2009 Interim
LEGISLATIVE
RECORD
Volume 20, No. 7
July 2009

Possible effects of federal energy bill discussed

by Rebecca Mullins
LRC Public Information

State lawmakers shared comments and concerns about a federal bill that proposes, among other changes, a three percent cut in U.S. greenhouse gas emissions by 2012 and a 17 percent cut in emissions by 2020 during the June meeting of the state legislative Special Subcommittee on Energy

The comments followed testimony by Kentucky Public Service Commission officials on the bill, named the Waxman-Markey Climate Bill after sponsors Reps. Henry Waxman, D-Calif., and Ed Markey, D-Mass. PSC Executive Director Jeff Derouen said that the bill, which passed the U.S. House Energy and Commerce Committee on May 21, could mean significant increases in utility rates over time.

Derouen said possible rate increases under the climate and energy bill could range from 15 percent to 60 percent, although most experts estimate that rate increases would fall in the 20 to 35 percent range.

"They (rate changes) wouldn't all come at once, and there's still a moving target even among utilities about what it would mean in real dollars," Derouen said.

Sen. Robert Stivers, R-Manchester, said he is concerned about the impact such increases would have on Kentucky industry and jobs. Per Stivers' request, the subcommittee asked for more detail on the bill's potential impact on large employers who rely on Kentucky's historically low electricity rates.

"What bothers me…especially in this economy, is what there will be in terms of impact to the A.K. Steels of the world, the Ford plant in Louisville, the Toyota plant in Georgetown, the GM plant in Bowling Green—these high-end users that have come to the state because of low energy costs for production," Stivers said.

What emissions are taxed will ultimately affect how much Kentuckians are taxed, Derouen said. He explained that Kentucky's average utility rates are currently ranked 48th nationally while emissions from utility plants are ranked 7th. That ranking falls to 13th if all emissions, including vehicle emissions, are considered.

"So if the federal government chooses to tax all emissions including vehicles, the impact on us would be less than if they just taxed carbon emissions from utility plants," he said.

Rep. Harry Moberly, D-Richmond, said the climate crisis gives Kentucky opportunities to be an energy leader—something it has been working toward for several years in the General Assembly and the research field.

"I truly think there are bits and pieces of this puzzle being worked on all over the country and nobody has pulled that together, but that can be done and we can do that in Kentucky," he said. "We can be the lead state in carbon management."

In response, Subcommittee Co-Chair Sen. Brandon Smith, R-Hazard, said that while there are some concerns by some members, "…we are look-

Continued on page 2

Tour showcases variety of Ag Dept. services

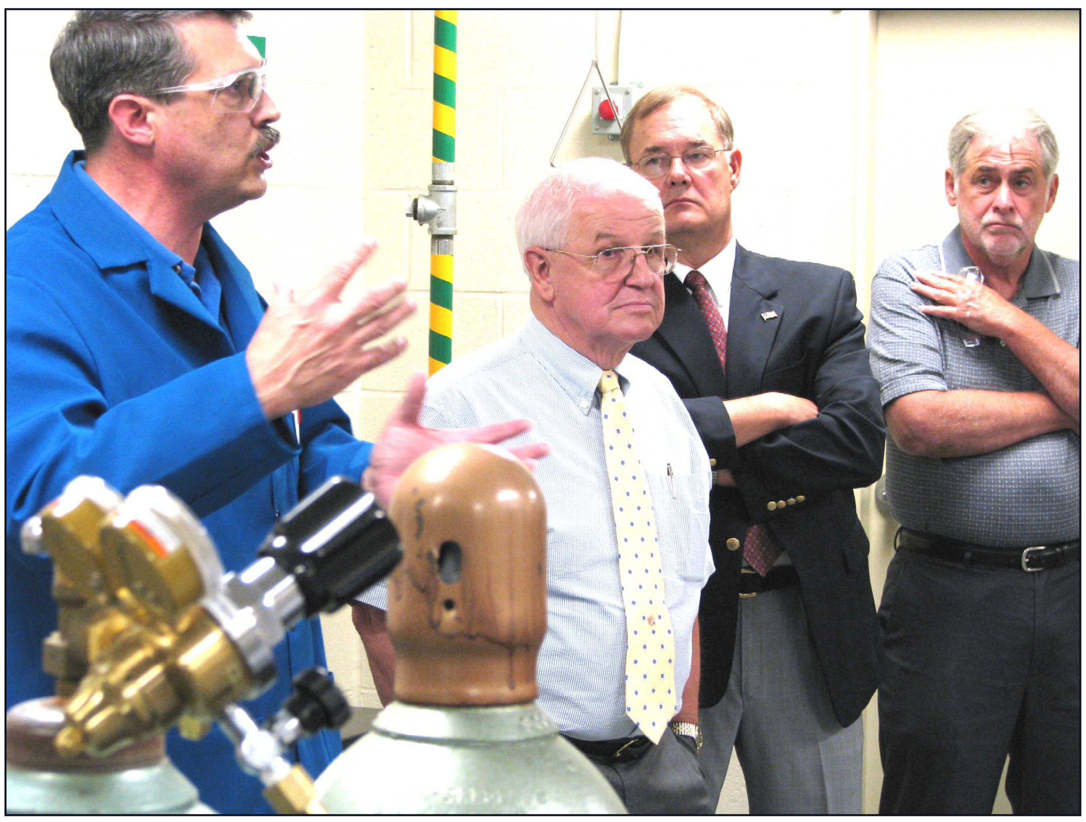
by Rob Weber
LRC Public Information

State lawmakers got a close-up glimpse at some of the programs overseen by the Department of Agriculture – including motor fuel testing, promotion of Kentucky-grown foods and farm safety efforts – when a legislative panel visited a complex of the department's labs on July 8.

Members of the General Assembly's Agriculture and Natural Resources Committee were welcomed by Agriculture Commissioner Richie Farmer, who discussed progress that has been made in the department's Kentucky Proud program, motor fuel and pesticides testing laboratories, metrology lab, environmental services division and farm safety efforts.

Farmer noted that sales of Kentucky Proud products – foods labeled to show they are Kentucky agricultural products – have been growing, with more than $180 million worth of retail sales last year. "I think we've only scratched the surface," Farmer said.

Continued on page 2



State lawmakers learn about the work of the Department of Agriculture's motor fuel testing lab during their July 8 tour. Pictured, from left, is Tom Bloemer, administrative branch manager of the Dept. of Agriculture's Office of Consumer and Environmental Protection; Rep. Royce Adams, D-Dry Ridge; Rep. Mike Denham, D-Maysville; and Rep. Tommy Turner, R-Somerset.

Photo by Rob Weber / LRC Public Information

Agriculture,
from page 1

After a one-hour meeting in which the committee heard testimony from agriculture officials, lawmakers toured laboratories to see where motor fuels collected from across the state are tested to make sure they are appropriate quality and aren't contaminated.

Farmer said the lab is the finest one of its kind in the country. In addition to ensuring the integrity of motor fuel supplies across the state, the lab "is also going to enable us to do testing for other states to provide an income stream to Kentucky and make this thing self-sufficient."

Lawmakers also visited the metrology lab, in which workers use an array of measuring instruments to make sure that scales throughout the state are properly calibrated. The department's metrology efforts help ensure "that every gallon of gas and every pound of product (sold in Kentucky) is fair and equitable," said Jason Glass, of the Agriculture Department's Division of Regulations and Inspection.

Making sure goods sold throughout the state are properly measured "is something a lot of people don't think a lot about, but it's very important," Farmer said.

The department's farm safety efforts were also highlighted during the lawmakers' tour. "We feel like we have the finest program in the country," Farmer said. "Other states call us regularly for advice and want us to bring our exhibits to their states."

Dale Dobson, who works in the Agriculture Department's Farm and Home Safety Program, said the program not only teaches how to prevent farm accidents, but how to best respond to accidents once they occur to minimize injuries and prevent deaths.

Although the farm safety and rescue program has helped reduce farming fatalities, the department's workers "still have a lot to do on ATV safety," Dobson said.

Rep. Tom McKee, D-Cynthiana, asked Dobson if there was a "silver bullet" response to improving farm safety. Roll bars and seat belts on tractors eliminate 90 percent of accidents, Dobson replied.

Agriculture Commissioner Richie Farmer talks about the testing conducted in his department's motor fuel laboratory while Rep. Royce Adams, D-Dry Ridge, (left) and Sen. Joey Pendleton, D-Hopkinsville, listen.

Photo by Rob Weber / LRC Public Information

Farmer said he was glad that legislators had the opportunity to visit his department to see the work that's being done. "We're an agricultural state. Just last year we had farm cash receipts of $4.7 billion," Farmer said.

Energy bill,
from page 1

ing forward to playing whatever role we can in moving forward."

On a motion by Sen. David Boswell, D-Owensboro, the subcommittee passed a resolution to recommend to the 2010 General Assembly that Kentucky's resources be combined with available federal and other states' resources to move forward on the use of carbon dioxide outside of the realm of carbon capture and storage.

"We've talked about coal conversion. We've talked about utilization of Fischer-Tropsch synthesis, we've talked about all these things. We've not only talked, we've spent hundreds of millions of state and federal dollars in the process. And we've come to the conclusion that we can do all these things if we just figure out what to do with carbon dioxide," Boswell said. "What's been said here today I think exemplifies the desire of this Legislature to move forward and kind of quit talking about it and let's pull all these resources together."

Carbon capture and storage involves removing carbon dioxide from fossil fuels and storing it hundreds of meters below ground indefinitely.

Kentucky wine industry maturing nicely, lawmakers told

by Rob Weber
LRC Public Information

Kentucky's grape and wine industry continues to grow – not just in the quantity of wine produced, but in quality as well, lawmakers were told during the July 10 meeting of the Licensing and Occupations Committee.

Still, some small farm winemakers are looking to Frankfort for help with the next step they say will help their industry: Sunday wine sales.

Chuck Smith, an owner of Smith-Berry Vineyards and Winery in New Castle, told lawmakers that although his business partially depends on tourists visiting his tasting room, he has to turn away people on Sundays since he's not allowed to sell wine then in his area. "They get a little mad about it," he said.

Losing Sunday customers in that manner is "a double negative" in some winemakers' eyes, said Mac Stone, executive director of the Kentucky Department of Agriculture's marketing office. "They don't just not get that sale. They feel that person won't be coming back," he said.

Currently, it's up to local governments to determine whether Sunday alcohol sales are allowed, and that's an issue some local leaders don't want to case votes on, Smith said. He'd rather see state leaders step in to allow Sunday sales at wineries like his.

Losing Sunday customers in that manner is "a double negative" in some winemakers' eyes.

Rep. Darrell Owens, D-Louisville, questioned whether lawmakers would want to take away the decision-making on Sunday wine sales from local governments. "If the community speaks, then the community speaks," he said.

Richmond winemaker Lowell Land responded that he sees the issue as one of personal rights. If Sunday wine sales were allowed, then "if you want to come to my place on Sunday, you can. If you don't want to, you don't have to," he said.

The grape-growing and winemaking business is still a relatively young industry in Kentucky. Although Kentucky was known as a grape-producing state early in the nation's history, Prohibition erased the industry. But it appears to be making a comeback.

There were only four small farm wineries in Kentucky in 2003. Today there are more than 50. Lawmakers got to see one of those small farm wineries today during their meeting at Smith-Berry Vineyard and Winery.

They met in a converted dairy barn that today contains some of the oak barrels used to age wine at Smith-Berry.

Rep. Rick Rand, D-Bedford, said the success of Kentucky's vineyards and wineries will continue to grow.

"I believe these wineries will be a signature industry in Kentucky," he said.

"I think we're seeing the birth of an industry here."

Lawmakers hear concerns about special education

by Chuck Truesdell
LRC Public Information

MIDWAY — Concerns about how students are diagnosed with special education needs, financing of their education, and assessment standards were among the issues addressed in a report discussed by the Interim Joint Committee on Education at its July 13 meeting.

Legislative researchers with the Office of Education Accountability presented their findings to the panel, which was meeting at Midway College. Among the findings was that while the local committee that determines special needs eligibility may include health professionals in addition to parents and educators, the diagnosticians are not mandatory.

> Assessment of students with disabilities also presents a problem, the report said.

When Kentucky children ages 3-5 are compared to national identification rates, Kentucky children are twice as likely to be diagnosed with a disability. Because Kentucky's preschool program is not universal but has specific provisions for special needs students, there is an incentive for a student to be diagnosed, researchers said.

When students age 6-21 are considered, the discrepancy is greatly reduced. In 2006, that gap was 1 percentage point, with a national rate of 9 percent and Kentucky at 10 percent. Still, the report found, there is incentive for students to be diagnosed with a disability, because of the Individualized Education Program and certain aids allowed to those students, including extra time for tests and having tests read to them.

Another related issue to contend with is financing of special education, the report found. The state's SEEK formula, which gives money to local school districts based on attendance, gives added weight to special needs students, with more severe disabilities resulting in higher funding levels. Local school districts with the lowest wealth tend to have a higher percentage of students with disabilities, and that number is growing, while higher-wealth districts have fewer students diagnosed, and the numbers are remaining fairly constant.

Even so, when special needs revenue is compared to the money spent on special education, the higher-wealth districts spent more than they received, while lower-wealth districts spent less. Statewide, there was a $38 million gap in 2007, with more money being spent than distributed to local districts.

One formula used by a minority of states is to allot special education funds based on total student population rather than special needs population, the report noted.

Assessment of students with disabilities also presents a problem, the report said. The federal No Child Left Behind Act sanctions schools that receive Title I money if they do not show proficiency across all demographics, including students with disabilities.

Only 15 percent of elementary schools show reading scores for disabled students that are on track to meet goals in 2010, while only 3 percent of middle and high schools are meeting the pace. In math, the numbers shrink to 5 percent of elementary schools, 1 percent of middle schools, and no high schools. This pushes some school administrators to actually beg off from federal funding because of the federal sanctions that will eventually come with it, even those showing steady progress.

Most states are in the same situation, the researchers said, which could suggest that either NCLB standards are too stringent.

"There is, as yet, no proof that students with disabilities as a group can meet the same proficiency targets as students without disabilities," the report said.

The report is accessible on the General Assembly's web site at http://lrc.ky.gov as Research Report No. 358.

LRC Publications

Informational Bulletins

229 General Assembly Action 2009 Regular Session

228 Final Reports of the Interim Joint, Special, and Statutory Committees 2008

227 Issues Confronting the 2009 General Assembly An update of Informational Bulletin No. 224 (2008)

226 General Assembly Action, Regular Session 2008

225 Final Reports of the Interim Joint, Special and Statutory Committees (2007)

224 Issues Confronting the 2008 General Assembly

223 General Assembly Action, Regular Session 2007

222 Final Reports of the Interim Joint, Special, and Statutory Committees (2006)

221 Issues Confronting the 2007 General Assembly

220 General Assembly Action, Regular Session 2006

219 Final Reports of the Interim Joint Special and Statutory Committees (2005)

218 Issues Confronting the 2006 General Assembly

217 General Assembly Action, Regular Session 2005

216 Final Reports of the Interim Joint, Special and Statutory Committees (2004)

215 Issues Confronting the 2005 General Assembly, An Update of Information Bulletin No. 212

214 General Assembly Action, Regular Session 2004

Research Reports

359 Costs of providing services to unauthorized aliens can be estimated for some programs,but overall costs and benefits are unknown.

358 Review of special education in kentucky

357 Reentry Programs For Felons Should Be Improved and Outcome Measures Should Be Developed (2008)

356 The Costs of College and High School Textbooks in Kentucky (2008)

355 Kentucky District Data Profiles (2008)

354 Understanding How Tax Provisions Interact With the SEEK Formula (2008)

353 A Review of the Extended School Services Program (2008)

2009

KENTUCKY

General Assembly

Senate

Walter Blevins, Jr.
777 Broadway
West Liberty 41472-1023
Work 606-743-1212
Home 606-743-1200
FAX 606-743-1214

Charlie Borders
Room 204
State Capitol Annex Frankfort 40601
Home 606-475-0237

David E. Boswell
5591 Panther Creek Park Drive
Owensboro 42301
Home 270-771-4921
Fax 270-926-9047

Tom Buford
409 W. Maple Nicholasville 40356
Home/FAX 859-885-0606

Julian M. Carroll
Room 229 Capitol Annex
Frankfort 40601
Work 502-564-8100

Perry B. Clark
5716 New Cut Road Louisville 40214
Home 502-366-1247

Julie C. Denton
1708 Golden Leaf Way
Louisville 40245
Home 502-489-9058

Carroll Gibson
PO Box 506 Leitchfield 42755
Work 502-564-8100
Home 270-230-5866

David P. Givens
PO Box 12 Greensburg 42743
Work 502-564-8100

Denise Harper Angel
2521 Ransdell Ave. Louisville 40204
Home 502-452-9130

Ernie Harris
PO Box 1073
Crestwood 40014
Home 502-241-8307

Tom Jensen
303 S. Main Street London 40741
Home 606-878-8845

Ray S. Jones II
PO Drawer 3850 Pikeville 41502
Work 606-432-5777
FAX 606-432-5154

Dan Kelly
324 W. Main Springfield 40069
Work 859-336-7723
Home 859-336-9048

Alice Forgy Kerr
3274 Gondola Dr. Lexington 40513
Home 859-223-3274

Robert J. "Bob" Leeper
229 South Friendship Paducah 42003
Work 270-554-9637
Home 270-554-2771
FAX 270-554-5337

Vernie McGaha
4787 W. Hwy. 76
Russell Springs 42642
Home 270-866-3068

Gerald A. Neal
462 S. 4th St., Ste. 2150
Louisville 40202
Work 502-584-8500
Home 502-776-1222
FAX 502-584-1119

R.J. Palmer II
1391 McClure Road Winchester 40391
Home 859-737-2945

Joey Pendleton
905 Hurst Dr. Hopkinsville 42240
Home 270-885-1639
FAX 270-885-0640

Mike Reynolds
PO Box 4000 Bowling Green 42102
Work 502-564-8100

Jerry P. Rhoads
PO Box 2002
Madisonville 42431
Work 270-825-1490
Home 270-825-2949

Dorsey Ridley
4030 Hidden Creek Drive
Henderson 42420
Home 270-826-5402
Work 270-869-0505

John Schickel
PO Box 991 Union 41091
Home 859-384-7506

Dan "Malano" Seum
1107 Holly Ave. Fairdale 40118
Work 502-564-2450
Home 502-749-2859

Tim Shaughnessy
302 E. Muhammad Ali Blvd.
Louisville 40202
Work 502-584-1920

Brandon Smith
350 Kentucky Blvd.
Hazard 41701
Home 606-436-4526
Home FAX 606-436-2398

Kathy W. Stein
364 Transylvania Park Lexington 40508
Work 859-225-4269
Home 859-252-1500

Katie Kratz Stine
21 Fairway Drive Southgate 41071
Work 502-564-3120
Home 859-781-5311

Robert Stivers II
207 Main Street Manchester 40962
Work 606-598-2322
Home 606-598-8575
FAX 606-598-2357

Gary Tapp
308 Fishermen Circle Shelbyville 40065
Home 502-633-2304

Damon Thayer
102 Grayson Way Georgetown 40324
Home 859-621-6956
FAX 502-868-6086

Elizabeth Tori
2851 S. Wilson Rd. Radcliff 40160
Home 270-351-1829
FAX 270-351-1829

Johnny Ray Turner
85 Kentucky Route 1101 Drift 41619
Work 502-564-6136
Home 606-377-6962

Jack Westwood
209 Graves Ave. Erlanger 41018
Home 859-344-6154

David L. Williams
PO Box 666
Burkesville 42717
Work 270-864-5636
Home 270-433-7777

Kenneth W. Winters
1500 Glendale Road Murray 42075
Home 270-759-5751

Ed Worley
PO Box 659 Richmond 40476
Home 859-625-5536
FAX 859-623-6557

House of Representatives

Royce W. Adams
580 Bannister Rd. Dry Ridge 41035
Work 859-824-3387
Home 859-428-1039

Rocky Adkins
PO Box 688 Sandy Hook 41171
Work 606-928-3433
Home 606-738-4242
FAX 606-929-5213

John A. Arnold, Jr.
1301 N. Lee Sturgis 42459
Work 270-333-4641

Eddie Ballard
PO Box 1736 Madisonville 42431
Work 270-821-4767
Home 270-821-6255

Linda Howlett Belcher
4804 Hickory Hollow Lane
Shepherdsville 40165
Work 502-564-8100
Home 502-957-2793

Johnny Bell
108 North Green St. Glasgow 42141
Work 270-651-7005
Home 270-590-0110

Kevin D. Bratcher
10215 Landwood Drive
Louisville 40291
Home 502-231-3311

Scott W. Brinkman
6001 Two Springs Lane
Louisville 40207
Home 502-893-8769
FAX 502-894-0210

Thomas J. Burch
4012 Lambert Ave.
Louisville 40218
Home 502-454-4002

Dwight D. Butler
PO Box 9 Harned 40144
Work 270-756-5931
Home 270-756-0100

John "Bam" Carney
341 Pembroke Way Campbellsville
42718
Work 502-564-8100
Home 270-465-5400

Mike Cherry
803 S. Jefferson Princeton 42445
Home 270-365-7801

Larry Clark
5913 Whispering Hills Blvd.
Louisville 40219
Home 502-968-3546

Hubert Collins
72 Collins Dr. Wittensville 41274
Home 606-297-3152

Leslie Combs
245 E. Cedar Drive Pikeville 41501
Work 606-433-4317
Home 606-477-6672

James R. Comer, Jr.
PO Box 338 Tompkinsville 42167
Home 270-487-5585

Tim Couch
PO Box 710 Hyden 41749
Home/FAX 606-672-8998

Will Coursey
PO Box 467 Benton 42025-0467
Home 270-527-4610
Work 270-527-4610

Jesse Crenshaw
121 Constitution Lexington 40507
Work 859-259-1402
Home 859-252-6967
FAX 859-259-1441

Ron Crimm
PO Box 43244 Louisville 40253
Work 502-400-3838
Home 502-245-8905

Robert R. Damron
231 Fairway West Nicholasville 40356
Home 859-887-1744

Jim DeCesare
PO Box 122 Rockfield 42274
Home 270-792-5779
Home FAX 888-275-1182
Work 270-792-5779

Mike Denham
306 Old Hill City Road Maysville 41056
Home 606-759-5167

Bob M. DeWeese
6206 Glen Hill Rd. Louisville 40222
Home 502-426-5565

Myron Dossett
491 E. Nashville St. Pembroke 42266
Home 270-475-9503

Ted Edmonds
1257 Beattyville Road Jackson 41339
Home 606-666-4823

C.B. Embry, Jr.
PO 1215 Morgantown 42261
Work 270-526-6237
Home 270-791-1879

Bill Farmer
3361 Squire Oak Dr. Lexington 40515
Work 859-272-1425
Home 859-272-8675
FAX 859-272-1579

Tim Firkins
212 E. Esplanade Louisville 40214
Home/FAX 502-367-2981

Joseph M. Fischer
126 Dixie Place Fort Thomas 41075
Work 513-794-6442
Home 859-781-6965

Kelly Flood
121 Arcadia Park Lexington 40503
Work 502-564-8100
Home 859-221-3107

David Floyd
102 Maywood Ave. Bardstown 40004
Home 502-350-0986

Danny Ford
PO Box 1245 Mt. Vernon 40456
Work 606-678-0051
Home 606-256-4446

Jim Glenn
PO Box 21562 Owensboro 42304
Home 270-686-8760

Jim Gooch, Jr.
714 North Broadway B2
Providence 42450
Work 270-635-1139
Home 270-667-7327
FAX 270-667-5111

Derrick W. Graham
Room 329F Capitol Annex Frankfort 40601
Home 502-223-1769

Jeff Greer
PO Box 1007 Brandenburg 40108
Home 270-422-5100
Home FAX 270-422-5100

Keith Hall
PO Box 466 Phelps 41553
Work 606-456-3432 Ext. 25
Home 606-456-8666

Mike Harmon
633 N. 3rd St. Danville 40422
Home 859-238-7792

Richard Henderson
60 Myers Cemetery Rd. Jeffersonville 40337
Home 859-497-9265

Melvin B. Henley
1305 S. 16th Street Murray 42071
Home 270-753-3855

Jimmy Higdon
507 West Main Lebanon 40033
Work 270-692-3881
Home 270-692-6945
FAX 270-692-1111

Charlie Hoffman
406 Bourbon St. Georgetown 40324
Work 502-863-4807
Home 502-863-9796

Jeffrey Hoover
PO Box 985 Jamestown 42629
Work 270-343-5588
Home 270-343-2264

Dennis Horlander
1806 Farnsley Rd. Shively 40216
Work 502-447-2498
Home 502-447-4715

Brent Housman
2307 Jefferson Street Paducah 42001
Home 270-366-6611
Home/FAX 270-442-6394

Joni L. Jenkins
2010 O'Brien Ct. Shively 40216
Home 502-447-4324

Dennis Keene
1040 Johns Hill Road Wilder 41076
Home 859-441-5894

Thomas Kerr
5415 Old Taylor Mill Rd. Taylor Mill 41015
Work 859-431-2222
Home 859-356-1344
FAX 859-431-3463

Martha Jane King
633 Little Cliff Estate Lewisburg 42256
Home 270-657-2707
FAX 270-657-2755

Adam Koenig
3346 Canterbury Ct. Erlanger 41018
Home 859-578-9258

Jimmie Lee
901 Dogwood Drive Elizabethtown 42701
Work 270-765-6222
Home 270-737-8889

Stan Lee
PO Box 2090 Lexington 40588
Home 859-252-2202
FAX 859-259-2927

Mary Lou Marzian
2007 Tyler Ln. Louisville 40205
Home 502-451-5032

Tom McKee
1053 Cook Road Cynthiana 41031
Home 859-234-5879
FAX 859-234-3332

Reginald Meeks
PO Box 757 Louisville 40201
Work 502-772-1095

Charles Miller
3608 Gateview Circle Louisville 40272
Home 502-937-7788

Harry Moberly, Jr.
PO Box 721 Richmond 40475
Work 859-622-4997
Home 859-624-2781

Brad Montell
543 Main Street Shelbyville 40065
Work 502-633-7017
Home 502-633-7533

Tim Moore
417 Bates Rd. Elizabethtown 42701
Home 270-769-5878

Lonnie Napier
302 Danville St., Lancaster 40444
Work 859-792-2535
Home 859-792-4860

Rick G. Nelson
Rt. 3, Box 686 Middlesboro 40965
Home/FAX 606-248-8828

Fred Nesler
PO Box 308 Mayfield 42066
Work 270-623-6184
Home 270-247-8557
FAX 270-623-6431

David Osborne
PO Box 8 Prospect 40059
Work 502-645-2186
Home 502-228-3201

Sannie Overly
340 Main Street Paris 40361
Home 859-987-9879

Darryl T. Owens
1018 S. 4th St. Louisville 40203
Home 502-584-6341

Ruth Ann Palumbo
10 Deepwood Dr. Lexington 40505
Home 859-299-2597

Don Pasley
5805 Ecton Road Winchester 40391
Home 859-842-3337

Tanya Pullin
1026 Johnson Lane South Shore 41175
Work 606-932-2505

Marie Rader
PO Box 323 McKee 40447
Work 606-287-3300
Home 606-287-7303
FAX 606-287-3300

Rick Rand
PO Box 273 Bedford 40006
Work 502-255-3286
Home 502-255-3392
FAX 502-255-9911

Jody Richards
817 Culpeper St. Bowling Green 42103
Work 270-781-9946
Home 270-842-6731
FAX 270-781-9963

Steve Riggs
PO Box 24586 Louisville 40224
LRC 502-564-8100
FAX 502-564-6543

Tom Riner
1143 E. Broadway Louisville 40204
Home 502-584-3639

Carl Rollins II
PO Box 424 Midway 40347
Home 859-846-4407
Work 502-696-7474

Steven Rudy
3430 Blueridge Dr. W. Paducah 42086
Home 270-744-8137

Sal Santoro
596 Walterlot Ct. Florence 41042
Home 859-371-8840
FAX 859-371-4060

Charles Siler
3570 Tackett Creek Rd.
Williamsburg 40769
Work 606-549-0900

Arnold Simpson
112 W. 11th Street Covington 41011
Work 859-261-6577
Home 859-581-6521

Dottie Sims
459 Violet Ave. Horse Cave 42749
Home 270-786-3948

Kevin Sinnette
PO Box 1358 Ashland 41105
Home 606-324-5711
Home FAX 606-329-1430

Ancel Smith
1812 Wiley Fork Road Leburn 41831
Work 502-564-8100, ext. 668
Home 606-785-3844

John Will Stacy
PO Box 135 West Liberty 41472
Home/FAX 606-743-1516

Fitz Steele
176 Woodland Ave. Hazard 41701
Home/FAX 606-439-0556

Kent Stevens
PO Box 481 Lawrenceburg 40342
Home 502-839-5462

Jim Stewart III
545 KY 223 Flat Lick 40935
Home 606-542-5210

Wilson Stone
1481 Jefferson School Road
Scottsville 42164
Home 270-622-5054

Greg Stumbo
Box 1473 108 Kassidy Drive
Prestonsburg 41653
Home 606-886-9953

Tommy Thompson
PO Box 458 Owensboro 42302
Home 270-926-1740
FAX 270-685-3242

John Tilley
PO Box 1065 Hopkinsville 42241
Home 270-881-4717
Work 270-886-6800
FAX 270-885-7127

Tommy Turner
175 Clifty Grove Church Road
Somerset 42501
Home 606-274-5175

Ken Upchurch
PO Box 969 Monticello 42633
Work 606-340-8490

David Watkins
5600 Timberlane Dr. Henderson 42420
Home 270-826-0952
FAX 270-826-3338

Jim Wayne
1280 Royal Ave. Louisville 40204
Work 502-451-8262

Robin L. Webb
404 West Main Street Grayson 41143
Home 606-474-5380

Alecia Webb-Edgington
1650 Chestnut Ct. Fort Wright 41011
Home 859-426-7322

Ron Weston
423 Chieftain Drive Fairdale 40118
502-564-8100

Susan Westrom
PO Box 22778 Lexington 40522-2778
Work 859-266-7581

Addia Wuchner
PO Box 911 Burlington 41005
Work 859-525-6698

Brent Yonts
232 Norman Circle Greenville 42345
Work 270-338-0816
Home 270-338-6790
FAX 270-338-1639

Committee Meetings

Index

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Postsecondary Education
Minutes of the 1st Meeting
of the 2009 Interim
June 4, 2009

The first meeting of the Budget Review Subcommittee on Postsecondary Education of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, June 4, 2009, at 10:00 AM, in Room 154 of the Capitol Annex. The meeting was held jointly with the Budget Review Subcommittee on Primary and Secondary Education of the Interim Joint Committee on Appropriations and Revenue. Representative Tommy Thompson, Co-Chair of the Budget Review Subcommittee on Primary and Secondary Education, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Arnold Simpson, Co-Chair; Senator Tim Shaughnessy, Representatives Jim DeCesare, Kelly Flood, Jim Glenn, Melvin Henley, Reginald Meeks, Harry Moberly, Jody Richards, Carl Rollins, and Kevin Sinnette. Members of the Budget Review Subcommittee on Primary and Secondary Education present were: Representative Tommy Thompson, Co-Chair; Senator Tim Shaughnessy, Representatives Will Coursey, Ted Edmonds, Jimmy Higdon, Charles Miller, Rick Nelson, Carl Rollins, Dottie Sims, and Kent Stevens.

Guests: Joe Meyer, Deputy Secretary, Education and Workforce Development Cabinet; Dr. Larry Stinson, Interim Deputy Commissioner, Debbie Hicks, Director of the Division of Federal Programs and Instructional Equity, and Larry Taylor, Director of the Division of Exceptional Children, of the Kentucky Department of Education; and Robert King, President, Dr. John Hayek, Vice President of Finance, Planning, and Performance, and Sherron Jackson, Assistant Vice President of Equal Opportunity and Finance, of the Council on Postsecondary Education.

LRC Staff: Linda Jacobs Ellis, Tracy Goff Herman, Jonathan Lowe, Greg Rush, and Spring Emerson.

Chairman Thompson began by announcing that the meeting was being held jointly with the Budget Review Subcommittee on Primary and Secondary Education, and mentioned the very strong possibility of continuing to meet jointly throughout the Interim. He then welcomed Joe Meyer, Deputy Secretary, Education and Workforce Development Cabinet, who gave a brief overview of the American Recovery and Reinvestment Act (ARRA) as it relates to the cabinet and its agencies.

Representative Moberly asked how the ARRA funds fit into the context of the Governor's budget proposal. Mr. Meyer replied that most of the programs being discussed are federally funded, with Vocational Rehabilitation and the Office of the Blind programs requiring a state General Fund match. The Office for Career and Technical Education (OCTE) operates a system of 53 area technology centers at high schools that serve multi-district programs, and if there were areas that merited a lack of additional cuts, one of them would be the OCTE as they have received the full brunt of every budget cut so far. There are no stimulus funds set aside for the OCTE, and there is a significant demand for their services. They have been protected from personnel cuts to date, but as people retire or resign, those positions cannot be filled due to budget restraints. Representative Moberly asked if some of the cabinet would be affected by the 2.6% cut, rather than being straight-lined in all areas. Mr. Meyer replied in the affirmative. Representative Moberly asked if the stimulus funds are restricted to categories and cannot be used to backfill other areas. Mr. Meyer agreed.

Representative Meeks inquired about the condition of the Unemployment Office in the downtown area of Louisville, and asked how those needs are being addressed. He also inquired about whether stimulus funds will be used to hire a number of temporary workers in Jefferson County, and if they will be paid more than the full-time state employees. Mr. Meyer stated that he is aware of issues in Jefferson County as well as other parts of the state. He said that the agency was completely overwhelmed by the severity and steepness of the economic downturn, and had little opportunity to prepare for it, so all adjustments had to be made on the fly. The demand on the computer system was so severe that it would crash at least one day per week, indicating a need to expand and upgrade. The air conditioning system at Sixth Street in Louisville should be replaced. The employees in question are state employees working in the Federally Funded Time Limited (FFTL) capacity, and will have the same job classifications with the same pay ranges as the merit system employees already in place. The interim people will not be paid more than current employees.

Representative Meeks expressed his appreciation and thanks for the openness and cooperation he has received from the agency.

Mr. Meyer stated that with all the problems and challenges the Unemployment Insurance agency faces, he would be remiss if he did not point out that the employees have gone to extraordinary end to do the best job they can under the circumstances, responding to unimaginable demands.

Representative Meeks asked if federal stimulus funds will be used to update the computer system. Mr. Meyer replied that some temporary fixes to expand its capacity have been made to deal with the current demand levels, but the queue system needs to be migrated off the mainframe so that it will become a much more cost effective and usable system.

Representative Simpson asked how much more borrowed money is anticipated in the next year and what are the terms of repayment to the federal government. Mr. Meyer replied he is unwilling to make an estimate as to how much will need to be borrowed for the rest of the year, but will say that they are currently spending over $100 million a month in benefits through the Unemployment Insurance program and will collect approximately $350 million in taxes this calendar year. He added as part of the stimulus package the federal government has forgiven the interest until 2011, and if they had not done that, the current rate would have been 4.25%.

Representative Simpson asked what the repayment terms are and if there are policies being developed in the cabinet to create more funding to augment the obligations, perhaps from employers. Mr. Meyer replied there is not a fixed repayment schedule; however, if not repaid within a certain time frame, the employers will begin to lose some of their federal unemployment tax credit. The approach being taken is through the Governor's Task Force on Unemployment Insurance, which has been asked to look at the entire unemployment picture for trust fund solvency issues and identify changes in the program that could cause the trust fund cash flows to come back into balance. The report from that Task Force is expected by October or November of this year. Just recently, two of the nation's leading unemployment insurance economists were hired, Wayne Broman from the Urban Institute in Washington, and Chris O'Leary from Michigan, and will be at the next Task Force meeting on June 10 to lay out their program to identify options and act as the expert resource for the cabinet.

Chairman Thompson asked if it is expected to begin paying principal in 2011 as well as interest. Mr. Meyer replied that it is uncertain at this time. He added that it would be included in the strategy being developed by the Task Force.

Chairman Thompson asked if the cabinet is pursuing any competitive grants that are available globally through the stimulus program. Mr. Meyer replied that they are still in the process of identifying any available grant opportunities.

Chairman Thompson thanked Deputy Secretary Meyer for his presentation. He then welcomed Dr. Larry Stinson, Interim Deputy Commissioner for the Department of Education.

Dr. Stinson began by explaining the contents of the handouts relating to their presentation. He stated that an item that would be found very useful was a handout discussing ARRA funding sources which contains a concise distillation of items within the ARRA that are available for public schools. Another item included in the packet was a list of activities that the Department of Education has engaged in relative to the ARRA and working through the process. He then introduced Debbie Hicks, Director of the Division of Federal Programs and Instructional Equity, and Larry Taylor, Director of the Division of Exceptional Children. He added that they will give overviews of programs that have already received ARRA funds and given notices to the school districts.

Ms. Hicks gave a presentation regarding Title I Part A program allocations which are designed to assist students that are considered at-risk in high poverty schools. She said the allocations come from the federal government based on census poverty levels and are one-time-only funds, of which half has been awarded and allocated to the school districts. It is anticipated that the other half will be awarded by September 30, 2009. The total amount of the award for Kentucky was slightly more than $155 million. She added that they have been working with the districts in helping them to understand how they can use these funds, which are very restricted and must follow the same guidelines as the regular Title I Part A funds, which means they have to be focused on instruction, student improvement, and professional development for staff. She also mentioned they are reimbursement funds and explained that each district spends the funds and sends a federal cash request to the department, who then reimburse the district from the federal allocation.

Ms. Hicks explained that the Title I School Improvement Section 1003(g) fund is a fairly new allocation and has not yet been received from the federal government for this year. She said it is targeted specifically to schools in corrective action or restructuring under the No Child Left Behind Act, which in Kentucky's case means Tier 3, 4, and 5 schools are eligible for the funds. Another application must be submitted indicating how the funds will be used, and the application requirements should be revealed by September.

Ms. Hicks said Title V Part C is the Homeless Education grant, of which

Kentucky received $1.3 million. She said that typically the Homeless Education grant is a competitive process, but with the ARRA funds a formula basis is allowed, or a combination of formula and competitive process. Kentucky chose the formula basis due to the number of districts supported being limited, which will allow those districts to receive a base amount and a per-pupil amount on top of the base.

Mr. Taylor gave a presentation regarding ARRA funds pertaining to students with disabilities. He explained that, of the Part B and Part C of the Individuals with Disabilities Education Act (IDEA), in Kentucky the Part C grant is housed in the Cabinet for Health and Family Services, so his presentation today is regarding Part B which is for students with disabilities ages 3 through 21. The ARRA funding pertaining to IDEA is a one-time allotment of $167 million, with a time frame for spending being retroactive to February 17 when the bill was signed, and goes for 27 months from that time. School districts have received 50% of the ARRA funds, with the other half of the funds to be made available October 1.

Representative Sims asked if some of the funds would be lost or if they were elected to be carried forward to the next fiscal year. Mr. Taylor replied that the funds can be carried forward and will not be lost.

Representative Flood asked how the interim period in CATS testing shifts would impact the spreading of the funds and if there would be enough information available to determine what are Tier 3, 4, and 5 schools. Ms. Hicks replied in the affirmative, explaining that Tier status is directly related to the NCLB adequate yearly progress report which is a separate report for the federal government. Representative Flood asked that information regarding those schools and their locations be provided to her at a later date.

Representative Flood requested information regarding additional costs related to educating children with disabilities. Mr. Taylor replied that examples would be students requiring special transportation, speech therapy, occupational therapy, physical therapy, etc. Representative Flood asked if the additional costs would impact the ability to offer new programming for children with disabilities, or if ARRA funds are only for existing services already being provided. Mr. Taylor answered that currently school districts are required to provide free and appropriate education for any student with disabilities, and most of the districts do a phenomenal job with the services already in place. He said that there are existing data sources and plans on what is needed to continuously improve outcomes for kids with disabilities, which sometimes involves more optimal services than those appropriate services already in place.

Dr. Stinson added that while a district may use the additional one-time federal funds to expand current services, the funds will not continue indefinitely, so there is a concern that the ability to continue that service would no longer exist. Representative Flood requested information regarding which districts would be interested in optimal services and what services they chose to optimize. Representative Flood commented that while the additional federal funds are welcomed, there is also more labor intensive tracking of funds, and she expressed her appreciation and honor for that work.

Representative Henley commented that the ARRA funds were designed at the federal level to augment the decrease in school taxes collected due to nationally eroded property tax values. He added that property reassessments will take some time.

Representative Meeks asked if the School for the Blind is eligible to receive ARRA funds, and if so, how much. Mr. Taylor replied that the School for the Blind and the School for the Deaf are both state schools that are eligible to receive ARRA funds under IDEA. He added that due to the number of students and the formula used, the amount received is less than $100,000 for the two schools combined. Representative Meeks asked if there is any flexibility on the part of the department to allow them to receive additional funds due to the nature of the services the schools provide. Mr. Taylor answered there is not, due to no provision being set aside for state IDEA dollars under the stimulus package. Representative Meeks asked if there were other funds they could potentially be eligible for. Ms. Hicks stated they are not eligible for Title I funds because they are state schools.

Representative Moberly commented that the SEEK formula distributes additional money for individuals with disabilities and asked if the Governor's budget proposal anticipates schools would receive less SEEK money. Mr. Taylor replied that the formula for SEEK add-on dollars for students with disabilities would remain the same and those state dollars would continue to go to local school districts. The flexibility that local school districts have is that annual determinations are made for programs in each school district, and if a district meets the requirements they have the ability to reduce their maintenance of effort by 50% of the increase of money over the allocation of the previous year.

Representative Moberly stated that the districts may use additional IDEA dollars to free up their SEEK funding for individuals with disabilities and use it for something else. Mr. Taylor said there are additional stipulations and the funds can only be used according to Title I guidelines.

Senator Shaughnessy commented that if the SEEK formula doesn't adequately take care of the students at the School for the Blind, then perhaps the SEEK formula needs to be looked at more closely. Dr. Stinson stated that SEEK money doesn't go to the School for the Blind or the School for the Deaf, and that those state schools are a line-item allocation in the state budget.

Representative Flood requested that the information regarding competitive grants under IDEA be provided to her when it is received.

Representative Meeks asked if ARRA funds are available for state institutions to help with capital projects. Dr. Stinson replied that he would have to defer that question to the next presenter, Dr. Robert King, regarding higher education institutions. He added that in terms of the school districts, there is not as much opportunity to use the federal funds as had been originally thought. There is some money that could be used under some of the Title I enhancement grants as well as the State Fiscal Stabilization Fund if they have spent dollars on items as intended within the state ARRA first, then they could use some of that for construction but it is low on the list of priorities for those funds.

Chairman Thompson inquired about the search for a new Commissioner. Dr. Stinson replied that the State Board hired a consultant to help with the process, ads were placed, approximately sixty applications were received, and the board is to meet next week to review the applications and make plans to have the first round of interviews on June 15 and 16. Early in July the consultants will share their findings with the State Board and at that point it will be determined if a second round of interviews will be necessary, which will probably occur in mid-July. They are still on track with the intention of having the new person in the position effective August 1, dependent upon the individual's availability.

Chairman Thompson inquired about the financial condition of the school districts and their preparations for the upcoming school year. Dr. Stinson replied that it varies according to the particular situation, adding that districts are in differing circumstances in terms of their carryover balances and their contingency funds. He said that there is uncertainty with what will happen with state funding as well as how the federal dollars can be brought into play, and as a result districts have had to take actions that give them flexibility once they learn what their funding sources will be. He added that they are taking it very seriously and trying to minimize the impact on instruction as much as possible.

Representative Edmonds asked if there were many school systems around the state denied a large number of the ten disaster days, and how many would have had to have gone through a second application process to prove they are deserving of more days than they were initially told they would get. Dr. Stinson said he did not have the specifics on that, but there were approximately 60 districts that did make application. There was a very low number that did not meet some of the criteria, perhaps fewer than ten. He added that most of those still could meet the requirements of the calendar expectations without needing the extra disaster days. There were four or five that resubmitted their applications.

Chairman Thompson thanked them for their informative presentation, and suggested that they aggressively pursue competitive grants and apprise the districts of those opportunities. He then welcomed Robert King, President of the Council on Postsecondary Education, and asked him to introduce the colleagues with him.

President King introduced Dr. John Hayek, Vice President of Finance, Planning, and Performance, and Sherron Jackson, Assistant Vice President of Equal Opportunity and Finance, for the Council on Postsecondary Education (CPE). He then gave a brief overview of where the universities are with respect to finances, the effect of the stimulus legislation, and cost containment strategies in use by the campuses.

Representative Simpson asked how ARRA funding relates to need-based scholarships and if there is any flexibility allowed for this. President King replied that within the federal stimulus funds, there are no restrictions that would prohibit that money from being used by an institution for need-based aid, and the decision would be made at the each campus and would be a function of their budget and their various needs. He added that the Higher Education Workgroup made a series of recommendations this spring which included a total reevaluation of financial aid resources, how they are used, and how they may be better structured to address need-based aid in Kentucky.

Senator Shaughnessy inquired about the broad flexibility of how the stimulus funds are spent. President King answered that when the new budget is adopted, what used to be a total source of funds from the state General Fund would now be some increment less than what was given to the universities in 2009, and whatever the difference is between the state's portion in 2010 and that in 2009 would be picked up by federal stimulus dollars. The only limitations in terms of utilization of those dollars would be that it cannot be used for swimming pools or casinos, and perhaps a couple of other limitations of the same type. The campuses will have fairly significant freedom to decide how to use the funds within their operating budgets, so if they chose to apply some of it to need-based aid, they certainly could do that.

Representative Meeks inquired about flexibility regarding capital projects. Mr. Jackson replied that the portion of the ARRA funds that are available to postsecondary education allows by definition that institutions may be able to use those dollars for remodeling, renovation, energy conservation, etc. This is dependent upon how the Governor describes the use of those funds as they are allocated to postsecondary institutions. Representative Meeks asked if the CPE was advising the Governor to maximize that flexibility. President King replied in the affirmative, adding that because the federal stimulus fund is one-time money, the campuses are being encouraged to apply these dollars in ways that do not create recurring obligations. The use of the funds to perform deferred maintenance such as repair of air, electrical, or sewer systems are the kinds of things that a campus might choose to do. He went on to say that there is a program that the legislature initiated a couple of years ago called Regional Stewardship, and the campuses that participate in that program take it very seriously, and embedded in that is the recognition that those campuses try to behave in a way that is sensitive to and responsive to the needs of their local communities.

Representative Henley asked if there has been an increase in the number of advanced degrees. President King replied in the affirmative. Representative Henley inquired about Science, Technology, Engineering, and Mathematics (STEM) advanced degrees. President King replied that he would provide that information to him at a later date. Representative Henley stated that at one time the Kentucky National Guard paid for textbooks, tuition, and room and board for postsecondary education with a four-year commitment, and asked if they still do that. Dr. Hayek replied that he thought the program was still in place, and would check on it and provide the information later.

Representative Moberly welcomed President King to Kentucky and pointed out that he also has a legislative background by serving in New York's state legislature. He commended President King for his performance in the short time he has been with CPE.

Representative Moberly commented that all of the institutions use their own operating funds for financial aid over and above the federal and state financial aid that's available, so no student is denied the ability to attend college. There are significant amounts of need-based and merit-type aid available at the institutions from those operating funds, which have been preserved from budget cuts because they are discretionary funds. He asked if the ARRA funds could be used for the type of performance contracts that increase energy savings. Mr. Jackson replied that given the statutory provisions provided by the state, the savings from those contracts are to be used to pay off those contracts; however, for new energy opportunities those dollars can be used to pursue energy savings and energy saving projects on the campuses. Representative Moberly asked if the stimulus money can be spent to supplement state money on new construction. Mr. Jackson replied that in the instance of a shovel-ready project, the answer would be yes.

Representative Moberly thanked President King for making the information available and encouraged him to continue to provide information from the institutions on a regular basis.

Senator Shaughnessy inquired about the use of ARRA funds, asking if they can be used to fulfill obligations according to the stipulations outlined in the state budget, or if it could be spent for something outside that scope. President King answered that the same expectations described in the state budget would be fulfilled, regardless of funding source.

There being no further discussion, the meeting was adjourned at 12:08 P.M.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Primary and Secondary Education
Minutes of the 1st Meeting
of the 2009 Interim
June 4, 2009

The first 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 4, 2009, at 10:00 AM, in Room 154 of the Capitol Annex. The meeting was held jointly with the Budget Review Subcommittee on Postsecondary Education of the Interim Joint Committee of Appropriations and Revenue. Representative Tommy Thompson, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Tommy Thompson, Co-Chair; Senator Tim Shaughnessy, Representatives Will Coursey, Ted Edmonds, Jimmy Higdon, Charles Miller, Rick Nelson, Carl Rollins, Dottie Sims, and Kent Stevens. Members of the Budget Review Subcommittee on Postsecondary Education present were: Representative Arnold Simpson, Co-Chair; Senator Tim Shaughnessy, Representatives Jim DeCesare, Kelly Flood, Jim Glenn, Melvin Henley, Reginald Meeks, Harry Moberly, Jody Richards, Carl Rollins, and Kevin Sinnette.

Guests: Joe Meyer, Deputy Secretary, Education and Workforce Development Cabinet; Dr. Larry Stinson, Interim Deputy Commissioner, Debbie Hicks, Director of the Division of Federal Programs and Instructional Equity, and Larry Taylor, Director of the Division of Exceptional Children, of the Kentucky Department of Education; and Robert King, President, Dr. John Hayek, Vice President of Finance, Planning, and Performance, and Sherron Jackson, Assistant Vice President of Equal Opportunity and Finance, of the Council on Postsecondary Education.

LRC Staff: Linda Jacobs Ellis, Tracy Goff Herman, Jonathan Lowe, Greg Rush, and Spring Emerson.

Chairman Thompson began by announcing that the meeting was being held jointly with the Budget Review Subcommittee on Postsecondary Education, and mentioned the very strong possibility of continuing to meet jointly throughout the Interim. He then welcomed Joe Meyer, Deputy Secretary, Education and Workforce Development Cabinet, who gave a brief overview of the American Recovery and Reinvestment Act (ARRA) as it relates to the cabinet and its agencies.

Representative Moberly asked how the ARRA funds fit into the context of the Governor's budget proposal. Mr. Meyer replied that most of the programs being discussed are federally funded, with Vocational Rehabilitation and the Office of the Blind programs requiring a state General Fund match. The Office for Career and Technical Education (OCTE) operates a system of 53 area technology centers at high schools that serve multi-district programs, and if there were areas that merited a lack of additional cuts, one of them would be the OCTE as they have received the full brunt of every budget cut so far. There are no stimulus funds set aside for the OCTE, and there is a significant demand for their services. They have been protected from personnel cuts to date, but as people retire or resign, those positions cannot be filled due to budget restraints. Representative Moberly asked if some of the cabinet would be affected by the 2.6% cut, rather than being straight-lined in all areas. Mr. Meyer replied in the affirmative. Representative Moberly asked if the stimulus funds are restricted to categories and cannot be used to backfill other areas. Mr. Meyer agreed.

Representative Meeks inquired about the condition of the Unemployment Office in the downtown area of Louisville, and asked how those needs are being addressed. He also inquired about whether stimulus funds will be used to hire a number of temporary workers in Jefferson County, and if they will be paid more than the full-time state employees. Mr. Meyer stated that he is aware of issues in Jefferson County as well as other parts of the state. He said that the agency was completely overwhelmed by the severity and steepness of the economic downturn, and had little opportunity to prepare for it, so all adjustments had to be made on the fly. The demand on the computer system was so severe that it would crash at least one day per week, indicating a need to expand and upgrade. The air conditioning system at Sixth Street in Louisville should be replaced. The employees in question are state employees working in the Federally Funded Time Limited (FFTL) capacity, and will have the same job classifications with the same pay ranges as the merit system employees already in place. The interim people will not be paid more than current employees.

Representative Meeks expressed his appreciation and thanks for the openness and cooperation he has received from the agency.

Mr. Meyer stated that with all the problems and challenges the Unemployment Insurance agency faces, he would be remiss if he did not point out that the employees have gone to extraordinary end to do the best job they can under the circumstances, responding to unimaginable demands.

Representative Meeks asked if federal stimulus funds will be used to update the computer system. Mr. Meyer replied that some temporary fixes to expand its capacity have been made to deal with the current demand levels, but the queue system needs to be migrated off the mainframe so that it will become a much more cost effective and usable system.

Representative Simpson asked how much more borrowed money is anticipated in the next year and what are the terms of repayment to the federal government. Mr. Meyer replied he is unwilling to make an estimate as to how much will need to be borrowed for the rest of the year, but will say that they are currently spending over $100 million a month in benefits through the Unemployment Insurance program and will collect approximately $350 million in taxes this calendar year. He added as part of the stimulus package the federal government has forgiven the interest until 2011, and if they had not done that, the current rate would have been 4.25%.

Representative Simpson asked what the repayment terms are and if there are policies being developed in the cabinet to create more funding to augment the obligations, perhaps from employers. Mr. Meyer replied there is not a fixed repayment schedule; however, if not repaid within a certain time frame, the employers will begin to lose some of their federal unemployment tax credit. The approach being taken is through the Governor's Task Force on Unemployment Insurance, which has been asked to look at the entire unemployment picture for trust fund solvency issues and identify changes in the program that could cause the trust fund cash flows to come back into balance. The report from that Task Force is expected by October or November of this year. Just recently, two of the nation's leading unemployment insurance economists were hired, Wayne Broman from the Urban Institute in Washington, and Chris O'Leary from Michigan, and will be at the next Task Force meeting on June 10 to lay out their program to identify options and act as the expert resource for the cabinet.

Chairman Thompson asked if it is expected to begin paying principal in 2011 as well as interest. Mr. Meyer replied that it is uncertain at this time. He added that it would be included in the strategy being developed by the Task Force.

Chairman Thompson asked if the cabinet is pursuing any competitive grants that are available globally through the stimulus program. Mr. Meyer replied that they are still in the process of identifying any available grant opportunities.

Chairman Thompson thanked Deputy Secretary Meyer for his presentation. He then welcomed Dr. Larry Stinson, Interim Deputy Commissioner for the Department of Education.

Dr. Stinson began by explaining the contents of the handouts relating to their presentation. He stated that an item that would be found very useful was a handout discussing ARRA funding sources which contains a concise distillation of items within the ARRA that are available for public schools. Another item included in the packet was a list of activities that the Department of Education has engaged in relative to the ARRA and working through the process. He then introduced Debbie Hicks, Director of the Division of Federal Programs and Instructional Equity, and Larry Taylor, Director of the Division of Exceptional Children. He added that they will give overviews of programs that have already received ARRA funds and given notices to the school districts.

Ms. Hicks gave a presentation regarding Title I Part A program allocations which are designed to assist students that are considered at-risk in high poverty schools. She said the allocations come from the federal government based on census poverty levels and are one-time-only funds, of which half has been awarded and allocated to the school districts. It is anticipated that the other half will be awarded by September 30, 2009. The total amount of the award for Kentucky was slightly more than $155 million. She added that they have been working with the districts in helping them to understand how they can use these funds, which are very restricted and must follow the same guidelines as the regular Title I Part A funds, which means they have to be focused on instruction, student improvement, and professional development for staff. She also mentioned they are reimbursement funds and explained that each district spends the funds and sends a federal cash request to the department, who then reimburse the district from the federal allocation.

Ms. Hicks explained that the Title I School Improvement Section 1003(g) fund is a fairly new allocation and has not yet been received from the federal government for this year. She said it is targeted specifically to schools in corrective action or restructuring under the No Child Left Behind Act, which in Kentucky's case means Tier 3, 4, and 5 schools are eligible for the funds. Another application must be submitted indicating how the funds will be used, and the application requirements should be revealed by September.

Ms. Hicks said Title V Part C is the Homeless Education grant, of which Kentucky received $1.3 million. She said that typically the Homeless Education grant is a competitive process, but with the ARRA funds a formula basis is allowed, or a combination of formula and competitive process. Kentucky chose the formula basis due to the number of districts supported being limited, which will allow those districts to receive a base amount and a per-pupil amount on top of the base.

Mr. Taylor gave a presentation regarding ARRA funds pertaining to students with disabilities. He explained that, of the Part B and Part C of the Individuals with Disabilities Education Act (IDEA), in Kentucky the Part C grant is housed in the Cabinet for Health and Family Services, so his presentation today is regarding Part B which is for students with disabilities ages 3 through 21. The ARRA funding pertaining to IDEA is a one-time allotment of $167 million, with a time frame for spending being retroactive to February 17 when the bill was signed, and goes for 27 months from that time. School districts have received 50% of the ARRA funds, with the other half of the funds to be made available October 1.

Representative Sims asked if some of the funds would be lost or if they were elected to be carried forward to the next fiscal year. Mr. Taylor replied that the funds can be carried forward and will not be lost.

Representative Flood asked how the interim period in CATS testing shifts would impact the spreading of the funds and if there would be enough information available to determine what are Tier 3, 4, and 5 schools. Ms. Hicks replied in the affirmative, explaining that Tier status is directly related to the NCLB adequate yearly progress report which is a separate report for the federal government. Representative Flood asked that information regarding those schools and their locations be provided to her at a later date.

Representative Flood requested information regarding additional costs related to educating children with disabilities. Mr. Taylor replied that examples would be students requiring special transportation, speech therapy, occupational therapy, physical therapy, etc. Representative Flood asked if the additional costs would impact the ability to offer new programming for children with disabilities, or if ARRA funds are only for existing services already being provided. Mr. Taylor answered that currently school districts are required to provide free and appropriate education for any student with disabilities, and most of the districts do a phenomenal job with the services already in place. He said that there are existing data sources and plans on what is needed to continuously improve outcomes for kids with disabilities, which sometimes involves more optimal services than those appropriate services already in place.

Dr. Stinson added that while a district may use the additional one-time federal funds to expand current services, the funds will not continue indefinitely, so there is a concern that the ability to continue that service would no longer exist. Representative Flood requested information regarding which districts would be interested in optimal services and what services they chose to optimize. Representative Flood commented that while the additional federal funds are welcomed, there is also more labor intensive tracking of funds, and she expressed her appreciation and honor for that work.

Representative Henley commented that the ARRA funds were designed at the federal level to augment the decrease in school taxes collected due to nationally eroded property tax values. He added that property reassessments will take some time.

Representative Meeks asked if the School for the Blind is eligible to receive ARRA funds, and if so, how much. Mr. Taylor replied that the School for the Blind and the School for the Deaf are both state schools that are eligible to receive ARRA funds under IDEA. He added that due to the number of students and the formula used, the amount received is less than $100,000 for the two schools combined. Representative Meeks asked if there is any flexibility on the part of the department to allow them to receive additional funds due to the nature of the services the schools provide. Mr. Taylor answered there is not, due to no provision being set aside for state IDEA dollars under the stimulus package. Representative Meeks asked if there were other funds they could potentially be eligible for. Ms. Hicks stated they are not eligible for Title I funds because they are state schools.

Representative Moberly commented that the SEEK formula distributes additional money for individuals with disabilities and asked if the Governor's budget proposal anticipates schools would receive less SEEK money. Mr. Taylor replied that the formula for SEEK add-on dollars for students with disabilities would remain the same and those state dollars would continue to go to local school districts. The flexibility that local school districts have is that annual determinations are made for programs in each school district, and if a district meets the requirements they have the ability to reduce their maintenance of effort by 50% of the increase of money over the allocation of the previous year.

Representative Moberly stated that the districts may use additional IDEA dollars to free up their SEEK funding for individuals with disabilities and use it for something else. Mr. Taylor said there are additional stipulations and the funds can only be used according to Title I guidelines.

Senator Shaughnessy commented that if the SEEK formula doesn't adequately take care of the students at the School for the Blind, then perhaps the SEEK formula needs to be looked at more closely. Dr. Stinson stated that SEEK money doesn't go to the School for the Blind or the School for the Deaf, and that those state schools are a line-item allocation in the state budget.

Representative Flood requested that the information regarding competitive grants under IDEA be provided to her when it is received.

Representative Meeks asked if ARRA funds are available for state institutions to help with capital projects. Dr. Stinson replied that he would have to defer that question to the next presenter, Dr. Robert King, regarding higher education institutions. He added that in terms of the school districts, there is not as much opportunity to use the federal funds as had been originally thought. There is some money that could be used under some of the Title I enhancement grants as well as the State Fiscal Stabilization Fund if they have spent dollars on items as intended within the state ARRA first, then they could use some of that for construction but it is low on the list of priorities for those funds.

Chairman Thompson inquired about the search for a new Commissioner. Dr. Stinson replied that the State Board hired a consultant to help with the process, ads were placed, approximately sixty applications were received, and the board is to meet next week to review the applications and make plans to have the first round of interviews on June 15 and 16. Early in July the consultants will share their findings with the State Board and at that point it will be determined if a second round of interviews will be necessary, which will probably occur in mid-July. They are still on track with the intention of having the new person in the position effective August 1, dependent upon the individual's availability.

Chairman Thompson inquired about the financial condition of the school districts and their preparations for the upcoming school year. Dr. Stinson replied that it varies according to the particular situation, adding that districts are in differing circumstances in terms of their carryover balances and their contingency funds. He said that there is uncertainty with what will happen with state funding as well as how the federal dollars can be brought into play, and as a result districts have had to take actions that give them flexibility once they learn what their funding sources will be. He added that they are taking it very seriously and trying to minimize the impact on instruction as much as possible.

Representative Edmonds asked if there were many school systems around the state denied a large number of the ten disaster days, and how many would have had to have gone through a second application process to prove they are deserving of more days than they were initially told they would get. Dr. Stinson said he did not have the specifics on that, but there were approximately 60 districts that did make application. There was a very low number that did not meet some of the criteria, perhaps fewer than ten. He added that most of those still could meet the requirements of the calendar expectations without needing the extra disaster days. There were four or five that resubmitted their applications.

Chairman Thompson thanked them for their informative presentation, and suggested that they aggressively pursue competitive grants and apprise the districts of those opportunities. He then welcomed Robert King, President of the Council on Postsecondary Education, and asked him to introduce the colleagues with him.

President King introduced Dr. John Hayek, Vice President of Finance, Planning, and Performance, and Sherron Jackson, Assistant Vice President of Equal Opportunity and Finance, for the Council on Postsecondary Education (CPE). He then gave a brief overview of where the universities are with respect to finances, the effect of the stimulus legislation, and cost containment strategies in use by the campuses.

Representative Simpson asked how ARRA funding relates to need-based scholarships and if there is any flexibility allowed for this. President King replied that within the federal stimulus funds, there are no restrictions that would prohibit that money from being used by an institution for need-based aid, and the decision would be made at the each campus and would be a function of their budget and their various needs. He added that the Higher Education Workgroup made a series of recommendations this spring which included a total re-evaluation of financial aid resources, how they are used, and how they may be better structured to address need-based aid in Kentucky.

Senator Shaughnessy inquired about the broad flexibility of how the stimulus funds are spent. President King answered that when the new budget is adopted, what used to be a total source of funds from the state General Fund would now be some increment less than what was given to the universities in 2009, and whatever the difference is between the state's portion in 2010 and that in 2009 would be picked up by federal stimulus dollars. The only limitations in terms of utilization of those dollars would be that it cannot be used for swimming pools or casinos, and perhaps a couple of other limitations of the same type. The campuses will have fairly significant freedom to decide how to use the funds within their operating budgets, so if they chose to apply some of it to need-based aid, they certainly could do that.

Representative Meeks inquired about flexibility regarding capital projects. Mr. Jackson replied that the portion of the ARRA funds that are available to postsecondary education allows by definition that institutions may be able to use those dollars for remodeling, renovation, energy conservation, etc. This is dependent upon how the Governor describes the use of those funds as they are allocated to postsecondary institutions. Representative Meeks asked if the CPE was advising the Governor to maximize that flexibility. President King replied in the affirmative, adding that because the federal stimulus fund is one-time money, the campuses are being encouraged to apply these dollars in ways that do not create recurring obligations. The use of the funds to perform deferred maintenance such as repair of air, electrical, or sewer systems are the kinds of things that a campus might choose to do. He went on to say that there is a program that the legislature initiated a couple of years ago called Regional Stewardship, and the campuses that participate in that program take it very seriously, and embedded in that is the recognition that those campuses try to behave in a way that is sensitive to and responsive to the needs of their local communities.

Representative Henley asked if there has been an increase in the number of advanced degrees. President King replied in the affirmative. Representative Henley inquired about Science, Technology, Engineering, and Mathematics (STEM) advanced degrees. President King replied that he would provide that information to him at a later date. Representative Henley stated that at one time the Kentucky National Guard paid for textbooks, tuition, and room and board for postsecondary education with a four-year commitment, and asked if they still do that. Dr. Hayek replied that he thought the program was still in place, and would check on it and provide the information later.

Representative Moberly welcomed President King to Kentucky and pointed out that he also has a legislative background by serving in New York's state legislature. He commended President King for his performance in the short time he has been with CPE.

Representative Moberly commented that all of the institutions use their own operating funds for financial aid over and above the federal and state financial aid that's available, so no student is denied the ability to attend college. There are significant amounts of need-based and merit-type aid available at the institutions from those operating funds, which have been preserved from budget cuts because they are discretionary funds. He asked if the ARRA funds could be used for the type of performance contracts that increase energy savings. Mr. Jackson replied that given the statutory provisions provided by the state, the savings from those contracts are to be used to pay off those contracts; however, for new energy opportunities those dollars can be used to pursue energy savings and energy saving projects on the campuses. Representative Moberly asked if the stimulus money can be spent to supplement state money on new construction. Mr. Jackson replied that in the instance of a shovel-ready project, the answer would be yes.

Representative Moberly thanked President King for making the information available and encouraged him to continue to provide information from the institutions on a regular basis.

Senator Shaughnessy inquired about the use of ARRA funds, asking if they can be used to fulfill obligations according to the stipulations outlined in the state budget, or if it could be spent for something outside that scope. President King answered that the same expectations described in the state budget would be fulfilled, regardless of funding source.

There being no further discussion, the meeting was adjourned at 12:08 P.M.

INTERIM JOINT COMMITTEE ON EDUCATION

Subcommittee on Postsecondary Education

Minutes of the 1st Meeting of the 2009 Interim

July 13, 2009

The first meeting of the Subcommittee on Postsecondary Education of the Interim Joint Committee on Education was held on Monday, July 13, 2009, at 10:30 AM, in the Anne Hart Raymond Building, Auditorium, Midway College. Senator Charlie Borders, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Charlie Borders, Co-Chair; Representative Leslie Combs, Co-Chair; Senators Alice Forgy Kerr, Elizabeth Tori, Johnny Ray Turner, and Ken Winters; Representatives C. B. Embry Jr., Bill Farmer, Tim Firkins, Reginald Meeks, Jody Richards, Tom Riner, Carl Rollins II, and Charles Siler.

Legislative Guest: Senator Tim Shaughnessy

LRC Staff: Ken Warlick, Audrey Carr, Laura Blaser, and Lisa Moore.

Chairman Borders welcomed and introduced Dr. Tony Newberry, President, Jefferson Community and Technical College (JCTC), to the committee members. Dr. Newberry explained that he would present the unique issues, challenges, and opportunities available at JCTC. Dr. Newberry also provided the committee with a background of the Postsecondary Education Reform Act (House Bill 1 - 1997) mandates to the Kentucky Central and Technical College System (KCTCS).

Dr. Newberry noted in Kentucky, 41 percent of all students in a public college or university attend a KCTCS institution. Community colleges enroll 46 percent of all undergraduates in the country. He also said 14,412 students attend JCTC, which is the fourth largest institution of higher education in Kentucky. He explained in detail the typical JCTC student profile and the specific information is located in the meeting folder in the Legislative Research Commission (LRC) library.

Dr. Newberry explained that JCTC was a catalyst for economic development and workforce education. He noted that 83 percent, or 1.8 million jobs, in Kentucky between now and 2014 will require an Associate Degree, postsecondary vocational training, work experience and/or on-the-job training. JCTC has served 644 companies and 7,123 employees in the past year, and has provided $8 million in state training funds since 2002. He noted that 96 percent of KCTCS associate degree graduates stay and work in Kentucky.

Dr. Newberry said JCTC was highlighting three major issues in its plan for a competitive commonwealth initiative. They are: 1) implementing college readiness partnerships with local school districts; 2) providing on-campus retention and graduation incentives; and (3) establishing transfer partnerships with the universities.

Dr. Newberry discussed college and workforce readiness. He said there is a "pipeline leakage problem" in Kentucky's educational system. He noted for every 100 Kentucky 9th graders: 65 graduate from high school; 37 enter college; 24 are still enrolled in sophomore year; and 12 graduate with a four-year degree in 6 years. He also said 81 percent of first time freshmen at JCTC test into at least one developmental course, with the highest percentage needing help in developmental math.

Dr. Newberry said the college response is to provide effective partnerships with secondary schools. This includes: strengthening the dual credit and school-to-college transition programs; developing a career pathways programs specific to the career themes at each Jefferson County high school; expanding career planning and college placement services; and sponsoring curriculum alignment discussions for high school and college faculty in mathematics and English. He noted Senate Bill 1 (2009) requirements will strengthen the above efforts.

Dr. Newberry discussed on-campus initiatives and the number of students that are transferring from JCTC to a university. There were 633 total JCTC transfers to Kentucky universities in 2007-2008; 384 of those students transferred to the University of Louisville. There is a new goal to increase annual transfers from 646 to 2,000 by 2020.

Dr. Newberry discussed the opportunities and challenges of a campus located in an urban setting. He also talked about the pros and cons of tight budgets in times of growth. Dr. Newberry thanked the members and said he was available to answer questions.

Senator Borders commended former Governor's Patton vision and the implementation of the Kentucky Postsecondary Education Reform Act. He asked whether there has been an improvement in the successful transfer of credits to four-year colleges.

Dr. Newberry said the Council on Postsecondary Education (CPE) has provided positive direction relating to student transfer issues. He noted Dr. Jim Ramsey, President, University of Louisville, has been very supportive of JCTC efforts to transition students from the community college to the university. He said that remediation and the selection of students being accepted into programs play a significant role in retention and graduation of students.

Representative Rollins raised a concern about the number of students who are requiring developmental courses. Dr. Newberry discussed the importance of providing an adult education program on campus.

Representative Rollins said it is disappointing that there has been a loss of transferable general education courses due to the revenue shortfall. He also discussed a presentation he had heard at the 2009 Education Commission of the States meeting that indicated that although algebra is not a prerequisite for successful performance in many professions, it is often an obstacle that places many students in developmental courses. Dr. Newberry agreed.

Representative Meeks discussed the employment picture in the Commonwealth. He asked whether jobs exist for Kentucky college graduates after completing their degrees. He also expressed concern about the credit transferability issue.

Representative Richards discussed Senate Bill 1 and college readiness/retention of students. He said lack of funding from the General Assembly has created challenges for the schools and universities. He also discussed the adequacy of facilities on college campuses.

With no further business before the committee, the meeting adjourned at 11:30 a.m.

INTERIM JOINT COMMITTEE ON HEALTH AND WELFARE

Minutes of the 1st Meeting of the 2009 Interim

June 11, 2009

The 1st meeting of the Interim Joint Committee on Health and Welfare was held on Thursday, June 11, 2009, at 2:00 PM, at Northern Kentucky University. Representative Tom Burch, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Julie Denton, Co-Chair; Representative Tom Burch, Co-Chair; Senators Tom Buford, Julian M. Carroll, Perry B. Clark, Denise Harper Angel, Alice Forgy Kerr, and Katie Kratz Stine; Representatives Scott W. Brinkman, John "Bam" Carney, Jim Glenn, Brent Housman, Joni L. Jenkins, Tim Moore, Susan Westrom, and Addia Wuchner.

Guests: Mary Pat Behler for North Key Community Care; Eric Clark for the Kentucky Association of Health Care Facilities; Peggy Williams for the Legislative Research Commission; Bill Doll for the Kentucky Medicaid Association; Murray Wood for the Cabinet for Health and Family Services; Robin Kinney for the Finance and Administration Cabinet; Diane Brumback for Kentucky Women; Gretchen Brown for Hospice of the Bluegrass; Tammy Weidinger for Brighton Center, Inc.; Berlinda Bazzell for Oakwood; Pat Dressman for the Campbell County Fiscal Court; Chris Gibson for Enterprise; Dave Bezanson for Northern Kentucky University; Stephen Penrose for Boone & Gallatin County Family Court; Amy Yumyk, Nathan Hater, Kelly Fitz, Bethany Jarboe, Fidelis Sangyn and Scott Rawlings, Northern Kentucky University students; Tom Kometz for Kosair Children's Hospital; Jim Cole for Northern Kentucky CLC; David Bailey and Jennifer Zelensky for St. Elizabeth; Nora Putnam and Don Putnam for Oakwood; Owen Nichols for Northern Kentucky Community Care; Shawn Carroll for NKEY; John Cora for KHC; Evelyn Tackett for Northern Central Area Health Education Center; Douglas Perry for Northern Kentucky University; Franklin Losky for the Kentucky Initiative for Quality Nursing Home Care; and Sarah Nicholson for the Kentucky Hospital Association.

LRC Staff: DeeAnn Mansfield, CSA; Mike Bossick, Amanda Dunn, Miriam Fordham, Ben Payne, Jonathan Scott, and Cindy Smith.

The first item on the agenda was Legislative Review of Executive Order 2009-363 relating to the Cabinet for Health and Family Services. There was a motion by Senator Buford, seconded by Senator Clark and adopted by voice vote to approve Executive Order 2009-363.

The next item on the agenda was a Legislative Review of Executive Order 2009-513 relating to the Statewide Trauma Care Program Advisory Committee. There was a motion by Senator Buford, seconded by Representative Wuchner and adopted by voice vote to approved Executive Order 2009-513.

The next item on the agenda was a Legislative Review of the FFY 2010-

2011 Child Care and Development Fund Plan Block Grant. There was a motion by Senator Buford, seconded by Representative Wuchner and adopted by voice vote to approve the FFY 2010-2011 Child Care and Development Fund Plan Block Grant.

The next item on the agenda was a Legislative Review of the SFY 2010 Social Services Block Grant. There was a motion by Senator Buford, seconded by Representative Carney, and adopted by voice vote to approve the SFY 2010 Social Services Block Grant.

The next item on the agenda was the consideration of referred Administrative Regulations, 201 KAR 20:225 – establishes procedures for reinstatement of a license that has lapsed or has been subject to disciplinary action by the Kentucky Board of Nursing; 201 KAR 20:270 – establishes procedures and requirements for site visits to programs of nursing; 201 KAR 20:290 – establishes standards for the development and approval of secondary or distance learning programs by the Kentucky Board of Nursing. There was a motion by Senator Buford, seconded by Senator Harper Angel, and adopted by voice vote to approve the referred administrative regulations.

The next item on the agenda was a discussion on the Impact of Federal Stimulus Funds on Health &Welfare Programs by Beth Jurek, Executive Director, Office of Policy and Budget, Cabinet for Health and Family Services. Ms. Jurek reported that the following department/offices are not affected by the American Recovery and Reinvestment Act: Department for Mental Health Developmental Disabilities and Substance Abuse; Commission for Children with Special Health Care Needs; Department for Family Resource and Youth Services Centers; and the Office of the Ombudsman. In the Senior Community Service Employment Program, there has been subsidized employment for seniors who are unemployed, have low income and are over 55 years of age; an additional 37 employment slots have been funded with green jobs and jobs in growth industries being preferred; the funds are limited to existing programs; and are distributed based on the existing federal formula. In the Senior Nutrition Program, there is funding for congregate meals in senior centers; funding for home delivered meals for the Meals on Wheels Program; and funding is limited to existing programs. In the Department for Community Based Services funds will be used for the Child Care Development Fund, the Supplemental Nutrition Assistance Program, and for the Temporary Assistance for Needy Families Program. In the Department for Public Health, funding will cover increasing eligibles in the WIC program and funding will increase availability and use of the EBT card for the WIC program. In the Department for Medicaid Services there is an increase in the Federal Medical Assistance Percentage and an increase in Disproportionate Share Hospital Payments. Under health related opportunities, there is $10.4 billion to HHS and NIH. There will be $1.1 billion available nationally for two years and grants are available to any public or private entity. There is $2 billion available for Community Health Care Services. Kentucky's Community Health Centers are expected to receive $10 million to serve more patients and support capital renovations and repairs over the next two years. There are also funding opportunities for the planning/implementation grant program for states to plan and build a health information exchange infrastructure; there are competitive grants to operate loan programs may be administered or awarded to the state to help providers and hospitals purchase technology to participate in health information exchange; and financial assistance to Medicaid providers for purchase and use of health information technology with no matching funds required.

Sen. Stine said that in Judiciary there was testimony about a pilot project in Northern Kentucky which is under the Community Corrections Program, that would encourage folks to actually pay their child support. She asked if those sorts of things are eligible for this category. Ms. Jurek said she would have to see if that fits under the guidelines, and she would check with the folks in Child Support and get back with Senator Stine. She said it is limited to be used for administration, since child support is basically an administrative program.

Senator Stine asked if there is anything in there for physical activity, encouraging physical activity in the schools. Ms. Jurek said that is one of the areas that can be pursued, but they are still waiting guidance from the CDC and HHS on that particular funding pot.

Representative Moore asked about the use of the phrase "encouraging changes in the program", versus "dictate" and asked if the state is being encouraged to make changes or are we being dictated policy. Ms. Jurek said that it depends on the particular funding stream. For certain programs the language is very specific. There are different federal agencies administering some of these programs and they have different requirements and some of them are more flexible than others.

Rep. Moore asked how much the programs have grown in terms of percentage and how much money is being talked about. Ms. Jurek said some of the dollars are part of national programs, those are dollars that are available to all states and they would have to apply for them. Some of the dollars that flow through the Cabinet are a set pool and state how much is given. In other cases, you can get different amounts depending on what your experience is and how it is evaluated on a quarterly basis.

Representative Moore asked if there is an incentive for Kentucky to actually actively or correctively seek new enrollees. Ms. Jurek said the problem is when programs like food stamps are being looked into, because food is a basic need and the Federal Government pays those benefits at 100 percent. The benefit portion of food stamps flows directly to recipients. Stimulus funds are a blessing because Kentucky desperately needs the funds to serve people. The problem is that if you start seeking to serve new populations, you have to be concerned with what happens when the federal stimulus dollars go away. In most cases the Cabinet is using the dollars to try to continue programs at the current levels.

Senator Buford asked if some states are choosing not to go to 200 percent of the poverty level. Ms. Jurek said she can check but thinks some states are choosing not to.

Senator Buford asked about funds for the child care and child support. He asked if this money will allow Kentucky to hold this rate to child care services to possibly May of next year. Ms. Jurek said this will get us through the stimulus period, through Sept. 30, 2010.

Senator Buford asked if that number is based on the number of children in care currently, and not what the number might increase to. Ms. Jurek said the department is looking at some opportunities while they have this money to build additional community supports so that Kentucky might not need quite as much in-home care. There might be more options out there so that you can transition children back to the community sooner or you can possibly avoid bringing them into a foster care setting to begin with.

Senator Harper Angel asked if in the areas like WIC and First Steps fund amounts will be posted on the website. Ms. Jurek said those will be available. She said that each week information is listed that we sent to the finance and administration cabinet on what stimulus dollars we have pulled down by appropriation unit by program.

Senator Harper Angel asked if the dollars to those programs come immediately or by increments. Ms. Jurek said a lot of it will depend on if Kentucky is pulling down the food stamp dollars in FY '09, but knows the state will be pulling them down for sure in 2010. Some of the stimulus dollars are almost identical to the way the program dollars in the regular program are used. In some cases you really will not be able to tell any difference between the two, except stimulus dollars will be spent first.

Representative Carney said that in his district commodities have become a huge issue with senior citizen funds, and he noticed the estimate for commodities was nearly $2.5 million dollars but then the amount that would come through the Kentucky state government was $829,000. He asked if the monies would be coming later. Ms. Jurek said the Commodities Food Program that used to be administered by the Cabinet, is now administered by the Department of Agriculture, and they would have to answer those questions.

The next item on the agenda was comments by Dr. Jim Votruba, President, Northern Kentucky University (NKU), and Steve Stevens, President, Northern Kentucky Chamber of Commerce. Dr. Votruba said that NKU is currently one of the two fastest growing universities in the Commonwealth of Kentucky. They have seen 28 percent growth in the number of students over the last decade. Currently, NKU has 15,300 students and they are slated to grow to more than 26,000 students by 2020. As an economic strategy to reach 50,000 new jobs by 2015, and to maintain Northern Kentucky's growing percent of revenue production for the state, NKU has placed a priority on supporting the healthcare and information technology industries and services in the Northern Kentucky region for the foreseeable future. He said that the healthcare industry is an important driver for the local economy. In 2005, healthcare companies in the regions made over $2.2 billion dollars of capital investment, with over $315 million dollars going into Northern Kentucky. Also in 2005, the tax revenue brought into Kentucky by the new jobs and investment from the industry topped $2.4 million.

In regard to e-Health related opportunities, Kentucky needs an effective e-Health Information Network to reduce healthcare costs, lower benefits costs, and increase the quality of healthcare delivery for Kentucky's citizens. He believes that the partnership with other universities has the potential to cause Kentucky to capture a national leadership role by providing applied research, training and technological resources.

He said that the College of Health Professions is focused on meeting the need for more than 200,000 health information workers in order to meet 2015 goals. The partnership with regional healthcare organizations has already positioned the region to move aggressively toward interoperability.

He said that NKU is experiencing the greatest space challenge since its creation 41 years ago. To reach the average of the regional comprehensive universities, NKU would need 550,000 net square feet of new educational and general space. Because of the space shortage, NKU has had to turn away 400 potential nursing and allied health students every year.

NKU is planning to address the challenges by building a Health Innovations Center and renovating an existing building. The investment will be $92.5 million and will provide 250,000 square feet of space.

Next, Mr. Stevens said that the Northern Kentucky Chamber of Commerce is an organization of 2,000 member firms from all across this region. These firms represent more than 230,000 employees in the region. The Northern Kentucky Chamber is celebrating its 40th anniversary this year. Prior to that time, there were two organizations. Visionary leaders made the decision to create a regional organization and from that point, a subsequent series of mergers and consolidations began to occur across the region which has been a benefit.

Next, he highlighted a few of the significant initiatives that the Northern Kentucky Chamber of Commerce has undertaken in the area of health care. In September 2007, the then incoming chair of the board, Richard Robinson pledged to elevate health care initiatives as a stand-alone program area of the chamber with its own vice chair for Health Initiatives that would serve in an Executive Committee position on our board of directors. This was the beginning of an entire council within this chamber that consolidated many of the existing health care-related activities already being undertaken by the Chamber, as well as to house the many new initiatives to come.

Since the creation just two years ago, a $350,000 grant has been secured from the Health Foundation of Greater Cincinnati for a Medical Navigator project. A two-year project was launched to study emergency department misuse at St. Luke and St. Elizabeth Hospitals. Just a few months ago the Chamber was the recipient of another grant from the Health Foundation of Greater Cincinnati to do research for one year on the feasibility of developing a defined benefit plan in Northern Kentucky. The idea for this work came from our knowledge of health insurance plans available in other communities across the country that are focused at the health insurance needs of citizens within those communities who are currently employed, yet whose employer is not or cannot provide health insurance coverage to their employees.

The next item on the agenda was Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) Dental care requirements by Betsy Johnson, Esq., Commissioner, Department for Medicaid Services, Cabinet for Health and Family Services. Commissioner Johnson reported that from 1999 to 2006 dental coverage of low-income children nationally has changed. In 1999, 51 percent of low-income children were covered by Medicaid/CHIP dental. In 2006, 69 percent of low-income children were covered by Medicaid/CHIP dental. Nationwide in 2006, 43 percent of low-income children were covered by Medicaid/CHIP dental. Two provisions of CHIPRA are designed to improve dental access for children: states are required to include dental coverage in the CHIP benefit package (Kentucky has always included); states are allowed the option of offering dental coverage to children enrolled in private or job-based plans that do not provide dental coverage, as long as children are otherwise eligible for CHIP. In the current Medicaid program, dental program expenditures are approximately 2 percent of the mandatory services budget; and 1 percent of the total Medicaid budget. In 2008, dental expenditures totaled over $68 million. In 2008, 28 percent of all Medicaid recipients utilized dental services; 38 percent of Medicaid children age 18 and underutilized dental services; and 48 percent of KCHIP children age 18 and underutilized dental services. Kentucky Medicaid has participating dentists in 115 counties and 42 counties have more than 1,500 Medicaid recipients per Medicaid enrolled general dentist. Approximately 52 percent of the state's dentists are enrolled as Medicaid providers. Kentucky increased reimbursement for most dental procedure codes for children by 30 percent in July 2006. Kentucky dental rates are comparable to surrounding states. Kentucky Medicaid covers orthodontic procedures. Many other states do not. Kentucky pays $48.10 for a dental cleaning for children, compared to the average $37 in surrounding states.

Senator Denton asked what will be different in the CHIP program than what is being done now since the dental benefit has already been put into it. Commissioner Johnson said that currently Kentucky is in a great place with its CHIP. Kentucky has been asked to give guidance to other states that do not have as robust of a program as Kentucky. At this time, the Cabinet feels like the CHIP program is sufficient, and being aware of the dollar issue, there are not any plans to expand it at this time.

Lisa Lee said the CHIPRA legislation had several mandates. Kentucky was far ahead of the game and was meeting all those mandates before the CHIPRA legislation went into effect. Kentucky has been asked to participate in several work groups and offer guidance to some other states who do not have some of their programs implemented and who are looking for guidance to help build their programs up and comply with the CHIPRA legislation.

Representative Burch asked who is monitoring the condition related to the bill he passed that said that dentists would treat 12,000 children who had no access to dental care. Commissioner Johnson said there was a requirement in the legislation that the Department of Education would monitor it. Commissioner Johnson said they will work with their dentists and do anything they can to make sure that our Medicaid and CHIP children are getting those screenings as required by state law.

Representative Wuchner said that the utilization is down whether they have coverage or Medicaid or not. She said that when she has talked to dentists about covering children that are provided Medicaid, normally they say they would almost rather do pro-bono work because of all the paperwork. She asked if that process has been streamlined, or if it has been looked into. Commissioner Johnson said that they talked to several dentists about why they do not want to participate. Some concerns were about no shows, and that individuals may be seeking drugs rather than treatment. She thinks it is a matter of education, as far as educating parents to the importance of dental health for their children.

The next item on the agenda was Pediatric Private Duty Nursing Care Shortage by Carrie Banahan, Office of Health Policy, Cabinet for Health and Family Services. Ms. Banahan reported that private duty nursing services may be provided by an entity who has a Certificate of Need (CON) for either private duty nursing services or home health services. The criteria for private duty nursing services include providing licensed nursing care in a home setting; providing nursing care in 4 hour increments; and supervising private duty nursing service.

Under the current criteria for a new application there cannot be an existing private duty nursing provider or home health agency in the county. The proposed criteria would allow a CON for private duty nursing service in a county if an existing home health agency does not provide private duty nursing services. There are currently 11 private duty nursing agencies in Kentucky serving 70 counties. Home health services provided include a combination of health care and social services provided to individuals in their homes or in other community and home like settings pursuant to 902 KAR 20:081. The need is determined by the county. A facility may establish a new home health agency in a county; or an existing home health agency can expand into a contiguous county. They must meet projected need requirements and be consistent with the State Health Plan. CON applications fall into one of two categories: Formal Review or Non-Substantive Review. Unless specifically exempted by statute or regulation, all applications to establish or expand one of the 25 various facility and service categories contained in the State Health Plan (SHP) are processed under formal review. Private duty nursing and home health services are classified under formal review.

Senator Denton said there are providers who provide private duty nursing services in Jefferson County, but there is not enough. Ms. Banahan said there is one provider in Jefferson County, VNA, who does provide private duty nursing services. She said they have not received any complaints specific to private duty nursing services.

Senator Denton said it is her understanding that the Cabinet has been in contact with Kosair and they have talked to you about the fact that they are unable to release children from the hospital because of the inability to find adequate numbers of private duty nurses available to provide those services. Commissioner Johnson said she did receive the email from Kosair, but has not spoken to them. They were requesting an emergency CON for Maxim for private duty nursing because they could not discharge children in a timely manner. That email was referred to Carrie Banahan. She also noted that the Cabinet does not enroll private duty nursing agencies in the Medicaid program.

Senator Denton said she thought it was a CON issue. Ms. Banahan said that Maxim has a CON for private duty nursing. They applied for a home health certificate of need for Oldham and Fayette Counties last July and they were denied in December.

Senator Denton asked about the status of the company that has been trying 6 or 8 months to get a CON to do the private duty nursing for pediatrics in Jefferson County. Ms. Banahan said she was not aware there was another private duty nursing agency in Jefferson County that wanted to apply for CON, and asked if she was referring to Maxim Health Care. If so, Maxim already has a CON for private duty nursing services in Jefferson County, but they do not have a CON in Jefferson County for home health services. Right now Jefferson County is not eligible for approval for any more health agencies based on CON methodology.

Sen. Denton asked the Cabinet to work with Kosair on this issue.

Senator Stine asked if there are agencies out there that are wanting to work in this capacity. Ms. Banahan said it is a two-fold problem. There are counties with need and for whatever reason the home health agencies, maybe because of their business plans, are not willing to go into a county. There are other counties like Jefferson, where based on the need methodology, it has been determined there is no need. The need methodology is a formula that has been established by the Cabinet.

Senator Stine asked when the formula was established or when it was updated. Ms. Banahan said the last time that the need methodology was changed was 3 or 4 years ago. That is something the CON Work Study Group is looking at.

Senator Buford said the Legislature should tamper with the formula, even though the Cabinet will object. This problem is everywhere, not just in Jefferson County. The groups that have been given CONs do not have the personnel capacity to deal with it.

Next, a motion was made by Senator Harper Angel, seconded by Senator Clark, and approved by voice vote asking the Cabinet to expedite the Work Study Group, update the formulas and present the findings to the Interim Joint Committee on Health and Welfare during its September meeting.

The next item on the agenda was an update on Oakwood including Recertification of Units and Community Placements by Betsy Dunnigan, Acting Deputy Commissioner, Department for Mental Health, Developmental Disabilities, and Addiction Services, Cabinet for Health and Family Services. Ms. Dunnigan reported that on August 28, 2008 the Cabinet submitted new applications for certification of Oakwood as four separate units. From September 15-19, 2008, the first unannounced reasonable assurance surveys were conducted for each of the four units. Deficiencies were noted in three of the four units requiring submission of a Plan of Correction. Unit 1 did not pass the initial survey. Follow-up surveys were conducted in Units 2, 3, and 4 resulting in certification of these three units. Federal funding was restored for three units between February 5, 2009 and March 13, 2009. There was a new application submitted April 29, 2009 for certification of Unit 1. Unit 1 underwent the unannounced initial survey June 3-5, 2009 with no deficiencies cited. CHFS now awaits CMS notification of the reasonable assurance timeframe required for maintaining compliance with the federal requirements for federal funding of Unit 1 to be reinstated. Reasonable assurance timeframes can be 30-120 days as determined by CMS. Progress continues to be made toward compliance with the Department of Justice Settlement Agreement. A Court Monitor conducts a week long monitoring visit each April and October and a 2 day monitoring visit each February and July. Substantial progress was noted by the Court Monitor and his team during the April 27-May 1, 2009 site visit. Compliance with the Settlement Agreement is to be attained by September 2011. Oakwood Bluegrass staff continues to implement the statewide transition process that has been in place since 2005. The current census is 196. Treatment teams continue to identify barriers to community placement for each individual residing at Oakwood. Clients continue to receive education regarding community support options and the needed training to remove the barriers to community placement. As appropriate, clients continue to transition from Oakwood into community-based settings through a comprehensive and planned transition process. Parents and guardians continue to be educated regarding community-based support options in an effort to assist them so that their loved ones can reside in the least restrictive environments to meet their needs. Current census is 196; 26 individuals have moved to community placements since July 2008; 22 individuals are in the transition process; 12 of the 22 have selected a community provider. All but 4 of these individuals are utilizing the Money Follows the Person (MFP) option for community services. An additional 22 individuals have treatment team recommendations for community placement with the guardian considering placement options.

Senator Buford noted that provisions in the last budget provided that the funding would not be recovered, and asked if some adjustment in the budgetary item will be made when they fully recover. Ms. Dunnigan said they are currently working through all of the paper work that needs to occur when the facility lost its certification, some of the individuals lost their Medicaid, or Long-Term-Care, so they have to go back through the Medicaid process of changing their cards.

Senator Buford asked if it was approximately $40 million dollars. Ms. Dunnigan said the total contract is $74 million.

Senator Buford asked if the state will recover the amount lost. Ms. Dunnigan said the state will ultimately recover funds by next year, only going back to the date that the facility was finally certified.

Don Putnam, President of PROOF, and father of a son at Oakwood thanked the Cabinet and the staff at Oakwood for working so hard toward certification and said that Oakwood is a tremendous asset.

The next item on the agenda was a discussion on the Cincinnati Children's Hospital Medical Center by Gerry Fairbrother, PhD, Director, Child Policy Research Center, Department of Pediatrics, University of Cincinnati. Dr. Fairbrother said that the Cincinnati Children's Hospital (CCH) has about 80 percent of children hospitalized in Northern Kentucky, but CCH is a provider of care for children throughout Kentucky. She reported that CHIPRA calls for new efforts to enroll eligible children in Medicaid and SCHIP, has funds for outreach, offers a bonus if enrollment targets are met and has new provisions for reporting on enrollment stability as well as quality of care. These provisions will need to be implemented in the context of an extreme, nationwide economic downturn and budget crisis in many states. To help Ohio Medicaid with its efforts to enroll and retain eligible children and to target outreach, they have developed a system to monitor enrollment and retention and to show where the problem spots are. They used Medicaid eligibility files to do the analysis and similar analyses could be done in Kentucky. They have also developed a process for looking at turnover rates of how many children come on in a given month and how many drop off. Some children drop off and other come on each month and at the end of the year about 25 percent of the children who started the year have left the program. In turn, another almost 25 percent have come on. Findings show that African American children are least likely to drop out of the program, while white, Hispanic and Asian children were more likely. All of their findings will help Ohio Medicaid design the most efficient outreach programs and monitor the effects of the programs. Another study found that there were about 16.2 percent of Ohio children with special needs in 2005–2006, compared with about 13.9 percent nationwide. Most special needs children are insured, either through public or private programs, but stability is still a problem, in that 12 percent were uninsured for some time in the year. Insurance does not solve all problems. About one-third have coverage that is not adequate to meet their needs and the problem is most acute for privately insured children. Not surprisingly, special needs children have higher medical costs than other children. Parents of these children also have high out-of-pocket costs. The uninsured have even higher costs. Data shows that most insured children with special health care needs are covered by Medicaid and that Medicaid has the sickest children and more of those with mental, emotional, behavioral or developmental problems. This highlights the role of Medicaid in providing care for children with special health care needs and the importance of policies to monitor care and costs in Medicaid. Data also points to the inadequacy of private coverage in fully meeting the needs of these children.

In closing she said that Cincinnati Children's Hospital serves Kentucky children and the hospital has a vested interest in the well-being of those children. She said that Ohio has a unique opportunity to work in partnership with Kentucky and she hopes that this presentation leads to more conversations about that.

Representative Burch asked if there is a common thread that causes the increase. Dr. Fairbrother said she thinks it is a bit statistical, but she thinks it is because the children are aging. She said they have fewer young children and more older children. And, the special health care needs children tend to get diagnosed at school. They have the conditions before hand but they tend to get diagnosed when they go into school. Many policy makers say this indicates a need to focus on the young children to get these conditions diagnosed and begin treatment before they exacerbate.

Senator Denton asked if there is any collaboration between University of Cincinnati Children's Hospital and Kosair Children's Hospital in Louisville.

Blair Shrader, who handles government relations for the children's hospital, said they partner with Kosair on many issues especially pertaining to research, because they do receive a great deal of funding for research, and they want to share that.

Senator Kerr asked if they collaborate with the University of Kentucky Children's Hospital. Mr. Shrader said they do and they partner on a range of different issues. He said they have doctors that collaborate with them because they have a positive relationship with those hospitals. Many times those patients are referred to us and vice-versa. They have to collaborate with them to help the patients.

Senator Buford asked if Dr. Fairbrother has done any studies or has any statistics from Ohio pertaining to individuals that are in the high risk pool and have children. Dr. Fairbrother said they look at the needs of the uninsured and as the data shows, parents of uninsured children pay over $1,000 out of pocket in a year for their cost in just one year.

The meeting was adjourned at 5:08 p.m.

INTERIM JOINT COMMITTEE ON LICENSING AND OCCUPATIONS

Minutes of the 2nd Meeting of the 2009 Interim

July 10, 2009

The 2nd meeting of the Interim Joint Committee on Licensing and Occupations was held on Friday, July 10, 2009, at 10:00 AM, in New Castle, Kentucky at the Smith Berry Vineyard and Winery. Representative Dennis Keene, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Gary Tapp, Co-Chair; Representative Dennis Keene, Co-Chair; Senators Perry B.

Clark, Julie Denton, Denise Harper Angel, John Schickel, Dan "Malano" Seum, and Kathy W. Stein; Representatives Larry Clark, Tim Firkins, Joni L. Jenkins, Adam Koenig, David Osborne, Darryl T. Owens, Ruth Ann Palumbo, Sal Santoro, and Arnold Simpson.

Guests: Representative Rick Rand, Chuck Smith, Smith Berry Vineyard and Winery, Lowell Land, Acres of Land Winery; Mac Stone Executive Director, Division of Value-Added Plant Production; Stacia Alford, Kentucky Department of Agriculture; Roger Leaser, Kentucky Wine and Grape Council; Anthony Ward, President, Kentucky Orthotics and Prosthetics Association (KOPA), Gary King, Vice President KOPA, J. Robert Pinkston, Certified Prosthetist/Orthotist.

LRC Staff: Tom Hewlett, Bryce Amburgey, Michel Sanderson, Carrie Klaber, and Susan Cunningham.

The meeting was called to order. Due to a lack of quorum the adoption of minutes was postponed until such time as a quorum was attained.

Representative Rick Rand welcomed the committee members to his home district and to the winery. He said that agriculture was important to Henry County and the wineries that are springing up around the state are going to become a signature industry for Kentucky. Representative Rand said that as the tobacco industry changes, the agriculture development dollars are important to diversify the farm economy across the state. He said that in order for a winery to exist they must go to the voters with a referendum for approval to have alcohol sales. He said one issue that has not allowed the winery business to grow as quickly as it might is the prohibition on Sunday sales. He said that in order to do that now there must be approval from the Fiscal Court, and in dry rural areas that is hard to accomplish. Representative Rand said one possibility would be to make a change at the state level that would permit small farm wineries to sell their product on Sunday. He added that the wineries are a unique type of business that are only allowed to sell the alcohol that they produce. Representative Rand said that small farm winery owners believed that Sunday sales would increase their business by 35 percent.

Chuck Smith, owner of Smith Berry Winery thanked the committee members for coming to the winery for their meeting. He said that he, his wife, and their three daughters established the winery approximately seven years ago, after a trip to California. He said theirs was one of the first wineries to be licensed in Kentucky. He said Kentucky had a history of growing grapes before tobacco became the dominant crop. Mr. Smith said that this would be the last meeting in this room. He said the rise in sales required more production tanks and space to store wine barrels, so this room with be converted to those purposes. Mr. Smith said rural areas are necessary to feed people and that tourism is a big business for small farm wineries. He said approximately 20,000 to 35,000 people tour the winery and that on Sunday's he turns away 15 to 20 cars because there are no Sunday alcohol sales. He added that people in surrounding states are surprised and do not know that Kentucky does not sell alcohol on Sunday. Mr. Smith said that as the President of the Kentucky Vineyard Society he is going to work toward Sunday sales.

Lowell Land, representing Acres of Land Winery in Richmond, Kentucky, said that state programs have been very good for the small farm wineries in helping to grow their business. He said wineries are dealing with the same issues any small business has with the economy; however, he said Sunday sales would be very important for his business. Mr. Land said that there are signatures on his guest register from all 50 states and 18 foreign countries since he had been in business. Mr. Land said since the small farm wineries were collecting sales tax, adding Sunday sales would generate more revenue and part of that money would be collected from customers from out-of-state. He said his customers are well educated, higher income patrons who want to have a glass of wine with a meal.

Senator Seum asked if Sunday sales are a local option election issue. Chuck Smith said that the local government, the judge and fiscal court, would have to approve the sales which was not a favorable idea. He added that the community had voted on the winery being open. Senator Denton said that in a dry county it is a difficult vote for the fiscal court members and it would be easier if the state would allow Sunday sales for their product (only). She said that it would be no different than what the wineries are doing Monday through Saturday. Mr. Land said that there are wet counties that adjoin his winery but because there are no Sunday sales he cannot be part of the Wine Trail for tours on Sunday. Representative Owens asked if Mr. Smith had asked the local fiscal court to approve Sunday sales. Mr. Smith replied that he had and the county judge had responded that he could not support the issue at this time.

Next Mac Stone, Executive Director for the Office of Marketing, said he was representing Agriculture Commissioner Farmer, as well as working with the grape and wine industry in the state. Mr. Stone said Stacia Alford, staff at the Department of Agriculture, does a great job of networking and building the program on behalf of the wineries. Stacia also manages the fund created by the legislature in SB82 from the 2006 General Assembly. Mr. Stone said the grape and wine council is governor appointed, and the diversity on the council has been beneficial to the growth of the wine industry. Mr. Stone said that in 2003 there were four small farm wineries in Kentucky and by 2006 there were 31, obviously showing a strong interest in wine making. He said farmers saw that \$15,000 worth of grapes could turn into \$50,000 worth of wine. However, it was soon realized that capital was needed to continue to keep that influx of revenue. He said foot traffic was very important to the growth of this industry. Mr. Stone said small farm wineries are currently in a growth curve, building relationships with distributors, with customers, and with the local community. Mr. Stone said that the wineries are interested in working together and with tourism to let visitors know where they are. He said that now that the council is maturing the department is more familiar with working with them and the website they have developed is being upgraded to include the ability to Google a map so tourists can more easily locate the wineries.

Mr. Stone said that the Department of Agriculture has developed a group to partner with the World Equestrian Games that are coming to Kentucky in 2010 to manage the Kentucky Proud Pavilion. He said the Tourism, Arts, and Heritage Cabinet is putting together a Kentucky Experience tent that will host events in cooperation with the Kentucky Distillery Association, Kentucky Ale, and arts and crafts. He said that Jon Carloftis will be building a garden in the tent.

Mr. Stone said that last year during the Kentucky State Fair the wine council held its first wine competition, with approximately 50 wines entered. He said that this was a way to promote the quality of Kentucky wine. He said wines are graded by meeting either a gold standard, silver standard or bronze standard. This is being achieved with the help of Tom Cottrell at the University of Kentucky who has an on-going tasting panel that assures the quality of all Kentucky wines before they reach the customer.

Mr. Stone said that grower development was another important part of winery success. He said that weather last year was dry, this year it has been wet, adding that this year there are good crops of grapes even though too much rain can also have a down side to the environmental condition in the vineyard. Mr. Stone said that through the funding of Senate Bill 82, two programs have been started. He said the wholesale reimbursement program has been put in place to help the small farm wineries form a relationship with distributors, making for a more fluid system to get small quantities of wine into retail markets around the state. He said the transition to working with the larger distributors is ongoing. Mr. Stone said that the marketing cost share program provides funds for each winery to be able to manage a website, pay for signage, and have marketing to help promote their product. Mr. Stone said in order to use this fund more efficiently, an opt-in card has been developed. With this card a larger winery, that has a larger marketing budget, may opt-in for money and those wineries that know that they are not going to spend their part of the cost share can opt-in at a smaller share.

Mr. Stone said that University of Kentucky programs in Viticulture and Enology have been helpful by going to wineries to help evaluate quality. He said because this industry is new to Kentucky, harvesting the grapes in the different climates of Kentucky makes them have different flavors. He said that some grape varieties grow better than other due to change in climate. He said that some of the classic varieties of wine are not winter hardy in Kentucky. Mr. Stone said that work is being done to see what region best grows different varieties of grape.

Mr. Stone said the department has sent out a survey to ascertain data from wineries and vineyard regarding production numbers, and the variety of grapes being grown, what their customers are asking for, and what kind of crop yield they are getting. He said this information will be used to help train others around the state. He said as the quality of the wine gets better the industry will grow, and marketing will help small farm wineries grow. He said the wine council hopes discussions with growers and wineries will also help the industry's progress.

Representative Keene told committee members that an attendance roll call was now in order and asked the secretary to call the roll. That being done and a quorum being present, Representative Keene asked members for a motion to adopt the minutes from the June 12, 2009 meeting. With a motion by Representative Firkins and second by Senator Seum, the minutes were approved by voice vote.

Senator Stein asked if any of the wineries in Kentucky thought about marketing certified Kosher wine. Roger Leasor, Liquor Barn owner, responded that he was not aware of any Kosher wine being produced in Kentucky. Senator Harper-Angel said that it would be nice to have Kentucky wine displayed and to have a tasting at the Southern Legislative Conference meeting next year in Louisville. Mac Stone said that, with the Kentucky Proud Program, not only local wine but local food is sampled. Representative Palumbo asked what hybrid root stock was. Mr. Land responded that hybrid root stock is a grafting process with a goal to grow a disease resistant plant. Representative Keene asked why there were no wine tastings in liquor stores in Northern Kentucky of Kentucky wines. Mr. Leasor said that he could not speak for other liquor stores; however, the Liquor Barn has Kentucky wine tastings approximately 20 weeks per year. Mr. Stone added that it is expensive for wineries to travel to liquor stores. Senator Schickel asked if the Sunday sale issue was a big obstacle due to the local vote. Mac Stone said that he has spoken to several winery owners who have had to turn away people, on Sunday, who have driven out of their way. He said these owners feel like they have lost a sale, but also a potential customer. Senator Schickel asked if it was possible to change the statute to have a local option vote on Sunday sales. Representative Rand said when the question is put on the ballot for Sunday sales in a conservative district it will not pass. Senator Stein suggested that there be a condition that if a community is not wet or moist it does not share in the benefits of the tax proceeds from the sale of alcohol. Representative Owens said he was concerned that if the community concludes what it wants to do, the state should not force that community to do something anyway. Lowell Land said that he had hundreds of signatures on a petition; however, he could not get his fiscal court to hear the issue because they felt it was controversial and they do not want to become involved. Mr. Land continued that his point was that 51 percent was overruling 49 percents rights to have Sunday sales.

Next on the agenda was a presentation from the Kentucky Orthotic and Prosthetic Association (KOPA). Tony Ward, President of KOPA, and a certified Prosthetist/Orthotist thanked the members for the opportunity to come before the committee to explain the benefits of licensure for orthotist, prosthetics, pedorthist to the citizens of Kentucky. Rob Pinkston, certified Prosthetist/Orthotist, said that a certified prosthetist or orthotist is part of the allied health profession. He said their job is to design, fabricate, fit, measure and service orthopedic braces or orthoses that have been prescribed by a licensed physician. He said orthoses are typically formulated to help support or correct someone that has some type of a musculoskeletal deformity. He said that in the past there has been the idea that braces are taken off a shelf and sold in a retail setting, which is not correct. Mr. Pinkston said he sees patients who have had cerebral vascular accidents or stroke, children born with spina bifida, children with muscular dystrophy, all of whom have been referred by a physician. He said people who exercise on weekends sprain shoulders, tear their ACL, and adults who are victims of motor vehicle accidents are also clients. He said the job of a prosthetist is to help someone who has lost some type of external body part, typically due to some form of amputation or some type of congenital abnormality at birth. Mr. Pinkston said they design limbs that fit into a socket that must be worn comfortably, so that when they walk they may function as normally as possible. Mr. Pinkston said a pedorthist is a sub-category of orthotics that specializes specifically in disorders of the foot and ankle. He said a pedorthist is someone who fits specialized shoes, and can modify the shoes as needed. Mr. Pinkston cited a cover story in the Courier Journal about an Iraq war veteran who had lost his leg and spoke of how well he was doing because of the specialized care he was receiving.

Representative Keene asked if there were approved stores for veterans so that they would not have to travel long distances for fittings and treatment. Mr. Pinkston responded that a veteran could go where ever he chose to receive prosthetic services.

Mr. Pinkston said that diabetes is the number one reason that he sees patients. He said that in 1997 there were over 133,000 lower extremity amputations in the United States due to diabetes. He said that to date in 2009, there are 23 million diabetics in the United States. Mr. Pinkston said a large part of the practices service diabetic patients who have had health complications in the past. He said he thought that orthotist and prosthetist should have training and full knowledge of preventative maintenance issues related to the special needs of diabetics.

Gary King, Vice President of KOPA, told members that in April of 1992 he had an accident while mowing on his farm in Scott County, amputating his right leg above the knee and degloving his left leg. He said after three months at the University of Kentucky hospital, he was transferred to Cardinal Hill Hospital to relearn daily activities. He said fourteen months after his accident he was back to full-time work. Mr. King said 10 years later, after consulting with his prosthetist he decided to return to school to become a prosthetist. He graduated from Northwestern University in Chicago, receiving the orthotic and prosthetic certificates allowing him to pursue two one year residencies, and preparing him to sit for boards to become a Certified Prosthetist/Orthotist in 2007. Mr. King said he was amazed to find out that only a handful of states licensed prosthetist and orthotist. He said it was generally accepted that, because the field was below the radar and represented only a few tenths of one percent of Medicare/Medicaid expenditures, licensure was not necessary. Mr. King said that states began to license the practice after large fraud cases in the durable medical equipment portion of Medicare and Medicaid surfaced. He said that the prosthetic and orthotic services which the speakers represent have been largely fraud-free thus far, but because of their close association with durable medical equipment in the CMS system, many facilities are now being audited.

Mr. King said the licensure bill for Kentucky is modeled closely on all 11 licensure bills that have become law in their respective states to date. It has a generous grandfather clause to fully assure anyone practicing now will be able to continue seeing their patients and supplying the services that they have been certified to perform. The legislation closely follows the recommendations of the five national organizations representing OMP professionals, as pertains to the educational and training requirements for OMP patient care. Mr. King said full licensure will assure patients that they are being treated by a peer-reviewed individual who has obtained the necessary education and training, and the most up-to-date certification, as well as continuing education in their specialty. Licensure will provide a board which will review and investigate complaints pertaining to care provided by the professionals and gives the board the oversight to stop fraud and abuse of its members.

Mr. King said, speaking as one who wears prosthesis and orthoses, it is very uncomfortable. He said prosthetics are hot. Small increases or decreases in weight can make the devises ill-fitting, so that skin is irritated and pressure becomes unbearable. He said the prosthetist or orthotist becomes a life-line who never stops trying to help their patients meet goals and desires. Mr. King said as a patient, and OMP professional, state licensure will assure Kentuckians of receiving the highest level of care possible.

Tony Ward told committee members that legislation providing licensure for this field has been introduced during the last three legislative sessions. He said the bills were an effort to educate and create minimum standards that will be on par with those required by five national organizations. He said the legislation was not trying to keep someone from working and would grandfather anyone in who was certified by a national organization. Mr. Ward said those who have been practicing without national certification will also be able to continue practicing. He said these people will receive training through continuing education. He said that physicians will not be prohibited from providing orthotic services in their offices as long as they are within their scope of practice. Mr. Ward said there was also a generous reciprocity clause in the bill, so that practitioners in other states that have standards equal to Kentucky's will be licensed in Kentucky. Mr. Ward said the bill is being supported by the Amputee Coalition of America, the American Orthotic and Prosthetic Association, the Kentucky Medical Association, as well as podiatrist and physical therapist.

Mr. Ward added that Senator Schickel and Representative Santoro have agreed to sponsor their legislation for the 2010 session.

Representative Simpson asked if there were still people that were opposed to the legislation. Mr. Ward said there was one person who is not in agreement that education should be required to practice in this field. Representative Simpson said he questioned the necessity of the bill, adding that he was not certain that there should be an additional layer of regulation. Mr. King said that technology was pushing the field forward quickly. He said a prosthesis that in the past cost $4,000 would now cost up to $50,000 because of technology such as micro processors in knees. He added that the population would be better served by the new higher technology. Representative Simpson responded that part of the problem was the multiplicity of boards, some of which may not be necessary. Representative Simpson continued that the creation a board would restrict the practitioner, as heretofore if you had a skill set you could practice; however, if this legislation passes the person would have to be certified. He said that some regions in the state are underserved and asked if the bill passed, would it create a mechanism to serve these sparsely populated areas. Mr. Ward said that there are numerous remote clinics that provide patient care. Representative Simpson asked if there was proof of current bad services provided. Mr. Ward said that last month during a KOPA event in Louisville individuals shared stories of poor care provided by an uncertified individual. Representative Clark said he was concerned that there were not enough practitioners to sustain a new board. He said he would also prefer more protection for professionals who are grandfathered. Representative Owens asked how a person who was not certified, but was grandfathered in, would be disciplined. Tony Ward responded that licensure would weed out those individuals who were providing poor care. Representative Koenig asked if there was any chance that the KOPA would agree to being attached to another board, such as the Board of Occupational Therapy or the Board of Physical Therapy. Mr. Ward responded that there have been discussions with the podiatry board; however, because they also deal with spinal and upper extremity issues that board was not receptive. He said they have also spoken with the physical therapy board and would be willing to be combined with any board who would allow for that.

Representative Keene told members that the next meeting would be Friday, August 14, 2009. However, that date was subject to change due to the Southern Legislative Conference beginning the following day.

Representative Rand thanked the committee for coming to the winery for their meeting.

There being no further business to come before the committee the meeting was adjourned at 11:38 AM.

INTERIM JOINT COMMITTEE ON LOCAL GOVERNMENT

Minutes of the 1st Meeting of the 2009 Interim
June 11, 2009

The first meeting of the Interim Joint Committee on Local Government was held on Thursday, June 11, 2009, at 10:30 AM, in Room 131 of the Gateway Community and Technical College, Boone Campus, in Florence, Kentucky. Senator Damon Thayer, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Damon Thayer, Co-Chair; Representative Steve Riggs, Co-Chair; Senators Julian M. Carroll, Ernie Harris, Dan Kelly, John Schickel, Elizabeth Tori, Johnny Ray Turner, and Ed Worley; Representatives Scott W. Brinkman, Mike Denham, Ted Edmonds, Brent Housman, Dennis Keene, Adam Koenig, Tom McKee, David Osborne, Arnold Simpson, Kevin Sinnette, and Ancel Smith.

Guests: Senate President David Williams; former State Representative Jon Draud, Ed Hughes and Laura Kroeger, Gateway Community and Technical College; Michael Bennett and Dan Chapman, Department of Housing, Buildings, and Construction; Dave Schroeder and Lois Schultz, Kenton County Library District; Jeff Eger, Amanda Waters, Jamie Holtzapfel, Mike Apgar, Northern Kentucky Sanitation District No. 1; Rick Messingschlager, Independence Fire District; Kenny Brown, Florence; Donnie Snow, All-Rite Ready Mix of Florence; J. R. Roth, Campbell County League of Kentucky Property Owners; Sue Puffenberger, Covington Watershed Council; Owen Nichols and Shawn Carroll, North Key Community Care; Natalie Bradley, Boone County Family Court; Susan Nimersheim, Grant County Public Library; Marc Muench, Florence Fire/EMS; Michelle Ratliff, Walton Fire; Chris Gibson and Jeff Rensing, Enterprise Rent-a-Car; Greg Buckler, Northern Kentucky Firefighters; Jeff Poheman, Alexandria Fire District; Craig Bohman and Lisa Cooper, Northern Kentucky Area Development District; Frank Sommerkapp, City of Crestview Hills; Richard Harrison, Northern Kentucky Water District; Stephen Frite, Boone County resident; Barb Schempt, Covington; John Vissman, Northern Kentucky University; and J.D. Chaney, Bert May, and Tony Gates, Kentucky League of Cities.

LRC Staff: Mark Mitchell, Joe Pinczewski-Lee, John Ryan, Kris Shera, Becky Barnes, and Cheryl Walters.

Senator Thayer welcomed everyone to the meeting. He then recognized Dr. Ed Hughes, President of Gateway Community and Technical College. Dr. Hughes welcomed the committee to Northern Kentucky and thanked the entire legislature for their support. Senator Thayer thanked Dr. Hughes for hosting the committee's meeting.

The first item of business was review of Kentucky Administrative Regulation 815 KAR 25:060, licensing of manufactured home retailers. Senator Thayer recognized Mr. Michael Bennett, Staff Attorney, and Dan Chapman, with the Department of Housing, Buildings, and Construction, to explain the regulation. Mr. Bennett told the committee that the amendment removes the limited license for brokers and the limited license for lenders that the Department in its current administration believed it did not have statutory authority to regulate.

Senator Thayer referred members to a letter in their folders from the Kentucky Manufactured Housing Institute in support of the amendment.

Representative Riggs asked if this amendment affected the retail license. Mr. Bennett replied no, that it did not.

Senator Carroll asked what the public purpose for the limited license was. Mr. Chapman stated that state law requires each entity selling more than one manufactured home in a 12 month period to have a license. He said only three brokers' licenses have been issued and only one limited license had been issued.

Senator Thayer asked Representative Keene if he had any reaction to the regulation. Representative Keene replied that he thought the office was doing a fine job.

The other order of business was discussion of special district taxing authority relating to SB 72 of the 2009 Regular Session. Senator Thayer explained that he sponsored SB 72 and that it would require rate and fee increases by special taxing districts be approved by the fiscal court. He noted that he will prefile the bill again for the 2010 Session. Senator Thayer stated that there was not enough time during the 2009 session to have a public hearing on this issue and that he promised there would be one during the interim. He said the public hearing was the purpose of today's meeting.

Senator Thayer first introduced Mr. Dave Schroeder, Director of the Kenton County Library District and Mrs. Lois Schultz, President of the Kenton County Library District Board of Directors, to address the committee.

Mr. Schroeder first gave members some history on libraries. He explained that property tax revenues are limited by 1979 House Bill 44, which allows a public referendum on any property tax rate calculated to produce more than a 4 percent increase in revenue. Mr. Schroeder stated that most Kentucky libraries were established as special taxing districts and are subject to HB 44. He noted that the current law allows for a modest increase each year to meet growing demand in services, to provide adequate salaries and benefits and to fund participation in the state retirement plan. Mr. Schroeder told the committee that Kentucky public libraries receive very little funds from the state. He added that the overwhelming majority of their funds are from local property taxes. Mr. Schroeder pointed out that last year, the Kentucky Department for Libraries and Archives experienced a 20 percent cut in funding which required cuts in state aid to libraries.

Mr. Schroeder explained that the cost per person for library materials each year in Kentucky public libraries is $3.79. He said despite these limitations, Kentucky public libraries continue to serve a growing patron base, check out more materials, and provide educational and cultural programming for thousands of Kentuckians.

Mrs. Schultz told the committee that the current system is working. She stated that library boards work on a very high level of professionalism. Mrs. Schultz noted that members of library boards are appointed by their respective fiscal courts. She added that library boards operate under open records and open meetings laws. Mrs. Schultz stated that public hearings are held before the tax rate is set and notices are published in the media. She said that taxpayers do have input in the process.

Mr. Schroeder concluded by saying that the Kentucky Public Library Association's legislative committee has strong reservations concerning SB 72. He said SB 72 will place additional burdens on local fiscal courts and as a result, the fiscal court members will need considerable education to make informed decisions. Mr. Schroeder pointed out that library officials fear that SB 72 will limit funding increases and place libraries in precarious financial situations. He added that fiscal courts will be under pressure to limit tax increases. Mr. Schroeder mentioned that it has been their experience that libraries have suffered in other states when funding was taken out of the hands of the trustees. He stated that libraries in Kentucky have made considerable headway since 1979 and fear SB 72 will negate many of these gains. Mr. Schroeder noted his district's triple A rating as an example of his district's good board decisions and its positive effects upon capital construction costs. He said consistent funding is important to maintain that funding.

Senator Tori asked if any concentrated efforts had been made to link library patrons with school and college libraries. Mr. Schroeder replied yes, they visit many educational institutions to make the connections.

Senator Thayer commented that some states have elected library members and millages. He asked how that affects their finances. Mr. Schroeder stated a few libraries have directly elected board members, but he could get that data. As far as the millage question goes, he continued, it is a matter of consistency. Mr. Schroeder added that it is hard to pass increases, especially in times like these.

Representative Keene asked where home schoolers would go if programs were cut. Mr. Schroeder stated that some supplements would be provided, however, he noted that there is very little money to meet the needs of home schoolers and that the burden would be on the parents if programs were cut.

Senator Thayer next introduced Mr. Jeff Eger, General Manager of Sanitation District No. 1 in Northern Kentucky. Mr. Eger told the committee that Sanitation District No. 1, made up of eight appointed board members, serves the counties of Boone, Campbell, and Kenton, which is all 36 local governments. He added that Sanitation District No. 1 serves as the collection point for sewer systems and has been able to move into handling storm water because of amendments to KRS Chapter 220, Mr. Eger stated that they are already heavily regulated, and that SB 72 would add more costs. He pointed out that the current system is working. Noting the plight of the Metropolitan Sewer District in Louisville, Mr. Eger said that the EPA decisions may cost Sanitation District No. 1 and its constituents $3 billion for the sewer system. He added that rates will have to go up. He cited several construction projects. Mr. Eger noted that all the capital construction is done through the issuance of bonds and that they must go to the general market for additional bonds. He added that a good rating can mean millions of dollars in savings over the life of the bond and that rating agencies look at ability to raise money.

Mr. Eger noted that the operations are open, rates are low, and there is additional oversight available via county judge review of rates and fees in KRS Chapter 220.

Representative Riggs asked about the district's most recent three rate increases. Mr. Eger said that the rate increases were for 15% per year ending FY 2010-2011. Representative Riggs also asked who approves the rate increases. Mr. Eger replied that the county judges approve the rate increases. Responding to Representative Riggs, Mr. Eger stated that no increases occurred from 1987 to 1999, despite taking on all the collection systems. He added that after five years, there was a 35% increase and two years of increases at 15% each. Mr. Eger said there were two years of no increases, then a 20% increase before the most recent increases. Representative Riggs indicated that there was a two-fold purpose of treatment—storm water and sewage. He felt that various forces emphasized one duty over another periodically, but that both were part of the districts' purposes. Representative Riggs told Mr. Eger that SB 72 would place special districts closer to the fiscal court that would then be better to understand their needs. Mr. Eger expressed concerns that the bill would mandate what law currently allows, and that he was concerned that in his case, a few fiscal court members could veto the rate increases resulting in a poor bond rating.

Representative McKee asked if the sanitation district board members have to be approved by the fiscal court as well as the county judges. Mr. Eger replied in the affirmative. Representative McKee also asked if the board members' terms are staggered. Mr. Eger said yes, that they serve for four years but are appointed at different times. He noted that the chair rotated from county to county. Representative McKee pointed out that as the terms expired of officials, they would be subject to replacement by other appointees by the fiscal court, demonstrating control over the board.

After confirming Mr. Eger's position on the bill and noting Mr. Eger's concerns, Representative Simpson asked if Mr. Eger had any recommendations to add to the accountability of the board and district relative to rate setting. Mr. Eger said they have always invited independent audits to be conducted.

Senator Thayer stated that he has a problem with the level of accountability that currently exists. He said there needs to be an additional level.

Senator Thayer next introduced Chief Rick Messingschlager with the Independence Fire District. Chief Messingschlager noted that the fiscal court exercises control over the fire board through the appointment of board members. He cited statutory requirements of public hearings for rate changes to include those under HB 44. Chief Mesingschlager told the committee that SB 72 questions the integrity of the board members and fiscal court, and that he is against SB 72. He stated that KRS Chapter 75 allows for elected and appointed board members already and should be used as a model.

Senator Thayer told Chief Messingschlager that SB 72 does not question the integrity of the board members; it is a taxpayer protection measure.

Senator Carroll commented about the constituency of the fire board and the simple majority required to approve a measure.

Senator Thayer next introduced Mr. Kenny Brown, representing taxpayers. Mr. Brown indicated that he was here in part now because of his involvement last year with a grassroots initiative to stop a $48 million park tax levy. He explained that one of the selling points of the initiative was the collective lowering of three tax districts' rates to compensate for the new tax rates. There was shock in the community, he said, that these tax districts were able to lower their tax rates. Mr. Brown noted that the Boone County library district was one district that volunteered to lower its rates. He added that the rates had gone up 300 percent in ten years. Mr. Brown cited public discomfort with the library district's real property purchases and capital improvement projects. He said that after the fiscal court was approached by the citizens who objected to these expenditures, the fiscal court indicated that it did not have control over the board, along with other districts. Mr. Brown continued to say that these conditions and responses led to the forming of the group to oppose the park tax. He indicated that the citizens felt that the three tax districts were manipulating the public in order to gain support for the park tax. Mr. Brown noted that the park tax was defeated. He stated that having unelected individuals making taxing decisions amounted to taxation without representation. Mr. Brown questioned the board members accountability to taxpayers. Quoting Chief Justice John Marshall, he said that the power to tax is the power to destroy and cannot be delegated to an unelected body. Mr. Brown told the committee that tax increases should be made by elected officials. He said he supported SB 72.

Mr. Brown said that it is fundamentally wrong to give people the power to tax who do not themselves have to face the taxpayers. He cited the controls of planning and zoning boards' decisions needing approvals from the local elected officials was a good model. He felt that the individuals providing good services through special districts should not be intimidated by or opposed to accountability or scrutiny of the individuals paying for the services the districts provide.

Senator Schickle commented that he acknowledges the good job that the districts do, but that SB 72 just requires direct accountability to the voters. He added that he was glad to hear the comments relating to more interaction with fiscal courts and indicated that the bill was not perfect and needed fine-tuning.

Representative Simpson asked Mr. Brown if he felt that the fact that the citizens elected the officials who appoint the board members was adequate. Mr. Brown replied that not all fire districts are set up like Boone County's, and that he felt that the election of the elected members of the fire districts were not publicized adequately. Senator Thayer said that all taxing fire districts created under KRS Chapter 75 are similar to Boone's district.

Senator Thayer asked committee members to submit any suggestions that they might have to improve the bill. He said the bill's idea is all about accountability.

Senator Thayer lastly opened the meeting for public comment. Mr. Donnie Snow, with All-Rite Ready Mix, told the committee that rate increases and district board members should be controlled by the voters.

Mr. J. R. Roth, representing the League of Kentucky Property Owners, said that the county judges would likely not be in favor of voting for tax increases. He advocated more voter input in special district operations.

Ms. Sue Puffenberger with the Watershed Authority, told the committee she was against SB 72. She felt that the additional controls would hinder the operations of fiscally-responsible tax districts.

There being no further business, the meeting was adjourned at 12:10 p.m.

CAPITAL PLANNING ADVISORY BOARD

Minutes of the 2nd Meeting of the 2009 Calendar
July 7, 2009

The 2nd meeting of the Capital Planning Advisory Board was held on Tuesday, July 7, 2009, at 9:00 AM, in Room 169 of the Capitol Annex. Representative Henley, Co- Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jack Westwood, Co-Chair; Representative Melvin B. Henley, Co-Chair; Senator David E. Boswell, Representative Ron Crimm; David Buchta, Laurie Dudgeon, Ben Fletcher, Carole Henderson, John Hicks, Bill Hintze, Mary Lassiter, Katie Quitter, Edmund Sauer, and Laurel True.

Guests: Dr. James Votruba, President, Northern Kentucky University; Major General Edward W. Tonini, The Adjutant General of Kentucky, Department of Military Affairs; Mr. Ken Lucas, Commissioner, Mr. David Worley, Executive Director of the Office of Kentucky Veterans Centers, Ms. Margaret Plattner, Deputy Commissioner, and Jeff Acob, Executive's Staff Advisor, Department of Veterans Affairs; Mr. Kevin Noland, Interim Commissioner, and Mr. Tom Engstrom, Division Director of Administrative Services, Department of Education; Dr. John Hayek, Vice President for Finance and Planning, Mr. Allen Lind, Vice President for Information and Technology, and Mr. Sherron Jackson, Assistant Vice President for Finance and Equal Opportunities, Council on Postsecondary Education; Mr. Ken Walker, Vice President, and Mr. Gary Cloyd, System Director for Facilities Management, Kentucky Community and Technical College System; Mr. John Osborne, Vice President of Campus Services and Facilities, and Mr. Brian Russell, Director of Planning, Design and Construction Department, Western Kentucky University; Dr. Randy Dunn, President, and Mr. Tom Denton, Vice President of Finance and Administrative Services, Murray State University; Mr. Michael Walters, Vice President of Administration and Fiscal Services, Morehead State University; Ms. Angela Martin, Vice President for Planning, Budget and Policy, and Mr. Dall Clark, Capital Construction Director, University of Kentucky; Mr. Larry Owsley, Vice President for Business Affairs, University of Louisville; Mr. Doug Whitlock, President, Harry Moberly, Executive Vice President for Administration, and Mr. James Street, Associate Vice President for Capital Planning and Facilities Management, Eastern Kentucky University; Mr. Stephen Mason, Sr., Chief of Staff and Executive Assistant to the President, and Mr. Jack McNear, Director of Capital Planning and Construction, Kentucky State University.

LRC Staff: Don Mullis, Shawn Bowen, and Jennifer Luttrell

Co-Chair Henley explained that he would be filling in for Co-Chair Westwood until he arrived.

Co-Chair Henley's motion to approve the minutes of the June 4, 2009, meeting was seconded by Mr. Hintze and approved by voice vote.

Co-Chair Henley asked Mr. Mullis to go over the informational items on the agenda.

Mr. Mullis explained that the first information item was from the Council on Postsecondary Education concerning the Capital Projects Pool. This pool of funds was appropriated by the 2008 General Assembly and allocated to institutions on a formula type basis to be used for capital maintenance. Each institution was required to provide a dollar-for-dollar match. Maintenance pools have been a top priority for the Capital Planning Advisory Board to address the tremendous backlog of maintenance and renovation issues at each institution. Detailed information is provided in the staff analysis of each institution. Mr. True has expressed interest in a comprehensive review of all the maintenance and renovation appropriations, the pools that were created, and how they have been used to date. Capital Planning staff will provide that information at a future meeting.

The second information item Mr. Mullis discussed was a modification to the Kentucky River Authority's (KRA) 2010-2016 Capital Plan. Mr. Mullis noted that KRA's presentation at the June 4 Capital Planning Advisory Board meeting was slightly different from its original capital plan. KRA has modified proposed projects in Version 2 of the plan to reflect a decrease in funding for an agency bond funded project. The project, entitled "Repair Dam 7" will now be funded at $2,800,000 rather than $3,090,000. The project entitled "Renovate Locks 1 and 2" has been moved from the third to the second biennium (2012-14) of the planning period.

Mr. Mullis next reviewed the materials provided in the members' notebooks for the agency plans to be reviewed at this meeting. The format consisted of a CPAB staff overview, followed by the cabinet/agency presentation, and a period for questions from the Board.

Dr. James Votruba, President of Northern Kentucky University (NKU), presented the school's plan.

Dr. Votruba spoke about the two most critical priorities facing NKU – a lack of classroom space and funding for maintenance and operation. He said data showed that there were 6,500 applications for 2,200 positions in the fall. He said the combination of the Health Innovations Center and the Old Science Building construction project should save the Commonwealth up to $20 million.

The second most critical need, funding for maintenance and operational costs, is traditionally provided by the state. Dr. Votruba stated that the health care industry represents one of the largest sectors for job growth in northern Kentucky between now and 2015. Another area of need is in information related fields such as health care and informatics. In 2005, the health care industry in northern Kentucky invested $315 million in capital improvement. Also in 2005, the tax revenue brought in by northern Kentucky by new jobs and investment from the health care industry topped $2.4 million. He said 50,000 new jobs is a goal of Vision 2015, the regional planning process. NKU plans to provide the talent needed for these industries.

Dr. Votruba introduced NKU staff Denise Robinson, Interim Dean of College of Health Professions as well as various members of the northern Kentucky business community in attendance.

Dr. Votruba stated that the College of Health Professions enrolls 1,500 students, but the college in the past has had to turn away 400 qualified students because of lack of classroom and laboratory space. To address this growth, NKU is requesting $92.5 million to create the Health Innovations Center. This project was CPE's top priority for construction and renovation in 2006. NKU is recognized by CPE as one of the two fastest growing universities in the Commonwealth. CPE also recognizes that NKU has a space deficit. To reach the average of the regional universities, NKU would need 585,000 additional net square space.

Co-Chair Henley asked what the enrollment would be if NKU had adequate space. Dr. Votruba responded that enrollment could increase by up to 600 students. He also stated that by 2020, NKU should enroll 24,000 students.

Mr. True asked how many out of state students attend NKU. Dr. Votruba responded that about 30 percent of NKU's student populations are from out of state. He added that most students select NKU because it is a more intimate campus with smaller class sizes.

Mr. Hintze asked where the students go who are turned away from NKU. Ms. Robinson responded that they did not know where students went that were turned away from NKU, but that many times the students will wait until the next semester to attend.

In response to a question from Senator Boswell, Dr. Votruba said that NKU's goal is to accept all students no matter what their financial status.

Co-Chair Henley suggested that the universities as a group study the impact of extending sales tax to services and eliminating the income tax.

Mr. Hicks asked if being landlocked is a problem for NKU. Dr. Votruba said that acquiring land has become a challenge and therefore prudent decisions as to the use of the land must be made.

Relative to NKU's capital plan, Mr. Hicks asked Dr. Votruba to discuss the university's need for a new chiller plant. Dr. Votruba stated that the new energy efficient plant would service all the buildings on campus.

Co-Chair Westwood then introduced General Edward W. Tonini, Adjutant General of Kentucky, to present the Department of Military Affairs (DMA) capital plan.

General Tonini stated that DMA's plan reflects military construction data based upon National Guard Bureau's long-range construction plan and the Future Year Defense Plan. DMA is requesting $30.5 million in federal funds for state fiscal year 2010-12, which requires state matching funds of $7.5 million. The construction of the Readiness Center in Owensboro is the department's highest priority. This is a 75/25 percent match for construction and the land is already available at the local airport. DMA is also requesting $45.25 million in 2010-12 for capital construction projects, which are to be self-funded from the proceeds of the defense tenant operations of Bluegrass Station. DMA is also requesting $13.5 million in appropriated general funds. General Tonini stated that there is no significant change in this six-year plan.

Senator Boswell asked if federal stimulus money would be used to advance the Owensboro project. General Tonini stated that DMA plans to execute this project by September 2009.

In response to a question from Senator Boswell concerning local cooperation, General Tonini stated that this has not occurred at this point, but that they will be able to execute the plan without any formal arrangements.

General Tonini said if a state fails to execute a project and there are additional stimulus funds remaining, Kentucky's DMA would be ready to take advantage of that opportunity if that did occur.

Mr. True asked if Bluegrass Station would be self-sustained and if the income would cover the debt service of the bonds. General Tonini replied that it would.

In response to a question from Mr. True, General Tonini stated the Finance Cabinet supervises all DMA construction projects. He said Kentucky has been doing better than many other states as far as maintenance of its various military facilities.

Representative Crimm asked if any moneys have been spent on the Hopkinsville Armory in the last ten years and if Ft. Campbell allows the National Guard in Hopkinsville to work with them in certain facilities. General Tonini said he did not know the answer to this question, but that DMA has a great relationship with Ft. Campbell and that any need they may have could be addressed through this partnership.

Mr. Hicks asked the General to discuss DMA Emergency Management operations. General Tonini replied that communication problems were the major issue, a company in the process of launching a satellite that will allow a cell phone with a chip placed in it to communicate via satellite instead of cell phone towers. DMA has a tentative agreement with that company to do the first test in the world in Kentucky for that system.

Co-Chair Westwood asked the Department of Veterans Affairs (DVA) to present. Representing the department was Mr. Ken Lucas, Commissioner, Mr. David Worley, Executive Director of the Office of Kentucky Veterans Centers, Ms. Margaret Plattner, Deputy Commissioner, and Jeff Acob, Executive's Staff Advisor.

Mr. Worley stated that the number one priority for DVA is to build a fourth state veterans' nursing home in Hardin County. DVA currently has 525 beds in three nursing homes. They plan to expand the western Kentucky veterans' center by forty beds. He said the projects would be a combination of federal funds (65%) and state matching funds (35%).

Mr. True asked if DVA administers the veteran's shelters. Mr. Worley stated that DVA runs a program with the Volunteers of America at the old Leestown VA campus that includes a 40-bed facility for homeless vets. He said they would like to build another facility because that facility stays full. He said Mr. Worley added that the Leestown road program this is a two-year program. Program participants are assisted with needed services to transition back into the community.

In response to another question from Mr. True, Mr. Worley replied that the organizations get a per diem rate or grant from the federal government and then DVA is funded $150,000 by the state to help with this program. Ms. Plattner added that DVA has a Homeless Veterans Shelter Coordinator who works with the DOA as a non-profit partnership.

Mr. True asked if this facility is built, would the federal government still provide a per diem to take care of clients. Mr. Worley stated that this would still happen, even though it would be a state-run facility.

In response to questions from Senator Westwood, Mr. Worley said the Thomson Hood Veterans Center is eighteen years old. Relative to DVA's capital plan, he said the requested elevator project at Thomson Hood (2,002,000 GF), is a replacement project that will replace four original elevators. He said they plan to renovate the dining hall in the Jefferson facility.

Mr. Acob stated that DVA is requesting a grant for the Greenup County project for 100% funding from the federal government, and that the groundbreaking ceremony would be in August 2009.

Co-Chair Westwood asked the Department of Education (KDE) to present. Representing the department was Mr. Kevin Noland, Interim Commissioner, and Mr. Tom Engstrom, Division Director of Administrative Services.

Mr. Noland stated that the average age of the buildings at Kentucky School for the Deaf is 37 years. KDE would like to sell some of those buildings to fund the other construction projects. One building KDE would like to sell, the Walker Building, is a residential facility. Students would first need a building to be able to move into before this could happen. The Statewide Student Longitudinal Data System, which came from Senate Bill 1 (2008 Session), is also a priority. The federal government requires a commitment from KDE in terms of capital as well as operational funds to keep the data system going. Another priority is a comprehensive disaster recovery plan that would recover all the data for the 176 school districts in case there was a crash of their system.

Mr. True asked if KDE maintained the vocational schools. Mr. Noland replied that vocational schools are part of the Education and Workforce Development Cabinet.

Mr. True asked Mr. Noland to discussed KDE's project entitled "Instructional Device Replacement, Phase 1" ($46,400,000 GF). Mr. Noland said the amount requested would update one-fourth of the computer workstations in public schools with modern workstations. The impetus behind this project is to develop a replacement schedule so they do not have computers in the schools that are eight to ten years old.

Mr. True asked why they were not using the capital expenditure accounts that the school districts have. Mr. Noland replied that it would be more difficult for the legislature to appropriate it that way and bonds are more efficient. Using bond funds provides the districts more flexibility in choosing technology.

Co-Chair Westwood asked if there would be any savings from using the Statewide Longitudinal Data System. Mr. Noland said that in the future there should be savings because there would only be the one system for all of the districts.

Co-Chair Westwood asked CPE to present. Representing CPE were Dr. John Hayek, Vice President for Finance and Planning; Mr. Allen Lind, Vice President for Information and Technology; and Mr. Sherron Jackson, Assistant Vice President for Finance and Equal Opportunities.

Dr. Hayek said approximately two-thirds of CPE's projects are focused on postsecondary education and the rest are focused on the transition from K-12 to college and from college to the workforce. Half of the amount requested is for academic programs with about $28 million in facilities with the remaining projects focused on planning, development, and the educational pipeline. He added that they are still in the process of working with the institutions and will have a more streamlined plan in August.

Representative Crimm asked why the library system was moved from number six to number one on the priority list. Mr. Lind responded that the system is old and needs to be replaced now.

Co-Chair Henley asked how CPE was planning to run the fiber optic system. Mr. Lind explained that CPE has an irrevocable right of use, on strands of "dark" fiber from existing cables that telephone companies have in place. He added that CPE arranged with the electric municipals to use their right of way.

Mr. Hicks asked if the first priority is to buy more pipe. Mr. Lind replied that they would be buying larger pipe at an affordable rate so they can avoid the price increases. He added that the student demand for this larger pipe is great because there are many students who attend classes online.

Ms. Henderson asked why CPE's number one request, the "Purchase P-20 Learning Object Repository (KyDepot)" project, had increased from $2 million in the last plan to $4 million in this plan. Mr. Lind explained that $2 million was an insufficient amount, and CPE has increased its request based on the review of a similar plan implemented in North Carolina.

Co-Chair Westwood asked Kentucky Community and Technical College (KCTCS) to present. Representing KCTCS was Mr. Ken Walker, Vice President, and Mr. Gary Cloyd, System Director for Facilities Management.

Mr. Walker explained that the first seven projects have been under discussion since the 2006 General Assembly. These projects were approved and then vetoed by the Governor. They brought the projects back in the 2008 session as contingency funded projects, but they do not anticipate that such funding will happen this biennium so these projects are being requested in the next biennium.

Mr. Walker said KCTCS has a number of new construction projects which consist of a postsecondary education center at Madisonville Community College which is a collaboration with Murray State University, a new campus at Maysville Community and Technical College which would replace the existing campus in Rowan County, a new Allied Health and Science Building at Hopkinsville Community College, a Phase III construction at the East Park Campus at Ashland Community College which is well underway and would complete this campus, a new Allied Health and Science Building at Hazard Community College, a project to complete the Springfield Campus at Elizabethtown Community College, North American Racing Academy, the first racing academy in North America, will be built at the horse park as a permanent facility; and the Community Intergenerational Center at the Lees Campus on the Hazard Community College.

Co-Chair Westwood asked Western Kentucky University (WKU) to present. Representing WKU was Mr. John Osborne, Vice President of Campus Services and Facilities, and Mr. Brian Russell, Director of Planning, Design and Construction Department.

Mr. Osborne said WKU is the fastest growing university in Kentucky. WKU's top priority is to complete the renovation of the Science Campus. This has been an ongoing project for the last ten years. The last two buildings to be renovated are 42 years old and have been rated as inadequate facilities in a 2006 Vanderweil Facility Advisors, Inc. (VFA) study.

Representative Crimm expressed his concern for the universities reaching out to the regions. He said he thought the universities were going to keep the campuses more compact to avoid additional expenses.

Representative Henley asked what kind of research would be done in the USDA Building. Mr. Osborne stated that the agricultural research facility would focus its research on animal waste management.

Mr. Hicks asked Mr. Osborne to discuss WKU's request for a project to "Renovate Underground Electrical Infrastructure" ($4,500,000 GF). The project is ranked as WKU's #2 priority and entails renovation of the existing electrical distribution infrastructure. Mr. Osborne responded that due to increased demand and usage, there have been failures in the system that caused it to shut down. He said a phased managed approach will be used.

Co-Chair Westwood asked Murray State University (MuSU) to present. Representing MuSU was Dr. Randy Dunn, President, and Mr. Tom Denton, Vice President of Finance and Administrative Services.

Dr. Dunn stated MuSU's top priority is completing a three-building complex for science. The second priority is the Resource and Sustainability Center, which is an annex to complete the complex. This center at $7 million would contain teaching and lab space and a demonstration site for "green" technologies. The third priority is the library, which would combine the two existing libraries that were rated as two of the top ten worst facilities according to the VFA study. The fourth priority is an $11 million upgrade to the electrical distribution system, which was also listed on the top ten worst in the VFA study. The fifth project is a new regional campus facility in Paducah, which the land for the construction site has already been purchased.

In reference to the Breathitt Veterinary Center project ($27,500,000 GF, #6), Co-Chair Henley asked if federal funds are available to assist with the project. Dr. Dunn replied that federal funds from a stimulus grant would assist with the purchase of equipment. Co-Chair Henley suggested that they look at the Crisp Center for only $7 million instead of the $17 million renovation of the facility.

Co-Chair Westwood asked Morehead State University (MoSU) to present. Representing MuSU was Mr. Michael Walters, Vice President of Administration and Fiscal Services.

Mr. Walters stated that the top priority is the renovation and expansion of the Student Center. This project is in Phase II of the process. In addition to the priorities, MoSU is requesting agency bonds for the renovation of two residence halls, the construction of a new apartment configured residence hall with 400 beds, and the construction of a new food service facility and parking structure for the new residence hall.

Mr. Hicks asked about the feasibility of the apartment configured residence hall. Mr. Walters responded that the request for this type of facility is based on a student assessment the university conducted in 2006.

Co-Chair Westwood asked University of Kentucky (UK) to present. Representing UK was Ms. Angela Martin, Vice President for Planning, Budget and Policy, and Mr. Dall Clark, Capital Construction Director.

Mr. Mullis gave a brief overview of UK's current projects and priorities for the general fund during this planning process. Mr. Mullis said that the priorities listed on the power slide are different from what UK listed in its handout. He then asked Ms. Martin to clarify the difference further. Ms. Martin stated that the difference in the "Construct Science Research Building project" is that the $205 million reflects the full cost of the building and the $130 million is what they will need for the next two years. She added that UK has a deficit of almost 300,000 square feet of assignable research space, and this is why this project is the top priority for UK. The second priority is an academic building for $142.4 million, and the third priority is for equipment to support the university's 2,000 faculty members and to help attract new faculty.

Mr. True asked how many students live on campus. Ms. Martin replied that approximately one-third of UK students live on campus. She said they are trying to reach a goal of thirty-seven percent of their students who live on campus.

In response to questions from Mr. Hicks, Mr. Clark stated that the location for the Gatton Building is on Euclid Avenue, between the coliseum and the new dorm complex. Ms. Martin stated that the University is reviewing Requests for Proposals on the possible expansion project.

Mr. Hintze asked when the Livestock Disease Diagnostic Lab would be completed. Mr. Clark stated that the goal is for this facility to be completed by 2010 before the Alltech FEI World Equestrian Games.

Co-Chair Westwood asked University of Louisville (UL) to present. Representing UL was Mr. Larry Owsley, Vice President for Business Affairs.

Mr. Owsley stated that UL's number one priority, Construct – Belknap Classroom/Academic Building ($75,000,000), is a result of the 2007 space study by VFA. The university has a current classroom space deficit of 28% (the highest). The second priority is to renovate the 49-year-old Medical Dental Research Building in order to increase the university's research space. He said the university also wants to create a renewal pool of $30 million to replace roofs, plumbing systems, or major renovations for new construction.

Mr. Owsley said UL plans to sign a contract with Siemens Buildings Technology to do $19 million worth of energy conservation improvements. He said these improvements would result in about a 30% reduction in the school's utility bill. UL currently has three buildings, which should receive LEED certification at the silver level.

Representative Crimm commented that the completion of the science center should help in the development of many different chemical-related industries. He commended the university on the work it has done on the Shelby campus. Mr. Owsley added that they are very pleased with the new Biosafety Laboratory.

Co-Chair Westwood asked Kentucky State University (KSU) to present. Representing KSU was Mr. Stephen Mason, Sr., Chief of Staff and Executive Assistant to the President, and Mr. Jack McNear, Director of Capital Planning and Construction.

Mr. Mason stated that the "Expand & Renovate Betty White Nursing Building" ($7,825,000 GF) is the university's top priority. The project will renovate and reallocate space to the nursing program. The university's second priority "Replace Boiler and add Pollution Control" ($4,222,000 GF) will replace a secure a gas boiler to rectify the heating problems they have and to keep in line with the Environmental Protection Cabinet. This priority order represents a change from what was initially submitted by the university. The boiler project has been moved up from priority no. 4 to priority no. 2.

Mr. Mason added that a pedestrian walkway is needed for safety purposes to keep students from having to cross the road or go through the tunnel under East Main. Mr. McNear said they were able to replace some roofs with emergency funding, but that they need more funding to do complete replacements instead of patching of the roofs. Mr. McNear also stated that they are currently working on privatized housing.

Representative Crimm asked about the decrease in enrollment last year. Mr. Mason invited Dr. Ruby Jones to address this question. Dr. Jones explained that only fall enrollment decreased and that overall enrollment is actually up.

Mr. Hintze suggested that KSU work with the Transportation Cabinet for supplemental funding resources for the pedestrian walkway. Mr. Mason replied that the university has communicated with the Transportation Cabinet regarding overpass.

The final capital plan presentation was by Eastern Kentucky University (EKU). Co-Chair Henley asked Mr. Doug Whitlock, President, Harry Moberly, Executive Vice President for Administration, and Mr. James Street, Associate Vice President for Capital Planning and Facilities Management to discuss the university's plan.

Mr. Whitlock stated that EKU's top priority is the "Construct Science Building, Phase 2" ($65,040,000 GF).

Mr. True asked Mr. Whitlock to discuss EKU's housing situation. Mr. Whitlock stated that most of the housing has been university owned since 1920. He added that 4,500 students (42%) live on campus.

In response to another question from Mr. True, Mr. Whitlock stated that EKU does have a remote campus, the new Manchester campus, which has been a success.

Mr. True asked if the educational pool for educating teachers was continuing to grow. Mr. Whitlock replied that it was.

Mr. Hintze asked if the Justice Cabinet plans to construct a facility on EKU's campus for criminal justice training. Mr. Whitlock stated that a building to relocate the State Police Academy is listed in the university's plan.

Co-Chair Westwood then requested that the Board set the next two meeting dates. The dates set were September 18 and October 9.

There being no further business, the meeting was adjourned at 2:54pm.

GOVERNMENT CONTRACT REVIEW COMMITTEE

Committee Minutes

July 14, 2009

The Government Contract Review Committee met on Tuesday, July 14, 2009, at 10:00 AM, in Room 171 of the Capitol Annex. Representative Dennis Horlander, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Vernie McGaha, Co-Chair; Representative Dennis Horlander, Co-Chair; Senators Julian M. Carroll, Carroll Gibson, and Elizabeth Tori; Representatives Jesse Crenshaw, Brad Montell, and Brent Yonts.

Guests: Todd Shipp, Ralph Divine, Mac Stone, Bob McBeath, Renee Close, John Combs, Allan Bryan, Amy Metzger, Greg Smith, Lori Terry, David Holcomb, Pam Hatcher, Michelle Landers, Frank Dickerson, J.R. Wilhite, Neville Wise, Kerry Harvey, Paul Gannoe, Jennifer Linton, Tim Pollard, Laura Negron, Dr. William Hacker, and Kimberly Luse.

LRC Staff: Kim Eisner, Matt Ross, and Becky Brooker.

A motion was made by Representative Yonts to approve Minutes of the June 9, 2009 meeting of the committee. Senator McGaha seconded the motion, which passed without objection.

A motion was made by Senator Carroll to consider as reviewed, the Personal Service Contract List, with exception of those items selected for further review by members of the committee. Senator Tori seconded the motion, which passed without objection.

A motion was made by Senator Carroll to consider as reviewed, the Personal Service Contract Amendment List, with exception of those items selected for further review by members of the committee. Senator Tori seconded the motion, which passed without objection.

A motion was made by Senator Carroll to consider as reviewed, the Memoranda of Agreement List, with exception of those items selected for further review by members of the committee. Senator Tori seconded the motion, which passed without objection.

A motion was made by Senator Carroll to consider as reviewed, the Memoranda of Agreement Amendment List, with exception of those items selected for further review by members of the committee. Senator Tori seconded the motion, which passed without objection.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE REVIEWED WITHOUT OBJECTION:

AGRICULTURE, DEPARTMENT OF:

Miss Kentucky Scholarship Organization Incorporated, 0900013017.

AUCTIONEERS, BOARD OF:

Stephen W. Van Zant, 0900012974.

AUDITOR OF PUBLIC ACCOUNTS, OFFICE OF THE:

Christian Sturgeon & Associates, PSC, 0900013041; Cotton & Allen, PSC, 0900013042; Peercy and Gray, PSC, 0900013043; Simon Underwood and Associates, PSC, 0900013045.

CORRECTIONS, DEPARTMENT OF:

George Manning, MD, 0900012799; Brenda Laurie Huntsman, 0900013019.

DEPARTMENT FOR AGING & INDEPENDENT LIVING:

Experience Works, 0900012408.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Brooklawn Incorporated, 0900012474.

DEPARTMENT FOR INCOME SUPPORT:

Department of Revenue, 0900012496; Office of the Attorney General, 0900012497; South Carolina Department of Social Services, 0900012550; Daisy F. Urbano-Martinez, M.D., 0900012860; John M. Reed, M.D., 0900012861; Jack Edward Allen, M.D., 0900012862; W. Douglas Back, 0900012863.

DEPARTMENT FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES & ADDICTION SERVICES:

Reach of Louisville Incorporated, 0900011858.

DEPARTMENT FOR NATURAL RESOURCES:

R M Johnson Engineering Incorporated, 0900012472.

DEPARTMENT FOR PUBLIC HEALTH:

URS Corporation, 0900011799; Kentucky Hospital Associates, 0900011847; Kentucky Hospital Associates, 0900011901; Health Kentucky, 0900012846; Heuser Hearing Institute Incorporated, 0900013006.

EASTERN KENTUCKY UNIVERSITY:

Ellen Williams, LLC - Capitol Network, 10047.

EDUCATION, DEPARTMENT OF:

Kentucky Council on Economic Education, 0900012392; National Center for Family Literacy, 0900012525; Literacy Investment for Tomorrow, 0900012528; Logan and Gaines, 0900012632; Reach of Louisville Incorporated, 0900012772.

EDUCATIONAL TELEVISION, KENTUCKY:

Susan B. Hines-Bricker, 0900012989; James Bugay, 0900013077; William K. Durham, 0900013079; Britt Davis, 0900013080; James R. Slone, 0900013082; Michelle Larock, 0900013084; Roger M. Bondurant, 0900013086.

ENGINEERS & LAND SURVEYORS, KENTUCKY BOARD OF REGISTRATION FOR PROFESSIONAL:

Robert S. Thompson III, 0900013048; Robert S. Giles, 0900013049; Edmund S. Miller, Jr., 0900013062.

FINANCE AND ADMINISTRATION CABINET:

CantorC02e, LP, 0800009017; Potter & Company, LLP, 0900012661; Peck, Shaffer & Williams, LLP, 0900012733.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING:

Arrasmith Judd Rapp Chovan Incorporated, 0900011608; Amec Earth & Environmental, 0900012816; Roger Cunningham - Cunningham Consultants, 0900013104.

FISH & WILDLIFE, DEPARTMENT OF:

Responsive Management, 0900012498.

INFRASTRUCTURE AUTHORITY:

Potter & Company, LLP, 0900012967.

JUSTICE CABINET:

Sturgill Turner Barker & Moloney PLLC, 0900012322; Kimberly Hoagland Morris, 0900012738; Multi, 0900013000; Medical Legal Consultants Incorporated, 0900013103; Trover Clinic Foundation, 0900013204; Saint Elizabeth Medical Center, 0900013205.

JUVENILE JUSTICE, DEPARTMENT OF:

Sylvia L. Kuster, 0900012761.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM:

CedarCrestone Incorporated, KCTPS407; Watson Wyatt & Company, KCTPS409.

KENTUCKY EMPLOYERS MUTUAL INSURANCE:

Ward Group, 09WRD001; Conning Asset Management Company, 10CON001; Dean, Dorton, & Ford, 10DDF001; Hay Group Incorporated, 10HMC001; Tillinghast-Towers Perrin, 10TIL001; Underwriters Safety & Claims, 10USC001.

KENTUCKY HOUSING CORPORATION:

Mountjoy & Bressler, LLP, 201016; Autoscribe Corporation, 201017.

KENTUCKY LOTTERY CORPORATION:

Goldberg & Simpson, PSC, 1005044; Chase Bank, 1006026; Affiliated Forensic Laboratory Incorporated, 1006078; DeanHouston Incorporated, 1008035; Gaming Laboratories International, LLC, 1009031; Bandy Carroll Hellige, 1009042; Delehanty Consulting, LLC, 1009055; Mo'Better Marketing, 1098390.

KENTUCKY STATE UNIVERSITY:

Crowe, Chizek, & Company, LLC, KSU1001; Johnson, True, & Guarnieri, LLP, KSU1002; McBrayer, McGinnis, Leslie, & Kirkland, PLLC, KSU1003; Anthony Barnes, KSU1004.

LABOR, CABINET:

Potter & Company, LLP, 0900012556.

MEDICAID SERVICES BENEFITS, DEPARTMENT FOR:

University Health Care Incorporated, 0900013001.

MOREHEAD STATE UNIVERSITY:

St. Claire Regional Medical Center, 10002; Sturgill, Turner, Barker & Moloney, PLLC, 10003; Frost Brown Todd, LLC, 10004; MML&K Government Solutions, 10006; Wellness Consultants, LLC, 10007; University Accounting Service, LLC, 10009.

MURRAY STATE UNIVERSITY:

Multi, 00610; Robert Clark Harris, MD, 00710; Mercer Human Resource Consulting Incorporated, 01509.

NORTHERN KENTUCKY UNIVERSITY:

Strategic Initiatives Incorporated, 2009519; Unique Venues, 2010520; Alt & Witzig Engineering Incorporated, 2010521; Heapy Engineering, 2010522.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT:

ICF Incorporated LLC, 0900012480.

PERSONNEL-OFFICE OF THE SECRETARY:

Potter & Company, LLP, 0900012676; Potter & Company, LLP, 0900012794.

PHARMACY, BOARD OF:

Thomas J. Hellmann, Attorney-at-Law, PLLC, 0900012994.

PUBLIC ADVOCACY, DEPARTMENT FOR:

DNA Diagnostics Center, 0900012962.

REAL ESTATE APPRAISERS BOARD:

Thomas J. Hellmann, Attorney-at-Law, PLLC, 0900012763.

STATE BOARD FOR PROPRIETARY EDUCATION:

21st Management Corporation, 0900012950.

STATE POLICE, DEPARTMENT OF:

James Daniel Quarles, M.D., 0900012416.

TRANSPORTATION CABINET:

Baumgardner & Associates PSC, 0900011369; Thurston Freeman, 0900011397; James Bauer, 0900012395; Dana Thornberry Appraisals, LLC, 0900012405; Property Service Group Southeast Incorporated, 0900012409; Burgess and Niple Incorporated, 0900013099; Precision Products Incorporated, 0900013192.

UNIVERSITY OF KENTUCKY:

Multi, A101000; Multi, A101010; Multi, A101020; Multi, A101030; Multi, A101040; Multi, A101050; Omni Architects, A101060; immix Technology, K09174; Fisher & Phillips, LLP, Attorneys at Law, K09175; Underwriters Safety & Claims, K10101; Stidham & Associates, K10102; Sturgill, Turner, Barker, & Moloney, PLLC, K10103; Baker, Kriz, Jenkins, Prewitt & Jones, P.S.C., K10104; Walther, Roark, Gay, PLC, K10105; R. Bruce Lankford, K10106; Wyatt, Tarrant, & Combs, LLP, K10107; Hewitt Associates Public Sector Consulting, LLC, K10108; Fellon-McCord & Associates Incorporated, K10109; EnduraCare Therapy Management Incorporated, K10110; Horn Richardson & Associates, K10111; Lexington Infectious Disease Consultants, PSC, K10112; Hensley, Elam, & Associates, K10113; Adam L. Locke, K10115.

UNIVERSITY OF LOUISVILLE:

AON Risk Services, 10001.

VETERINARY EXAMINERS, BOARD OF:

James F. Boyd, 0900012939; C. Loran Wagoner, 0900012946.

WESTERN KENTUCKY UNIVERSITY:

Multi, 080999; American Cave Conservation Association, 091006; CMS Publishing Incorporated, 091008; Stone Bluff Enterprises Incorporated, 091009; Current Marketing Incorporated, 091011; Advancement Strategies, LLC, 091012.

WORKER'S COMPENSATION FUNDING COMMISSION:

Actuarial & Technical Solutions Incorporated, 0900012935.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

ATTORNEY GENERAL, OFFICE OF THE:

Tichenor and Associates, 0600000851.

CABINET FOR HEALTH AND FAMILY SERVICES:

Sturgill Turner Barker & Moloney PLLC, 0800009159; Goldberg and Simpson PSC, 0800009251; Reminger & Reminger, 0800009351.

DEPARTMENT FOR AGING & INDEPENDENT LIVING:

Experience Works, 0800007102.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Kentucky Head Start Association Incorporated, 0800006984; Children's Home of Northern Kentucky, 0800008237; Croney and Clark Incorporated, 0800008238; Father Maloney's Boys Haven, 0800008239; Father Maloney's Boys Haven, 0800008240; Prevent Child Abuse Kentucky, 0800008787; Kentucky Domestic Violence Association, 0800009020.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION:

Stantec Consulting Services Incorporated, 0600002006; Camp Dresser & McKee, 0600002008.

DEPARTMENT FOR MEDICAID SERVICES:

Navigant Consulting Incorporated, 0800007088; Health Care Excel Incorporated, 0800007172; Brain Injury Associates of Kentucky, 0800009147.

DEPARTMENT FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES & ADDICTION SERVICES:

Staff Care Incorporated, 0800006813; Crown Services Incorporated, 0800006877; Guardian Healthcare Providers, 0800006878; Primary Care Associates of Southern Kentucky PLLC, 0800007096; Kentucky Partnership for Families & Children Incorporated, 0800007478; Kentucky Consumer Advocate Network, 0800007586; Pharmacy Systems Incorporated, 0800007779; Nami Kentucky, 0800007818.

DEPARTMENT FOR NATURAL RESOURCES:

Premier Integrity Solutions, 0800007581; Summit Engineering Incorporated, 0800011254; HMB Professional Engineers Incorporated, 0900011440.

DEPARTMENT FOR PUBLIC HEALTH:

Norton Healthcare Incorporated, 0700006664; Maximus Incorporated, 0800006950; Saint Elizabeth Medical Center, 0800008084; Spalding University Occupational Therapy Auerbach School, 0800008438; Mayo Collaborative Services Mayo Medical Laboratories, 0800008558.

EASTERN KENTUCKY UNIVERSITY:

Ad-Success Marketing Incorporated, 10023.

EDUCATION, DEPARTMENT OF:

Center for Family & Community Services, 0800008375; Career Cruising, 0800008484.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING:

Omni Architects, 0600000391; Omni Architects, 0600000391; Stantec Consulting Services, Incorporated, 0600002723; Ross Tarrant Architects Incorporated, 0700003254; Murphy & Graves Architects, 0700003481; CDP Engineers Incorporated, 0700004975; Ekhoff Ochenkoyski & Polk, 0700004978; CMTA Incorporated, 0700005962; Paladin Incorporated, 0700006242; Bender Associates Architects, 0800007400; EOP Architects, PSC, 0800011002; Sherman Carter Barnhart, C-05236910; Sherman Carter Barnhart, C-05236910; Clotfelter Samokar, PSC, C-05277108; Taylor Whitney Architects Incorporated, C-05318652-1.

JUVENILE JUSTICE, DEPARTMENT OF:

Methodist Home of Kentucky Incorporated, 0800008135.

MILITARY AFFAIRS, DEPARTMENT OF:

Andre O. Daigle, 0800011138.

MOREHEAD STATE UNIVERSITY:

Provations Group, 09005; CG&B Marketing, LLC, 09006.

MURRAY STATE UNIVERSITY:

Mercer Health & Benefits, LLC, 00810; BKD, LLP, 01409; Peck, Shaffer, & Williams, LLP, 10310; ERS Group, 10809.

NORTHERN KENTUCKY UNIVERSITY:

Goody Clancy, 2010511; Jeffrey Groob, 78310.

POST SECONDARY EDUCATION, COUNCIL ON:

Potter and Company, LLP, 0800007568.

TRANSPORTATION CABINET:

Entran, PLC, 0600001482; Palmer Engineering Company, C-01079886-5; Municipal Engineering Company, C-01104800-5; E A Partners, PLC, C-03194115-1; HMB Professional Engineers Incorporated, C-03367978-1; Entran, PLC, C-03368444; J M Crawford & Associates, C-05374700; J M Crawford & Associates, C-06001754.

TURNPIKE AUTHORITY OF KENTUCKY:

Arbitrage Compliance Specialists Incorporated, 0608ARB; McElroy, Mitchell, & Associates, LLP, 0608AUD; Peck, Shaffer, & Williams, LLP, 0608LEG.

UNIVERSITY OF KENTUCKY:

Champlin Haupt Architects, A071100; BSA LifeStructures, A071130; Denney, Morgan, Rather & Gilbert, K09111; Facility Commissioning Group, K09122; John R. Meek, MD, K09137; Sue Strong, PhD, K09138; Daniel C. Rodrigue, MD, K09141; Tadarro L. Richardson, MD, PSC, K09149; Commonwealth Anesthesia, PSC, K09156; Facility Commissioning Group, K09164.

WESTERN KENTUCKY UNIVERSITY:

Educational Computer Systems Incorporated, 080902; Shelley Baker, 080971.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS:

Adanta Group, 0900012711; Bluegrass Prevention Center Mental Retardation Board, 0900012773; Northern Kentucky Area Development District, 0900012780; Pathways Incorporated, 0900012786; Lifeskills Corporation Offices, 0900012787; Communicare Incorporated Adult, 0900012788; Pennyroyal Mental Health, 0900012789; Four Rivers Behavioral Health Corporate Office, 0900012790; Cumberland River Mental Health Mental Retardation Board Incorporated, 0900012791; Mountain Comprehensive Care Center, 0900012793; River Valley Behavioral Health, 0900012796; Seven Counties Services Incorporated, 0900012817; University of Kentucky Research Foundation, 0900012888; University of Kentucky Research Foundation, 0900012900; Metropolitan Education & Training Services for Corporate Learning, 0900012907; Metro Detention Center, 0900012927; Kentucky River Community Care Incorporated, 0900012968.

CORRECTIONS, DEPARTMENT OF:

First Judicial District Corrections Board Incorporated, 0900011458; Kenton County Community Corrections Advisory Board Incorporated, 0900011467; 17th Judicial Circuit Community Corrections Program Incorporated, 0900011469; Knott Drug Abuse Council Incorporated, 0900011475; NKU Research Foundation, 0900011830; Communicare Incorporated, 0900011837.

DEPARTMENT FOR AGING & INDEPENDENT LIVING:

Purchase Area Development District, 0900011874; Bluegrass Area Development District Title Iii, 0900011879; Buffalo Trace Area Development District, 0900011883; Barren River Area Development District, 0900011884; Cumberland Valley Area Development District Agency, 0900011885; Green River Area Development, 0900011888; Kentuckiana Regional Planning, 0900011889; Lincoln Trail Area Development District, 0900011892; Pennyrile Area Development District, 0900011894; Licking Valley Community Action Agency, 0900012407; Audubon Area Community Services Incorporated, 0900012410; Northern Kentucky Cooperative Educational Services, 0900012459; Pennyroyal Mental Health, 0900012506; Four Rivers Behavioral Health, 0900012508; Green River Regional Mental Health Mental Retardation Board, 0900012510; Lifeskills Incorporated, 0900012512; Communicare Incorporated, 0900012513; Seven Counties Services, 0900012514; Northern Kentucky Regional Mental Health Mental Retardation Board, 0900012515; Comprehend Incorporated, 0900012517; Pathways Incorporated, 0900012518; Mountain Comprehensive Care Center, 0900012519; Kentucky River Community Care, 0900012520; Cumberland River Mental Health Mental Retardation Board Incorporated, 0900012522; Lake Cumberland Mental Health Mental Retardation Board, 0900012523; Bluegrass Regional Mental Health Mental Retardation, 0900012524.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Audubon Area Community Services, 0900012089; Bell Whitley Community Action, 0900012090; Big Sandy Area Community Action Program, 0900012091; Central Kentucky Community Action Council Incorporated, 0900012129; Blue Grass Community Action, 0900012130; Community Action Lexington Fayette, 0900012131; Daniel Boone Community Action Agency Incorporated, 0900012132; Gateway Community Services Organization, Incorporated, 0900012133; Harlan County Community Action Agency, 0900012134; Kentucky Communities Economic Opportunity Council Incorporated, 0900012135; Foothills Community Action, 0900012136; Lake Cumberland Community Service Organization Incorporated, 0900012137; LKLP Community Action Council, 0900012138; Licking Valley Community Action Program, 0900012139; Louisville/Jefferson County Metro Government, 0900012140; Middle Kentucky Community Action Partnership, Inc., 0900012141; Multi-Purpose Community Action Agency Incorporated, 0900012142; Northeast Kentucky Area Development, 0900012144; NKCAC Incorporated, 0900012145; Pennyrile Allied Community Services, 0900012146; Community Action of Southern Kentucky Incorporated, 0900012148; Tri County Community Action Agency, 0900012149; West Kentucky Allied Services, 0900012150; Barren River Area Child Advocacy, 0900012153; Big Sandy Children's Advocacy, 0900012154; Buffalo Trace Children's Advocacy Center, 0900012155; Children's Advocacy Center, 0900012156; Cumberland Valley Children's Advocacy, 0900012157; Children First, 0900012158; Gateway Children's Advocacy, 0900012159; Green River District Children's Advocacy Center, 0900012160; Hopes Place Incorporated, 0900012161; Kentucky River Children's Advocacy Center, 0900012162; Lake Cumberland Child Advocacy Center, 0900012164; Advocacy and Support Center, 0900012165; Northern Kentucky CAC, 0900012166; Purchase Area Sexual Assault Center, 0900012167; Pennyrile Child Advocacy Center, 0900012168; Pennyroyal Mental Health, 0900012206; Seven Counties Services, 0900012213; Audubon Area Community Services, 0900012317; Bell Whitley Community Action, 0900012318; Big Sandy Area Cap Incorporated, 0900012323; Blue Grass Community Action, 0900012325; Community Action Lexington Fayette, 0900012327; Central Kentucky CAC Incorporated, 0900012328; Gateway Community Services Organization Incorporated, 0900012330; Harlan County Community Action Agency, 0900012333; Kentucky Communities Economic Opportunity Council Incorporated, 0900012334; Foothills Community Action, 0900012336; Lake Cumberland CSO Incorporated, 0900012337; L.K.L.P. Community Action Council, 0900012338; Licking Valley Community Action Program, 0900012339; Louisville/Jefferson County Metro Government, 0900012341; Middle Kentucky Community Action Partnership Incorporated, 0900012342; Multi Purpose Community Action Agency Incorporated, 0900012343; Northeast Kentucky Area Development, 0900012344; NKCAC Incorporated, 0900012345; Pennyrile Allied Community Services, 0900012346; Community Action of Southern Kentucky Incorporated, 0900012348; Tri County Community Action Agency, 0900012349; Central Kentucky Community Action Council Incorporated, 0900012671; Lake Cumberland CSO Incorporated, 0900012672; Community Action Kentucky Incorporated, 0900012751; Daniel Boone Community Action Agency Incorporated, 0900012948; West Kentucky Allied Services, 0900012949.

DEPARTMENT FOR MEDICAID SERVICES:

Department of Education, 0900011877.

DEPARTMENT FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES & ADDICTION SERVICES:

Four Rivers Behavioral Health, 0900012110; Pennyroyal Mental Health, 0900012111; Green River Regional Mental Health Mental Retardation Board d/b/a Rivervalley Behavior, 0900012112; Lifeskills Incorporated, 0900012113; Communicare Incorporated, 0900012114; Seven Counties Services, 0900012115; Northern Kentucky Regional Mental Health Mental Retardation Board, 0900012116; Comprehend Incorporated, 0900012117; Pathways Incorporated, 0900012118; Mountain Comp Care Center, 0900012119; Kentucky River Community Care, 0900012120; Cumberland River Mental Health Mental Retardation Board Incorporated, 0900012121; Lake Cumberland Mental Health Mental Retardation Board, 0900012122; Bluegrass Regional Mental Health Mental Retardation, 0900012123.

DEPARTMENT FOR NATURAL RESOURCES:

Anderson County Conservation District, 0900012995.

DEPARTMENT FOR PUBLIC HEALTH:

Houchens Properties Incorporated, 0800010786; Pathways Incorporated, 0900011835; Seven Counties Services, 0900011853; Seven Counties Services, 0900011854; Seven Counties Services, 0900011859; North Key Community Care, 0900011860; Adanta Group, 0900011861; Bluegrass Regional Mental Health Mental Retardation, 0900011862; Comprehend Incorporated, 0900011863; Cumberland River Regional Mental Health Mental Retardation Board, 0900011864; Four Rivers Behavioral Health, 0900011865; Kentucky River Community Care, 0900011866; Lifeskills, 0900011868; Mountain Comprehensive Care Center, 0900011870; Pennyroyal Mental Health, 0900011871; DMA Kentucky Community Crisis Board, 0900012109.

EASTERN KENTUCKY UNIVERSITY:

Graduate Medical Education, University of Kentucky Chandler Medical Center, 10004; University of Kentucky Chandler Medical Center, Department of Psychiatry, 10005.

EDUCATION, DEPARTMENT OF:

Jefferson County Board of Education, 0900011725; Jefferson County Board of Education, 0900011728; Shelby County Board of Education, 0900011743; Boone County Board of Education, 0900011751; Jefferson County Board of Education, 0900011752; Fayette County Board of Education, 0900011753; Jefferson County Board of Education, 0900011758; Hazard Independent Board of Education, 0900011760; Fayette County Board of Education, 0900011761; Jefferson County Board of Education, 0900011776; Scott County Board of Education, 0900011780; Jefferson County Board of Education, 0900011782; Lee County Board of Education, 0900011843; Shelby County Board of Education, 0900012080; Shelby County Board of Education, 0900012081; Boone County Board of Education, 0900012095; Fayette County Board of Education, 0900012096; Montgomery County Board of Education, 0900012097; Fayette County Board of Education, 0900012099; Fayette County Board of Education, 0900012100; Jefferson County Board of Education, 0900012102; Ashland Independent Board of Education, 0900012195; Augusta Independent Board of Education, 0900012196; Ballard County Board of Education, 0900012197; Barren County Board of Education, 0900012198; Bell County Board of Education, 0900012199; Berea Independent Board of Education, 0900012201; Bowling Green Independent Board of Education, 0900012203; Boyd County Board of Education, 0900012204; Breathitt County Board of Education, 0900012207; Bullitt County Board of Education, 0900012208; Burgin Board of Education, 0900012209; Calloway County Board of Education, 0900012210; Campbell County Board of Education, 0900012211; Campbellsville Independent Board of Education, 0900012215; Carlisle County Board of Education, 0900012216; Casey County Board of Education, 0900012219; Christian County Board of Education, 0900012220; Clay County Board of Education, 0900012221; Corbin Independent Board of Education, 0900012222; Covington Independent Board of Education, 0900012223; Cumberland County Board of Education, 0900012225; Danville Independent Board of Education, 0900012226; Daviess County Board of Education, 0900012227; Elizabethtown Independent Board of Education, 0900012228; Elliott County Board of Education, 0900012229; Estill County Board of Education, 0900012230; Fairview Independent Board of Education, 0900012231; Fayette County Board of Education, 0900012233; Fleming County Board of Education, 0900012234; Floyd County Board of Education, 0900012235; Franklin County Board of Education, 0900012236; Fulton Independent Board of Education, 0900012237; Graves County Board of Education, 0900012238; Grayson County Board of Education, 0900012239; Green County Board of Education, 0900012240; Hancock County Board of Education, 0900012242; Harlan County Board of Education, 0900012243; Hazard Independent Board of Education, 0900012246; Henry County Board of Education, 0900012248; Jackson Independent Board of Education, 0900012249; Jefferson County Board of Education, 0900012250; Jessamine County Board of Education, 0900012251; Johnson County Board of Education, 0900012252; Kenton County Board of Education, 0900012254; Knott County Board of Education, 0900012255; Knox County Board of Education, 0900012256; Laurel County Board of Education, 0900012258; Lawrence County Board of Education, 0900012259; Lee County Board of Education, 0900012260; Leslie County Board of Education, 0900012268; Letcher County Board of Education, 0900012269; Livingston County Board of Education, 0900012271; Logan County Board of Education, 0900012272; Lyon County Board of Education, 0900012274; Madison County Board of Education, 0900012275; Marshall County Board of Education, 0900012277; Martin County Board of Education, 0900012278; Mason County Board of Education, 0900012279; McCracken County Board of Education, 0900012280; McLean County Board of Education, 0900012281; Mercer County Board of Education, 0900012284; Metcalfe County Board of Education, 0900012285; Monroe County Board of Education, 0900012287; Murray Independent Board of Education, 0900012290; Nelson County Board of Education, 0900012291; Ohio Valley Education Cooperative, 0900012293; Paintsville Independent Board of Education, 0900012295; Paris Independent Board of Education, 0900012296; Perry County Board of Education, 0900012298; Pike County Board of Education, 0900012299; Pikeville Independent Board of Education, 0900012300; Pineville Independent Board of Education, 0900012301; Pulaski County Board of Education, 0900012302; Russell Independent Board of Education, 0900012303; Shelby County Board of Education, 0900012304; Somerset School District Board of Education, 0900012305; Spencer County Board of Education, 0900012306; Taylor County Board of Education, 0900012307; Todd County Board of Education, 0900012308; Walton Verona Independent Board of Education, 0900012310; Washington County Board of Education, 0900012311; Whitley County Board of Education, 0900012312; Williamsburg Independent Board of Education, 0900012313; Wolfe County Board of Education, 0900012314; Woodford County Board of Education, 0900012315; Anderson County Board of Education, 0900012319; Bourbon County Board of Education, 0900012329; Boone County Board of Education, 0900012351; Hopkins County Board of Education, 0900012363; Fayette County Board of Education, 0900012403; Anderson County Board of Education, 0900012488; Ashland Independent Board of Education, 0900012489; Berea Independent Board of Education, 0900012490; Calloway County Board of Education, 0900012491; Simpson County Board of Education, 0900012492; Bourbon County Board of Education, 0900012544; Bourbon County Board of Education, 0900012546; Collaborative for Teaching & Learning, 0900012560; Elliott County Board of Education, 0900012562; Green River Regional Education, 0900012563; Green River Regional Education, 0900012564; Hopkinsville Community, 0900012565; Jefferson County Board of Education, 0900012566; Kentucky Valley Education, 0900012567; Bourbon County Board of Education, 0900012571; Campbellsville Independent Board of Education, 0900012573; Carlisle County Board of Education, 0900012574; Christian County Board of Education, 0900012576; Clay County Board of Education, 0900012580; Cumberland County Board of Education, 0900012581; Fayette County Board of Education, 0900012582; Allen County Board of Education, 0900012631; Ballard County Board of Education, 0900012633; Bath County Board of Education, 0900012634; Bowling Green Independent Board of Education, 0900012635; Carter County Board of Education, 0900012637; Christian County Board of Education, 0900012638; Edmonson County Board of Education, 0900012640; Fayette County Board of Education, 0900012641; Fleming County Board of Education, 0900012642; Franklin County Board of Education, 0900012643; Grayson County Board of Education, 0900012644; Henderson County Board of Education, 0900012645; Jessamine County Board of Education, 0900012647; Johnson County Board of Education, 0900012648; Lewis County Board of Education, 0900012650; Livingston County Board of Education, 0900012651; Magoffin County Board of Education, 0900012652; Marshall County Board of Education, 0900012653; McCreary County Board of Education, 0900012655; Newport Independent Board of Education, 0900012656; Simpson County Board of Education, 0900012658; Union County Board of Education, 0900012660; Covington Independent Board of Education, 0900012664; Danville Independent Board of Education, 0900012669; Daviess County Board of Education, 0900012670; Metcalfe County Board of Education, 0900012673; Logan County Board of Education, 0900012677; Johnson County Board of Education, 0900012681; Frankfort Independent Board of Education, 0900012685; Henderson County Board of Education, 0900012688; Grayson County Board of Education, 0900012699; Kenton County Board of Education, 0900012701; Menifee County Board of Education, 0900012704; Mercer County Board of Education, 0900012705; Hancock County Board of Education, 0900012716; Lewis County Board of Education, 0900012718; Hart County Board of Education, 0900012725; Madison County Board of Education, 0900012734; Bowling Green Independent Board of Education, 0900012747; Covington Independent Board of Education, 0900012748; Hart County Board of Education, 0900012749; Fayette County Board of Education, 0900012785; VSA Arts of Kentucky, 0900012798; Boyd County Board of Education, 0900012805; Boyle County Board of Education, 0900012806; Breathitt County Board of Education, 0900012811; Breckinridge County Board of Education, 0900012815; Danville Independent Board of Education, 0900012819; Treasurer Elliott County Board of Education, 0900012820; Nelson County Board of Education, 0900012821; Garrard County Board of Education, 0900012822; Henry County Board of Education, 0900012823; Hopkins County Board of Education, 0900012824; Jackson County Board of Education, 0900012825; Letcher County Board of Education, 0900012826; Lewis County Board of Education, 0900012827; Martin County Board of Education, 0900012829; Mercer County Board of Education, 0900012830; Morgan County Board of Education, 0900012831; Owsley County Board of Education, 0900012832; Pike County Board of Education, 0900012833; Pulaski County Board of Education, 0900012834; Raceland Worthington Independent Board of Education, 0900012835; Warren County Board of Education, 0900012837; Robertson County Board of Education, 0900012838; Logan County Board of Education, 0900012840; Hickman County Board of Education, 0900012841; Fleming County Board of Education, 0900012842; Covington Independent Board of Education, 0900012852; Clay County Board of Education, 0900012853; Clinton County Board of Education, 0900012875; Casey County Board of Education, 0900012876; Knox County Board of Education, 0900012878; Anderson County Board of Education, 0900012880; Bell County Board of Education, 0900012882; Bowling Green Independent Board of Education, 0900012884; Owen County Board of Education, 0900012897; Christian County Board of Education, 0900012958; Corbin Independent Board of Education, 0900012975; Jessamine County Board of Education, 0900012976; Elizabethtown Community College, 0900013066.

ELECTIONS, BOARD OF:

Kentucky Disabilities Coalition, 0900012871.

FISH & WILDLIFE, DEPARTMENT OF:

Attorney General, 0900012810.

INFRASTRUCTURE AUTHORITY:

City of Hanson, 0900012839; Letcher County Fiscal Court, 0900012843; Letcher County Fiscal Court, 0900012844; Letcher County Fiscal Court, 0900012845; Letcher County Fiscal Court, 0900012856; Letcher County Fiscal Court, 0900013013.

JUSTICE CABINET:

Operation UNITE, 0900012892.

JUVENILE JUSTICE, DEPARTMENT OF:

Jefferson County Board of Education, 0900012041; Barren County Board of Education, 0900012046; Bullitt County Board of Education, 0900012048; Boyle County Board of Education, 0900012049; Campbell County Board of Education, 0900012056; Clark County Board of Education, 0900012057; Corbin Independent Board of Education, 0900012058; Hopkins County Board of Education, 0900012063; Laurel County Board of Education, 0900012064; Lexington Fayette Urban County Government Department of Social Services, 0900012065; Madison County Board of Education, 0900012066; Mercer County Board of Education, 0900012067; Pulaski County Board of Education, 0900012071; Shelby County Board of Education, 0900012072; Warren County Board of Education, 0900012073; Department of Military Affairs, 0900012184; Louisville Metro Youth Detention Services, 0900012186; Cabinet for Workforce Development, 0900012261.

KENTUCKY HOUSING CORPORATION:

Community Action Kentucky Incorporated, 20102.

MILITARY AFFAIRS, DEPARTMENT OF:

City of Williamstown, 0900011791; Multi, 0900012759.

MURRAY STATE UNIVERSITY:

Graves County Board of Education, 90210.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT:

Leslie County Fiscal Court, 0900012521; Magoffin County Fiscal Court, 0900012527; Elliott County Fiscal Court, 0900012557; Muhlenberg County Fiscal Court, 0900012558; Muhlenberg County Fiscal Court, 0900012559; Breathitt County Fiscal Court, 0900012613; City of Hartford, 0900012622; Perry County Fiscal Court, 0900012800; Letcher County Fiscal Court, 0900012924; Letcher County Fiscal Court, 0900012930; Letcher County Fiscal Court, 0900012931; Knott County Fiscal Court, 0900012957; City of Jenkins, 0900012961; Carter County Fiscal Court, 0900013005; Lincoln Trail Area Development District, 0900013087; Purchase Area Development District, 0900013088; Hopkins County Fiscal Court, 0900013089; Hopkins County Fiscal Court, 0900013090; Hopkins County Fiscal Court, 0900013092; Lawrence County Fiscal Court, 0900013093; Pike County Fiscal Court, 0900013094; Lake Cumberland Area Development District, 0900013101; Cumberland Valley Area Development District, 0900013106; Pennyrile Area Development District, 0900013135; Big Sandy Area Development District, 0900013138; Barren River Area Development District, 0900013181; Buffalo Trace Area Development District, 0900013182; Northern Kentucky Area Development District, 0900013183; KIPDA, 0900013184; Gateway Area Development District, 0900013186; Knott County Fiscal Court, 0900013187; Knott County Fiscal Court, 0900013188; Kentucky River Area Development District, 0900013189; Cumberland Valley Area Development District, 0900013195; Green River Area Development District, 0900013197.

TOURISM DEVELOPMENT CABINET:

Multi, 0900013167.

TRANSPORTATION CABINET:

Kentucky Department for Libraries and Archives, 0900013022.

TRAVEL, DEPARTMENT OF:

Multi, 0900012979; Multi, 0900012980; Multi, 0900012981; Multi, 0900012982; Multi, 0900012983; Multi, 0900012984; Multi, 0900012985; Multi, 0900012986; Multi, 0900012987.

UNIVERSITY OF KENTUCKY:

Gateway Community & Technical College, 10001; Southeast Kentucky Community & Technical College, 10002.

THE FOLLOWING MEMORANDA OF AGREEMENT AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

AGRICULTURE, DEPARTMENT OF:

Multi, 0900011602; Multi, 0900011666.

DEPARTMENT FOR AGING & INDEPENDENT LIVING:

Audubon Area Community Service Incorporated, 0800007368; Gateway Area Development District, 0800007369; Purchase Area Development District, 0800007371; Lincoln Trail Area Development District, 0800007372; Green River Area Development, 0800007373; Pennyrile Area Development District, 0800007512; Big Sandy Area Development District, 0800007513; Bluegrass Area Development District Title Iii, 0800007514; Buffalo Trace Area Development District, 0800007515; Cumberland Valley Area Development District, 0800007516; Kentucky River Area Development District, 0800007517; Lake Cumberland Area Development District, 0800007518; Barren River Area Development District, 0800007519; Kentuckiana Regional Planning, 0800008665; Fivco Area Development District, 0800008688; Northern Kentucky Area Development District, 0800008689.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Pennyrile Allied Community Services Incorporated, 0800007002; Community Action of Southern Kentucky Incorporated, 0800007544; Bluegrass Regional Mental Health Mental Retardation, 0800009091; Big Sandy Area Development District, 0800010226.

DEPARTMENT FOR FAMILY RESOURCE CENTERS & VOLUNTEER SERVICES:

Multi, 0800007251; Multi, 0800007253; Treasurer Jefferson County Board of Education, 0800007258; Multi, 0800007259; Multi, 0800007266; Multi, 0800007375; Multi, 0800007377; Multi, 0800007379; Multi, 0800007383; Multi, 0800007384; Multi, 0800007388.

DEPARTMENT FOR MEDICAID SERVICES:

Kentucky Housing Corporation, 0800008756; Kentucky Board of Nursing, 0800010089.

DEPARTMENT FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES & ADDICTION SERVICES:

Bluegrass Regional Mental Health Mental Retardation, 0800007888; Seven Counties Services, 0800008006; Kentucky River Community Care, 0800008011; Bluegrass Regional Mental Health Mental Retardation, 0800008014.

DEPARTMENT FOR NATURAL RESOURCES:

City of Frankfort, 0800009963.

DEPARTMENT FOR PUBLIC HEALTH:

Adanta Group, 0800007322; Bluegrass Regional Mental Health Mental Retardation, 0800007323; Comprehend Incorporated, 0800007324; Cumberland River Regional Mental Health Mental Retardation Board, 0800007325; Kentucky River Community Care, 0800007326; Mountain Comprehensive Care Center, 0800007327; Four Rivers Behavioral Health, 0800007328; Lifeskills, 0800007329; Pennyroyal Mental Health, 0800007331; North Key Community Care, 0800008193; Seven Counties Services, 0800008455.

DEPARTMENT OF ENERGY DEVELOPMENT AND INDEPENDENCE:

Smith Management Group, 0800010168.

EDUCATION, DEPARTMENT OF:

Ashland Independent Board of Education, 0800007460; Bourbon County Board of Education, 0800007942; Bullitt County Board of Education, 0800007946; Treasurer Butler County Board of Education, 0800007947; Monroe County Board of Education, 0800008332; Montgomery County Board of Education, 0800008333; Owsley County Board of Education, 0800008342; Hart County Board of Education, 0800008403; Greenup County Board of Education, 0800008832; Collaborative for Teaching & Learning, 0800010234; Kentucky Center for the Arts, 0800010330; Northern Kentucky Cooperative, 0800010571; Henderson County Board of Education, 0900011566.

FISH & WILDLIFE, DEPARTMENT OF:

Pulaski County Conservation District, 0800008062.

KENTUCKY HOUSING CORPORATION:

Community Action Kentucky Incorporated, 20092.

MILITARY AFFAIRS, DEPARTMENT OF:

Multi, 0900011320.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT:

City of Wickliffe, 0600002352; Martin County Fiscal Court, 0600002462; Knott County Fiscal Court, 0600002633; Harlan County Fiscal Court, 0600002732; Lee County Fiscal Court, 0600002888; Johnson County Fiscal Court, 0600002906; Martin County Fiscal Court, 0600002977; Lee County Fiscal Court, 0700003217; Breckinridge County Fiscal Court, 0700003242; Harlan County Fiscal Court, 0700003421; City of Edmonton, 0700003446; City of Leitchfield, 0700003584; Knox Partners Incorporated, 0700003852; Knox Partners Incorporated, 0700003855; Harlan County Fiscal Court, 0700004298; City of Livingston, 0700004364; Pulaski County Fiscal Court, 0700004463; City of London, 0700004511; Lee County Fiscal Court, 0700004610; City of Frankfort, 0700004967; McLean County Fiscal Court, 0700005013; Martin County Economic Authority, 0700005283; Perry County Fiscal Court, 0700005474; Perry County Fiscal Court, 0700005485; Perry County Fiscal Court, 0700005486; City of Booneville, 0700005528; City of Falmouth, 0700005664; Butler County Fiscal Court, 0700005690; Harlan County Fiscal Court, 0700005767; McCreary County Fiscal Court, 0700005972; City of Bellevue, 0700006414; Knott County Fiscal Court, 0700006453; Harlan County Fiscal Court, 0700006491; Harlan County Fiscal Court, 0700006492; Harlan County Fiscal Court, 0700006493; Harlan County Fiscal Court, 0700006531; Rockcastle County Fiscal Court, 0700006533; City of Harrodsburg, 0700006588; City of Cadiz, 0700006589; City of

Sandy Hook, 0800006941; Martin County Fiscal Court, 0800009193; Pike County Board of Education, 0800010034; Jackson County Fiscal Court, 0800010404; Jackson County Fiscal County, 0800010407; Jackson County Fiscal County, 0800010409; Jackson County Fiscal County, 0800010411; City of Louisa, 0800011157; Magoffin County Fiscal Court, 0900011349; Harlan County Fiscal Court, M-05298772-1; Knox Partners Incorporated, M-06206665.

POST SECONDARY EDUCATION, COUNCIL ON:

Washington Center for Internships and Academic, 0800009790.

TRAVEL, DEPARTMENT OF:

Purchase Area Development District, 0800006927.

WORKFORCE INVESTMENT, OFFICE OF:

Barren River Area Development District Wia, 0800008088; Lake Cumberland Area Development District, 0800008176; Bluegrass Area Development District, 0800008191; Lake Cumberland Area Development District, 0800008192; Eastern Kentucky CEP, Incorporated, 0800008194; Lincoln Trail Area Development District, 0800008198; Louisville Metro Government, 0800008200; Northern Kentucky Area Development District, 0800008201; Buffalo Trace Area Development District, 0800008202; Pennyrile Area Development District, 0800008205; Green County Board of Education, 0800009807; Marion County Board of Education, 0800009826; Montgomery County Board of Education, 0800009832; Ohio County Board of Education, 0800009836.

EXEMPTION REQUEST

TRANSPORTATION CABINET:

Todd Shipp and Ralph Divine discussed a request for exemption regarding Government Contract Review Committee Policy Statement 99-1 as it applies to title examination services. A motion was made by Representative Yonts to approve the exemption request which will allow for title work to be done at $125 per hour, with a cap on mineral opinions at $1500. Senator Carroll seconded the motion, which passed unanimously.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE SELECTED FOR FURTHER REVIEW:

AGRICULTURE, DEPARTMENT OF:

Kentucky Center for Agriculture and Rural Development, 0900013141. Mac Stone discussed the contract with the committee. A motion was made by Senator McGaha to consider the contract as reviewed. Representative Yonts seconded the motion, which passed unanimously.

AUDITOR OF PUBLIC ACCOUNTS, OFFICE OF THE:

Harding Shymanski & Company, 0900013021. Bob McBeath discussed the contract with the committee. A motion was made by Senator McGaha to consider the contract as reviewed with the stipulation that the hourly rate be reduced to the maximum allowable rate of $125 per hour. Representative Yonts seconded the motion, which passed with Senator Carroll voting NO.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Licking Valley CAP, 0900012402. Renee Close and John Combs discussed the contract with the committee. A motion was made by Senator McGaha to consider the contract as reviewed. Representative Yonts seconded the motion, which passed unanimously.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION:

Resolution Incorporated, 0900012679. Allan Bryan, Amy Metzger, and Greg Smith discussed the contract with the committee. A motion was made by Senator McGaha to consider the contract as reviewed. Representative Yonts seconded the motion, which passed unanimously.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION:

Pinnacle Actuarial Resources, 0900013036. Allan Bryan, Amy Metzger, Greg Smith, and Lori Terry discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Representative Crenshaw seconded the motion, which passed unanimously.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM:

C.D.L. Training Services & Consulting, KCTPS408. David Holcomb and Pam Hatcher discussed the contract with the committee. A motion was made by Senator McGaha to consider the contract as reviewed. Senator Tori seconded the motion, which passed unanimously.

KENTUCKY EMPLOYERS MUTUAL INSURANCE:

Multi, 10CLD001. Michelle Landers discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed with the stipulation that the hourly rate for Dinsmore & Shohl be reduced to the maximum allowable rate of $125 per hour. Senator McGaha seconded the motion, which passed unanimously.

UNIVERSITY OF KENTUCKY:

Cornett Integrated Strategic Marketing, K10114. A motion was made by Representative Crenshaw to defer the contract to the August meeting of the committee. Senator McGaha seconded the motion, which passed unanimously.

WORKER'S COMPENSATION FUNDING COMMISSION:

Sawgrass Asset Management, 0900012411; Ryan Labs Incorporated, 0900012445; Galliard Capital Management Incorporated, 0900012465; Sage Advisory Service, 0900012466. Frank Dickerson & J.R. Wilhite discussed the contracts with the committee. A motion was made by Senator McGaha to consider the contract as reviewed. Representative Yonts seconded the motion, which passed unanimously.

WORKER'S COMPENSATION FUNDING COMMISSION:

Vonlehman & Company, PSC, 0900012887. Frank Dickerson & J.R. Wilhite discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed with the stipulation that the hourly rate be reduced to the maximum allowable rate of $125 per hour. Representative Montell seconded the motion, which passed unanimously.

THE FOLLOWING PERSONAL SERVICE CONTRACTS AMENDMENTS WERE SELECTED FOR FURTHER REVIEW:

AUDITOR OF PUBLIC ACCOUNTS, OFFICE OF THE:

Tichenor and Associates, 0900011664; Mountjoy & Bressler, LLP, 0900011690; Cotton and Allen, PSC, 0900011692. Bob McBeath discussed the contracts with the committee. A motion was made by Senator McGaha to consider the contracts as reviewed. Representative Yonts seconded the motion, which passed unanimously.

CABINET FOR HEALTH AND FAMILY SERVICES:

Covington & Burling, 0800009169. Neville Wise and Kerry Harvey discussed the contract with the committee. A motion was made by Representative Yonts to consider the contract as reviewed. Senator McGaha seconded the motion, which passed unanimously.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING:

Hastings & Chivetta Architects, 0700004255. Paul Gannoe and Jennifer Linton discussed the contract with the committee. A motion was made by Senator McGaha to consider the contract as reviewed. Representative Crenshaw seconded the motion, which passed unanimously.

TOURISM DEVELOPMENT CABINET:

Certec Incorporated, 0800009164. Tim Pollard & Laura Negron discussed the contract with the committee. A motion was made by Senator McGaha to consider the contract as reviewed. Senator Tori seconded the motion, which passed unanimously.

THE FOLLOWING PERSONAL SERVICE CONTRACTS FOR $10,000 AND UNDER WERE SELECTED FOR FURTHER REVIEW:

DEPARTMENT FOR PUBLIC HEALTH:

First Onsite, LLC, 0900011834. Dr. William Hacker discussed the contract with the committee and requested the contract be deferred until further notice. A motion was made by Senator McGaha to defer to contract. Senator Tori seconded the motion, which passed unanimously.

NORTHERN KENTUCKY UNIVERSITY:

Penson Associates Incorporated, 79010. Kimberly Luse discussed the contract with the committee. A motion was made by Senator Carroll to consider the contract as reviewed. Representative Crenshaw seconded the motion, which passed unanimously.

With no further business before the committee, the meeting adjourned at 11:40 a.m.

PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

Minutes

July 9, 2009

The Program Review and Investigations Committee met on Thursday, July 9, 2009, 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; Senators Charlie Borders, Vernie McGaha, R.J. Palmer II, Joey Pendleton, Dan "Malano" Seum, Brandon Smith, and Katie Kratz Stine; Representatives Dwight D. Butler, Leslie Combs, Rick G. Nelson, Ruth Ann Palumbo, Rick Rand, Arnold Simpson, and Ken Upchurch.

Guests: Cathy Hinko, Executive Director, Louisville Metropolitan Housing Coalition. Gary L. Harbin, Executive Secretary, Teachers' Retirement Systems of Kentucky. Mike Burnside, Executive Director, Kentucky Retirement Systems.

LRC Staff: Greg Hager, Committee Staff Administrator; Rick Graycarek; Christopher Hall; Colleen Kennedy; Van Knowles; Lora Littleton; Jean Ann Myatt; Rkia Rhrib; Sarah Spaulding; Katherine Thomas; Cindy Upton; Stella Mountain, Committee Assistant; Program Review and Investigations Committee Staff. Emily Spurlock; Carlos Lopes; Mike Clark; LRC Staff Economists.

Upon motion made by Senator Seum and seconded by Senator Pendleton, the minutes of the May 14, 2009 meeting were approved by voice vote, without objection.

Emily Spurlock presented the report Housing Foreclosures in Kentucky.

Ms. Spurlock clarified terms used in conjunction with foreclosure. Delinquent means that the loan is past due; default is the point at which the lender determines that the payment is not going to be made, usually 90 or 120 days late; and foreclosure can be initiated by the lender after the borrower defaults. The foreclosure process is the legal proceeding to end the borrower's title to the home, and force the home to be sold to pay off the mortgage.

She said the foreclosure process varies between states. Kentucky is a judicial foreclosure state; foreclosures are handled by circuit courts. After the lender files the foreclosure case with the circuit court and if the homeowner does not respond to the court, the court typically rules for the lender. The property is referred to the master commissioner to be sold at a public auction. The foreclosure can be halted if any certain conditions are met.

In the fourth quarter of 2008, Kentucky had 7.5 percent of loans past due, compared to 7.8 percent nationally. At the same time, 0.78 percent of loans in Kentucky and just over 1 percent of loans in the nation entered foreclosure.

The number of foreclosure cases referred to Kentucky master commissioners for sale is higher in the middle portion of the state. In 2008, there were almost 17,000 cases referred for sale statewide. As much as 40 percent of the properties referred for sale are withdrawn before they are actually sold.

Data from master commissioners in three counties indicated that the trend in the number of properties sold in recent years varied. In Hardin County and Jefferson County, there was a substantial increase. There was no significant increase in Davies County.

Ms. Spurlock said one of the recent changes in real estate finance, often cited as one of the causes of the increase in foreclosures, has been the growth in subprime lending. A subprime loan is a loan made to a borrower who does not qualify for the best interest rate and loan terms. In recent years, more loans were originated with the intention of being sold, which passes the risk of default from the originator of the loan to the purchaser of the loan. Since the risk does not stay with the originator of the loan, there was an incentive to offer mortgages with riskier aspects such as loans with little or no down payment, or an adjustable rate mortgage with a low initial interest rate that cannot be maintained.

Past due subprime loans started to increase much sooner than prime loans. Subprime loans only make up about 10 percent of the loans for Kentucky; prime loans are about 70 percent of the loans. In the fourth quarter of 2008, about 4.25 percent of prime loans were past due, and about 21.2 percent of subprime loans were past due.

She said changes in interest rates have affected foreclosures. In one survey in 2006, 12 percent of loans in Kentucky had an adjustable rate. Adjustable rate loans adjust based on an index, plus a margin that will be spelled out in the loan documents. Indexes increased significantly, which contributed to many ARMs resetting to a much higher interest rate. Past due adjustable rate loans increased sooner than the fixed rate loans.

Ms. Spurlock said changes in house prices were a factor. Kentucky did not experience the dramatic increase or decline seen nationally, but some metropolitan areas in Kentucky did experience a decrease in the house price index. As house prices decline, it becomes more difficult for homeowners to sell their house for enough to pay off their mortgages and avoid foreclosure.

She said the third and most recent contributing factor to foreclosures is employment. As problems in the housing market spilled over into the rest of the economy, employment suffered and the unemployment rate increased. Kentucky's unemployment rate has historically been higher than the U.S., and in recent months, the unemployment rate for both has risen rapidly.

Ms. Spurlock said foreclosures impact borrowers, lenders, neighborhoods, and government. Borrowers who are involved in a foreclosure lose their homes, may lose any equity they had in their home, and they may have a more difficult time obtaining credit in the future. Borrowers who are not directly involved in a foreclosure may still be impacted by credit being harder to obtain, stricter underwriting standards, and higher interest rates.

Ms. Spurlock said losses to lenders vary, depending on contracts between lenders, servicers, and investors. Actual costs from the foreclosure depend on how long the process takes, and the condition of the property. One local source estimated that foreclosures cost the lender about $25,000 to $30,000 per property.

She said one of the most visible effects of foreclosures is on neighborhoods. An increase in foreclosures can cause a decrease in surrounding property values. The most impact occurs when multiple foreclosures occur in dense, urban areas. One example of this is West Louisville, where 22 neighborhoods have experienced net declines in total assessed property values of almost $240 million.

Ms. Spurlock said impacts on government from foreclosures come in two forms. The first is the cost to governments to maintain vacant housing. The second cost is from real property tax revenues because of delinquent payments or changes in property tax assessments.

State real property tax revenues are growing, but at a slower pace because total state property assessments are growing slower, delinquencies are expected to increase, and less new properties have been added to the tax base.

Ms. Spurlock said government responses to increased foreclosures have come at the federal, state, and local level. Federal responses include a moratorium on foreclosures for some loans. The federal loan workout program has two components: a loan modification program aimed at helping borrowers modify their loan payment, and a loan refinance program. The "Neighborhood Stabilization Program" provides money to states and local governments to purchase and redevelop abandoned properties. Kentucky recently received almost $35 million through this program; Louisville received an additional $7 million.

She said at the state level, Kentucky has implemented the Homeownership Protection Center, which helps homeowners facing default. In total, 25 states have enacted laws in the last two years that deal with foreclosure issues covered in the Program Review report. A program implemented by the Jefferson Circuit Court earlier this year is the Residential Foreclosure Conciliation Program, which is aimed at encouraging a conciliation conference between the borrower and lender.

Senator Schickel asked whether any research had been done on the relationship between an amount of a down-payment and the frequency of foreclosure.

Ms. Spurlock said that down-payments have been small in recent years and the median was about 4 percent. With a low down-payment, it is possible that when house prices decline, the mortgage amount is higher than what the house is actually worth.

Senator Seum said it seems that Kentucky is faring better than other states.

Ms. Spurlock said that the impact in Kentucky has been much less than in other states.

Senator Seum asked what the foreclosure rate was before this crisis started.

Ms. Spurlock said in the mid-1990s the percentage of loans entering foreclosure was about 0.2 percent of loans in the survey.

Senator Seum stated that the increase in Kentucky was from 0.2 percent to less than 1 percent. He asked for details on the survey that was used.

Ms. Spurlock said this survey included about 440,000 loans in Kentucky, which is about half of the loans in Kentucky. Nationwide it covers about 80 or 85 percent of all loans. It probably covers about half of the loans in Kentucky.

Senator Seum asked whether local PVAs are required to lower assessments to reflect the new price if properties are losing value.

Ms. Spurlock said PVAs are required to set the fair cash value of the property based on surrounding property sales.

Senator Seum said he had a rental property that sold for much less than the assessed value and that no homes in that neighborhood were close to the assessed value of the property. He wondered if shortages were covered by over-assessing some properties.

Representative Simpson mentioned that Kentucky is a lien theory state, which in many instances leads to a higher bankruptcy rate. He asked whether staff knew of states that changed from a lien theory state to a title theory state to negate deficiency judgments.

Ms. Spurlock said she was unaware of any states that changed.

Representative Simpson asked what other conclusions staff reached on the process of changing from a lien to a title theory state.

Dr. Clark said that moving to a lien theory would tend to reduce the cost to the borrower and increase the cost to the lender. He said a law that tends to provide consumer protections essentially increases the cost to the lender because they will have to bear a greater portion of the cost.

Ms. Spurlock said studies show that any state laws that make it more difficult to foreclose and favor the borrower, are going to increase costs to the lender and those costs are going to be passed on in less available real estate credit, higher interest rates, and more fees.

Representative Simpson said that would also make lenders more diligent in the process of providing loans.

Ms. Spurlock said that may be one of the contributing factors to less available real estate credit.

Representative Simpson asked whether the Jefferson County PVA actually decreased the assessments of those properties that decreased in value.

Ms. Spurlock said that was correct. Those 22 neighborhoods in Louisville were the only neighborhoods where the entire neighborhood value declined.

Representative Butler asked about the status of the Neighborhood Stabilization Program in Kentucky.

Ms. Spurlock said the Neighborhood Stabilization Program has two rounds; the first round of funding has already been allocated and the state received $35 million and Louisville received $7 million. The second round of funding is a nationwide competitive grant process that is still being allocated and the application process is open until the middle of July.

Representative Butler asked what the cities or groups are doing with this money and what the restrictions are.

Ms. Spurlock said the money has to be used for the purchase and development of abandoned foreclosed homes. Usually these organizations purchase homes, fix them up, and resell them to possibly lower income families.

Representative Butler asked whether staff looked at the effects of short sales on properties or how difficult those were to deal with.

Ms. Spurlock said that some banks are allowing short sales and the difficulty varies, depending on the lender.

Representative Butler said that in his experience it is very difficult to deal with these loan companies, especially the out-of-state ones, and that might be something to look at in the future.

Senator Stine asked whether staff were able to determine what the effect on the SEEK formula was, and when schools would see increased SEEK allotments as a result of the decline in property values.

Ms. Spurlock said they did not specifically look at the impact on the SEEK formula. However, school districts are allowed to change tax rates and set them to a compensating tax rate that would provide as much revenue as was produced in the previous year or up to 4 percent.

Senator Stine said she would be interested in the impact on the SEEK formula if staff have an opportunity to look into that. Northern Kentucky is adversely affected by foreclosures and that is also the area that is most hurt by the way the SEEK formula operates.

Representative Palumbo asked how long a bank has to wait to put a property into foreclosure.

Ms. Spurlock said the point of default is spelled out in the loan documents. At the point of default, the lender would determine whether or not to go ahead and file the foreclosure case or to wait. At the moment many lenders are waiting and attempting to work out a loan modification or to see if any type of plan can be arranged with the home owner. Some of the master commissioners have a considerable backlog of filed cases due to the high volume of property sales. In Lexington, it takes about 3 or 4 months from when the property is received for sale to when it would be actually sold.

Representative Palumbo asked why they have this backlog and whether they are only allowed to sell a certain number of properties per day.

Ms. Spurlock said the master commissioner follows the rules of the local circuit court, and the sales dates are set by the local rules.

Senator Schickel asked about the correlation between foreclosures and down payment in Kentucky compared to those nationally.

Ms. Spurlock said she was not aware of available down payments rate by state data.

Rep. Simpson asked whether the study included bank foreclosures as well as foreclosures by tax liens and entities.

Ms. Spurlock said this study included only bank foreclosures on residential properties for first lien mortgages. In the case of property tax bills, usually the lender will file the foreclosure before the county has a chance to.

Representative Simpson said that was not necessarily the case. There are many properties where people have paid off mortgages and quit paying taxes. In these cases, the county, the cities, or third party purchasers will file foreclosures.

Senator Schickel asked Cathy Hinko, Executive Director of the Louisville Metropolitan Housing Coalition, to discuss foreclosures.

Ms. Hinko said the coalition has been studying foreclosures since 2003 when it became apparent that Kentucky was experiencing a large number of foreclosures. Foreclosures in Jefferson County are no longer only in targeted neighborhoods; they are everywhere. In 2003, thousands of households were already losing their homes. In 2008/2009 school year that just ended, in Jefferson County, almost 9 percent of all public school students were homeless at some point during the school year, and this is believed to be an underreported amount. That trend has increased by 75 percent from 5 years ago.

Ms. Hinko cited statistics from the Greater Louisville Association of Realtors that home sales and prices in Louisville have decreased. There are variations within Louisville; prices are up in some areas and down in others.

Ms. Hinko said the 0.78 percent of loans entering into foreclosure in one quarter is a very disturbing rate if one looks at the cumulative effect of homes that are in jeopardy. She cited statistics on how foreclosures in surrounding counties increased by 3 percent to 333 percent from 2002 to 2007. She also pointed out that between 2000 and 2007, the median income adjusted for inflation nationally went down 7 percent but the median rental cost went up 7 percent.

Ms. Hinko mentioned a study that shows the impact on African-Americans of the use of high cost mortgages. In Lexington/Fayette County, 38.51 percent of the mortgages issued in 2006 to middle- and upper-income African-Americans were high cost, compared to 19.49 percent of the mortgages issued to white households. Studies attribute at least 25 percent of homeless children to foreclosures.

Ms. Hinko said there are many scams in which someone claims to be from the federal government. She said the Attorney General's office is looking into this. She said not many people are refinancing under some of the new federal mortgage products.

Representative Simpson said if Ms. Hinko had a proposal to protect homeowners from predators, he would be very supportive. He said the issue of foreclosures is not really a legislative problem; it is a financial problem and a problem with the banking industry. Proposals are needed to better educate consumers to stay within the level of their means and to purchase homes responsibly. He asked Ms. Hinko whether she had any comments or proposals.

Ms. Hinko said House Bill 552 defines high cost loans for Kentucky well and her opinion was that an even more aggressive definition of high cost loans is needed. She agreed that education is important but nobody had ever seen such exotic loans and products before and could not have been educated on them beforehand. Education, funded through the state housing finance agency, KHC, would be wonderful. She felt that financial education in the schools, starting in junior high school, is important.

Representative Simpson said education is really the challenge and that no legislative solution is needed other than trying to advance those educational components.

Ms. Kinko said the Jefferson County Circuit Court has a new program, a conciliatory conference, which parallels the foreclosure. In Philadelphia they use this conciliatory conference and have diverted about 25 percent of the actual foreclosures that have been filed in court into some sort of resolution. She commends that system and hopes that it will be implemented in all circuit courts.

Representative Simpson commented that these conciliation conferences would be very useful to help keep homeowners in their homes and, more importantly, exclude the option of bankruptcy, which has a very high rate in Kentucky.

Senator Seum asked how many mortgages there are in Jefferson County.

Ms. Hinko said she did not know.

Senator Seum asked how they have come up with these percentages if the total number of mortgages is not known.

Ms. Hinko said the best data available would be the 2000 Census. She said that the Office of Financial Institutions may have a more accurate number of people with mortgages.

Senator Seum expressed concern about the property evaluation administrators adjusting their taxes fairly. He asked whether the property assessments for neighborhoods that lost 49 percent of the value of their homes also went down by 49 percent.

Ms. Hinko said she did not know.

Senator Seum said the Louisville Metropolitan Housing Coalition may want to look into the matter to make sure that home owners pay the correct amount of tax.

The report Housing Foreclosures in Kentucky was accepted by roll call vote upon motion made by Senator Seum and seconded by Representative Simpson.

Greg Hager followed up on the report Investment Rates of Return, Governance, and Policies of the Kentucky Retirement Systems and the Kentucky Teachers' Retirement System, which the committee adopted last year.

Mr. Hager updated the committee on the investment returns for the time periods of 1 year and 10 years for Kentucky Retirement Systems, the Kentucky Teachers' Retirement System, and retirement systems comparable to each. Returns updated to include FY 2008 were down significantly for both Kentucky systems and the average comparable system.

Mr. Hager also updated the committee on how the systems had implemented the 5 recommendations made in the report. KTRS's long-term investment goal is still unclear based on the 2008 Comprehensive Annual Financial Report, but otherwise the recommendations have been implemented by both systems.

Representative Simpson asked what the actual dollar amounts are compared to the national benchmarks.

Mr. Hager said he did not have that calculation.

Gary Harbin, Executive Secretary of the Teachers' Retirement System of Kentucky, updated the committee on KTRS.

Mr. Harbin said when compared to the 58 major state-wide pension plans reporting in the Pension Fund Data Exchange as of March 31, 2009, KTRS ranked in the top 9 percent over the past year, the top 19 percent over the past 2 years, and the top 31 percent over the past 3 years. Compared to the 10 pension plans that KTRS was compared to in the LRC study, KTRS has outperformed 9 out of 10 of these plans through March 31, 2009. In a larger universe of all pension plans, both public and private with a billion dollars or more, KTRS ranks in the top 24 percent. He said the reason that KTRS has outperformed other pension plans is that other pension plans were taking more risks.

Mr. Harbin said KTRS has changed its asset allocation from only large cap stocks and fixed income to 4.1 percent of the portfolio in mid-cap stocks, 2.6 percent of the portfolio in small cap stocks, and about 11.6 percent in international stocks. Fixed income is about the same as it was in 2000; the amount in cash has been reduced, and the amount in real estate has increased. KTRS's goal is to have 5 percent of its assets invested in alternative assets, a new investment class.

Mr. Harbin said the Board of Trustees has voted to expand the Investment Committee to seven members: 5 trustees, 2 of whom are investment experts, and 2 nontrustees who are investment experts.

Mr. Harbin said KTRS has developed a Web-based training system for members of the KTRS Investment Committee. Additionally, each member of the Investment Committee participates in continuing education on an annual basis, consistent with the investment consultant's recommendations of best practices in the pension industry.

Mr. Harbin said an investment consultant and actuary are conducting an asset liability modeling study to match the investments of the system to its liabilities. This study will be the basis of future asset allocations. KTRS has a fixed employer contribution rate coming from the state, out of which it has to pay for retiree health care. This situation has to be resolved for KTRS to remain actuarially sound into the future. The investment consultant is consulting with KTRS regarding best practices and a report to the board will follow. To date, the most significant item discussed with KTRS has been to eliminate the statutory requirement that investment policy be included in administrative regulation.

Mr. Harbin reported that KTRS has no issues related to "pay to play." They have been very diligent in this area and their investment manager contracts prohibit payment of fees be paid to obtain the contract without KTRS's written consent. The KTRS Board of Trustees has adopted a policy that prohibits investment managers, investment consultants, staff, Investment Committee members and Board members from having conflicts of interest, and all those individuals associated with investments have signed conflict of interest statements to that effect.

Mr. Harbin said KTRS acted on all recommendations made by Program Review. Their primary goal is to earn the required return over the long-term with minimal volatility to provide sound actuarial funding of member benefits. KTRS's current actuarial assumed rate of return is 7.5 percent.

Senator Stine asked Mr. Harbin to elaborate on alternative assets.

Mr. Harbin said they include private equity, bench shore capital, timberland, and other alternative assets, and investing directly in companies, usually small companies.

Senator Stine asked whether the same level of safeguards and protections are in place that might apply to other types of investments.

Mr. Harbin said there is more risk but higher reward involved in these types of investments.

Senator Stine asked how the advisors are chosen and how frequently.

Mr. Harbin said the investment advisors were chosen through an RFP process. He said typically they want to obtain the services of a good investment advisor, keep the advisor for a long period of time because they are long-term investors, and review the work on an annual basis. KTRS would keep an advisor 10 years or more.

Senator Stine asked how they decide to change their advisor.

Mr. Harbin said it is time to change the advisor when the advisor is no longer able to take the investments of KTRS to where they want to go, or the advisor has changed or lost this focus.

Senator Stine asked what the penalty was for violating the conflict of interest agreement that everyone signs.

Mr. Harbin said that if it is a vendor, KTRS will stop doing business with the vendor. If it is a staff person, that person will be fired. If it is a member on the Board of Directors, the manager who violated the conflict of interest agreement with the board member will be discharged.

Senator Stine asked whether there are criminal consequences.

Mr. Harbin said there are no criminal consequences related to the policy that the board has stated. There are criminal consequences if there is "pay to play" going on.

Senator Stine asked whether KTRS has rejected investors who have used placement agents.

Mr. Harbin said that was correct.

Senator Stine asked whether they have accepted any investors who had used placement agents.

Mr. Harbin said they have not. KTRS has no contracts with anyone who has made a payment to get the contract at KTRS.

Senator Stine asked whether that is in written policy.

Mr. Harbin said it was.

Senator Stine asked about the anticipated 7.5 percent rate of return, and what the actual rate of return is for this year.

Mr. Harbin said currently the actual rate of return for this year is about minus 14 percent.

Senator Stine noted that that is a significant difference and asked whether the anticipated amount should perhaps be more realistic.

Mr. Harbin said of the anticipated amount, 7.5 percent were long-term investors. They are investing over decades, not years, and over the long-term, they are confident that they can achieve a 7.5 percent return, given historical performance in all those asset classes.

Senator Stine said that her concern was how this affects the ARC [actuarial required contribution] increase because it would appear that they should put more money in if they are not performing to the level that they anticipate.

Mr. Harbin said typically with pension plans that is the case, that they have a direct impact on the ARC whenever there is a decline in the market value of the investments. KTRS has a fixed employer contribution rate by statute since its inception which needs to be increased.

Representative Simpson asked whether KTRS reports annually to one of the standing committees.

Mr. Harbin said they do not present a report but they do submit their CAFR annually as well as a report about their investments, especially in the investments made in Kentucky.

Representative Simpson said he thought that every year KTRS appears before State Government or a committee that monitors their progress on investment.

Mr. Harbin said they do not present an annual report verbally. They do present annual reports but in the written form.

Representative Simpson asked whether a 1 percent change in a 12 billion of assets is $120 million.

Mr. Harbin said a 1 percent change is about $120 million.

Representative Simpson asked what KTRS's annual employer contribution is and how much the Commonwealth gives them to augment the retirements of the teachers.

Mr. Harbin said they match it, and teachers contribute 9.855 percent.

Representative Simpson asked how much that is in dollars.

Mr. Harbin said it is roughly $360 million, and then the state matches that plus a 3.75 percent overmatch, so roughly $400 million.

Representative Upchurch asked whether there is any kind of compensation package for the board members.

Mr. Harbin said they are reimbursed at the rate of $90 per meeting, $90 per day.

Representative Upchurch asked how much the state and employees pay into this system each year, and how much is paid out.

Mr. Harbin said the employees and the state pay into the system about $750 million to $800 million a year, and KTRS pays out about $1.5 billion.

Senator Seum asked who receives the annual report, the Legislative Research Commission or the State Auditor.

Mr. Harbin said both.

Mike Burnside, Executive Director, Kentucky Retirement Systems updated the committee on KRS. He explained how KRS has implemented the recommendations made in the report. He said the benchmarks used are industry standards and are calculated by their custodial bank at the beginning of the year based on their asset allocation model and what they project as targets for those asset allocations. Benchmarks do not change throughout the year, but their asset allocation does. He showed how they calculate the benchmark and showed their target and average for the year. The KRS Pension Fund and the KRS Insurance Fund generally did meet their benchmarks throughout the year; some months they were slightly below, some slightly ahead.

Mr. Burnside said the KRS compares its performance to its peers in the Pension Fund Data Exchange. As of March 31st, KRS was in the top 24 percent of all pension funds reporting to the Pension Fund Data Exchange, in the top 26 percent for the trailing year, and the top 36 percent throughout the third year. In the current quarter, their performance is negative 6.86 percent, and they are in the top 55 percent of all pension funds reporting to the Pension Fund Data Exchange. This is not a reason to be alarmed because for long-term investors, one quarter is far too short a term to judge ones pension or investment performance overall.

Mr. Burnside said most of those reporting to the Pension Fund Data Exchange do not report on insurance funds. Looking at the different asset classes for the KRS Insurance Fund, he said KRS performed well against its peers, but when one compares the insurance fund overall to the universe of peers for the Pension Fund Data Exchange, KRS did not fare well.

Mr. Burnside compared KRS Pension Fund and Insurance Fund asset allocations to the median fund in the Pension Fund Data Exchange. Generally, their allocations are very close to the median fund. The Insurance Fund has invested heavily in domestic and international equity. Because there is no fixed income in the Insurance Fund, it has a larger than median allocation to the Treasury Inflation Protected Securities.

Mr. Burnside said the fixed income portfolio of the pension fund as of May 31 overall is negative 1.24 as opposed to a benchmark of a plus 3.5. To correct that, they have hired a new director of fixed income and are in the process of replacing underperforming managers with money managers who are more able to match their goals and take KRS where it needs to be in the fixed income market.

He said the insurance fund has performed very close to its benchmarks, negative 23 percent year-to-date as opposed to a performance benchmark of negative 23.23 percent.

Mr. Burnside said the markets

are very uncertain. There was no way of knowing how the markets were going to perform, and there is no way of predicting exactly where the markets are going. The best approach for KRS is to stick to a long-term strategy and try to position itself in a way to come out of this with the best returns possible.

Mr. Burnside said KRS's investment expenses include security lending fees, common stock commissions, contractual services for their consultants, investment advisors and the custodial bank. Their biggest expense is in securities lending fees in paying interest on the collateral earned, known as broker rebates. The securities lending income is higher than the broker rebates so they are making a profit.

Mr. Burnside said the operating expenses of the KRS will be about $26 million for this year, which includes operating the fund and salaries and benefits for 250 employees.

Mr. Burnside said they do not have a written policy on placement agents in place right now. A draft policy is going to be presented to the Investment Committee at its next meeting in August. The policy on placement agents is aimed at increasing transparency, and decreasing or eliminating the possibility of a conflict of interest. KRS requires conflict of interest statements to be signed by all board members, all investment committee members, and everyone doing business with the system.

In conclusion, Mr. Burnside said KRS has decreased from a $16 billion fund last year to about a $12 billion fund, a decrease of almost 25% in market value which has had a significant impact on the system. They are in a negative cash flow situation. Their annual required contribution is not set by statute; it is set by the budget process through the legislature. He said next year the annual required contribution that they recommend in the budget cycle will be larger than it was before. To make up this shortfall and to make ends meet, the employers will have to pay a higher fee and live up to the funding schedule that was set forth in House Bill 1. He said the negative cash flow situation is beginning to impact their ability to invest.

Senator Stine said that KRS can adversely affect the entire state's budget. She expressed concern about the system being significantly under the actuarial projections and that they will have to come up with a large amount of money. She asked when information for FY 2009 would be available.

Mr. Burnside said the custodial bank has to value the fund and give them an audited statement, which should take another 2 weeks.

Senator Stine asked if there are any criminal penalties for anybody violating their conflict of interest contracts.

Mr. Burnside said he was not aware of any criminal penalties for the conflict of interest.

Senator Stine asked to receive a copy of the policy on placement agents as soon as it is available.

Senator McGaha asked what percentage contribution is paid by the employee.

Mr. Burnside said nonhazardous employees pay 5 percent pre-tax; hazardous employees pay 8 percent; and employees hired after September 1 of 2008 pay an extra 1 percent for the health insurance contribution.

Senator McGaha asked who sets that contribution rate.

Mr. Burnside said the contribution rate for employees is set by statute; the employers' is set through the annual required contribution recommendation.

Senator McGaha asked how much a 1 percent raise would be on employee contribution.

Mr. Burnside said they have 5 different systems and they would have to add up what the employee contributions were to come up with a figure.

Senator McGaha said he would be interested to see what 1 percent equates to.

Mr. Burnside pointed out that, because of the inviolable contract, employee contribution rates cannot be raised without a corresponding increase in benefits.

Representative Simpson asked why KRS has different investment models for the pension and insurance funds.

Mr. Burnside said the insurance fund is a younger fund; its asset liability model is different because they wanted more growth potential and a more aggressive fund to increase its funding standard.

Representative Simpson said he does not see why they would be more aggressive with one fund as opposed to the other.

Representative Simpson suggested that staff share the Housing Foreclosure Report with the Banking and Insurance Committee staff so they can review it in preparation for possible legislation for the next session.

Senator Schickel directed staff to also share it with the State and Local Government Committee staff.

He said the next meeting is scheduled for August 13.

The meeting was adjourned at 12:25pm.

LEGISLATIVE RESEARCH COMMISSION
SUBCOMMITTEE ON 2010-2012 BUDGET PREPARATION AND SUBMISSION
Minutes of the 1st Meeting of the 2009 Interim
July 9, 2009

The first meeting of the LRC Subcommittee on 2010-2012 Budget Preparation and Submission was held on Thursday, July 9, 2009, at 1:30 PM, in Room 171 of the Capitol Annex. Representative Rick Rand, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Charlie Borders, Co-Chair; Representative Rick Rand, Co-Chair; Senators Julian M. Carroll, David Givens, Denise Harper Angel, and Robert Stivers II; Representatives Lonnie Napier, Sannie Overly, Arnold Simpson, and Robin L. Webb.

Guests: Representative Derrick Graham, and John Hicks, Deputy State Budget Director, Office of State Budget Director (OSBD).

LRC Staff: L. Bart Hardin, Debra Gabbard, and Spring Emerson.

Chairman Rand began the meeting by thanking all the members for their presence and apologized for any meeting conflicts. He then introduced John Hicks, Deputy State Budget Director, Office of State Budget Director (OSBD), and asked him to provide an overview of proposed changes to the Executive Branch budget instructions.

Senator Borders expressed his concern regarding the transparency issue and making sure everyone knows where all the dollar amounts are coming from. He also stated that they must remain mindful of the fact that some of the funds were temporary and would not be available in future years. He said erring on the side of too much information would be preferable to not having enough information.

Senator Carroll asked what amount of time was used for measuring performance and productivity for the baseline budget. Mr. Hicks replied five years; two fiscal years of actual past performance, the current year, and then the two fiscal years that information is being requested for. Senator Carroll said he didn't think that was long enough. He indicated that they should go back to the point when state government was operated within its revenue, and look at the measurement of productivity since that time as compared to the agency's growth during the same period. He asked if there was measurement of expenditure flow by quarter in comparison with other quarters. Mr. Hicks answered that the budget instructions do not request quarterly information, but the agencies have the ability to generate detailed quarterly reports.

Senator Stivers inquired about the $741 million figure that was mentioned. Mr. Hicks replied that was the fiscal year 2010 value of extra Medicaid money and the Fiscal Stabilization Fund. Senator Stivers stated there were administrative fees built in to the American Recovery and Reinvestment Act of 2009 (ARRA) funds, and asked if those fees were included in that $741 million. Mr. Hicks replied they were not, explaining that there were other programmatic funds that added money to existing programs. He added that those funds would be addressed separately.

Senator Stivers asked if the $8 billion represented the total expenditures for the year, including the stimulus funds and administrative fees, or did it represent the revenue being generated. Mr. Hicks replied that the $8.3 billion in fiscal year 2010 was general fund revenues. Senator Stivers asked if the total budget is $8.4 billion or up to $9 billion. Mr. Hicks replied that the expenditure value is $9 billion. Senator Stivers inquired about the half-year of Medicaid stimulus money. Mr. Hicks stated that he could provide that information at a later date.

Chairman Rand asked if the agencies knew they would receive stimulus money. Mr. Hick replied in the affirmative, adding that they were seeking competitive funds as well.

Senator Stivers asked if the $290 million in 2011 would be unavailable in 2012. Mr. Hicks replied in the affirmative, adding that all stimulus funds would be gone in 2012. Senator Carroll inquired if the funds would be gone in the last half of fiscal year 2012. Mr. Hicks answered that they would actually be gone at the end of fiscal year 2011. Senator Carroll stated that he was trying to match the funds with the Commonwealth's budget cycle, but they are not on the same cycle. Mr. Hicks said that 50% of money was available now, even though they were given a certain time period to use it.

Chairman Rand asked if the budget instructions were based on the current organization structure as opposed to potential reorganizations. Mr. Hicks replied that it would be based on where things were now. Chairman Rand inquired about the timeline for finalizing the instructions. Mr. Hicks replied September 1 was the target date for finalizing decisions. Chairman Rand asked why the budget instructions were late getting to us. Mr. Hicks replied that the OSBD had been busy budgeting and re-budgeting with considerably fewer people on staff.

Senator Carroll inquired if zero-line budgeting was discussed during the technical process of evaluating agency budgets. Mr. Hicks replied that there were concepts in zero-based budgeting that were still being used.

Senator Carroll commented on the tremendous amount of expertise available in the OSBD as well as the LRC Office of Budget Review. He expressed his appreciation and gratitude for their good work.

Senator Stivers asked if budgeted at current levels of expenditures and revenues with no growth would there be a $400-450 million shortfall. Mr. Hicks answered that was a reasonable number for fiscal year 2011. He explained that the budget instructions were simply a set of requests based upon current level of spending; however, the decision process is separate.

Chairman Rand asked for a motion to direct the Co-Chairs to work with LRC staff to finalize the 2010-2012 Budget Instructions and formally present them to LRC for adoption. A motion was made by Senator Stivers, seconded by Representative Webb, and adopted by voice vote.

Chairman Rand asked for a motion to direct staff to send out Defined Calculations letters to specific agencies before 2010-2012 Budget Instructions are finalized. A motion was made by Senator Stivers, seconded by Representative Webb, and adopted by voice vote.

There being no further business before the Subcommittee, the meeting was adjourned at 2:27 PM.

TOBACCO SETTLEMENT AGREEMENT FUND OVERSIGHT COMMITTEE

Minutes

July 1, 2009

The 5th meeting of the Tobacco Settlement Agreement Fund Oversight Committee was held on Wednesday, July 1, 2009, at 10:00 AM, in Room 131 of the Capitol Annex. Senator Carroll Gibson, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Carroll Gibson, Co-Chair; Representative Dottie Sims, Co-Chair; Senators Charlie Borders, David Givens, Vernie McGaha, and Joey Pendleton; Representatives Royce W. Adams, James R. Comer Jr., Charlie Hoffman, Tom McKee, and Tommy Turner.

Guests: Roger Thomas, Michael Judge, Joel Neaveill, and Angela Blank, Governor's Office of Agricultural Policy; Irene Centers, Bobby Gray, and Robert Baker, Department for Public Health.

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

Before beginning, the presiding co-chair, Senator Gibson, recognized two additional legislators in attendance, Representatives Fred Nesler and Will Coursey.

The June 3, 2009 minutes were approved by voice vote and without objection, on a motion made by Senator McGaha, seconded by Representative McKee.

Co-chair Gibson asked Mr. Roger Thomas, Executive Director, and Mr. Joel Neaveill, Chief of Staff, and Mr. Mike Judge, Director of Operations, Governor's Office of Agricultural Policy (GOAP), to report on the projects considered by the Agricultural Development Board (ADB) during its June meeting.

Mr. Judge reviewed the state projects list, beginning with Thoroughbred RC&D Council request for $883,400 in Scott County agricultural development funds to establish a purchase of conservation easements program. The ADB awarded much less, $5,000, because there are ongoing Kentucky and Fayette County farmland preservation programs that are benefitting from a bond issue paid off annually with tobacco settlement funds.

Responding to Representative McKee, Mr. Thomas said the 20-year bond issuance was in the seventh year. Annual payments total over $2 million. Representative McKee expressed a concern that the state PACE program had not received adequate funding, and indicated a hope the program could receive funding in the future.

Senator Givens raised a question related to the next project, a $10,000 Shelby County endeavor to set up a dead livestock removal program through a contract with a pickup service. Responding to the senator's question whether a pickup service must be certified in some manner, the speakers said such companies are instructed about statutes governing dead animal hauling and disposal.

Next, the speakers reviewed the $60,000 God's Pantry Food Bank project, based in Fayette County, established to buy and distribute 15 types of Kentucky grown surplus produce for low-income clients in the organization's 50-county service area. The distribution program will be evaluated in October.

Mr. Judge mentioned HB 344 from the 2009 session that sets up a program in the Department of Agriculture to award grants to non-profit entities that would buy surplus agriculture products and distribute them through food banks.

Representative McKee, the primary sponsor of HB 344, discussed how the legislation came to fruition and noted the importance of using surplus food to feed the hungry, rather than putting it in landfills. He indicated he would be looking forward to learning the results of the evaluation of the program.

According to the speakers, the applicant will buy produce from produce auctions in the area. Apparently, they said, counties committed funds because they have growers residing there.

The next project prompted considerable committee discussion, the Louisville-Jefferson County Metro Government Economic Development Department, which sought $57,750 in state funds plus varying smaller amounts from adjacent counties. Ultimately, the applicant received $87,750 in state funds, plus the county funds.

Mr. Judge explained to Co-chair Gibson that the funds would used to hire a "public interest broker" who would link producers with restaurants, caterers, corporations, and institutions. An additional $60,000 "Wired 65" federal grant could lead to the hiring of two people for a year, or extending the broker position over a longer period. According to the speakers, GOAP staff originally recommended the $57,750 amount for year, whereas the board opted for the higher amount for a longer timeframe.

Responding to Representative Comer, Mr. Thomas said that, in the past, some projects had been funded for two-year cycles, but the GOAP was recommending shorter contracts at this time because of limited Agricultural Development Fund moneys.

According to Representative Comer, the project might be worthwhile, but he said it reminded him of the Allied Food Marketers West project from several months ago that was criticized in an Auditor of Public Accounts audit. The representative said that project wasted funds. He said this project looks similar. He wondered aloud if someone in the Department of Agriculture could do the work. He mentioned the board increased the amount sought under this project and also was supportive of the Allied project.

Mr. Judge pointed out this was a smaller project. The board felt this was a project that would be overseen by the Louisville metro government and would impact Jefferson and surrounding counties, according to Mr. Judge.

They told Representative Comer the broker has not been appointed. Mr. Judge pointed out that requirements of the project call for the applicant to achieve certain goals.

After Representative Comer issued additional words of caution on the project, Mr. Thomas said current project legal agreements, with specific terms, are more stringent than before.

Responding to Representative Hoffman, they indicated that projects of this type would be subject to six-month and annual reviews. They again elaborated on the measures that will be used to evaluate the project. According to the speakers, the public interest broker will attempt to gain access to the various markets in Louisville for producers. In turn, Representative Hoffman discussed efforts by his employer, a grocery chain, to provide wholesome food in the Louisville market.

Senator Givens also urged the GOAP staff to hold the applicant accountable and to measure the impact of the project in terms of what is happening now versus the end result.

Senator Givens alluded to the commitments from adjacent counties in amounts from $250-$500. "I've long understood that a regional project springs from multiple counties putting in dollar amounts to create regional impacts, regional buy-in," he said. But he asked if $500 from those counties was truly a commitment or a token amount.

According to Mr. Thomas, GOAP staff and board members have dealt with what is defined as a "significant commitment" from counties involved in projects. He said they would appreciate committee input on the issue. He also mentioned the dilemma involved in defining a region, or establishing a formula for the size of a county commitment. He later pointed out that the county tobacco settlement fund accounts vary in size.

Senator Givens said it would be interesting if GOAP staff invited members of the committee to one of the agency's periodic site visits. Mr. Thomas termed that a good suggestion.

Referring to Representative Comer's criticism of the Allied project, Mr. Thomas pointed out that, even though there were some negative aspects about the project, it increased the level of awareness of the Kentucky Proud program.

Mr. Judge next answered a series of questions from Senator McGaha regarding how much money the applicants sought originally and at what juncture county commitments materialized. Mr. Judge pointed out that applicants, not GOAP staff, approach county councils when seeking out local matching funds. Also, prior to an application coming to the board's attention, county council commitments must be solidified. He also said they were not made aware of the Wired 65 grant until just before the board considered the project.

The Logan County Extension District Board multipurpose agricultural center project, involving $100,000 in Logan County funds, and $5,000 from Todd County, was the subject of some discussion. The speakers explained to Senator Givens that projects like that had received no state funds in the past, only county funds. He mentioned it would require a policy change by the board to put a different approach in effect.

Senator Pendleton, who represents that area, said the project could be receiving funds from other counties. He said the project had received significant commitments from other entities as well. The senator said the center would be located adjacent to a farmers' market in Logan County. But he said they still do not have enough money to develop a center to accommodate certain types of activities that require more space.

On other issues, the speakers explained to Senator Givens how county funds are committed by local councils as a result of recent policy changes. Most county projects are funded for one year. County councils also are required to establish primary and secondary investment areas under which different levels of funds are made available. They also said counties have the option of contributing up to 75 percent of the cost of a project.

Responding to Senator Givens, they said most counties that set up dead animal removal programs choose to contract with renderers for pickup, rather than landfill disposal or on-farm burial.

Next, the chair called on Ms. Irene Centers, Program Manager, Tobacco Prevention and Cessation Program, for a report on her agency's use of tobacco settlement funds.

Before beginning, Ms. Centers introduced Mr. Steve Salt, with the Department for Public Health, an ex-smoker who described his efforts over several years to quit smoking.

Following Mr. Salt's testimony, Ms. Centers gave the committee an update of the program. Since 2000, she said, the middle school smoking rate in the state has declined 56 percent and the high school rate, 28 percent. She described some of the factors contributing to the declines.

According to her report, tobacco cessation efforts include: Kentucky's Tobacco Quit Line, the Cooper-Clayton Method to Stop Smoking offered through health departments, an infants and families project that covers several counties, provider education efforts, a hospital in-patient tobacco treatment pilot project, a Medicaid NRT project, nicotine replacement therapy benefits for state employees, and nicotine replacement products available at wholesale through health departments.

She made note of the number of smoke-free municipalities in the state.

In the future, according her report, a quit-smoking Web site will be available for smokers to visit. More emphasis will be put on having 24/7 tobacco-free schools, and integrating cessation with diabetes education.

Responding to questions, Ms. Centers told Senator Pendleton that a $458,106 expense under the "dues and subscriptions" category on a budget chart went toward the cost of participating in the Web-based national campaign, which will involve 13 states.

She responded to Co-chair Gibson that the grant from the Centers for Disease Control requires a match of $1 for every $4. She said they apply yearly, with the CDC considering issues such as how well they implemented their goals from the previous year.

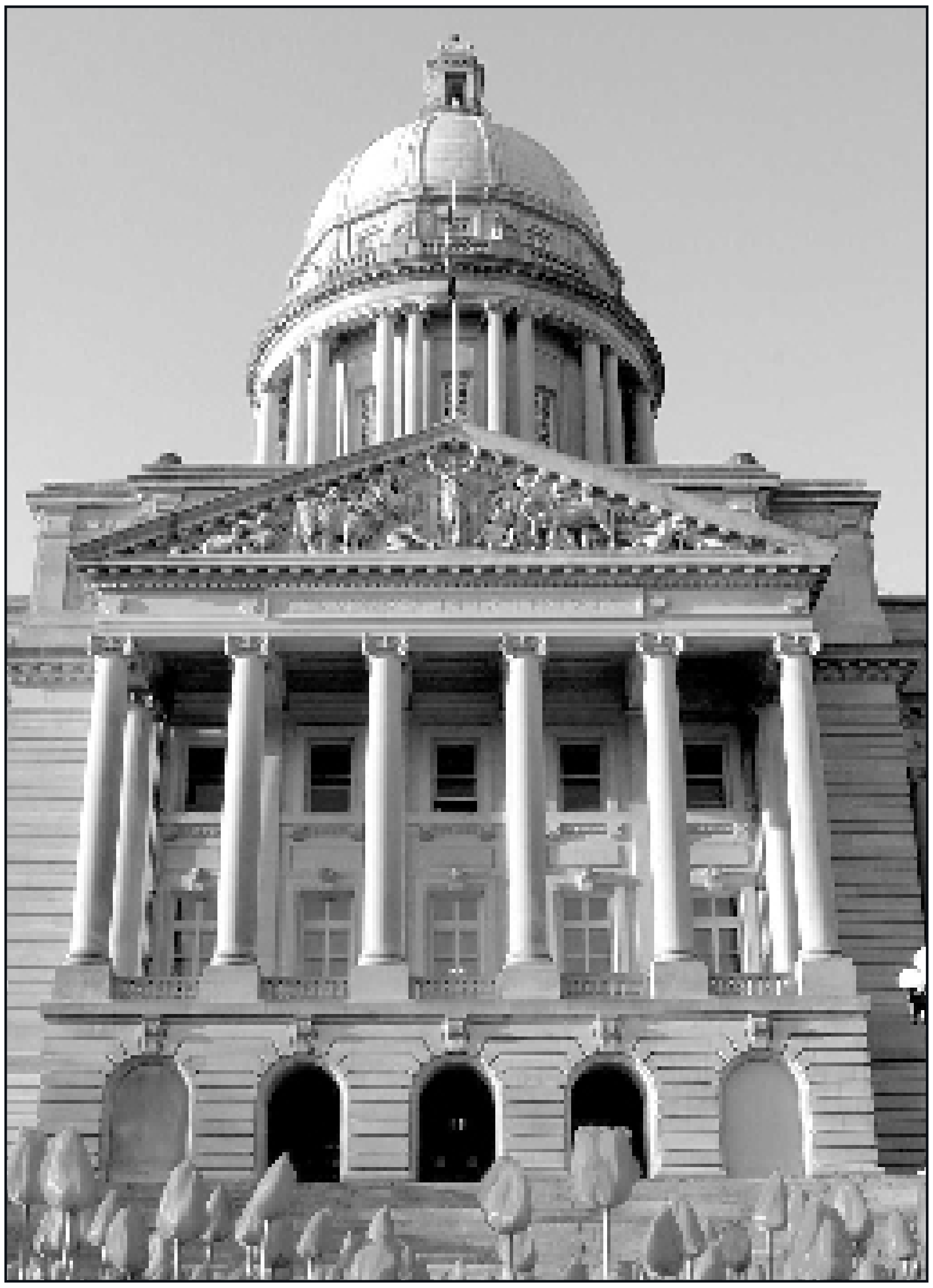
Responding to Co-chair Gibson, Ms. Centers noted that most donations from outside entities, such as the heart or cancer associations go to local health departments, not to the state agency as a whole.

She told the senator that the recent cigarette tax increase had an impact. She said they saw a "tremendous increase" in the volume of calls to the quit line.

Ms. Centers said she would send some studies to Senator Gibson that show a direct correlation in declining smoking rates compared to cigarette tax increases.

Responding to Representative McKee, who asked about adequacy of funding, Ms. Centers said they try to strive for best practices with the funds available. With additional funds, she said, they could offer more medications to people who want to quit and sent more money to local communities.

Documents distributed during the committee meeting are available with meeting materials in the LRC Library. The meeting adjourned at approximately 11:45 a.m.



The Kentucky Legislative Research Commission is a 16-member committee of the majority and minority leadership of the Kentucky Senate and House of Representatives. Under Chapter 7 of the Kentucky Revised Statutes, the LRC constitutes the administrative office for the General Assembly. Its director serves as chief administrative officer of the Legislature when it isn't in session.

The Commission and its staff, by law and by practice, perform numerous fact-finding and service functions for members of the Legislature, employing professional, clerical and other employees required when the General Assembly is in session and during the interim period between sessions. These employees, in turn, assist committees and individual legislators in preparing legislation. Other services include conducting studies and investigations, organizing and staffing committee meetings and public hearings, maintaining official legislative records and other reference materials, providing information about the Legislature to the public, compiling and publishing administrative regulations, administering a legislative intern program, conducting orientation programs for new legislators, and publishing a daily index and summary of legislative actions during sessions.

The LRC is also responsible for statute revision, publishing and distributing the Acts and Journals following sessions, and for maintaining furnishings, equipment and supplies for the Legislature. It also functions as Kentucky's Commission on Interstate Cooperation in carrying out the program of the Council of State Governments as it relates to Kentucky.

David L. Williams SENATE PRESIDENT	**Greg Stumbo** HOUSE SPEAKER
Katie Kratz Stine PRESIDENT PRO TEM	**Larry Clark** SPEAKER PRO TEM
Dan Kelly MAJORITY FLOOR LEADER	**Rocky Adkins** MAJORITY FLOOR LEADER
Ed Worley MINORITY FLOOR LEADER	**Jeff Hoover** MINORITY FLOOR LEADER
Dan Seum MAJORITY CAUCUS CHAIRMAN	**Robert Damron** MAJORITY CAUCUS CHAIRMAN
Johnny Ray Turner MINORITY CAUCUS CHAIRMAN	**Bob DeWeese** MINORITY CAUCUS CHAIRMAN
Carroll Gibson MAJORITY WHIP	**John Will Stacy** MAJORITY WHIP
Joey Pendleton MINORITY WHIP	**David Floyd** MINORITY WHIP

2009 Interim
LEGISLATIVE RECORD

Published monthly by the Legislative Research Commission, the Interim RECORD is designed to inform the citizens of Kentucky of the between-sessions work of the General Assembly.

Subscriptions are free upon request. Contact LRC's Public Information Office, Capitol Annex, Frankfort, KY 40601, phone 502-564-8100.

Stories may be reprinted without permission, although credit would be appreciated.

Bobby Sherman, Director
Legislative Research Commission

Robert Jenkins, Deputy Director for Committee and Staff Coordination

Rob Weber
Public Information Officer

Mike Robinson
Printing and Publications Officer

Rebecca Mullins
Editor, Typography and Design

Mike Sunseri
Chief Photographer

Karen Bourne
Jeff Fossett
Steve Gatewood
Bruce Phillips
Bud Kraft
Keith Krey
Jeanie Mitchell
Scott Payton
Chuck Truesdell
Public Information Staff

2009 Interim
LEGISLATIVE RECORD
KENTUCKY GENERAL ASSEMBLY
700 Capitol Avenue
Frankfort, Kentucky 40601

Change Service Requested

Pre Sorted Standard
U.S. Postage
PAID
Frankfort, Kentucky
Permit Number 308