DOC should develop system-wide guidelines for the inmate watch program.

Following this presentation, Dr. Austin and Mr. McGinnis responded to questions from Representative Meeks. Dr. Austin stated that this audit was completed from a snapshot in the month of July since there was a lack of historical data from which an analysis could be conducted. There is no research that measures the cost-effectiveness or general effectiveness of segregation units.

Programs, Mental Health Services, and Food

DOC Deputy Commissioner Jim Erwin gave an overview of programs and contracts within the department. He said that HB 463 had implemented evidence-based programs that were operating within the facilities and in the community, including InsideOut Dads and Sex Offender Treatment Program. As of July 2014, DOC will begin eleven evidence-based programs for inmates in extended segregation services. The programs are modeled after the Moral Reconation Therapy program, and include incentives for good behavior while in segregation, and evaluations. The goal programs is to foster more staff interaction. Responding to a question from Senator Webb, Deputy Commissioner Erwin said that interaction includes more face-to-face interviews, mental health trainings, and training and promotions for employees. Mental health services have been extended to inmates in segregation, where they meet in a confidential room with a licensed professional every 30 days while in segregation. Furthermore, new inmates are screened within 24 hours and new procedures will require all inmates to undergo evaluations. Following a question from Representative Meeks regarding programs upon release, Deputy Commissioner Erwin explained that individuals with mental health issues get a case plan and reentry plan. Commissioner Thompson added that since the Mandatory Reentry Supervision program, DOC now has a six month supervisory period.

Commissioner Thompson took time to address the death of an inmate in January while in segregation. She explained that the inmate suffered from mental health issues and was voluntarily removed from his medications. Not long after, he began a hunger strike and self-harming. Eventually, the inmate was found unresponsive in his cell, and his death was due to dehydration. Commissioner Thompson discussed the series of miscommunications that led to this event, as well as the steps DOC has taken to address these weak areas, including making staff changes, placement adjustments, and identifying gaps. Deputy Commissioner Erwin stated that attached to the committee members' materials was a plan of action with deadlines for preventing a similar event. While DOC maintained that the inmate was on a voluntary hunger strike, Senator Webb said that a person suffering from unmedicated mental health issues could not truly engage in a hunger strike.

Responding to a question from Representative Riner, Commissioner Thompson explained that DOC offers many opportunities for substance abuse treatment, including rehabilitation, mental health units, and trainings. She said that these services help inmates reintegrate better into their communities. Cabinet for Justice and Public Safety Secretary J. Michael Brown explained that successful reentry is dependent upon the individual. He stated that the cabinet can provide resources, improve their health, and maintain their safety while in custody, but once the person is in the community, the cabinet has no control over their behavior or decisions.

Farm Operations

Kentucky Correctional Industries Assistant Director C.A. Wilkerson presented on the farm operations within DOC. Within its facilities, there are 475 acres of land which are used for certified angus, prawn, or tilapia operations. At the Roederer facility, DOC maintains a commercial cattle operation with a ten acre garden. Northpoint Training Center, Western Kentucky Correctional Complex, and the Blackburn Correctional Complex also have cattle farms, and they also have hay and corn crops to support the herds. Fresh produce is provided to Aramark, and excess produce is donated to local homeless shelters. Beyond farm operations, DOC also maintains the Thoroughbred Retirement Farm at Blackburn, and a horse rehabilitation program at Roederer. Furthermore, active horticulture programs are underway at four prisons, with another starting in the fall in Bell County.

Working for DOC

Danny Morris, a correctional officer for DOC, presented a PowerPoint about working for the department as one of its 4,430 employees. He highlighted the high turnover rates and the low average salary, which stands at $23,346. Mr. Morris also noted that correctional officers have the highest mandatory overtime and highest rate of PTSD of public servants. Secretary Brown said that the department has very young, inexperienced staff working with difficult inmates, and he urged increased funding.

Re-Entry

Secretary Brown discussed re-entry services and statistics. He discussed the positive effects relating to HB 384 is anticipated to have if passed in a future session. Representative Tilley added that HB 463 from the 2011 Regular Session has improved re-entry services, and as a result, recidivism rates have lowered while treatment availability has increased.

The meeting adjourned at 12:15 PM.

INTERIM JOINT COMMITTEE ON LABOR AND INDUSTRY

Minutes of the 1st Meeting of the 2014 Interim

June 19, 2014

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Labor and Industry was held on Thursday, June 19, 2014, at 10:00 AM, in Room 131 of the Capitol Annex. Representative Rick G. Nelson, 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 Julian M. Carroll, Perry B. Clark, Carroll Gibson, Ernie Harris, Jimmy Higdon, and Dennis Parrett; Representatives Lynn Bechler, Denver Butler, C.B. Embry Jr., Jeff Greer, Toby Herald, Joni L. Jenkins, Thomas Kerr, Adam Koenig, Mary Lou Marzian, Charles Miller, Terry Mills, Tom Riner, Jim Stewart III, and Brent Yonts.

Guests: Dwight Lovan, Commissioner, Department of Workers' Claims; Laure Lamy, Workers' Compensation Research Institute; Mike Donta, Deputy Commissioner, Workplace Standards, Supervisor of Apprenticeship; Daniel Lowry and Christina Smith, Labor Cabinet.

LRC Staff: Carla Montgomery, Matt Ross, Adanna Hydes, and Rhonda Schierer.

Workers' Compensation Claims relating to the December 2011 Ky. Supreme Court Decision *Gardner v. Vision Mining*

Commissioner Lovan gave a PowerPoint presentation documenting black lung claims in Kentucky prior to and after the Supreme Court ruling in *Vision Mining* that found the consensus procedure for black lung claims unconstitutional. As the department has begun its processing of the backlog of black lung cases through the university examinations, it has learned that the UK and UL University medical centers have limited resources to process these claims. The University of Louisville has one specialist while the University of Kentucky has two specialists in this area. The universities are fully cooperating but cannot handle the volume of claims. The commissioner explained that the department may contract with two to three facilities to assist with the backlog of claims.

In response to a question from Representative Yonts, Commissioner Lovan stated that he had no indication of leanings or tendencies favoring awards or denials of black lung benefits as had been the case at John Hopkins University for federal black lung claims. Under Kentucky law, coal dust must be a substantial contributing factor to get a benefit award for black lung. The Kentucky system does not require arterial blood gas (ABG) studies. For a claim filed under KRS 342.730, an impairment rating is required but for a claim filed under KRS 342.732, an impairment rating is not required.

Commissioner Lovan addressed a transposing of numbers that Representative Bechler noticed. In response to a question from Representative Embry, Commissioner Lovan stated that he expected the new facilities to begin exams in about three weeks. In response to Sen. Kerr's question, Commissioner Lovan stated that he did not anticipate continued work by the coal workers' pneumoconiosis work group because no one felt a compromise could be reached on previous claims decided by the consensus process. In response to Representative Yonts' question, Commissioner Lovan stated that case law in other areas suggested that, if cases were not appealed prior to a finding of unconstitutionality, the cases could not be reheard.

In response to a question from Sen. Gibson, Commissioner Lovan stated that there is sufficient funding for the current claims for the next year and a half. An actuarial review would have to determine how the Coal Workers' Pneumoconiosis fund will hold up and whether assessments will be needed.

Medical Fee Schedule

Commissioner Lovan stated that the fee schedule has been updated through an administrative regulation. That schedule was effective on June 6, 2014, and will replace the 2010 schedule. There have been a number of updates to the fees.

Comp Scope

Laure Lamy of Workers' Compensation Research Institute gave a PowerPoint presentation. Ms. Lamy explained the mission of the Workers' Compensation Research Institute is to not provide opinions or recommendations. The job is to provide data and information to legislators and executive agencies to assist them in drafting legislation and regulations. She explained about the benefits of CompScope by providing benching marking for specific state data and comparisons to a state's regional area. CompScope also allows member states to be included in specific studies done at the Institute. Ms. Lamy stated in response to a question from Representative Yonts that Kentucky is not yet a member, but she is meeting with numerous stakeholders and providing information on the potential of having Kentucky as a member. Representative Yonts commented that he believed this program would provide pertinent information and assistance to the General Assembly.

Progress of Apprenticeship Program

Commissioner Mike Donta gave an update on the apprenticeship program. He stated that the program currently has 2291 apprentices, 800 employers and 118 programs. He stated that 100 percent of the pilot project apprentices had been placed in employment. The Labor Cabinet expects the number in that program to rise from 40 to 50 next year. They are working with various regional technical colleges throughout the state. The cabinet has started amending the administrative regulations since the apprenticeship bill, sponsored by Senator Kerr, passed in the 2014 session.

Business Postings

Daniel Lowry spoke about how businesses had been sent almost threatening emails and letters trying to sell business postings to comply with Labor Cabinet requirements. Mr. Lowry stated that the Labor Cabinet started a media blitz informing businesses that those postings are free and could be obtained from the Labor Cabinet. In response to a question from Representative Yonts, Mr. Lowry stated that the postings are on the Labor Cabinet's website and can be printed for free. Chair Nelson mentioned that the media blitz should continue to keep employers informed. Senator Parrett and Senator Higdon complimented the cabinet's actions.

Other Business

Co-Chair Kerr provided a list of upcoming committee meetings:

1. July 17, Lake Cumberland State Park, Lure Lodge, joint meeting with Interim Joint Committee on Economic Development, 10:00 am
2. August 21, General Electric, Louisville, joint meeting with Interim Joint Committee on Economic Development, 1:00 pm
3. September 10 (Wednesday), Kentucky Dam Village, Labor Management Conference, 10:30 am (CT), 11:30 am (ET)
4. October 16, University of Kentucky, meeting place to be announced, joint meeting with Interim Joint Committee on Economic Development, 1:00 pm
5. November 20, Frankfort, Capitol Annex, 10:00 am

There being no further business, the meeting adjourned.

INTERIM JOINT COMMITTEE ON LICENSING AND OCCUPATIONS

Minutes of the 1st Meeting of the 2014 Interim

June 13, 2014

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Licensing and Occupations was held on Friday, June 13, 2014, at 10:00 AM, in Room 129 of the Capitol Annex. Senator John Schickel, 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, Morgan McGarvey, R.J. Palmer II, Dan "Malano" Seum, and Damon Thayer; Representatives Julie Raque Adams, Tom Burch, Denver Butler, Jeffery Donohue, David Floyd, Dennis Horlander, Adam Koenig, Reginald Meeks, Charles Miller, Brad Montell, David Osborne, Sal Santoro, Arnold Simpson, and Diane St. Onge.

Guests: Representative John Tilley, J. Michael Brown, Justice and Public Safety Cabinet Secretary; Jack Coleman, Deputy Commissioner and Michael Davis, General Counsel, Department of Housing, Buildings and Construction; Gary Feck, Director, Division of Building Code Enforcement.

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

Approval of minutes

A motion to approve the minutes from the November 8, 2013 meeting was made by Representative Burch and seconded by Representative Osborne. The motion carried by voice vote.

Offender Reentry

Michael Brown, Secretary for the Justice and Public Safety, said he was Chairman of the Governor's Reentry Task Force. There are approximately 21,000 people incarcerated in Kentucky. Reentry is a vital issue because all who have gone through the criminal justice system, served time and been released from court supervision either through serve out, probation, or parole do not become repeat offenders.

Kentucky recently received national attention for its mandatory reentry supervision program. Removing barriers for those seeking employment is an issue the task force is seeking to address. Some institutions have training programs including water filtration, barbering, Emergency Medical Technician programs and other basic skills. One barrier identified to employment is being able to hold occupational licenses. Offenders need the opportunity to find public employment or receive an occupational license, unless there is a connection between their offenses and the occupations to which they are applying. For instance, people who have a background in fraud would not be suitable for financial institutions. However, people with expertise in water filtration would be employable in a number of areas confined to that profession. A job aids the individuals in becoming taxpaying citizens, helps them support their children, and helps their communities. It also means the state is not supporting them. If these barriers are not removed, and individuals cannot find work, they are more likely to reoffend.

Representative John Tilley said HB 384 from the 2014 Regular Session sought to amend existing law. To deny someone the right to work, it must be done based on a clear connection (a nexus), directly related to the crime committed. The bill only applied to public hiring or licensing institutions that the state controlled. If a denial is made, the bill would have required an explanation of why there is a nexus. Additionally, the applicant must be allowed an administrative hearing under KRS Chapter 13B. Federal exemption supersedes local law and was noted in the bill. In the last three years Kentucky has moved below the national average regarding re-offense, down from 41 percent to 36 percent. Nationally, four out of ten offenders come back to prison within three years.

Representative Floyd stated that he did not know why there would be any objection to this bill. The Commonwealth should lead the way, and employers should know that, in spite of an offense being on someone's record, it should be relevant to the job being hired for.

Representative Koenig stated he thought it was a good idea; however, he was concerned about the employer's right to be aware of who was being hired, particularly with the expungement of a record.

In response to Representative Meeks, Representative Tilley said this would not be any type of expungement, and the employer would be aware of the record. This bill encouraged employers to give individuals a fresh start.

Senator Schickel commented that he appreciated the intent of the bill; however, his concern is the issue of what employers have the right to know. The fact that the bill speaks to public employment and professional licenses narrows the scope. The concern is that Frankfort is going to mandate a professional association prove a nexus on good moral character.

Representative Tilley responded that an administrative board made up of officers trained to mediate in these situations would handle appeals from either party. Relating to the private sector, a license might be granted, but that would not guarantee employment. The employer would still have the option to hire an individual, but the licensure board would be required to license qualified applicants.

Senator Buford wondered who would be deemed appropriate to be on a board for an employer to make an application to be granted an exemption to hire an individual.

Representative Floyd said the bill deals only with the licensing and hiring authority, not with the actual hiring of an individual.

Inspection of Tents and Temporary Structures

Senator Schickel said staff had updated him on the 2012 Building Code, which did not go into effect until early 2014, and created a new section of the building code, Section 430, relating to temporary structures. This section pulled regulations from various places in the building code and placed them in one relative section. However, there was also new language put into Section 430 that did not exist prior to the revision of the Building Code. The revised Building Code was then incorporated by reference into administrative regulations for the Office of Housing Buildings and Construction (HBC). It was not noted that new language for temporary structures had been added or a new fee structure established for the inspection program. The department has noted that the fees established for the tent inspection program are lower than the fees that could have been charged by the department for inspections in places of assembly. However, it is not clear that these fees were previously charged for inspections of temporary structures throughout the Commonwealth. These fees may be lower than what could have been charged, but in many instances they represent new fees that were not charged previously for an inspection that was not required before.

Jack Coleman, Deputy Commissioner of the Department for Housing, Buildings and Construction (HBC) told the committee that in August of 2011, a stage collapsed at the Indiana State Fair killing five people. HBC decided to look at the inspection process in Kentucky, and found there was no consistent enforcement statewide. While larger events like Rolex, the World Equestrian Games, and the Kentucky Speedway were inspected and permits issued, smaller events were held without inspections. Additionally, since 1980, the Kentucky Building Code has required all tents and temporary structures comply with the same requirements as more permanent buildings.

Terry Bryant, Bryant's Rent-All, and the American Rental Association invited HBC to attend a meeting regarding concerns for temporary tents. The meeting included rental companies, tent companies, and code officials from around the state. As a result the Tent/Temporary Structures Advisory Committee was established. A group of approximately 18 people, including representatives from the Kentucky Horse Park, the Kentucky Fair Board, tent rental companies and catering companies, as well as code enforcement officials formed a task force to develop a model approval program, consolidate existing temporary structure requirements, and ensure public safety. A final report was delivered to the HBC Board on November 15, 2012, for its approval. The state model program established a system that eliminated repetitive submission of engineering documentation for each site placement. It also preapproved tent models to streamline the approval process for building officials, the tent industry, tent rental companies, and consumers.

Gary Feck, Director, Division of Building Code Enforcement said that the concern for tent and temporary structure is the structural capabilities of the tent. Site placement exemptions were also a concern. Section 430.4 was specifically established by the committee to provide flexibility for private events, particularly on short notice. As long as an admission is not charged and the occupancy of the tent is less than 1,000, on public or private property, there is no requirement for a site placement permit. The tent committee also developed a fee structure from the building code and placed it in Section 430 for temporary structures, as well as fees for groups of tents. The minimum fee for a site placement was reduced from $250 to $125. The committee also reduced fees across the board for inspections on all sizes of tents and multiple tents in one location.

Another change the committee made was in the fire code, to increase the permitting threshold from 200 square feet to 400 square feet for approval and permitting. All tents are also required to be anchored to withstand elements of the weather and prevent collapsing. The anchoring shall be in accordance with the Industrial Fabrics Association Procedural Handbook for the safe installation and maintenance of tentage, or other methods as approved by the authority having jurisdiction. The committee also discussed an inspection similar to the Department of Agriculture. They inspect an amusement ride set up once and allow that inspection to be used multiple times. However, due to varying site conditions and the tent staking guide, a rubber stamp inspection would not work for tents.

In consideration of small town festivals, there are two exemptions that will not require an engineer certification for tent placement. One exemption is for a temporary stage or platform that is less than 1,000 square feet with a weight limit of 8,600 pounds, limited to 12 individuals, plus lights, sound, scenery and equipment. The second exemption is for a temporary stage or platform not exceeding 600 square feet that is on a wheeled vehicle not designed as a temporary platform, if the weight per axle does not exceed the total weight of all persons and items on the stage.

Mr. Davis, General Counsel for HBC, said that when this regulation was filed in December of 2012, the summary of material incorporated by reference did not include any of the changes that are included in Chapter 430. The regulation filing was to transfer extensive changes of the 2007 Building Code to what is now the 2013 Building Code. Because the changes were recited in a 90 page document, that document was attached to the regulation. It is not the feeling of HBC that anyone tried to circumvent the regulation process.

Senator Schickel commented that too often the process is not fully disclosed and business feels caught off guard. Even though tents may need to be inspected, full disclosure is important.

Mr. Davis said that primary enforcement, in most cases, lies with local jurisdictions. The department has become aware of a number of jurisdictions that have not been enforcing this existing code provision.

In response to Senator Buford, Mr. Feck said the goal was to have a database with approved models of tents. A site placement for a private event does not require fees or permitting. Churches are open to the public, but funerals are private events. Typically, elevated platforms are inspected by a Kentucky licensed architect or a licensed engineer, unless the exceptions of 430.16 are met.

In response to Senator Schickel, Mr. Feck said that large festivals at churches are deemed to be public events.

In response to Representative Floyd, Deputy Commissioner Coleman said that in local jurisdictions, such as Nelson County, fees for permits are paid to local code inspectors.

In response to Representative St. Onge, Mr. Davis said that any jurisdiction can apply to the department for expanded jurisdiction thus taking over the inspections from the state. Also, any local jurisdiction can choose to pass a local ordinance to require permitting and inspection. Certain provisions of the department's code prohibit local jurisdictions from having a stricter ordinance than the department.

In response to Senator Seum, Mr. Davis said the individual placing the tent is responsible for knowing the inspection process. The department strives to educate the public as issues arise.

In response to Representative Keene, Mr. Feck said one site visit will cover multiple tents at the same site. Mr. Davis said that the department is compiling a comprehensive database that will be available on the department's website to verify various tent models that have been certified and will not require inspection.

In response to Representative Koenig, Mr. Davis said there are areas in the state where local jurisdictions have not been enforcing tent inspections. Therefore, people who have previously not been inspected will believe there is a new fee.

In response to Representative Horlander, Mr. Feck said that anything up to a 400 square foot tent would not be subject to permitting. Last year, Kentucky Speedway had an evacuation plan for a temporary structure. Because the tents were rated for 45 mph wind speeds, the plan was to evacuate the VIP tent when the wind was sustained at 35 mph. During a spring storm, several tents collapsed; however, no one was injured because the evacuation plan worked and people had already left the tent.

In response to Representative Adams, Deputy Commissioner Coleman said in Northern Kentucky the local jurisdiction fee was only slightly higher. Mr. Davis replied that KRS 198B.990 covers fines for violations.

Deputy Commissioner Coleman told the committee that the department appreciated the opportunity to explain the program and the direction that it was going.

There being no further business, the meeting was adjourned at 11:18 AM.

INTERIM JOINT COMMITTEE ON LOCAL GOVERNMENT

Minutes of the 1st Meeting of the 2014 Interim

June 25, 2014

Call to Order and Roll Call

The first meeting of the Interim Joint Committee on Local Government was held on Wednesday, June 25, 2014, at 10:00 AM, in Room 171 of the Capitol Annex. Representative Steve Riggs, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Joe Bowen, Co-Chair; Representative Steve Riggs, Co-Chair; Senators Ernie Harris, Stan Humphries, Christian McDaniel, Morgan McGarvey, Gerald A. Neal, R.J. Palmer II, Albert Robinson, Damon Thayer, and Reginald Thomas; Representatives Julie Raque Adams, Ron Crimm, Richard Henderson, Adam Koenig, Stan Lee, Brian Linder, Tom McKee, Michael Meredith, Jody Richards, Jonathan Shell, Arnold Simpson, Kevin Sinnette, and Rita Smart.

Guests: Representative Susan Westrom; Darren Sammons and Robert Brown, Department for Local Government; Adam Edelen, Tom Bennett and Stephanie Hoelscher, Auditor of Public Accounts; Charles Payne and Dave Vinson, River Park Neighborhood Association; David Duttlinger, Bluegrass Area Development Districts; Shellie Hampton, Kentucky Association of Counties; Jim McWilliams, State Budget Director's Office; Mark Mangeot, Department of Parks; and Judy Taylor, Lexington-Fayette County Urban-County Government.

LRC Staff: Mark Mitchell, Joe Pinczewski-Lee, John Ryan, Jessica Causey, and Cheryl Walters.

Consideration of Referred Administrative Regulation

The committee considered referred Administrative Regulation 109 KAR 15:020, which updates the standards for budgeting, reporting, and recordkeeping for debt, receipts, and disbursements for local government officials handling public funds. Representative Riggs stated that a written report of the review will be submitted to LRC.

Briefing of the Auditor's Report on the Bluegrass Area Development District

Auditor of Public Accounts Adam Edelen said the scope of the examination of the Bluegrass Area Development District (BGADD) included activities beginning July 1, 2010, through September 30, 2013. This investigation does not impugn the other 14 area development districts (ADDs). Allegations, initially thought to be minor, related to activities of former employees and open records concerns, in addition to the concerns of Representative Susan Westrom. The examination was issued March 3, 2014.

Governance practices were not conducive to proper oversight. BGADD by-passed executive committee approvals, which were required by the by-laws. For example, the executive committee was notified after the fact for the purchase of the $600,000 Trent Boulevard property purchase for an offender re-entry program. Open Records Act violations were also identified.

BGADD was engaged in activities that were beyond its statutory authority; some activities appeared to create conflicts of interest. Several organizations created by the former executive director or others were used to expand the BGADD's scope: Bluegrass Industrial Foundation (BIF), Bluegrass Regional Recycling Corporation, Global Opportunities for Kentucky, Inc. and Bluegrass International Trade Association, Inc.

Auditor Edelen explained that the offender re-entry program that BGADD created was not within its mission. BIF was created by the former executive director Jas Sekhon, and headed by him after leaving BGADD. BGADD leased space from BIF, effectively leasing space from itself without the financial benefit of ownership at the end of the lease term. BGADD provided financing of $1.1 million of the original $1.6 million building price.

The Auditor's internal investigation occurred January through April, 2013. Results identified possible criminal violations involving former BGADD employees. These were not reported to law enforcement. Former executive director Lenny Stoltz attempted to halt the investigation. In regard to the re-entry program, eight of 15 individuals, housed at a location under contract with BGADD for program participants, had not been enrolled in the program at any time. There were agreements to pay a BGADD employee up to $350 per month for housing that was already paid by BGADD with federal funds. A former employee, placed on administrative leave, was permitted unsupervised to access to her office during this period. The employee entered the building 16 times, and BGADD subsequently identified 268 missing participant files, which were reported to the Lexington-Fayette Urban-County Government police.

Procurement violations were found regarding the Trent Boulevard property, in which $200,000 worth of improvements was approved, and $500,000 in improvements was actually expended for the $600,000 building. About $465,000 worth of improvements was made from a single vendor (HVAC) without a contract or scope of work, and no invoices to support $63,000 in invoices paid to the HVAC vendor. Procurement violations were also found regarding implementation of a mechanism to avoid bid requirements related to Aging grants by contracting with county governments, but sending funds to senior centers directly. Senior centers were not created by the government, and were not part of the county.

The Auditor's examination found excessive and/or unnecessary expenditures. For example, breakfast and lunch meals were charged to BGADD when the employee was not in travel status; hotel, meal, and transportation charges for non-employees and/or additional days were added to conferences for personal travel; hotel charges were for stays in the employee's hometown; and a $20,000 lump sum payment was made to former executive director Lenny Stoltz without support.

Federal grant noncompliances were found including grant funds requested for more than actual expenditures; questionable items charged which were listed as excessive or unnecessary expenses as indirect costs to help recoup some of those costs from federal grants; and employees were paid "bonuses" using unspent federal funds.

Auditor Edelen concluded by saying that the report was referred to eight agencies, including state and federal grantor agencies and law enforcement. BGADD provided a 60-day corrective action plan to the Auditor's Office in April and is currently underway. BGADD is negotiating for ownership of its building.

In response to a question from Representative Riggs, Auditor Edelen said no criminal charges have been filed in regard to the misconduct of the employees. The investigation is on-going.

In response to another question from Representative Riggs regarding negligence on the part of the auditing firm, Auditor Edelen stated that his office would leave that concern to the leadership of the BGADD. Representative Riggs commented that maybe the concerns should be taken to the CPAs as well. Auditor Edelen agreed.

Representative Henderson commented that he has complained for ten years about BGADD's lack of attention to the small, rural counties. There should be legislative oversight of the BGADD, who has dropped the ball in his opinion.

In response to questions from Senator McDaniel, Auditor Edelen answered that the fiduciary board is responsible to the taxpayers. He would provide Senator McDaniel a list of those people who have lost their job or have been reprimanded.

In response to another question from Senator McDaniel, Auditor Edelen replied that the executive board is made up of local elected officials.

In response to a question from Senator Bowen, Auditor Edelen said that eight referrals for potential criminal violations have been made and that it will take time. He added that he could not comment on an on-going investigation.

Senator Bowen encouraged the Auditor's Office to be diligent. Many entities are being abusive that are going undetected. Auditor Edelen agreed.

Representative Richards suggested that minimum training be required for board members. Auditor Edelen noted that his office had held "good government" summits all over the state. Auditor Luallen previously released a document noting best practices for non-profit boards.

In response to a question from Representative Koenig, Auditor Edelen answered that the Department for Local Government's (DLG) role is one of a depository for information. It does not have a role as analyst. Representative Koenig commented that DLG should be given more authority.

In response to a question from Representative Meredith, Auditor Edelen said the money from the lease of the Bluegrass Industrial Foundation (BIF) goes to pay the salary of the BIF's executive director and funding for the functions of the BIF.

In response to a question from Senator Thayer, Auditor Edelen said that he would have to consider whether previous laws passed by the General Assembly would apply in the case of the area development districts (ADDs), and if so, whether any violations of that law occurred. At this time, Auditor Edelen did not know if stronger legislation was needed.

In response to a question from Representative McKee, Auditor Edelen replied that ADDs and their board members are formed by statute. Representative Riggs informed Representative McKee that KRS 147A.060 sets out the makeup of ADD boards.

In response to a question from Senator Thomas, Auditor Edelen stated that the BGADD and the BIF have one week to transfer ownership of the building to the BGADD.

In response to a question from Representative Smart, Auditor Edelen said his office will act on any allegations of abuse from other ADDs. His office has not seen anything on the scope of BGADD.

Senator Humphries commented that throughout the state there are some of the best ADD boards. This is the case of a bad apple in a good group of people.

Representative Susan Westrom told the committee that Charles Payne and Dave Vinson, members of the River Park Neighborhood Association, brought the issue of abuse by the BGADD to her. Mr. Payne and Mr. Vinson raised questions about the plan of the BGADD to start a felony re-entry program in their neighborhood. After information requests were denied, they got an opinion from the Attorney General's Office that the ADDs were subject to the open records law. In addition, federal grants demand meticulous accounting. Grant money is subsequently jeopardized.

Mr. Payne noted that Mr. Stoltz was allowed to resign with a $138,000 check as a board corrective action. Part of the money was from the fact that he is on a state pension. There is concern that because of former leadership's role in other groups, that BGADD's business model may have been disseminated to other ADDS relating to the treatment of federal funds. ADDs could be prohibited from receiving federal funds. The role of ADDs needs to be clarified. Board training is needed. ADD by-laws are not standardized and should be relative to federal guidelines for federal money. Conditions for conflict of interest are more relative to staffing, by-laws, and affiliated boards.

In response to a question from Senator Bowen, Mr. Payne said that term limits of board members would help to eliminate the abuse. There have only been three executive directors of the BGADD. Those positions are appointed. He added that conflict of interest is a big issue.

Representative Westrom emphasized the importance of service on the board by the local elected officials.

Mr. Vinson told the committee that, in his opinion, the greatest concern is that the by-laws are not being followed and furthermore without legislative intervention, the BGADD will never come into compliance with the Auditor's recommendations. BGADD still has not gotten the message.

Representative Crimm commented that the committee would have never known about this abuse if Mr. Payne and Mr. Vinson had not begun this scrutiny.

Representative Riggs moved, seconded by Senator Bowen, to have a resolution written in honor of Mr. Payne and Mr. Vinson for bringing this abuse of the BGADD to light. The motion carried by voice vote.

There being no further business, the meeting was adjourned at 12:00 p.m.

INTERIM JOINT COMMITTEE ON NATURAL RESOURCES AND ENVIRONMENT

Minutes of the 2nd Meeting of the 2014 Interim

July 3, 2014

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Natural Resources and Environment was held on Thursday, July 3, 2014, at 1:00 PM, in Room 149 of the Capitol Annex. Representative Jim Gooch Jr., Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jared Carpenter, Co-Chair; Representative Jim Gooch Jr., Co-Chair; Senators Joe Bowen, Chris Girdler, John Schickel, Brandon Smith, Johnny Ray Turner, Robin L. Webb, and Whitney Westerfield; Representatives Hubert Collins, Tim Couch, Stan Lee, Tim Moore, John Short, Kevin Sinnette, John Will Stacy, Fitz Steele, Jim Stewart III, and Jill York.

Guests: John Lyons, Sean Alteri, and Roberta Burnes, Energy and Environment Cabinet; Chad Harpole, Kentucky Chamber of Commerce; Gregory Dutton, Office of the Attorney General; Lloyd Cress, Kentucky Coal Association.

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

A quorum being present, the chair entertained a motion for approval of the minutes from the June 5, 2014 meeting. After a motion and a second, the minutes were approved.

Analysis of the United States Environmental Protection Agency's (US EPA's) newly proposed regulations to limit carbon dioxide emissions from existing power plants

John Lyons, Assistant Secretary for Climate Policy for the Energy and Environment Cabinet, and Sean Alteri, Director of the Division of Air Quality, discussed the features of US EPA's proposed carbon dioxide (CO_2) rule for existing sources under the Clean Air Act § 111(d). The cabinet is working to formulate and submit its comments on the rule before the public comment deadline of October 16, 2014. The US EPA will take these and the other comments under consideration and issue the final rule for existing sources on June 1, 2015. States will then have until June 30, 2016 to submit their own implementation plans specifying how each state will comply with the emissions reductions required by the rule. State implementation plans will be similar to the plans to reduce criteria pollutants that the state has long been required to submit for National Ambient Air Quality Standards (NAAQS) requirements. States will be given a range of options to craft state implementation plans to meet their emissions rate targets including improving energy efficiency, increasing renewable generation, and fuel switching to natural gas, among other things. Failure to submit an approvable plan will result in US EPA issuing a federal plan for the state.

Emissions rate targets under the proposed rule, which are expressed in pounds of CO_2 emitted per megawatt hour (lbs. CO_2/MWh), vary from state to state, and depend on the existing resources used to generate electricity in that state, the state's economy, and other factors. Under the rule as currently proposed, Kentucky will be required to meet a statewide fleet average emissions rate of 1,844 lbs. CO_2/MWh for 2020-2029 and 1,763 lbs. CO_2/MWh for 2030 and thereafter. These are the second highest CO_2 emissions rate allowances for any state, behind only Montana. Kentucky's emissions rate requirements were based on the 2012 statewide average emissions rate of 2,166 lbs. CO_2/MWh. The cabinet projects that Kentucky is currently in the range of 1,950 lbs. CO_2/MWh, given changes that have occurred in statewide generation since 2012. Once the already-issued Mercury and Air Toxics Standards (MATS) are implemented, the cabinet projects that the statewide average emissions rate will further fall to approximately 1,890 lbs. CO_2/MWh. The cabinet believes that Kentucky will be able to comply with the proposed emissions rate targets in the new rule without forcing any additional coal-fired or other electric generation shutdowns that have not already been announced due to compliance with MATS.

Although much of the discussion currently focuses on the recently proposed CO_2 standards for existing sources, the cabinet believes that the new source standards for CO_2 emissions proposed in September 2013 will have a greater impact on the future of coal-fired generation in the state. Under the Clean Air Act, US EPA must have CO_2 emissions standards in place for new sources under § 111(b) before it can implement standards for existing sources under § 111(d). The cabinet has already submitted its highly-critical comments on the new source standards in April. If finalized as currently proposed, the maximum CO_2 emissions rate for new natural gas-fired power plants would be 1,000 lbs. CO_2/MWh and 1,100 lbs. CO_2/MWh for coal-fired plants. New natural gas-fired plants would be able to meet this standard with existing technology, but even the best-performing coal-fired plants have CO_2 emissions rates in the 1,700-1,800 lbs. CO_2/MWh range. Meeting the 1,100 lbs. CO_2/MWh standard would require new coal-fired power plants to be equipped with carbon capture and storage technology that has not yet been proven to be commercially viable. The cabinet feels that through this new source CO_2 standard for coal-fired plants, US EPA is inappropriately instituting a major energy policy and is not properly considering costs and economic impacts, especially to coal-dependent states like Kentucky. The cabinet continues to advocate for a new coal-fired plant standard of 1,700 lbs. CO_2/MWh or a rate equal to the average of the top six coal-fired performers in the state during an operating year.

The impact of the new source standards for coal-fired plants under § 111(b) becomes more apparent when the age of Kentucky's current electric generation fleet is considered. The cabinet anticipates that by 2030, around 4,000 megawatts (MW) of new capacity (25 percent of total existing generation) will be installed in Kentucky and by 2040 nearly 10,000 MW (57 percent of total existing generation) will be installed as aging coal units continue to be retired. Under the new source rule as currently formulated, none of the new generation will come from coal-fired plants unless the plants are equipped with carbon capture and storage technology.

In response to questions relating to the appropriateness and cost of the proposed CO_2 regulations, Mr. Lyons stated that under the authority granted to it by the Clean Air Act, US EPA believes it is able to issue these rules without congressional action. The cabinet is determining the cost of compliance with the regulations in Kentucky, but US EPA estimated that electric rates would rise by about four to seven percent nationally. In response to an assertion that the rise would be higher in more coal-dependent states like Kentucky, Mr. Lyons agreed that Kentucky's energy profile could result in a greater cost increase.

In response to questions and comments on the validity of climate science and whether the cabinet accepted that anthropogenic climate change is occurring, Mr. Lyons said that both Governor Beshear and Secretary Peters believe that the science is valid and that there is a man-made impact on the climate. However, the cabinet has serious reservations about the approach that US EPA has taken to address the problem and is working diligently to persuade US EPA to take an approach that is less economically impactful to Kentucky, especially with regard to the new source standards under § 111(b).

In response to a comment that federal regulation has caused the demise of the coal industry instead of market forces, Mr. Lyons said that environmental rules do play a role, but that current natural gas prices are influencing what choices utilities are making. In some cases, utilities are choosing to shutdown older coal-fired units to comply with environmental regulations like MATS, but utilities are required to use the least-cost option in replacing that generation, which at this time is natural gas. In response to a question on whether Kentucky would be able to switch to natural gas for electric generation given the difficulty that pipeline developers faced, Mr. Lyons said that the infrastructure was a concern, but that utilities would probably not make the choice to switch to natural gas unless ample pipeline availability existed.

In response to a question about whether the cabinet's white paper on greenhouse gas policy implications constituted a capitulation to US EPA's position on the subject, Mr. Lyons said that it was issued in response to a Natural Resources Defense Council proposal to limit CO_2 emissions from existing sources that the cabinet feared would influence US EPA's rulemaking and have a very detrimental impact on Kentucky's economy.

Discussion of the economic impact of the proposed carbon dioxide regulations on Kentucky businesses

Chad Harpole, Vice President for Government Affairs for the Kentucky Chamber of Commerce, discussed the reaction of Kentucky's business community to the proposed greenhouse gas rules for both new and existing sources. Over 50 percent of Kentucky businesses of all sizes say that energy prices are of critical importance to their day-to-day operations. Kentucky is home to some of the most energy-intensive industries in the country, including aluminum smelting, auto manufacturing, and chemical production. This is due to our geographic location and low-price electricity that give Kentucky a competitive advantage over other states in recruiting those industries.

The US Chamber of Commerce conducted a study that estimated the impact of US EPA's recently proposed greenhouse gas regulations for existing plants on the nationwide economy to be $50 billion to the US gross domestic product by the year 2030, with a cost to consumers of $289 billion in increased electric bills between now and 2030. The US Chamber further estimates that the total loss of disposable income for American households as result of the proposed regulations to be $586 billion through 2030. By US EPA's own estimation, the compliance cost for the proposed regulations will be $8 billion. These increased costs will mean that everyone in the state will pay more, from poor and elderly individuals to small and large businesses and school systems.

In response to a question about whether the electricity rate increases resulting from compliance with the proposed CO_2 regulations would cause businesses to leave the state, Mr. Harpole said that he has not heard any businesses plan to leave; however, as energy prices increase in Kentucky, it will make business retention and recruitment much more difficult.

There being no further business, the meeting was adjourned at 2:35 PM EST.

INTERIM JOINT COMMITTEE ON STATE GOVERNMENT

Minutes of the 1st Meeting of the 2014 Interim

June 25, 2014

Call to Order and Roll Call

The first meeting of the Interim Joint Committee on State Government was held on Wednesday, June 25, 2014, at 2:00 PM, in Room 154 of the Capitol Annex. Representative Brent Yonts, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Joe Bowen, Co-Chair; Representative Brent Yonts, Co-Chair; Senators Ernie Harris, Stan Humphries, Christian McDaniel, Morgan McGarvey, R. J. Palmer II, Albert Robinson, Damon Thayer, and Reginald Thomas; Representatives Kevin Bratcher, Dwight Butler, John Carney, Larry Clark, Joseph Fischer, Derrick Graham, Kenny Imes, Martha Jane King, Jimmie Lee, Brad Montell, Sannie Overly, Jody Richards, Tom Riner, Bart Rowland, Steven Rudy, Sal Santoro, Kevin Sinnette, Diane St. Onge, and Tommy Turner.

Guests: Bill Thielen, Kentucky Retirement Systems (KRS); Representative Jim Gooch.

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

Announcements

Representative Yonts and Senator Bowen said the committee will not meet in July, but in August will meet jointly with the Interim Joint Committee on Local Government at the new convention center in Owensboro. The tentative agenda for the September meeting will include health services within the Kentucky correctional system.

Kentucky Retirement Systems: Update on Current Litigation

Bill Thielen, Executive Director, Kentucky Retirement Systems, gave an overview of three pending court cases involving community mental health centers that are seeking to withdraw from Kentucky Employees Retirement System (KERS).

Seven Counties Services, Inc. (Seven Counties), is a nonprofit mental health/mental retardation agency that serves seven Kentucky counties in the Louisville region. In April 2013, Seven Counties filed a Chapter 11 bankruptcy action in order to discharge its debt to KRS. On May 30, 2014, United States Bankruptcy Court judge Joan Lloyd issued an opinion that Seven Counties qualifies as a private, nonprofit corporation, rather than a governmental unit, and is eligible to proceed with its Chapter 11 bankruptcy case without state permission. The opinion also held that the relationship between Seven Counties and KERS is an executory contract and that Seven Counties may reject that contract and choose to end its participation in the system.

Mr. Thielen said the KRS board unanimously decided to appeal the decision, and a notice of appeal was filed on June 13. A motion for a stay was denied by Judge Lloyd, and KRS will be filing a motion to bypass the U. S. District Court and have the appeal heard in the U. S. Sixth Circuit Court of Appeals. If Seven Counties is able to exit the system and shed its estimated actuarial unfunded liability of $90 million, costs would go up for the remaining employers in the KERS-nonhazardous plan. Actuaries have determined that the contribution rate would increase by 2.5 percent over a 20-year period. If the other community mental health centers should leave the system, the contribution rate would increase by 6.5 percent—an additional $2.4 billion cost to the remaining employers over a 20-year period.

When Seven Counties filed for bankruptcy in April 2013, the agency quit making contributions for about 925 of its approximately 1,250 employees. Contributions continued until May 2014 for about 325 employees of Central State Hospital and the correctional psychiatric facility at LaGrange. After the stay was denied, those contributions also ceased. The employees are entitled to benefits associated with service credit earned before contributions ceased. Under the circumstances, there is some question whether they would be entitled to a refund of their contributions, although they would be entitled to a refund upon normal retirement or termination of employment.

Bluegrass Regional Mental Health/Mental Retardation Board created a separate corporation—Bluegrass Oakwood—and asked Franklin Circuit Court to declare that the employees hired by Bluegrass Oakwood are not required to participate in KERS. It is unclear whether Bluegrass Oakwood has yet hired anyone. Franklin Circuit Court ruled this summer that Bluegrass Oakwood did not have to participate because there was not an executive order by the governor requiring their participation. The KRS appeal to the Kentucky Court of Appeals is pending.

Kentucky River Community Care (KRCC) created a separate hiring agency called Go Hire. KRCC then terminated its employees and rehired them through Go Hire without KERS participation. KRS sued KRCC approximately two years ago in Franklin Circuit Court on the grounds that Go Hire was a sham creation to avoid statutory requirements. The case has been on hold, pending a decision in the Bluegrass case.

Senator Robinson said he feels it was a mistake to ever allow quasi-governmental entities to participate. He suggested that the entities seeking to exit the retirement system might be covered by performance liability insurance that could possibly be a means of recovery for KRS. Mr. Thielen said KRS has not looked at that issue, but he will bring it to the attention of their attorneys. Senator Robinson later said he hopes the KRS Board will put on hold consideration of any future requests from quasi-governmental entities until current problems are resolved.

Senator McDaniel said that when Seven Counties ceased its annual employer contribution of approximately $12 million in 2013, that action also shorted the retirement system probably an additional $1.5 million in potential investment return on the contribution. He said that if the court's ruling stands, Seven Counties, as a private employer, could bond its $90 million share of the unfunded liability at seven percent annually, which would reduce its annual $12 million payment to about $8.4 million. He also spoke in favor of voluntary "opt out" legislation, similar to what he proposed last session in Senate Bill 216. Mr. Thielen said a number of other states have legislation that provides a mechanism for nongovernmental entities to withdraw from public pension plans, but those states require payment of existing obligations as a consequence of withdrawal. This would not be an issue for a fully-funded system, but KRS believes that entities should only be able to withdraw after fully paying their obligation; otherwise, costs increase for other participating employers. He said that withdrawal legislation has benefits, but whether the entity seeking to withdraw has the ability to pay its share of the unfunded liability, either in the short or long term, is another question.

When Representative Fischer asked whether the bankruptcy ruling will discharge Seven Counties' debt to the retirement system, Mr. Thielen said no. The ruling allows Seven Counties to pursue bankruptcy under Chapter 11, but they have not yet filed a reorganization plan that would address discharge of the debt.

Representative Yonts suggested that remedies might possibly be exercised through KRS Chapter 210, which governs state and regional mental health programs—specifically KRS 210.440. Mr. Thielen acknowledged that the mental health/mental retardation agencies are subject to regulation by the Cabinet for Health and Family Services (CHFS). He said the KRS attorneys have examined Chapter 210, but he has not. He said that the cabinet could exercise its authority under appropriate circumstances, but he is not certain whether it could replace the board of Seven Counties. It was initially created as a corporation by a private individual in Louisville, and its bylaws provide that board appointments are separate from government control. Representative Yonts noted that subsection (3)(b) permits the cabinet secretary to make personnel changes necessary to insure the continued operation of the board or nonprofit organization. He questioned whether the cabinet could mandate reaffirmation of the debt to the pension system and negate the judgment of the bankruptcy court. Mr. Thielen said he has not fully explored the cabinet's authority or extent of its control.

Responding to Representative Carney, Mr. Thielen said the three entities seeking to withdraw from the system still have contracts with CHFS and are continuing to provide mental health/mental retardation services. When Representative Carney asked why this is the case, since those entities do not want to honor good faith contracts. Mr. Thielen said that question should probably be directed to CHFS.

Answering questions from Senator Bowen regarding admittance of quasi-governmental entities into the system, Mr. Thielen said that Seven Counties began participating in 1979 following the issuance of an attorney general's opinion that the agency was qualified to participate. Prior to 2003, he understands that KRS accepted a governor's executive order to allow nongovernmental entities to participate. In 2003 a new statutory provision gave the KRS board the ability to determine qualifications, both initially and on a continuing basis. Some entities entered the system following the 2003 legislative session, but since that time no new agency has begun participation in KERS, and he doubts that any new entity would be allowed in at this juncture without an IRS ruling that they are qualified to join. Requests for participation are first referred to KRS' employer compliance and education staff. If the requesting entity is akin to other entities that are already participating, a recommendation would be made to the KRS board to allow participation. If not, or if there is any concern, KRS legal staff would require the entity to obtain an IRS ruling that they are qualified to enter a public plan. When Senator Bowen asked whether nongovernmental entities make a positive contribution to the system and whether it is healthy for the system to include them, Mr. Thielen said it is not a problem if the quasi-governmental agencies pay their actuarially required contributions. However, he said it is not a good idea to continue letting those entities participate, in view of the current situation and the fact that they do not have perpetual existence.

Representative Montell said he is not sure that Senate Bill 216, proposed by Senator McDaniel in the last session, was the right remedy, but he believes legislation is needed to address this issue and provide KRS much better legal standing in the future. He recommended that the chairs of the Interim Joint Committee on State Government, Senator McDaniel, and other interested parties work together during the interim to draft legislation to prefile, and that it be acted on quickly by the General Assembly. Representative Yonts concurred in the recommendation.

Representative Yonts questioned whether there is need to change the law relating to quasi-governmental agencies. Mr. Thielen said he thinks the law as currently written is appropriate. It gives the KRS Board the ability to determine qualifications. For several years, the IRS has been in the process of defining what constitutes a governmental entity—not for purposes of bankruptcy but for purposes of participating in a qualified public pension plan—and it is not known when it will issue final regulations. In the Seven Counties decision, the judge said she was not ruling whether Seven Counties was a governmental entity under IRS regulations for purposes of participating in a qualified plan. Representative Yonts suggested that a change in the bankruptcy code would also be needed when IRS issues a clarifying regulation.

Representative St. Onge said she agrees with Representative Montell and hopes the issue will be examined from a broader perspective. The regulatory definition of "quasi-governmental" needs to be addressed at all levels, not just for pension issues but for all issues relating to quasi-governmental agencies.

Mr. Thielen said that nonstock, nonprofit corporations account for approximately 15 percent of the assets in the KERS-nonhazardous plan. Of the 15 percent, approximately 12.5 percent is for the 13 mental health/mental retardation agencies and 2.5 percent is for other small nonprofit corporations that participate.

Representative Yonts said that language in KRS 210.440 supports the argument that Seven Counties is a governmental entity. It states that the CHFS secretary under certain circumstances may withdraw recognition of the board or organization as the local authority for the receipt of funds and operation and administration of regional community programs. Mr. Thielen said he has not reviewed the statute in depth, but that was one of the strong factors KRS attorneys used in their argument that Seven Counties is a governmental instrumentality or agency. The judge's ruling relied heavily on other factors, such as Seven Counties controlling its own assets and salaries and having a board independent of government control. He said it may take 18 months to two years for a decision to be rendered in the appeal.

Senator Bowen asked whether KRS has identified any efficiencies or measures that could improve its operation and administration. Mr. Thielen said KRS is always looking for ways to reduce expenses and has been operating on a maintenance budget for the last four years, with expenses essentially remaining flat. KRS has operated with a contingent of about 255 employees for about 10 years, even though there has been much greater demand on staff due to the number of retirements and implementation of statutory changes. One cost-saving example was the decision to issue the member newsletter only twice a year and to use e-mail instead of postal mail when possible. KRS administrative expenses total about $40 million over the next two years of the biennium, which is a small amount relative to the asset base of almost $16 billion.

Responding to questions from Senator Robinson regarding the inviolable contract, Mr. Thielen said the inviolable contract that emanates from the statutes and Section 19 of the Constitution is between each KRS member and the Commonwealth. The obligation to pay benefits for service earned—and at the level promised when the employee began service—continues to exist and is not affected by the court decision. Seven Counties employees and retirees will be entitled to the benefits they have earned, up to the time when contributions to the system cease.

Business concluded, and the meeting adjourned at 2:55 p.m.

INTERIM JOINT COMMITTEE ON TRANSPORTATION

Minutes of the 2nd Meeting of the 2014 Interim

July 1, 2014

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Transportation was held on Tuesday, July 1, 2014, at 1:00 PM, in Room 171 of the Capitol Annex. Senator Ernie Harris, Chair, called the meeting to order, and the secretary called the roll. The minutes from the June 3, 2014 Interim Joint Committee on Transportation meeting were approved.

Present were:

Members: Senator Ernie Harris, Co-Chair; Representative Hubert Collins, Co-Chair; Senators Jimmy Higdon, Morgan McGarvey, Albert Robinson, John Schickel, Brandon Smith, Johnny Ray Turner, and Whitney Westerfield; Representatives Kevin D. Bratcher, Denver Butler, Tim Couch, Jim DeCesare, David Floyd, Keith Hall, 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 Addia Wuchner. Senator Dorsey Ridley was approved to attend the meeting via videoconference; however, due to technical difficulties, the videoconference could not be conducted.

Guests: Mike Hancock, Secretary, Kentucky Transportation Cabinet (KYTC); Heather Stout, Kentucky Automated Vehicle Information System (KAVIS) Project Manager; Rodney Kuhl, Commissioner, Department of Vehicle Regulation, KYTC; Paul Mauer, Director of Motor Vehicle Licensing, Katrina Fitzgerald, Meade County Clerk, President, Kentucky County Clerks' Association (KCCA); Don Blevins, Fayette County Clerk, Chair, KCCA Transportation Committee; William May, Executive Director, KCCA; Tom Underwood, Kentucky State Director, National Federation of Independent Business, also representing the

Kentucky Auto Dealers Association (KADA); Gay Williams, Executive Director, KADA

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

Update from KYTC: development of KAVIS motor vehicle information system; relationship with contractor

Mike Hancock, Secretary, KYTC, and Heather Stout, KAVIS Project Manager testified about the new motor vehicle information system (KAVIS), and the relationship with 3M, the former contractor for the project. Secretary Hancock stated although the KAVIS project is at a standstill, the cabinet is committed to seeing the project through, and has a strong technical team lead by Heather Stout that will contribute to the ongoing preparation of KAVIS and its implementation.

Ms. Stout stated various issues that the cabinet has experienced in developing KAVIS has consisted of poor quality of deliverables being received from the vendor (3M), and a request for additional funding by 3M, both issues of which the cabinet was unable to overcome, resulting in the cabinet electing to end the contractual relationship with 3M, effective May 14th, 2014. The cabinet is currently in negotiations to obtain the source code to be able to complete the KAVIS project. Even though the decision to end the contractual relationship with 3M will affect the implementation date, the cabinet's focus was and is to deliver a quality project to the stakeholders, primarily county clerks, the Department of Motor Vehicle Licensing and the Department of Revenue.

Ms. Stout stated there are three possible routes that the cabinet could pursue in order to continue to construct KAVIS. In preferred order, the first option is to obtain the source code and complete the project as planned, using the cabinet staff to complete the project. The second option, if the source code is not obtained, is to utilize the existing analysis that the cabinet has gathered throughout the project, and the stakeholders will assist the cabinet in developing a solution to meet the KAVIS needs. Finally, the third option would be to enhance the existing AVIS application.

In response to a question asked by Chairman Collins concerning the third option of enhancing AVIS, Ms. Stout stated the cabinet would consider ways to keep the mainframe application in place, but build a front end solution to better enable processes within the county clerks offices, and also build online services for citizens that would utilize the mainframe as it exists, essentially making AVIS enclosed in the final KAVIS project.

In response to a question asked by Chairman Collins, Ms. Stout stated in her opinion the main cause of the issues that have occurred with 3M and the cabinet in halting the KAVIS project, has been funding related. Idaho and Kansas are in the same situation with 3M. She believes that, when considering the initial bid on the KAVIS project, 3M made some assumptions that were incorrect. After purchasing Archon, within a two year time frame, 3M grew from approximately 50 employees to approximately 300 employees. Because of that growth, 3M bid on Kentucky, as well as a few other states. Although the increase in resources sounded promising, that increase lead to lack of experience in newer employees, while the more experienced employees are spread thin over several state projects. The company did not have processes in place to accommodate the increase in resources, which resulted in a large amount of turnover, and people being moved from various projects, and also pulled off of KAVIS. The core resources that were on the KAVIS project initially were Archon resources and were very knowledgeable of the project, but were eventually changed out to resources that were very unknowledgeable about the project, causing a delay, which in turn caused the need for more funding.

Ms. Stout stated there are some project activities ongoing during the period of indecision in an effort not to waste time. The cabinet is identifying areas for correction in AVIS to improve the data quality, they are also constructing a print on demand decal (PODD) and scanning analysis for early implementation with AVIS for county clerks, that would automatically print a decal with the registration transaction rather than the county clerks having to have separate books of decals. The scanning analysis would allow the county clerks to scan documents in house for early implementation with AVIS. The cabinet has been identifying gaps in analysis and beginning assignment of resources to gather the missing requirements. The cabinet has also been reviewing third party components to enhance the KAVIS product.

Ms. Stout stated KYTC is trying to maintain a relationship with the stakeholders of KAVIS. The amount of time and effort the stakeholders have put into the project is certainly recognized, specifically the county clerks, as they have traveled to several parts of the state, and brought in several resources to help the cabinet test the system components. The cabinet tries to keep the clerks and other stakeholders involved and provide them with as much information as possible. Several stakeholders are concerned that if the cabinet is unable to obtain the source code that this project could be suspended. Ms. Stout reiterated that the KYTC is dedicated to finishing the project, regardless of which option it must choose to move forward.

In response to a question asked by Chairman Harris, Ms. Stout stated county clerks, automobile dealers, the Motor Vehicle Licensing Department, the Department of Revenue, and the public are all stakeholders in the KAVIS project. The cabinet has tried to stay in touch with the Kentucky Automobile Dealers Association (KADA) and the Motor Vehicle Commission throughout the process. There are a few other stakeholders that are referred to as secondary stakeholders in KAVIS.

In response to a question asked by Chairman Harris, Ms. Stout stated she is hopeful that a final agreement will be made in a few upcoming weeks if the cabinet will be able to obtain the source code, but there is no definitive date.

In response to a question asked by Representative DeCesare concerning the transfer process, KAVIS and the concerns that KADA has had with that part of the project, Ms. Stout stated the KAVIS project and any proposed changes to the vehicle transaction form are separate issues. There are some long-term future changes and enhancements that the cabinet has for the vehicle transfer process in KAVIS and that the cabinet worked with KADA, other dealers, and the Motor Vehicle Commission, to design them. When KAVIS is implemented, those enhancements will be included.

Representative DeCesare stated the dealers want to make sure the project is done correctly and that it will not be detrimental to consumers by taking longer for vehicles to be titled.

In response to a question asked by Representative DeCesare concerning the cost of the printers that county clerk offices will be required to have, Ms. Stout stated that KYTC established a service based contract that was awarded to Xerox. Xerox owns the printer equipment and the cabinet pays them per print. If the print includes a decal, that print is a certain price. If the print is plain paper with no decal, it is a different price. The money that KYTC pays for prints goes toward paying for the printers, the maintenance of the printers, and the ink. The cost of buying the paper would be an additional expense to the county clerk as it is not covered under the price per print funds.

In response to a question asked by Representative Imes, Ms. Stout stated the cabinet has only paid 3M for the deliverables that they received, adding that the original contract was for $10.2 million, the additional change request was approximately $2.8 million, and the cabinet has only paid 3M $4,135,000 to date.

Representative Imes questioned if 3M breached the contract by not delivering what was expected of them in the contract and fulfilling the contractual obligation. Ms. Stout stated that question is currently in negotiations. Secretary Hancock added the cabinet has elected not to renew or extend 3M's contract, and the only thing that is being negotiated is the separation details.

In response to a question asked by Representative Wuchner concerning exploring negotiations with other vendors, Ms. Stout stated KYTC is looking at other vendors for specific components of the application, but not to complete the whole project. For example, the cabinet is not fond of the correspondence piece that has been developed for KAVIS, and if they can obtain the source code, they may seek a vendor for that specific component of the system. The cabinet wants a system that meets the needs of all stakeholders, so it may search for vendors that can do specific pieces of the application.

In response to a question asked by Representative Wuchner, Ms. Stout stated the source code is 3M's intellectual property. The contract was designed, and the system was implemented so that the cabinet would maintain ownership of the source code and have it in possession so that it would be available to use, and any modifications or enhancements the cabinet made to the code would be owned by the cabinet.

In response to a question asked by Chairman Collins concerning the print on demand decals (PODD), Ms. Stout stated citizens receive a rectangular piece of paper to place in the vehicle, and attached to that is the decal to be placed on the car. Print on demand decals would be an 8 ½ x 11 piece of paper with the registration renewal on it, and the decal to be placed on the vehicle would be imbedded in that.

In response to a question asked by Chairman Collins concerning the quality of the decal, Ms. Stout stated within the request for proposal that was issued for the PODD vendor, there were several specifications for testing of quality and verification that the decal would not peel off easily. There is a specific vendor that is utilized throughout the industry for the decals.

In response to a question asked by Chairman Collins, Ms. Stout stated that, if the cabinet is forced to enhance AVIS, it would stop the process of initiating the Plate 2 Customer application due to the fact that AVIS is a very plate to vehicle application, and it would be very difficult to transition that system to a plate to customer system. This does not mean that it cannot be done, but it would be a very difficult task to undertake.

In response to a question asked by Senator Westerfield concerning the setback if the source code is not obtained, Ms. Stout stated the KYTC would be starting development from scratch but that all of the analysis that has been gathered would still be utilized, making a large piece of the project ahead of schedule.

In response to a question asked by Chairman Harris, Ms. Stout stated the initial proposed completion date for the KAVIS project was December 2012.

In response to a question asked by Senator Higdon, Ms. Stout stated if the cabinet had to start over in the development stage, it would start in the Plate 2 Customer application.

Discussion of changes in vehicle transfer form processes and temporary license tags

Rodney Kuhl, Commissioner, Department of Vehicle Regulation, KYTC; Paul Mauer, Director of Motor Vehicle Licensing, KYTC; Katrina Fitzgerald, Meade County Clerk, President, Kentucky County Clerks' Association (KCCA); Don Blevins, Fayette County Clerk, Chair, KCCA Transportation Committee; and William May, Executive Director, KCCA, discussed changes in vehicle transfer form processes and temporary license tags.

Commissioner Kuhl stated the department has started analyzing what they can do and the steps to take to offer vehicle transaction (VTR) forms online to citizens, dealers, and county clerks. The department has made a VTR form available online that may be used, but it is still accepting the three part VTR forms that are currently being used through the County Clerks as well.

In response to a question asked by Chairman Harris concerning changes in the printing of temporary tags, Commissioner Kuhl stated the department is now printing temporary tags in-house. There was legislation that changed for temporary tag security; therefore, the tags are now being printed in-house. The printing change has also saved money for the state.

In response to a question asked by Chairman Collins concerning temporary tags, Mr. Mauer stated the previous temporary tags were printed through Kentucky Correctional Industries (KCI). The security strip that was provided by the American Association of Motor Vehicle Administrators (AAMVA) was used and there were several occasions where the availability of those security strips was limited, which meant that the cabinet was sometimes unable to provide county clerks and dealers with temporary tags. The change from a holographic security measure to a pantographic security measure was addressed in a regulation change. "Pantographic security measures" mean that if someone tried to copy a temporary tag, it would read void across it. The previous tags did not have that feature, therefore, it was more subject to fraud. With the pantographic system being put into place, the department modified the texture of the temporary tags slightly to accommodate the pantographic security measures.

Chairman Collins questioned why anyone would want to create a duplicate tag. Mr. Mauer stated the handwritten expiration date is often modified by citizens to extend that date, and until a regulation is put into place that would preclude a handwritten expiration date, it will always be an issue.

Chairman Collins expressed his disappointment in the quality of the recent temporary tags that are being issued. He produced a temporary tag that had been severely worn due to exposure to the elements. The temporary tag was issued on April 17, 2014, had been on the vehicle for less than one month, and had completely faded to the point of being illegible. Chairman Collins questioned why the tags are being printed in-house if the tags are of such poor quality.

Mr. Mauer stated the issue of durability of the temporary tags is not related to them being printed in-house or through a vendor. When Chairman Collins questioned why the new temporary tags that are being printed in-house are so vulnerable to water and the elements, Mr. Mauer stated he is unable to speculate due to not knowing what the specific presented tag had been exposed to.

Chairman Collins stated the former temporary tags that were printed in LaGrange at KCI withstood elements with a better quality result and questioned why the department would want to change from a better quality product to a lower quality product. Mr. Mauer said the state saves an estimated $70,000 a year in printing costs by no longer using KCI as its printing source for the temporary tags.

Chairman Collins stated that with the new temporary tag, it would be easy to change the dates on as well, maybe even easier than the former temporary tags, due to the weathering of the numbers and the numbers being illegible after the tag is exposed to the elements.

In a question asked by Chairman Collins, Mr. Mauer stated that permanent license plates are made by KCI, and there are no immediate plans for that to change.

In response to a question asked by Chairman Collins, Mr. Mauer stated if KCI printed the new temporary tags with the stock that is now used, the printing of the temporary tags through KCI would not be cheaper than in-house printing, thus one of the reasons for the switch in printing locations.

Mr. Mauer stated the department looked at the possibility of switching to a more slick and durable stock to replace the stock that is being used now for printing, and still accommodate the security measures that are required by the regulation, but switching to that stock would take the printing costs from approximately $50,000 a year to $300,000 a year for the difference in material.

Chairman Collins expressed his dissatisfaction with the quality of the temporary tags. Mr. Mauer stated some dealers across the Commonwealth are using plastic sleeves to shield the tags from weathering at a cost of $0.09 per sleeve.

Regarding the proposed changes in the VTR forms, Chairman Collins cited KRS 186.240(1), which states it shall be the duty of the cabinet to carry out the provisions of KRS Chapter 186, prepare and furnish to the clerks in each county a sufficient supply of all forms and blanks provided in that KRS. Mr. Mauer stated the availability of the forms electronically as opposed to being provided by the department, meets the KRS qualification. Chairman Collins reiterated the department is not providing the dealers the forms, they are requiring them to print them off of the computer, which could cause a problem for any dealers that do not have computers.

Commissioner Kuhl stated the department does not have any immediate plans to cancel the use of the three part VTR forms and the dealers could still use them. Chairman Collins questioned the August 1, 2014 date that was stated in a memorandum to county clerks as the date that the use of the three part VTR forms would be suspended. Commissioner Kuhl stated August 1, 2014 was initially the date for the use of the current VTR forms to be suspended, but that date has since been rescinded and that idea is not in play at this time.

Chairman Collins and Chairman Harris asked for staff to draft a resolution to set forth the will of the committee regarding the issue of the forms being provided to all necessary entities by the department as stated in the KRS and to keep that process the same. The resolution will be drafted and distributed to the committee for discussion at the next meeting.

In response to a question asked by Representative DeCesare concerning a new form implementation date rather than August 1, 2014, Mr. Mauer stated there is a plan to have a new date for the form usage to be switched, but the department is observing the scanning solution of the KAVIS system which precludes several additional copies being made, and if that part of the system were to be implemented, additional copies may not be required to be made. If that is the case, the form switch to online only would be considered.

Representative DeCesare stated the testimony packet distributed by KADA requests the department work with the dealers, clerks, and other affected parties when making changes to the forms and processes as directed by the KRS that when the process truly becomes electronic as part of the anticipated KAVIS implementation, those forms can be sent to the county clerks with an epayment solution, and that would be the time to implement the change. Mr. Mauer stated he is in agreement with working with the dealers, clerks, and other affected parties as requested.

In response to a question asked by Representative DeCesare, Mr. Mauer stated the August 1, 2014 online form date was communicated to the clerks, but that the decision to rescind that date has been made within the last few days, and the department is in the process of getting that information out to the clerks.

In response to a question asked by Representative Floyd, Mr. Mauer stated the forms should be able to be printed without a special printer or software.

In response to a question asked by Senator Robinson, Mr. Mauer stated temporary tags are valid for 60 days. He added that Plate 2 Customer has a 30 day limit instead of 60 days, but because of KAVIS not being implemented at this time, the department is still honoring the 60 day limit. Senator Robinson echoed Chairman Collins' disappointment in the quality of the temporary tag.

Representative Lee stated throughout the years the committee has discussed several ways to save money in the process of transferring vehicles. He said he was extremely disappointed to still not be any further along in that venture. He stressed the possibility of going to a near paperless transfer in the future through the KAVIS project. There is no reason to spend millions of dollars to send paper titles to citizens as long as the cabinet has them electronically.

In response to a question asked by Senator Higdon, Mr. Mauer stated that switching the printing of temporary tags to in-house versus being printed by KCI saves money by having existing employees print them, rather than inmates, who require additional staff and administrative costs to oversee the operation. There is no additional employee cost to the State to switch to the new printing process.

In response to a question asked by Chairman Collins, Commissioner Kuhl stated the Kentucky Certificates of Title are printed through American Bank Note in Tennessee, as it is one of the most secure printing agencies in the United States. Chairman Collins asked if it was possible to save money on printing those in house as well instead of through American Bank Note.

William May, Executive Director, KCCA Katrina Fitzgerald, Meade County Clerk, President, Kentucky County Clerks' Association (KCCA); Don Blevins, Fayette County Clerk, Chair, KCCA Transportation Committee addressed the issues from the county clerk perspective.

Mr. Blevins stated he appreciates the efforts of the KYTC and their hard work and dedication to constructing a quality solution to the issues. He added that saving money is a driving force in implementing the new system as it should be, however, the practical impact sometimes extends beyond the cabinet.

Mr. Blevins stated the quality of the cardstock of the temporary tags is very problematic as they are falling apart very quickly, as was mentioned. The plastic sleeve solution that was mentioned has pushed the cost of covering those sleeves to the county clerks or the dealers. Mr. Blevins encouraged KYTC to reconsider the temporary tag quality. More money may need to be spent to provide a quality product.

Mr. Blevins addressed the VTR form issue by stating that slight changes have been made that appear to be insignificant, but in reality, some of the forms are intended to align a printer and existing software for both the dealers and the clerks. If changed, they do not align, resulting in a reversion back to a manual process. In short, the cabinet has the best intentions while making these changes, however, the entities in the field are forced to deal with the implications of the changes.

Mr. Blevins called attention to KRS 186A.060 which asks the cabinet to work in consultation with all the entities and stakeholders in developing and maintaining the motor vehicle information system. He suggested KRS 186A.060 needs to be strengthened or a standing committee established that forces this to occur, if the problem is not addressed.

In response to a question asked by Representative Riggs regarding the regulation requirements, Mr. Blevins stated there were no meetings held between the county clerks' leadership and the cabinet for managing the VTR form change. Representative Riggs stated if that was the case, then the cabinet violated the statute.

Tom Underwood, Kentucky State Director, National Federation of Independent Business, also representing the Kentucky Auto Dealers Association (KADA) along with Gay Williams, Executive Director, KADA, indicated the particular temporary tag that was sourced to the committee was on a vehicle and exposed for only two weeks. Mr. Underwood stated the tag was provided by a dealer in Jefferson Co.

Mr. Underwood addressed the question that was previously asked concerning consultation with the auto dealers and the clerks. Mr. Underwood stated the first the KADA had heard about the changes in the forms was from the email dated May 30, 2014. He stated the dealers were given 60 days to be in compliance and reprogram their processes.

Mr. Underwood also stated the first that KADA has been informed about the repeal of the August 1, 2014 form change implementation date was at today's meeting, and they are delighted that is being reconsidered and look forward to working with the cabinet to find a solution to the problem.

Mr. Underwood also stated that a regulation from KYTC limits the number of temporary tags that can be issued to one per vehicle, therefore when the customer comes back in with an illegible tag, the dealers are forced to violate the regulation to give them another temporary tag while waiting on their title and plates to be processed and delivered. The plastic sleeves for the temporary tag do not work particularly well.

In response to a question asked by Representative Floyd concerning special software or licensing of software to print the forms, Mr. Underwood stated, much like the testimony of the KCCA, several dealers use proprietary dealer management software that is designed to line up with the current forms. The new forms will require reprogramming of the software by the software providers to accommodate the new form changes. Mr. Underwood added that KADA did not have any input on the changes of those forms.

Consideration of proposed Administrative Regulation 600 KAR 6:040 and 601 KAR 1:230, regarding prequalification of contractors for engineering services

The committee reviewed Administrative Regulation 600 KAR 6:040 and 601 KAR 1:230, regarding prequalification of contractors for engineering services.

With no further business before the Committee, Chairman Harris adjourned the committee at 2:17 P.M.

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

June 17, 2014

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee was held on Tuesday, June 17, 2014, at 1:00 p.m., in Room 169 of the Capitol Annex. Representative Kevin Sinnette, Chair, called the meeting to order, and the secretary called the roll.

Present were:

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

Guests Testifying Before the Committee: Mr. Larry Bryson, City Attorney, City of London; The Honorable Troy Rudder, Mayor, City of London; Mr. Steve Byars, Assistant Vice President for Government Relations, University of Kentucky (UK); Mr. Bill Harris, Chief Procurement Officer, UK; Mr. Rodney Andrews, Director of the Center for Applied Energy Research, UK; Mr. Kim Oatman, Chief Facilities Officer, Murray State University; Mr. Scott Aubrey, Director of Real Properties, Finance and Administration Cabinet; Mr. John Hicks, Deputy State Budget Director; Mr. John Covington, Executive Director, Kentucky Infrastructure Authority; and Mr. Ryan Barrow, Executive Director, Office of Financial Management.

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

Approval of Minutes

Senator Leeper moved to approve the minutes of the May 20, 2014, meeting. The motion was seconded by Representative Rudy and approved by voice vote.

Information Items

Mr. Josh Nacey, Committee Staff Administrator, presented three information items. The first item was a notice of advertisement for leased space from the Finance and Administration Cabinet for the Department of Public Advocacy in Franklin County.

The second item was Moody's Investors Service's annual state debt medians report. Moody's publishes this report each year, ranking states according to various measures of their debt burden.

The third item was a follow-up discussion regarding a Kentucky Infrastructure Authority (KIA) Fund B loan for the City of London's Sampson Branch Storm Water project. The loan was approved by the committee at the May 2014, meeting on the condition that representatives from the city appear before the committee to discuss the project, related litigation, and the city's efforts to bring accountability to those responsible for damaging the pipe at issue.

In response to questions from Senator Carroll, Mr. Larry Bryson, City Attorney, said the city is insured through the Kentucky League of Cities (KLC) and upon discussion with KLC, the decision was made to not appeal the ruling, in part, due to the precedent set by a similar previous case.

Mr. Bryson said all responsible parties were named as a defendant in the case or were included in a third party complaint filed by the city. The only damages covered by KLC insurance were the affected private properties and attorney fees for the defense of the case.

Mayor Troy Rudder, City of London, said the city continues to incur approximately $15,000 per month in costs associated with pumping of the water from the affected properties and will continue to do so until necessary repairs are made.

Mr. Bryson said the city has bid the project, contingent upon committee approval; however, the judge's ruling leaves no option but to make the repairs.

In response to questions from Senator McDaniel, Mr. Bryson said the city was not directly involved in the approval process of the initial project. The zoning and planning commission, which is a city and county joint commission, approved the subdivision plats that included the storm and sewer lines.

Senator Carroll made a motion to confirm the previous approval of the Fund B loan. The motion was seconded by Representative Wayne and approved by voice vote with one "no" vote.

Project Reports from the University of Kentucky (UK)

Mr. Steve Byars, Assistant Vice President for Government Relations, UK, presented five items. The first item was a notification of UK's intention to use the construction manager-at-risk project delivery method for the Construct/Renovate Student Center project. The Student Center project has involved multiple authorizations across budget cycles dating to the 2004-06 budget. The total scope of the project is approximately $165,000,000.

The second item was a new capital project, Center for Applied Energy Research Slipstream project. The research project will test a carbon capture system at the Brown Generating Station in Mercer County. The $1,600,000 capital project will be funded with 50 percent federal funds. The UK Board of Trustees approved the project on June 10, 2014.

In response to a question from Representative Wayne, Mr. Rodney Andrews, Director of the Center for Applied Energy Research, UK, said the emissions control systems for the power plant have been upgraded and the carbon capture system is a first level demonstration project for a small slipstream.

Senator Leeper made a motion to approve the new capital project. The motion was seconded by Senator Carroll and approved by roll call vote.

The third item was a new capital project, Construct Student Dining Facility project, to transform campus dining and will involve a public private partnership with Aramark Corporation. The $35,000,000 capital project will be funded with private funds. The UK Board of Trustees approved the project on June 10, 2014.

In response to questions from Representative Wayne, Mr. Byars said prevailing wage laws will apply.

Mr. Bill Harris, Chief Procurement Officer, UK, said the university followed the model procurement code, but Aramark will not be required to do so for the purchase of its items. Key performance indicators will measure Aramark's performance, and penalties will be assessed if it does not meet those performance standards. There are no bonding requirements for the contractor. The building, including all onsite assets, will be owned by UK.

Senator Carroll made a motion to approve the new capital project. The motion was seconded by Senator Girdler and approved by roll call vote.

The fourth item was a new lease for the UK College of Dentistry to relocate its oral and maxillofacial services, orthodontic services, and the general practice dentistry facilities. The lease was for 13,458 square feet (sq ft) at a cost of $19.35, plus $5.50 for common area maintenance, for an annual cost of $334,400. The lease will expire June 30, 2022.

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

The fifth item was a new lease for the UK Center for Drug and Alcohol Research to relocate after the demolition of its current space. The lease was for 37,151 sq ft for an annual cost of $661,300 for years one-five and $426,324 for the remainder of the lease. The lease will expire June 30, 2022.

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

Project Report from Murray State University

Mr. Kim Oatman, Chief Facilities Officer, Murray State University, presented an emergency repair, maintenance, or replacement project to rebuild an electrical transformer that blew after a lighting strike in April 2014. The $418,050 Emergency Transformer Replacement project will be funded from restricted funds. No action was required.

Lease Reports from the Finance and Administration Cabinet

Mr. Scott Aubrey, Director of Real Properties, Finance and Administration Cabinet, presented three items. The first item was for a new lease for the Commonwealth Office of Technology in Franklin County to replace an existing lease not being renewed at the Fair Oaks complex. The lease was for 38,195 sq ft of office space at $12.39 per sq ft, for an annual cost of $473,236. The lease will expire June 30, 2021.

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

The second item was for a new lease for the Commonwealth Office of Technology in Franklin County to free up space for another agency. The lease was for 16,371 sq ft of office and warehouse space at $8.07 and $4.17 per sq ft, respectively, for an annual cost of $124,318. The lease will expire June 30, 2021.

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

The third item was for a lease renewal for the Cabinet for Health and Family Services in Fayette County. The lease was for 49,275 sq ft of office space at $9.02 per sq ft, for an annual cost of $444,461. The lease will expire June 30, 2022.

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

Project Reports from the Finance and Administration Cabinet

Mr. John Hicks, Deputy State Budget Director, presented two items. The first item was a request from the Department of Military Affairs to increase the scope for a budgeted capital project, Expand State Emergency Operations Center, in Franklin County. The $25,900 increase was to address a construction change order for revisions to the facility's electrical system. The increase was 100 percent federally funded.

Representative Damron made a motion to approve the scope increase. The motion was seconded by Senator Carroll and approved by roll call vote.

The second item was a request from the Department of Military Affairs to increase the scope for a budgeted capital project, Install Backup Generators – Bluegrass Station, in Fayette County. The $150,000 increase was for the installation of backup emergency generators in three buildings. The increase was from restricted funds.

Senator Carroll made a motion to approve the scope increase. The motion was seconded by Representative Damron and approved by roll call vote.

Kentucky Infrastructure Authority (KIA) Loans

Mr. John Covington, Executive Director, KIA, presented three items. The first item was for a Fund A loan increase for the City of Owensboro in Daviess County. The request was for an increase of $1,450,000 to a previously approved loan to accommodate increased costs, a slowed project cycle, and combined sewer projects. The loan will have a 20-year term, an interest rate of one percent, and a debt service payment of $325,228.

In response to a question from Senator McDaniel, Mr. Covington said the debt service will be paid from the *Your Community Vision Fund*.

In response to a question from Representative Damron, Mr. Covington said the balance of the Fund A funds are expended each year and the demands of consent decrees continue to grow.

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

The second item was for a Fund F loan for the City of Hardinsburg in Breckinridge County. The request was for a $1,190,000 loan for the Water Storage Tank Improvements project, which involves the demolition of an existing tank and the construction of a 250,000-gallon storage tank. The loan will have a 20-year term, an interest rate of 0.75 percent, and a debt service payment of $33,580.

In response to a question from Senator McDaniel, Mr. Covington said the city enacted a rate increase and had adequate cash flow. KIA will review the audited financial statements and rates annually to ensure debt service is adequate to cover operations and maintenance. KIA may force a rate increase, if necessary.

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

The third item was a report of an Infrastructure for Economic Development Fund Grant to the City of Scottsville in Allen County. The $102,500 non-coal grant was for the Spring Valley Sewer Extension project. No action was required.

Reports from the Office of Financial Management (OFM)

Mr. Ryan Barrow, Executive Director, OFM, presented four items. The first item was a new bond issue for University of Kentucky (UK) General Receipts Refunding Bonds, 2014 Series D. The $95,000,000 bond issue will partially advance refund Kentucky Asset Liability Commission, Series 2005A Notes; partially advance refund UK General Receipts Revenue Bonds, Series 2005A; partially current refund UK Consolidated Educational Buildings Refunding Bonds, Series P, Q, R (Second Series); and pay costs of issuance.

The estimated net present value savings will be $8,233,381. The bond issue will be competitively bid on June 26, 2014. The financing team consisted of Peck Shaffer & Williams, a division of Dinsmore & Shohl LLP, bond counsel; Hilliard Lyons, financial advisor; and U.S. Bank, trustee. The UK Board of Trustees approved the bond issue on June 10, 2014.

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 new bond issue for Morehead State University General Receipts Refunding Bonds, 2014 Series A and B. The $30,110,000 bond issue will refund Morehead State University Consolidated Educational Buildings Refunding and Improvement Revenue Bonds, Series M; Morehead State University General Receipts, Taxable Build America Bonds, Series 2009A and 2010A; and pay costs of issuance.

The estimated net present value savings was $1,995,015. The bond issue will be competitively bid on June 25, 2014. The financing team consisted of Rubin & Hays, bond counsel; Hilliard Lyons, financial advisor; and U.S. Bank, trustee. The university's Board of Regents approved the bond issue on June 5, 2014.

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

The third item was a follow-up report for a $10,485,000 State Property and Buildings Commission (SPBC) Road Fund Revenue Bonds, Project No. 107, 2014 Series A and B (Taxable) bond issue. The purpose of the bond issue was to finance the Aviation Development projects authorized by 2010 Extraordinary Session House Bill 3. The taxable portion of the bonds will reimburse expenditures for the airports.

The bond issue was competitively bid and the Series A and B bonds were purchased by Morgan Stanley and PNC Capital Markets, respectively. OFM and Acacia Financial Group served as financial advisor and U.S. Bank National Association as trustee. No action was required.

The fourth item was a follow-up report for a $21,650,000 Kentucky Higher Education Student Loan Corporation (KHESLC) Student Loan Revenue Bonds, Senior Series 2014 A (Tax-Exempt AMT Fixed Rate Bonds). The purpose of the bond issue was to fund Kentucky Advantage Education Loans (KAEL) and purchase Federal Family Education Loan Program (FFELP) loans. The bond issue was priced on May 8, 2014 and closed on May 21, 2014. The true interest cost was 3.918 percent and it was a negotiated transaction with Hawkins Delafield & Wood LLP, bond counsel; Bank of America Merrill Lynch, underwriter; OFM, financial advisor; and Bank of New York Mellon, trustee. No action was required.

In response to a question from Senator McDaniel, Mr. Barrow said the rating agency fees charged for this bond issue were higher because it was in a structured finance group which required an extensive cash flow analysis. The number of ratings obtained are dependent on the market requirements for the different type of bond issues.

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

Mr. Barrow reported 18 school bond issues with SFCC debt service participation with a total par amount of $61,265,000. The state portion of the annual debt service payment was $1,567,300 and the local contribution was $2,875,559. The bond issues did not involve tax increases.

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

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

Mr. Nacey said six 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 2:17 p.m.

ADMINISTRATIVE REGULATION REVIEW SUBCOMMITTEE

Minutes of the June Meeting

June 10, 2014

Call to Order and Roll Call

The 1st meeting of the Administrative Regulation Review Subcommittee was held on Tuesday, June 10, 2014, at 1:00 PM, in Room 149 of the Capitol Annex. Senator Ernie Harris, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Ernie Harris, Co-Chair; Senators Perry B. Clark, Sara Beth Gregory, and Alice Forgy Kerr; Representatives Robert R. Damron, Jimmie Lee, and Tommy Turner.

Guests: Gary Stephens, Education Professional Standards Board; Maryellen Allen, State Board of Elections; Lynn Zellen, Office of the Secretary of State; Rob Carter, Mike Grammer, Garry Morris, Department of Revenue; Carolyn Reed, Michael Rodman, Board of Medical Licensure; Sonja Minch, Francis Simpson; Board of Barbering; Jonathan Buckley, David Cox, Board of Licensure for Professional Engineers and Land Surveyors; Nathan Goldman, Board of Nursing; Mark Brengelman, Scott Majors, Board of Physical Therapy; James Grawe, Margaret Hazlette, Board of Social Work; Stewart Bridgman, James Grawe, Board of Licensure for Professional Art Therapists; Angela Evans, Board for Applied Behavior Analysts; Karen Waldrop, David Wicker; Department of Fish and Wildlife Resources; Amy Barker; Department of Corrections; Chad Collins, Amy Peabody, Julian Tackett, Department of Education; Greg Dearing, Anne-Tyler Morgan, Bruce Roberts, Gilbert Robinson, State Fire Commission; Russell Coy, DJ Wasson, Clark Williams, Department of Insurance; Jack Coleman, Phil Craig, Michael Davis, Gary Feck, Dale Spicer, Steve Willinghurst; Deborah Anderson, Alice Blackwell, Mike Handy, Stuart Owen, Phyllis Sosa, Mary Sparrow, Steven Veno, Cabinet for Health and Family Services; Nick D'Andrea, UPS; Sean Dreisbach, Jeffersontown Fire Department.

LRC Staff: Donna Little, Emily Caudill, Sarah Amburgey, Carrie Klaber, Emily Harkenrider, Karen Howard, and Betsy Cupp.

The Administrative Regulation Review Subcommittee met on Tuesday, June 10, 2014, and submits this report:

Administrative Regulations Reviewed by the Subcommittee:

EDUCATION PROFESSIONAL STANDARDS BOARD: Teaching Certificates

16 KAR 2:010. Kentucky teaching certificates. Gary Stephens, staff attorney, represented the board.

A motion was made and seconded to approve the following amendments: to amend Sections 2, 4, and 5 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

SECRETARY OF STATE: Address Confidentiality Program

30 KAR 6:010 & E. Kentucky address confidentiality program. Maryellen Allen, executive director, and Lynn Zellen, director of communications, represented the office of the Secretary of State.

In response to questions by Co-Chair Harris, Ms. Zellen stated that victims of crimes such as sexual assault, stalking, domestic violence, and crimes against minors were included as victims who may apply to keep their addresses out of publicly available voter records and who may vote by absentee ballot. This administrative regulation protected victims from the release of their addresses and from the potential risk of appearing at a polling place.

In response to questions by Representative Damron, Ms. Zellen stated that the voter records from which the addresses were omitted were the same records used by candidates for campaign purposes. There was an application process, and victims were not automatically placed on the protected list. There was a process by which a victim may withdraw from the protected list, and the protection expired every two years. After the expiration, the victim may opt to apply again.

A motion was made and seconded to approve the following amendments: (1) to amend Sections 3 and 8 to include an additional relevant statutory citation; and (2) to amend Section 11 to correct the agency's email address in three (3) of the forms incorporated by reference. Without objection, and with agreement of the agency, the amendments were approved.

FINANCE AND ADMINISTRATION CABINET: Department of Revenue: Office of Sales and Excise Taxes: Selective Excise Tax; Motor Fuels

103 KAR 43:330. Measurement of compressed natural gas (CNG) and liquefied natural gas (LNG) in gallons. Mike Grammer, assistant director, and Gary Morris, policy advisor, represented the office. Nick D'Andrea, director, United Parcel Service, appeared in support of this administrative regulation.

Mr. D'Andrea thanked the office for amending this administrative regulation.

A motion was made and seconded to approve the following amendments: (1) to amend the STATUTORY AUTHORITY paragraph to delete a superfluous statutory citation; (2) to amend Sections 1 through 3 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (3) to amend Section 2(3) to delete "or 1.52 gallons" from the conversion rate for liquefied natural gas (LNG), so that the conversion rate is now "6.06 pounds" of LNG to "one (1) gallon of special fuels." Without objection, and with agreement of the agency, the amendments were approved.

GENERAL GOVERNMENT CABINET: Board of Medical Licensure: Board

201 KAR 9:301. Repeal of 201 KAR 9:300. Carolyn Reed, licensure coordinator, and Michael Rodman, executive director, represented the board.

201 KAR 9:305. Continued licensure of athletic trainers.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs and Section 2 to correct statutory citations; and (2) to amend Section 2 to clarify that the required HIV/AIDS course shall count as part of the required number of continuing education units. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 9:307. Fee schedule regarding athletic trainers.

A motion was made and seconded to approve the following amendments: to amend Section 1 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Board of Barbering: Board

201 KAR 14:085. Sanitation requirements. Sonja Minch, administrator, and Francis Simpson, chair, represented the board.

In response to questions by Co-Chair Harris, Ms. Minch stated that the board had been working to educate licensees regarding new sanitation requirements, the most significant of which was the requirement that the concentration of alcohol required for disinfectants was changing from 70 to 90 percent. There should be no cost associated with the change.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; (2) to amend Sections 1 through 6 and 12 through 15 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (3) to amend Sections 13, 14, and 15 to re-insert sanitation requirements that had been inadvertently deleted. Without objection, and with agreement of the agency, the amendments were approved.

Board of Licensure for Professional Engineers and Land Surveyors: Board

201 KAR 18:192. Continuing professional development for professional land surveyors. Jonathan Buckley, general counsel, and David Cox, executive director, represented the board.

A motion was made and seconded to approve the following amendments: to amend Sections 1 through 6 and 9 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Board of Nursing: Board

201 KAR 20:056. Advanced practice registered nurse licensure and certification requirements. Nathan Goldman, general counsel, and Paula Schenk, executive director, represented the board.

A motion was made and seconded to approve the following amendments: (1) to amend Section 3 to change references for the American Academy of Nurse Practitioners to the American Association of Nurse Practitioners to conform to the name change of the national certifying organization; and (2) to amend Sections 2, 6, 7, 11, and 12 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 20:057. Scope and standards of practice of advanced practice registered nurses.

In response to a question by Co-Chair Harris, Mr. Goldman stated that no comments were received during the public comment period.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add a statutory citation; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; (3) to amend Sections 1, 2, 9, and 11, and the material incorporated by reference to comply with the drafting and formatting requirements of KRS Chapter 13A; and (4) to amend Section 11 to change references for the American Academy of Nurse Practitioners to the American Association of Nurse Practitioners to conform to the name change of the national certifying organization. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 20:161. Investigation and disposition of complaints.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to correct a statutory citation; and (2) to amend Sections 1, 2, 4, and 5 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 20:360. Evaluation of prelicensure registered nurse and practical nurse programs.

A motion was made and seconded to approve the following amendments: (1) to amend Sections 1, 2, 3, and 5 to comply with the drafting requirements of KRS Chapter 13A; and (2) to amend Section 1 to clarify what constitutes "progress" by adding the factors for evaluating a program on monitoring status and if the program will obtain full approval or be placed on conditional approval status. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 20:370. Applications for licensure.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO; STATUTORY AUTHORITY; and NECESSITY, FUNCTION, AND CONFORMITY paragraphs to add relevant statutory citations; (2) to amend Section 1 to comply with the drafting requirements of KRS Chapter 13A; and (3) to revise material incorporated by reference to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 20:411. Sexual Assault Nurse Examiner Program standards and credential requirements.

A motion was made and seconded to approve the following amendments: to amend Section 2 and the material incorporated by reference to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 20:450. Alternative program.

In response to questions by Co-Chair Harris, Ms. Schenk stated that the term, "chemical dependency" was being changed to "substance abuse disorder" to reflect the same change in the Diagnostic and Statistical Manual. The manual was changed to broaden the term to include those confronting a similar situation but who did not qualify as chemically dependent. The change was mainly one of nomenclature more than a distinction in the effect.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (2) to amend Sections 1, 2, 3, and 7 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Board of Physical Therapy: Board

201 KAR 22:040. Procedure for renewal or reinstatement of a credential for a physical therapist or a physical therapist assistant. Mark Brengelman, counsel, and Scott Majors, executive director, represented the board.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add statutory citations; (2) to amend Sections 1, 3, and 4 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (3) to revise the REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT to correct an agency response. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 22:160. Telehealth and telephysical therapy.

In response to questions by Co-Chair Harris, Mr. Majors stated that physical therapy activities that may be done through telehealth included consultations, evaluations, education, assessments, and intervention. This administrative regulation only authorized telehealth as appropriate. The board had discussed professional consultation via telehealth between multiple providers with the same patient, but had yet to address robotic physical therapy via telehealth-like technology.

A motion was made and seconded to approve the following amendments: (1) to amend the STATUTORY AUTHORITY paragraph to add a statutory citation; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; (3) to amend Sections 1, 2, and 3 to comply with the drafting requirements of KRS Chapter 13A; and (4) to revise the REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT to correct an agency response. Without objection, and with agreement of the agency, the amendments were approved.

Board of Social Work: Board

201 KAR 23:015. Temporary permission to practice. Jim Grawe, assistant attorney general, and Margaret Hazlette, executive director, represented the board.

A motion was made and seconded to approve the following amendments: to amend Section 1 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Board of Licensure for Professional Art Therapists: Board

201 KAR 34:060. Qualifying experience under supervision. Stewart Bridgman, board member, and Jim Grawe, assistant attorney general, represented the board.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO; STATUTORY AUTHORITY; and NECESSITY, FUNCTION, AND CONFORMITY paragraphs to add statutory citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1 through 9 to comply with the drafting and formatting requirements of KRS Chapter 13A; (3) to amend Section 3 to establish that the supervisory agreement shall include the number of hours of face-to-face supervision and how it shall be obtained; (4) to amend Section 5 to establish that the board may grant a limited waiver from the face-to-face supervision requirements upon written request by the supervisor and supervisee; (5) to amend Section 8 for temporary supervision of an associate in cases of extenuating circumstances to establish a time frame of notifying the board of these circumstances within ten (10) days; and (6) to revise the REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT to correct an agency response. Without objection, and with agreement of the agency, the amendments were approved.

Kentucky Applied Behavior Analysis Licensing Board: Board

201 KAR 43:100. Telehealth and telepractice. Angela Evans, assistant attorney general, represented the board.

In response to a question by Co-Chair Harris, Ms. Evans stated that appropriately administered telehealth and telepractice was trending in an effort to increase access to providers.

A motion was made and seconded to approve the following amendments: (1) to amend the TITLE to make a technical correction; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (3) to amend Sections 1 through 3 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

TOURISM, ARTS AND HERITAGE CABINET: Department of Fish and Wildlife Resources: Game

301 KAR 2:300. Black bear seasons and requirements. Karen Waldrop, wildlife division director, and David Wicker, general counsel, represented the department.

A motion was made and seconded to approve the following amendments: to amend Section 10 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

JUSTICE AND PUBLIC SAFETY CABINET: Department of Corrections: Office of the Secretary

501 KAR 6:020. Corrections policies and procedures. Amy Barker, assistant general counsel, represented the department.

A motion was made and seconded to approve the following amendments: (1) to amend the Media Release form attached to CPP 1.2 to delete the portion of the form that required a member of the media to release the department from liability for any injury incurred at a facility before being allowed access to the facility; and (2) to amend Section 1 to change the edition date for the revised policy. Without objection, and with agreement of the agency, the amendments were approved.

At the May 13, 2014 meeting of the Administrative Regulation Review Subcommittee, a motion was made and seconded to approve the following amendments: (1) to amend CPP 1.2, News Media, to specify under what conditions an interview request may be denied and to clarify identification requirements; (2) to amend CPP 9.8, Search Policy, to clarify definitions for contraband, cross-gender searches, and exigent circumstances; and (3) to amend Section 1 to change the edition dates for those revised policies. Without objection, and with agreement of the agency, the amendments were approved.

501 KAR 6:999. Corrections secured policies and procedures.

This administrative regulation was reviewed and amended, without objection and with agreement of the agency, by the subcommittee in closed session pursuant to KRS 61.810(1)(k), 61.815(2), and 197.025(6).

EDUCATION AND WORKFORCE

DEVELOPMENT CABINET: Board of Education: Department of Education: School Terms, Attendance and Operation

702 KAR 7:065. Designation of agent to manage middle and high school interscholastic athletics. Chad Collins, general counsel, and Julian Tackett, commissioner, represented the Kentucky High School Athletic Association. Amy Peabody, assistant general counsel, represented the board.

In response to questions by Co-Chair Harris, Mr. Tackett stated that restrictions regarding a student athlete who followed a coach to a different school are not automatic. The transfer would be discussed at a hearing to consider if restrictions should apply. The trend was to penalize school personnel involved in these situations, rather than the student athletes who are usually not responsible for the infractions.

In response to a question by Representative Damron, Mr. Tackett stated that public comments were supportive of this administrative regulation. Representative Damron thanked the Kentucky High School Athletic Association for moving in the direction of penalizing the school officials, rather than the student athletes. He thanked Mr. Tackett for always handling emotional issues in a positive and professional way.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 2, 3, and 5: (1) for technical corrections; and (2) to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM: Kentucky Fire Commission: Commission on Fire Protection Personnel Standards and Education

739 KAR 2:090. Candidate Physical Ability Test. Anne-Tyler Morgan, counsel, and Bruce Roberts, division director, represented the commission. Sean Dreisbach, chief, Jeffersontown Fire Department, appeared in support of this administrative regulation.

In response to a question by Senator Clark, Mr. Roberts stated that the commission considered training styles that were gender appropriate, and the commission's 25 year training program had been validated through the court system to provide effective training for both genders. Up to two practice sessions were available prior to testing.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO; STATUTORY AUTHORITY; and NECESSITY, FUNCTION, AND CONFORMITY paragraphs to correct statutory citations; (2) to amend Section 1 to insert a definition for "professional firefighter" to clarify that administrative and part-time personnel are not professional firefighters; and (3) to amend Sections 1 through 3 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

PUBLIC PROTECTION CABINET: Department of Insurance: Financial Standards and Examination Division: Insurance Premium Finance Companies

806 KAR 30:020. Abuse of minimum service charge. Russell Coy, program manager, and DJ Wasson, administrative coordinator, represented the division.

A motion was made and seconded to approve the following amendments: (1) to amend Section 1 to cite to the service charge established in KRS 304.30-090(3); and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Section 1 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Division of Insurance Fraud Investigation: Insurance Fraud

806 KAR 47:010. Designation of a contact person. DJ Wasson, administrative coordinator, and Clark Williams, division director, represented the division.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs to correct citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (3) to amend Section 1 to make a technical correction. Without objection, and with agreement of the agency, the amendments were approved.

Department of Housing, Buildings and Construction: Division of Building Code Enforcement: Kentucky Building Code

815 KAR 7:120. Kentucky Building Code. Jack Coleman, deputy commissioner; Michael Davis, general counsel; and Gary Feck, director, represented the division.

815 KAR 7:125. Kentucky Residential Code.

CABINET FOR HEALTH AND FAMILY SERVICES: Department for Medicaid Services: Supports for Community Living Waiver

907 KAR 12:020E. Reimbursement for new Supports for Community Living waiver services. Alice Blackwell, assistant director, and Stuart Owen, regulation coordinator, represented the cabinet.

Mr. Owen stated that the department's telehealth provisions were established by statute. The goal was to increase accessibility, especially to remote areas of Kentucky.

Division of Policy and Operations: Veterans Affairs Nursing Facilities

907 KAR 18:001 & E. Definitions for 907 KAR Chapter 18.

A motion was made and seconded to approve the following amendments: to amend Section 1 to: (1) comply with the drafting and formatting requirements of KRS Chapter 13A; and (2) add a definition for "regular part-time employee." Without objection, and with agreement of the agency, the amendments were approved.

907 KAR 18:005 & E. Reimbursement provisions and requirements regarding Veterans Affairs nursing facility services.

A motion was made and seconded to approve the following amendments: (1) to amend Sections 1, 3 through 6, 14, and 15 to establish provisions to cover prescription drugs as part of the services at a Veterans Affairs nursing facility; (2) to amend Section 5 to delete outdated provisions; and (3) to amend Sections 2 through 6 and 12 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Department for Aging and Independent Living: Division of Guardianship: Guardianship

910 KAR 2:040. Service provisions for adult guardianship. Mike Handy, branch manager, and Phyllis Sosa, staff assistant, represented the cabinet.

In response to questions by Senator Gregory, Ms. Sosa stated that the change regarding Do Not Resuscitate (DNR) orders still required nurse consultation, but was no longer limited to a Department for Community Based Services nurse.

In response to a question by Co-Chair Harris, Ms. Sosa stated that there had been complaints that the DNR order process was too slow; however, the division was committed to a thorough process because these were life and death issues.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs to correct statutory citations; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1, 6, 7, 15, 16, 19, 22, 25, and 26 to comply with the drafting and formatting requirements of KRS Chapter 13A and for technical corrections. Without objection, and with agreement of the agency, the amendments were approved.

Department for Income Support: Child Support Enforcement: Family Support

921 KAR 1:430. Child support administrative hearings. Mary Sparrow, policy analyst, and Steve Veno, commissioner, represented the cabinet.

Other Business: Co-Chair Harris announced that Co-Chair Bell had resigned his seat on this subcommittee. He also introduced new staff member, Angela Bertholf, who will serve as assistant to the Compiler.

The following administrative regulations were deferred to the July 8, 2014, meeting of the subcommittee:

GENERAL GOVERNMENT CABINET: Board of Licensure for Massage Therapy: Board

201 KAR 42:035. Application process, exam, and curriculum requirements.

201 KAR 42:040. Renewal.

201 KAR 42:060. Code of ethics and standards of practice for massage therapists.

201 KAR 42:080. Programs of massage therapy instruction.

201 KAR 42:110. Continuing education requirements.

TRANSPORTATION CABINET: Kentucky Bicycle and Bikeways Commission: Motorcycle and Bicycle Safety

601 KAR 14:020. Bicycle Safety standards.

Department of Highways: Division of Maintenance: Billboards

603 KAR 10:001. Definitions.

603 KAR 10:010. Static advertising devices.

603 KAR 10:020. Electronic advertising devices.

603 KAR 10:030. Removal of vegetation related to advertising devices.

PUBLIC PROTECTION CABINET: Department of Insurance: Financial Standards and Examination Division: Health Maintenance Organizations

806 KAR 38:100. Risk-based capital for health organizations.

CABINET FOR HEALTH AND FAMILY SERVICES: Department for Public Health: Controlled Substances

902 KAR 55:090. Exempt anabolic steroid products.

Department for Medicaid Services: Hospital Service Coverage and Reimbursement

907 KAR 10:825. Diagnosis-related group (DRG) inpatient hospital reimbursement.

The subcommittee adjourned at 2:10 p.m. until July 8, 2014 at 1 p.m.

ADMINISTRATIVE REGULATION REVIEW SUBCOMMITTEE

Minutes of the July Meeting

July 8, 2014

Call to Order and Roll Call

The 1st meeting of the Administrative Regulation Review Subcommittee was held on Tuesday, July 8, 2014, at 1:00 PM, in Room 149 of the Capitol Annex. Senator Ernie Harris, Chair, called the meeting to order, and the secretary called the roll.

Present were:

<u>Members:</u> Senator Ernie Harris, Co-Chair; Representative Mary Lou Marzian, Co-Chair; Senators Perry B. Clark, and Alice Forgy Kerr; Representatives Robert R. Damron, Jimmie Lee, and Tommy Turner.

<u>Guests:</u> Alicia Sneed, Education Professional Standards Board; David Beyer, Jason Ford, Board of Dentistry; Ron Brooks, David Wicker; Department of Fish and Wildlife Resources; Amber Arnett, Department of Corrections; Kevin Brown, Amanda Ellis, David Wickersham, Department of Education; Mike Pettit, Chuck Stribling, Labor Cabinet; Trey Hieneman, Department of Alcoholic Beverage Control; Russell Coy, DJ Wasson, Department of Insurance; Elizabeth Caywood, Jason Dunn, Jennie Willson, Department for Community Based Services.

<u>LRC Staff:</u> Donna Little, Emily Caudill, Sarah Amburgey, Carrie Klaber, Emily Harkenrider, Karen Howard, Ange Bertholf, and Betsy Cupp.

The Administrative Regulation Review Subcommittee met on Tuesday, July 8, 2014, and submits this report:

Administrative Regulations Reviewed by the subcommittee:

EDUCATION PROFESSIONAL STANDARDS BOARD: Certification Procedures

16 KAR 4:060. Certificate renewals and teaching experience. Alicia Sneed, director of legal services, represented the board.

A motion was made and seconded to approve the following amendments: to amend Sections 1 and 2 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

GENERAL GOVERNMENT CABINET: Board of Dentistry: Board

201 KAR 8:550. Anesthesia and sedation. David Beyer, executive director, and Jason Ford, DMD, MD, president, represented the board.

In response to questions by Co-Chair Harris, Mr. Beyer stated that this administrative regulation was being amended to clarify the distinction between “administration” and “delivery” of nitrous oxide. Dr. Ford stated that a dental hygienist may “administer” nitrous oxide that may include titration, while a dental assistant shall only “deliver” nitrous oxide that was already prepared. Nitrous oxide was administered through a mask.

201 KAR 8:571. Registration of dental assistants.

A motion was made and seconded to approve the following amendment: to amend Section 7 to revise the Delegated Duty List incorporated by reference. Without objection, and with agreement of the agency, the amendment was approved.

TOURISM, ARTS AND HERITAGE CABINET: Kentucky Department of Fish and Wildlife Resources: Fish

301 KAR 1:201. Taking of fish by traditional fishing methods. Ron Brooks, fisheries director, and David Wicker, staff attorney, represented the department.

A motion was made and seconded to approve the following amendments: to amend Sections 2 and 3 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

JUSTICE AND PUBLIC SAFETY CABINET: Department of Corrections: Office of the Secretary

501 KAR 6:110. Roederer Correctional Complex. Amber Arnett, staff attorney, represented the department.

In response to a question by Co-Chair Harris, Ms. Arnett stated that this administrative regulation was being amended as part of the regular review process. There had not been a particular incident or problem that precipitated the revision.

A motion was made and seconded to approve the following amendments: (1) to amend RCC 12-01-02 to clarify which items of furniture are assigned to an inmate and the rules for where those and other items can be placed; (2) to amend RCC 12-01-03 to clarify housekeeping rules for inmates working at night; (3) to amend RCC 10-01-02, 11-04-01, 13-16-01, 20-01-03, and 25-05-01 to make minor technical corrections; and (4) to amend Section 1 to change the edition dates for the revised policies. Without objection, and with agreement of the agency, the amendments were approved.

EDUCATION AND WORKFORCE DEVELOPMENT CABINET: Board of Education: Department of Education: Office of Instruction

704 KAR 3:346. Repeal of 704 KAR 3:345. Kevin Brown, associate commissioner and general counsel; Dr. Amanda Ellis, associate commissioner; and David Wickersham, assistant general counsel, represented the department.

704 KAR 3:370. Professional Growth and Effectiveness System.

In response to questions by Co-Chair Harris, Mr. Brown stated that House Bill 180 of the 2013 Regular Session of the General Assembly established the statutory framework for the Professional Growth and Effectiveness System. Dr. Ellis stated that the prior evaluation system was vague and did not emphasize teacher growth and effectiveness. This system was more rigorous and comprehensive. Mr. Brown stated that a steering committee that included legislators met on these requirements for several years prior to House Bill 180 of the 2013 Regular Session of the General Assembly. Dr. Ellis stated that this system was used for teachers from preschool to high school and included all associated school leaders. This system established a standard, statewide framework to be administered by local school districts. The Education Professional Standards Board and universities were involved with the development to better prepare new teachers for this system. The Teacher Internship Program was integrated with the Professional Growth and Effectiveness System in an additional effort to prepare new teachers for the rigors of the system.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add citations; (2) to amend the STATUTORY AUTHORITY paragraph and Sections 1, 2, 5, 6, 7, 10, 11, 13, 14, 18, 19 and 20 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (3) to amend the material incorporated by reference to make a technical correction. Without objection, and with agreement of the agency, the amendments were approved.

LABOR CABINET: Department of Workplace Standards: Division of Occupational Safety and Health Compliance: Division of Occupational Safety and Health Education and Training: Occupational Safety and Health

803 KAR 2:300. General. Mike Pettit, safety standards specialist, and Chuck Stribling, federal – state coordinator, represented the division.

In response to questions by Co-Chair Harris, Mr. Stribling stated that these administrative regulations basically incorporated the changes that had occurred in the federal program. The agency did not receive public comments, and by the time the revisions reached the state level, the federal comment opportunities were fairly exhaustive. The main change pertained to power generation and distribution. Enforcement was somewhat delayed in order to ensure adequate time to comply. Most work was at the industrial level.

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.

A motion was made and seconded to approve the following amendments: to amend Section 2 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

803 KAR 2:404. Personal protective and lifesaving equipment.

803 KAR 2:406. Signs, signals, and barricades.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs to add a federal citation; and (2) to amend Sections 1 and 2 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

803 KAR 2:412. Fall protection.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Section 2 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

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.

A motion was made and seconded to approve the following amendments: to amend Section 2 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

803 KAR 2:551. Repeal of 803 KAR 2:550.

PUBLIC PROTECTION CABINET: Department of Alcoholic Beverage Control: Advertising Distilled Spirits and Wine

804 KAR 1:100. General advertising practices. Trey Hieneman, legislative liaison, represented the department.

In response to a question by Co-Chair Harris, Mr. Hieneman stated that this administrative regulation prohibited a wholesaler from advertising the name of a retailer of the product. A retailer was not prohibited from advertising the name of the wholesaler.

In response to a question by Representative Damron, Mr. Hieneman stated that this administrative regulation did not apply to small farm wineries.

Department of Insurance: Financial Standards and Examination Division: Health Maintenance Organizations

806 KAR 38:100. Risk-based capital for health organizations. Russell Coy, insurance program manager, and DJ Wasson, administrative coordinator, represented the division.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs to add citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (3) to amend Sections 1 through 6, 8, 10, and 11 to comply with the drafting and formatting requirements of KRS Chapter 13A and for clarity. Without objection, and with agreement of the agency, the amendments were approved.

CABINET FOR HEALTH AND FAMILY SERVICES: Department for Community Based Services: Division of Family Support: K-TAP, Kentucky Works, Welfare to Work, State Supplementation

921 KAR 2:055. Hearings and appeals. Elizabeth Caywood, internal policy analyst, and Jason Dunn, director, represented the division.

A motion was made and seconded to amend Sections 1, 4, 12, and 13 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

921 KAR 2:060. Delegation of power for oaths and affirmations.

Supplemental Nutrition Assistance Program

921 KAR 3:030. Application process.

In response to a question by Co-Chair Harris, Ms. Caywood stated that the division was statutorily required to serve as a voter registration site.

921 KAR 3:042. Supplemental Nutrition Assistance Program Employment and Training Program.

In response to a question by Co-Chair Harris, Mr. Dunn stated that states had previously been exempt from fully implementing this program due to the economic downturn. Services included things such as transportation and child care assistance.

921 KAR 3:050. Claims and additional administrative provisions.

921 KAR 3:060. Administrative disqualification hearings and penalties.

921 KAR 3:070. Fair hearings.

A motion was made and seconded to approve the following amendments: to amend Sections 1, 5, 8, 12, 16, and 17 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Commissioner's Office: Child Welfare

922 KAR 1:320. Service appeals. Elizabeth Caywood, internal policy analyst, represented the commissioner's office.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph and Section 1 to update citations; and (2) to amend Section 1 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Division of Protection and Permanency: Child Welfare

922 KAR 1:480. Appeal of child abuse and neglect investigative findings.

In response to a question by Senator Clark, Ms. Caywood stated that this administrative regulation was being amended to delete language that was already established by statute. The statutory language allowed hearsay in an administrative hearing.

Other Business: A motion was made by Representative Lee and seconded by Representative Turner to nominate Representative Mary Lou Marzian as House Co-Chair of the subcommittee and to cease nominations. The motion was approved, and Representative Marzian was approved as House Co-Chair.

The following administrative regulations were deferred to the August 2014, meeting of the subcommittee:

GENERAL GOVERNMENT CABINET: Kentucky Real Estate Commission: Commission

201 KAR 11:011. Definitions for 201 KAR Chapter 11.

201 KAR 11:105. Advertising listed property; advertising public information about specific property; when consent and authorization of owner or principal broker is required.

201 KAR 11:121. Improper conduct.

Board of Licensure for Massage Therapy: Board

201 KAR 42:035. Application process, exam, and curriculum requirements.

201 KAR 42:040. Renewal.

201 KAR 42:060. Code of ethics and standards of practice for massage therapists.

201 KAR 42:080. Programs of massage therapy instruction.

201 KAR 42:110. Continuing education requirements.

TRANSPORTATION CABINET: Kentucky Bicycle and Bikeways Commission: Motorcycle and Bicycle Safety

601 KAR 14:020. Bicycle Safety standards.

Department of Highways: Division of Maintenance: Billboards

603 KAR 10:001. Definitions.

603 KAR 10:010. Static advertising devices.

603 KAR 10:020. Electronic advertising devices.

603 KAR 10:030. Removal of vegetation related to advertising devices.

CABINET FOR HEALTH AND FAMILY SERVICES: Department for Public Health: Division of Maternal and Child Health: Kentucky Early Intervention System

902 KAR 30:001. Definitions for 902 KAR Chapter 30.

Controlled Substances

902 KAR 55:090. Exempt anabolic steroid products.

Department for Medicaid Services: Division of Policy and Operations: Hospital Service Coverage and Reimbursement

907 KAR 10:825. Diagnosis-related group (DRG) inpatient hospital reimbursement.

The subcommittee adjourned at 1:40 p.m.

GOVERNMENT CONTRACT REVIEW COMMITTEE

Committee Minutes

July 8, 2014

Call to Order and Roll Call

The Government Contract Review Committee met on Tuesday, July 8, 2014, at 10:00

AM, in Room 131 of the Capitol Annex. Senator Sara Beth Gregory, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Sara Beth Gregory, Co-Chair; Representative Dennis Horlander, Co-Chair; Senators Julian M. Carroll, Paul Hornback, and Christian McDaniel; Representatives Brad Montell, and Brent Yonts.

Guests: Stephen Castle, Angela Durham, Tonia Wells, Lula Kinder, Michael Neal, Kimberlee Ratzlaff, Stacy Woodrum, Beth Jurek, David Gayle, Marybeth Jackson, Heather Richardson, Paula Woodworth, Jason Dunn, Todd Trapp, Teresa James, Margaret Wahrer, Neville Wise, Lee Guice, Paula Goff, David McFaddin, Matt Roan, Jeremy Enlow, Geri Grigsby, Doug Hendricks, Mark Lile, Jamie Goins, Bill Heffron, Caroline Baesler, Katie Smith, Charlie Harmon, Ken Draut, Darren Sammons, Amy Barnes, Jennifer Miracle, Rick Chlopan, Tim Burcham, Steve Byars, Randy Justice, Karen Sams, Paul Royce, Gary Russkowski, Howard Kline, Mike Denney, Steve Mason, Hinfred McDuffie, Gary Meiseles, Tammy Bullock, Jeff Strunk, Anthony Leachman, Dan McIver, Mike Mangeot, Andy Meeks, Tim Pollard, Walt Gaffield, Bill Harris, Sharon Burton, Mike Hill, Mikael Pelfrey, Paul Brooks, Travis Huber, Maryellen Allen, Jo Thomas, April Johnson, and Melissa Justice.

LRC Staff: Kim Eisner and Jennifer Wilson.

A motion was made by Representative Yonts to approve Minutes of the June 2014, meeting of the committee. Representative Montell seconded the motion, which passed without objection.

A motion was made by Representative Yonts to consider as reviewed the Personal Service Contract List, with exception of those items selected for further review by members of the committee. Representative Montell seconded the motion, which passed without objection.

A motion was made by Representative Yonts to consider as reviewed the Personal Service Contract Amendment List, with exception of those items selected for further review by members of the committee. Representative Montell seconded the motion, which passed without objection.

A motion was made by Representative Yonts to consider as reviewed the Memoranda of Agreement List, with exception of those items selected for further review by members of the committee. Representative Montell seconded the motion, which passed with Senator McDaniel voting NO on #5, Seven Counties Services, 1400003817; #40, Seven Counties Services, 1400003250; #59, Seven Counties Services, 1400003265; #81, Seven Counties Services, 1400001032; #153, Seven Counties Services, 1400001757; #154, Seven Counties Services, 1400001758; #155, Seven Counties Services, 1400001759; #169, Seven Counties Services, 1400002335; #180, Seven Counties Services, 1400003147; #208, Seven Counties Services, 1400001720; Department of Revenue, 1400001923 and Department of Insurance, 1400001924.

A motion was made by Representative Yonts to consider as reviewed the Memoranda of Agreement Amendment List, with exception of those items selected for further review by members of the committee. Representative Montell seconded the motion, which passed without objection.

A motion was made by Representative Yonts to consider as reviewed the Addition List. Representative Montell seconded the motion, which passed without objection.

A motion was made by Representative Yonts to consider as reviewed the Correction List. Representative Montell seconded the motion, which passed without objection.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS:

Wyatt Tarrant and Combs, 1400003753; Tad Thomas, 1400003788; Tad Thomas, 1400003790; Greenebaum Doll and McDonald, 1400003810; Transitions Incorporated, 1400003814; Stites and Harbison, 1400003828; Littler Mendelson, 1400003830; Littler Mendelson, 1400003831; Littler Mendelson, 1400003832.

CABINET FOR HEALTH AND FAMILY SERVICES:

Baptist Health Madisonville - Telehealth, 1400003550; St. Claire Medical Center, 1400003553.

COMMISSION FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS:

CDM Services Incorporated, 1400003119.

CORRECTIONS, DEPARTMENT OF:

Henry County Animal Clinic, PLLC, 1400001545; Allen Veterinary Services, PLLC, 1400001646; Town and Country Animal Services, 1400001691; Brian Williams, 1400001696; The Kentucky Foundation for Women Incorporated, 1400002883; Catholic Charities Incorporated, 1400002888; Greater Louisville Counseling, 1400002960; Noa Counseling, LLC, 1400003266.

CRIMINAL JUSTICE TRAINING, DEPARTMENT OF:

Mark Wynn, 1400001959.

DEPARTMENT FOR AGING & INDEPENDENT LIVING:

Experience Works Incorporated, 1400001250; Bluegrass Community Action Age, 1400003662.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES:

Jackson & Coker Locumtenens, LLC, 1400000872; Locumtenens.com, LLC, 1400000873; Registry of Physician Specialists, A Medical Corporation, 1400000874; Staff Care Incorporated, 1400000875; National Toxicology Specialist Incorporated, 1400000877; Crown Services Incorporated, 1400000932; Theracare Alliance, 1400000933; Martha Gregory & Associates, Incorporated, 1400002720; Crown Services Incorporated, 1400002933; Crown Services Incorporated, 1400003030.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Public Consulting Group Incorporated, 1400001238; Uspiritus, Incorporated, 1400001299; Specialized Alternatives for Families & Youth of Kentucky, Inc., 1400001303; Public Consulting Group Incorporated, 1400003475.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION:

Larry J. Sowder, 1400002442; Rhithron Associates Incorporated, 1400003170.

DEPARTMENT FOR INCOME SUPPORT:

DNA Diagnostics Center, 1400002059; Julie B. Jones, 1400003630.

DEPARTMENT FOR MEDICAID SERVICES:

Barbara J. Burns, 1400002412; Island Peer Review Organization Incorporated, 1400002577; Rector and Associates Incorporated, 1400003042.

DEPARTMENT FOR NATURAL RESOURCES:

Secon Incorporated, 1400002323; Tichenor and Associates, 1400002413.

DEPARTMENT FOR PUBLIC HEALTH:

National Jewish Health, 1400001076; Family and Children First, 1400001123; Kentucky Hospital Research & Education Foundation, 1400001125; Norton Healthcare Incorporated, 1400001204; Julia Rodriguez Cervera, 1400001699; Kentucky Rural Health Association, 1400001807; Laboratory Corporation of America Holdings d/b/a Labcorp of America Holdings, 1400002071; Matthew 25 Aids Services Incorporated, 1400003150; Volunteers of America of Kentucky Incorporated, 1400003751.

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL:

Kenneth Hale, 1400003595; Mari Harris, 1400003596; Charles Turner, 1400003597;

Sandy Joslyn, 1400003598; Rodney Richardson, 1400003599; Sam Castle, 1400003600; Charles Hammond, Jr., 1400003601; Steven R. Costello, 1400003602; James Curtis Jones, 1400003603; James T. Stinson, 1400003604; Sharon G. Pierceall, 1400003605; Sharon Tankersley, 1400003606; Lana Mullins, 1400003607; Trimen Solutions, LLC, 1400003608; Shy-lee Enterprises, LLC, 1400003609; Tiffany Michelle Parsons, 1400003610; Marsha Brown Parsons, 1400003611; Robert Tankersley, 1400003612; Jason Parks, 1400003613; Vicki K. Crump, 1400003614.

DEPARTMENT OF ENERGY DEVELOPMENT AND INDEPENDENCE:

TRK LTD, 1400002887; The Bagley Group, LLC, 1400002914.

DEPARTMENT OF INSURANCE:

PSI Services, LLC, 1400002390; Lewis and Ellis Incorporated, 1400002619; Merlinos & Associates Incorporated, 1400002722; Examination Management Services, LLC, 1400002783; Knowledge Transformation Systems Incorporated, 1400002813; Donald D. Bratcher LLC, 1400002835; Larry Elmer Cross, 1400002849.

EASTERN KENTUCKY UNIVERSITY:

D. Warner Group d/b/a Card Integrity, 16-014; Central Kentucky Interpreter Referral Incorporated, 16-022; King and Schickli, PLLC, 16-028; Sturgill, Turner, Barker and Moloney, PLLC, 16-029; Sturgill, Turner, Barker and Moloney, PLLC, 16-030; Crowe Horwath, LLP, 16-039; Marsh USA Incorporated, 16-042.

ECONOMIC DEVELOPMENT - OFFICE OF THE SECRETARY:

Mountjoy Chilton Medley, LLP, 1400002051; Lyon Park Associates, 1400002926; Stoll Keenon Ogden, PLLC, 1400003109; Stites and Harbison, 1400003110; C. H. Johnson Consulting Incorporated, 1400003156; Aecom Technical Services Incorporated, 1400003167.

EDUCATION, DEPARTMENT OF:

Mike Wilson, 1400001783; HUMRRO, 1400001825; Assessment Solutions Group, 1400002037; Career Cruising, 1400002040; Chasteen Enterprises Incorporated, 1400002041; Melior Incorporated, 1400002312; Curriculum Associates, LLC, 1400002314; William Powers Auty, 1400002319; Multi, 1400002394; Embry Merritt Shaffar Womack, PLLC, 1400002395; Patrick Law Firm, 1400002398; Jeffrey Eastham, 1400002399; John Thompson, 1400002404; Kentucky Museum of Art and Craft Incorporated, 1400002406; Lee Puckett, 1400002410; Michelle E. Deal, 1400002411; Robert L. Falk, 1400002415; Wade William Honey, 1400002417; Jennifer R. Stocker, 1400002418; Robin B. Johnson, 1400002426; Oneplus Services, LLC, 1400002574; Public Consulting Group, 1400002635; JKM Training Incorporated, 1400002763; ACT, 1400002919; Public Consulting Group, 1400002920; Arroyo Research Services, 1400002921; Multi, 1400002949; Parsons Environment & Infrastructure Group Incorporated, 1400002952; ACT, 1400003104; Danville Pediatrics, 1400003218; Carol A. Klaber, 1400003251; Embry Merritt Shaffar Womack, PLLC, 1400003525; Multi, 1400003622; Gail P. Binder, 1400003722; Multi, 1400003739; Mike Wilson, 1400003741.

EDUCATIONAL TELEVISION, KENTUCKY:

Roger M. Bondurant, 1400003139; James R. Slone, 1400003140; James H. Bugay, 1400003141; Britt Davis, 1400003155; Michelle Larock, 1400003158; Rebecca F. Embry, 1400003160; Rex Hart Consulting, 1400003161; Steven G. Shaw, 1400003162; Brian Vincent, 1400003197; Danny Hildebrand, 1400003275; Janna Chiang, 1400003276; Vonlehman and Company, PSC, 1400003434.

EMBALMERS & FUNERAL HOME DIRECTORS, BOARD OF:

Kathleen K. Schell, 1400003570.

FINANCE AND ADMINISTRATION CABINET:

Cunningham Lindsey US Incorporated, 1400002918; Boehl Stopher and Graves, LLP, 1400003033; Stoll Keenon Ogden, PLLC, 1400003046; Cunningham Lindsey US Incorporated, 1400003125; Multi, 1400003224; Vanantwerp, Monge, Jones, Edwards & McCann, LLP, 1400003623; Conliffe Sandmann and Sullivan, 1400003628; Vanantwerp, Monge, Jones, Edwards & McCann, LLP, 1400003638; Cunningham Lindsey US Incorporated, 1400003646.

FISH & WILDLIFE, DEPARTMENT OF:

Gregory K. Johnson, 1400002475.

HIGHER EDUCATION ASSISTANCE AUTHORITY, KENTUCKY:

Callan Associates Incorporated, 1400003327; Actuarial Resources Corporation, 1400003683; Mountjoy Chilton Medley, LLP, 1400003684; Mountjoy Chilton Medley, LLP, 1400003692; Zarzaur & Schwatrz, PC, 1400003695; Intuition Systems Incorporated, 1400003700.

HORSE PARK, KENTUCKY:

Park Equine Hospital, 1400003106.

INFRASTRUCTURE AUTHORITY:

Kentucky Rural Water Associates, 1400003249; American Municipal Tax-Exempt Compliance Corporation, 1400003303; Blue & Company, LLC, 1400003456.

JUSTICE CABINET:

Britton Osborne Johnson, PLLC, 1400002567; Hurt, Crosbie & May, PLLC, 1400002586; Medical Legal Consultants Incorporated, 1400003305; Multi, 1400003347; Multi, 1400003455; Mark Bernstein, DDS, 1400003625; AIT Laboratories, 1400003713; St. Elizabeth Medical Center, 1400003726.

JUVENILE JUSTICE, DEPARTMENT OF:

Correctional Eye Care, 1400002568; Mid America Health Incorporated, 1400002622; Glen Bichlmeir, MD, 1400002641; Glen Bichlmeir, MD, 1400002653; Scotty Dwayne Combs, 1400002656; Joseph M. Pittard, MD, 1400002659; Ronald Boyd, 1400002735; PCA Corrections, LLC, 1400002983; Medical Staffing Network Healthcare, LLC, 1400003089; Dale Jones, 1400003211.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM:

Sirk & Company, 582; E. Clark Toleman, 583; Integra Realty Resources, 584; Kentucky Field Service Realty Incorporated, 585; National Diversity Solutions, 586; Summit 7 Systems, 587; Solaritech d/b/a The Solarity Group, 588; Truck America Training , LLC, 589; Lake Cumberland CDL Training School Incorporated, 590; Bingham, Greenbaum, Doll PLLC, 591; Walther, Roark & Gay, PLC, 592; McBrayer, McGinnis, Leslie & Kirkland, 593; Immediate Solutions, 594; Sturgill, Turner, Barker & Maloney, 595; Dean Dorton Allen Ford, PLLC, 598; High Monkey Consulting, 599; Summit 7 Systems, 600; Dr. Jeff Hockaday, 601; Ivy Tech - Bloomington, 603; Jackson State Community College, 604; SCATE Incorporated, 605; Hagyard-Davidson-McGee Associates, PLLC, 608; Alamo Community College District, 609; Lansing Community College, 610; Spartanburg Community College, 611; Association of Community College Trustees, Inc., 612; Company of Experts Incorporated, 613; The Slater Group, LLC, 614; Washington State University, 615; San Diego State University Research Foundation, 617; University Auxiliary & Research Services Corporation, 618; Northern Virginia Community College, 619; Elmhurst College, 620; California University of Pennsylvania, 621; Davidson County Community College, 622; The Evans Consulting Group Incorporated, 623; National Center for Higher Education Management Systems, 624; SCATE Incorporated, 625; Blackboard Incorporated, 626.

KENTUCKY EMPLOYERS MUTUAL INSURANCE:

Multi, 15-CLD-001; Conning Incorporated, 15-CON-001; Dean Dorton Allen Ford, PLLC, 15-DDF-001; Deutsche Investment Management Americas Incorporated, 15-DIM-001; Kenning Consulting, 15-KEN-001; McCarthy Strategic Solutions, 15-MSS-001; Towers Watson Pennsylvania Incorporated, 15-TIL-001; Underwriters Safety & Claims Incorporated, 15-USC-001.

KENTUCKY HIGHER EDUCATION STUDENT LOAN CORPORATION:

Deloitte & Touche, LLP, 15-003; Human Development Company Incorporated, 15-006.

KENTUCKY HOUSING CORPORATION:

Community Housing Partners Corporation, 2015-30.

KENTUCKY LOTTERY CORPORATION:

Kizan Technologies, LLC, 14-14-045; Hudson Alley Software Incorporated, 15-04-073; Gaming Laboratories International, LLC, 15-14-035; Avnet Government Solutions, 15-14-038; Kizan Technologies, LLC, 15-14-045; Camelot Global Services, 15-14-15.

KENTUCKY STATE UNIVERSITY:

Dean Dorton Allen Ford, PLLC, 15-01; Johnson Newcomb, LLP, 15-02; McBrayer, McGinnis, Leslie, & Kirkland, PLLC, 15-03; Anthony G. Barnes, 15-04; Tronconi Segarra & Associates, LLP, 15-05; Advocates for Youth, 15-07; Julie Ann Price, 15-11.

KY PUBLIC SERVICE COMMISSION:

BBC Research and Consulting, 1400003282.

KY RACING COMMISSION:

Joseph B. Henderson, 1400003047; Wilson Shirley, III, 1400003627.

MEDICAL LICENSURE, BOARD OF:

Multi, 1400002582; Kentucky Physicians Health Foundation Incorporated, 1400003664; Thomas J. Hellmann, Attorney-at-law, PLLC, 1400003720.

MILITARY AFFAIRS, DEPARTMENT OF:

Public Private Solutions Group, 1400003043; Hasan H. Ahmad, 1400003172; Thomas P. Pendleton, Jr., 1400003712; Mark E. Demuth, 1400003729.

MOREHEAD STATE UNIVERSITY:

Sturgill, Turner, Barker & Moloney, PLLC, 15-005; Sturgill, Turner, Barker & Moloney, PLLC, 15-019; Dean Dorton Allen Ford, PLLC, 15-022; Central Kentucky Interpreter Referral Incorporated, 15-024; MML&K Government Solutions, 15-025; Sign Language Network of KY, LLC, 15-026; Audrey Ruiz Lambert, 15-027; Caption Colorado, 15-028; Software Integration Systems, LLC, 15-031; William Collins Freedom Psychiatry, 15-033; Perceptive Software, 15-034; Murphy Graves Trimble, PLLC, 15-035; SecureWatch 24, 15-037; University Accounting Service, LLC, 15-038; Maximus Higher Education, 15-042.

MURRAY STATE UNIVERSITY:

Capitol Solutions, LLC, 001-15; Buck Consultants, 004-15; Boswell, Sims, & Vasseur, PLLC, 005-15; Multi, 006-15; Boehl, Stopher, & Graves, LLP, 007-15; RubinBrown, LLP, 008-15; Peck, Shaffer & Williams, a division of Dinsmore & Shohl, LLC, 009-15; Sherman Carter Barnhart, PSC, 010-15; Sherman Carter Barnhart, PSC, 011-15; Sherman Carter Barnhart, PSC, 012-15; Multi, 014-15; Murphy + Graves + Trimble, PLLC, 015-15.

NORTHERN KENTUCKY UNIVERSITY:

Omni Architects, 2014-602-1; Landor Ohio, LLC d/b/a Landor Associates, 2014-653; Dean Dorton Allen Ford, 2015-578-3; SMG d/b/a as Superior Management Group, 2016-446; Geoff Smith, 2016-544-4; Schoepf / Associates, 2016-627; Keaton Real Estate Services, 2016-628; Dinsmore & Shohl, LLP, 2016-655; Dressman Benzinger & LaVelle, PSC, 2016-656; Sturgill Turner Barker & Moloney, PLLC, 2016-657; The Sanchez Law Firm, PC, 2016-658; Wood, Herron and Evans, LLP, 2016-659; Ziegler & Schneider, PSC, 2016-660; Baker & Hostetler, LLP, 2016-661; HOK Consulting, 2016-665-1.

OCCUPATIONAL THERAPY, BOARD OF:

Mary Ellen Martins, 1400003210.

OFFICE OF HOMELAND SECURITY:

Stantec Consulting Services Incorporated, 1400003340; RCC Consultants Incorporated, 1400003342.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT:

Cathryn A. Figlestahler, 1400003801; Jeffrey P. Hanna, 1400003802.

OFFICE OF THE KENTUCKY HEALTH BENEFIT EXCHANGE:

Anthem Health Plans of Kentucky Incorporated, 1400001420.

PERSONNEL BOARD:

Colleen Beach, 1400003443; Hanson Williams, 1400003458; Roland P. Merkel, PSC, 1400003480; Geoffrey B. Greenawalt, 1400003486; John C. Ryan, 1400003510; Edward P. Moores, 1400003530; Stephen T. McMurtry, 1400003533; Kim H. Price, 1400003548; Darren L. Embry, 1400003560; Brenda Dinkins Allen, 1400003679.

PERSONNEL-OFFICE OF THE SECRETARY:

Aon Consulting, Incorporated, 1400002401.

PHYSICAL THERAPY, BOARD OF:

Brian Fingerson RPH Incorporated, 1400003080.

POST SECONDARY EDUCATION, COUNCIL ON:

Norbert F. Elbert, 1400002349.

PSYCHOLOGISTS, BOARD OF EXAMINERS OF:

Stan Heck, Psy. D., 1400002676; Dr. Paula Berry, 1400002686; William G. Elder, 1400003466; American Health and Wellness Institute, LLC, 1400003474.

PUBLIC PROTECTION & REGULATION CABINET:

Mike Wilson, 1400003330; Patrick Law Firm, 1400003331; Thomas J Hellmann, Attorney-at-Law, PLLC, 1400003332.

REAL ESTATE APPRAISERS BOARD:

Dennis Badger and Associates Incorporated, 1400001317.

REAL ESTATE COMMISSION:

PSI Services, LLC, 1400003234; KCH & Associates, LLC, 1400003341.

STATE POLICE, DEPARTMENT OF:

John E. Reid and Associates, 1400002519; Law Enforcement Services Incorporated, 1400002520; Kentucky Auctioneers Associates Incorporated, 1400002539; James Daniel Quarles, M.D., 1400003549; Powerphone Incorporated, 1400003624.

TOURISM DEVELOPMENT CABINET:

Dinsmore & Shohl, 1400003715; The Pace Group, 1400003742.

TRANSPORTATION CABINET:

Mary McClinton Clay, 1400001341; J. Michael Jones, 1400001354; W and W Appraisals, 1400001387; Strothman and Company, PSC, 1400001511; Fulton & Devlin, LLC, 1400002067; Wyatt Tarrant and Combs, 1400002089; Burgess and Niple Incorporated, 1400002443; Vaughn & Melton Consulting Engineers (Kentucky), Inc., 1400002799; Strand Associates Incorporated, 1400002801; H. W. Lochner Consulting Incorporated, 1400002804; Frost Brown Todd, LLC, 1400002809; Berkley Appraisal Company, 1400002832; Berkley Appraisal Company, 1400002851; Keaton Real Estate Services, LLC, 1400002859; Secon Incorporated, 1400002936; Berkley Appraisal Company, 1400002961; APPCO Appraisal Service Incorporated, 1400002962; Arnzen, Molloy, Storm, & Turner, PSC, 1400002986; Bowles Rice LLP, 1400002987; Carl J. Bensinger and Associates, 1400002988; Embry Merritt Shaffar Womack, PLLC, 1400002989; Fogle Keller Purdy, PLLC, 1400002990; Fox Wood Wood and Estill, 1400002991; Gambrel and Wilder, 1400002992; Gerner & Kearns Company, PSC, 1400002993; Hoffman & Barnes, 1400002994; John Nefzger, 1400002995; Jones, Walters, Turner & Shelton, 1400002996; Kerrick Bachert Stivers, PSC, 1400002997; Legacy Title Company, LLC, 1400002998; Logan & Gaines, PLLC, 1400002999; McMurry and Livingston, 1400003000; Osborne & Heaberlin, PSC, 1400003002; Reynolds Johnston Hinton and Pepper, 1400003003; Sherrow, Sutherland & Associates, 1400003004; Smartcounsel, PSC, 1400003005; Tooms & Dunaway, PLLC, 1400003006; Vanantwerp, Monge, Jones, Edwards & McCann, LLP, 1400003007; Wallace Boggs, PLLC, 1400003008; Walther, Roark and Gay, 1400003009; Whitlow Roberts Houston and Straub, 1400003013; William D. Boyd, 1400003036; Paula B. Freeman, 1400003037; Mem's the Word Pi, 1400003038; David Owen, 1400003039; Scott A. Skaggs, 1400003040; John E. Witt, 1400003041; CDM Smith Incorporated, 1400003283; Parsons Brinckerhoff Incorporated, 1400003284; Stantec Consulting Services Incorporated, 1400003286; Michael Baker Jr. Incorporated, 1400003290; HMB Professional Engineers Incorporated, 1400003296; CDM Smith Incorporated, 1400003298; QK4, 1400003299; Palmer Engineering Company, 1400003301; J M Crawford and Associates Incorporated, 1400003668; Stantec Consulting Services Incorporated, 1400003673; HMB Professional Engineers Incorporated, 1400003676; Intequal-Duncan Appraisal, 1400003706; Baumgardner and Associates, PSC, 1400003711; Thurston Freeman, 1400003714; APPCO Appraisal Service Incorporated, 1400003717.

TRAVEL, DEPARTMENT OF:

Lofthouse Enterprises, 1400002954; Access Marketing, 1400003621.

UNIVERSITY OF KENTUCKY:

Ekhoff, Ochenkoski, Polk Architects, A141220; Multi, A161000; Multi, A161010; Multi, A161020; Multi, A161030; Multi, A161040; Multi, A161050; Multi, A161060; BKD, LLP, K15-101; SC Search Consultants, LLC d/b/a BeecherHill Search, K15-102; Equine Medical Associates, PSC, K15-103; Blue & Company, LLC, K15-104; BKD, LLP, K15-105; Wyatt, Tarrant, & Combs, LLP, K15-106; Stidham & Associates, PSC, K15-107; Sturgill, Turner, Barker & Moloney, PLLC, K15-108; Kriz, Jenkins, Prewitt & Jones, K15-109; Walther, Roark & Gay, K15-110; Stites and Harbison, K15-111; Norton Hospitals Incorporated, K15-112; Community Medical Associates and Norton Hospital, K15-113; Baker, Donelson, Bearman, Caldwell & Berkowitz, PSC, K15-114; DDC Works, K15-115; Economic Research Services, Inc. d/b/a ERS Group, K15-116; Sworn Testimony, PLLC, K15-117; Grant Cooper & Associates, K15-118; Cammack LaRhette Advisors, K15-119; Cornett Integrated Marketing Solution, K15-120; Academic Leadership Associates, LLC, K15-121; The Bernard Consulting Group Incorporated, K15-122; R.V. Kuhns & Associates, K15-123; Marts & Lundy, K15-124; National Diversity Solutions, LLC, K15-125; Honkamp, Krueger & Co., P. C., K15-126; Bond, Schoeneck & King, K15-128; Selge Holding & Ventures, LLC d/b/a Wheless Partners Executive Search, K15-129; Fellon-McCord & Associates, K15-130; Baker & Associates, LLC, K15-131; Witt/Kieffer, K15-132; Bronaugh & Pulliam, LLC, SVN, K15-133; St. Elizabeth Medical Center, K15-134; Susan W. Burton, K15-135; Underwriters Safety & Claims, K15-136; Advent, K15-137; Smith Management Group, K15-138; St. Clair Medical Center, K15-140; Rockcastle Hospital and Respiratory Care Center Incorporated, K15-141; David Shraberg, MD, K15-144; Commonwealth Anesthesia, PSC, K15-145; Horn & Associates in Rehabilitation Incorporated, K15-146; Danny Corales, MD, K15-147; NAMI Lexington (KY) Incorporated, K15-148; Underwriters Safety & Claims, K15-149; Cornett IMS, K15-150; Aon Risk Services Central Incorporated, K15-151; Daniel C. Rodrigue, MD, K15-152; WorleyParsons Group Incorporated, K15-153; Marshall Emergency Services, LLC, K15-154; APAX, K15-155; Commonwealth Economics Partners, K15-156; hyperCison Consulting, K15-157; Hensley, Elam & Associates, K15-158; Artifex Technology Consulting, K15-159; Hammond Communications Group Incorporated, K15-160; Software Information Systems Incorporated, K15-161; iSolutions, K15-162.

UNIVERSITY OF LOUISVILLE:

Multi, 15-012; Embry Merritt Shaffar Womack, PLLC, 15-040; Stephen P. Ryan, 15-041; Learfield Communications, 15-048; Working Buildings, LLC, 15-049; Power Creative, 15-050; Stites & Harbison, PLLC, 15-051; Multi, 15-059; Multi, 15-060; Multi, 15-061; Multi, 15-062-A-H.

VETERANS AFFAIRS, DEPARTMENT OF:

Quality Mobile X-ray Services Incorporated, 1400003334.

VETERINARY EXAMINERS, BOARD OF:

C. Loran Wagoner, 1400003199.

WESTERN KENTUCKY UNIVERSITY:

Ross Tarrant Architects, 1415011; Parker Executive Search, 141508; Sodexo Education Services Incorporated, 141510; Multi, 141511; CMS Publishing Incorporated d/b/a R & R Newkirk, 141512; Contemporary Services Corporation, 141513; Freedom Sports & Entertainment, LLC, 141514; Stokes Production Services Incorporated, 141515; Ross Tarrant Architects, 141609; Murphy & Graves Architects, 141610; Multi, 141613; Multi, 141614; Multi, 141615; Multi, 141616; Multi, 141617; Multi, 141618; Multi, 141619; Multi, 141620; Multi, 141621.

WORKFORCE INVESTMENT, OFFICE OF:

Thomas P. Miller and Associates, 1400002928; Maher & Maher, 1400003198; Edward J. Donahue, 1400003223.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

CABINET FOR HEALTH AND FAMILY SERVICES:

Thomas J Hellmann, Attorney-at-Law, PLLC, 1400000265; Susan Gormley Tipton, 1400000266-1.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES:

Insight Psychological Consultants PSC, 1200001160; Staff Easy, LLC, 1400000185; Staff Easy, LLC, 1400000193.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION:

Crittenden County Board of Education, 1400001903; Tetra Tech Incorporated, C-05120724-1.

DEPARTMENT FOR PUBLIC HEALTH:

Multi, 1300002599.

EDUCATION, DEPARTMENT OF:

Multi, 1200003825; Larry Hammond, 1300001396.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING:

Paladin Incorporated, 0600003090; URS Corporation, 1100002668; Wells Engineering, PSC, 1200001198; Senler Campbell & Associates Incorporated, 1300001179; Stantec Consulting Services Incorporated, 1400000625; Stantec Consulting Services Incorporated, 1400000625; Ross Tarrant Architects Incorporated, C-06082726.

KENTUCKY STATE UNIVERSITY:

Johnson Newcomb, LLP, 14-02; Dr. Robert Fisher, KSU-14-19.

MOREHEAD STATE UNIVERSITY:

Central Kentucky Interpreter Referral Incorporated, 14-016; Harris Search Associates, 14-022.

MURRAY STATE UNIVERSITY:

Sirk Appraisal Company, 102-14.

NORTHERN KENTUCKY UNIVERSITY:

Isaacson Miller Incorporated, 2014-649.

OFFICE OF HOMELAND SECURITY:

Ross and Company PLLC, 1300002892.

POST SECONDARY EDUCATION, COUNCIL ON:

TPR Education, LLC d/b/a The Princeton Review, 1300000501.

TRANSPORTATION CABINET:

ICA Engineering Incorporated f/k/a Florence & Hutcheson Incorporated, 1000002447; WMB Incorporated, 1100002316; HMB Professional Engineers Incorporated, 1200000428; HDR Engineering Incorporated, 1200001709; HDR Engineering Incorporated, 1300001736; QK4, 1300002634; Vaughn and Melton, C-01154275-2; GRW Engineers Incorporated, C-01345104-1; HMB Professional Engineers Incorporated, C-99005065-6.

UNIVERSITY OF KENTUCKY:

Ross Tarrant Architects, A131090; Moody Nolan, A141080.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS:

Bluegrass Prevention Center Regional MH-MR Board Incorporated, 1400003811; Adanta Group, 1400003812; Pathways Incorporated, 1400003813; Kentucky River Community Care Incorporated, 1400003815; Seven Counties Services Incorporated, 1400003817; Mountain Comprehensive Care Center, 1400003820; Cumberland River Mental Health Mental Retardation Board Incorporated, 1400003821; Four Rivers Behavioral Health Corporate Office, 1400003824; Lifeskills Corporation Offices, 1400003825; River Valley Behavioral Health, 1400003833; Pennyroyal Mental Health, 1400003834.

COMMISSION FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS:

University of Louisville Physicians Incorporated, 1400001927; Patient Services Incorporated, 1400002038.

CORRECTIONS, DEPARTMENT OF:

Oldham County Public Library, 1400001182; Division Substance Abuse Department of Mental/Mental Retardation, 1400001394; University of Kentucky Research Foundation, 1400001542; Kentucky Administrative Office of the Courts, 1400001763; Kentuckianaworks, 1400001929; Eastern Kentucky University, 1400002094; Bluegrass Regional MHMR Board Incorporated, 1400002351; Communicare Incorporated, 1400002456; Kenton County Community Corrections Advisory Board Incorporated, 1400002465; Knott Drug Abuse Council Incorporated, 1400002468; Marion County Fiscal Court, 1400002469; NKU Research Foundation, 1400002470; Community Corrections-24th Judicial Circuit, 1400002472; 49th Community Corrections Program, 1400002498; Communicare Incorporated, 1400002649; Adanta Group, 1400002650; Comprehend Incorporated, 1400002651; Cumberland River Comprehensive Care Center, 1400002666; Four Rivers Behavioral Health Corporate Office, 1400002787; Kentucky River Community Care, 1400002788; Lifeskills Corporation Offices, 1400002789; Mountain Comprehensive Care Center, 1400002790; Northkey Community Care, 1400002792; Pathways Incorporated, 1400002793; Pennyroyal Mental Health Mental Retardation Board, 1400002794; River Valley Behavioral Health, 1400002884; Seven Counties Services Incorporated, 1400003250.

DEPARTMENT FOR AGING & INDEPENDENT LIVING:

Multi, 1400001066; Multi, 1400001073; Multi, 1400001074; Multi, 1400001146; Multi, 1400001156; Multi, 1400001157; Multi, 1400001158; Multi, 1400001159; Multi, 1400001160; Multi, 1400001161; Multi, 1400001164; Multi, 1400001167; Multi, 1400001168; NKCES, 1400001169; Multi, 1400001202; Bluegrass Area Development District Title Iii, 1400001205; Bluegrass Regional Mental Health Mental Retardation, 1400002103; Multi, 1400002654.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES:

Four Rivers Behavioral Health, 1400000851; Pennyroyal Mental Health, 1400000852; Green River Regional Mental Health Mental Retardation Board d/b/a Rivervalley Behavior, 1400000853; Lifeskills Incorporated, 1400000854; Communicare Incorporated, 1400000855; Seven Counties Services, 1400000856; Northern Kentucky Regional Mental Health Mental Retardation Board, 1400000857; Comprehend Incorporated, 1400000858; Pathways Incorporated, 1400000859; Mountain Comp Care Center, 1400000860; Kentucky River Community Care, 1400000861; Cumberland River Mental Health Mental Retardation Board Incorporated, 1400000862; Bluegrass Regional Mental Health Mental Retardation, 1400000864; Eastern Kentucky University, 1400000885; Alcoholic Beverage Control Department, 1400000886; Arc of Kentucky Incorporated, 1400000949; Pennyroyal Regional Mental Health Mental Retardation Board, 1400000979; Lake Cumberland Mental Health Mental Retardation Board d/b/a The Adanta Group, 1400001009; Bluegrass Regional Mental Health Mental Retardation, 1400001014; Pathways Incorporated, 1400001030; Pennyroyal Regional Mental Health Mental Retardation Board, 1400001031; Seven Counties Services, 1400001032; Kentucky Self-Advocates for Freedom Incorporated, 1400001034; The Healing Place Incorporated, 1400001046; Northern Kentucky Regional Mental Health Mental Retardation Board, 1400001050; Pennyroyal Mental Health, 1400001264; Nami Lexington (Kentucky) Incorporated, 1400001276; Eastern Kentucky University, 1400001308; Department of Education, 1400002553.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Louisville/Jefferson County Metro Government, 1400001189; University of Kentucky Research Foundation, 1400001230; University of Kentucky Research Foundation, 1400001231; Kentucky Administrative Office of the Courts, 1400001233; Kentucky Housing Corporation, 1400001240; Community Action Kentucky Incorporated, 1400001443; Kentucky Association of Sexual Assault Programs, 1400001444; Audubon Area Community Services, 1400001468; Big Sandy Area Development District, 1400001469; Central Kentucky CAC Incorporated, 1400001470; Housing Authority of Bowling Green, 1400001471; Northern Kentucky Area Development District, 1400001472; Kentuckianaworks, 1400001473; Brighton Center Incorporated, 1400001474; Hazard Perry County Community MNS Development Center d/b/a New Beginnings, 1400001475; Home of the Innocents, 1400001476; Barren River Area Child Advocacy, 1400001477; Judi's Place for Kids, 1400001478; Buffalo Trace Children's Advocacy, 1400001479; Children's Advocacy Center, 1400001480; Cumberland Valley Children's Advocacy, 1400001481; Family & Children First Incorporated, 1400001482; Gateway Children's Advocacy, 1400001483; Green River District CAC, 1400001484; Hopes Place Incorporated, 1400001485; Kentucky River Children's Advocacy Center, 1400001486; Lake Cumberland CAC, 1400001487; Silverleaf Sexual Trauma Recovery Services, 1400001488; Northern Kentucky CAC, 1400001489; Purchase Area Sexual Assault Center, 1400001490; Pennyrile Child Advocacy, 1400001491; Kentucky Housing Corporation, 1400001494; KCEOC Community Action Partnership Incorporated, 1400001495; Prevent Child Abuse Kentucky, 1400001748; Kentucky Coalition Against Domestic Violence Incorporated, 1400001749; Big Sandy Area Development District, 1400001750; Community Action of Southern Kentucky Incorporated, 1400001751; Community Action of Southern

Kentucky Incorporated, 1400001752; Family and Children First, 1400001753; Family and Children First, 1400001754; Bluegrass Regional Mental Health/Mental Retardation Board Incorporated, 1400001755; Seven Counties Services, 1400001757; Seven Counties Services Incorporated, 1400001758; Seven Counties Services, 1400001759; Madison County Fiscal Court, 1400001760; Maryhurst Incorporated, 1400001761; Big Sandy Area Development District, 1400002324; Northern Kentucky Community Action, 1400002325; Buffalo Trace Area Development District, 1400002326; Central Kentucky Community Action Council, 1400002327; Community Action of Southern Kentucky Incorporated, 1400002328; Cumberland River Regional Mental Health Mental Retardation Board, 1400002329; Northeast Kentucky Community Action Agency, 1400002330; Green River Area Development District, 1400002331; Lake Cumberland CSO Incorporated, 1400002332; Pennyrile Allied Community Services Incorporated, 1400002333; Pennyrile Allied Community Services Incorporated, 1400002334; Seven Counties Services, 1400002335; Foothills Community Action, 1400002336; Foothills Community Action, 1400002337; Foothills Community Action, 1400002338; LKLP Community Action Council, 1400002339; Licking Valley CAA, 1400002340; Community Action Lexington Fayette, 1400003070; Kentucky River Community Care, 1400003143; Northern Kentucky Regional Mental Health Mental Retardation Board, 1400003144; Pathways Incorporated, 1400003145; Green River Regional Mental Health Mental Retardation Board d/b/a Rivervalley Behavior, 1400003146; Seven Counties Services, 1400003147.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION:

Morehead State University, 1400001833; Eastern Kentucky University, 1400002408; Madison County Fiscal Court, 1400002779.

DEPARTMENT FOR FAMILY RESOURCE CENTERS & VOLUNTEER SERVICES:

Multi, 1400002107; Multi, 1400002108; Jefferson County Board of Education, 1400002109; Multi, 1400002110; Multi, 1400002111; Multi, 1400002112; Multi, 1400002113; Multi, 1400002114; Multi, 1400002115; Multi, 1400002116; Multi, 1400002117; Northern Kentucky Cooperative for Educational Services Incorporated, 1400002118.

DEPARTMENT FOR INCOME SUPPORT:

Eastern Kentucky University, 1400001601.

DEPARTMENT FOR MEDICAID SERVICES:

Department of Insurance, 1400001012; Kentucky Housing Corporation, 1400001180; Eastern Kentucky University, 1400001181; Bluegrass Regional Mental Health Mental Retardation, 1400001707; Communicare Incorporated Adult, 1400001708; Cumberland River Comprehensive Care Center, 1400001710; Four Rivers Behavioral Health, 1400001711; Lifeskills Incorporated, 1400001713; Northern Kentucky Regional Mental Health Mental Retardation Board, 1400001715; Pathways Incorporated, 1400001717; River Valley Behavioral Health, 1400001719; Seven Counties Services, 1400001720; University of Louisville Research Foundation, 1400002206.

DEPARTMENT FOR NATURAL RESOURCES:

Finance Real Property, 1400002420; UK Research Foundation, 1400002444; Bourbon County Conservation District, 1400002981; Hazard Community and Technical College, 1400003255; Kentucky Department of Corrections, 1400003489; Kentucky Department of Corrections, 1400003594.

DEPARTMENT FOR PUBLIC HEALTH:

Park Duvalle Neighborhood Health Center, 1400001426; University of Kentucky Research Foundation, 1400001517; Lincoln Trail Area Development District, 1400001551; University of Kentucky Research Foundation, 1400001557; University of Kentucky Research Foundation, 1400001571; University of Kentucky Research Foundation, 1400001614; Department of Education, 1400001636; U of L Research Foundation, 1400001640; Eastern Kentucky University, 1400001656; University of Kentucky Research Foundation, 1400001657; University of Kentucky Research Foundation, 1400001658; Health Kentucky, 1400001792; Healthcare Education and Registration Training, 1400001794; Community Health Clinic of Hardin Larue Counties 1, 1400001811; University of Kentucky Research Foundation, 1400002047; DMA Kentucky Community Crisis Board, 1400003221; Pathways Incorporated, 1400003442.

DEPARTMENT OF ENERGY DEVELOPMENT AND INDEPENDENCE:

National Energy Education Development Project, 1400002736; Southeast Kentucky Community and Technical College, 1400002746; University of Kentucky Research Foundation, 1400002748; University of Kentucky Research Foundation, 1400002757.

DEPARTMENT OF INSURANCE:

KCTCS Finance Department, 1400002530.

DEPARTMENT OF REVENUE:

Multistate Tax Commission, 1400003512.

EASTERN KENTUCKY UNIVERSITY:

Madison County Health Department, 16-001.

ECONOMIC DEVELOPMENT - OFFICE OF THE SECRETARY:

Western Kentucky University Research Foundation, 1400003279; Newport Historic Preservation Commission, 1400003280; Kentucky Science and Technology Corporation, 1400003522; Kentucky Science and Technology Corporation, 1400003529.

EDUCATION PROFESSIONAL STANDARDS BOARD:

UK Research Foundation, 1400002462.

EDUCATION, DEPARTMENT OF:

Treasurer Daviess County Board of Education, 1400002021; Christian County Board of Education, 1400002455; Monroe County Board of Education, 1400002463; Hopkins County Board of Education, 1400002464; Perry County Board of Education, 1400002466; Anchorage Independent Schools, 1400002473; Madison County Board of Education, 1400002482; Todd County Board of Education, 1400002483; Knott County Board of Education, 1400002484; Boyd County Board of Education, 1400002485; Woodford County Board of Education, 1400002486; Boyle County Board of Education, 1400002487; Fayette County Treasurer Board of Education, 1400002488; Martin County Board of Education, 1400002489; Ohio Valley Education Cooperative, 1400002490; Ohio Valley Education Cooperative, 1400002491; Covington Independent Board of Education, 1400002492; Dayton Independent Board of Education, 1400002493; Henry County Board of Education, 1400002497; Fayette County Treasurer Board of Education, 1400002500; Garrard County Board of Education, 1400002503; Fayette County Treasurer Board of Education, 1400002506; Kentucky Educational Development Corporation, 1400002516; Oldham County Board of Education, 1400002523; Scott County Board of Education, 1400002526; Shelby County Board of Education, 1400002527; Shelby County Board of Education, 1400002528; Shelby County Board of Education, 1400002529; Jefferson County Board of Education, 1400002535; Spencer County Board of Education, 1400002607; Bell County Board of Education, 1400002610; Glasgow Independent Board of Education, 1400002612; Letcher County Board of Education, 1400002614; Green County Board of Education, 1400002615; Hart County Board of Education, 1400002626; Madison County Board of Education, 1400002628; Kentucky Educational

Development Corporation, 1400002629; Kentucky Valley Education, 1400002647; Campbellsville Independent Board of Education, 1400002655; Jefferson County Board of Education, 1400002657; Madison County Board of Education, 1400002660; Montgomery County Board of Education, 1400002661; Pike County Board of Education, 1400002663; Scott County Board of Education, 1400002664; Central Kentucky Educational Cooperative, 1400002668; Treasurer Shelby County Board of Education, 1400002669; Green River Regional Education, 1400002670; Kentucky Educational Development Corporation, 1400002671; Kentucky Valley Education, 1400002672; Northern Kentucky Cooperative for Educational Services Incorporated, 1400002673; Ohio Valley Education Cooperative, 1400002674; Southeast/Southcentral Educational Coop, 1400002675; West Kentucky Education Cooperative, 1400002677; Trigg County Board of Education, 1400002681; Christian County Board of Education, 1400002682; Estill County Board of Education, 1400002683; Henderson County Board of Education, 1400002687; Jefferson County Board of Education, 1400002691; Jefferson County Board of Education, 1400002692; Madison County Board of Education, 1400002694; Montgomery County Board of Education, 1400002695; Newport Independent Board of Education, 1400002696; Spencer County Board of Education, 1400002697; Clark County Board of Education, 1400002699; Leslie County Board of Education, 1400002700; McCracken County Board of Education, 1400002702; Woodford County Board of Education, 1400002703; Shelby County Board of Education, 1400002706; Marion County Board of Education, 1400002719; University of Kentucky Research Foundation, 1400002739; NKU Research Foundation, 1400002754; VSA Arts of Kentucky, 1400002759; Eastern Kentucky University, 1400002762; Kentucky Educational Development Corporation, 1400002776; Kentucky Valley Education, 1400002778; Kentucky Valley Education, 1400002785; Kentucky Valley Education, 1400002827; Kentucky Valley Education, 1400002833; Murray State University, 1400002850; University of Louisville Research Foundation, 1400002882; University of Kentucky Research Foundation, 1400002907; University of Louisville Research Foundation, 1400002912; Eastern Kentucky University, 1400002916; Anderson County Board of Education, 1400002922; Augusta Independent Board of Education, 1400002935; Ballard County Board of Education, 1400002937; Barren County Board of Education, 1400002938; Berea Independent Board of Education, 1400002942; Bourbon County Board of Education, 1400002944; Treasurer Bowling Green Independent Board of Education, 1400002945; Boyd County Board of Education, 1400002946; Boyle County Board of Education, 1400002947; Breathitt County Board of Education, 1400002948; Burgin Board of Education, 1400002951; Owen County Board of Education, 1400002965; Calloway County Board of Education, 1400002972; Carter County Board of Education, 1400002977; University of Kentucky Research Foundation, 1400002978; Casey County Board of Education, 1400002979; Christian County Board of Education, 1400002980; Clay County Board of Education, 1400002982; Clinton County Board of Education, 1400002984; Covington Independent Board of Education, 1400003001; Cumberland County Board of Education, 1400003011; Daviess County Board of Education, 1400003012; Eastern Kentucky University, 1400003016; Elliott County Board of Education, 1400003020; Eminence Independent Board of Education, 1400003022; Estill County Board of Education, 1400003023; Fairview Independent Board of Education, 1400003031; Fayette County Board of Education, 1400003032; Floyd County Board of Education, 1400003035; Franklin County Board of Education, 1400003044; Graves County Board of Education, 1400003050; Grayson County Board of Education, 1400003052; Fleming County Board of Education, 1400003053; Green County Board of Education, 1400003055; Treasurer Hancock County Board of Education, 1400003056; Hardin County Board of Education, 1400003069; Harlan County Board of Education, 1400003071; KCTCS, 1400003073; Eastern Kentucky University, 1400003075; Harlan Independent Board of Education, 1400003079; Harrison County Board of Education, 1400003081; Kentucky Dataseam Initiative Incorporated, 1400003084; Hart County Board of Education, 1400003088; Hazard Independent Board of Education, 1400003091; Anderson County Board of Education, 1400003093; Ashland Independent Board of Education, 1400003094; Berea Independent Board of Education, 1400003095; Calloway County Board of Education, 1400003096; Simpson County Board of Education, 1400003097; KCTCS, 1400003100; University of Kentucky Research Foundation, 1400003105; Jackson County Board of Education, 1400003107; Jackson Independent Board of Education, 1400003108; Jessamine County Board of Education, 1400003118; Johnson County Board of Education, 1400003120; Eastern Kentucky University, 1400003123; Kenton County Board of Education, 1400003126; Knott County Board of Education, 1400003127; Knox County Board of Education, 1400003128; Larue County Board of Education, 1400003129; Lawrence County Board of Education, 1400003132; Leslie County Board of Education, 1400003134; Letcher County Board of Education, 1400003135; Lincoln County Board of Education, 1400003149; Livingston County Board of Education, 1400003151; Logan County Board of Education, 1400003152; Ludlow Independent Board of Education, 1400003154; Lyon County Board of Education, 1400003157; Madison County Board of Education, 1400003159; Lyon County Board of Education, 1400003165; Marshall County Board of Education, 1400003166; McCracken County Board of Education, 1400003174; McLean County Board of Education, 1400003175; Meade County Board of Education, 1400003176; Mercer County Board of Education, 1400003180; Metcalf County Board of Education, 1400003181; Middlesboro Independent Board of Education, 1400003182; Monroe County Board of Education, 1400003183; Montgomery County Board of Education, 1400003184; Muhlenberg County Board of Education, 1400003186; Murray Independent Board of Education, 1400003187; Nelson County Board of Education, 1400003188; Newport Independent Board of Education, 1400003189; Ohio County Board of Education, 1400003190; Owensboro Independent Board of Education, 1400003192; Owsley County Board of Education, 1400003193; Treasurer Paintsville Independent Board of Education, 1400003212; Paris Independent Board of Education, 1400003213; Pendleton County Board of Education, 1400003214; Perry County Board of Education, 1400003215; University of Kentucky Research Foundation, 1400003225; Russell Independent Board of Education, 1400003227; Spencer County Board of Education, 1400003233; Taylor County Board of Education, 1400003240; Todd County Board of Education, 1400003241; Walton Verona Independent Board of Education, 1400003243; Washington County Board of Education, 1400003244; Whitley County Board of Education, 1400003245; Woodford County Board of Education, 1400003248; Jefferson County Board of Education, 1400003269; Jefferson County Board of Education, 1400003270; Jefferson County Board of Education, 1400003271; Jefferson County Board of Education, 1400003272; Jefferson County Board of Education, 1400003273; University of Kentucky Research Foundation, 1400003277; Pike County Board of Education, 1400003287;

Henderson County Board of Education, 1400003289; Woodford County Board of Education, 1400003294; Henderson County Board of Education, 1400003297; Robertson County Board of Education, 1400003308; Washington County Board of Education, 1400003310; Bourbon County Board of Education, 1400003333; Leslie County Board of Education, 1400003337; Kentucky Educational Development Corporation, 1400003432; Education Professional Standards Board, 1400003449; Council On Postsecondary Education, 1400003451; Central Kentucky Educational Cooperative, 1400003481; Bell County Board of Education, 1400003519; Kentucky Educational Development Corporation, 1400003615; Kentucky Valley Education, 1400003616; Northern Kentucky Cooperative for Educational Services Incorporated, 1400003617; Ohio Valley Education Cooperative, 1400003618; Southeast/Southcentral Educational Coop, 1400003619; Newport Independent Board of Education, 1400003631; Montgomery County Board of Education, 1400003632; University of Kentucky Research Foundation, 1400003636.

EDUCATION, OFFICE OF THE SECRETARY:

Governors Scholars Program Incorporated, 1400002958; Council On Postsecondary Education, 1400002963.

EDUCATIONAL TELEVISION, KENTUCKY:

Morehead State University, 1400003536.

ENERGY AND ENVIRONMENT CABINET, OFFICE OF THE SECRETARY:

Eastern Kentucky Pride, 1400002761.

FISH & WILDLIFE, DEPARTMENT OF:

Jackson Purchase RC and D, 1400002745; Murray State University, 1400002909; UK Research Foundation, 1400003235; City of Frankfort, 1400003257.

GOVERNORS OFFICE FOR TECHNOLOGY:

Multi, 1400002563.

JUVENILE JUSTICE, DEPARTMENT OF:

University of Kentucky Medical Center, 1400002370; University of Kentucky Medical Center, 1400002371; University of Louisville, 1400002372; Louisville Metro Youth Detention Services, 1400002373; Jefferson County Board of Education, 1400002559; Louisville Metro Youth Detention Services, 1400002565; Treasurer Barren County Board of Education, 1400002861; Treasurer Boyle County Board of Education, 1400002862; Bullitt County Board of Education, 1400002863; Treasurer Calloway County Board of Education, 1400002864; Treasurer Campbell County Board of Education, 1400002865; Treasurer Clark County Board of Education, 1400002866; Treasurer Corbin Independent Board of Education, 1400002867; Franklin County Board of Education, 1400002868; Treasurer Hopkins County Board of Education, 1400002869; Knox County Board of Education, 1400002870; Treasurer Laurel County Board of Education, 1400002871; Lexington Fayette Urban County Government, 1400002872; Madison County Board of Education, 1400002873; Mercer County Board of Education, 1400002874; Treasurer Ohio County Board of Education, 1400002875; Treasurer Pike County Board of Education, 1400002876; Treasurer Pulaski County Board of Education, 1400002877; Treasurer Shelby County Board of Education, 1400002878; Treasurer Warren County Board of Education, 1400002879; Kentucky Department of Education, 1400002880.

KY RACING COMMISSION:

University of Kentucky Research Foundation, 1400003137.

KY STATE NATURE PRESERVES COMMISSION:

University of Louisville Research Foundation, 1400002389.

MEDICAID SERVICES BENEFITS, DEPARTMENT FOR:

Veterans Affairs, 1400003285.

MILITARY AFFAIRS, DEPARTMENT OF:

Fort Knox Schools Food Service, 1400003177.

NORTHERN KENTUCKY UNIVERSITY:

Central Campbell County Fire District, 2016-417-3.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT:

City of Nebo, 1400002892; City of Jackson, 1400002893; Ohio County Fiscal Court, 1400002913; Pike County Fiscal Court, 1400003054; Pike County Fiscal Court, 1400003057; Pike County Fiscal Court, 1400003062; Crittenden County Fiscal Court, 1400003067; McLean County Fiscal Court, 1400003124; City of Flemingsburg, 1400003163; Martin County Fiscal Court, 1400003185; Perry County Fiscal Court, 1400003313; Mountain Comp Care Center, 1400003478; Magoffin County Fiscal Court, 1400003535; Magoffin County Fiscal Court, 1400003537; Owsley County Fiscal Court, 1400003571.

OFFICE OF THE KENTUCKY HEALTH BENEFIT EXCHANGE:

Department of Revenue, 1400001923; Department of Insurance, 1400001924; PPC-insurance Legal Division, 1400003098.

POST SECONDARY EDUCATION, COUNCIL ON:

Southern Regional Education Board, 1400001660; Eastern Kentucky University, 1400002886.

PSYCHOLOGISTS, BOARD OF EXAMINERS OF:

Occupations and Professions, 1400001219.

TOURISM DEVELOPMENT CABINET:

Multi, 1400003772.

TRANSPORTATION CABINET:

University of Kentucky Research Foundation, 1400002533; University of Kentucky Research Foundation, 1400002534; Kentucky State University, 1400002740; Eastern Kentucky University, 1400002767; University of Kentucky Research Foundation, 1400002932; Kentucky State University, 1400003205; Office of Employment and Training, 1400003677.

TRAVEL, DEPARTMENT OF:

Multi, 1400003724; Multi, 1400003728; Multi, 1400003731; Multi, 1400003732; Multi, 1400003733; Multi, 1400003734; Multi, 1400003735; Multi, 1400003736; Multi, 1400003738.

UNIVERSITY OF KENTUCKY:

St. Claire Regional Medical Center, K15-143; Gateway Community & Technical College, MOA-002-15; Southeast Kentucky Community & Technical College, MOA-1-15.

VETERANS AFFAIRS, DEPARTMENT OF:

North Fork Valley Community Health, 1400001911; North Fork Valley Community Health, 1400001990; Department of Medicaid Services, 1400003745.

WORKFORCE INVESTMENT, OFFICE OF:

UK Research Foundation, 1400002419; Bluegrass Technology Center, 1400002557; Barren River Area Development District, 1400002814; Bluegrass Area Development District, 1400002818; Cumberlands SDA, 1400002819; Eastern Kentucky CEP Incorporated, 1400002820; Green River Area Development, 1400002821; Kentuckiana Works/Workforce Investment Board, 1400002822; Lincoln Trail Area Development District, 1400002823; Northern Kentucky Area Development District, 1400002824; Buffalo Trace Area Development District, 1400002825; Pennyrile Area Development District, 1400002826; Pennyrile Area Development District, 1400002837; Lincoln Trail Area Development District, 1400002839; Kentuckiana Works/Workforce Investment Board, 1400002840; Northern Kentucky Area Development District, 1400002841; Buffalo Trace Area Development

District, 1400002842; Eastern Kentucky C E P Incorporated, 1400002843; Cumberlands SDA, 1400002844; Green River Area Development, 1400002846; Barren River Area Development District, 1400002847.

THE FOLLOWING MEMORANDA OF AGREEMENT AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS:

Seven Counties Service Incorporated, 1300001729.

AGRICULTURE, DEPARTMENT OF:

UK Research Foundation, 1200000903; UK Research Foundation, 1200000904; UK Research Foundation, 1200000905; UK Research Foundation, 1200000906; UK Research Foundation, 1200000907; UK Research Foundation, 1200000908; Kentucky Blueberry Growers Association, 1300001311; Kentucky Specialty Grains, LLC, 1300001313; University of Kentucky Research Foundation, 1300001314; University of Kentucky Research Foundation, 1300001315; Multi, 1300001593; Multi, 1300001595; University of Kentucky Research Foundation, 1400001673; Murray State University, 1400001674; Murray State University, 1400001676.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES:

Bluegrass Regional Mental Health Mental Retardation, 1200001805.

DEPARTMENT FOR MEDICAID SERVICES:

Bluegrass Regional Mental Health Mental Retardation, 1300001760; Cumberland River Comprehensive Care Center, 1300001763.

DEPARTMENT FOR NATURAL RESOURCES:

University of Kentucky Research Foundation, 1300001321.

DEPARTMENT FOR PUBLIC HEALTH:

Pathways Incorporated, 1200002160; University of Kentucky Research Foundation, 1300001748.

EDUCATION, DEPARTMENT OF:

Ohio Valley Educational Cooperative, 1200002759; Kentucky Science and Technology Corporation, 1200003939; Treasurer Adair County Board of Education, 1300000063; Barren County Board of Education, 1300000065; Treasurer Campbellsville Independent Board of Education, 1300000075; Carlisle County Board of Education, 1300000076; Carroll County Board of Education, 1300000078; Caverna Independent Board of Education, 1300000081; Christian County Board of Education, 1300000083; Clinton County Board of Education, 1300000084; Cloverport Independent Board of Education, 1300000086; Corbin Independent Board of Education, 1300000087; Covington Independent Board of Education, 1300000088; Cumberland County Board of Education, 1300000090; Eminence Independent Board of Education, 1300000091; Fayette County Board of Education, 1300000093; Treasurer Fulton County Board of Education, 1300000095; Garrard County Board of Education, 1300000096; Treasurer Glasgow Independent Board of Education, 1300000097; Grayson County Board of Education, 1300000098; Greenup County Board of Education, 1300000099; Treasurer Hancock County Board of Education, 1300000100; Hardin County Board of Education, 1300000101; Henderson County Board of Education, 1300000107; Hickman County Board of Education, 1300000109; Treasurer Jackson Independent Board of Education, 1300000111; Treasurer Jenkins Independent Board of Education, 1300000113; Kenton County YMCA, 1300000116; Treasurer Leslie County Board of Education, 1300000142; Letcher County Board of Education, 1300000143; Lighthouse Promise Incorporated, 1300000145; Treasurer Livingston County Board of Education, 1300000147; Marion County Board of Education, 1300000150; Metcalf County Board of Education, 1300000152; Treasurer Monroe County Board of Education, 1300000154; Morgan County Board of Education, 1300000156; Nelson County Board of Education, 1300000157; Newport Independent Board of Education, 1300000158; Owen County Board of Education, 1300000160; Treasurer Paintsville Independent Board of Education, 1300000163; Treasurer Paris Independent Board of Education, 1300000164; RC Durr YMCA, 1300000168; Treasurer Taylor County Board of Education, 1300000175; Whitley County Board of Education, 1300000177; Wolfe County Board of Education, 1300000178; Boys and Girls Club Incorporated, 1300001603; Bullitt County Board of Education, 1300001604; Campbell County Board of Education, 1300001607; Fulton Independent Board of Education, 1300001608; Treasurer Knott County Board of Education, 1300001609; YMCA of Greater Cincinnati, 1300001626; Eastern Kentucky University, 1300002513; West Kentucky Education Cooperative, 1300002704; Barren County Board of Education, 1300002918; Fleming County Board of Education, 1300002919; KET Foundation, 1400001040; Treasurer Campbellsville Independent Board of Education, 1400001096; Treasurer Leslie County Board of Education, 1400001107; Treasurer Ludlow Independent Board of Education, 1400001109; Treasurer Monroe County Board of Education, 1400001110; Treasurer Owensboro Independent Board of Education, 1400001111; Treasurer Spencer County Board of Education, 1400001113; Fayette County Treasurer Board of Education, 1400001114; Treasurer Whitley County Board of Education, 1400001116; Barren County Board of Education, 1400001118; YMCA of Greater Cincinnati, 1400001122; Boys & Girls Club of Greater Cincinnati, 1400001272.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING:

Kentucky Archaeological Survey, 1300000453.

FISH & WILDLIFE, DEPARTMENT OF:

Pike County Board of Education, 1400002540.

MEDICAID SERVICES BENEFITS, DEPARTMENT FOR:

Kentucky Transportation Cabinet, 1200001605-1.

MILITARY AFFAIRS, DEPARTMENT OF:

Multi, 1200003894.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT:

Pike County Fiscal Court, 0700005640; Pike County Fiscal Court, 0700005777; Mountain Water District, 0800008856; Pike County Fiscal Court, 1000003224; City of Morgantown, 1100000301; City of Jeffersontown, 1100001240; University of Louisville Research Foundation, 1100002317; University of Louisville Research Foundation, 1100002865; Wolfe County Fiscal Court, 1200000425; Mountain Water District, 1200001609; Magoffin County Public Library, 1200003278; Owsley County Fiscal Court, 1300000567; Owsley County Fiscal Court, 1300000570; Union County Fiscal Court, 1300000628; City of Berea, 1300000725; Lewis County Fiscal Court, 1300000793; Owsley County Fiscal Court, 1300001229; Owsley County Fiscal Court, 1300001231; Owsley County Fiscal Court, 1300001234; Owsley County Fiscal Court, 1300001246; University of Louisville Research Foundation, 1300001266; City of Elkhorn City, 1300001411; Owsley County Fiscal Court, 1300001418; Owsley County Fiscal Court, 1300001419; Owsley County Fiscal Court, 1300001420; Henderson County Fiscal Court, 1300001434; Perry County Fiscal Court, 1300001539; Morgan County Fiscal Court, 1300001667; Morgan County Fiscal Court, 1300001710; City of Frankfort, 1300001746; Whitley County Fiscal Court, 1300001914; City of Corbin, 1300002160; City of Prestonsburg, 1300002200; Morgan County Fiscal Court, 1300002207; Pike County Fiscal

Court, 1300002501; Morgan County Fiscal Court, 1300002589; City of Ashland, 1300002610; Wolfe County Fiscal Court, 1300002614; Morgan County Fiscal Court, 1300002836; Morgan County Fiscal Court, 1300002860; Perry County Fiscal Court, 1300002862; Pike County Fiscal Court, 1300002870; Pike County Fiscal Court, 1300002950; Perry County Fiscal Court, 1300003057; Morgan County Fiscal Court, 1400000076; Clay County Fiscal Court, 1400000232; City of Vicco, 1400000420; Letcher County Fiscal Court, 1400000427; Letcher County Fiscal Court, 1400000428; Letcher County Fiscal Court, 1400000436; Letcher County Fiscal Court, 1400000437; Letcher County Water and Sewer, 1400000452; Lexington Fayette Urban County Government, 1400001059; Letcher County Water and Sewer, 1400001092; Union County Fiscal Court, 1400001305; Union County Fiscal Court, 1400001904; Wayland City Treasurer, 1400002894.

POST SECONDARY EDUCATION, COUNCIL ON:

Collaborative for Teaching, 1400000386.

WORKFORCE INVESTMENT, OFFICE OF:

Council on Postsecondary Education, 1400001695.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE SELECTED FOR FURTHER REVIEW:

CORRECTIONS, DEPARTMENT OF:

Secon Incorporated, 1400002380. Stephen Castle discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Representative Horlander seconded the motion, which passed.

CORRECTIONS, DEPARTMENT OF:

Diamond Drugs Incorporated d/b/a Diamond Pharmacy Services, 1400002507; Mid America Health Incorporated, 1400002566; Volunteers of America of Kentucky Incorporated, 1400002609. Stephen Castle discussed the contracts with the committee. A motion was made by Senator Carroll to consider the contracts as reviewed. Senator Hornback seconded the motion, which passed.

CORRECTIONS, DEPARTMENT OF:

Correct Care Solutions, LLC, 1400002555. Stephen Castle discussed the contract with the committee. A motion was made by Senator Hornback to defer the contract to the August meeting of the committee. Senator McDaniel seconded the motion, which passed.

CORRECTIONS, DEPARTMENT OF:

Correct Care Solutions, LLC, 1400002555. Stephen Castle discussed the contract with the committee. A motion was made by Senator Hornback to withdraw previous motion to defer the contract to the August meeting of the committee. Senator McDaniel seconded the motion, which passed.

CORRECTIONS, DEPARTMENT OF:

Correct Care Solutions, LLC, 1400002555. Stephen Castle discussed the contract with the committee. A motion was made by Representative Yonts to delay the contract until the end of the meeting to have a representative from the legal department of the Department of Corrections testify. Senator Hornback seconded the motion, which passed.

CORRECTIONS, DEPARTMENT OF:

Correct Care Solutions, LLC, 1400002555. Stephen Castle and Angela Durham discussed the contract with the committee. A motion was made by Senator Hornback to defer the contract to the August meeting of the committee. Representative Yonts seconded the motion, which passed.

DEPARTMENT FOR AGING & INDEPENDENT LIVING:

Neurorestorative Carbondale, 1400001165; Neurobehavioral Resources, LTD, 1400001266. Tonia Wells and Stacy Woodrum discussed the contracts with the committee. A motion was made by Senator Gregory to consider the contracts as reviewed. Senator Hornback seconded the motion, which passed.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Child Care Council of Kentucky, 1400001229. David Gayle, Marybeth Jackson and Heather Richardson discussed the contract with the committee. A motion was made by Senator McDaniel to consider the contract as reviewed. Senator Carroll seconded the motion, which passed.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Audubon Area Community Services Incorporated, 1400001297; Presbyterian Child Welfare Agency, 1400001300; Pennyrile Allied Community Services, 1400001301; KVC Behavioral Healthcare Kentucky, Assignee for Croney & Clark, 1400001302. David Gayle and Paula Woodworth discussed the contracts with the committee. A motion was made by Senator McDaniel to consider the contracts as reviewed. Senator Hornback seconded the motion, which passed.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Seven Counties Services Incorporated, 1400001298. David Gayle and Paula Woodworth discussed the contract with the committee. A motion was made by Senator McDaniel to disapprove the contract. Representative Montell seconded the motion, which passed with Senator Carroll electing to abstain (pass).

DEPARTMENT FOR MEDICAID SERVICES:

Covington and Burling, 1400001429. Neville Wise and Lee Guice discussed the contract with the committee. A motion was made by Senator Gregory to consider the contract as reviewed. Senator Carroll seconded the motion, which passed.

DEPARTMENT FOR PUBLIC HEALTH:

Multi, 1400001133. Paula Goff discussed the contract with the committee. A motion was made by Senator McDaniel to consider the contract as reviewed. Representative Yonts seconded the motion, which passed.

EASTERN KENTUCKY UNIVERSITY:

Mark H. Zietlow and Associates, PLC, 16-031; McCandlish Holton, 16-041. David McFaddin, Matt Roan, and Jeremy Enlow discussed the contracts with the committee. A motion was made by Senator McDaniel to consider the contracts as reviewed. Senator Carroll seconded the motion, which passed.

ECONOMIC DEVELOPMENT – OFFICE OF THE SECRETARY:

Hurt Crosbie and May, 1400003114. Caroline Baesler and Katie Smith discussed the contract with the committee. A motion was made by Senator McDaniel to consider the contract as reviewed. Representative Montell seconded the motion, which passed.

ECONOMIC DEVELOPMENT – OFFICE OF THE SECRETARY:

Fin Weisse, 1400003121; Hiraku Tamura, 1400003267. Caroline Baesler and Katie Smith discussed the contracts with the committee. A motion was made by Senator McDaniel to consider the contracts as reviewed. Senator Carroll seconded the motion, which passed.

EDUCATION, DEPARTMENT OF:

NCS Pearson Incorporated, 1400002027. Charlie Harmon and Ken Draut discussed the contract with the committee. A motion was made by Senator McDaniel to consider the contract as reviewed. Representative Yonts seconded the motion, which passed.

EDUCATION, DEPARTMENT OF:

Larry Hammond, 1400003268. Charlie Harmon discussed the contract with the committee. A motion was made by Senator McDaniel to consider the contract as reviewed. Senator Carroll seconded the motion, which passed with Representative Montell voting NO.

EDUCATION, DEPARTMENT OF:

Walter W. Hulett, 1400003445. Charlie Harmon discussed the contract with the committee. A motion was made by Senator McDaniel to consider the contract as reviewed. Representative Yonts seconded the motion, which passed.

FINANCE AND ADMINISTRATION CABINET:

Frost Brown Todd, LLC, 1400003532. Geri Grigsby and Doug Hendricks discussed the contract with the committee. A motion was made by Senator Gregory to consider the contract as reviewed. Senator Carroll seconded the motion, which passed with Representative Montell electing to abstain (pass).

GOVERNOR, OFFICE OF THE:

Dressman Benzinger Lavelle, PSC, 1400003650. Geri Grigsby and Doug Hendricks discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Representative Horlander seconded the motion, which passed with Senator Gregory, Senator Hornback, Senator McDaniel, and Representative Montell voting NO.

JUVENILE JUSTICE, DEPARTMENT OF:

Brenda Wilburn, 1400002678; Brenda Wilburn, 1400002679; Brenda Wilburn, 1400003074; Brenda Wilburn, 1400003077; Brenda Wilburn, 1400003082; Brenda Wilburn, 1400003085; Brenda Wilburn, 1400003122. Mark Lile, Jamie Goins, and Bill Heffron discussed the contracts with the committee. A motion was made by Senator McDaniel to consider the contracts as reviewed. Senator Carroll seconded the motion, which passed.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM:

CedarCrestone Incorporated, 580. Jennifer Miracle and Rick Chlopan discussed the contract with the committee. A motion was made by Senator McDaniel to consider the contract as reviewed. Senator Carroll seconded the motion, which passed.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM:

Creative Alliance, 597. Jennifer Miracle and Tim Burcham discussed the contract with the committee. A motion was made by Senator Gregory to consider the contract as reviewed. Representative Montell seconded the motion, which passed.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM:

Thorn Run, LLC, 602. Jennifer Miracle and Tim Burcham discussed the contract with the committee. A motion was made by Senator Carroll to consider the contract as reviewed. Representative Horlander seconded the motion, which passed.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM:

Leadership Advisors Incorporated, 607. Jennifer Miracle and Tim Burcham discussed the contract with the committee. A motion was made by Senator Carroll to consider the contract as reviewed. Representative Horlander seconded the motion, which passed.

KENTUCKY LOTTERY CORPORATION:

GTECH Corporation, 15-10-001. Gary Russkowski, Howard Kline, and Mike Denney discussed the contract with the committee. A motion was made by Senator McDaniel to consider the contract as reviewed. Representative Yonts seconded the motion, which passed.

KENTUCKY STATE UNIVERSITY:

Fox Lawson & Associates, a Division of Gallagher Benefit Services, 15-06. Steve Mason, Hindred McDuffie, and Gary Meiseles discussed the contract with the committee. A motion was made by Senator McDaniel to consider the contract as reviewed. Representative Yonts seconded the motion, which passed.

NORTHERN KENTUCKY UNIVERSITY:

Learfield Sports, 2016-611. Jeff Strunk, Dan McIver, and Andy Meeks discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator McDaniel seconded the motion, which passed.

NORTHERN KENTUCKY UNIVERSITY:

Multi, 2016-666-1. Jeff Strunk, Dan McIver, and Andy Meeks discussed the contract with the committee. A motion was made by Senator McDaniel to consider the contract as reviewed. Representative Yonts seconded the motion, which passed.

OFFICE OF THE KENTUCKY HEALTH BENEFIT EXCHANGE:

Community Action Kentucky Incorporated, 1400001777; Community Action Kentucky Incorporated, 1400001917; Kentuckiana Regional Planning Development Agency, 1400001918; Community Action Kentucky Incorporated, 1400001919; Community Action Kentucky Incorporated, 1400001920; Community Action Kentucky Incorporated, 1400001921; Kentucky Primary Care Association Incorporated, 1400001922. Beth Jurek and Tammy Bullock discussed the contracts with the committee. A motion was made by Representative Yonts to consider the contracts as reviewed. Senator Carroll seconded the motion, which passed with Senator Gregory and Senator McDaniel voting NO.

PERSONNEL, OFFICE OF THE SECRETARY:

Covington and Burling, 1400002505. Walt Gaffield and Sharon Burton discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator McDaniel seconded the motion, which passed.

TOURISM DEVELOPMENT CABINET:

Certec Incorporated, 1400002955; Hunden Strategic Partners, 1400003460. Mike Mangeot and Tim Pollard discussed the contracts with the committee. A motion was made by Representative Yonts to consider the contracts as reviewed. Senator Gregory seconded the motion, which passed.

UNIVERSITY OF KENTUCKY:

Huron Consulting Group, K15-142. Bill Harris and Steve Byars discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Carroll seconded the motion, which passed.

THE FOLLOWING PERSONAL SERVICE CONTRACT AMENDMENTS WERE SELECTED FOR FURTHER REVIEW:

DEPARTMENT FOR PUBLIC HEATH:

Julia Rodriguez Cervera, 1300002169. Karen Sams and Paul Royce discussed the contract with the committee. A motion was made by Senator McDaniel to consider the contract as reviewed. Representative Yonts seconded the motion, which passed.

KENTUCKY STATE UNIVERSITY:

Penny R. Smith, 14-07. Steve Mason, Hindred McDuffie, and Gary Meiseles discussed the contract with the committee. A motion was made by Senator McDaniel to consider the contract as reviewed. Representative Yonts seconded the motion, which passed.

TRANSPORTATION CABINET:

Parsons Brinckerhoff Incorporated, 1200002487; QK4, 1200002490; CDM Smith Incorporated, 1200002495; Corradino Group, 1200003648; Parsons Brinckerhoff Incorporated, 1200003650. Mike Hill and Mikael Pelfrey discussed the contracts with the committee. A motion was made by Representative Yonts to consider the contracts as reviewed. Representative Horlander seconded the motion, which passed.

THE FOLLOWING PERSONAL SERVICE CONTRACT FOR $10K AND UNDER WAS SELECTED FOR FURTHER REVIEW:

UNIVERSITY OF KENTUCKY:

Mark Hovee, PsyD., 8800000709. Bill Harris and Steve Byars discussed the contract with the committee. A motion was made by Senator McDaniel to consider the contract as reviewed. Representative Yonts seconded the motion, which passed.

THE FOLLOWING MEMORANDUM OF AGREEMENTS WERE SELECTED FOR FURTHER REVIEW:

DEPARTMENT FOR AGING & INDEPENDENT LIVING:

Seven Counties Services, 1400003265. Tonia Wells, Stacy Woodrum, and Beth Jurek discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Carroll seconded the motion, which passed with Senator Gregory, Senator Hornback, Senator McDaniel, and Representative Montell voting NO.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Audubon Area Community Services, 1400001445; Bell Whitley Community Action, 1400001446; Big Sandy Area CAP Incorporated, 1400001447; Blue Grass Community Action, 1400001448; Community Action Lexington Fayette, 1400001449; Central Kentucky CAC Incorporated, 1400001450; Daniel Boone Community Action Agency Incorporated, 1400001451; Gateway Community Services Organization Incorporated, 1400001452; Harlan County Community Action Agency, 1400001453; Foothills Community Action, 1400001455; Lake Cumberland CSO Incorporated, 1400001456; LKLP Community Action Council, 1400001457; Licking Valley CAA, 1400001458; Louisville/Jefferson County Metro Government, 1400001459; Middle Kentucky Community Action Partnership Incorporated, 1400001460; Multi Purpose Community Action Agency Incorporated, 1400001461; Northeast Kentucky Community Action 1400001462; Northeast Kentucky Community Action, 1400001463; Pennyrile Allied Community Services, 1400001464; Community Action of Southern Kentucky Incorporated, 1400001465; Tri County Community Action Agency, 1400001466; West Kentucky Allied Services, 1400001467. David Gayle, Jason Dunn, and Todd Trapp discussed the contracts with the committee. A motion was made by Representative Yonts to consider the contracts as reviewed. Representative Horlander seconded the motion, which passed.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Eastern Kentucky University, 1400001493. David Gayle, Margaret Wahrer, and Teresa James discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Hornback seconded the motion, which passed.

DEPARTMENT OF ENERGY DEVELOPMENT AND INDEPENDENCE:

University of Kentucky Research Foundation, 1400003178. Paul Brooks discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Representative Horlander seconded the motion, which passed.

EDUCATION, DEPARTMENT OF:

Kentucky Science and Technology Corporation, 1400003264. Charlie Harmon and Travis Huber discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Representative Horlander seconded the motion, which passed.

EDUCATION, DEPARTMENT OF:

KCTCS, 1400003665. Charlie Harmon and Travis Huber discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Representative Horlander seconded the motion, which passed.

ELECTIONS, BOARD OF:

Multi, 1400003663. Maryellen Allen and Jo Thomas discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Representative Horlander seconded the motion, which passed.

HIGHER EDUCATION ASSISTANCE AUTHORITY, KENTUCKY:

Kentucky Higher Education Student Loan Corporation, 140003565; Kentucky Higher Education Assistance Authority, 15-004. April Johnson and Melissa Justice discussed the contracts with the committee. A motion was made by Representative Yonts to consider the contracts as reviewed. Senator McDaniel seconded the motion, which passed.

MEDICAID SERVICES BENEFITS, DEPARTMENT FOR:

Kentucky Transportation Cabinet, 1400001697. Neville Wise and Lee Guice discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Representative Horlander seconded the motion, which passed.

OFFICE OF THE KENTUCKY HEALTH BENEFIT EXCHANGE:

Eastern Kentucky University, 1400001925. Tammy Bullock discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. With the lack of a second, the contract passes.

TRANSPORTATION CABINET:

Eastern Kentucky University, 1400002768. Kimberlee Ratzlaff, Lula Kinder, and Michael Neal discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Hornback seconded the motion, which passed.

WORKFORCE INVESTMENT, OFFICE OF:

Bluegrass Area Development District, 1400002845. Randy Justice discussed the contract with the committee. A motion was made by Senator McDaniel to consider the contract as reviewed. Representative Yonts seconded the motion, which passed.

THE FOLLOWING MEMORANDUM OF AGREEMENT AMENDMENTS WERE SELECTED FOR FURTHER REVIEW:

FAIR BOARD:

Louisville Downtown Management District, 1400000460. Anthony Leachman discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Representative Horlander seconded the motion, which passed with Senator Gregory, Senator Hornback, and Senator McDaniel voting NO.

THE FOLLOWING MEMORANDUM OF AGREEMENTS FOR $50K AND UNDER WERE SELECTED FOR FURTHER REVIEW:

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT:

Menifee County Board of Education; 1400001949; Menifee County Board of Education, 1400002891. Darren Sammons and Amy Barnes discussed the contracts with the committee. A motion was made by Representative Yonts to consider the contracts as reviewed. With the lack of a second, the contract passes.

With no further business before the committee, the meeting adjourned at 1:54 p.m.

PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

Minutes

July 10, 2014

Call to Order and Roll Call

The Program Review and Investigations Committee meeting was held on Thursday, July 10, 2014, at 10:00 AM, in Room 131 of the Capitol Annex. Representative Martha Jane King, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Christian McDaniel, Co-Chair; Representative Martha Jane King, Co-Chair; Senators Tom Buford, Perry B. Clark, Ernie Harris, Jimmy Higdon, Dorsey Ridley, Dan “Malano” Seum, and Whitney Westerfield; Representatives Leslie Combs, Jim DeCesare, David Meade, Terry Mills, Ruth Ann Palumbo, Rick Rand, and Arnold Simpson.

Legislative Guest: Representative Tom Burch

Guests: Judge Roger Crittenden, Chair, Jenny Oldham, External Child Fatality and Near Fatality Review Panel; Tom Cannady, Justice and Public Safety Cabinet.

LRC Staff: Greg Hager, Committee Staff Administrator; Chris Hall; Colleen Kennedy; Van Knowles; Jean Ann Myatt; William Spears; Shane Stevens; Joel Thomas; Brad Mackin, Carolyn Purcell, Graduate Fellows; Kate Talley, Committee Assistant.

Minutes for June 12, 2014

Upon motion by Senator Buford and second by Senator Westerfield, the minutes of the June 12, 2014, meeting were approved by voice vote, without objection.

Upon motion by Senator McDaniel and second by Senator Westerfield, the Number, Cost, And Policies Related To Non-Merit Employees report, which was presented at the June 12 meeting, was adopted by a roll call vote.

Staff Report: Kentucky External Child Fatality And Near Fatality Review Panel

Ms. Kennedy said that Program Review is required by statute to evaluate the External Child Fatality and Near Fatality Review panel annually. An independent review panel was created by executive order in 2012. The General Assembly codified the panel and its structure in 2013. The panel is to conduct comprehensive reviews of child fatalities and near fatalities that are reported to the Cabinet for Health and Family Services (CHFS) and suspected to be a result of abuse or neglect. This independent review panel continues to be attached to the Justice and Public Safety Cabinet for staff and administrative purposes.

The Kentucky and Federal statutory definitions of child "near fatality" describe it as an injury or act that, as certified by a physician, places a child in serious or critical condition. In recent years, Kentucky has averaged 32 child fatalities per year, more than half of which had a history with CHFS. The average number of children in cases involving substantiated abuse and neglect, whether or not the case resulted in a fatality or near fatality, was more than 15,000, with approximately one-half of 1 percent of the cases involving a fatality or near fatality. The rarity of fatalities or near fatalities will affect evaluations of any entity's work in the short term.

The panel's review and analysis capacity will change significantly this year with the addition of staff who will be dedicated to the panel's work. The panel's 2014 annual report is not due until December, so that report and its impact will be evaluated as part of next year's Program Review study. This initial Program Review report will focus on describing the panel's background and organization, its compliance with governing statutes, and its procedures for doing its work thus far.

The panel is a multidisciplinary group of individuals from each branch of state government, from local government, from private non-profits, from universities, and from the community. Panel members are unpaid volunteers. The panel has 15 voting members and 5 ex officio members. Ex officio members can participate in reviewing cases but they cannot vote on the cases.

A memorandum of understanding between the Justice and Public Safety Cabinet and the panel was formally adopted on May 19, 2014. The memorandum documents that the panel is external to the cabinet and is independent of the executive branch.

The report's first conclusion is that the panel is in compliance with governing statutes. The panel's statutory requirements are few and broadly stated. The specific statutory requirements are that the panel must "conduct comprehensive reviews of child fatalities and near fatalities, reported to CHFS, suspected to be a result of abuse or neglect; and that it must publish an annual report…." Much of the panel's work to date has involved identifying how best to meet this broadly-stated purpose.

The panel, which is required to meet at least quarterly, has met at least every other month since June 2013. The panel is also required to post updates after each meeting to the Justice and Public Safety Cabinet's website regarding case reviews, findings, and recommendations. It has done so by posting the minutes of panel meetings. The panel is required to report a summary of its discussions and proposed or actual recommendations to the Interim Joint Committee on Health and Welfare monthly or at the request of a committee co-chair. At present, the panel posts the summaries on the Justice and Public Safety Cabinet website. It is unclear whether this online posting of the meeting summaries fulfills the requirement. The statute calls for a summary to be reported monthly, but the panel is statutorily required to meet quarterly.

The panel is statutorily required to publish a report by December 1 of each year consisting of case reviews, findings, and recommendations for system and process improvements to help prevent child fatalities and near fatalities that are due to abuse and neglect. The panel's submission and presentation of its 2013 annual report met this requirement.

Kentucky statute requires that all copies of information and records provided to the panel involving an individual case be destroyed by the Justice and Public Safety Cabinet at the conclusion of the panel's examination. So far, no fiscal year 2013 or 2014 cases have been destroyed because the panel has not voted on findings for those fiscal years' cases. Kentucky statute requires all information obtained by CHFS regarding both substantiated and unsubstantiated reports of child abuse or neglect to be divulged to the panel in unredacted form. Statute specifies other sources from which the panel may receive unredacted information.

CHFS makes a finding of "substantiated" or "unsubstantiated" when it closes a case. "Substantiated" is defined by regulation as a case involving an admission of abuse or neglect by the person responsible, a judicial finding of child abuse or neglect, or a preponderance of evidence that abuse or neglect was committed by the person alleged to be responsible. An "unsubstantiated" case is one in which there is insufficient evidence, indicators, or justification present for substantiation of abuse or neglect.

Information and records received by the panel that are confidential under state or federal law are not considered the panel's records and do not lose their confidential status or become public records subject to the Kentucky Open Records Act. Portions of panel meetings during which an individual child fatality or near fatality case is discussed by panel members may be a closed session that must only occur following the conclusion of an open session. The consensus among panel members is that information provided by those who come before the panel in closed sessions would not be subject to subpoena because the panel is not the official custodian of the information. A panel member cannot be prohibited from making a good faith report to any state or federal agency of any information or issue that the panel member believes should be reported or disclosed in an effort to facilitate effectiveness and transparency in Kentucky's child protective services.

The report's second conclusion is that the panel appears to be unique among states in terms of its organizational structure and mission.

California, Colorado, Georgia, Indiana, Michigan, Missouri, and Tennessee were selected for closer review. The report also compares the panel to Kentucky's State Child Fatality Review Team, which is part of the Department for Public Health. That panel analyzes data on all coroner case child deaths, not just those resulting from abuse and neglect. Kentucky's external panel appears to be unique in that its jurisdiction includes near fatality cases, its jurisdiction is limited to cases involving abuse or neglect, and it has no responsibilities related to local child review teams. The panel's attachment to a state department for administrative purposes appears to provide for greater independence. Enabling statutes for state review teams tend to provide for specific ways in which teams should provide information. Kentucky's enabling statute for its external review panel does not. Two states reviewed have no state-level child fatality review teams. Two more are in the process of moving many of the state team's responsibilities to the local level.

For FY 2013, CHFS investigated 115 cases of child fatalities or near fatalities suspected to be due to abuse or neglect. Of the 68 substantiated cases, 19 involved a child fatality; 49 involved a child near fatality. Of the 47 unsubstantiated cases, 23 involved a child fatality; 24 involved a near fatality.

As of June 2013, statute requires CHFS to provide to the panel within 30 days, upon request, a lengthy list of records in unredacted form. This list may include records that were not on file with CHFS during its investigation of a case. It is unclear whether panel members either find it necessary to or are able to distinguish via its online case review system whether CHFS had those records during its investigation. The agencies in the statutory list do not always send the required information to CHFS. The panel may request needed records directly from the entity involved.

If the panel were to receive a case that had not been investigated by CHFS, it is unclear whether the panel would request the necessary records through CHFS or on its own. An example of such a case would be one referred directly to the panel from the State Child Fatality Review Team. Such referrals have not happened to date because the panel has not had the staff to handle them. At present, there is no established process.

The report's third conclusion is that the 2014 General Assembly's appropriation to the panel of $420,000 per fiscal year, which will be used primarily for additional support staff, should allow the panel to review cases and make recommendations more effectively.

The panel has been an unfunded mandate absorbed by the Justice and Public Safety Cabinet. The panel facilitator, an employee of the cabinet, has been using cabinet staff, including himself, to administer panel details. SharePoint is a Microsoft software product that creates a secure online location for panel members to read all case information, make notes and comments, and discuss cases online with other panel members. SharePoint has been provided to the panel for free since June 2013.

Issues that drove the panel's 2014 budget request to fund staff dedicated to the panel's work included the number of cases the panel receives from CHFS and the hundreds of pages of information included in a typical case. Panel members reported a need for a tool to collect information on key risk factors for child fatalities and near fatalities, such as substance abuse or significant emotional shifts in at-risk households, in order to track statistics. At present, the panel is discussing staff requirements, job descriptions, and the possibility of contracting for temporary staff. No formal actions have been taken. Beginning July 1, 2014, SharePoint will charge for its system, at a cost to the panel of up to $7,200 annually. As the Commonwealth Office of Technology integrates SharePoint infrastructure and users from all Kentucky cabinets, the rate is expected to drop significantly.

Representative King said that in the case of the death of Amy Dye in Todd County in 2011, there seemed to be a lack of sharing of information.

In response to questions from Representative King, Ms. Kennedy said that the panel can request records on its own. Not all procedures for doing so have been fully addressed or finalized. This should be remedied with the hiring of staff by the panel.

In response to a question from Senator Westerfield, Ms. Kennedy said that the panel does not have subpoena power. Statute gives the panel power to review cases from CHFS. There is an indication that the panel may receive cases from other sources. Panel staff should be able to answer if the statute should be amended.

Ms. Kennedy said that the fatality panels reviewed in other states deal with any fatality, not just those from abuse or neglect. The other state panels do not review near fatalities.

Senator McDaniel asked that panel members come to the testimony table.

Senator McDaniel said that it is unclear as to how the panel can be evaluated. In response to his questions, Judge Crittenden said that the panel is taking a systems approach, looking for where breakdowns take place and where mistakes are made and informing agencies of this. Ms. Oldham said it will be necessary to take a long-term view of the effect on fatalities.

Senator McDaniel said that it would be helpful in evaluating the panel if it would discuss issues related to evaluation and offer suggestions.

Senator McDaniel said that he was familiar with SharePoint and that it tracks usage. In response to his questions, Judge Crittenden said that there have been no issues related to destruction of documents. Originally, the panel received redacted paper copies. Technically, these were public documents but members destroyed them after use anyway. There should not be an issue with documents that would be needed in another venue, such as Family Court, being destroyed. As long as panel members do not mention names, they can discuss cases in open session. Responding to earlier questions from Senator Westerfield, Judge Crittenden said that he does not want subpoena power for the panel. If an entity does not provide records requested by the panel, this can be reported to the General Assembly.

In response to a question from Representative King about encryption in SharePoint, Ms. Oldham said that the members have been assured that the data are secure. Panel members honor their responsibilities.

Judge Crittenden said that the Program Review report accurately reflects the panel's work. When the panel asked for funding for staff assistance from the General Assembly, it was provided. The panel is working to hire an attorney through the Justice and Public Safety Cabinet and will contract with nurses who have had experience in pediatric forensics to determine what is needed when hiring staff.

Representative Burch said the panel has the potential to do a lot of good. Initially, he tried to start this process during Governor Fletcher's administration after a social worker, Bonnie Franklin, was killed. CHFS resisted the idea of an oversight panel at this time. The panel was created to provide transparency for CHFS.

In response to Senator Seum, Judge Crittenden said that the panel only deals with CHFS cases. The panel has not questioned family members, but he assumes that it can. The panel can request court records. In response to a question from Senator Seum about the panel's authority, he said that the panel cannot force anyone to do anything. The panel can make recommendations and report to the General Assembly on whether and how the recommendations are implemented.

In response to a question from Senator Seum, Judge Crittenden said that panel members review cases; they would not be providing evidence in courtrooms.

Upon motion by Senator McDaniel and second by Senator Westerfield, the Kentucky External Child Fatality And Near Fatality Review Panel report was adopted by a roll call vote.

The meeting adjourned at 11:06 a.m.

PUBLIC PENSION OVERSIGHT BOARD

Minutes

May 27, 2014

Call to Order and Roll Call

The meeting of the Public Pension Oversight Board was held on Tuesday, May 27, 2014, at 1:00 PM, in Room 154 of the Capitol Annex. Senator Joe Bowen, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

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

Guests: Representative Dennis Horlander; Lowell Reese, Kentucky Roll Call, Frankfort, Kentucky; Mary Helen Peter, Kentucky Retirement Systems Trustee, Louisville, Kentucky; Bradley Mackin and Carolyn Purcell, Legislative Research Commission, Program Review and Investigations Committee; among others.

LRC Staff: Brad Gross, Terrence Sullivan, and Marlene Rutherford.

Approval of Minutes

Mr. Bennett moved that the Minutes of April 28, 2014, be approved, which was seconded by Mr. Jefferson. The minutes were approved without objection.

2014 Kentucky Retirement Systems Actuarial Experience Study Results

Mr. Thielen, Executive Director, Kentucky Retirement Systems (KRS), introduced the presenters: Tom Cavanaugh, Consulting Actuary, Co-Founder and Chief Executive Officer, Cavanaugh Macdonald Consulting, LLC; Alisa Bennett, Senior and Consulting Actuary who performs much of the health actuarial projections; and Todd Green, Senior and Consulting Actuary. Mr. Thielen said that Cavanaugh Macdonald Consulting has been the actuarial consultant for the KRS since 2006.

Before presenting and discussing the experience study results, Mr. Cavanaugh provided background information as to the role of an actuary. In reviewing a pension plan there are three overriding policies: 1) a benefit policy; 2) an investment policy; and 3) a funding policy. The benefit policy reflects the statutory requirements that indicate who receives a benefit, when they receive it, and how much the benefit will be. The investment policy deals with the asset classes that are invested in by the plan and the proportion of each asset class to the total investment. The funding policy, overseen by an actuary, is a policy that indicates how much in funds will be contributed to the plan and when the contributions will be made. A truism with regard to any pension plan, regardless of plan structure, is that the dollars in, or the sum of the contributions made by the employees and employers, plus any investment income generated by the assets, must equal the dollars out, or the benefits paid to members and any expenses paid from the fund. An actuary makes projections or assumptions about future events based on the members in a pension system, the likelihood the members will receive a benefit, how long the member will receive the benefit, and the level of benefit, while taking into account the demographics of the system and the economics of the investments over time. These assumptions are combined in the evaluation of the plan annually, as of June 30 each year, based on data provided by KRS on the membership of each system, including both active and retired members. The benefit structure and assumptions are programmed from the data to project the system members through their working lifetime and through their actual lifetime to obtain the benefits that will be paid over that period, which is then discounted using an interest rate assumption to get a total liability of the system, or the total present value of the benefits to be paid. The total present value can be compared with the assets, and through an actuarial funding method or budgeting method, the actuary can determine how the plan should be budgeted on a logical basis over the years so that the funds are obtained that are needed to pay out the projected benefits.

He said the presentation would show contribution levels set for the system now and the levels that might need to be implemented if assumptions are changed as recommended by the experience study. The evaluation is performed on an annual basis and assumptions are made as to what may occur in the future, and then this needs to be reviewed periodically to decide whether or not the actual experience of the system is being followed. Experience studies are performed every five years to determine what has actually occurred with the members and to compare the experience to what was assumed would happen, and then make recommendations for adjustments, if necessary, to align the assumptions better with what is actually occurring with the members, with one example being changes in assumptions of mortality rates. Mr. Cavanaugh said that an actuary works on the liability side of a balance sheet, not the assets side, and does not deal with the investments themselves.

Mr. Green discussed the demographic assumptions and how the recommended changes were determined for the hazardous and non-hazardous plans in the Kentucky Employees Retirement System (KERS) and County Employees Retirement System (CERS), and in the State Police Retirement System (SPRS). He said the key findings on the demographic side resulted in recommendations for adjustment to the withdrawal and retirement rates, and the mortality decrements for all systems, as well as an adjustment to the disability decrements for the KERS hazardous and non-hazardous plans and the CERS non-hazardous plan to better match the experience. They also recommended adjustment for certain coverage assumptions for retiree healthcare benefits to better match the experience over the last five years. The key findings on the economic assumption resulted in recommended changes on price inflation, based on the Consumer Price Index (CPI), the investment rate of return, and wage inflation, which is the basis for determining salary scales since the retirement plans are pay based systems and salaries are projected from present day to retirement for all active members. The demographic assumptions used to support the recommended changes were: 1) rate of withdrawal, i.e. the withdrawal of funds prior to eligibility for retirement, death, disability, or the time when a member decides to retire when they become eligible for retirement; 2) rate of mortality, because once a benefit is triggered it is paid until the member dies; and 3) rate of salary increases.

Mr. Green indicated that the process for the experience study is labor intensive and compares the data files received for the last five years and used to perform annual evaluations with what occurs from one year to the next over the five year period. If that actual experience is different from the anticipated experience the actuary makes a recommendation for change. Mr. Green did not that the actuary does take into consideration that certain behaviors may be different from the assumption because of forces that may not repeat and therefore may not justify a change, such as more withdrawals than were anticipated because of a short term change in the economy. In that case, the actuary may not recommend a change immediately, but rather will monitor the experience for a longer period of time to determine if a recommended change is later needed.

The illustration for explaining the review of demographic assumptions was the KERS non-hazardous plan. The rates of withdrawal are used to determine the expected number of separations from active service that will occur prior to attaining the eligibility requirement for a retirement benefit. The current assumption utilizes a service based approach for the first five years of service and then an age based approach for years of service beyond five years. However, the assumption was changed to purely service related because withdrawal is more consistently correlated with service, rather than age. Based on the assumption for the experience period, a proposed rate increase is recommended for the withdrawal rate to better reflect the actual experience, because there were 12,930 expected terminations compared to 19,870 actual terminations during the study period. The recommended assumption rate was not increased completely to the experience rate, but rather was moved about halfway toward the actual experience rate and, in particular, the withdrawal rates were increased for the first fourteen years of service to better reflect when withdrawals were more likely to occur.

Responding to a question by Representative Yonts, Mr. Green said that the lack of salary increases for several years and the fact that employees are more mobile in their jobs was taken into consideration based on the last five years of experience with the retirement systems. He also said that previously, using the assumption of a service-based approach for only the first five years and an age based approach thereafter, it was determined that by switching to the service-based approach for all years of service going forward that the assumption will require very few changes because withdrawal is more correlated with service than age.

In reviewing the pre-retirement mortality assumption, a recommendation was made to update the pre-retirement mortality to the RP-2000 Combined Mortality Table because when comparing the actual versus expected deaths prior to retirement there were less actual deaths during active service than was expected. This recommendation will be consistent with the mortality assumption change being recommended for deaths after retirement. Mr. Cavanaugh explained that the RP-2000 is a title on a published mortality table that the Society of Actuaries updates based on experience. Mr. Green said the active mortality was much lower than expected, and it is recommended that the pre-retirement mortality rate be decreased to 50 percent of the RP-2000 rate for both males and females.

The disability retirement assumptions were reviewed for all the plans, and except for the SPRS, there were far fewer disability retirements than expected. The disability rates for KERS non-hazardous, hazardous, and CERS non-hazardous were therefore recommended to be lowered; however, the CERS hazardous and SPRS rates were unchanged because the comparison of actual versus expected disability retirements was not sufficient to recommend a change.

In reviewing service retirement assumptions (i.e. once an individual becomes eligible for retirement benefits how soon do they retire), there were fewer actual retirements than expected for the non-hazardous groups and more than expected for the hazardous groups. Therefore, a slight reduction in rates to reflect the experience was recommended at each retirement age.

Chair Bowen asked the panel to indicate when they are reviewing the assumptions what the impact of the recommended changes will be on the systems and whether the change will increase or decrease the liabilities of the systems.

Mr. Green indicated that the lowering of withdrawal rates would reduce the costs to the systems because fewer individuals would live to receive the benefit. However, lowering the pre-retirement mortality and the disability rates would increase the costs because more individuals would receive a retirement benefit. He also noted that a slight reduction in the retirement rate would also reduce costs slightly.

The post-retirement mortality rate assumption projects the percentage of retirees who are expected to die in a future year, which typically has the most significant impact on liability projections. Again, a comparison of actual versus expected retiree deaths was reviewed and the actual deaths exceeded the expected deaths over the five year period. Mr. Green indicated that the current assumption uses two different mortality tables, the 1983 Group Annuity Mortality table for members who retired prior to June 30, 2006 and the 1994 Group Annuity Mortality table for all other members retiring after that date. There is a recommended change in the mortality rate assumption to use the RP-2000 Combined Mortality table, projected to the year 2013 and using some setbacks, for example a one year setback for females, to improve the assumption. This same process was used for the mortality for members retiring on disability, using a four year setback for males. Experience indicated that overall more members died than expected during the study period at younger ages, while fewer members died than anticipated during the study period at older ages. Mr. Green indicated that the recommended changes to the post retirement mortality rate for both male and female, including disabled, would act to increase costs because the improved mortality table anticipates that people will live longer.

In response to a question by Chair Bowen, Mr. Green stated that the recommendations made are based on the experience study just completed for the last five years, 2008-2013.

Mr. Green then reviewed the salary scale assumptions. As part of the process for making these assumptions a projection for current salaries and future salaries is required. In the evaluation, the salary scale assumption was compared to what actually occurred, and the experience for all groups showed that the actual salary increases were less than expected. However, the actuary determined that the experience was influenced by unusual economic conditions, including a very low inflationary environment, and therefore no change to the merit component of the salary scale was recommended. Mr. Green stated that this assumption is composed of three components: 1) inflation; 2) productivity, or real wage increases; and 3) merit and promotion. The inflation and productivity components are combined to produce the assumed rates of wage inflation. The rate represents the across the board average annual increase in salaries shown in the experience data. The merit component includes the additional increases in salary due to performance, seniority, and promotions.

Responding to comments and questions by Representative Yonts concerning salaries and the actuarially required contribution (ARC) budgeted by the General Assembly and the fact that there are approximately 4,000 fewer employees currently than in prior years, Mr. Green stated the experience study could not determine if the freezes, cuts, and furloughs because of the economic environment were permanent. Further, Mr. Green stated that if the next experience study reflects this same trend a recommended change would be made in the merit component of the salary scale, and he noted that the recommended reduction in the CPI inflation rate translated to an overall lower salary scale. Mr. Green said that lowering the inflation component of the salary scales would reduce the ARC, or the liability. Mr. Cavanaugh pointed out that data for the last fifty years was evaluated, not just a two or four year time period.

Responding to Chair Bowen, Mr. Cavanaugh indicated that recommendations on the assumptions are made with the experience study, and each valuation looks at the impact of the actual compared to expected experience in the different categories, such as salary scale, retirements, withdrawals, disabilities, which are included in the annual valuation report. He said that the funding method or process utilized in recommending the actuarially required contribution (ARC) rate is a self-correcting mechanism, and that if the assumptions are too liberal losses will result that will increase the contribution rate, and if the assumptions are too conservative actuarial gains will result that will lower the contribution rate, so the methodology self-corrects from year to year, and once every five years the experience is reviewed to determine if any adjustments are needed in any of the assumptions.

In response to Representative Yonts concerning the recommended assumption change for wage inflation globally from 4.5 percent to 4 percent and the effect to the ARC, Mr. Cavanaugh indicated that the recommended decrease of the wage inflation alone would lower the ARC. He explained that this is the case because salaries for each individual is 0.50 percent lower than it would have been if the change was not made, so the projected salary in the future is lower, the benefits to be paid out would be lower, which lowers the liability and the ARC. Mr. Green also said that the analysis of salary increases yielded an actual versus expected ratio of 97 percent and that a ratio less than 100 percent indicates that salary increases were less than anticipated by the current assumption.

Mr. Green discussed the impact of the assumption changes from a demographic point of view. By changing the assumptions, mainly the withdrawal rate, it is projected that both males and females will leave the systems at a higher rate than under the current assumptions. When viewed in terms of mortality, the proposed change to the retirement tables used show that both males and females will die at a lower rate than previously assumed, corresponding to longer lives for both groups.

Mr. Cavanaugh stated that the demographic factors are reviewed for the pension side of the plans, and particularly the salary increase assumption impacts the pension plans only, but he noted that all the assumptions factor into the healthcare portion of the liabilities as well. There are other assumptions made that are healthcare specific, which were discussed by Ms. Bennett.

She said the recommended economic assumptions were developed in accordance with the Actuarial Standard of Practice No. 6 issued by the Actuarial Standards Board that is specific to retiree group benefit obligations or insurance plans. Two assumptions reviewed specifically to healthcare are the healthcare trend assumption, which is the overall rate of increase of healthcare spending, and the participation assumption, which is important because for those members participating before 2003 they are offered a healthcare plan with a subsidized premium when they retire.

The short term healthcare trend rates are set on an annual basis based on information and data with an ultimate trend rate of 5 percent and that there appeared to be nothing unusual about the KRS medical plans that would cause a long-term trend that is higher or lower than what is used for the calculation. Each year it is assumed that healthcare will cost more than the previous year and this assumption is reviewed each year and the trend assumption reset if needed. There is no change recommended and the actuary will continue to update healthcare trends annually and base the healthcare trends on the KRS experience and demographics, while taking into account the projected trend from external sources.

The current assumption for KERS non-hazardous is that 90 percent of members who retire and are eligible for a health benefit will take the benefit. However, current refinement to the data showed that those who declined coverage were typically those members who had less years of service because the subsidy is less for those members. Proposed healthcare participation rates are as follows: 1) for those with service under ten years, reduced to 50 percent; 2) for those with ten to fourteen years of service, reduced to 75 percent; 3) for those with fifteen to nineteen years of service, remained the same at 90 percent; and 4) for those with twenty years or more service, increased to 100 percent. Similarly, the CERS non-hazardous plan, which is currently assumed to have an 85 percent participation rate for all employees, were recommended to be changed to a similar sliding scale based on years of service. There were also proposed decreases from 100 percent to lesser percentages for the KERS and CERS hazardous plans, except for those members with twenty plus years of service, which remained at 100 percent. There is no recommended change to the assumed participation rate for the SPRS, which is set at 100 percent. She also said there were no recommended changes in participation rates for other service retirement tiers, and the 100 percent assumption for these groups would continue. These recipients are those who were hired or became participants after 2003 and who receive flat dollar benefits based on years of service, and the assumption is that the individual will take whatever benefit is earned by the time they retire.

She also discussed the deferred vested member healthcare participation rate for members hired before July 1, 2003. These are individuals who left with a vested right to a benefit. For the KERS non-hazardous members the current assumption is 90 percent and for hazardous duty the assumption is 100 percent. The actual data reflected that for individuals coming back to get the benefit at a later date only about half are taking the benefit, and therefore a reduction of the assumption to 50 percent was recommended for both the non-hazardous and hazardous plans.

Ms. Bennett said that hazardous duty covered retirees have the option of electing spouse coverage, and the current assumption was that 100 percent of the retirees would elect to cover a spouse. However, in reviewing the actual data, recommendations are made to lower the assumption for the KERS hazardous plan to 50 percent, and for the CERS and SPRS plans to 75 percent, and that lowering the assumptions lowers the liabilities because there are fewer spouses covered under the plan.

Mr. Cavanaugh then discussed the economic assumptions used in performing the actuarial valuation for the three plans. Three assumptions were reviewed: 1) price inflation; 2) investment return; and 3) wage inflation. He noted that the real rate of return is a component of the overall investment return assumption, and no recommended change is made for that assumption, but a recommendation is being made to the price inflation assumption from 3.5 percent to 3.25 percent and also a reduction in the real wage growth assumption from 1 percent to 0.75 percent so that the overall wage inflation goes down from 4.5 percent to 4 percent. He said the reduction of 50 basis points in wage inflation affects the individual salary scale and is also used because the unfunded accrued liability that is generated in each year's valuation is financed as a level percent of payroll over a specific period of time, and that Senate Bill 2 re-established the period of time to 30 years with the 2013 valuation and goes down one year every year. In financing the unfunded accrued liability, the assumption is that payroll will grow at the wage inflation assumption, currently at 4.5 percent per year and recommended to be 4 percent per year.

Responding to a question by Chair Bowen, Mr. Cavanaugh indicated that the impact on the contributions and liabilities do reflect healthcare inflation and that this trend rate is reviewed each year and adjustments are recommended on an annual basis.

In response to comments and questions by Mr. Jefferson concerning the amortization of the unfunded liability and the percentage of payroll method, Mr. Cavanaugh indicated that if there was a flat or negative payroll growth it would depend on what caused the flat or negative payroll growth. If there is flat payroll growth because of a reduction in members but employees received pay increases, the liabilities will still increase as assumed but the payroll base is not there to finance the unfunded liability and the rate must increase in order to collect the same amount of dollars to pay off the unfunded liability. He also said that if there are still the same number of active members but there were no pay increases, the liabilities do not grow as assumed so there is a reduction in liability from what was predicted because there were no pay raises but that is offset somewhat by the fact that the payroll does not grow and that puts upward pressure on the rate. He said that over the last five years there has been a combination of reduction in members but also gains each year in salaries, so that when the annual gain/loss analysis is performed gains have been reflected, or reductions in the liability each year, because employees are not receiving pay raises. However, because the overall payroll is not increasing the rate is getting pushed up. He said that if the payroll is not growing the way it is assumed it will grow, if the rate gets higher but the payroll does not increase, the total dollars will not increase.

The price inflation assumption is 3.5 percent and is recommended by the actuary to be reduced to 3.25 percent. In analyzing the data, the average rates of inflation were determined by measuring the compound growth rate for the CPI for all urban consumers (CPI-U) over various time periods. Over the shorter historic periods, the average annual rate of increase in the CPI-U has been below 3 percent and the years of high inflation from 1973 to 1982 had a significant impact on the averages. A reasonable range for price inflation assumption is between 2 percent and 4 percent. Since 1926, the average annual rate of inflation was 2.99 percent. Mr. Cavanaugh stated that looking over long periods of time the average has been about 4 percent and that because there are a lot of inflation pressures built into the economy now, they are not comfortable reducing the long term inflation assumption, so that the real rate of return stays at 4.25 percent, which results in a 7.5 percent investment return assumption going forward.

Responding to a question from Mr. Jefferson concerning price inflation and various points of data that suggest a lower rate of inflation than the 3.25 percent that is recommended, Mr. Cavanaugh stated that a recommendation has been made to the KRS Board that the economic assumption be reviewed every two years rather than waiting five years, and that the decrease in the price inflation assumption from 3.5 percent to 3.25 percent took into consideration the review every two years to determine if an adjustment would need to be made. He said there are articles relating to the bond market that lend concern dealing with heavier inflation over longer periods of time, and with the Social Security actuary looking at a reasonable range of 1.8 percent to 3.8 percent that he was comfortable recommending a reduction to 3.25 percent with the expectation that this assumption would be reviewed every two years, which would allow the recommendation to be lowered again if warranted. He said the investment rate of return has not been good over the last five years and on average the rate of return has been under 5 percent and that the short term rate is not indicative of what would be expected in the long term results.

When performing the analysis for the investment return assumption, the actuary uses the capital market assumptions used by the KRS investment consultant and the policy of target asset allocations to develop stochastic projections of returns and groups them by percentiles over different time spans. The capital market assumptions used to develop the reasonable range for the real rate of return are net of investment expenses therefore a separate assumption of investment expenses is not necessary. The real rate of return between the twenty-fifth and seventy-fifth percentile is between 2.63 percent and 4.96 percent, with the fiftieth percentile being at 3.79 percent real return. Combining the real rate of return, the inflation assumption, the administrative expenses that are paid separately, and the capital market assumption returns from investment consulting the net investment return ranges from 5.88 percent to 8.21 percent, with the fiftieth percentile at 7.04 percent. He said normally a recommendation would be at or around the fiftieth percentile results; however, there are some mitigating issues that lead to a slightly upward adjustment to the recommendation. Specifically, the capital market assumptions are based on a ten year time period versus the system's lifetime, and some investment consultants that have produced capital market assumptions on longer timeframes project higher returns than when viewed on a ten year time horizon. Also, historical returns have been higher than the fiftieth percentile number suggests, and the capital market assumptions do not include any added return due to active management or other asset deployment strategies. Taking into account the historical analysis, the peer group analysis, and the capital market assumption analysis, it is recommended that the investment return assumption be set at 7.5 percent, which is slightly greater than the fiftieth percentile when compared to the peer groups for the plans, putting the KERS non-hazardous plan at the 64th percentile, and the KERS hazardous, CERS non-hazardous and hazardous, and the SPRS plans at the 61st percentile of the peer groups. Additionally, the actuary makes the further recommendation that the investment return assumption be reviewed every two years so that it is established before the budgeted rates are set for the state.

In response to questions and comments from Mr. Jefferson concerning the investment return assumption recommendation being above the 50th percentile, especially given the real tangible limitations on the funded status of the plans, Mr. Cavanaugh indicated that the least well funded plan, the KERS non-hazardous plan, has a more conservative asset allocation and that a 7.25 percent investment return assumption could have been recommended, leaving the 7.5 percent assumption for the other plans, but it was felt that this was reflected in the asset allocation. In response to a follow-up question, Mr. Cavanaugh stated that the most significant of the economic assumptions is the real rate of return assumption because, for example, if the inflation assumption was 2.5 percent rather than 3.25 percent, the investment return assumption of 7.5 percent would decrease to 6.75 percent for the rate of return. This would impact the retiree liability because there is no offset and the benefits are discounted at a lower interest rate, so the liability would increase for retirees. However, for the active members there is an offset because the salary scale will go down by the 75 basis points and salaries will be projected at a lower rate and then will be discounted at a lower rate, and so in this way the inflation assumption is not as sensitive as the real rate of return assumption. In other words, the real rate of return assumption has an impact on the calculation for all liabilities, even without any change to any other assumption, whereas the other assumptions often are offset by another resulting change. Mr. Cavanaugh again emphasized that the recommendation to review the economic assumption every two years is very important so that these issues can be addressed more frequently than every five years.

Mr. Cavanaugh also discussed the wage inflation assumption. The current assumption of 4.5 percent in the wage inflation number is 1 percent above the base price inflation assumption. Comparing wage inflation with price inflation the annual real wage growth has averaged 0.62 percent. The social security actuary bases the 75 year costs projections on a national wage growth assumption of 1.1 percent greater than the price inflation assumption of 2.8 percent. Therefore, to be consistent with historical data, and considering the activity in wages in the public sector, a lower number of 0.75 percent real wage growth was reasonable, and therefore the percent above price inflation is recommended to be reduced to 0.75 percent, with a recommendation that the 4.5 percent of payroll growth assumption be lowered to 4 percent, of which 25 basis points is from the price inflation reduction and 25 basis points is from a reduction in the real wage growth. He said this impacts both the salary scale itself, meaning the individual salary increases would be lowered by the 50 basis points, which lowers the liability, and the payroll growth is not as big, and therefore the contribution rate as a percentage of that payroll has to be higher to finance the unfunded accrued liability.

Mr. Cavanaugh stated the financial impact of the recommended changes for each plan was reviewed, and the unfunded accrued liability, funded ratio, and the employer contribution rate is shown both before the recommended changes to the assumptions and after, combined, from a pension and insurance standpoint. So for example, for the KERS non-hazardous plan, the contribution rate for this biennium that is built into the budget is 38.77 percent of payroll, and after the changes the employer rate would be 41.36 percent of payroll. Similarly, for the KERS hazardous plan the employer rate as a percentage of payroll before the changes is 26.34 percent and after is 26.9 percent, and he noted that this modest change in the rate is due to the changed assumptions in the health insurance participation rate. The CERS non-hazardous employer rates have a modest increase from 18.1 percent to 18.8 percent, and the CERS hazardous rate decreases from 35.7 percent to 32.03 percent. The SPRS employer contribution rate increases from 75.76 percent to 83.2 percent, with all numbers reported as a percentage of payroll.

Responding to a comment and question by Representative Yonts relating to the investment return assumption in the context of the unfunded liability and why a lowering of the assumption is recommended, Mr. Cavanaugh indicated that the supporting data and recommended changes would indicate that there needs to be an increase in the contribution rate, but that this increase would not be effective until the next biennium. Mr. Thielen pointed out that action on the recommendations as a result of the experience study report were deferred by the KRS board and will probably be taken up at the September meeting, with the understanding that any new assumptions would not take effect until 2017. He said there was concern expressed among some of the board members that the budget had been set for the next two years and cannot be changed and that any change if the assumptions were adopted would not have any impact until fiscal 2017. In other words, the board considered the economic and political ramifications in making a change now after the General Assembly had funded 100 percent of the actuarially required contribution and understood that adopting the changes at this time could be problematic.

Chair Bowen asked Mr. Thielen to explain his reference to political ramifications on the KRS board's decision to defer action on the recommendations. Mr. Thielen clarified that this was a personal statement on his part and that it was his opinion that the board has considered the pressures placed on the General Assembly to increase its commitment to the retirement funds and since any action will not impact the current budget it still has time to review the recommendations and make any changes and provide those changes to the General Assembly in the 2016 session. Chair Bowen indicated that decisions by the General Assembly need to be made in an expeditious manner, and he expressed concern of the KRS board deferring action on the recommendations.

Responding to a question by Mr. Jefferson relating to the funding impact for the CERS plans, Mr. Thielen stated that the KRS board would continue to set the contribution rate for the CERS plans each year based on the valuation from the previous fiscal year, so if the board adopts changes in the future it will not affect the contribution rate adopted in November.

Mr. Peden, the Interim Chief Investment Officer at KRS, stated that one of the factors in the KRS board's decision to defer taking action at the May meeting was to afford the Investment Committee an opportunity to engage RVKuhns during the asset liability study and to conduct some preliminary asset allocation work, so that if there were any changes in asset allocations going forward for the next five years that were significantly different from the past five years that this would lead the conversation on the expected return.

In response to a question by Representative Yonts as to when the assumptions were last changed, Mr. Thielen stated that an experience study was done from July 1, 2000 through June 30, 2005 by Siegel and Company, the actuary at the time, and that study was followed up by an experience study covering the period July 1, 2005 through June 30, 2008. However, because of the 2008 recession and the fact that the economic environment had changed considerably, KRS wanted Cavanaugh Macdonald to re-do the experience study over the shorter period, which was done for a three-year period covering July 1, 2005 through June 30, 2008. During the last thirteen years there have been three experience studies. In response to a follow-up question as to how recommendations might have changed following those studies, Mr. Thielen indicated that the assumed rate of return was 8.25 percent until 2006 and was changed as a result of the 2000-2005 experience study to 7.75 percent. Also, the mortality tables were changed for retirees and the cost inflation rate was changed as a result of past experience studies.

Chair Bowen asked Mr. Thielen to compare the difference in the returns and viability between the Kentucky Teachers Retirement System (KTRS) and the KRS. Mr. Thielen stated the two systems have different programs and that KRS has built an investment portfolio designed for the long term, and the thirty year return on the KRS pension funds has been 9.55 percent, which is above the 7.75 percent assumption and is better in the long term than the KTRS return. He also noted that the KTRS program has different cash flow needs, different complexities, and different healthcare benefits from the KRS plans, and that a one year comparison does not reflect the full picture. Mr. Peden stated that the KRS Investment Committee works with the general consultant to develop or perform an asset liability study, which matches up asset cash flows with liability cash flows, and the investment return, is a function of the asset allocation set by the Investment Committee every three to five years. He noted that asset allocation drives the investment performance more than any other factor, and that the portfolio is built to average a 7.75 rate of return without taking additional price risks – including volatility or standard deviation – and that will stand up to difficult market periods. He also pointed out that CERS has 20 percent of the portfolio in U. S. equity and 20 percent in non U. S. equity, and that last calendar year U. S. public equity performed between 30 percent and 35 percent. By contrast, he noted that KTRS has up to 50 percent or more in that asset class, and that might be good for that fund, but that he is building a portfolio to meet the goals and constraints of the KRS. Mr. Thielen pointed out that KRS is not in the environment to be the best public pension plan for investment return, but to match the assumed rate of return or better so that obligations can be met based on the specific needs of the plans and at a low risk, noting that this strategy may not give the KRS plans the highest returns but may protect the plans from having the lowest returns in bad years.

In response to questions from Representative Yonts concerning investment strategies, Mr. Peden indicated that the asset allocation is set every three to five years, and Mr. Thielen stated that an asset liability modeling study has been done at least every five years and the external investment consultant works with the actuaries to determine what the allocation should be, which is a very expensive process. He also noted, with assistance from Mr. Peden, that a liability modeling study was completed in 2010 for KERS and 2011 for CERS. Mr. Peden indicated that staff has the ability to make a recommendation to the Investment Committee if investments are not performing well or there is an event that staff is uncomfortable with, and that it would be highly unlikely to completely exit an asset class, but it could be recommended that it be pared back. Mr. Peden stated the Investment Committee meets quarterly or more often if needed, and if changes are made that the full KRS Board would need to ratify the decisions made by the Investment Committee at a quarterly board meeting.

Monthly Investment Update

Mr. Peden said that the audited numbers for April reflect that the pension plan was up 0.47 percent versus the benchmark of 0.53 percent, and for the fiscal year it is up 12.11 percent versus its benchmark of 11.54 percent, and the pension plan performance over ten years was 6.75 percent versus the benchmark of 6.76 percent, with the ten year numbers including the recent financial crisis. The insurance asset allocation performance was up 0.46 percent versus the benchmark of 0.53 percent for the month, and for the fiscal year is up 11.54 percent versus the benchmark of 11.53 percent, and the ten year return is 6.31 percent versus the benchmark of 6.49 percent.

Chair Bowen asked that this information be provided to the PPOB in the materials folder each meeting. Representative Yonts also asked that in addition to the monthly report that a comparison be included for the last six and twelve month periods.

Understanding that it has been necessary to cash out assets to pay benefits, Representative Yonts asked how expensive it is to the system to cash out assets. Mr. Peden indicated that the KRS attempts to time the cash out with when the benefit payments to retirees are sent, which is around the fourteenth of the month, and assets are invested as long as possible. He also noted there is always a cash target that is built into the asset allocation and depending on the system the demand for cash is still needed, especially in the KERS non-hazardous plan. Conversely, CERS has not had to raise as much cash over the last twelve months because of good investment returns, and the cash flow has improved in the insurance funds as well. Mr. Thielen noted that at one time about $75 million in assets had to be sold in the KERS non-hazardous plan monthly to make benefit payments.

Responding to a question by Representative Linder as to the makeup of KERS hazardous employees and why spouse coverage is included in the hazardous plan's health benefit, Mr. Thielen indicated that spousal coverage has existed for many years and that it is a rich benefit, but he did not have knowledge as to how or when the decision was made to include the benefit in statute. He also stated that certain employees in the Department of Fish and Wildlife, any law enforcement personnel not covered by the SPRS, and corrections or prison personnel that have contact with inmates are in the hazardous plans and there are approximately five thousand total members in the plan.

Chair Bowen stated that the PPOB would not meet again until August 28 and at that meeting the board would be reviewing the KRS board's semi-annual review of investments. In the September meeting the board would review the retiree health benefits. In October, the board would discuss legislative recommendations. In the November meeting the board would have an overall review of the discussions to date, and in December the board would be reviewing the 2014 KRS annual audit.

Mr. Thielen advised the board that the KRS board has expressed a willingness to meet with the PPOB at a meeting in the future.

With no additional business to come before the board, the meeting adjourned at approximately 3:00 p.m.

TOBACCO SETTLEMENT AGREEMENT FUND OVERSIGHT COMMITTEE

Minutes

July 8, 2014

Call to Order and Roll Call

The meeting of the Tobacco Settlement Agreement Fund Oversight Committee was held on Tuesday, July 8, 2014, at 1:00 PM, in Room 129 of the Capitol Annex. Representative Wilson Stone, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Paul Hornback, Co-Chair; Representative Wilson Stone, Co-Chair; Senators Carroll Gibson, Jimmy Higdon, Dennis Parrett, Robin L. Webb, and Whitney Westerfield; Representatives Tom McKee, Terry Mills, Ryan Quarles, and Jonathan Shell.

Guests: Attorney General Jack Conway, Mr. Sean Riley and Ms. Susan Britton, Office of the Attorney General; Mr. Roger Thomas, Mr. Joel Neaveill, Mr. Bill McCloskey, Ms. Angela Blank, and Mr. Brian Murphy, Governor's Office of Agricultural Policy; Ms. Terry Tolan, Governor's Office of Early Childhood.

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

The June 4, 2014, minutes were approved, without objection by voice vote, upon a motion by Representative Mills and a second by Senator Westerfield.

Master Settlement Agreement Report

Attorney General Jack Conway discussed the state's settlement of a dispute with tobacco companies centering on 10 years of Master Settlement Agreement (MSA) claims and litigation.

Mr. Conway testified on the 1998 agreement between the nation's largest tobacco companies and 46 states to reconcile pending Medicaid lawsuits against the tobacco industry. He discussed more recent litigation related to diligent enforcement of the MSA and an arbitration panel's ruling last fall that found Kentucky was not diligent in its enforcement in 2003. He believes the ruling was arbitrary but decided to launch settlement talks to bring stability to future MSA payments and avoid a long legal battle.

Mr. Conway detailed the payments to be received by the state. Kentucky received $110.4 million in disputed and related payments under the settlement. Combined with the $48.3 million in MSA payments already received for 2014, the total MSA payments for FY 2014 are $158.7 million.

Mr. Conway said the MSA payments would be allocated to the various agriculture and health programs under a formula set in statute.

Several committee members expressed their appreciation to Attorney General Conway for reaching the settlement that resulted in the additional MSA dollars, particularly those that will be going to the Agricultural Development Fund.

Representative Quarles pointed out the MSA allocation statutes should be followed.

Mr. Conway responded to Representative McKee and Senator Gibson that an arbitrary value was placed on the MSA at the time of its signing. The agreement had a 25-year duration but will continue as long as cigarettes are sold in the United States. He told Senator Parrett that other states that had lost before the arbitration panel had also agreed to settle or were discussing settlements. He said Kentucky received a "most favored nation clause" in its settlement, meaning that no other subsequent settlement could be better.

In a response to Senator Westerfield, Mr. Conway explained how the enforcement of MSA nonparticipating tobacco companies has improved with the involvement of the Office of Attorney General and the Department of Revenue. In response to Senator Higdon, Mr. Conway said that nonparticipating companies are being required to escrow funds equivalent to those paid by participating tobacco companies.

In his response to Senator Gibson, Mr. Conway said the state will have a new enforcement regime as a result of the settlement.

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 made by the Agricultural Development Board (ABD) during its June meeting.

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

During the discussion of the dead animal disposal programs, Co-Chair Stone and Representative Shell commented on programs that involve on-site burial.

Mr. McCloskey reviewed the state and local programs receiving funding approvals. Those included: Franklin-Simpson High School Agricultural Education Program, $25,000 to build a greenhouse; Biological Prospects LLC, $23,863 to research the potential of the smooth sumac plant as an anti-diabetic nutraceutical for dogs, cats, and horses; Shelby County Cooperative Extension, $1,150 to promote the sale of products produced under the Kentucky Proud label in Shelby County. Senator Parrett commented on the sumac project, noting the uniqueness of pursuing a positive use for the plant.

Senator Webb commented on a project

proposed by William Gallrein of Shelby County to build an educational barn to help customers learn about farm animals. The board denied funding for the project. The senator stressed the importance of helping young people become acquainted with aspects of farming, such as egg and milk production.

Mr. Thomas explained the standard used for persons from the same family who wish to apply for the CAIP funds. According to Mr. Thomas, the process in considering applications is to affect as many people as possible and make sure that people are not "double-dipping." Representative Shell's commented on how the Garrard County Council considers applications and opens the process up to different groups.

Senator Webb and Senator Parrett discussed the need award the funds for a variety of endeavors.

Mr. Thomas stressed the importance of the MSA settlement and its affect restoring the county funds.

Governor's Office of Early Childhood

Ms. Terry Tolan, Executive Director, Governor's Office of Early Childhood, discussed early childhood programs.

In her report, Ms. Tolan discussed the importance of brain development in young children; the progress of the program from the establishment of KIDS NOW in 2000 to the current program; school readiness in Kentucky and the preschool screening process; how the federal Race to the Top funding will be used; the status of the Community Early Childhood Councils, the different facets of the KIDS NOW programs; and KIDS NOW outcomes.

Ms. Tolan explained to Representative McKee the status of the Early Childhood Council serving Harrison, Scott, and Nicholas counties. She noted the council lost its fiscal agent this year and needs to replace that agent in order to be in line for funding.

Responding to Representative Quarles, Ms. Tolan said her office can provide Early Childhood program profiles for committee members based the legislators' newly drawn districts.

Ms. Beth Jurek, Director of the Office of Policy and Budget, Cabinet for Health and Family Services, responded to a series of questions from Senator Webb regarding the dilemma of providing child care in under-served areas. Ms. Jurek indicated that providing child care services in underserved areas can be "a struggle." Data is often collected for facilities outside the more traditional day care settings.

Senator Webb observed that a better job needs to be done in reaching "desert areas" of child care. Ms. Jurek noted that at least half the children in Kentucky live in those areas.

Ms. Tolan responded to Representative Mills regarding the involvement of local schools in the process.

Representative Derrick Graham, a noncommittee member who sat in on that part of the discussion, thanked Ms. Tolan for her work in attempting to acquire Race to the Top matching funds. Representative Graham mentioned the need to collaborate between school districts on early childhood education.

Representative Stone said there seems to be a correlation between education in the early years of a child and the child's third grade years.

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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Marcia Seiler
Acting Director
Legislative Research Commission

Robert Jenkins
Deputy Director for Committee and Staff Coordination

Rob Weber
Public Information Officer

Joe Cox
Publications and Printing Officer

Rebecca Mullins Hanchett
Editor, Typography and Design

Mike Sunseri
Chief Photographer

Public Information Staff

Karen Bourne
Jeff Fossett
Steve Gatewood
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Bud Kraft
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