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Call renewed for state child abuse offender registry

by Rebecca Hanchett
LRC Public Information

COVINGTON—Jennifer Diaz was at work the day before Thanksgiving 2014 when she got a call that something was wrong with her little girl.

The young mother rushed home to find her four-month-old daughter, Sophie, with injuries to her head and face. The babysitter, Desiree Rankin, told Diaz that Sophie had been having seizures. But a criminal investigation would find another reason for Sophie's injuries: child abuse.

Rankin was charged in the case, took a plea deal and was sentenced to some time in jail. Diaz, determined to do what she can to prevent other cases of abuse, spends much of her time advocating for stricter child abuse laws. She and Sophie, now a toddler, appeared together before a meeting of the Interim Joint Committee on Judiciary in Covington on June 7 to ask lawmakers to consider legislation that would allow the names of convicted child abusers in Kentucky to be made available to the public through a state-maintained online child abuse offender registry.

"Sophie was very fortunate," Diaz told the committee. "She survived. But I think it is so important to have a registry to protect our children."

A bill to create the registry passed the Kentucky House last session but did not pass

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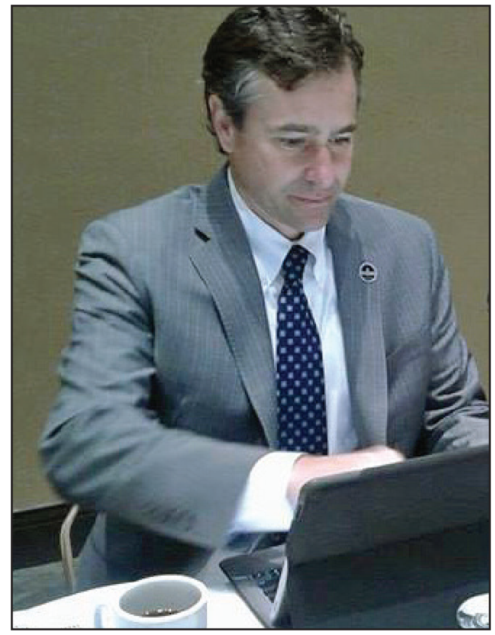

Rep. Chad McCoy, R-Bardstown, studies the issues during the June 7 Interim Joint Committee on Judiciary meeting in Covington.

New transportation laws being rolled out

by Jim Hannah
LRC Public Information

Coming to Kentucky roads this year: surplus military Humvees, three-wheeled vehicles dubbed autocycles and maybe even golf carts modified to deliver online purchases.

Legislation addressing these three types of vehicles were among the transportation-related bills passed during this year's regular session of the Kentucky General Assembly, said Rick Taylor, the deputy commissioner of the Department of Vehicle Regulation. He testified on the progress of implementing these and other transportation-related bills into law during the June 6 meeting of the Interim Joint Committee on Transportation.

One of the first updates state legislators received was on House Bill 410. Known as the REAL ID Bill, HB 410 was written to bring Kentucky into compliance with the federal REAL ID Act by Jan. 1, 2019, and will by far affect more Kentuckians than the other transportation bills discussed at the meeting.

Taylor said he expects to hear by July 10 whether the Department of Homeland Security will extend a waiver allowing Kentucky to remain in noncompliance with the federal act until the new state driver's licenses are available.

"Everything has been positive," he said in reference to the extension request. "I don't have any reason at this time to feel uncomfortable about that."

Taylor said Kentucky will begin soliciting bids on Sept. 1 from companies able to produce driver's licenses that meet the federal security requirements. The goal is to have a company selected by Jan. 1, 2018. He added that will allow time for the new licenses to be rolled out across the state's 120 counties.

"We will ask you to keep us up-to-date as this progresses because we have all lived through this controversy and the issues," committee Co-chair

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Transportation,
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Sen. Ernie Harris, R-Prospect, said in reference to a vigorous debate that took place about the best way to bring Kentucky into compliance.

The other transportation-related bills legislators received updates on include:

- House Bill 192 makes it easier for 16- and 17-year-olds in foster care to apply for driver's permits and driver's licenses. State officials have already drafted a nine-page application to ensure a child's eligibility and a letter for foster parents to give local driver licensing clerks. Transportation officials said it will take a little longer to solicit bids for car insurance to cover children in the state foster-care system but who are not living with foster parents.

- House Bill 404 creates a commercial low-speed license plate for golf carts and other utility vehicles used for deliveries. It ensures that the vehicles have commercial insurance on file with the state. Transportation officials hope to have the license plates available by the middle of September so delivery companies can have the golf carts ready to deploy during this year's holiday shopping season.

- Senate Bill 73 lays out guidelines on how autocycles, a type of three-wheeled vehicle growing in popularity, are to be licensed, taxed and insured. Transportation officials said the guidelines should be finalized by July.

- Senate Bill 176 allows for Humvees and other demilitarized vehicles to be licensed for use on public roads by the general public. (There is already an exception carved out for law enforcement.) The state began getting requests from civilians for such licenses after the Pentagon started auctioning the camo-covered, husky, troop-transporting High Mobility Multi-purpose Wheeled Vehicles (HMMWV) to civilians in 2014.

Transportation officials said they are on track to begin issuing the license plates for the vehicles on July 1.

Rep. Charlie Miller, D-Louisville, scans material outlining the state's new transportation laws at the Interim Joint Committee on Transportation's June 6 meeting.

Child abuse,
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into law before session's end. That legislation, sponsored by House Health and Family Services Chair Rep. Addia Wuchner, R-Florence, and Rep. Stan Lee, R-Lexington, was House Bill 129, dubbed "Kylie Jo's and Sophie's Law" after both Sophie and Kylie Jo Sizemore, another little girl allegedly abused by her babysitter when she was only a few months old.

By passing legislation similar to HB 129 next year, Wuchner said Kentucky could become only the second state in the nation to create an online child abuse offender registry for convicted child abusers. The first state to create such a registry? Indiana, which went live with its child abuse offender registry this year.

"We are in the top 10" in child abuse and neglect cases, along with Indiana, Wuchner told the committee. Kentucky and Indiana have led the nation in child abuse and neglect over the years, she said, alternating between first and second place in sheer numbers of child abuse and neglect cases.

While the registry won't be a cure-all for child abuse and neglect in the Commonwealth, Wuchner said it will help. It would join other child abuse prevention laws passed by the General Assembly in recent years including a law designed to prevent pediatric abusive head trauma (also known as "Shaken Baby Syndrome") and HB 524 passed last session which clarifies, among other provisions, what constitutes serious physical injury of a child under age 12.

"We can't make up for what happened to Sophie or other children," said Wuchner. "But we can try to ensure that others do not have to go through what these parents and children have had to go through."

How to structure child abuse offender registry legislation for consideration in 2018 drew comments from some committee members. Rep. Jason Nemes, R-Louisville, said he's like to know how long names would remain on the registry, among other things.

Rep. Joni Jenkins, D-Shively, said she hopes the bill stresses the importance of knowing the background of potential hires. Current law requires that specific child care workers, including those in day care and foster care, undergo a state background check before being hired to determine if there are any substantiated abuse or neglect cases against them.

A presentation on the Campbell County Detention Center's Chemical Dependency Program was also shared before the committee. The relatively new program gives female inmates pathways to addiction treatment while in jail, followed by 18-24 months of outpatient care.

Panel warns of tight budgets ahead

by Jim Hannah
LRC Public Information

COVINGTON – The mainframe computer processing all of Kentucky's unemployment insurance claims was built a decade before the 1980s-era arcade game Pac-Man.

"Think about that," Deputy Secretary for Education and Workforce Development Cabinet Brad Montell said while testifying before the Interim Joint Committee on Appropriations and Revenue on June 7 at the Northern Kentucky Convention Center. "This thing is old. It's slow. It's not employer friendly at all. It runs from 7 a.m. to 7 p.m. and then it is done. It's got to rest. It's got to have time to think. And it will only run five-and-a-half days a week. We got to shut her down for the weekend – literally."

Montell, who served seven terms in the state House before joining the executive branch in October, proposed upgrading the 1973 technology with a percentage of the employer contribution to the unemployment insurance trust fund. While he didn't say what percentage would be redirected, the minimum amount needed to update the technology is estimated at $35 million.

After the Great Recession plunged the trust fund into nearly $1 billion in debt by January 2012, its coffers have since been replenished. The fund had a positive cash balance of $425.2 million as of June 1. Montell said federal authorities have advised his cabinet that the state needs about $800 million in positive cash flow for a healthy fund.

"Good things happen when our trust fund is healthy," he said. "We are reaping the benefits of those good things."

Benefits have increased while employer contributions continue to fall, Montell said. The next reduction for employer contributions is forecasted to take effect in January.

In addition to upgrading the 44-year-old mainframe, Montell said the state Office of Vocational Rehabilitation needs an additional $3.8 million in state tax dollars in order to receive the total amount of federal matching money earmarked for the state. Montell said Kentucky is losing about $10 million in federal tax dollars because the state doesn't fully fund its vocational rehabilitation office. He said the lack of money means the office tasked with finding jobs for all Kentuckians with disabilities can only assist persons with the most severe disabilities.

"That is really a shame," Montell said in reference to Kentuckians with disabilities who are turned away.

After hearing Montell's testimony, committee Co-chair Christian McDaniel had a warning for state cabinets and advocates of various causes: Any additional tax dollars for capital projects should create enough savings within the

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Planning for state WWI centennial underway

by Jim Hannah
LRC Public Information

FRANKFORT – More than 100,000 young men from across the United States trained at Camp Zachary Taylor in Louisville before being shipped overseas to fight in the Great War.

To highlight Kentucky's contribution World War I, a life-replica of one of the camp's barracks will be on display at the upcoming Kentucky State Fair, said Department of Veterans Affairs Deputy Director Heather French Henry while testifying before yesterday's meeting of the Interim Joint Committee on Veterans, Military Affairs and Public Projection. The replica will be part of an exhibit covering nearly a quarter acre that will also include a trench made of 480 sandbags, donated by Fort Knox, containing 20 tons of sand.

"There are over 600,000 folks that travel through the state fair," said French Henry, a member of the Kentucky World War I Centennial Committee. "It is the most excellent way to get the word and message out to the most diverse population that enters into any realm in the state."

The United States officially entered WWI on April 6, 1917. Seven months later, the sprawling Camp Zachary Taylor training facility opened. It was the largest of 16 camps that dotted the United States and contained more than 2,000 buildings that housed more than 40,000 troops.

"We had a profound effect on the servicemen that were going overseas and really contributed to the great Allied victory of World War I," French Henry said.

The camp was auctioned off as 1,500 different parcels of land in 1921 and became the Camp Taylor neighborhood. Many of the parcels were bought by the soldiers returning to the area after completing their term of service.

"World War I is largely a forgotten war," French Henry said. "It's been over 100 years. We have no living World War I veterans."

Kentucky's last WWI veteran was Robley Henry Rex of Louisville.

"Even in his elderly years, he still had a great mind, could recognize faces," French Henry said of Rex. "And he hugged about as tight as anyone else I have ever hugged in my life. He was a wonderful representative for us. But sadly, sometimes that history … goes by the wayside when they are not among us."

Rex died four days before his 108th birthday, in April 2009, at the veterans hospital in Louisville, later renamed the Robley Rex V.A. Medical Center.

Kentucky had more than 2,000 casualties during WWI, and French Henry's department has a casualty list by county.

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Committee Meetings

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INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Minutes of the 6th Meeting of the 2016 Interim

November 21, 2016

Call to Order and Roll Call

The 6th meeting of the Interim Joint Committee on Appropriations and Revenue was held on Monday, November 21, 2016, at 1:00 PM, in Room 154 of the Capitol Annex. Representative Rick Rand, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Christian McDaniel, Co-Chair; Representative Rick Rand, Co-Chair; Senators Danny Carroll, Chris Girdler, David P. Givens, Denise Harper Angel, Stan Humphries, Dennis Parrett, Brandon Smith, Robin L. Webb, and Stephen West; Representatives John Carney, Larry Clark, Ron Crimm, Mike Denham, Jeffery Donohue, Myron Dossett, Kelly Flood, Joni L. Jenkins, Terry Mills, Marie Rader, Steven Rudy, Sal Santoro, Dean Schamore, Arnold Simpson, Wilson Stone, Susan Westrom, and Addia Wuchner.

Guests: Jay Morgan, Vice President, Shaun McKiernan, Budget Coordinator, and Travis Powell, General Counsel, Council on Postsecondary Education; Jack Couch, KIPDA.

LRC Staff: Jennifer Hays, Charlotte Quarles, Cynthia Brown and Jennifer Beeler

In honor of Eric Kennedy's departure from LRC and the Appropriations and Revenue Committee, Chairman McDaniel and Chairman Rand proposed a resolution in his honor. The resolution was adopted by voice vote upon a motion from Senator Parrett, seconded by Representative Crimm.

Approval of the Minutes

Representative Simpson made a motion, seconded by Representative Stone, to approve the minutes of the October 27, 2016, meeting. The motion carried by voice vote.

Testimony on the Contract Spaces Program

Jay Morgan, Vice President, Shaun McKierman, Budget Coordinator and Travis Powell, General Counsel of the Council on Postsecondary Education (CPE) gave a brief presentation on the Contract Spaces Program and how money is appropriated.

Mr. Morgan explained that Kentucky participates in the Southern Regional Education Board (SREB) Contract Spaces Program for Veterinary Medicine Program and Optometry School Program. Kentucky pays the schools the difference between in-state and out-of-state tuition for a pre-determined number of Kentucky Students. Kentucky Residents compete for Kentucky's reserved spaces. Those who are awarded these spaces attend the institution and pay the in-state tuition rate.

He stated that recently Kentucky has funded 164 veterinary medicine slots that were filled at Auburn University and Tuskegee University, and 44 optometry slots that were filled at Southern College of Optometry, Indiana University, University of Alabama-Birmingham and most recently University of Pikeville.

Mr. Morgan explained that House Bill 303 specifies that CPE maintain the program's FY 2015-16 funding at $5.6 million in each year of the 2016-2018 biennium. In order to stay within budget and maintain spaces CPE took necessary action and negotiated with SREB and partners a 'hold', which saved Kentucky approximately 6 percent on tuition rate increases for most SREB spaces. This action funded all but one optometry space and all veterinary for FY 2016-17. For FY 2017-18 CPE negotiated a lower rate for SREB spaces and funded all but four optometry and two veterinary spaces.

Mr. Morgan explained that due to budget shortfalls CPE would need approximately $541,000 in order to recover the necessary funds to keep all contract spaces and recuperate CPE monies that were used out of its general fund budget.

Other Business

After the testimony at the October 27, 2016 meeting, Jack Couch, KIPDA presented before the committee regarding the formula dating back to 1976 used to appropriate funds through the Joint Funding Administration (JFA). He stated that 70 percent of the JFA funds are divided evenly among the 15 Area Development Districts (ADDs), 20 percent is the allocated based off population, and the last 10 percent was used several different ways in the past. He explained that this is the formula that the 15 ADDs have agreed upon and discussed with the Department of Local Government in hopes to go back to this formula in the future.

With no further business before the committee, the meeting was adjourned.

INTERIM JOINT COMMITTEE ON EDUCATION

Minutes of the 1st Meeting of the 2017 Interim

June 12, 2017

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Education was held on Monday, June 12, 2017, at 1:05 p.m., in Room 154 of the Capitol Annex. Representative John Carney, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative John Carney, Co-Chair; Senators Danny Carroll, Alice Forgy Kerr, Stephen Meredith, Gerald A. Neal, and Reginald Thomas; Representatives Danny Bentley, Regina Bunch, Jim DeCesare, Mark Hart, Charles Miller, Phil Moffett, Tim Moore, Rick G. Nelson, Melinda Gibbons Prunty, Jody Richards, Steve Riley, Attica Scott, James Tipton, Russell Webber, and Jill York.

Guests: Erin Klarer, Vice President of Government Relations, Kentucky Higher Education Assistance Authority/Student Loan Corporation; Josie Raymond; Wayne Young, Executive Director, Kentucky Association of School Administrators; and Bob Rowland, Kentucky Retired Teachers Association.

LRC Staff: Jo Carole Ellis, Janet Stevens, Joshua Collins, Yvette Perry, and Maurya Allen.

Representative DeCesare made a motion to adopt the minutes of the January 30, 2017, meeting, seconded by Representative Hart. The motion passed by voice vote.

Family Resource and Youth Services Centers

Melissa Goins, Director, Division of Family Resource and Youth Services Centers (FRYSC), Kentucky Cabinet for Health and Family Services and Graham Reynolds, FRYSC coordinator, LaGrange Elementary discussed the valuable wrap-around student and family services provided by FRYSCs. Ms. Goins gave a brief history of FRYSCs dating back to their establishment as part of the historic 1990 Kentucky Education Reform Act (KERA). She explained the subtle but important difference between Family Resource Centers, Youth Services Centers, and Combined Centers and said there are 811 centers throughout the state. However, many schools qualify to establish a center but do not have one, largely because of funding concerns. Also, many of the centers serve multiple schools. All the centers share common core components based on statutory requirements, but each center also has unique components that better reflect the needs of the schools and communities that they serve.

FRYSCs have an operating budget of $52.1 million in fiscal year 2018 compared to the $57 million allocation in 2009. By statute, a maximum of three percent goes toward administrative costs, and the remainder is divided among the 811 centers based on number of students receiving free/reduced price lunch in the schools the center services. There are minimum and maximum allocations to provide better equity among schools. Ms. Goins said that the per student allocation by year has declined while the number of students on free/reduced price lunch has increased resulting in a substantial need to do more with less. As a result, many schools have requested waivers of the requirement to have a full-time center, rising from 47 schools in fiscal year 2012 to 114 in fiscal year 2018.

Ms. Goins discussed the services provided by FRYSCs at the local level. Each is locally operated and form community partnerships to provide programs, services, and referrals to students and their families. The goal of FRYSCs is to meet the needs of all children and their families to enhance student academic success. Largely, FRYSCs serve to connect children with area programs and services such as backpack snack programs, dental health referrals, and programming regarding personal health and safety. Ms. Goins specifically noted the rise in support and education for grandparents and other guardians as a result of the large number of incarcerated parents in Kentucky, almost double the national average. One of the goals of FRYSCs is to ensure that children have a stable, loving home life in the face of the dramatic social issues they face, largely those of drug abuse and addiction.

Ms. Goins gave a snapshot of the stakeholder survey performed in 2016. There were over 25,000 respondents, of which 8,841 were classroom teachers. Ninety-five percent of respondents agreed that FRYSCs meet needs that cannot be met in the classroom. Ninety-three percent agreed that FRYSCs are the catalyst for connecting services and resources with students in need and that students in their communities were more in need of FRYSC's programs than ever before.

Mr. Reynolds provided members with some specific examples of services provided at the FRYSC that he coordinates in Oldham County. In the last year, his center has provided backpack snacks to over 200 students thanks to a partnership with local churches, and provided over 350 school supplies kits. The center also provides summer and spring break reading and science programs that help to address academic loss and assist in remedial instruction. His center also provides opportunities for students to participate in activities and recreation, such as basketball, archery, or scrapbooking, which they would otherwise be unable to participate in due to poverty. No student is ever turned away from participating due to a lack of ability to pay. Additionally, he has helped to facilitate in-school field trips and academic assemblies by local museums which expose children to experiences with art and culture that they might be prevented from due to lack of ability to pay entrance fees or reliable transportation to museums. He encouraged members to visit a local FRYSC, especially during one of the many Back to School Bashes hosted by FRYSCs in the fall, to get a better understanding of the excellent and life-changing services they offer.

Chairman Carney thanked the presenters and stated his belief that wrap-around services such as those offered by FRYSCs to address the social issues affecting students are vital to education and need continued funding.

To respond to a question from Representative York, Ms. Goins invited Maxine Reed, Regional Program Manager, Eastern Kentucky to testify. Ms. Reed explained that personal safety programs range from information on bullying to internet safety for parents and children, self-defense, appropriate touches, and personal goal setting. The programs include how to identify safe places and people you can trust. Many students that use FRYSC services are in situations where they do not live at home and feel that any place is better than being homeless, and FRYSC staff try to help them realize they have options that are safe.

Representative Miller commented that in his personal experience FRYSCs are one of the best programs in schools and need continued funding. Representative Carney spoke to this point and announced his intention to file a bill establishing tax credits for businesses making donations to schools and school services.

In response to a question from Representative Scott, Mr. Reynolds agreed that some families are in situations beyond the help of FRYSCs but that he always works to find any resources he can to assist them, whether at a local, state, or federal level, even if it is not the specific assistance they requested. He also works to reassure them that they can come to the FRYSC to discuss or seek assistance for anything, and he will try his hardest to get them any help he can.

Responding to questions from Representative Prunty, Mr. Reynolds said that his policy is to direct parents to services opportunities and then follow up with them to ensure they are accountable for actively working toward getting the services they need, outside of any barriers such as disability or lack of transportation. Ms. Goins added that by and large, FRYSCs are empowering agencies that spend a majority of their time facilitating connections with services instead of providing direct handouts. Ms. Reed said that she wants to make sure that the needs of the children are met, and that while it is disappointing, sometimes parents are not going to be responsible for their children's needs regardless of what services they are directed to. She said that part of what FRYSCs do is provide training, especially to high school students, in goal setting, making good choices, and career preparedness to help break the generational cycle of poverty.

Representative Richards thanked the presenters and FRYSC staff at large for their service. He felt that they were one of the most successful KERA programs and that he has visited many centers and is consistently impressed with their programs and the hard working individuals who staff them. In his opinion, FRYSCs are one of the most cost effective services because they work with so many community partners.

Responding to a question from Senator Meredith regarding accountability, Ms. Goins answered that metrics currently used are college/career readiness, kindergarten readiness, and test scores but those are not easy to directly associate with FRYSC programs. They also rely on the stakeholder survey to know if their programs are addressing the needs of the communities they serve. She said that feedback from that survey indicates they are. She said they are currently working on a program review and that it might provide the accountability measures Senator Meredith is interested in.

Representative Riley commented that FRYSCs provide a valuable service throughout the state providing not just physical goods like food and warm clothes, but also the love and support that so many students need and cannot get at home.

Senator Neal said that he has heard only good things about FRYSCs since their inception but that accountability data would be useful to the legislature when making policy and budget decisions.

Representative Bunch said that in her opinion, FRYSCs have an immeasurable impact on the whole child thanks largely to the love and support that FRYSC staff are able to provide.

Read to Achieve

Dr. Lindy Harmon, Reading Recovery Trainer, University of Kentucky Center for Collaborative Literacy Development (CCLD); Teresa Foutch, Reading Recovery Teacher Leader, Washington County; and Dr. Amy Smith, Reading Recovery Teacher Leader, Madison County were present to speak to the committee regarding Read to Achieve and Reading Recovery. Dr. Harmon said that Reading Recovery is a one-on-one, early reading intervention for first grade children. It was developed by Dr. Marie Clay of New Zealand over 30 years ago and brought to the United States by the Ohio State University. Currently, Reading Recovery has been implemented in 45 states and 5 countries. The instruction is intensive and accelerated so that children who are in the lowest levels of reading aptitude can catch up to their peers. Her role is to train teacher leaders in the theory and clinical procedures of Reading Recovery and provide leadership experiences to implement Reading Recovery in schools throughout the state. Teacher leaders provide the training to other teachers and become literacy leaders in their regions. This makes Reading Recovery both an early reading intervention model for students as well as a professional development model for in-service teachers.

The Read to Achieve program, which supports Reading Recovery, began in 1998 with the passage of Senate Bill 186 of the 1998 Regular Session and the creation of the Early Reading Incentive Grant (ERIG) program. This provided grants to schools to focus on implementation of research-based reading models to address the learning needs of primary students at low levels. During the 2005 Regular Session, Read to Achieve was formalized with the passage of Senate Bill 19. This focused on reading diagnostics and intensive reading interventions for struggling readers by stating that programs used by public schools must be based on reliable, replicable research and offer short-term, intensive one-on-one or small group instruction in the essential skills necessary to reach reading proficiency taught by highly trained, certified teachers.

In the 20 years of the Read to Achieve program, state average fourth grade scores in reading on the National Assessment for Education Progress (NAEP) have risen from 213 in 1992 (two points below the national average) to 228 in 2015 (seven points above the national average). In 1992, Kentucky ranked twenty-seventh in the nation in fourth grade reading at the start of Read to Achieve, but in 2015 Kentucky was ranked ninth. More importantly, the lowest achieving students, those scoring Below Basic, have seen improvement. The percentage of Kentucky students scoring Below Basic has dropped from 38 percent in 1998, to 25 percent in 2015. At the same time, the percentage of students scoring in the highest category, Proficient/Advanced, has increased from 29 percent to 40 percent. Results of nearly every statistical analysis performed by the CCLD in their evaluation of Read to Achieve has found that participants outscored non-participants. Also, results are lower for students only served in second or third grade and for students who participate over multiple years. Results largely suggest that early, short-term intervention provides the best opportunity for struggling readers. Eighty-five percent of students served only in first grade scored at or above grade level on the third grade ITBS exam.

Ms. Harmon said that the initial intent of the Read to Achieve legislation was to provide funds to every elementary school in the Commonwealth in an attempt to raise the achievement level of the lowest performing readers through direct services. She thanked the committee for their continued focus and support for this important work.

Ms. Foutch discussed the specific experiences she has had as a teacher leader for Reading Recovery. She works in 14 school districts with 34 teachers in 32 schools. Her site services almost 300 students in Reading Recovery and approximately 800 in small group interventions every year. She shared a story from a Reading Recovery teacher who told of a struggling first grade reader who could not read at kindergarten level when she began the program, despite being a participant in a small group intervention. In less than 11 weeks of intense instruction, the student moved 15 text levels and was slightly above her peer average. Additionally, the program had changed the student's perception of herself as a reader. The teacher shared that the child had later been seen sitting quietly reading while the rest of her classmates buzzed about her during the last days of school. Ms. Foutch said that every Reading Recovery teacher has multiple stories of success about the impact they have on children. She encouraged members to visit a Reading Recovery lesson because she knows it will have an impact on them as well. She feels that teaching children to read has the biggest impact on their lifelong success.

Dr. Smith shared some of her personal experiences with Read to Achieve and Reading Recovery. Her site was established in 2003 and provides support for Reading Recovery teachers in 15 school districts. Thanks to the improved Read to Achieve funding in 2005, the number of Reading Recovery teachers in South Central and Southeastern Kentucky was vastly increased and provides services to exponentially more children in need. Teachers affiliated with the Madison County site have served over 12,000 of the most at-risk primary students. Every day, teachers provide one-on-one Reading Recovery lessons to first grade students and small group instruction to kindergarten to third grade students, averaging 30-40 students per teacher every year.

Over the last five years, at least 80 percent of students who participated in a full Reading Recovery program reached an average reading level. Dr. Smith said this is even more impressive when you consider that the average number of half-hour lessons is 60. Thus, in only 30 instructional hours, children who started in the lowest portion of their first grade class become independent readers. Reading Recovery also prevented the need for further, often costlier, interventions in subsequent grades. More importantly, it set the stage for those children to fully benefit from and succeed in school.

Dr. Smith said that Representative Shell, who had visited the Madison County site and observed lessons, refers to Reading Recovery as "magic." If magic is defined as "something having an extraordinary influence or power to create, change, or transform," then Reading Recovery is indeed magic in her opinion. It builds the professional knowledges of teachers and transforms the lives of children. In 2016, the Madison County site collected testimonial stories from over 250 former students, as well as parents, teachers, and administrators. She shared some of them as a video presentation to the committee. Dr. Smith closed with a testimonial from a parent which simply said, "Reading Recovery saved my son." She thanked legislators for supporting Read to Achieve on behalf of parents, teachers, administrators, and children. Read to Achieve and Reading Recovery are a critical piece of the collective solution for the future of the Commonwealth.

Responding to a question from Representative Moffett, Dr. Harmon said the scores used are from the NAEP test and that the biggest way to accelerate improvement would be to expand the reach of the program. It would be difficult to make Reading Recovery the classroom standard, however, because it is designed as an intensive, one-on-one program. However, providing the Reading Recovery training to more teachers helps them implement portions of the theory in their classrooms and become better aware of ways to help struggling readers sooner.

In response to a question from Representative Tipton, Dr. Harmon said that data following the pathways of children from first grade through high school graduation is available, or can be gathered, but has not been published. Individual studies have been done, however, which show positive trends. Students who complete the program in first grade continue to be successful students and reach higher goals than non-participant peers.

Responding to a question from Representative Prunty, Dr. Smith said that currently reading is taught as a combination of whole word and phonics methodologies, but that the specifics are different in each school district. In her opinion, Reading Recovery trained teacher leaders have more expertise and bring those influences into their instruction in the classroom, gradually bringing improvement for all students. However, not all students need the same intensity.

In response to further questions from Representative Prunty, Dr. Harmon answered that dyslexia assessments are not a part of the Reading Recovery program and since the program is such an early intervention model, many students have not had a dyslexia assessment yet. The goal of Reading Recovery is to reach the lowest performers before they are considered for special education services to see if that will help them "untangle themselves" before intervention is needed.

Responding to questions from Chairman Carney, Dr. Harmon said that approximately 20 programs had been cut since 2013. And that the steering committee, which used to collect that information, has been changed to an advisory council in a recent executive order from the Governor and that the membership of the council will be changed from the statutory makeup in Senate Bill 186 of the 1998 Regular Session, also as part of the executive order.

Chairman Carney thanked the presenters. He also directed members to the tentative interim schedule for the committee and announced the next meeting of the committee would be July 10, 2017, at 1:00 p.m. in the Capitol Annex. With no further business to come before the committee, the meeting was adjourned at 2:30 p.m.

INTERIM JOINT COMMITTEE ON TRANSPORTATION

Minutes of the 1st Meeting of the 2017 Interim
June 6, 2017

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Transportation was held on Tuesday, June 6, 2017, at 1:00 PM, in Room 154 of the Capitol Annex. Senator Ernie Harris, Chair, called the meeting to order, and the secretary called the roll.

Present were:

<u>Members:</u> Senator Ernie Harris, Co-Chair; Representative Marie Rader, Co-Chair; Senators Joe Bowen, Jared Carpenter, C.B. Embry Jr., Jimmy Higdon, Paul Hornback, Gerald A. Neal, Albert Robinson, Brandon Smith, Johnny Ray Turner, and Mike Wilson; Representatives Lynn Bechler, Tim Couch, Ken Fleming, Chris Fugate, Al Gentry, David Hale, Dennis Horlander, Kenny Imes, Dan Johnson, James Kay, Donna Mayfield, Suzanne Miles, Charles Miller, Robby Mills, Tim Moore, Rick Rand, Steve Riggs, John Sims Jr, Jim Stewart III, and Walker Thomas.

<u>Guests:</u> Rick Taylor; Deputy Commissioner, Department of Vehicle Regulation, KYTC; Matt Cole, Director of Driver's License, KYTC; Brian Beaven, Director, Motor Carriers; Stephanie Williams, Director, Motor Vehicle Licensing; Mike Miller, Assistant Director, Customer Services, KYTC, Patty Dunaway, State Highway Engineer, KYTC, Paul Looney, Deputy State Highway Engineer, KYTC, and John Moore, Director of Planning, KYTC.

<u>LRC Staff:</u> John Snyder, Brandon White, Dana Fugazzi, and Christina Williams

Implementation of Legislation from the 2017 Session

Rick Taylor, Deputy Commissioner, Department of Vehicle Regulation, Kentucky Transportation Cabinet, (KYTC) updated the Committee on the implementation of 14 key pieces of legislation from the 2017 Session. Joining Mr. Taylor for an update on HB 192 and HB 410 was Matt Cole, Director, Division of Driver Licensing. Director Cole stated that HB 192 encompasses how a foster child may be able to proceed with getting a license or an ID. He stated that a hurdle that was once an issue was getting a court order that would make the foster parents fiscally responsible, adding that HB 192 will open up two different paths to help with this process. One path will consist of a foster child being evaluated with a nine page form through the Cabinet for Health and Family Services (CHFS) to ensure eligibility to further pursue the process. After that point, there will be a letter issued that the foster parent will fill out in conjunction with the parent/guardian form, which will allow a child to proceed with the process of obtaining their licenses. The second path, currently still being constructed, involves CHFS getting an insurance policy so a child who is in the custody of the state but not under a foster parent, can legally sign for themselves and be protected under that insurance policy. The cabinet is currently developing an RFP to obtain this coverage. Until that path becomes viable, the foster parent form path will be the only option available.

In response to a question asked my Chairman Harris, Director Cole stated that the nine page document has been constructed by CHFS, and KYTC has given feedback on the document. Once it is complete KYTC will be notified. The letter that is issued has also been a collaborative effort between both cabinets.

Mr. Taylor gave an update on HB 410 stating that KYTC recently received a response from Department of Homeland Security, which issued a grace period to all states that are under an extension set to expire June 4, 2017 in order to continue to review extension requests. The grace period lasts until July 10, 2017. The feedback has been positive and the cabinet does not anticipate any issues. Circuit Court Clerks continue to be front line actors, communicating with citizens on the issue, and KYTC has continued to meet with them as the process has continued. The cabinet has also met with stakeholders such as all of the airports in Kentucky that have commercial flights, TSA, the Social Security Administration, Fort Knox and Fort Campbell, Kentucky State Police, and the Kentucky Board of Elections. All of the stakeholders have been given an overview of the legislation and communication has been established for the continuation of the process.

Mr. Taylor stated the next deadline in the process is July 10, 2017, in which the grace period ends. The Department for Homeland Security ensures that the cabinet will receive feedback from them on the status of the extension request. He added the cabinet has developed an RFP work team; the deadline to issue the RFP is September 1, 2017. The cabinet has a goal to select a provider by January 1, 2018, which will give the provider 12 to 15 months to roll out and fully implement the program. Mr. Taylor stated the last deadline that has been set is to gather information on state to state verification which will tackle after the new system is rolled out. He added that the next deadline for TSA and air travel is January 22, 2018. If there is an extension, there is no change of process, and Kentucky citizens will be able to use their Kentucky Driver's licenses as they do currently.

In response to a question asked by Senator Embry, a citizen who wishes to fly commercially within the next several months will be able to use their current Kentucky Driver's licenses to do so, as the first deadline does not occur until January, 2018. At that time Kentucky licenses and ID cards may be used if the state receives the expected extension.

In response to a question asked by Representative Bechler concerning citizens who have recently obtained their driver's license, Director Cole stated there would be a prorated fee in place for those who wish to later receive a REAL ID.

Brian Beaven, Director, Division of Motor Carriers joined Mr. Taylor for update on HB 174, HB 184, and HB 265. Mr. Taylor stated for both HB 174 and HB 265, there is no action needed by KYTC other than to have communication with commercial vehicle enforcement to inform them of the changes in weight tolerance and the definition of non-divisible loads for state maintained routes from an 8 hour dismount and disassemble to a 4 hour dismount and disassemble, which has been done. Mr. Beaven updated the Committee on HB 184, the metal commodity permit bill. He stated the permit will be a benefit to the growing aluminum and steel industries in Kentucky. The cabinet is on target for a July 1, 2017 roll out of the permit. It will be available online via the Drive.Ky.Gov website. A map is also in the process of being developed of approved routes for the implementation of this legislation.

Senator Bowen, who stated he was in full support of HB 184, raised awareness on the possible need to address other commodities, such as the transportation of wood products, having similar permits in the future.

Mr. Taylor and Stephanie Williams, Director, Division of Motor Vehicle Licensing, testified on several key legislation affecting the division. Mr. Taylor stated HB 27 is a speed title bill, which moves the timeframe for review of a title from 24 hours to 48, giving staff adequate time to review those title applications before they are approved. House Bill 163 involving salvage titles for insurance companies has been put into place with no foreseen issues. House Bill 270 involves the process that allows manufactured homes that have been converted to real property to receive a title by filing an affidavit of severance with the County Clerk. The creation of the affidavit of severance is the key piece that is needed for the implementation of this legislation. The County Clerk Association is creating the document. House Bill 350 changes the eligibility requirements to obtain a Veteran license plate for National Guard and Reserve members from two years to 180 days of active duty time service. No issue has been anticipated on this legislation.

House Bill 404 allows golf carts and low speed utility vehicles to make commercial parcel deliveries. Mr. Taylor stated the cabinet has been tasked with titling and registering such vehicles and making sure that they have commercial insurance on file, which will require some programming efforts by KYTC. The cabinet has been working on the programs needed, but the programs have not been completed. They are expected to be completed by mid-September 2017. A commercial low speed vehicle license plate will then be issued. This should be an acceptable timeframe because delivery services estimate that peak usage from these vehicles will occur during the Christmas season.

Senate Bill 73 will allow for the titling and registration of autocycles as motorcycles. The cabinet is creating a new category for statistical and tracking purposes in the state registration system. They have also contacted the Kentucky State Police to discuss updating of accident report forms to add autocycles as a category or the possibility of marking autocycles in the other category. The cabinet anticipates being ready to register and title autocycles beginning July 1, 2017.

Senate Bill 122 involves allowing sons and daughters of veterans to obtain a Gold Star license plate. The effective date for this legislation will January 1, 2018. No issues are anticipated for the rollout of SB 122.

Senate Bill 176 allowed for the titling and registration of high mobility multipurpose military vehicles (HMMMVs). The cabinet has gathered and reviewed inspection forms from other states, as well as worked with other military surplus owners to get their feedback, in order to move forward with this legislation. The cabinet will be ready to title and register these vehicles by July 1, 2017. He added KYTC will continue to work towards developing a regulation that needs to be filed. Several issues that need to be placed in the regulation have already been identified.

Senate Bill 189 involves placing a deaf or hard of hearing indicator in the AVIS system to notify law enforcement when someone is stopped that the person operating that motor vehicle may be deaf or hard of hearing. That cabinet is currently working on the system to get allow for the implementation of SB 189, which the anticipated timeframe is August, 2017.

Representative Moore inquired about homeschooled children who have reached 16 years of age that are told in order to obtain a license they must first get proof of academic performance from a local school board, which has no knowledge of their academic performance. Matt Cole stated that is addressed on a daily basis with the no pass, no drive stipulation. He stated all student drivers are required to meet that eligibility and currently the gap is being bridged between homeschooled, private, and publicly schooled children.

Mike Miller, Assistant Director, Customer Services Division, addressed KYTC's communication efforts concerning the implementation of new legislation. Mr. Miller stated there are three different approaches to informing the traveling public about new legislation. The Department's frontline support call center assists customers, businesses, clerks, and other agencies. Agents at the call center use scripted knowledge articles (KAs) to provide approved information to the public. The KAs reflect new or revised Department of Vehicle Regulation related laws and regulations. The website Drive.ky.gov is also a tool that is utilized. The website hits have increased 44 percent since its go-live date with over 288,000 customers helped last month alone. The website has been the best source for informing and educating the public. Social media platforms such as Facebook and Twitter are also utilized, with more social media platforms being launched.

In response to a question asked by Representative Fleming concerning the plan of action to address Governor Bevin's request for a 1 percent cut (approximately $113 million), Mr. Taylor stated the Department for Vehicle Regulation is always looking for ways to save money, and that effort will continue. Representative Fleming also requested information for a five year trend of what type of vehicles have been registered.

In response to a question asked by Representative Miles, Mr. Miller stated there are links available on Drive.ky.gov to each division, and within each division, there are different menus where customers can look up specific information they are interested in such as truck weight information.

Chairman Harris congratulated and thanked the cabinet, both previous and current administrations, for its thorough work and excellent professionalism.

Update on the status of the PAUSE 50 initiative

Patty Dunaway, State Highway Engineer, KYTC, and Paul Looney, Deputy State Highway Engineer, KYTC updated the Committee on the status of the PAUSE 50 initiative which was put in place to help shore up the road fund following the loss of the 6.5 cents on the motor fuels tax, as well as spending on projects over the previous few years. Ms. Dunaway stated KYTC had planned to allot approximately $50 million of state funds for projects for all phases, including design, right-of-way, utility, and construction, for the second year in the biennium (FY 18.) Currently, the cash balance of the cabinet will allow for that $50 million allotment. The road fund balance has also been positive, therefore more than the $50 million may be able to be invested towards projects. The amount of that additional investment is unsure due to major payments that still need to be made, but the cabinet plans to evaluate those balances month to month. Ms. Dunaway stated there is not yet a list of projects that will be coming out in the letting in July, or projects that will enter the design, and continuing in the utility and right-of-way phases. She added in the near future KYTC plans to place projects on the website that will include what will be in the letting in July. The cabinet will continue to communicate with each district to discuss which projects can be moved forward into the design, utility, and right-of-way phases. Chairman Harris reiterated that what the cabinet's purpose is with the PAUSE 50 plan is to protect cash flow. He added August and September are two critical months for large payments, therefore that tends to dictate what is being done within PAUSE 50.

Strategic Highway Investment Formula for Tomorrow (SHIFT)

Ms. Dunaway stated that for many years, Kentucky's highway plan has been overpromised. There are currently more than 1,400 projects in the highway plan. Of those 1,400, only half are even partially funded, and they are funded mostly with federal dollars. This results in an undermining of public confidence due to not being able to count on projects that are in the plan. She added that state projects are vastly exceeded funding. More than 90 percent of the state-funded projects in the current highway plan don't have state dollars to pay for them. The current state funding in the current highway plan has $7.165 billion listed projects, with anticipated funds available of only $690 million. Therefore, the implementation of a plan such as SHIFT is needed.

Ms. Dunaway stated the goal in implementing SHIFT is to embrace a data-driven approach to guide transportation spending, establish clear priorities, invite input at both the district and local level, provide transparency, deliver a reliable and dependable plan for businesses and citizens, and to create confidence for future federal and state infrastructure investments. The top priorities in implementing SHIFT are to improve safety, preserve existing infrastructure, reduce congestion, fuel economic growth, and spend tax dollars wisely- benefits versus cost.

In considering the first factor of safety, the cabinet plans to measure this by how many crashes and the frequency of crashes that there are on roadways, as well as how the roadway design impacts the number and frequency of crashes. When considering congestion, KYTC will be observing how many vehicles are on the road daily, and how that volume impacts service levels. In considering economic growth, potential job growth and the daily traffic volume, as well as daily freight volume will be considered. In making sure tax dollars are spent wisely, formula measurements that are considered are how much travel time could be saved, what the financial value of time savings could be, how much could be saved by reducing crashes, and what the project costs would be. Asset management is also another factor to be considered, which includes knowing what pavement repair and replacement costs would be, and what the condition of bridges and overpasses are.

The proposed statewide funding formula of five components are weighted as follows: improve safety 25 percent, reduce congestion 20 percent, fuel economic growth 20 percent, spend tax dollars wisely 20 percent and preserve infrastructure 15 percent. The proposed regional funding formula has seven components, weighted as follows: improve safety 20 percent, reduce congestion 10 percent, fuel economic growth 15 percent, spend tax dollars wisely 15 percent, preserve infrastructure 10 percent, district priorities 15 percent, and local priorities 15 percent.

Mr. Looney informed the Committee of where KYTC is in the process of developing the highway plan. He stated KYTC first develops an initial project list and then each district and local leaders identify needed changes. The cabinet then calculates scores for statewide and regional projects. District and local leaders provide input on regional projects. The Kentucky Transportation Cabinet then develops a draft highway plan for the Governor. The Governor finalizes, and presents the plan to the General Assembly. The final step is when the General Assembly and the Governor enact a highway plan. Mr. Looney added currently the cabinet is in the process of calculating scores for the statewide model. He added that, in the upcoming weeks, KYTC will be meeting with district offices to look at their projects. On June 22, the cabinet will release its preliminary recommendations for the statewide project prioritization, as well as the scores for the regional model. In early August, KYTC will be meeting with each region to look at the projects and how those projects can be delivered. In late August final regional project selections will be determined, with a target date of a September 1st deadline to have final recommendations for statewide and regional levels.

In response to a question asked by Senator Hornback concerning the makeup of regions and each region receiving equal funding when the North Region contains the three major metropolitan areas of the state, Ms. Dunaway responded that there are two funding categories both regional and statewide. The statewide funding would include the national highway system and those major routes such as interstates. She added the cabinet anticipates that the majority of the projects through the statewide funding allocation are going to be in the metropolitan areas. Ms. Dunaway added that after the statewide list of projects comes out, remaining funding will be divided equally amongst the regions, which would ensure that all districts and areas across the state would have an opportunity to receive funding.

In response to a question asked by Representative Miller, Ms. Dunaway reiterated that the progress of the PAUSE 50 projects will be revealed in July, 2017 and will be updated on a monthly basis as far as which projects are in which part of the process, once debt payments are made.

In response to a question asked by Senator Wilson, Ms. Dunaway stated all 1,200 sponsored projects that received local input on are the ones that will be evaluated using the SHIFT formula.

Representative Fleming expressed his appreciation to KYTC for the quality of work that it performs, especially through difficult processes such as PAUSE 50 and SHIFT. He also requested a historical view of data driven past allocations of dollars compared to current projects as well as future projects.

Senator Bowen stated his appreciation for the SHIFT plan. In clarification on funding of projects of the SHIFT plan, Mr. Looney stated the projects that can be federalized, will be federally funded. Senator Bowen reiterated Senator Hornback's comments concerning federal dollars primarily being allocated to the economic engines of the state, such as northern Kentucky, Louisville, and Lexington, and that perhaps the federal money should be allocated to other areas of Kentucky that they too might become economic engines.

Representative Imes thanked KYTC for the efforts that have been put forth in developing the SHIFT plan. He asked for clarity in the reducing congestion and fueling economic growth areas. Mr. John Moore, Director of Planning, stated the cabinet is evaluating economic growth in two different ways. He stated for statewide projects the cabinet modeled North Carolina's process, which used an economic model called Tetris, a commercially available software that uses the projects potential improvement of travel time and mobility throughout the region, as well as the census and economic indicators of the area to predict what the economic impact of that project will be. The regional process involves looking at the disadvantaged counties in the state and how a project would impact the predominate routes in those counties.

Mr. Moore stated cost/benefit analysis is evaluated as commercially available software is used. Factors that are evaluated include travel time savings and the anticipated improvement of mobility, as well as the safety benefit which involves the anticipated number of accidents that would be reduced by the project, and that is the benefit vs. overall cost.

Representative Bechler stated he appreciated that data driven work is being done to preserve the infrastructure. He argued with only a statewide infrastructure score of 15 percent and a local score of 10 percent for infrastructure funding, that safety might be improved if there were better bridges and roads. He encouraged the cabinet to look into the possibility of more money going towards infrastructure, primarily bridges. Ms. Dunaway reiterated that there are separate pots for maintenance funding. Statewide maintenance funding, known in budget language as "Z various" accounts, are used for unexpected needs. She added the cabinet has a responsibility to preserve the infrastructure and that it continues to focus on doing that.

In response to a question asked by Representative Miles, Ms. Dunaway stated if projects are being let into the construction phase, they would not be evaluated in the SHIFT category, but those that are in the design, right-of-way, or utility phases would need evaluation for the SHIFT category.

Chairman Harris stated that the gasoline tax dropped from approximately 32 cents per gallon to 26 cents per gallon, of which approximately 1.4 cents is for underground storage. He added that every penny in fuel tax results in approximately $30 million in revenue. Ms. Dunaway added that fuel tax revenues are shared at approximately a 50/50 split with cities, counties, and the rural secondary road program. Chairman Harris made the argument that in order to get us back to where we were prior to the tax rate falling, the gas tax should be raised approximately 5 to 7 cents per gallon. Chairman Harris also reminded the Committee of the upcoming loss of toll credits. Mr. Looney stated the state has been fortunate enough to use toll credits for the state match on federal projects in the past. Those toll credits will be running out in approximately 2020 to 2021. When that happens, more state dollars will need to be transferred to match in order to receive federal funding. Kentucky receives approximately $700 million in state funds. He stated starting in 2019, the state will be adding another $40 million in state funds to match and by 2020 and 2021 there will be an approximate match of $100 million to $150 million per year. Chairman Harris added that as a result of this, SP type projects will be shorted by approximately $100 million.

In response to an inquiry by Representative Fleming concerning different ways to possibly calculate the gas tax, Ms. Dunaway stated the cabinet would be happy to meet with him regarding different ways to do that.

Chairman Harris requested a monthly update on the PAUSE 50 plan as projects are being let. With no further business to come before the Committee, Chairman Harris adjourned the meeting at 2:25 P.M.

INTERIM JOINT COMMITTEE ON TOURISM, SMALL BUSINESS, AND INFORMATION TECHNOLOGY

Minutes of the 1st Meeting of the 2017 Interim
June 7, 2017

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Tourism, Small Business, and Information Technology was held on Wednesday, June 7, 2017, at 10:30 AM, in Ballroom B of the Northern Kentucky Convention Center. Representative Diane St. Onge, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Alice Forgy Kerr, Co-Chair; Representatives Diane St. Onge, Co-Chair, and Tommy Turner, Co-Chair; Senators Ernie Harris, Wil Schroder, Reginald Thomas, and Max Wise; Representatives Larry Brown, George Brown Jr, John Carney, Matt Castlen, Jeffery Donohue, David Hale, Angie Hatton, Richard Heath, Dan Johnson, Michael Meredith, Robby Mills, Melinda Gibbons Prunty, Steven Rudy, and John Sims Jr.

Guests: Casey Barach, Director, Kentucky Innovation Network at Northern Kentucky; Steve Parker, Commissioner, Dept. of Aviation, KY Transportation Cabinet; Todd Bloch, Deputy Commissioner, Dept. of Aviation, KY Transportation Cabinet; Glenn Anderson, UAS Engineer Department of Aviation, KY Transportation Cabinet; Jay Fossett, Principal, Strategic Advisers LLC; Eric Summe, President/CEO, MeetNKY/Northern Kentucky CVB; Jack Moreland, President, Southbank Partners.

LRC Staff: John Buckner, Chip Smith, and Emma Mills

Kentucky's Angel Investor Tax Credit Program

Casey Barach, Director of Kentucky Innovation Network at Northern Kentucky presented "Kentucky's Angel Investor Tax Credit Program – An Economic Development Success" with a focus on the entrepreneurship benefits of the Angel Investor Tax Credit Program. Director Barach reviewed three tenants of successful economic development:

Attracting business to the region
Retention & Expansion of business
Entrepreneurship

To foster a successful Entrepreneurship Ecosystem, it is important to have key components: policy, finance, culture, supports, human capital, and markets. The Angel Investor Tax Credit focuses on cultivating the finance, or investment capital, component in Kentucky. Director Barach noted that prior to the enactment of the Angel Investor Tax Credit, Kentucky based businesses and start-ups tended to leave the state in search of investment capital. He feels the passage of the Angel Investor Tax Credit program in 2014 was a game changer for investment in Kentucky businesses.

Since 2014, Kentucky has developed a vibrant and robust entrepreneurship ecosystem throughout the Commonwealth. The purpose of the Kentucky Angel Investment Tax Credit program is to encourage qualified individual investors to make capital investments in Kentucky small businesses, create additional jobs, and promote the development of new products and technologies. Qualified individual investors making qualified investments in qualified small businesses may be eligible for incentives in this program. The Commonwealth, through KEDFA (Kentucky Economic Development Finance Authority), allocates the income tax credits to qualified investors.

As evidence of the popularity of the program, Director Barach pointed to the increase in pace of approved tax credits by KEDFA. In 2015, $3 million in annual allocated tax credits were approved over a span of eight months. In 2017, all $3 million in tax credits were approved in one month. In addition, when the program started, Director Barach said there were only a few registered investing "Angels", mostly in the Lexington area, but as of 2017 there are 380 registered Angels investing in 85 companies with a total of 384 investments made. Some companies benefitting from the program include Wyzerr, Inc., an online survey building company; Paper Water Bottle, an eco-friendly packaging company; and Bexion Pharmaceuticals, a pharmaceutical company focusing on Cancer research.

Director Barach believes the next step for the program is educating people across the state. He would be willing to speak to the success of the Angel Tax Credit Program throughout the Commonwealth. Additionally, in order to continue the program's success, he would like to address the program funding issue, which draws from a pool of funds that may run out in two years. He feels that annual funding may be more appropriate.

In response to a question from Senator Wil Schroder, Director Barach confirmed some investors in the program do come from out-of-state, such as from the Cincinnati area. Out-of-state investors could then sell the resulting tax credit.

Responding to a question from Representative Angie Hatton on how to expand the program, such as to Eastern Kentucky, Director Barach believes the best way to utilize the program is through educating investors throughout Kentucky about the program.

Aviation is Rockin' Kentucky! General Aviation's Impact on Economic Development

Steve Parker, Commissioner, Department of Aviation, KY Transportation Cabinet; Todd Bloch, Deputy Commissioner, Department of Aviation, KY Transportation Cabinet; Glenn Anderson, UAS Engineer, Department of Aviation, KY Transportation Cabinet presented "Aviation is Rockin' Kentucky! General Aviation's Impact on Economic Development" to highlight Kentucky's importance to the nation in aviation innovation and expansion.

Commissioner Parker discussed the expansions taking place at CVG (Cincinnati/Northern Kentucky International Airport). DHL's recent $108 million expansion of its cargo hub at CVG has resulted in 900 additional employees. Amazon, as well, recently announced a $1.4 billion investment to build its primary hub with CVG, which will support more than 100 Prime Air cargo planes. Additionally, Southwest Airlines announced began offering 55 weekly flights from CVG in early June. He believes these expansions will be an economic boon for the greater Northern Kentucky area, similar to what happened in Louisville after the UPS expansion. Additionally, the number one export from the state of Kentucky is aerospace aviation parts and components.

The Commissioner also highlighted aerospace initiatives being developed through state university education programs. For example, Morehead State University's Space Science Center has become an important center for research in nanosatellite technologies. In partnership with NASA, Morehead has developed a nanosatellite with a research mission to find ice on the Moon.

Commissioner Parker pointed out to the committee that the General Assembly and Governor helped tremendously by allocating $10 million from the General Fund for fiscal year 2017-2018. He notes by doing that, they have changed the face of general aviation in Kentucky for a decade. The $10 million helped catch up deferred maintenance on the general aviation airports across the state. The Department of Aviation will also be requesting an additional $10 million per year until FY 2019-2020, which he believes could change general aviation in Kentucky for a generation.

The Department of Aviation is responsible for 59 airports in Kentucky, 53 of which are general aviation airports. The department is also responsible for 250 private airfields and heliports in Kentucky. In relation to Unmanned Aircraft Systems (UAS or drones), the department has also been designated the state government clearing house for all drone related activity. In practical terms, the department meets with a multi-cabinet working group that reviews aviation issues around the state, builds drones in-house to provide assistance other state departments and actively recruits UAS/drone related businesses to Kentucky. The department is also responsible for training state employees to fly drones safely and successfully according to FAA rules. The Commissioner's goal is to have five to seven drone pilots and enough equipment in the department to provide drone aerial coverage to state entities in need of assistance. One example of new UAS/drone related opportunities coming to Kentucky is the new USA Drone Port in the Hazard area where companies can test and make drones. The port will also be used as a training facility to learn how to fly drones according to FAA rules.

Commissioner Parker also wants to impress upon the General Assembly the need to pass responsible legislation regarding drones. He notes there are a lot of states passing anti-drone legislation branding them as unfriendly UAS-business states. The Commissioner advises to not consider such legislation, but would advise the creation of an aviation caucus to advance Kentucky's aviation enterprises.

In response to a question from Representative Carney, Commissioner Parker discussed aviation education in the K-12 school system. He points out there are 37 high schools in Kentucky teaching aviation as part of their curricula. Kentucky has been recognized by the Aircraft Owners and Pilots Association as having the best high school aviation education program in America. He brought up the problem of the National Air and Space Education Institute based out of Bowman Field that was an intrinsic support to the

37 high school aviation programs in Kentucky. It had a financial model that was unsustainable and went out of business. Commissioner Parker has been working extensively with legislators and universities to try to save the program by some other means.

Responding to a question from Representative George Brown regarding Bluegrass Airport in Lexington lagging behind Northern Kentucky and Louisville, Commissioner Parker acknowledged some of the limitations of the airport, such as the inability to lengthen the runways or expand additional runways due to the location of the airport. He did highlight other ways the airport is progressing, such as a new fueling hangar and through education outreach programs.

Riverfront Commons Story Map

Updating the committee on the Northern Kentucky Riverfront Commons Story Map were Jack Moreland, President of Southbank Partners, Jay Fossett, Principal with Strategic Advisers LLC, and Eric Summe, President/CEO of the MeetNKY/Northern Kentucky CVB. Mr. Moreland welcomed the committee to Northern Kentucky and explained that Southbank Partners is a non-profit organization that does economic development for six cities along the Ohio River, Ft. Thomas, Dayton, Bellevue, Newport, Covington and Ludlow with an inter-local agreement to develop the riverfront in all of these communities. Riverfront Commons is intended to be an 11 mile walking and biking trail along the riverfront lined with businesses and shops to attract tourism to Northern Kentucky. A thorough explanation of the project was presented in a video to the committee.

Following the presentation, Jay Fossett reviewed the interactive website for the Riverfront Commons project (http://nkyriverfrontcommons.com/). The website highlights existing trails, future trails and trails under construction along with amenities in the area, all of which will be interconnected.

Eric Summe continued the presentation with how this trail system will connect with the Northern Kentucky Convention Center in attracting tourism and conventions to the area. He noted the Convention Center has already booked a convention in 2024. The interactive website acts as a useful tool to show perspective convention planners what the Riverfront Commons will look like once the trail construction is completed. Mr. Summe noted the economic impact of a convention involving 300-400 people for 3-4 days could bring in $500,000 in visitor expenditures. The website will also be updated as construction is completed.

Adjournment

There being no further business, the meeting was adjourned at 12:02 p.m.

LEGISLATIVE RESEARCH COMMISSION

Minutes of the 555th Meeting

June 7, 2017

Call to Order and Roll Call

The 555th meeting of the Legislative Research Commission was held on Wednesday, June 7, 2017, at 3:30 PM, at the Northern Kentucky Convention Center. Senator Robert Stivers II, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Robert Stivers II, Co-Chair; Representative Jeff Hoover, Co-Chair; Senators David P. Givens, Jimmy Higdon, Ray S. Jones II, Dorsey Ridley, Dan "Malano" Seum, and Damon Thayer; Representatives Rocky Adkins, Kevin D. Bratcher, Dennis Keene, David Osborne, Jonathan Shell, and Wilson Stone.

LRC Staff: David Byerman, Robert Jenkins and Christy Glass.

There being a quorum, Senator Robert Stivers called the meeting to order.

At that time Senator Thayer welcomed new members to the Commission, and noted that this is the first LRC meeting since Leader Hoover became Speaker Hoover, and Republicans became a majority on the LRC for the first time in history. Senator Thayer welcomed the five members of Republican leadership to the LRC, and he also welcomed new LRC members Senator Dorsey Ridley, Representative Dennis Keene, and Representative Wilson Stone.

Senator Stivers asked that members look over the agenda, which was previously distributed prior to the meeting, which are all the actions that were taken after the October 5, 2016, meeting. The actions include President Stivers' approval, as well as then Speaker Stumbo and now Speaker Hoover. President Stivers explained to the new members that they generally ask for a singular motion for ratification of the actions that he and the Speaker had approved.

President Stivers called for a motion to approve the minutes of the October 5, 2016, meeting; accept and refer as indicated items A. through K. under Staff and Committee Reports; refer prefiled bills and administrative regulations as indicated and approve items A. through R. under New Business; and accept and refer as indicated items 1. through 96. under Communications.

A motion was made by Senator Givens and seconded by Representative Hoover. Senator Stivers asked for discussion. Seeing none, a roll call vote was taken, and the motion passed unanimously. The following items were approved, accepted, or referred.

The minutes of the October 5, 2016, meeting were approved.

STAFF AND COMMITTEE REPORTS

Information requests for October, November, and December 2016, and January, February, March, April, and May 2017.

Committee Activity Reports for October, November, and December 2016, and January, February, March and April 2017.

Report of the Administrative Regulation Review Subcommittee meetings of October 11, November 7, and December 13, 2016, and January 17, February 10, March 6, April 11, and May 11, 2017.

Committee review of the administrative regulations by the Interim Joint Committee on Education during its meetings of October 10 and November 14, 2016, and January 30, 2017.

Committee review of the administrative regulations by the Interim Joint Committee on Health and Welfare during its meetings of October 19, November 16, and December 14, 2016, and January 18, 2017.

From Senator Max Wise and Representative Russ Meyer, Co-Chairs of the Government Nonprofit Contracting Task Force: Memorandum submitting a Preliminary Report of the Government and Nonprofit Contracting Task Force.

From Senator Jared Carpenter and Representative Fitz Steele, Co-Chairs of the Federal Environmental Regulation Impact Assessment Task Force: Memorandum submitting Final Action of the Federal Environmental Regulation Impact Assessment Task Force.

From Senator Jared Carpenter and Representative Fitz Steele, Co-Chairs of the Free-Roaming Horse Task Force: Memorandum submitting the Final Report of the Free-Roaming Horse Task Force.

From Teresa Arnold, Deputy Director for Research and Communications: Report of the 2016 Workers' Compensation Task Force.

From Teresa Arnold, Deputy Director for Research and Communications: Report of the Government Nonprofit Contracting Task Force.

Committee Review of FY 2017 Small Cities Community Development Block Grant and Section 108 Loan Guarantee Program Application by the Senate Standing Committee on State and Local Government and the House Standing Committee on Local Government during its meeting on February 15, 2017.

NEW BUSINESS

Referral of prefiled bills to the following committees: **BR 38** (an act relating to Kentucky school bus drivers) and **BR 39** (an act relating to school bus drivers) to **Education**.

Referral of administrative regulations to the following committees for secondary review pursuant to KRS 13A.290(6): **907 KAR 1:065** (Payments for price-based nursing facility services) to **Appropriations and Revenue**; **16 KAR 6:020** (Assessment requirements for occupation-based career and technical education teachers to **Education**; **201 KAR 20:056** (Advanced practice registered nurse license and certification requirements), **201 KAR 20:057** (Scope and standards of practice of advanced practice registered nurses), **900 KAR 10:041** (Repeal of 900 KAR 10:040 and 900 KAR 10:050), **902 KAR 2:060** (Immunization schedules for attending child day care centers, certified family child care homes, other licensed facilities which care for children, preschool programs, and public and private primary and second schools) and **902 KAR 21:030** (Pediatric Cancer Research and Treatment Grant Program) to **Health and Welfare and Family Services**; **501 KAR 6:040** (Kentucky State Penitentiary) to **Judiciary**; **301 KAR 2:075** (Wildlife rehabilitation permit); **301 KAR 2:083** (Holding and intrastate transportation of captive cervids) and **301 KAR 2:178** (Deer hunting on Wildlife Management Areas, state parks, other public lands and federally controlled areas) to **Natural Resources and Energy**; **601 KAR 1:018** (Special overweight or over dimensional motor vehicle load permits) to **Transportation**.

From Senate President Robert Stivers and House Speaker Gregory D. Stumbo: Memorandum updating the membership of the 2016 Free-Roaming Horse Task Force.

From Senate President Robert Stivers and House Speaker Gregory D. Stumbo: Memorandum appointing Kent Westberry to replace Henry Stephens, Jr., as a full Commissioner to the National Conference of Commissioners on Uniform State Laws.

From Senate President Robert Stivers and House Speaker Jeff Hoover: Memorandum authorizing and approving the organization of the Tennessee Valley Authority Caucus

From Senate President Robert Stivers and House Speaker Jeff Hoover: Memorandum appointing David Rust to the Local Superintendents Advisory Council.

From Senate President Robert Stivers and House Speaker Jeff Hoover: Memorandum appointing Tony Goetz to the Kentucky Legislative Ethics Commission.

From Senator Joe Bowen and Representative Brian Linder, Co-Chairs of the Public Pension Oversight Board: Memorandum requesting approval and authorization to Expend Funds to Conduct an Actuarial Review/Audit Pursuant to KRS 7A.250.

From Senator Whitney Westerfield and

Representative Joseph M. Fischer, Co-Chairs of the Interim Joint Committee on Judiciary: Memorandum requesting approval to meet on June 7, in conjunction with the Northern Kentucky Chamber of Commerce event, rather than the regularly scheduled meeting date of June 2. There are six (6) potential conflicts.

From Senate President Robert Stivers and House Speaker Jeff Hoover: Memorandum authorizing and approving the 2017 Interim Joint Committee and Budget Review Subcommittee Alignments.

From Senate President Robert Stivers and House Speaker Jeff Hoover: Memorandum authorizing and approving the 2017 Interim Joint Committee Regular Meeting Schedule.

From Senator Whitney Westerfield and Representative Joseph M. Fischer, Co-Chairs of the Interim Joint Committee on Judiciary: Memorandum requesting approval to meet on September 15, rather than the regularly scheduled meeting date of September 1. There are no apparent conflicts.

From Senator Alice Forgy Kerr, Representative Diane St. Onge, and Representative Tommy Turner, Co-Chairs of the Interim Joint Committee on Tourism, Small Business, and Information Technology: Memorandum requesting approval to meet on June 7, in conjunction with the Northern Kentucky Chamber of Commerce event, rather than the regularly scheduled meeting date of June 15. There are three (3) potential conflicts. The memorandum also is requesting approval to meet on July 5, rather than the regular meeting date of July 28. There are three (3) potential conflicts.

From Senator Alice Forgy Kerr and Representative Jim DeCesare, Co-Chairs of the Interim Joint Committee on Economic Development and Workforce Investment: Memorandum requesting approval to meet on July 5, rather than the regularly scheduled meeting date of July 28. There are two (2) potential conflicts.

From Senator John Schickel and Representative Adam Koenig, Co-Chairs of the Interim Joint Committee on Licensing, Occupations, and Administrative Regulations: Memorandum requesting approval to meet on June 7, in conjunction with the Northern Kentucky Chamber of Commerce event, rather than the regular meeting date of June 9. There are nine (9) potential conflicts

From Senator Chris McDaniel and Representative Steven Rudy, Co-Chairs of the Interim Joint Committee on Appropriations and Revenue: Memorandum requesting approval to meet on June 7, in conjunction with the Northern Kentucky Chamber of Commerce event, rather than the regular meeting date of June 22; and requesting approval to meet on August 24, in conjunction with the Kentucky State Fair, rather than the regular meeting date of August 29. There are no apparent conflicts.

From Senator Chris McDaniel and Representative Steven Rudy, Co-Chairs of the Interim Joint Committee on Appropriations and Revenue: Memorandum requesting approval and appointing membership to the Subcommittee on 2018-2020 Budget Preparation and Submission.

From Senate President Robert Stivers and House Speaker Jeff Hoover: Memorandum authorizing adoption of the jurisdiction of Interim Joint Committees.

COMMUNICATIONS

From Senator Danny Carroll and Representative Lynn Bechler, Co-Chairs of the Program Review and Investigations Committee: Memorandum regarding opportunity for appointment of ex officio members for particular studies.

From the Office of the Attorney General: Constitutional Challenge Report for the months of August, September, October, November and December 2016, and January, February, March and April 2017.

From the Finance and Administration Cabinet: Monthly Investment Income Report for the months of September, October, November and December 2016, and January, February, March, and April 2017.

From the Finance and Administration Cabinet, Office of the Controller: Surtax Receipts Statements for the Law Enforcement and Professional Firefighters Foundation Fund Programs, which reflect activity for Accounting Periods 3, 4, 5, 6, 7, 8, 9, and 10, and year-to-date activity for the period of July 1, 2016, through April 30, 2017.

From the Kentucky Employers' Mutual Insurance Authority: 2017 Administrative Budget.

From the Cabinet for Health and Family Services: 2016 Charitable Health Providers Registered with the Cabinet for Health and Family Services.

From the School Facilities Construction Commission: FY 2016 Report of the Emergency and Targeted Investment Fund's activities.

From the Department of Public Advocacy: FY 2016 Annual Litigation Report.

From the Department for Local Government: 2017 Special Purpose Governmental Entities Compliance Report.

From the Teachers' Retirement System of Kentucky: FY 2016 Annual Report.

From the Teachers' Retirement System of Kentucky: FY 2016 In-State Investments Report.

From the Personnel Cabinet: Personnel Cabinet Quarterly Report as of September 30, and December 31, 2016, and March 31, 2017, which lists all employers holding more than one state position

From the Personnel Cabinet: Personnel Cabinet Quarterly Report as of September 30, and December 31, 2016, and March 31, 2017

From the Kentucky Public Transportation Infrastructure Authority: FY 2016 Operating and Financial Statement

From the Cabinet for Economic Development: FY 2016 Linked Deposit Loan Investment Program Annual Report.

From the Kentucky Personnel Cabinet: Executive Summary of the Kentucky Employees Health Plan Annual Report.

From the Cabinet for Economic Development: Construction activity reports for each loan approved as of the quarters ending September 30, December 31, 2016, and March 31, 2017.

From the Cabinet for Health and Family Services, Department for Community Based Services: Response to Citizen Review Panel 2016 Annual Report.

From the Finance and Administration Cabinet, Department of Revenue: FY 2016 Disaster Relief Sales and Use Tax Refund Totals.

From the Finance and Administration Cabinet, Commonwealth Office of Technology: Personal Information Security and Breach Notification Annual Report.

From the Kentucky Higher Education Assistance Authority: FY 2016 Annual Actuarial Valuation of the Prepaid Tuition Trust Fund for Kentucky's Affordable Prepaid Tuition (KAPT).

From the Cabinet for Health and Family Services: FY 2016 Commission on Services and Supports for Individuals with Intellectual and Other Developmental Disabilities.

From the Tourism, Arts and Heritage Cabinet, Kentucky Department of Fish and Wildlife Resources: FY 2016 Annual Report on Law Enforcement Division Training.

From the Cabinet for Economic Development: FY 2016 Annual Reports.

From the University of Kentucky: FY 2016 Kentucky Interagency Groundwater Monitoring Network Annual Report.

From the Cabinet for Health and Family Services: 2016 Public Health Child Fatality Report.

From the Kentucky Employers' Mutual Insurance Authority: Statement of Assets, Liabilities, and Policyholder Equity; Statement of Income; and Statement of Solvency as of September 30, 2016, and March 31, 2017.

From the Kentucky Employers' Mutual Insurance Authority: Quarterly Statement and Financial Status for the periods ending September 30, 2016, and March 31, 2017.

From the Cabinet for Health and Family Services: 2016 Annual Report of Kentucky Child

Victims of Human Trafficking.

From the Teachers' Retirement System of Kentucky: FY 2016 Report of the Actuary on the Annual Valuation of the Retiree Medical and Life Insurance Plans, and Report of the Actuary on the Annual Valuation.

From the Kentucky Commission on Human Rights: 2016 Annual Report.

From the Kentucky Council on Postsecondary Education: 2016 Optometry Report

From the Kentucky Legislative Ethics Commission: FY 2016 Annual Report.

From the Department of Revenue, Division of Corporation Tax: FY 2016 Energy Efficiency Products Credits Claimed Report.

From the Department of Revenue, Division of Corporation Tax: FY 2016 Energy Star Home and Energy Star Manufactured Home Credits Claimed Report

From the Energy and Environment Cabinet: Technologically Enhanced Naturally Occurring Radioactive Materials (TENORM) Associated with Oil and Gas Activities.

From the Commission on Small Business Advocacy: 2016 Kentucky Business One Stop Portal Annual Report

From the Cabinet for Health and Family Services: SWIFT Adoption Teams Report for the third and fourth quarters of 2016, and the first quarter of 2017.

From the Kentucky Retirement Systems: FY 2015 and FY 2016 Financial Statements and Supplementary Information.

From the Justice and Public Safety Cabinet: 2016 Child Fatality and Near Fatality External Review Panel Annual Report.

From the Office of the Attorney General: 2015-2016 County Attorney Traffic Safety Program Annual Report.

From the Cabinet for Health and Family Services, Department for Community Based Services: 2016 Statewide Strategic Planning Committee for Children in Placement Annual Report.

From the Cabinet for Health and Family Services, Department for Community Based Services: 2016 Annual Report on Committed Children.

From the Kentucky Personnel Board: FY 2016 Annual Report.

From the Kentucky Personnel Cabinet: 2016 Annual Report of the Kentucky Group Health Insurance Board.

From the Department of Education: FY 2015-2016 Efficient School Design Annual Report.

From Northern Kentucky University: FY 2015 Annual Financial Report.

From the Auditor of Public Accounts: FY 2016 Report of the Audit of the Kentucky Heritage Land Conservation Fund.

From the Auditor of Public Accounts: FFY 2015 Independent Accountant's Report on Applying Agreed-Upon Procedures to the Kentucky Department of Education, Batten & Batten, Inc.

From the Auditor of Public Accounts: FFY 2015 Independent Accountant's Report on Applying Agreed-Upon Procedures to the Kentucky Department of Education, Crescent Hill Child Care, Inc.

From the Auditor of Public Accounts: FFY 2015 Independent Accountant's Report on Applying Agreed-Upon Procedures to the Kentucky Department of Education, Southside Christian Day Care.

From the Auditor of Public Accounts: Agreed-Upon Procedures Engagement of the Kentucky Office for the Blind's Administration of the McDowell Center's Adult Education Grant for the Period July 1, 2014, through June 30, 2015.

From the Auditor of Public Accounts: FY 2016 Report of the Audit of the Kentucky River Authority.

From the Auditor of Public Accounts: FY 2016 Report of the Audit of the Kentucky Artisan Center at Berea.

From the Auditor of Public Accounts: Examination of Certain Policies, Procedures, Controls, and Financial Activity for the City of Irvine.

From the Auditor of Public Accounts: Report of the Audit of the Kentucky Lottery Corporation for the years ended June 30, 2015, and June 30, 2016.

From the Auditor of Public Accounts: FY 2016 Report of the Audit of the Cabinet for Health and Family Services Breast Cancer Research and Education Trust Fund.

From the Auditor of Public Accounts: FYS 2015-2016 Report of the Audit of the Kentucky Public Employee Health Insurance Program.

From the Auditor of Public Accounts: FY 2016 Report of the Audit of the Kentucky Department of Agriculture Spay and Neuter Program.

From the Auditor of Public Accounts: FY 2016 Report of the Audit of the Kentucky Judicial Form Retirement System.

From the University of Kentucky: Letter providing the link to the 2016 Audited Financial Statements of the University of Kentucky and its affiliated corporations, http://www.uky.edu/EVPFA/Controller/finst.htm.

From the Department of Criminal Justice Training: 2016 Annual Carrying Concealed Deadly Weapons Report.

From the Cabinet for Health and Family Services: FY 2016 Domestic Violence Batterer Intervention Provider Program Report.

From the Cabinet for Health and Family Services: FY 2016 Kentucky Elder Abuse Annual Report.

From the Cabinet for Health and Family Services: Social Service Worker Caseload Averages Reporting.

From the Personnel Cabinet: Semi-Annual Reports, which lists all filled positions, as of September 30, 2016, and March 1, 2017.

From the Kentucky Law Enforcement Council: 2016 Annual Report on Mandatory Training (Reports attached.)

From the Energy and Environment Cabinet: CY 2016 Waste Tire Program Report.

From Murray State University: 2016 Annual Financial Report.

From the Finance and Administration Cabinet: Contract Workers reports for the periods of July 1, 2014 through June 30, 2015, and July 1, 2015, through March 31, 2016.

From the Court Appointed Special Advocates for Children: 2017 Biennial Report.

From the Justice and Public Safety Cabinet: FY 2016 SMART Program Annual Report.

From the Auditor of Public Accounts: FY 2016 Report of the Statewide Single Audit of the Commonwealth of Kentucky, Volumes I and II.

From the Administrative Office of the Courts: 2016 Citizen Foster Care Review Board Annual Report.

From the Finance and Administration Cabinet: 2016 Kentucky Comprehensive Annual Financial Report.

From the Kentucky Employers' Mutual Insurance Authority: Annual Statement and Financial Status for the year ended December 31, 2016.

From the Louisville Firefighters Pension Fund: 2017 Actuarial Report.

From the Cabinet for Health and Family Services: 2017 Kentucky Diabetes Report.

From the Louisville Policemen's Retirement Fund: 2016 Actuarial Valuation and Report.

From the Auditor of Public Accounts: FY 2016 Report on Compliance with Civil Rights Laws Including Agency Title VI Implementation Plans, Updates, and Compliance Reports.

From the Cabinet for Health and Family Services: 2016 Kentucky Traumatic Brain Injury Trust Fund Board of Directors Annual Report.

From the Kentucky Employers' Mutual Insurance Authority: 2016 Management's Discussion and Analysis with Supplementary Schedules.

From Kentucky Employers Mutual Insurance: Statutory Basis Financial Statements and Supplementary Information Report of Independent Auditors for the years ended December 31, 2016, and 2015.

From the Kentucky Judicial Retirement System: Kentucky Judicial Retirement Plan

GASB Disclosure Report as of July 1, 2016.

From the Kentucky Judicial Retirement System: Kentucky Judicial Retirement Plan – Hybrid Tier GASB Disclosure Report as of July 1, 2016.

From the Kentucky Legislators' Retirement Plan: Kentucky Legislators Retirement Plan GASB Disclosure Report as of July 1, 2016.

From the Kentucky Legislators' Retirement Plan: Kentucky Legislators Retirement Plan – Hybrid Plan GASB Disclosure Report as of July 1, 2016.

From the Auditor of Public Accounts: FY 2016 Report of the Audit of the Kentucky Judicial Form Retirement System.

From the Cabinet for Health and Family Services: FYS 2015-2016 Kentucky Health Care Improvement Authority Combined Annual Report.

From the Cabinet for Health and Family Services: 2016 Kentucky Spinal Cord and Head Injury Research Board Annual Report.

From the Cabinet for Health and Family Services: 2016 Pediatric Cancer Research Trust Fund Annual Report.

From the Cabinet for Health and Family Services: FY 16 Public Health Breast Cancer Research and Education Trust Fund Report. From the Kentucky Department of Agriculture: 2017 Kentucky Equine Health and Welfare Council Report.

From the Finance and Administration Cabinet, Department of Revenue, Office of Property Valuation: 2017 Summary of Property Assessments Exempt from Taxation.

From the Auditor of Public Accounts: Report of the Audit of the Louisville Arena Authority, Inc. for the years ended December 31, 2016, and 2015.

From the Auditor of Public Accounts: Report of the Audit of the Kentucky Department of Fish and Wildlife Resources for FY 2016, along with Governance and Management Representation letter.

Senator Stivers asked for discussion on any new business or anything that members want to be brought before the LRC that is not currently within the prior communications.

The chair recognized Representative Keene. Representative Keene said he appreciated the President giving him the opportunity, and that he wanted to make a note of something that he had experienced. He said that he does recollect in his fourteen years of service that he has done many recommendation letters for staff of LRC, but in the past several weeks he has written two letters of recommendation at the request of staff. He said that it seems LRC has a staff morale issue, and he wanted Commission members to be aware of it.

President Stivers thanked Representative Keene, and said he was not sure what he meant by doing two letters of recommendation for staff members.

Representative Keene explained that the staff members were trying to obtain other jobs and to leave LRC.

President Stivers said he was not clear if they were recommendations to be hired at LRC or recommendations to take jobs in other places. He said he appreciated the comment, and thanked Representative Keene for bringing it to their attention. President Stivers said as to hiring—to make sure there is total impartiality, and that there is not preference perceived either to party or to chamber for the new members, that members prohibit themselves from being involved in those types of hiring decisions, and that is why they have a Director through the respective people, because the last thing they want to do is have someone to request something that is perceived as bias towards a chamber or towards a party. President Stivers stated that is why he wanted to clarify what Representative Keene's statement was.

President Stivers said he appreciates the fact that they are in a new dynamic, and that they will continue to operate as they have in the past. The next LRC meeting will be chaired by the Speaker. President Stivers stated that they really need to look at what they are doing in putting together the LRC budget, considering the times they are in and the needs that they have to fulfil pension obligations. He asked that over the next days, weeks, and months, members look into how they can more efficiently run the legislative branch of government. President Stivers stated that the Legislative Branch is a co-equal branch, and even though it is small in proportion, he thinks from a perception standpoint that the members should do what they can to show that they are serious about resolving issues with the KERS, KTRS, and the CERS Pension Plans.

There being no further business, the meeting was adjourned.

INTERIM JOINT COMMITTEE ON NATURAL RESOURCES AND ENERGY

Minutes of the 1st Meeting
of the 2017 Interim
June 1, 2017

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Natural Resources and Energy was held on Thursday, June 1, 2017, at 1:00 PM, in Room 154 of the Capitol Annex. Representative Jim Gooch Jr., Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Jim Gooch Jr., Co-Chair; Senators C.B. Embry Jr., Ernie Harris, Ray S. Jones II, Christian McDaniel, John Schickel, Brandon Smith, Johnny Ray Turner, Robin L. Webb, and Whitney Westerfield; Representatives John Blanton, Larry Brown, McKenzie Cantrell, Matt Castlen, Tim Couch, Jeffery Donohue, Jim DuPlessis, Daniel Elliott, Kelly Flood, Chris Fugate, Dennis Keene, Brian Linder, Reginald Meeks, Marie Rader, Jim Stewart III, and Jill York.

Guests: Secretary Charles G. Snavely, Energy and Environment Cabinet, Sean Alteri, Director, Division of Air Quality, Energy and Environment Cabinet, and Rodney Andrews, Ph.D., University of Kentucky, Center for Applied Energy Research.

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

Air Quality and Reformulated Gas

Secretary Charles G. Snavely, Energy and Environment Cabinet introduced Sean Alteri, Director, Division of Air Quality, Energy and Environment Cabinet to discuss air quality and reformulated gas. Mr. Alteri stated that the mission of the Division for Air Quality is to protect human health and the environment by achieving and maintaining acceptable air quality through a comprehensive air monitoring network; creating effective partnerships with air pollution sources and the public; timely dissemination of accurate and useful information and data; judicious use of program resources; and maintenance of a reasonable and effective compliance program. Mr. Alteri said that Kentucky is currently achieving all the ambient air quality standards with a few exceptions.

Mr. Alteri said that the EPA has proposed to redesignate the Cincinnati/Northern Kentucky Metropolitan Statistical Area as attained in the 2008 ozone standard. He said that the Kentucky Division for Air Quality (KDAQ) is focusing on the 2008 ozone standard and the control strategy currently being used to achieve that standard. According to the data collected from ambient monitors, Kentucky's air quality is improving. Mr. Alteri said the presentation would focus on the control strategy of nitrogen oxide (NOx) and volatile organic compounds (VOC). Reformulated gasoline (RFG) was implemented in the 1990's to reduce NOx and VOC. Initially there was a significant difference between conventional gasoline and reformulated gasoline. As a result of the RFG program, there was an initial emissions reduction of approximately 17 percent. In the Cincinnati/Northern Kentucky Statistical area, the KDAQ encourages EPA to limit the scope of the non-attainment area to Boone, Kenton and Campbell counties which have the largest emission rates.

Mr. Alteri said that as of April 7, 2017, the

EPA removed Ohio's requirements for the sale of reformulated gasoline. He said there are no counties in Ohio subject to the 7.8 volatility requirement and dealers can sell conventional gasoline year-round. Because of the retail cost differential, Secretary Snavely petitioned Administrator Pruitt of the EPA to opt-out of the RFG program in Northern Kentucky. In addition, the Energy and Environment Cabinet is in the process of revising the State Implementation Plan (SIP) which will demonstrate that removing RFG requirements will not interfere with any Clean Air Act (CAA) requirement concerning attainment and reasonable further progress, or maintenance, of any current National Ambient Air Quality Standards (NAAQS).

In response to Representative Flood, Mr. Alteri stated that there have been significant improvements in conventional gasoline. There is only a marginal difference in the emissions from reformulated gas and conventional gas. During the last few years, other states have made the same request because conventional gas is now so much cleaner. The EEC feels comfortable with asking for the opt-out.

In response to Representative Gooch, Mr. Alteri stated that there are several formulations of boutique fuels. He said that in the past, some areas have experienced shortages because a refinery may not have been able to keep up with the demand. The Clean Air Act allows a ninety day transition period so the markets will not be disturbed – it cannot be an immediate change.

Representative Meeks stated that Jefferson County has unique concerns with price fluctuation, which does not seem to occur elsewhere in the Commonwealth. He said that citizens are concerned because of decisions by the local Air Quality Board to allow greater flexibility to chemical plants. In response, Mr. Alteri said the EEC has been tracking the fluctuation of gas prices in Louisville. He said it was hard to determine what market force was driving the price fluctuation. He also noted that the air quality in Louisville was continuing to improve.

Representative Meeks stated that even though the air quality seems to be improving, there are still issues related to the health of children. There seems be a rise in cancer and asthma. In response, Mr. Alteri said that their air quality information comes from monitors which show continued improvement.

Representative Meeks asked from a policy standpoint, how does Jefferson County interpret those findings to the constituents who see very real health related problems everyday with their children. In response, Mr. Alteri said that it boils down to the most cost-effective control strategy. He said it would cost approximately $48,000 to remove a ton of NOx, but at a power plant the cost would be around $1,400. Secretary Snavely explained that the presentation is dealing specifically with Northern Kentucky air quality. Each pollutant such as NOx and VOC has certain criteria standards under the ambient air quality standards.

In response to Representative Donohue, Mr. Alteri stated that the petition to opt-out of RFG requirements does not affect Louisville at this time.

Mr. Alteri said that the Cabinet will provide a State Implementation Plan (SIP) revision to the Environmental Protection Agency demonstrating that removing RFG requirements will not interfere with any CAA requirement concerning attainment and reasonable further progress, or maintenance, of any current NAAQs. The SIP revision will be made available for public comment for 30 days and after all the comments have been evaluated, the SIP will then be submitted to EPA for approval.

In response to Senator Schickel, Mr. Alteri said he did not have information regarding damage to small engines from using reformulated gas.

In response to Representative Linder, Mr. Alteri said that the transport of emissions is a regional problem.

In response to Representative DuPlessis, Mr. Alteri stated that the former governor in 1993 mandated that the region opt-in for reformulated gas. He said that using reformulated gasoline served as an air pollution control measure and initially the RFG program reduced NOx and VOC by 17 percent. In response to Representative DuPlessis, Mr. Alteri stated that air quality does have an impact on health, but he was not qualified to comment on what health issues could be related.

In response to Representative DuPlessis, Secretary Snavely stated that opting out of the RFG would not change the ambient air quality standards which are the numerical limits that have to be met.

In response to Representative Flood, Secretary Snavely states that the Cabinet is the delegated authority that implements the Clean Air Act, which is a federal act. The numerical limits that are implemented are from the state plan.

Power Plant Efficiencies and Current Developments

Rodney Andrews, Ph.D. PE, Director, University of Kentucky Center for Applied Energy Research discussed "Why power plant efficiency matters…" Mr. Andrews stated that power plants should be improved to lower emissions per kWh, less fuel per kWh, and lower cost per kWh. He said that there are two methods to improve power plant efficiency: high-efficiency, low-emissions technologies and advanced combustion technologies. He pointed out that the vast majority of the United States coal-fired electricity generating units are pre-1980. Some units are subcritical rather than going to the higher temperature and pressure units that are more efficient. The heat rate for Kentucky's fleets are clustered around the 10,000 mark, which is typical for the U.S. fleet. If the heat rates can be improved, then it would reduce the amount of carbon dioxide being produced.

Dr. Andrews stated that some technical improvements such as, air ratio, stack gas temperature and steam conditions, could be made to a power plant without ripping it apart and putting in a new boiler. The technical improvements would help to increase the efficiency and therefore the amount of electricity produced per ton coal burned in an existing plant. Increased temperatures and higher pressures in the plant improves the efficiency. The older subcritical units need to install newer equipment. He said that by making the suggested improvements a plant could go from an efficiency of about 36 percent all the way up to 40 percent.

Dr. Andrews said that CAER was working toward improving supercritical plants. By changing the operating parameters, increasing the temperature and pressure cycle, it is possible to achieve 60 percent more efficiency. He stated that newer and better materials were needed to build plants so the plants could take the higher pressures and temperatures. Dr. Andrews said if the newer technical improvements were made to the plants, then the subcritical plants could be moved up to supercritical and see improvements of reductions in fuel and emissions of up to 20 percent. Modernizing and using the new technologies would have a profound impact on the emissions and fuel use of the plants and costs going forward. He noted that three of the advanced combustion technologies are the supercritical carbon dioxide cycle, pressurized oxyfuel or oxycombustion and the chemical looping combustion.

In response to Representative Castlen, Dr. Andrews said that pressure facilitates separation. There is a lot of work being done in membrane-based technologies that will reduce the amount of energy it takes to do the separation.

Dr. Andrews stated the Department of Energy is looking at a CO_2 cycle that would allow the plant to use a different energy cycle than is done for straight combustion with oxygen. When this happens, it would allow efficient plants of a smaller size which will reduce capital costs. It would also allow plants to use lower temperatures and allow for the recovery of more heat. In looking at power plants for the future, this cycle would allow for the reduction of water needed.

Dr. Andrews stated that in terms of higher-efficiency, the regulatory framework should be based on increasing efficiency in older plants. The technical roadmap, produced by the International Energy Agency (IEA), shows recommendations for high-efficiency, low-emissions coal-fired power generation (HELE). The IEA recommends increasing the average efficiency by 4 percent by replacing older units with more modern supercritical or ultra supercritical units, improving performance of operating units and building new HELE state of the art power plants. The roadmap also recommends providing support for research, development, demonstration and deployment of advanced combustion and gasification technology including CO_2 capture if necessary, improving efficiency of all operating plants, especially on lower rank coals and reducing the amount of water consumption. Dr. Andrews stated that efficiency improvements for reducing CO_2 from new coal plants can be achieved through more sophisticated power plant designs. He said that the logical first step in reducing CO_2 would be higher efficiency plants. This is a lower cost approach than carbon capture and storage. As an example, he said that today's new units have 18 percent lower CO_2 emissions than the average existing unit.

In response to Representative Flood, Dr. Andrews said that the University of Kentucky does not produce its own electricity. It buys its electricity. Representative Flood stated that from 10 years ago, UK now uses 80 percent gas and 20 percent coal. She said she is interested in other things that the CAER is using as a model.

Chairman Gooch stated that it was important to be concerned about reliable power because some power sources being pushed are not. Other countries are pursuing technology for the ultrasupercritical units that have greater efficiency.

In response to Chairman Gooch, Dr. Andrews said it could be possible once the ultrasupercritical units reach 40 percent or more that the emissions could be closer to what natural gas produces.

In response to Representative DuPlessis, Dr. Andrews stated that, on stack gas, there are programs that are seeking to improve air to air heat exchange.

In response to Representative York, Dr. Andrews said that CAER is not doing work indirectly on the materials necessary to withstand increasing pressures. He said that CAER works closely with the National Energy Technology Lab who is doing a lot of work in that area. He agreed that if alloys existed then there would be discussion about retrofitting some existing plants.

In response to Chairman Gooch, Dr. Andrews stated that CAER advocates for research, development and demonstration funding going to fossil energy particularly toward advanced combustion gas technology.

There being no further business, the meeting was adjourned.

PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

Minutes
2017 Interim
May 11, 2017

Call to Order and Roll Call

The Program Review and Investigations Committee met on Thursday, May 11, 2017, at 10:00 AM, in Room 131 of the Capitol Annex. Senator Danny Carroll, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Danny Carroll, Co-Chair; Representative Lynn Bechler, Co-Chair; Senators Perry B. Clark, Wil Schroder, Reginald Thomas, and Stephen West; Representatives Chris Fugate, Brian Linder, Arnold Simpson, and Walker Thomas.

Guests: Greg Thomas, Secretary, Robin Brewer, Executive Director of the Office of Budget and Fiscal Management, Transportation Cabinet; Jonathan Grate, Deputy Secretary, Brad Holajter, Budget Director, Matthew Niehaus, Legislative Liaison, Justice and Public Safety Cabinet; Frank Jemley, III, Chief of Staff, Tourism, Arts, and Heritage Cabinet; Charles Bush, Deputy Commissioner, Department of Fish and Wildlife Resources; and Sergeant Rodney Milburn, Fish and Wildlife Resources officer and president of officers association.

LRC Staff: Greg Hager, Committee Staff Administrator; Chris Hall, Colleen Kennedy, Van Knowles, Jean Ann Myatt, William Spears, Shane Stevens, Joel Thomas, and Kate Talley, Committee Assistant.

Minutes for December 13, 2016; February 17, 2017; and March 15, 2017

Senator Carroll opened the meeting by leading committee and audience members in a prayer and pledge of allegiance.

Upon motion by Representative Simpson and second by Senator Clark, the minutes for December 13, 2016; February 17, 2017; and March 15, 2017 were approved by voice vote.

Secretary Thomas spoke about the Strategic Highway Investment Formula for Tomorrow (SHIFT). Kentucky's highway plan is overpromised for many years. Only one-half of the 1,400 projects are even partially funded, mostly with federal funding. There is money to pay for 10 percent of the $7.1 billion of projects promised with state funds in the plan. In 2016, the Transportation Cabinet initiated its Pause-50 plan when the road fund was threatened with a negative balance.

This is a transition year for SHIFT. Each priority in the model includes different measures. For example, one priority is economic growth, which includes measures of potential economic growth, which will vary depending on the local area, and daily traffic and freight volume.

The funding formula has two tiers: statewide and regional. The priorities and weights for the statewide formula are to improve safety (25 percent), reduce congestion (20 percent), fuel economic growth (20 percent), spend tax dollars wisely (20 percent), and preserve existing infrastructure (15 percent). The priorities and weights for the regional formula are improving safety (20 percent), reducing congestion (10 percent), fueling economic growth (15 percent), spending tax dollars wisely (15 percent), preserving existing infrastructure (10 percent), district priorities (15 percent), and local priorities (15 percent).

Funding is allocated among four regions (east, west, north, and south), each of which is divided into three districts. Any funding remaining after statewide priority projects are funded would be divided equally among the four regions. Within each region, 25 percent of its funding would be for projects awarded competitively for each district. The remaining 25 percent would be awarded competitively for projects in the region.

The cabinet will develop an initial list of projects based on the current plan. District and local leaders will be able to suggest changes. The cabinet will use the formula to score the projects on the revised list. District and local leaders may suggest moving up regional projects in the priority rankings. Based on these results and revenue estimates, the cabinet will develop a draft plan for the governor. The governor will finalize the plan and submit it to the General Assembly.

In response to a question from Senator Schroder, Secretary Thomas said the Lexington, Louisville, and northern Kentucky areas are in the same region because regions were developed along highway corridors. No matter how a region fares under the statewide formula, each region will receive a fourth of the funding available via the regional formula.

In response to a question from Representative Simpson, Secretary Thomas said the regional formula is not based on population.

In response to a question from Senator Clark, Secretary Thomas said Kentucky's gas tax is 24.6 cents per gallon. The cabinet needs more revenue to keep up with demand.

In response to a question from Senator Carroll, Secretary Thomas said there is a backlog of 3,700 miles for resurfacing, growing at a rate of 500 miles per year. The cabinet has an internal working group on ways to increase revenue. For every penny the gas tax is increased, revenue increases by $30 million. This revenue is divided approximately in half between the rural secondary program and the road fund.

In response to questions from Representative Bechler, Secretary Thomas said rural secondary funding for needs other than roads will be within each region. SHIFT is a work in progress. If the cabinet succeeds, it will take care of the entire state and all regions. The cabinet will prioritize among projects. When the cabinet presents the plan and list of projects to the General Assembly, legislators will still control the funding of projects. In the past, there was significant over-programming in relation to funding. For the next budget, the cabinet will be transparent about which programs are most cost effective. The appeal to the General Assembly will be that if something is added to the budget, something should be removed.

In response to questions from Senator West, Secretary Thomas said the area development districts and metropolitan planning organizations will receive regional and district input. The chief district engineers will also ask legislators for input. After fulfilling statewide priorities, the rest of the funding will be distributed equally among the four regions. The cabinet will score the projects within each region.

In response to a question from Senator Carroll, Secretary Thomas said there is a delay with the request for proposals for Beaver Dam Rest Stop. Information on the project will be sent to Senator Carroll.

Senator Carroll recognized the Fish and Wildlife Resource Officers in attendance. There was a Kentucky Law Enforcement Foundation Program Fund (KLEFPF) bill in this year's session to codify language in the budget bill bringing additional law enforcement into the fund. Fish and Wildlife Resource Officers met the requirements to be part of KLEFPF, but there were concerns on how the department was funded. These concerns could not be resolved via conference committee.

Mr. Holajter said KLEFPF is funded through a 1.8 percent surcharge on casualty insurance premiums for property that is at risk. The Department of Criminal Justice Training (DOCJT) program and the law enforcement program of KLEFPF get 72 percent of those receipts. This portion of DOCJT's budget is approximately $60 million. A balance forward of approximately $5 million is planned each year to cover operating expenses and training stipends prior to receiving the first payment of the year. Last year, there was an $11 million transfer from the fund. DOCJT was appropriated approximately $71 million. It is projected to end with a balance of approximately $7.4 million, which includes $5 million to carry forward. He described DOCJT's deferred maintenance needs, which total $6.1 million.

In response to questions from Senator Carroll, Mr. Holajter said the Department of Fish and Wildlife Resources (FWR) is requesting that 133 FWR officers be included in KLEFPF. This would cost $658,000 annually. Given the growing needs of the training program statewide, additional funds would be needed to cover adding the new officers and allow a balance forward for solvency. Mr. Grate said the cost of training the FWR officers receive from DOCJT is covered by KLEFPF, as is any other officer across the state. Mr. Holajter said the cost to DOCJT of bringing FWR officers into KLEFPF, but paying the stipend out of the Fish and Wildlife Resource Department's budget, would be minimal.

In response to a question from Senator West, Mr. Holajter said money for capital improvements was earmarked in the last budget.

In response to a question from Senator Clark, Mr. Holajter said the interest for this budget was estimated at $50,000.

In response to a question from Senator Carroll, Mr. Grate said statute precludes FWR officers from being hired by other law enforcement agencies after retirement because they are not part of KLEFPF. The Justice and Public Safety Cabinet would be amenable to removing the impediment.

In response to a question from Representative Bechler, Mr. Grate said the State Police Department has renewed a mechanism that allows FWR officers to act as peace officers with general jurisdiction.

Senator Carroll commented that Kentucky ranked 47th in a recent ranking of the best states in which to be a law officer. It is important that Kentucky make law enforcement an attractive job for young people.

Representative Fugate noted that FWR officers have assisted the state police greatly in solving cases. He supports making FWR officers part of the KLEFPF.

Mr. Grate commended FWR officers that graduated recently from DOCJT Academy. He invited the committee to come to DOCJT to see how the system works.

In response to a question from Senator Carroll, Mr. Grate said no state trains its law enforcement officers more or better than does Kentucky.

Senator Carroll commented that he also thought there were problems with the ranking list. The number of applicants to the state police has been declining.

Representative Simpson said Kentucky's low ranking would make a good Program Review and Investigations Committee study in the future.

Mr. Bush said the FWR officers are Police Officer Professional Standards (POPS) certified but cannot be included in KLEFPF. The department does not receive general fund dollars; it is fee-based, like a sheriff's office. The department is a state agency that follows state personnel guidelines.

In response to questions from Senator Carroll, Mr. Bush said there is currently a $25 million fish and game fund balance, which is average. A balance must be maintained to cover costs because of funding variation during peak seasons. In the 2013-2014 biennial budget, the department mirrored the KLEFPF stipend. The starting pay for new officers is approximately $29,000. Officers are allowed overtime pay beyond the 37.5 hour work week.

In response to a question from Senator Carroll, Mr. Jemley said the Tourism, Arts and Heritage Cabinet, in consultation with the Personnel Cabinet, is considering a 40-hour work week for officers.

In response to a question from Senator Carroll, Mr. Bush said FWR cannot transfer money to KLEFPF because federal funds are involved. The department is willing to continue paying the stipend as it does now.

Mr. Jemley said the Tourism, Arts and Heritage Cabinet supports moving FWR officers into KLEFPF as long as the stipend continues to be paid by FWR.

In response to questions from Senator Carroll, Mr. Bush said FWR officers' last pay raise was in the early 2000s. He will provide more specific information. FWR has been unable to raise salaries due to the structure of the state personnel system.

In response to questions from Senator West, Mr. Bush said the fees-in-lieu-of funding balance is currently $90 million. There is $25 million in reserves. He said that the authority to raise salaries would be with the Tourism, Arts and Heritage Cabinet and the Personnel Cabinet. Mr. Jemley asked for clarification from Personnel Cabinet staff who were in the audience. They said that the two cabinets and state budget office would be involved.

Senator Carroll said that one option is to enact a statute to allow FWR officers to be rehired by other law enforcement departments after retirement. Another option is to move FWR officers into KLEFPF, retaining the stipend from FWR, which would allow for rehiring based on existing statutes.

In response to a question from Senator Carroll, Mr. Bush said FWR officers want to be in KLEFPF because of the pride attached to being treated similarly to other POPS-certified officers and to allow for rehiring.

Senator Carroll said that the initial hope was that the FWR stipend would come from KLEFPF, so FWR money could be freed up for raises and hiring more officers.

In response to a question from Senator Carroll, Mr. Jemley said the Tourism, Arts and Heritage Cabinet would support funding for the stipend coming from that cabinet as a permanent solution.

Senator Schroder said that an issue with the funding in this year's session was that the funding was via a budget amendment, which did not allow for sufficient time for legislators to get full information.

Sergeant Milburn said FWR officers are POPS-certified, in addition to the department's own 12-week academy. Inclusion in KLEFPF is important because FWR officers are paid less than other state law enforcement officers. When there are storms or floods, FWR officers are often the first to arrive with special equipment. Last year, 8,000 citations were written by FWR officers, of which 15 percent were warrants for criminals or drug abusers.

In response to questions from Senator West, Sergeant Milburn said being promoted is the only way to receive a raise. A Conservation Officer I makes approximately $29,000; a Conservation Officer II makes approximately $32,000. The force has approximately 130 officers, of whom 10 are captains 2 are majors, 1 is a colonel, and 9 or 10 are lieutenants. The rest are officers or sergeants.

In response to questions from Senator Carroll, Mr. Bush said moving to KLEFPF will not change the status of funding from which officers could be given raises.

Sergeant Milburn said FWR officers are leaving for other state law enforcement agencies because they already have the necessary training.

Mr. Bush reiterated that restricted funds in FWR cannot be used for raises because it is constrained by how funding is allocated in its budget and authority for raises is with the cabinet.

Representative Simpson said that the erosion of FWR talent as it loses trained officers to other agencies is an issue. Another issue is that funding seems to be available but cannot be used for raises. The General Assembly may be able to take action to help increase salaries, but it is up to cabinet secretaries to help with raises for their employees.

In response to a question from Senator West, Mr. Bush said budget items are restricted and FWR cannot draw from them for officer salaries. The enacted budget is given to the department through the cabinet from the budget office.

In response to a question from Senator Carroll, Mr. Bush said that excess funds cannot be used by other cabinet areas. The department must hold back a reserve of $13 to $14 million in case of emergencies such as chronic wasting disease and to maintain operating costs.

In response to a question from Senator Carroll, Sergeant Milburn said passing a law putting FWR officers in KLEFPF but having the stipends come from the Tourism, Arts and Heritage Cabinet would be supported by the officers. FWR officers generate revenue for the state from the arrests they make outside of FWR violations, but the department does not receive the revenue.

Senator Carroll commented that this issue boils down to FWR being fee based and having restricted funds. The cabinet structure needs to be addressed.

The meeting adjourned at 11:50 AM.

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes
May 9, 2017

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee meeting was held on Tuesday, May 9, 2017, at 1:00 PM, in Room 169 of the Capitol Annex. Representative Phil Moffett, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Phil Moffett, Co-Chair; Senator Rick Girdler; and Representatives Larry Brown and Steven Rudy.

Guests: Mr. Chris Brummet, Director of Asset Management, Kentucky Community and Technical College System; Ms. Elizabeth Baker, Planning Director, Budget Office, University of Kentucky; Mr. Scott Aubrey, Director, Division of Real Properties, Finance and Administration Cabinet; Ms. Janice Tomes, Deputy State Budget Director, Governor's Office for Policy Management; Mr. Deck Decker, Executive Director, Office of Administrative and Technology Services, Cabinet for Health and Family Services; Ms. Ashley Adams, Financial Analyst, Kentucky Infrastructure Authority; and Mr. Ryan Barrow, Executive Director, Office of Financial Management.

LRC Staff: Shawn Bowen, Committee Staff Administrator; Julia Wang, Legislative Analyst; and Jenny Wells, Committee Assistant.

Due to the lack of a quorum, Representative Moffett said that all agenda items would be presented as information items only, and no roll call votes would be taken.

Approval of Minutes (April 18, 2017)

Due to the lack of a quorum, this item was tabled until the June meeting.

Information Item

One item of correspondence was submitted by the School Facilities Construction Commission (SFCC) in response to a question raised at the committee's May meeting. SFCC has indicated that general fund debt service of $188,000 annually for the Owsley County bond issue is derived from savings associated with a Guaranteed Energy Savings Contract the school may enter into to fund a portion of the project. There are no other general or federal funds involved in this project.

Project Report from the Universities

Mr. Brummet reported two lease renewals for the Kentucky Community and Technical College System Jefferson Community and Technical College. The leases, located in Jefferson and Bullitt Counties, have an annual cost of $399,775 and $204,992, respectively.

The University of Kentucky submitted four items for the committee's consideration: two new leases, one for the College of Medicine in Bowling Green, and one for the Barnstable Brown Kentucky Diabetes and Obesity Center in Fayette County; a report of medical equipment purchases; and a request for a $1.5 million scope increase for the Renovate/Upgrade Athletics Playing Fields 2 project. The scope increase is 100 percent privately funded, and is needed to complete the project as redesigned. The revised project scope is $3.5 million, and the project will remain 100 percent privately funded. In accordance with committee's policy regarding the use of private funds for capital projects, the university provided assurances to staff that the private donations have been received.

Lease Reports from the Finance and Administration Cabinet

Mr. Aubrey reported four leases in Franklin County will be renewed under the same terms and conditions. The lease renewals include: Cabinet for Health and Family Services, $1,127,854; Department for Local Government, $196,951; Labor Cabinet, $578,784; and Office of the Attorney General, $482,563.

Mr. Aubrey reported one lease modification for the Department of Corrections in Barren County. The department plans to renovate its leased space to accommodate three additional employees. Building modification costs of $27,800 will be amortized over the remaining lease term (through June 30, 2020). The department's monthly rental cost will increase by approximately $751.

In regard to the four lease renewal reports, Representative Moffitt asked why the state pays more than the average cost per square foot ($8.33) for leased space in Franklin County. Mr. Aubrey said the state pays above the average cost per square foot because there are not a lot of properties in Franklin County that can provide a sufficient amount of contiguous space to house these larger agencies. He added that the average cost for leased space, which is updated annually, remains relatively low.

In response to additional questions from

Representative Moffett, Mr. Aubrey said that he would gather more information for the committee regarding the number of leases held by the Office of the Attorney General, the total square footage of each lease, and the number of contract and permanent employees in the leased space.

Project Reports from the Finance and Administration Cabinet

Ms. Tomes reported two projects on behalf of the Department of Military Affairs and the Cabinet for Health and Family Services. The Department of Military Affairs plans to initiate a new unbudgeted capital project known as the Paducah Armory Solar Panel Installation project. The project will provide for the installation of grid-tied solar panels and lighting upgrades for the Field Maintenance Shop at the Paducah National Guard Armory. The project scope is $727,800, and is funded with 87 percent federal funds and 13 percent restricted funds.

The Cabinet for Health and Family Services submitted a request for a $5.1 million project scope increase for the Eligibility Systems Integration Services project. This project will integrate eligibility processing for various entitlement programs administered by the cabinet, and replace the Kentucky Automated Management and Eligibility System. The scope increase is 100 percent federally funded, and will permit the cabinet to add certain elements to the new system required under federal law. The revised project scope is $90,126,400.

In response to several questions from Representative Moffett, Mr. Decker said the cabinet is adding more tracking tools to the system to reduce fraud and abuse. He said the implementation of Benefind proceeded without the Child Care Assistance Program management due to an obligatory delay and changes to federal requirements. The cabinet is now working with the Child Care Council on several different programs which involve training to meet current federal laws.

Report from the Office of Financial Management

Ms. Adams reported three Kentucky Infrastructure Authority loans: Fund A loan, City of Benton, Marshall County, $1,780,000; Fund B loan increase, City of Bardstown, Nelson County, $1,281,000; and Fund B loan, City of Bardstown, Nelson County, $1,000,000.

Mr. Barrow reported one new bond issue: University of Kentucky General Receipts Bonds, 2017 Series C, $150,000,000. He then provided a follow-up report on three previously approved bond issues for Eastern Kentucky University General Receipts Bonds, 2017 Series A, $46,140,000; State Property and Buildings Commission Agency Fund Revenue Bonds, Project No. 116, $60,135,000; and the Kentucky Housing Corporation Multifamily Housing Revenue Bonds, Series 2017 (Parkway Manor Apartments Complex), $7,075,000.

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

Mr. Barrow reported two new SFCC school district bond issues for Anderson and Garrard Counties, for a total of $1,231,139. Both issues will refund outstanding bonds, and no tax increase was necessary to fund the projects.

New Local School Bond Issues with 100 Percent Locally-Funded Debt Service

Ms. Bowen reported three 100 percent locally-funded school bond issues for Grayson, Jefferson, and Webster Counties. The bond issues total $42,485,000, and the scope of work includes refunding outstanding energy conservation bonds and renovations and improvements to district schools. The bond issues did not involve a tax increase.

With there being no further business, the meeting was adjourned at 1:25 p.m.

PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

Minutes

June 8, 2017

Call to Order and Roll Call

The Program Review and Investigations Committee met on Thursday, June 8, 2017, at 10:00 AM, in Room 131 of the Capitol Annex. Representative Lynn Bechler, Chair, called the meeting to order and led the Pledge of Allegiance, and the secretary called the roll.

Present were:

Members: Senator Danny Carroll, Co-Chair; Representative Lynn Bechler, Co-Chair; Senators Tom Buford, Perry B. Clark, Wil Schroder, Dan "Malano" Seum, Reginald Thomas, and Stephen West; Representatives Brian Linder, Donna Mayfield, Ruth Ann Palumbo, Rob Rothenburger, Arnold Simpson, and Walker Thomas.

Guests: Christine Trout, Commissioner, Carol Martin, Malt Beverage Administrator, and Trina Summers, Distilled Spirits Administrator, Alcoholic Beverage Control Board; Greg McCall, Special Assistant, Rick Woodruff, Acting Executive Director of Office of Infrastructure Services, David Carter, Executive Director of Security, Commonwealth Office of Technology.

LRC Staff: Greg Hager, Committee Staff Administrator; Chris Hall, Colleen Kennedy, Van Knowles, Jean Ann Myatt, Brandi Norton, William Spears, Shane Stevens, Joel Thomas; Dexter Horne, and Eve Wallingford, Graduate Fellows; and Kate Talley, Committee Assistant.

Minutes for May 11, 2017

Upon motion by Senator Clark and second by Senator Buford, the minutes for May 11, 2017 were approved by voice vote.

Alcoholic Beverage Control

Ms. Trout said that, although both are in the Public Protection Cabinet, there is a distinction between the Alcoholic Beverage Control Board and the Department of Alcoholic Beverage Control (ABC). The department's primary statutory obligation is to prevent underage drinking. It administers statutes and regulates matters involving alcoholic beverages; issues and renews licenses for distilled spirits, wine, and malt beverages; educates licensees and the public; enforces statutes against those who violate alcoholic beverage laws; and prosecutes noncompliant licensees in an administrative forum. The department is introducing a new IT-related system.

As of July 1, 2016, the department had a personnel cap of 69 full-time positions, of which 65 were filled. One year later, the cap was 82 positions. Of 71 full-time positions, 54 were filled. All but one of the other 11 positions were interim employees: veterans hired as investigators under a US Food and Drug Administration grant. Twenty-one employees have left the department since July 1, 2016. The budget for 2017-2018 is $7.7 million, up slightly from the previous fiscal year. This includes $591,700 from the General Fund.

The department is partnering with the Department of Parks to schedule monthly classroom training across the state. Employees are being cross trained to teach Server Training in Alcohol Regulations (STAR) classes. Classes will be tailored to the needs of licensees. Online courses will be increased.

There are 15,825 licenses to sell alcoholic beverages at 10,055 sites. The average processing time for an application for a license is now 20 days. A year ago, the backlog was up to 300 days for some applications. As of May 1, 2017, it is possible to apply for a license online. The department's legal department provides legal advice and support, issues notices of violation, and is involved with administrative hearings and open records requests.

The three members of the board are the commissioner and the administrators for malt beverages and distilled spirits. The board promulgates regulations; conducts hearings on alleged violations of alcohol laws; fines, suspends, or revokes state licenses; and conducts hearings on local license appeals.

In response to a question from Representative Bechler, Ms. Trout will send information regarding why the personnel cap increased.

Senator Buford commended the department for providing good service.

In response to questions from Senator Seum, Ms. Trout said there are three levels of investigators. The two higher levels must be POP certified. Division director Paul Vido's leadership has led to more professional enforcement.

In response to a question from Representative Rothenburger, Ms. Trout said online STAR classes are available now. The diversity of online classes will increase over time. Some local ordinances that require training be done in person. The department has been holding a biannual summit with the Kentucky League of Cities, Kentucky Association of Counties, and organizations of local ABC administrators. The summits are meant to communicate information and provide transparency.

Representative Palumbo commended the department for doing a good job.

In response to questions from Senator Carroll, Ms. Trout said the biggest changes that have taken place have been in education and information technology. Paper files have been replaced by electronic files. Cross training and consistency have improved efficiency. Regarding turnover, 10 employees left state government, six went to other state agencies, two retired, and one co-op returned to school. There is no large scale concern about disgruntled employees. Applications and workload have increased, but efficiency has improved. The department has developed an internal database system. It is working to phase out using contractors as instructors. Specific information on savings can be provided in about 6 months.

In response to questions from Representative Simpson, Ms. Trout said the department is still using quotas, which are special licenses based on population. These licenses are a challenge for the department. Ms. Summers said quotas are not specific to our state. Restaurants do not need quotas, only bars and liquor stores.

Representative Simpson said it is at the General Assembly's discretion to modify the law regarding quotas, but expertise from the department is welcome.

In response to questions from Representative Bechler, Ms. Trout said HB 183 should have cleaned up any issues in statute regarding class of cities. Statute dictates the age requirement of a person selling alcohol. The department interacts with the Commonwealth Office of Technology (COT) daily. The working relationship is good.

In response to a question from Senator Thomas, Ms. Trout said the distilled spirits industry has opposed selling liquor in grocery stores. The Kentucky Distillers' Association could provide more information.

In response to questions from Senator Carroll, Ms. Martin said lawsuits over regulatory license fees for cities are pending. Ms. Trout said the department does not have a strong position to enforce the fees. The department would need a specialized group if it were to get involved.

Senator Buford commented that during prohibition, drug stores were they only means of purchasing alcohol. He pointed out that the General Assembly can designate the classification of a city.

Commonwealth Office of Technology

Mr. McCall said that a state technology agency has existed under different names, beginning with the Bureau of Computer Services, which was created to consolidate computer infrastructure in the 1970s. COT's mission is to provide quality services affordably. COT, whose operations are funded by agency receipts, has 400 staff and 175 contractors. Its enacted budget is $132 million per year, but it rarely approaches this amount. He discussed four major COT initiatives. Under the IT Infrastructure Initiative (i3), executive branch infrastructure has been consolidated, centralization has been completed for most agencies, and optimization is just underway. Beginning with FY 2015, annual i3 annual savings have been approximately $12 million. The i3 approach has included engaging the Technology Advisory Council, which includes representatives of state agencies. COT is now paid a monthly fee for hardware by agencies, replacing a system in which an agency's spending varied greatly depending on whether it was getting equipment upgrades. COT is responsible for refreshing hardware, and the agency's spending is stable over time. Responsibility for applications remains with state agencies. A challenge of i3 has been that consolidation has sometimes resulted in staff with expertise in applications being moved from agencies to COT.

The second initiative, which is nearly complete, is to consolidate print devices in the executive branch. This has resulted in annual savings of nearly $4 million. The third initiative is the migration of Microsoft Office 365. This includes enhancing security features, moving some applications to the cloud, and improving management of mobile devices. Mr. Woodruff said that there are approximately 1,000 early adopters participating. Mr. McCall said that the fourth initiative is Kentucky Business One-Stop, which provides the tools needed to register and operate businesses. This is a cooperative effort among multiple state agencies, with leadership provided within COT. An executive director has just been hired.

Mr. McCall concluded by saying the primary emphasis for COT going forward will be security.

In response to questions from Representative Bechler regarding phase II of i3, Mr. McCall said the Kentucky State Police, the Department of Criminal Justice Training, the Council on Postsecondary Education, State Fair Board, and a number of boards and commissions are in the process of being consolidated. Phase II should be completed in 12 to 24 months. Mr. Carter said there is availability through VPN [virtual private network] to access the system remotely. Moving to Office365 will provide better security when a personal device is used. Cell phones are provided to contractors and COT urges the use of these instead of personal devices. Access to systems are encrypted through VPN or other means, and email is encrypted by the client.

In response to a question from Senator Seum, Mr. McCall said first responders should work with the state police or the Office of Homeland Security to ensure compatibility of equipment. The radio systems used by first responders is outside of COT's purview. First Net is an initiative to level the playing field for first responders. The Kentucky Early Warning System is managed by COT.

In response to a question from Representative Thomas, Mr. Woodruff said COT partners with the Kentucky Board of Elections regarding the transition to electronic tablets for voting registration. The tablets do not create any undue risk. The Board of Elections has ownership of the application.

In response to questions from Senator Carroll, Mr. McCall said COT is actively working with the Cabinet for Health and Family Services to allow service providers to directly input data. Agencies request moving service applications to the cloud to allow providers access.

In response to questions from Senator West, Mr. McCall said COT is involved in the platform that the Automatic Vehicle Information System runs on. The Transportation Cabinet does most of the work on the application. COT has no information on the cost of the application.

In response to a question from Representative Rothenburger, Mr. McCall said Chief Information Office Barnhart is working directly with the KentuckyWired initiative.

Representative Bechler would like COT to encourage the LRC IT department to implement VPN access for the members of the General Assembly.

The meeting adjourned at 11:40 AM.

ADMINISTRATIVE REGULATION REVIEW SUBCOMMITTEE

Minutes of the May Meeting
May 11, 2017

Call to Order and Roll Call

The May meeting of the Administrative Regulation Review Subcommittee was held on Thursday, May 11, 2017, at 1:00 PM, in Room 149 of the Capitol Annex. Senator Ernie Harris, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Ernie Harris, Co-Chair;

Representative Ken Upchurch, Co-Chair; Senators Perry B. Clark, and Alice Forgy Kerr; Representatives Mary Lou Marzian, Jason Petrie, and Tommy Turner.

Guests: Ben Boggs, Lisa Lang, Education Professional Standards Board; Nathan Goldman, Board of Nursing; Gabe Jenkins, Kyle Sams, David Wicker, Department of Fish and Wildlife Resources; Oran McFarlan, Department of Corrections; Ann Dangelo, Rick Taylor, Transportation Cabinet; Chandra Venettozzi, DJ Wasson, Office of Health Benefit Exchange; Laura Begin, Margaret Jones, Hollie Sands, Department for Public Health; Brit Anderson MD, Sheena Burch, Michelle Cardwell, Erika Calihan, Bethany Clark, Jennifer Evely, Ashley Kennedy, Tracy Kielman, Michelle Malicote, Kara Meredith, Sally OBoyle, Mary Delodder, Pat Purcell MD, Jonathan Sayat MD, Patty Swiney MD, Sue Violette, Jamie Bloyd, Pediatric Cancer Research Trust Fund, Jill Hunter, Donna Little, Steve Miller, Department for Medicaid Services.

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

The Administrative Regulation Review Subcommittee met on Thursday, May 11, 2017, and submits this report:

Administrative Regulations Reviewed by the Subcommittee:

EDUCATION AND WORKFORCE DEVELOPMENT CABINET: Education Professional Standards Board: As-assessment

16 KAR 6:020. Assessment requirements for occupation-based career and technical education teachers. Lisa Lang, general counsel, and Benn Boggs, director of educator preparation assessment internship, represented the board.

GENERAL GOVERNMENT CABINET: Board of Nursing

201 KAR 20:056. Advanced practice registered nurse license and certification requirements. Nathan Goldman, general counsel, represented the board.

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

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

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

301 KAR 2:075. Wildlife rehabilitation permit. Gabe Jenkins, deer and elk coordinator, and David Wicker, general counsel, represented the department.

In response to questions by Co-Chair Harris, Mr. Jenkins stated that captive cervids subject to rehabilitation were required to be released after 180 days. Kentucky had not had a case of chronic wasting disease.

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

301 KAR 2:083. Holding and intrastate transportation of captive cervids.

301 KAR 2:178. Deer hunting on Wildlife Management Areas, state parks, other public lands and federally controlled areas.

A motion was made and seconded to approve the following amendments: (1) to amend Section 6 to make a technical formatting correction; and (2) to amend Section 7 to remove Perryville Battlefield State Historic Site from the list of state deer hunting opportunities in November. Without objection, and with agreement of the agency, the amendments were approved.

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

501 KAR 6:040. Kentucky State Penitentiary. Oran McFarlan, staff attorney, represented the department.

In response to questions by Co-Chair Harris, Mr. McFarlan stated that this administrative regulation represented the annual amendment to the Kentucky State Penitentiary policies. Requirements among the different institutions were generally consistent; however, there were institution-specific requirements due to differences in the populations and facilities.

A motion was made and seconded to approve the following amendments: to amend Section 1 and the material incorporated by reference: (1) to comply with the drafting requirements of KRS Chapter 13A; and (2) for consistency with other departmental policies. Without objection, and with agreement of the agency, the amendments were approved.

TRANSPORTATION CABINET: Department of Vehicle Regulation: Motor Carriers

601 KAR 1:018. Special overweight or overdimensional motor vehicle load permits. Ann D'Angelo, assistant general counsel, and Rick Taylor, deputy commissioner, represented the department.

In response to questions by Co-Chair Harris, Mr. Taylor stated that the fee related to the overweight or overdimensional vehicles transporting aluminum was established, not in this administrative regulation, but in the statute. The department needed to follow up this amendment with another amendment in the future to address HB 184 2017 GA changes to the overweight or overdimensional vehicles transporting metal commodities. This administrative regulation included an amendment to address HB 265 2017 GA, which revised the definition for "nondivisible." This administrative regulation also established provisions for self-propelled specialized mobile equipment, such as self-propelled cranes.

A motion was made and seconded to approve the following amendments: to amend Sections 2, 5, 6, 8, and 15 through 18 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

CABINET FOR HEALTH AND FAMILY SERVICES: Office of the Kentucky Health Benefit and Information Exchange: Kentucky Health Benefit Exchange

900 KAR 10:041. Repeal of 900 KAR 10:040 and 900 KAR 10:050. Chandra Venettozzi, health data administrator, and D. J. Wasson, division director, represented the exchange.

Department for Public Health: Division of Epidemiology and Health Planning: Communicable Diseases

902 KAR 2:060. Immunization schedules for attending child day care centers, certified family child care homes, other licensed facilities which care for children, preschool programs, and public and private primary and secondary schools. Laura Begin, regulation coordinator; Margaret Jones, nurse service administrator; and Hollie Sands, MPG, epidemiologist, represented the department. Brit Anderson, MD, pediatrician; Tracy Kiel-man, director, Kentucky Immunization Coalition; Stephanie Lyndsey, CEO, Signature Healthcare of North Hardin; Michelle Malicote, registered nurse, Madison County School District; Kara Meredith, CEO, Signature Healthcare of North Hardin; Pat Purcell, MD, American Academy of Pediatrics: Kentucky Chapter; Jonathan Sayat, MD, pediatrician; and Patty Swiney, MD, Kentucky Academy of Family Physicians, appeared in support of this administrative regulation. Sheena Burch, citizen; Michelle Cardwell, parent; Erika Calihan, parent; Beth-any Clark, parent; Mary Delodder, parent; Jennifer Evely, parent; Ashley Kennedy, Kentucky Vaccine Rights Coalition; and Sally O'Boyle, parent, appeared in opposition to this administrative regulation.

In response to a question by Co-Chair Harris, Ms. Begin stated this administrative regulation established immunization requirements for school and day care entry. The current version of this administrative regulation required a medical provider's approval for a parent or guardian's religious exemption to immunization. Less than one (1) percent of Kentucky children had a religious exemption; however, it was a serious issue that needed to be addressed. The department received three (3) main complaints that precipitated the proposed amendments to this administrative regulation. The complaints included requiring a medical provider's approval for what should have been the parent or guardian's religious decision. The requirement for a medical provider's approval seemed to exceed KRS 214.036, which required a written, sworn statement of religious objection to immunization. Another complaint regarding the required medical provider's approval was that a co-pay for an appointment was often required to obtain the medical provider's consent. A third complaint was that it was difficult to find a medical provider willing to consent to the religious exemption to immunization. As a result of the complaints, the department formed a work group, consisting of individuals from the Kentucky Immunization Program, the Division of Maternal and Child Health, the Kentucky Department of Education, and school nurses. The work group developed amendments to this administrative regulation over a two (2) to three (3) year period to address complaints related to the religious exemption to immunization. After filing the proposed amendments, the department received 141 public comments. In response to those public comments, the department proposed further amendments to this administrative regulation, which among other changes clarified that the Commonwealth of Kentucky Parent or Guardian's Declination on Religious Grounds to Required Immunizations form may be obtained online, shall be completed in the presence of a notary, and shall be submitted upon enrollment to a school or day care. The revised declination form included a list of each immunization so that a parent or guardian had the option of only declining certain ones and included informed consent (risk of exposure) language about each type of immunization. Confusion regarding the forms was most likely related to the current effective version, versus the proposed version being amended at this Subcommittee meeting. Once the final version became effective, the discrepancies should end, and the form should be easily attainable. The department also received public comments from some physicians who stated that the mandate to use the electronic immunization registry was too burdensome at this time; there-fore, the department further amended this administrative regulation to remove that requirement. There were public comments that it would be difficult to comply with this administrative regulation during the current school year; therefore, the department further amended this administrative regulation to delay the effective date until 2018.

Dr. Purcell stated the American Academy of Pediatrics: Kentucky Chapter strongly supported this administrative regulation. The immunization against meningitis for sixteen (16) year olds was especially important to prepare students for the socialization activities of adolescent high school and college life, such as sports and camping.

In response to questions by Representative Petrie, Ms. Begin stated that the Commonwealth of Kentucky Parent or Guardian's Declination on Religious Grounds to Required Immunizations form was the form incorporated by reference in this administrative regulation for the purpose of declining immunization. KRS 214.036 required a written, sworn statement of religious objection to immunization. KRS 214.036 did not require that the written, sworn statement include language regarding informed consent. The department opted to include that language after the removal of the requirement for a medical provider's approval. The rationale was that the informed consent language would replace information that may have otherwise been provided by a medical provider during the approval process. The department agreed to amend this administrative regulation at this Subcommittee meeting to revise the notary language to include after "sworn to," "or affirmed under oath," in order to provide for individuals who may be morally opposed to swearing an oath. The department preferred a standardized form in order to relieve the administrative burden of different forms of the sworn or affirmed statement. A parent or guardian with a religious objection to immunization was required to submit this form; however, there wasn't language in this administrative regulation that explicitly required a school to accept this form, rather than another written, sworn or affirmed statement.

In response to questions by Ms. O'Boyle, Ms. Begin stated that the sworn statement in the presence of a notary included swearing that the selected information on the form was truthful, not merely notarizing for the purpose of affirming identity of the parent or guardian. The department agreed to amend this administrative regulation at this Subcommittee meeting to revise the notary language to include affirmation, as an option in lieu of swearing.

In response to a question by Senator Clark, Co-Chair Harris stated that Subcommittee Staff indicated that the exemption due to religious objection was the only non-medical option for declining immunization be-cause that was the only reason authorized by KRS 214.036. Senator Clark stated that a parent or guardian should be able to decline for any conscientious objection, not only on religious grounds.

Representative Marzian stated that, as a nurse of thirty-eight (38) years, the matter of immunization was extremely important. When the first polio immunization became available, many families rushed to have the immunization to prevent the serious and potentially deadly disease that was polio. Polio had been nearly eradicated; however, polio was now making a comeback because of immunization exemptions. There had been other incidents of outbreaks. For example, California had recently experienced an outbreak of measles due to immunization exemptions. The religious exemption provided a good balance, but the informed con-sent was an important component of the exemption process. It was also important to remember that all drugs included potential side effects, even an aspirin. Immunizations had been carefully researched and verified.

Co-Chair Harris explained the amendment that had been agreed to by the department. In addition to revision to the sworn oath, as already discussed, the amendment also changed the informed consent language for each immunization type. In lieu of "I have been informed that by not receiving this vaccine, my child will be at increased risk . . .," which may be construed as self-incriminating language, the amended language stated: "I acknowledge that there are increased risks associated if exposed to this disease. Serious symptoms . . ." include . . .

Ms. Calihan stated that, as a mother of three (3) children, it was her responsibility to ensure that her children were cared for in the best way possible. She would not sign the Commonwealth of Kentucky Parent or Guardian's Declination on Religious Grounds to Required Immunizations form, including with the amendments to the form made at this Subcommittee meeting, because the form violated parents' freedom of con-science in that it indicted the parent who signed. God, not the state, established rights. The form compelled self-incrimination by requiring a sworn statement as to the risks of disease exposure, without a similar statement regarding the risks of immunization; therefore, the form was unbalanced. The informed consent language included on the form went above and beyond what was required by KRS 214.036. The form should be amended to either remove the informed consent language altogether or counterbalance language regarding the risks of exposure to disease with language regarding the risk of immunization. An example of language pertaining to the risks associated with immunization, might include for example: "I also understand that by vaccinating my child, I am injecting him or her with known toxins, as well as aborted human DNA, and placing him or her at risk for side effects, such as but not limited to, as stated on the vaccine insert: the disease for which he or she is being vaccinated, encephalitis, allergies, asthma, chronic arthritis, anaphylaxis, Guillain-Barre syndrome, death, etc." While western medicine had made great strides for humanity, our accomplishments had created in us an arrogance. We exempted pharmaceutical companies from lawsuits by children harmed from immunization, which placed an onus on parents to be vigilant regarding immunization. Ms. Calihan asked the Subcommittee not to allow this administrative regulation to trample parents' God-given rights.

Ms. Delodder stated that she agreed with all of the comments made by Ms. Calihan and had additional concerns regarding the Commonwealth of Kentucky Parent or Guardian's Declination on Religious Grounds to Required Immunizations form. The current form was available on the Department of Education's Web site; however, there was also a form on the Cabinet for Health and Family Services Web site. The two (2) forms were very different, and there was confusion among parents, schools, and health departments as to which form to use.

Ms. O'Boyle stated that she agreed with the comments made by Ms. Calihan. KRS 214.036 allowed parents or guardians, based on religious grounds, to decline immunization for children. The statute required only a written, sworn statement, not the informed consent language or even a standardized form. This administrative regulation should not require more than what is required by the authorizing statute. If a form with informed consent was required, it should include language regarding the risks associated with immunization. In response to questions by Ms. O'Boyle, Representative Petrie stated that a notary had at least two (2) possible functions. One (1) function was to verify identity as an official witness. Another function was to administer an oath, which was synonymous with swearing.

Ms. Burch stated that she appreciated the religious exemption to immunization. Informed consent was the cornerstone of healthcare; however, the informed consent language in the form should be more informative and objective and less accusatory and subjective. An example of language pertaining to the risks associated with immunization, might include for example: "I have been informed of the benefits and the serious risks that accompany vaccinations." To truly constitute informed consent, language should be included regarding the risks associated with declining immunization as well as the risks of immunization. The Commonwealth of Kentucky Parent or Guardian's Declination on Religious Grounds to Required Immunizations form should be easily available, and the correct version of the form should be evident to avoid the confusion that has occurred over availability and different versions.

Ms. Clark stated that she could not legally or morally sign the Commonwealth of Kentucky Parent or Guardian's Declination on Religious Grounds to Required Immunizations form, including with the amendments to the form made at this Subcommittee meeting. She was authorized a religious exemption by KRS 214.036; however, this administrative regulation then coerced an agreement to language to which she could not agree.

Ms. Evely stated that she agreed with the comments that had been made by other parents at this Sub-committee meeting. One (1) of her daughters was in the process of overcoming an injury from pediatric immunization, and another daughter was battling leukemia. The informed consent language in the declination form was incriminatory to the parent or guardian and did not include the risks of immunization, which were many. Because of her daughter's leukemia, it was dangerous for either child to receive immunizations of live viruses, and the family opposed immunization on religious grounds.

Ms. Malicote stated that there was a pertussis outbreak in Estill County, which had resulted in several cases in neighboring Madison County. This administrative regulation established the mandatory immunization schedule for school and day care attendance and allowed for religious exemption from immunization. Kentucky was finally following the Centers for Disease Control recommendations for a second meningococcal immunization for sixteen (16) year olds and a hepatitis A immunization. This administrative regulation also established that eventually all providers shall use the Kentucky Immunization Registry. The registry has been an important resource to verify that all students have been immunized. The registry was an important tool for ensuring immunization coverage by consolidating immunization information from multiple providers. Immunization coverage was necessary for protecting children from illness and for healthy communities.

Ms. Cardwell stated that after one (1) of her three (3) children was acutely injured by immunization, she educated herself regarding the related issues. The essential issue was a matter of science. There were numerous peer-reviewed medical journals that raised concerns regarding immunization schedules. In an advanced pharmacology class, Ms. Cardwell learned that each patient should have a medical review to determine appropriate medical decisions and prescriptions. The pharmaceutical industry was exempt from lawsuits regarding immunization. The only other industry with these sorts of exemptions was nuclear waste disposal. Some immunizations contained aborted diploid fetal cells; strains of viruses from monkey renal cells; formaldehyde; polysorbate 80, which crosses the blood – brain barrier and loosens tight junctions allowing viruses to enter; and retroviruses, the long-term effects of which were essentially unknown. After learning of some immunization components, Ms. Cardwell became opposed to some immunizations based on scientific, safety, and religious concerns. Immunizations have been a benefit to humanity, but a one (1) size-fits-all approach did not take into account individual medical situations. The large number of immunizations risked the effectiveness of the immunization system as a whole. The United States was a democracy, not a paternalistic control state. It was important to ensure that democracy through religious rights and the right to bodily integrity in the healthcare system.

Representative Petrie stated that, outside of the argument of whether immunization was beneficial or not, the relevant statues, among other provisions, established that a provider shall not be required to immunize a child if the parent or guardian has a religious objection. KRS 214.036 required only a written, sworn statement of religious objection to immunization. Informed consent was not a component of the authorizing statutes; therefore, this administrative regulation exceeded its statutory authority. A motion was made by Representative Petrie to find this administrative regulation deficient. There being no second to the motion, the motion to find this administrative regulation deficient failed.

Co-Chair Harris stated that Kentucky should be proud to have recognized a religious exemption from immunization. The same principal of parental decision making applied in the case of religious exemption from immunization as it applied to other issues, such as home schooling. This administrative regulation would move on to the second committee, which would most likely be the Interim Joint Committee on Health and Welfare.

A motion was made and seconded to approve the following amendments: (1) to amend Section 8 to up-date the edition date for the Commonwealth of Kentucky Parent or Guardian's Declination on Religious Grounds to Required Immunizations form; and (2) to amend the form to: (a) revise the notary language to include after "sworn to," "or affirmed under oath;" and (b) for each immunization type, in lieu of "I have been in-formed that by not receiving this vaccine, my child will be at increased risk . . .," insert "I acknowledge that there are increased risks associated if exposed to this disease. Serious symptoms . . ." Without objection, and with agreement of the agency, the amendments were approved.

Division of Prevention and Quality Improvement: Programs for the Underserved

902 KAR 21:030. Pediatric Cancer Research and Treatment Grant Program. Laura Begin,

regulation coordinator, and Jamie Bloyd, president, Kentucky Pediatric Cancer Research Trust Fund, represented the division.

In response to a question by Co-Chair Harris, Ms. Bloyd stated that this administrative regulation was the result of efforts that began in the fall of 2014. This administrative regulation was of personal importance to Senator Wise and Ms. Bloyd because both were the parents of sons who survived neuroblastoma. This administrative regulation established the application process for determining fund allocations. The fund raised $13,000 in the first year, which was a small start but the fund had significant plans for the future. It was important in funding the research and treatment of pediatric cancer to establish criteria to ensure purposeful al-location of resources. The fund's criteria was aligned with the State Cancer Action Plan. In Kentucky, approximately 200 children each year were diagnosed with pediatric cancer. Most were male and averaged approximately six (6) years of age at diagnosis. Kentucky had a nationally high incidence of pediatric cancers, especially central nervous system tumors and retinoblastoma. One (1) goal of the fund was to research why Kentucky had such a high incidence of these pediatric cancers. Another goal was to get access for children diagnosed with pediatric cancer to treatment at Children's Oncology Group Hospital because pediatric cancer patients treated in pediatric hospitals tended to have better outcomes than those treated in hospitals that were not specifically equipped to treat children. Governor Bevin, Kentucky's First Lady, Senator Wise, and many others were involved in the important efforts of the fund. The objective of the fund was pediatric cancer re-search and treatment that would be innovative and effective.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 3 through 5 to comply with the drafting and format-ting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Department for Medicaid Services: Division of Policy and Operations: Medicaid Services

907 KAR 1:065. Payments for price-based nursing facility services. Jill Hunter, deputy commissioner; Donna Little, regulatory compliance senior policy advisor; and Steve Miller, commissioner, represented the department.

A motion was made and seconded to approve the following amendments: (1) to amend Sections 1, 4, 6, 7, 8, and 11 to comply with the drafting requirements of KRS Chapter 13A; and (2) to amend Section 5 to establish that a change in designation from: (a) rural to urban shall take effect on July 1, 2017; and (b) urban to rural shall not take effect until July 1, 2018. Without objection, and with agreement of the agency, the amendments were approved.

The following administrative regulations were deferred or removed from the May 11, 2017, Subcommittee agenda:

GENERAL GOVERNMENT CABINET: Board of Pharmacy

201 KAR 2:074. Pharmacy services in hospitals or other organized health care facilities.

Office of Occupations and Professions: Board of Psychology

201 KAR 26:125. Health service provider designation.

201 KAR 26:130. Grievance.

201 KAR 26:140. Procedures for disciplinary hearings.

201 KAR 26:145. Code of conduct.

201 KAR 26:155. Licensed psychologist: application procedures and temporary license.

201 KAR 26:160. Fee schedule.

201 KAR 26:165. Inactive status.

201 KAR 26:171. Requirements for supervision.

201 KAR 26:175. Continuing education.

201 KAR 26:180. Requirements for granting licensure as a psychologist by reciprocity.

201 KAR 26:185. Requirements for granting licensure as a psychologist to an applicant licensed in another state.

201 KAR 26:190. Requirements for supervised professional experience.

201 KAR 26:200. Education requirements for licensure as a psychologist.

201 KAR 26:210. Educational requirements for licensure as a licensed psychological associate.

201 KAR 26:215. Nonresident status.

201 KAR 26:225. Renewal and reinstatement.

201 KAR 26:250. Employment of a psychological associate.

201 KAR 26:280. Licensed psychological associate: application procedures and temporary license.

201 KAR 26:290. Licensed psychological practitioner: application procedures.

Board for Licensing for Marriage and Family Therapists

201 KAR 32:050. Code of ethics.

201 KAR 32:060. Continuing education requirements.

Board of Interpreters for the Deaf and Hard of Hearing

201 KAR 39:001. Definitions for 201 KAR Chapter 39.

201 KAR 39:030. Application; qualifications for licensure; and certification levels.

201 KAR 39:050. Renewal of licenses, extension of temporary licenses and reinstatement.

201 KAR 39:070. Application and qualifications for temporary licensure.

Board of Medical Imaging and Radiation Therapy

201 KAR 46:040. Medical imaging technologist, advanced imaging professional, radiographer, nuclear medicine technologist, and radiation therapist licenses.

201 KAR 46:060. Continuing education requirements.

201 KAR 46:070. Violations and enforcement.

201 KAR 46:090. Complaint process and administrative hearings.

ENERGY AND ENVIRONMENT CABINET: Office of the Secretary: Administration

400 KAR 1:001. Definitions for 400 KAR Chapter 1.

400 KAR 1:031. Repeal of 400 KAR 1:030.

400 KAR 1:090. Administrative hearings practice provisions.

400 KAR 1:100. General administrative hearing practice provisions relating to matters brought under KRS Chapters 146, 149, 151, 223, and 224.

Department of Environmental Protection: Division of Air Quality: Environmental Protection

401 KAR 100:011. Repeal of 100:010.

Department of Natural Resources: Division of Mine Reclamation and Enforcement: Surface Effects of Noncoal Mining

405 KAR 5:095. Administrative hearings, informal settlement conferences, and general practice provisions relating to a mineral operation.

General Provisions

405 KAR 7:092. Administrative hearings and assessment conferences relating to matters brought under KRS Chapter 350 relating to surface coal mining and reclamation operations, and coal exploration operations.

405 KAR 7:093. Repeal of 405 KAR 7:091.

EDUCATION AND WORKFORCE DEVELOPMENT CABINET: Department of Workplace Development: Office of Employment and Training: Unemployment Insurance

787 KAR 1:070. Reasonable time for protesting claim.

The Subcommittee adjourned at 2:30 p.m. until June 13, 2017, at 1 p.m.

PUBLIC PENSION OVERSIGHT BOARD

Minutes of the 5th Meeting
of the 2017 Interim
May 22, 2017

Call to Order and Roll Call

The fifth meeting of the Public Pension Oversight Board was held on Monday, May 22, 2017, at 1:00 PM, in Room 154 of the Capitol

Annex. Senator Joe Bowen, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Joe Bowen, Co-Chair; Representative Brian Linder, Co-Chair; Senators Jimmy Higdon, Christian McDaniel, Gerald A. Neal, Dennis Parrett, and Wil Schroder; Representatives Ken Fleming, James Kay, Jerry T. Miller, Arnold Simpson, and Russell Webber; J. Michael Brown, John Chilton, Timothy Fyffe, Mike Harmon, and Sharon Mattingly.

Guests: Mike Nadol and Sean McNeeley, PFM Group; Adam Reese, PRM Consulting Group; and Representative Derrick Graham.

LRC Staff: Brad Gross, Jennifer Black Hans, Bo Cracraft, Michael Callan, and Peggy Sciantarelli.

The minutes of the April 24, 2017, meeting were approved without objection.

In his opening remarks, Senator Bowen stated that through the work of the Public Pension Oversight Board (PPOB) members and others, it is now understood that many factors contributed to the current critical underfunding of the pension plans. It was primarily the work of PPOB members that led to the 2017 passage of Senate Bill 2—significant accountability and transparency legislation which added investment specialists to pension boards, made reporting requirements uniform and more transparent, made the pension plans subject to the Model Procurement Code, provided for Senate confirmation of board members, and gave the executive and legislative branches a larger role in management and oversight of the pension systems. Creation of the PPOB in 2013 has enabled the legislature to be better informed about the nature and extent of the pension funding crisis, and he looks forward to working with everyone on a longtime solution to the fiscal challenges. Senator Bowen noted that the meeting folders include a Revised Quarterly Investment Performance Update by LRC staff and that the next PPOB meeting is scheduled for June 26, 2017.

Public Pension Performance Audit – Interim Report #2

Mr. Chilton said the Office of the State Budget Director has been working on the audit with the PFM Group for several months. PFM produced Interim Report #1 in late December 2016, relating to transparency and governance. Interim Report #2 ("Historical and Current Assessment") provides historical and current perspectives on the status of the various pension plans. Today's presentation is a summary of the full report, and both will be available on the website of the State Budget Director (http://osbd.ky.gov).

Guest presenters were Mike Nadol, managing director, PFM Group; Sean McNeeley, Senior Managing Consultant, PFM Group; and Adam Reese, a principal with PRM Consulting Group and managing director of PRM's actuarial services division. Their 52-page slide presentation—entitled "Commonwealth of Kentucky Pension Performance and Best Practices Analysis/Interim Report #2: Historical and Current Assessment"—addressed the following major areas: Magnitude of the Challenge, How Did We Get Here, Cash Flows and Solvency Analysis, Benefits Benchmarking, and Investment Analysis. Mr. Nadol said that he and his colleagues are humbled by the importance of the task at hand. They have approached it with seriousness and hope that their work will contribute constructively to positive steps going forward.

Mr. Nadol discussed the magnitude of the challenge. Kentucky's unfunded pension liability is approximately $33 billion under published actuarial rates of return/discount rates. There is an additional $6 billion unfunded health care liability. The unfunded pension liability increases significantly when measured by alternative discount rates. The more conservative asset allocation approach better reflects the condition of the funds. It assumes a 5.1 percent rate for the Kentucky Employees Retirement System (KERS) and 6.0 percent for the other plans and projects the unfunded liability at $42 billion. This is consistent with the direction recently taken by the KRS board to use a more conservative set of assumptions. The Corporate Bond Index discount rate of 3.87 percent for evaluating private sector pension plans would project the unfunded liability as high as $64 billion. Under the 30-year Treasury rate of 2.72 percent, the liability would increase to $84 billion—more than seven times the recent annual General Fund spending. According to Standard & Poor's 2015 comparison of the five states with the worst-funded pension ratios, Kentucky is the least well-funded in terms of the aggregate of state liabilities.

The unfunded liability of Kentucky's two largest state pension systems—KERS-nonhazardous (NH) and Kentucky Teachers' Retirement System (TRS)—has increased dramatically since 2002. Despite increasing state expenditures for these two systems, funded ratios have sharply declined (slide 6). Pension expenditures are growing much faster than revenue and are diminishing the capacity of the state budget to address other needs. A past report by the major rating agency Moody's found that Kentucky's net pension liability was 185 percent of total governmental revenue, compared to a national median of 60 percent. Pension expenditures are also high relative to salaries (slide 8).

Under the June 30, 2016, actuarial assumptions, KERS-NH was projected to decline from a 16 percent funded ratio, even with healthy earnings, high payroll growth, and full required funding. If the previous actuarial assumptions that were in effect prior to the most recent action of the KRS board were met, the plan would be projected to reach only a 28.9 percent funding level in 2033 and would still be one of the worst-funded plans in the nation. Slide 9 illustrates an alternative "level dollar" funding approach, instead of the historical "percent of payroll" approach. This alternative approach would improve the funding level over time but would require higher contributions in the near term. With a level dollar approach the funded ratio is projected to reach 60.7 percent in year 2033.

Slide 10 focuses on general fund budget estimates for the KERS-NH and TRS plans. Under the old actuarial assumptions, there would be steady growth in funding requirements from 2019 to 2033. Progress toward covering the liability would be negative in the first few years and modest in subsequent years. The level dollar approach is somewhat akin to a home mortgage, in that similar amounts would be paid every year. This approach would cost more in the near term; however, assuming other actuarial assumptions are met, the contribution rate would be more stable and would eventually decline as the liability is paid down. Slide 10 also illustrates projected actuarial funding requirements under lower assumed investment rates of return—rates that are consistent with, although not identical to, those recently adopted by the KRS board.

Mr. McNeeley discussed the status of retiree health care. (slides 11 and 12). Kentucky's Other Post-Employment Benefits (OPEB) liabilities are relatively better-funded. The $6 billion unfunded liability is much lower than for pensions. Employees contribute toward future health care benefits, which is not typical. KRS implemented benefit reforms in 2003 and TRS in 2010. Kentucky has done more to fund OPEB than most other states and ranks near the median nationally, according to Standard & Poor's data. Only two states with a higher funding ratio than Kentucky—Ohio and Alaska—also have a higher OPEB liability.

Senator Bowen questioned the rationale for use of the level percentage of payroll funding method. Mr. Nadol said the level percent of payroll funding approach is common. It is a way to spread out costs over time in recognition that payrolls generally rise over time. There is some thought that it provides greater intergenerational equity because employees will be earning more in the future and can contribute more. Slide 16 (Actuarial Backloading Illustrated) illustrates that the level percent of payroll method used by Kentucky's systems assumes funding contributions grow along with payroll. Principal payments are allocated heavily to the end of the amortization period. In the early years of the period, payments may not be large enough to offset interest on the unfunded liability. The KERS-NH amortization period was reset to 30 years in 2013, and the TRS period was reset every year until 2014. When the amortization period is reset, payments do not progress to paying down the unfunded liability. KERS-NH actuarial valuations assumed between 4 percent and 4.5 percent annual payroll growth since 2005, yet covered payroll declined by a compound annual average of 1.1 percent. Negative amortization is the technical term for actuarial backloading.

Representative Miller asked whether a bifurcated funding method would be an option for Kentucky—using the percentage of payroll method for current service and the level dollar method for the historical unfunded liability. Mr. Nadol responded affirmatively. He said that normal cost for current service would typically be expressed as a percent of payroll, with a level dollar approach used for budgeting purposes. Effectiveness of that approach would be a key consideration, given the stressed condition of the systems. Mr. Nadol explained that he is not an actuary but that Mr. Reese is an experienced pension and health care actuary and is providing actuarial expertise and calculations for the audit. Their team has also been working with Cavanaugh Macdonald.

Representative Linder asked about projected funding levels for the next 15 years and beyond, in relation to accrued liability by tier. Mr. McNeeley said the challenge relates more to legacy than to the benefit being provided to Tier 3 employees. Slide 51 shows that as of the most recent valuation, the entire KERS-NH accrued unfunded liability is associated with Tier 1—at 76 percent for retired/inactive employees and 23 percent for Tier 1 active employees. The amortization method projects 100 percent funding by the end of the amortization period. He said that getting to 100 percent funding is somewhat independent of the changing composition between Tiers 1, 2, 3 over time. Tier 3 will help make the accrual of normal cost and additional service cost more manageable.

Responding to Senator Higdon, Mr. Nadol confirmed that when the KRS board recently changed the payroll growth assumption from four percent to zero, that effectively moved the plans to a level dollar approach. From PFM's perspective, it was a prudent move that more realistically funds the plans in line with actual experience. Senator Higdon said that about a year ago KRS actuaries indicated that the unfunded liability was caused by legislative underfunding (20 percent), unfunded COLAs/cost-of-living adjustments (15 percent), faulty assumptions (20 percent), poor investment performance (20 percent), and "other" (25 percent). After multiple inquiries, staff learned that "other" referred to use of a percentage of payroll versus a level dollar funding system. Mr. Nadol said the audit's update of past analyses reveals a similar breakdown. He agreed that the percentage of payroll funding method has been a major factor in the unfunded liability. Senator Higdon complimented committee staff for their efforts in responding to his information requests.

Mr. Nadol discussed components of the $25.3 billion increase in unfunded pension liabilities for all the systems (slide 14 – How Did We Get Here: Summary). Across all state systems the largest cause (25 percent) of the increase was use of the level percentage of payroll funding method ("actuarial back-loading" or "negative amortization"). This was amplified by pay growth assumptions far higher than actual pay increases over the 11-year period since 2005. Changes in actuarial assumptions (22 percent) and the benchmark investment market performance assumption (15 percent) were major factors. Another major cause (15 percent) was employer funding of less than the actuarially recommended rates—an issue for three of the six plans and a major cause of the increase in the KERS-NH plan. Unfunded COLAs was the fifth major cause (9 percent). Investment performance (8 percent) and plan experience (6 percent) also contributed to the increase in pension liabilities. Mr. Nadol said changes that were made to reflect actual investment return led to an increase in reported liability. The majority of investment underperformance has been due to the market as a whole rather than individual performance of the funds. In the earlier years of the review period, some unfunded benefit improvements added to the liability. Plan experience refers to general assumptions such as mortality.

Mr. Reese reviewed slide 15, which charts the dollar amounts of the increase in unfunded pension liability, by contributing factor, for each of the systems from 6/30/2005 to 6/30/2016. Reviewing slides 16-22, he explained the level percent of payroll method (actuarial back-loading). He said that underfunding the ARC was the largest factor in the increase in unfunded liability for KERS-NH. Both CERS plans funded the ARC during that period. The major cause for the increase in those plans was actuarial backloading, or negative amortization. In each of the 11 years, the interest on the unfunded liability for CERS-NH exceeded the ARC amortization payment. Over the period the aggregate amount was $1.3 billion.

For TRS, actuarial back-loading—attributable in part to the open/rolling amortization period that was annually reset until 2014—was the primary factor in the unfunded liability increase. Each year TRS amortization payment amounts have been less than the interest on the unfunded liability. While underfunding of the ARC was a meaningful factor, actuarial back-loading, changes in assumptions, and investment performance compared to the 7.5 percent discount rate were all larger causes of increase in the unfunded liability between 2005 and 2016. Although TRS investment returns have been better than KRS returns, investment performance contributed more to the increase in unfunded liability for TRS in dollar terms than it did for KERS-NH. TRS has a larger asset base; as a result, underperforming the valuation assumption by 1 percent would have a greater dollar impact. Mr. Nadol pointed out that TRS has outperformed the market for much of the time period. However, the market as a whole has performed below the expected TRS actuarial assumptions and assumed investment return rates.

Senator Bowen questioned whether Kentucky's response to the worsening unfunded liability has been slow. Mr. Nadol said the audit has focused on what to do going forward. A lot of market observers and systems have been rethinking their approach and heightening their scrutiny. The rating agencies have adopted more intensive methodologies for reviewing pension liability. Governmental Accounting Standards Board (GASB) rules have been revised, and many systems have been revising their actuarial assumptions. If judged slow to react, Kentucky would not be alone.

Senator McDaniel said that slide 15 indicates that TRS funded less than the ARC. It is his understanding that the General Assembly has a statutory obligation to the ARC for all systems except TRS, which is governed by a strict percentage of payroll contribution. He feels it is important to note the distinction that the statutory obligation to TRS is to a particular percentage, since this would be reflective of TRS board structure and initial founding.

Senator McDaniel said the current funding situation has resulted from decisions made at every level, especially by poor performance of the actuaries, in his opinion. Mr. Reese said that the audit recommends the establishment of best practices. The recommendations of actuaries need to meet certain standards of practice, and boards may or may not accept the recommendations.

Discussion followed regarding the meaning of "interest on the unfunded liability." Senator McDaniel said he prefers to call it "discounted rate of return," and Mr. Reese agreed that the terms are interchangeable.

Senator Higdon asked how increased benefit factors for KERS-NH affected the liability. Mr. Reese said that those updated multipliers were in effect prior to the period covered by the audit. The only benefit change occurring during the review period is the COLA. If the review had looked as far back as 20 years, an additional component would have been included for plan changes.

Representative Linder asked how much emphasis should be put on investment performance during the past 10 years, in view of the 2008 great recession. Referring to slide 33, Mr. Reese said they were concerned about the limited look-back period of 11 years relative to market performance. That is why they included a distinction between how investment return compared to market and how the market compared to a much longer term. Slide 33 illustrates how market downturns would increase TRS future funding requirements. Mr. Nadol said that, hopefully, the 2008 recession was an outlier, but the systems need to be mindful of risk exposure. Recovery has been tepid during many of the years since the great recession, and capital market projections for investment return are lower than most mainstream projections. Professional forecasts for the next decade are relatively modest.

Mr. McNeeley reviewed Cash Flows and Solvency Analysis (slides 24-33). From FY 2006 to FY 2016, KERS-NH had a negative cash flow of $4.2 billion, and TRS had a negative cash flow of $2.2 billion. (Cash flows excludes investment earnings.) The extent and severity of cash flow is a concern. Only the County Employees Retirement System-hazardous (CERS-H) plan had positive cash flow. Over the time period KERS-NH and TRS had to routinely liquidate assets in order to pay benefits. KERS-NH and the State Police Retirement System (SPRS) had a decline in net position (net assets) during the time period. Although the net position of TRS and CERS-NH increased in total, each had declines in net assets in five of the years. The increases in net position for KERS-H, CERS-NH, CERS-H, and TRS were significantly smaller than the offsetting increases in liabilities.

Based on the June 30, 2016, valuation and assumptions, KERS-NH is projected to continue to have negative cash flows until benefit payments begin to level off as the amortization schedule continues to increase. TRS is also projected to experience negative annual cash flows based on the assumptions, contribution requirements, and amortization schedule of the June 30, 2016, valuation. It is not uncommon for a mature system with a high retiree/active ratio to operate with negative cash flows and rely on investment earnings to offset changes in net position. The National Association of State Retirement Administrators (NASRA) has commented that investment earnings will be the largest source of revenues or inflows to a retirement system over its life cycle. The recurring negative cash flows of the magnitude projected for TRS indicate the level of risk and stress associated with a plan that is 55 percent funded. The negative cash flow would be greater in years where the earnings assumption is not met, payroll growth is lower than assumed, and authorized funding levels are lower than the actuarially determined contribution (ADC).

Mr. McNeeley said that public plans continue to use the expected long-term rate of return on investments when discounting the value of future benefit payments to a present value liability figure (the discount rate). The size of the liability and annual funding requirement are therefore sensitive to the discount rate and other actuarial and economic assumptions. Private plans subject to the federal Employee Retirement Income Security Act (ERISA) typically discount liabilities for both reporting and funding purposes, based on high-quality corporate bond rates like the Corporate Bond Index. The practice in public plans is to continue to use the earnings rate for funding purposes. For reporting purposes, GASB statements 67 and 68—recently implemented by state and local pension plans and plan sponsors—adopt a hybrid of the traditional earnings-based assumption and bond-based assumption. The FY 2015 and FY 2016 TRS and Judicial Form Retirement System (JFRS) reports used such a blended rate.

KRS is revising its asset allocation approach to reflect the varying degrees of stress and diminished assets of the plans. The audit report includes alternate return assumptions for a 10-year investment horizon and two levels of increased liquidity positions generally consistent with updated KRS policy. Under these assumptions, expected return for the most stressed systems is 5.1 percent and 6.0 percent for the less stressed systems. These assumptions were based on PFM Asset Management's expected 10-year return for a portfolio with increased allocation to short-term bonds and cash. These rates also apply to TRS and JFRS.

The KERS-NH and TRS plans were tested under several alternate assumptions and scenarios to identify whether the plans would be projected to remain solvent. The additional amounts appropriated for KERS-NH have had a significant benefit. If future funding of KERS-NH reverted to the prior pre-FY 2016 pattern of funding roughly 60 percent of the ARC, assuming zero percent payroll growth, the plan is projected to become insolvent within four years, even with 7.5 percent investment return.

The amounts appropriated in the FY 2017-2018 budget were significantly higher than the ADC. If these amounts are maintained and the revised asset allocation or corporate bond index rates are achieved every year on average, the plan is projected to remain solvent, even with zero percent payroll growth. Other alternate scenarios project insolvency for KERS-NH in FY 2022, FY 2028, FY2033, or FY 2037. Mr. Chilton explained that insolvency is defined as entire depletion of assets.

Mr. McNeeley said that TRS is more stable but also pressured. If the recommended employer contribution levels are fully achieved in FY 2019 and thereafter—which would be the first time since FY 2004—and assets earn the revised asset allocation return of 6.0 percent per year, the plan is projected to remain solvent. It could become insolvent if the employer contribution reverts to pre-FY 2017 levels. The plan is also projected to become insolvent if the average of the FY 2016-18 budgeted amounts is maintained in future years and payroll growth is initially a reduced 1 percent to 2.5 percent per year. If assets earn the revised asset allocation return of 6.0 percent per year, insolvency is estimated to occur in FY 2044; insolvency is estimated to occur in FY 2036 if the plan earns the Corporate Bond Index rate.

In addition to the solvency analysis, the audit has modeled the impact of an immediate economic downturn on the ADC funding requirement. Market downturns would increase future funding requirements. The asset base of KERS-NH is now so low that deviations would not have a large, short-term impact on contribution requirements or solvency. A market return of one standard deviation lower than the return assumption for TRS would raise the ADC by $104 million, a 9 percent increase, after smoothing the losses.

Senator Bowen asked about sensitivity studies and whether it would be beneficial to do experience studies more often than every five years. Mr. Reese said that five-year experience studies are in line with most states and provide more reliability for resetting future assumptions. Sensitivity analysis is helpful to gauge which assumptions are most important and ensure that the decision makers have full awareness of those assumptions.

When Senator Parrett asked about the potential effect of another great recession, Mr. Reese said that would be a rare event. With a minus 28-30 percent return, the insolvency horizon would be foreshortened by several years. Mr. Nadol said a one-time quick fix cannot solve all of the challenges. What is needed is a long-term commitment to make structural adjustments to support the plans.

Mr. Nadol discussed benefits benchmarking. He said traditional defined benefit pensions are increasingly rare in the private sector, where a 401k style approach is most prevalent. The Commonwealth has made significant strides toward making retiree health care more affordable, but that is a benefit hardly seen now in private industry. A recent third-party study found that, for comparable positions, state employees in Kentucky have somewhat lower wages than their private sector counterparts within the state but, because of the cost of benefits, have a higher overall total compensation cost. That is problematic. As pension contribution requirements continue to rise and erode available resources for wage increases, state and local governments will become less competitive. Retirement benefits matter, of course, but when trying to get the best talent to meet the Commonwealth's needs, salaries get more attention than retirement benefits for most entrants into the work force. Growth in benefit costs squeezes out not only resources that serve the public but also resources to develop and offer competitive pay packages for state and local government workers.

Mr. Nadol said that the full report includes extensive benefit benchmarking information. The report includes information on past and current benefit provisions for the Kentucky systems, detailed in Appendix A. For comparison, it also includes information for 20 other state systems for civilians, state police, teachers, and judges. This detailed information is contained in Appendix B. The 20 states include those contiguous to Kentucky, other states where teachers are not in the Social Security system, and other regional competitors or states with relevant benefit provisions. Slide 37 summarizes plan structures. State civilian plans in the 20 other states include 15 defined benefit (DB) plans for new hires, four hybrid DB/defined contribution (DC) plans, and one DC plan. The KERS-NH employee contribution is at the median for the plans reviewed. The review reflects a trend toward cost containment. There is still a prevalence of defined benefit plans for general state worker plans but also a trend to restructure those to greater affordability and sustainability, with movement more toward hybrid or even defined contribution approaches. State teacher plans in the states that were studied include 17 DB plans for new hires and three hybrid DB/DC plans. The TRS employee contribution is below the median for the plans in states where teachers are not enrolled in Social Security. TRS also has one of the earliest retirement ages observed in the benchmark review.

Mr. Reese reviewed the value of KRS and TRS retiree benefits, compared with those of seven other states—Illinois, Indiana, Missouri, Ohio, Tennessee, Virginia, and West Virginia (slides 38-42). The KERS-NH Tier 3 cash balance plan continues to provide a competitive benefit that is in line with the comparative states. The KERS-NH Tier 1 plan accounts for most of the unfunded liability. Current employees in that plan receive an above-average benefit and favorable retirement eligibility. They are eligible to retire at age 55 with 27 years of service. In many states the benefits would be materially reduced for retiring that early. Retiree benefits in the KRS plans have a higher value than the benefits offered by most of Kentucky's largest private sector employers. Compared to the other states, the TRS plan provides an above-average benefit, particularly through the employee contribution—which is below average—and the relatively generous retirement eligibility provisions. Kentucky teachers may retire at any age with 27 years of service, at age 60 with five years, and at age 55 with 5-10 years (depending on the date of hire). The Illinois and Ohio plans do not even offer an unreduced benefit for retirement at age 62 with 30 years of service. A comparison of Kentucky with 13 other states shows that Kentucky teachers earn full benefits early. If hired at age 22 they can retire with an unreduced benefit at age 49; if hired at age 27, they can retire at age 54. This is well below the average of the states reviewed.

Mr. Nadol discussed investment analysis. He said KRS investment performance has lagged not only in the investment return assumptions but because of market performance as a whole. Allocations to asset categories has led to underperformance as well as overall benchmark performance. As indicated on slide 44, KRS total performance falls in the bottom quartile for all trailing periods provided and significantly lags the investment return assumption. Performance at the asset class level has generally been in line with the relevant index for longer periods (10+ years), with the exception of real estate, indicating that asset allocation rather than manager selection has been the primary detractor of performance. (A detailed analysis of the investment allocation, performance, and risk profile of each of the Commonwealth's retirement systems is included in the Appendix to full Report 2.) He remarked that turnover in KRS investment leadership has been a factor, but his team has observed that the new investment committee members are thoughtful and knowledgeable and laser-focused on the issues.

Mr. Nadol said the TRS pension fund underperformed relative to market from a longer term perspective, but over the past decade TRS has been a top quartile performer relative to market. The system has not met actuarial assumptions because the market has not generated returns as strong as were seen in the actuarial evaluation. Since adopting a more flexible approach to investment categories, including international equities, TRS has done well and hopefully will continue to do so. The plan has become more aggressive, with increasing levels of risk over time. From this perspective the last decade has been very positive.

Concluding the presentation, Mr. Nadol said that as work is underway to develop options and recommendations for Report #3, it is important to note the difficult reality that the majority of accrued liability in the largest systems is associated with members who are already retired or inactive (slide 51). Past reforms so far have only addressed a small percentage of the total challenge. Report #3 will present ideas and alternatives for improving the long-term security, sustainability, and affordability of Kentucky's retiree benefit programs.

Mr. Nadol said they welcome input from everyone involved and are hopeful to learn from and incorporate the best ideas to help make their work better and more useful. Areas to be addressed include actuarial method and assumptions, investment practices and approach, benefit levels and risk exposure, and funding policy. In closing he stated that it has become clear that the status quo is not sustainable.

Representative Kay expressed concern about the high fees that have been charged by investment managers and asked whether those fees are considered when determining investment return. Mr. Nadol said that the full Report #2 includes some analysis of fees, and they are also addressed to some degree in Report #1. In percentage terms, fees are not a big driver in the underfunding. Of course, it is important to be mindful of those dollars, especially when considering the current condition of the funds.

Senator McDaniel spoke about the enormity of the problem and said that whatever has to be done will be difficult and will require action at every level. He thanked the speakers for a good report, their guidance, and their contribution to today's meeting.

Senator Schroder said today's presentation has been helpful. He asked for an opinion about TRS investment levels in international equity and fixed income (slide 48). Mr. Nadol said he believes the 19 percent increase in international equity is relatively consistent with the national median, but he is not comfortable discussing specifics regarding the quoted percentages. They were compiled by the registered investment advisers, but he would be happy to follow up with anyone who has questions about details of the investment analysis.

Representative Miller said it appears to him from slides 9 and 10 that the difference between the level dollar and percentage of payroll funding methods would require generation of an additional $700 million per year for the foreseeable future. Mr. Chilton said he believes that amount is in the "ballpark" of the increase that would be needed in the General Fund.

Responding to Ms. Mattingly, Mr. Nadol clarified how the negative numbers in the tables for KERS-NH relate to the assumptions revised recently by the KRS board and those that were quantified under the old assumptions.

Responding to questions from Representative Fleming about factors affecting poor investment performance by KRS, Mr. Nadol said that changes in leadership and investment staff led to shifts in the approach to investment allocation. Turnover and transition and lack of a consistent investment philosophy had eroded overall performance. It is the observation of his team and their colleagues with investment expertise that the addition to the investment committee of individuals with significant financial and investment experience has been a positive step. Also, elements of enacted 2017 legislation have provided for better oversight and more transparency.

Senator Bowen thanked the speakers for an excellent and informative report. He said that often the legislature has taken the brunt of the blame but had to act on the information that was available. It is time to move beyond toward resolution, and he invited input from PPOB's constituents and those in attendance. Hopefully, Report #3 will be presented at the June meeting, since PPOB typically does not meet in July. Mr. Chilton said they will target the June 26 date. They are currently working with calculations provided by Cavanaugh Macdonald regarding the potential effect of future changes to the benefits, both prospectively and retrospectively. It is also important to get feedback and input from all stakeholders, including employees and pensioners.

Mr. Chilton said that last week the KRS board did not make any decision regarding CERS assumptions. He understands that TRS will consider assumptions at the August board meeting. He is not aware of any consideration that the other two systems might undertake. The focus of the KRS board last week was primarily on KERS. The context of the discussion today has been somewhat different, since the focus was on all the systems. He pointed out that the percent of payroll funding method is required in statute, and changing to a level dollar calculation would require statutory change. He thanked PPOB members for hearing the report and stated that there is no happy way to solve the problem. It will be painful for everyone; therefore it is necessary to be thoughtful in suggesting the way forward.

Business concluded and the meeting was adjourned at 3:41 p.m.

GOVERNMENT CONTRACT REVIEW COMMITTEE

Committee Minutes
June 13, 2017

Call to Order and Roll Call

The Government Contract Review Committee met on Tuesday, June 13, 2017, at 1:00 PM, in Room 131 of the Capitol Annex. Representative Lee, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Stan Lee, Co-Chair; Senator Max Wise, Co-Chair; Julian M. Carroll, and Paul Hornback; Representatives Dennis Horlander, and Diane St. Onge.

Guests: Scott Brinkman, Adria Johnson, Stacy Phillips, Stephanie Craycraft, Stacy Cain, Amy Pastramo, Doug LeFevers, David Gordon, Roger Duvall, Jackie Cecil, Brenda Nolan, Charlie Harman, Brigette Stacy, Bill Harris, and Bill Thro.

LRC Staff: Kim Eisner, Jarrod Schmidt, and Kim Smith.

A motion was made by Senator Wise to approve Minutes of the May 2017, meeting of the committee. Representative St. Onge seconded the motion, which passed without objection.

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

A motion was made by Senator Hornback 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 Wise seconded the motion, which passed without objection.

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

A motion was made by Senator Hornback 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 Wise seconded the motion, which passed without objection.

A motion was made by Senator Hornback to consider as reviewed the Film Tax Incentive List, with exception of those items selected for further review by members of the committee. Senator Wise seconded the motion, which passed without objection.

A motion was made by Senator Hornback to consider as reviewed the Film Tax Incentive Amendment List, with exception of those items selected for further review by members of the committee. Senator Wise seconded the motion, which passed without objection.

A motion was made by Senator Hornback to consider as reviewed the Correction List. Senator Wise seconded the motion, which passed without objection.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS

Landrum and Shouse, 1700002671.

AUDITOR OF PUBLIC ACCOUNTS, OFFICE OF THE

York, Neel & Associates, LLP, 1700001792; Dean, Dorton, Allen, Ford, PLLC, 1700001943.

DEPARTMENT OF INSURANCE

Dinsmore & Shohl, LLP, 1700001319.

DEPARTMENT OF WORKPLACE STANDARDS

Department of Corrections, 1700002100; Amteck, LLC, 1700002101; Interapt, LLC, 1700002102.

EASTERN KENTUCKY UNIVERSITY

Earl Alexander, 18-116; Mark French - Freelance Art Direction & Graphic Design, 18-137; BaldBaldwin Creative and Company, LLC d/b/a B63, 18-138; Multi, 18-147; Multi, 18-149; Multi, 18-150; Multi, 18-151; Multi, 18-153; Multi, 18-154; Multi, 18-155; Multi, 18-157; Multi, 18-158.

EDUCATION, DEPARTMENT OF

TCB Consulting, LLC, 1700002283.

EDUCATIONAL TELEVISION, KENTUCKY

Carla Gover Barnett, 1700002111.

GOVERNOR, OFFICE OF THE

Wyatt, Tarrant & Combs, LLP, 1700002263.

INFRASTRUCTURE AUTHORITY

Blue & County, LLC, 1700002107.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM

Franklin Covey Client Sales, Inc., 701; Horizon Group International, 702.

KENTUCKY HOUSING CORPORATION

Hanna Resource Group, 2018-36; Goldberg Simpson, LLC, 2018-37; Stierle and Rettig, PLLC, 2018-38; Septtimous Taylor, PSC, 2018-39; McBrayer, McGinnis, Leslie & Kirkland, PLLC, 2018-40.

KENTUCKY LOTTERY CORPORATION

PDT Communications, Ltd., 18-10-027; Software Information Systems, LLC, 18-10-053; Gaming Laboratories International, LLC, 18-14-035; Clark Schaefer Consulting, Inc., 18-15-041; Microsoft Corporation, 18-17-003.

MOREHEAD STATE UNIVERSITY

Brailsford & Dunlavey, Inc., 17-053; Dr. Brenda Wilburn, 18-001; Dean Dorton Allen Ford, PLLC, 18-004.

NURSING, BOARD OF

Landrum and Shouse, 1700002146.

OFFICE OF INSPECTOR GENERAL

Betty J. Branham, 1700001626.

PERSONNEL-OFFICE OF THE SECRETARY

Reed, Weitkamp, Schell & Vice, LLC, 1700001563.

POST SECONDARY EDUCATION, COUNCIL ON

Blue & County, LLC, 1700001711.

STATE POLICE, DEPARTMENT OF

Terry Alexander, 1700002147; Johnny P. Begley, 1700002148; Donald R. Bowman Jr., 1700002149; Gregory L. Dukes, 1700002153; Kelley Farris, 1700002155; Kevin B. Guier, 1700002156; James Goble, 1700002157; Billy P. Hall, 1700002159; Isaiah Hill, 1700002161; Darrell Hutchison, 1700002162; Dwayne Ison, 1700002163; David R. James, 1700002164; Joseph R. Johnson, 1700002166; Bruce Kelley, 1700002167; Jerry M. Knight II, 1700002169; David Lassiter, 1700002170; Ronald E. Long II, 1700002172; Steven Todd Maggard, 1700002173; James A. Mitchell, 1700002174; Roy Pace Jr., 1700002176; Donald L. Perry, 1700002177; John L. Pratt, 1700002179; Michael Ray, 1700002180; Jack Riley, 1700002181; Millard R. Root III, 1700002183; Trevor A. Scott, 1700002184; Todd C. Simon, 1700002185; Harry J. Sowders, 1700002186; Steve Thomas, 1700002188; James Don Trosper, 1700002189; Steven Walker, 1700002190; Michael A. Wolfe, 1700002191; Robert Curtis Mouser, 1700002193; Thomas R. Walsh, 1700002196; Stuart Recke, 1700002198; Kevin Rogers, 1700002199.

TRANSPORTATION CABINET

Michael Baker International, Inc., 1700001989; Neel Schaffer, Inc., 1700001990; Aecom Technical Services, Inc., 1700002293; Burgess and Niple, Inc., 1700002659.

UNIVERSITY OF KENTUCKY

CMTA, Inc., A171140; Bell Engineering, A171190; VisionPoint Media, Inc. d/b/a VisionPoint Marketing, K17-243; APAX Software, K17-244; Dixon Hughes Goodman, LLP, K17-245; Trifecta Media, LLC, K17-246; Wyatt, Tarrant & Combs, LLC, K18-101; Sturgill, Turner, Barker & Moloney, PLLC, K18-102; Stites & Harbison, PLLC, K18-103; Kriz, Jenkins, Prewitt & Jones, K18-104; Stidham & Associates, K18-105; Stoll Keenon Ogden, K18-107; Steptoe & Johnson, PLLC, K18-108; Berkeley Research Group, K18-109; Jeffries & Corigliano, LLP, K18-110; Nichols Walter, PLLC, K18-111.

VETERANS AFFAIRS, DEPARTMENT OF

Symphony Diagnostics Services No.1, LLC, 1600001368-1.

WESTERN KENTUCKY UNIVERSITY

Multi, 171802; Community Action of Southern Kentucky, Inc., 171803.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

ALCOHOL AND DRUG COUNSELORS, BOARD OF CERTIFICATION OF

Marisa Neal, 1600003514.

ATTORNEY GENERAL, OFFICE OF THE

Tichenor and Associates, 1700001046.

AUDITOR OF PUBLIC ACCOUNTS, OFFICE OF THE

Teddy Michael Prater CPA, PLLC, 1600003522; RFH, PLLC, 1700000694; Tichenor and Associates, 1700000695.

DEPARTMENT FOR COMMUNITY BASED SERVICES

Dana N. Christensen, 1700001478.

DEPARTMENT FOR INCOME SUPPORT

Multi, 1600002427.

DEPARTMENT FOR MEDICAID SERVICES

Milliman, Inc., 1700001102.

DEPARTMENT FOR PUBLIC HEALTH

Multi, 1600002667; Multi, 1600002737; Thomas Joseph Hickey, 1700000375.

EDUCATION, DEPARTMENT OF

John Thompson, 1600001317; JKM Training, Inc., 1600001569; Gail P. Binder, 1600001585; John Ellis, 1600002307; ACT, 1600002317.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING

Beaver Creek Hydrology, LLC, 1000000143; Stantec Consulting Services, Inc., 1400000625; EOP Architects, PSC, 1400000675; Sherman Carter Barnhart, 1500001025; Omni Architects, 1500001238; Bender Associates Architects, 1500001577; CMTA, Inc., 1500002374; Omni Architects, C-05256615.

JUVENILE JUSTICE, DEPARTMENT OF

G4s Youth Services, LLC, 1600003266.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM

Sierra-Cedar Inc., 686; Summit 7 Systems, Inc., 687; eBusiness Advantage, Inc., 689.

KENTUCKY HOUSING CORPORATION

Stierle and Rettig, PLLC, Stierle FY2017:7.

KENTUCKY STATE UNIVERSITY

Johnson Bearse, LLP, 17-02.

MOREHEAD STATE UNIVERSITY

Dr. Brenda Wilburn, 17-011.

NORTHERN KENTUCKY UNIVERSITY

Walter DeSocio, 2017-170.

TRANSPORTATION CABINET

GRW Engineers, Inc., 0800007043; CDP Engineers, Inc., 1400002855; Strand Associates, Inc., 1500001578; St. Elizabeth Business Health, 1600002772; Logan & Gaines, PLLC, 1600003725; Tooms, Dunaway & Webster, PLLC, 1700001152.

UNIVERSITY OF KENTUCKY

Staggs & Fisher Engineers, A161070; Sherman Carter Barnhart, A161180; Ross Tarrant Architects, Inc., A171130; Commonwealth Economic Partners, K17-129; McMasters Keith Butler, Inc., K17-170; Benson Law Offices, K17-174; Reminger Co. LPA, K17-175; The Sanchez Law Firm, P.C., K17-176; Dinsmore & Shohl, K17-179; Fulkerson, Kinkel & Marrs, K17-180; Walther, Gay & Mack, PLC, K17-181.

UNIVERSITY OF LOUISVILLE

Aon, 17-005; Pence & Ogburn, PLLC, 17-032.

WESTERN KENTUCKY UNIVERSITY

Thompson & Associates, 161716.

WORKFORCE INVESTMENT, OFFICE OF

Maher & Maher, 1600002624; John Christopher Ingram, 1700001710.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE REVIEWED WITHOUT OBJECTION:

AGRICULTURE, DEPARTMENT OF

Kentucky Association of Food Banks, Inc., 1700001942.

CABINET FOR HEALTH AND FAMILY SERVICES

Office of Procurement Services, 1700001928.

CORRECTIONS, DEPARTMENT OF

Breckinridge County Jail, 1700001344; Christian County Jail, 1700001348; Daviess County Detention Center, 1700001349; Fulton County Jail, 1700001350; Grayson County Jailer, 1700001352; Henderson County Jail, 1700001354; Marion County Jail, 1700001357; Pike County Detention Center, 1700001359; Shelby County Detention Center, 1700001456; Three Forks Regional Jail, 1700001457; Hardin County Jail, 1700001458; Fayette County Detention Center, 1700001461; Kenton County Detention Center, 1700001462; Laurel County Jail, 1700001466; Montgomery County Jail, 1700001467; Boyd County Detention Center, 1700001788; Oldham County Public Library, 1700001988; Kenton County Jail, 1700001999; Marion County Jail, 1700002007.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION

Sanitation District 1, 1700001586; Oldham County Fiscal Court, 1700001832.

DEPARTMENT FOR FAMILY RESOURCE CENTERS & VOLUNTEER SERVICES

Multi, 1700001830.

EDUCATION PROFESSIONAL STANDARDS BOARD

Washington County Board of Education, 1700001890.

EDUCATION, DEPARTMENT OF

Breathitt County Board of Education, 1700001592; Hart County Board of Education, 1700001596; Kentucky Valley Education, 1700001598; Glasgow Board of Education, 1700001599; Kentucky Valley Education, 1700001600; Green County Board of Education, 1700001603; Knox County Board of Education, 1700001605; Henderson County Board of Education, 1700001606; Leslie County Board of Education, 1700001607; Carter County Board of Education, 1700001610; Leslie County Board of Education, 1700001615; Scott County Board of Education, 1700001616; Hopkins County Board of Education, 1700001618; Ft. Thomas Independent Board of Education, 1700001619; Pulaski County Board of Education, 1700001621; Madison County Board of Education, 1700001622; Woodford County Board of Education, 1700001628; Newport Independent Board of Education, 1700001629; Spencer County Board of Education, 1700001630; Corbin Independent Board of Education, 1700001631; Hopkins County Board of Education, 1700001632; Clay County Board of Education, 1700001635; Pike County Board of Education, 1700001638; Montgomery County Board of Education, 1700001640; Owensboro Independent Board of Education, 1700001642; Christian County Board of Education, 1700001646; Montgomery County Board of Education, 1700001647; Trigg County Board of Education, 1700001654; Ohio Valley Education Cooperative, 1700001655; Pulaski County Board of Education, 1700001656; Scott County Board of Education, 1700001662; Madison County Board of Education, 1700001665; Lincoln County Board of Education, 1700001666; Anderson County Board of Education, 1700001730; Dayton Independent Schools, 1700001734; Adair County Board of Education, 1700001738; Monroe County Board of Education, 1700001739; Henderson County Board of Education, 1700001740; Hopkins County Board of Education, 1700001741; Madison County Board of Education, 1700001742; Science Hill Independent School, 1700001743; Boyle County Board of Education, 1700001744; Fayette County Board of Education, 1700001745; Kentucky Valley Education, 1700001747; Department of Agriculture, 1700001748; Franklin County Board of Education, 1700001749; Fayette County Board of Education, 1700001751; Scott County Board of Education, 1700001754; Owen County Board of Education, 1700001755; Fayette County Board of Education, 1700001756; Franklin County Board of Education, 1700001760; Estill County Board of Education, 1700001765; Hopkins County Board of Education, 1700001766; Newport Independent Board of Education, 1700001770; Scott County Board of Education, 1700001821; Bath County Board of Education, 1700001823; Scott County Board of Education, 1700001825; University of Kentucky Research Foundation, 1700001850; University of Kentucky Research Foundation, 1700001910; Madison County Board of Education, 1700002178.

JUVENILE JUSTICE, DEPARTMENT OF

Eastern Kentucky University, 1700001970; Eastern Kentucky University, 1700002136.

KENTUCKY HOUSING CORPORATION

University of Kentucky Research Foundation, KHC-MOU.

KENTUCKY RIVER AUTHORITY

US Department of Interior Geological Survey, 1700002420; University of Kentucky Research Foundation, 1700002432.

LIBRARIES & ARCHIVES, DEPARTMENT FOR

Elliott County Fiscal Court, 1700001445; Lee County Public Library, 1700001481; Corbin Public Library, 1700001800; Henry County Public Library, 1700001804; Louisville Free Public Library, 1700001807; Larue County Public Library, 1700001810; Madison County Public Library, 1700001811; William B. Harlan Memorial Library, 1700001816; Russell County Public Library, 1700001817.

MEDICAL LICENSURE, BOARD OF

Kentucky Physicians Health Foundation, Inc., 1700001735.

MILITARY AFFAIRS, DEPARTMENT OF

Kentucky Division of Water, 1700001419.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT

Knox County Fiscal Court, 1700001960; City of Morehead, 1700001968; City of Guthrie, 1700001996; Muhlenberg County Fiscal Court, 1700002109; City of Prestonsburg, 1700002141; City of Gamaliel, 1700002375; Todd County Fiscal Court, 1700002444.

PARKS, DEPARTMENT OF

Breaks Interstate Parks Commission, 1700001435.

TRANSPORTATION CABINET

Kentucky Transportation Center, 1700001672; Elizabethtown Community and Technical College, 1700001675; National Institute of Governmental Purchasing, Inc., 1700001794.

WORKFORCE INVESTMENT, OFFICE OF

UK Research Foundation, 1700001793.

THE FOLLOWING MEMORANDA OF AGREEMENT AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS

Adanta Group, 1600003933; Cumberland River Behavioral Health, Inc., 1600003939; Four Rivers Behavioral Health Corporate Office, 1600003940.

AGRICULTURE, DEPARTMENT OF

Multi, 1700001659; Multi, 1700001857.

COMMISSION FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS

Home of the Innocents, 1600002018; River Valley Behavioral Health, 1600002109.

DEPARTMENT FOR AGING & INDEPENDENT LIVING

NKCES, 1600001933.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES

University of Kentucky, 1600001658;

Chrysalis House, Inc., 1700000516; Transitions, Inc., 1700000517; Lifeskills Industries, 1700000520; Seven Counties Services, Inc., 1700000521.

DEPARTMENT FOR COMMUNITY BASED SERVICES

Audubon Area Community Services, 1600001911; Big Sandy Area Development District, 1600001912; Central Kentucky CAC, Inc., 1600001913; Home of the Innocents, 1600001922; Kentucky Association of Child Advocacy Centers, 1700001567.

DEPARTMENT FOR FAMILY RESOURCE CENTERS & VOLUNTEER SERVICES

Northern Kentucky Cooperative for Educational Services, Inc., 1600002777; Multi, 1700000014.

DEPARTMENT FOR MEDICAID SERVICES

Kentucky Board of Nursing, 1600000319; Multi, 1600000320; Department of Education, 1600000322.

DEPARTMENT FOR PUBLIC HEALTH

Kentucky Pharmacy Education and Research Foundation, Inc., 1600002278.

EDUCATION, DEPARTMENT OF

Ballard County Board of Education, 1600002825; Bourbon County Board of Education, 1600002836; Boyd County Board of Education, 1600002839; Boys and Girls Club, Inc., 1600002843; Breathitt County Board of Education, 1600002847; Burgin Board of Education, 1600002848; Russell County Board of Education, 1600002853; Fulton Independent Board of Education, 1600002856; Knott County Board of Education, 1600002859; Paducah Independent Board of Education, 1600002861; Todd County Board of Education, 1600002862; Wolfe County Board of Education, 1600002864; Christian County Board of Education, 1600002865; Hickman County Board of Education, 1600002866; Metcalf County Board of Education, 1600002867; Nicholas County Board of Education, 1600002868; Taylor County Board of Education, 1600002870; Campbellsville Independent Board of Education, 1600002871; Eminence Independent Board of Education, 1600002872; Floyd County Board of Education, 1600002874; Somerset Independent Somerset School District, 1600002877; Lighthouse Promise, Inc., 1600002881; Bullitt County Board of Education, 1600002883; Campbell County Board of Education, 1600002884; Casey County Board of Education, 1600002887; Clinton County Board of Education, 1600002888; Corbin Independent Board of Education, 1600002890; Covington Independent Board of Education, 1600002891; Cumberland County Board of Education, 1600002893; Fayette County Board of Education, 1600002895; Glasgow Board of Education, 1600002897; Greenup County Board of Education, 1600002901; Henderson County Board of Education, 1600002902; Letcher County Board of Education, 1600002904; Lincoln County Board of Education, 1600002905; Livingston County Board of Education, 1600002906; McCracken County Board of Education, 1600002908; Monroe County Board of Education, 1600002909; Newport Independent Board of Education, 1600002912; Owensboro Independent Board of Education, 1600002914; Spencer County Board of Education, 1600002916; Wayne County Board of Education, 1600002917; Whitley County Board of Education, 1600002918; Adair County Board of Education, 1600002941; Harlan County Board of Education, 1600003060; Ludlow Independent Board of Education, 1600003064; Pendleton County Board of Education, 1600003066; Newport Independent Board of Education, 1600003182; Center for Assessment, 1700000080; Campbell County Board of Education, 1700000276; Christian County Board of Education, 1700000277; Daviess County Board of Education, 1700000278; Jessamine County Board of Education, 1700000282; Warren County Board of Education, 1700000287; Western Kentucky University Research Foundation, 1700000386; Hazard Independent Board of Education, 1700001535.

OFFICE OF INSPECTOR GENERAL

Kentucky State Police, 1600002472.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT

Martin County Fiscal Court, 1700000666; Floyd County Fiscal Court, 1700000707; Leslie County Fiscal Court, 1700001324; Floyd County Fiscal Court, 1700001700.

POST SECONDARY EDUCATION, COUNCIL ON

Eastern Kentucky University, 1600000432; Collaborative for Teaching, 1700000585.

PROPRIETARY EDUCATION, STATE BOARD FOR

Kentucky State Police Headquarters, 1600002146.

WORKFORCE INVESTMENT, OFFICE OF

Kentucky Revenue Cabinet, 1600001259; Eastern Kentucky C. E. P., Inc., 1600001609; American Institutes for Research, 1600001793; UK Research Foundation, 1600002135; University of Kentucky College of Education, 1600002142; Greater Louisville Workforce Development Board, Inc., 1700000203.

THE FOLLOWING FILM TAX INCENTIVES WERE REVIEWED WITHOUT OBJECTION:

TOURISM DEVELOPMENT CABINET

Runaway Production, LLC, 1700001559; Loos Change Films, LLC, 1700002066; Mail Order Monster Movie, LLC, 1700002081; Post Time Audiovisual Services, Inc., 1700002274; Red River the Film, LLC, 1700002275; Kitestring, Inc., 1700002395; Mountain Tech Media, LLC, 1700002563.

THE FOLLOWING FILM TAX INCENTIVE AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

TOURISM DEVELOPMENT CABINET

Post Time Audiovisual Services, Inc., 1700002274.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE SELECTED FOR FURTHER REVIEW:

CABINET FOR HEALTH AND FAMILY SERVICES

Red Buffalo Ventures, LLC, 1700002106. Scott Brinkman, Adria Johnson, and Stacy Phillips discussed the contract with the committee. A motion was made by Senator Wise to consider the contract as reviewed. Representative St. Onge seconded the motion, which passed with Representative Horlander voting to pass.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES

The Chyron Group, LLC, 1700001684. Stephanie Craycraft discussed the contract with the committee. A motion was made by Senator Wise to consider the contract as reviewed. Representative Horlander seconded the motion, which passed.

DEPARTMENT FOR INCOME SUPPORT

Joel C. Stephenson, 1700001834. Stacy Cain, Amy Pastramo, and Doug LaFevers discussed the contract with the committee. A motion was made by Senator Wise to consider the contract as reviewed. Senator Carroll seconded the motion, which passed.

DEPARTMENT OF REVENUE

Billy Whitaker, 1700002357. David Gordon discussed the contract with the committee. A motion was made by Senator Hornback to consider the contract as reviewed. Senator

Carroll seconded the motion, which passed.

EASTERN KENTUCKY UNIVERSITY

Hardy, Carey, Chautin & Balkin, 18-136. Roger Duvall discussed the contract with the committee. A motion was made by Senator Wise to consider the contract as reviewed. Representative St. Onge seconded the motion, which passed.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM

Myers McRae, Inc., 703; Association of Community College Trustees, Inc., 704. Jackie Cecil and Brenda Nolan discussed the contracts with the committee. A motion was made by Representative Horlander to consider the contracts as reviewed. Senator Carroll seconded the motion, which passed.

UNIVERSITY OF KENTUCKY

Ware Immigration, K18-106. Bill Harris and Bill Thro discussed the contract with the committee. A motion was made by Senator Hornback to consider the contract as reviewed. Representative Horlander seconded the motion, which passed with Representative St. Onge voting to pass.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE SELECTED FOR FURTHER REVIEW:

EDUCATION, DEPARTMENT OF

Ballard County Board of Education, 1700002003; Ashland Independent School District, 1700002004; Barren County Board of Education, 1700002005; Boone County Board of Education, 1700002008; Bourbon County Board of Education, 1700002009; Boyd County Board of Education, 1700002010; Breathitt County Board of Education, 1700002013; Bullitt County Board of Education, 1700002014; Burgin Board of Education, 1700002015; Campbell County Board of Education, 1700002016; Campbellsville Independent Board of Education, 1700002017; Casey County Board of Education, 1700002019; Christian County Board of Education, 1700002020; Clinton County Board of Education, 1700002021; Cloverport Independent Board of Education, 1700002022; Corbin Independent Board of Education, 1700002024; Covington Independent Board of Education, 1700002027; Crittenden County Board of Education, 1700002029; Cumberland County Board of Education, 1700002031; Eminence Independent Board of Education, 1700002032; Fayette County Board of Education, 1700002034; Floyd County Board of Education, 1700002036; Glasgow Board of Education, 1700002039; Greenup County Board of Education, 1700002043; Harlan County Board of Education, 1700002044; Hazard Independent Board of Education, 1700002045; Henderson County Board of Education, 1700002047; Hickman County Board of Education, 1700002048; Knott County Board of Education, 1700002050; Leslie County Board of Education, 1700002051; Letcher County Board of Education, 1700002052; Lincoln County Board of Education, 1700002054; Livingston County Board of Education, 1700002055; Ludlow Independent Board of Education, 1700002057; McCracken County Board of Education, 1700002059; Metcalf County Board of Education, 1700002061; Monroe County Board of Education, 1700002062; Newport Independent Board of Education, 1700002063; Nicholas County Board of Education, 1700002064; Owensboro Independent Board of Education, 1700002065; Paducah Independent Board of Education, 1700002068; Pendleton County Board of Education, 1700002069; Russell County Board of Education, 1700002073; Somerset Independent School District, 1700002075; Spencer County Board of Education, 1700002076; Taylor County Board of Education, 1700002077; Todd County Board of Education, 1700002078; Wayne County Board of Education, 1700002079; Webster County Board of Education, 1700002080; Whitley County Board of Education, 1700002082. Charlie Harman and Brigette Stacy discussed the contracts with the committee. A motion was made by Senator Hornback to consider the contracts as reviewed. Senator Carroll seconded the motion, which passed.

EXEMPTION REQUESTS:

CABINET FOR HEALTH AND FAMILY SERVICES

The Cabinet for Health and Family Services Kentucky Commission on Community Volunteerism and Services requested an exemption from two year contracting restrictions for AmeriCorps Program contracts; 100% Federal funds. A motion was made by Senator Wise to grant the request to August 31, 2018. Representative St. Onge seconded this motion, which passed without objection.

There being no further business, the meeting adjourned at 2:33 P.M.

TOBACCO SETTLEMENT AGREEMENT FUND OVERSIGHT COMMITTEE

Minutes of the 4th Meeting
of the 2017 Interim
June 7, 2017

Call to Order and Roll Call

The 4th meeting of the Tobacco Settlement Agreement Fund Oversight Committee was held on Wednesday, June 7, 2017, at 10:00 AM, in Room 129 of the Capitol Annex. Representative Myron Dossett, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator C.B. Embry Jr., Co-Chair; Representative Myron Dossett, Co-Chair; Senators Stephen Meredith, Dennis Parrett, and Robin L. Webb; Representatives Phillip Pratt, Rick Rand, and Dean Schamore.

Guests: Warren Beeler, Executive Director, and Bill McCloskey, Deputy Executive Director, Governor's Office of Agricultural Policy, and Kerri Verden, Program Administrator, Cabinet for Health and Family Services, Kentucky Tobacco Prevention and Cessation Program.

LRC Staff: Tanya Monsanto, Kelly Ludwig, Janine Coy-Geeslin, and Susan Spoonamore, Committee Assistant.

The May 31, 2017 minutes were approved by voice vote, without objection, upon motion made by Senator Parrett and seconded by Senator Embry.

Governor's Office of Agricultural Policy

Warren Beeler and Bill McCloskey, Governor's Office of Agricultural Policy, described currently approved projects and future projects under the program funding offered by the Agricultural Development Board. In addition, they included several highlights from the Governor's Office of Agricultural Policy 2016 Annual Report. The programs highlighted in discussion included County Agricultural Investment Program (CAIP), Deceased Farm Animal Removal Program, Shared-use Equipment Program, Beginning Farmer, On-Farm Energy, Youth-Agriculture Incentives, and Kentucky Agricultural Finance Corporation (KAFC). In May, $5 million was transferred to KAFC accounts to be used for loans to Kentucky farmers and agribusiness enterprises.

After a question about the importance to agriculture of the Murray State University Breathitt Veterinary Center, Mr. Beeler stated that the diagnostic center is handling 40 percent of poultry work at the laboratory in Hopkinsville.

In response to a question about the lack of inclusion of counties located east of Interstate 75 in the approved list of projects approved by the Agricultural Development Board that is located east of Interstate 75, given that those counties were tobacco-impacted areas, Mr. Beeler said that there is a lack of applications from that area and it probably is in relation to the types of programs. Energy savings programs are available, and if there was a demand for programs for energy generation, then he would take those requests to the board.

In follow-up, a member asked whether an application for horses would be approved, and are there applications for beef cattle. Currently, there are no equine applications. A member commented that the lack of applications before the board for equine and beef is due to none being written and that is something for the University of Kentucky Cooperative Extension Service to work with county committees in developing applications.

Mr. McCloskey stated that some counties roll over funding to the subsequent year before making a grant. Also there are programs at the University of Kentucky which provide cost-share dollars for limited resource producers in Eastern Kentucky. Also, there is also a small loan program targeting the Appalachian counties. These programs may be driving demand away from grant and loan programs available at the GOAP. Mr. Beeler added that the CAIP program is done every other year. If there are ideas about how to expand its usefulness to Eastern Kentucky counties, then those ideas can be taken to the board, the GOAP officials said.

Mr. McCloskey highlighted several applications that came before the board. The approved project list including Beef Solutions, LLC, which is integrating the slaughter and processing of beef to create a consistent ground beef product to be sold to Kroger. It will be a way for the public to purchase verified Kentucky beef and will enhance the Kentucky Proud program. Beef Solutions LLC received a grant of $127,196 from the board. The partner with Beef Solutions, LLC is Creation Gardens.

One member commented on the importance of a poultry education facility that will be located in Ohio County near the Ohio-Daviess county line. Another member added that the project is very proactive, especially given the difficulties animal agriculture faces from those in public who do not understand the nature of animal farming and processing operations.

In response to a member who discussed a letter from the Governor asking for input on tax policy before July 15, 2017 and the need for the committee members to defend agricultural tax policies that are beneficial to the industry, Mr. Beeler stated that placing certain taxes on agriculture will make Kentucky less competitive. In follow-up, a legislator commented on how agriculture in Christian County was integral to keeping the community and the local economy going after losing a major company from the industrial base.

Kentucky Tobacco Prevention and Cessation Program

Kerri Verden, Program Administrator, Kentucky Tobacco Prevention and Cessation Program, Cabinet for Health and Family Services, stated that there have been several achievements in Kentucky. There continues to be a decline in the smoking rate. Approximately one in four Kentuckians smoke.

There also is a decline in the youth smoking rate, which currently stands at one in six who smoke. The number of "100 percent Tobacco Free Schools" has increased, she reported. Schools have been improving their policies to reduce the access to and normalization of smoking. Roughly 37 percent of school districts are currently listed among "100 percent Tobacco Free Schools," but 22 school districts within that group still do not have policies on E-cigarettes and vaping, according to the report.

Ms. Verden presented a video about the Russel County School District and the process the school and community went through to develop their "100 percent Tobacco Free School Policy."

The state Retailer Underage Sales Training Program is offered free of charge and over 4,000 retailers have been trained in Kentucky since the program's inception. Local grants from the federal Centers for Disease Control funds are used to enhance and expand local initiatives. Those funds can be used for smoking cessation, smoking awareness, and third-hand smoke programs. All 61 health departments in Kentucky use the CDC national smoking cessation campaign. Funds have been used for radio advertisements that describe the effects of tobacco use. Ms. Verden then described the QuitnowKentucky campaign.

Local grants also support tobacco control laws. The U.S. Department of Housing and Urban Development (HUD) requires a national smoke-free housing policy by August 2018. In Northern Kentucky, a smoke free policy was implemented for public housing in 2015 and as a result, HUD used the Northern Kentucky experience to create a tool kit to help other public housing authorities statewide.

In response to a question about policy with public assistance, Ms. Verden explained that the policy is directed toward public housing authorities that are multi-family facilities.

One member expressed concerns that the rule was rushed, given that there are questions about maintaining the program if CDC funds are cut. Department of Justice grants have stopped and the opioid epidemic continues to draw program dollars away from smoking toward other issues like drug control. Ms. Verden said that the impacts to program funding are unknown. However, there has been a reduction in grants, and the CDC has said that how much or whether funding will be available has not been decided due to questions about the federal budget funds. Currently, the state Tobacco Prevention and Cessation Program gets 8 percent of its funding from the CDC.

In response to a question about what are the impediments to Kentucky's success in reducing the state's smoking rate to the national average, Ms. Verden said that policies are of central importance. The state has a very low tax on tobacco products in comparison to other states and research has shown there is a relationship between taxes and smoking rates. Also raise the purchase age to 21, she indicated, adding that most smokers begin smoking before age 21.

The chair stated the next meeting is July 5, 2017. Documents distributed during the meeting are available with meeting material in the LRC Library. There being no further business, the meeting was adjourned.

Budget,

from page 3

budgeting cycle to pay for itself.

"The fact is, absent tax and pension reform, we can expect a double-digit cut in every sector of government," said McDaniel, R-Taylor Mill. "The pension system has simply gotten into too bad of a state – been neglected far too long. When pension and Medicaid in a decade go from 18 percent to 38 percent of the commonwealth's budget it's got to come from somewhere."

He said justice, social service and education advocates all have an interest in keeping the state pension systems solvent.

"You have skin in the pension game," McDaniel said. "You've had it for a long time, but now a lot of long-term problems have to have very near-term solutions. It is going to be some tight budgeting times."

In other business, Cabinet for Economic Development Deputy Commissioner John Bevington also testified at yesterday's meeting that his cabinet hopes to entice more businesses to expand and locate in Kentucky to increase the tax base and ease the budget constraints.

Businesses have announced $5.8 million in new investment forecasted to create more than 9,500 jobs so far this year, he said. The largest of those investments is $1.3 billion to upgrade and retool of Toyota Motor's assembly plant in Georgetown, $1.5 billion to locate Amazon's air freight hub to Cincinnati/Northern Kentucky International Airport in Hebron and $1.3 billion for Braidy Industries to build an aluminum rolling mill in Greenup County.

"We want to surpass the highest level of announced capital investment in the state's history and announce more than 17,000 new jobs, "Bevington said of his cabinet's goals. "We want to move the commonwealth into the top quartile of business-friendly state rankings."

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