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RECORD

Proposed road plan gets a test drive

by Jim Hannah
LRC Public Information

FRANKFORT – There’s a “SHIFT” in the way Kentucky transportation officials prioritize what road projects get funded.

Kentucky Transportation Secretary Greg Thomas came to the Capitol campus on May 11 to brief the Program Review and Investigations Committee on the new methodology being used to build the proposed six-year road plan. The General Assembly will take up the road plan when it convenes in January to set the state’s two-year spending plan.

Called the Strategic Highway Investment Formula for Tomorrow (SHIFT), Thomas said the methodology aims to take politics out of transportation funding by using a data-driven, fact-based model to determine what road projects are the most urgent and fiscally feasible. He emphasized, however, that legislators will still have the ultimate say on what transportation projects get funded.

Thomas said Kentucky needs the new methodology because for many years the highway plan has overpromised. There are currently more than 1,400 projects in the plan, he said, adding only half are even partially funded – mostly with federal tax dollars.

“The result is that the public’s confidence is undermined because they can’t count on projects in the plan,” Thomas said.

Thomas also said Kentucky only has money to pay for 10 percent of the \$7.1 billion of transportation projects promised with state



Sen. Perry Clark, D-Louisville, speaks at the May 11 Program Review and Investigations Committee meeting on new methodology used to build the state’s proposed six-year road plan.

tax dollars in the current highway plan.

“The promises are far greater than the \$690 million in state tax dollars we anticipate to be available in this timeframe,” Thomas said. “That created the need for prioritization.”

SHIFT will prioritize road projects based on a number of factors such as safety, conges-

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New laws take effect June 29

by Rebecca Hanchett
LRC Public Information

FRANKFORT -- New laws approved during the Kentucky General Assembly’s 2017 regular session go into effect on June 29.

When that date arrives, changes in how students learn and how teachers are evaluated in Kentucky’s public schools will begin to take shape. Publicly funded charter schools will be given the go-ahead to operate in Kentucky beginning this fall. And the process of creating a state-issued “voluntary travel ID” by early 2019 that will meet the federal REAL ID Act’s anti-terrorism standards for air travel and entrance to federal facilities will begin.

Laws taking effect that day include measures on the following topics:

Adult education. HB 195 creates an alternative to the GED program by requiring the Kentucky Adult Education Program to create college and career readiness programs for those seeking a high school equivalency diploma. At least one program must be a test that meets current college and career readiness standards.

Agritourism. HB 360 adds civic activities and ceremonial activities, including but not limited to weddings and related events, to the state’s definition of “agritourism activity.” It also defines “agritourism building” and the inherent risks, or dangers, associated with agritourism activities.

Bible literacy. HB 128 allows schools to offer an elective course on the Bible that teaches

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tion and economic impact. SHIFT also will divide the state into four geographic regions – north, south, east and west. Once the state identifies and funds its top transportation priorities, Thomas said the remaining money would be divided evenly between the four regions.

Sen. Wil Schroder, R-Wilder, questioned why Louisville, Lexington and Northern Kentucky – an area often referred to as the golden triangle – are in the same region.

“My concern is obviously Northern Kentucky, Lexington and Louisville are probably going to be the most congested parts of the state, and so when you break down the funding by region, is it appropriate ... the golden triangle ... be lumped in as one region?” he said. “I think that’s something we’re going to have to take a look at.”

Committee Co-chair Rep. Lynn Bechler, R-Marion, asked how a rural district like his could compete with metropolitan areas when the methodology weighted congestion, safety and economic impact so heavily.

“It seems to me that rural areas are going to get left out to a degree,” he said.

Thomas said Lexington, Louisville and Northern Kentucky were combined into the

same region so they wouldn’t compete against the rural communities in the other three regions. He also said many of the transportation needs of the so-called golden triangle would be funded as state priorities and not through the regional process.

“What we are proposing is a very open and transparent model because you will see the scores,” Thomas said. “You will see the local input. We will have your input. It will all go into a scoring mechanism and it will all be open and transparent.”

Sen. Perry Clark, D-Louisville, said the underlying problem is Kentucky’s chronically underfunded road fund. With the current gas tax at 24.6 cents per gallon, Clark said he pays more every time he parks in downtown Louisville than he does in state gas taxes when he fills up.

“Everybody wants a nice road but people are reluctant to pay for it,” he said. “We really have to address this.”

Committee Co-chair Danny Carroll, R-Paducah, asked if the state was getting close to a crisis point because it can’t afford to maintain its existing roads.

Thomas said that was a “fair” concern. He said Kentucky has 3,700 miles of roads waiting to be resurfaced. That number is growing at a rate of 500 miles a year at the current transportation funding rates, Thomas added.

“We are at a critical point,” Thomas said.



Sen. Danny Carroll, R-Paducah, comments on the SHIFT plan during the May 11 Program Review and Investigations Committee meeting in Frankfort.

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biblical content, poetry and narratives and their impact today.

Caregivers. SB 129 allows hospital patients to legally designate someone as a “lay caregiver” for the purpose of providing after-care to the patient when they return home. The lay caregiver can be someone age 18 or older who is a relative, partner, friend or someone else who is close to the patient and willing to provide non-medical care at the patient’s home.

Charter schools. HB 520 will allow publicly funded charter schools to operate in Kentucky starting with the 2017-18 school year. The charter schools could be authorized by local school boards, which would establish charter schools by contract. The schools would then be governed by independent boards.

Coal fields. HB 156 creates the Kentucky Coal Fields Endowment Authority which will use coal severance dollars to fund infrastructure, economic development, public health and more in the east and west Kentucky coal regions.



Rep. Kimberly Poore Moser, R-Taylor Mill, presents HB 333 on the House floor. The bill was approved during the 2017 Regular Session of the Kentucky General Assembly.

Emergency vehicles. HB 74 only allows white light to be emitted from motor vehicle headlamps, although non-halogen headlamps will be allowed to emit a slight blue tint if they were factory-installed. The intent of the bill is to make it easier for motorist to distinguish emergency vehicles from other vehicles.

Fentanyl and other opioids. HB 333 will create strong penalties for trafficking in any amount of heroin, fentanyl, carfentanil or fentanyl derivatives, define prescribing authority, and allow the state to investigate prescribing irregularities and report those instances to appropriate authorities.

Fish and wildlife. SB 83 requires the state to identify areas where deer and elk pose a “significant threat” to human safety by causing automobile accidents or pose a significant threat to agriculture. The state may then take necessary steps (including, but not limited to, special hunts) to reduce the deer and elk populations in those areas.

Foster children. HB 522 allows Kentucky’s foster children who are at least 17 years old to obtain a high school equivalency diploma, helping them to move forward with their education

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Lawmakers eye THC levels in industrial hemp

by Rebecca Hanchett
LRC Public Information

FRANKFORT—Industrial hemp legally grown in Kentucky is not considered marijuana. It has only a fraction of THC—or tetrahydrocannabinol, a psychoactive compound—found in marijuana. And state regulators aim to keep it that way.

Around 100 pounds of industrial hemp grown under Kentucky's three-year-old Industrial Hemp Research Pilot Program were destroyed this spring after the state found the crop had a higher THC level than the law allows. An April 13 *Associated Press* article reported the crop registered THC levels of between 1.2 and 0.4 percent, which is slightly above the federal and state legal limit of 0.3 percent.

Kentucky mandated 0.3 percent as the legal THC limit for industrial hemp grown in the state four years ago when it passed legislation allowing industrial hemp production as part of a state pilot program cleared by the 2014 U.S. Farm Bill. Hemp grown under the state program is routinely tested—as the destroyed crop was—to ensure that its THC level falls at or below the legal limit.

Questions about the destruction of the crop were raised on May 3 before the state legislative Tobacco Settlement Agreement Fund Oversight Committee by Rep. Kim King, R-Harrodsburg. King asked for more information about what happened with the crop from representatives of



Sen. Dennis Parrett, D-Elizabethtown, asks a few questions of officials from the Governor's Office of Agricultural Policy during the May meeting of the Tobacco Settlement Agreement Fund Oversight Committee in Frankfort.

Atalo Holding of Winchester and Sunstrand of Louisville, two companies that process industrial hemp at their facilities.

Atalo Holdings Chairman Andrew Graves said the crop in question was a variety most commonly grown in the western U.S. "In this climate, when it's grown, the THC level tends to be a higher level than it should be." He said there wasn't any question that the crop needed to be destroyed.

"It's not a problem with us. We are used to regulated industries—tobacco is heavily regulated—and so this is as well," said Graves.

King said she is pleased the system worked.

"I'm very, very inspired and I'm very, very hopeful that the system caught a portion of the crop that tested above the legal limit," said King. "I just wanted some additional discussion on that."

Sen. Paul Hornback, R-Shelbyville, mentioned the use of industrial hemp in the production of CBD or cannabidiol oil, which is extracted from hemp. CBD oil reportedly helps with balance, mood, sleep, appetite and can help relieve pain. It has also been known to help with epilepsy. And, since the oil is made from low-

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before they age out of the state's foster system. Most foster children leave the system, or "age out," when they turn 18.

Hate crimes. HB 14 will allow an attack on a first responder such as a police officer, firefighter or rescue squad member to be considered a hate crime during the sentencing phase for certain crimes.

Hospitals. SB 42 allows law enforcement to arrest someone for fourth-degree assault in any part of a hospital without a warrant if the officer has probable cause that the crime was committed. Such arrests were previously restricted to hospital emergency rooms.

Juvenile offenders. SB 195 creates a process for expungement of felony juvenile records two years after the offender reaches adulthood or is

unconditionally released from commitment to the state. Expungement will not be granted to those whose felony record includes violent and/or sexual offenses or those who have proceeding pending against him or her.

Local school boards. HB 277 allows individuals to serve on a local board of education if they have an aunt, uncle, son-in-law or daughter-in-law employed by the school district. State law previously precluded someone from serving on a local school board if any of those relatives were employed by the district.

Nuclear power. SB 11 allows construction of nuclear power facilities in Kentucky after vetting of proposals by the federal and state governments.

Playground safety. HB 38 bans registered sex offenders from public playgrounds unless they have advanced written permission to be on site by the government body (city council, etc.) which oversees the playground.

Primary care agreements. SB 79 allows patients to enter into contracts with their primary care provider that spell out services to be provided for an agreed-upon fee and period of time. The "direct primary care membership agreement" will not require a patient to forfeit private insurance or Medicaid.

Religious freedom. SB 17 specifies in statute that Kentucky public school and public colleges and university students have the legal right to express their religious and political views in their school work, artwork, speeches, and in other ways.

School calendars. SB 50 allows school districts to use a "variable student instructional year," requiring the same hours of instruction required by existing law but allowing for fewer school days than the minimum of 170 days required by existing law. Districts could begin using the variable schedule in the 2018-19 school

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ADMINISTRATIVE REGULATION REVIEW SUBCOMMITTEE

Minutes of the April Meeting

April 11, 2017

Call to Order and Roll Call

The April meeting of the Administrative Regulation Review Subcommittee was held on Tuesday, April 11, 2017, at 1:00 PM, in Room 149 of the Capitol Annex. Representative Ken Upchurch, 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 Julie Raque Adams, Perry B. Clark, and Alice Forgy Kerr; Representatives Mary Lou Marzian, Jason Petrie, and Tommy Turner.

Guests: Melissa Bell, Travis Powell, Council on Postsecondary Education; Lesley Bilby, Personnel Cabinet; Leann Diakov, Board of Medical Licensure; Louis Kelly, Board of Physical Therapy; Nicole Sergeant Biddle, Paul Hatcher, Board of Prosthetics, Orthotics and Pedorthics; Matthew James, Board of Licensed Diabetes Educators; Steve Beam, Gabe Jenkins, Karen Waldrop, David Wicker, Department of Fish and Wildlife; Amy Barker, Department of Corrections; Katie Embree-Cleveland, Amy Peabody, Matt Ross, Department of Education; Corey Henderson, School Facilities Construction Commission; Mike Pettit, Kristi Redmon, Michael Swansburg, Labor Cabinet; Steve Humphress, Department of Alcoholic Beverage Control; Patrick O'Conner II, Department of Insurance; Stephanie Brammer-Barnes, Veronica Cecil, Robert Silverthorn Jr., Office of Inspector General; Stephanie Craycraft, Tanya Dickinson, Department for Behavioral Health, Developmental, and Intellectual Disabilities; Mary Sparrow, Department for Income Support; Elizabeth Caywood, Steven Fisher, Department for Community Based Services; Sarah Nicholson, Kentucky Hospital Association.

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

COUNCIL ON POSTSECONDARY EDUCATION: Public Educational Institutions

13 KAR 2:110. Advanced practice doctoral degree programs at comprehensive universities. Melissa Bell, academic affairs vice president, and Travis Powell, general counsel and council associate vice president, represented the council.

PERSONNEL CABINET: Personnel Cabinet, Classified

101 KAR 2:046. Applying for employment, qualifications and examinations. Mary Bailey, commissioner, Department of Human Resources Administration, and Lesley Bilby, executive director, Office of Legal Services, represented the cabinet.

101 KAR 2:056. Registers.

In response to a question by Co-Chair Harris, Ms. Bilby stated that removing the application from incorporation by reference simplified, expedited, and modernized the process for applying for employment.

101 KAR 2:066. Certification and selection of eligible applicants for appointment.

GENERAL GOVERNMENT CABINET: Board of Medical Licensure

201 KAR 9:270. Professional standards for prescribing or dispensing Buprenorphine-Mono-Product or Buprenorphine-Combined-with-Naloxone. Leanne Diakov, general counsel, represented the board.

In response to questions by Co-Chair Harris, Ms. Diakov stated that Buprenorphine-Combined-with-Naloxone (Suboxone) was used, along with behavioral modification, to treat opioid dependence. The amendments to this administrative regulation were primarily related to Buprenorphine-Mono-Product, which was used for chronic or acute pain management. While one (1) of these drugs included Naloxone in the formulary, these drugs were not used to reverse opioid overdoses.

Board of Physical Therapy

201 KAR 22:053. Code of ethical standards and standards of practice for physical therapists and physical therapist assistants. Louis Kelly, general counsel, represented the board.

In response to questions by Representative Petrie, Mr. Kelly stated that KRS 367.4082 prohibited medical providers from soliciting car accident victims. The prohibition was added to this administrative regulation for consistency with the authorizing statutes, not because the board had encountered this as a disciplinary issue. This administrative regulation was also revised to make discharge summaries optional, rather than required, and to clarify documentation provisions.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1 through 5 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (2) to add a Section 6 to reorganize requirements. Without objection, and with agreement of the agency, the amendments were approved.

Board of Prosthetics, Orthotics and Pedorthics

201 KAR 44:040. Professional conduct and code of ethics. Nicole Biddle, assistant attorney general, and Paul Hatcher, chair, represented the board.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add a citation; and (2) to amend Sections 1, 3, 5, and 6 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Board of Licensed Diabetes Educators

201 KAR 45:100. Fees for licensure of diabetes educators. Matt James, assistant attorney general,

represented the board.

In response to questions by Co-Chair Harris, Mr. James stated that the board was not seeking a sponsor to amend the board's authorizing statute to allow a reactivation fee. The board only had one (1) or two (2) licensees in voluntary inactive status. To return to active status, an inactive licensee would need to demonstrate compliance with continuing education requirements and pay the licensure application fee, which was the same amount as the proposed reactivation fee. Compliance with continuing education requirements included meeting the cumulative minimum number of continuing education hours for each year the license was inactive. The continuing education hours may all be achieved during the year preceding a return to active status and did not necessarily need to be achieved for each year's deadline during the inactive period.

A motion was made and seconded to approve the following amendments: (1) to amend Section 2 to: (a) insert conforming language; (b) comply with the drafting requirements of KRS Chapter 13A; and (c) delete the reactivation fee; and (2) to amend the TITLE for clarity. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 45:110. Supervision and work experience.

A motion was made and seconded to approve the following amendments: (1) to amend Section 2 to insert conforming language; and (2) to amend Section 4 to update a form incorporated by reference. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 45:120. Renewal, reinstatement, and inactive status.

A motion was made and seconded to approve the following amendments: (1) to amend Sections 1 and 4 to insert conforming language; (2) to amend Section 3 to delete the reference to the reactivation fee; and (3) to amend Section 4 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 45:130. Continuing education.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph and Sections 3 through 5 to insert conforming language; and (2) to amend Section 1 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

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

301 KAR 2:132. Elk hunting seasons, permits, zones, and requirements. Steve Beam, wildlife division director; Gabe Jenkins, deer and elk coordinator; and David Wicker, general counsel, represented the department.

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

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

In response to a question by Co-Chair Harris, Ms. Barker stated that 501 KAR 6:030 and 6:060 were amended as part of the annual review and update of

policies and procedures.

A motion was made and seconded to approve the following amendments: to amend Section 1 and the material incorporated by reference to: (1) comply with the drafting requirements of KRS Chapter 13A; (2) specify that inmates shall be present for administrative review of protective custody status for consistency with other types of administrative review; (3) correct citations; (4) specify search procedures and documentation requirements for transgender and intersex inmates; and (5) revise inmate account procedures to: (a) prohibit money of any dollar amount from being sent outside the institution; (b) allow an inmate to request an exception to the \$1,000 account limit in exceptional circumstances; and (c) freeze any amount in an inmate's account that exceeds the \$1,000 balance limit. Without objection, and with agreement of the agency, the amendments were approved.

501 KAR 6:030. Kentucky State Reformatory.

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

501 KAR 6:060. Northpoint Training Center.

A motion was made and seconded to approve the following amendments: to amend Section 1 and the material incorporated by reference to: (1) clarify documentation requirements for an inmate requesting approval for marriage; (2) correct citations; and (3) comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

EDUCATION AND WORKFORCE DEVELOPMENT CABINET: Board of Education: Department of Education: Food Service Programs

702 KAR 6:090. Minimum nutritional standards for foods and beverages available on public school campuses during the school day; required nutrition and physical activity reports. Katie Cleveland, administrative section supervisor; Amy Peabody, staff attorney; and Matt Ross, executive advisor, represented the department.

In response to questions by Co-Chair Harris, Ms. Cleveland stated that this administrative regulation addressed snack (a la carte) items, which were available in addition to the reimbursable meals (school lunch program). Statistics were not available to determine how many Kentucky students purchased extra foods, such as a la carte or vending machine options. This administrative regulation eased requirements to the minimum federal standards.

FINANCE AND ADMINISTRATION CABINET: School Facilities Construction Commission: Procedures

750 KAR 1:030. Emergency and targeted investment fund. Corey Henderson, administrative assistant, represented the commission.

A motion was made and seconded to approve the following amendments: (1) to amend Section 1 to delete a term that is not used in the administrative regulation; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Section 3 to comply with the drafting requirements

of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

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

803 KAR 2:320. Toxic and hazardous substances. Mike Pettit, safety standards specialist; Kristi Redmon, occupational safety and health standards specialist; and Michael Swansburg, general counsel, represented the division.

A motion was made and seconded to approve the following amendments: to amend Section 1 to: (1) delete two (2) definitions that were not referenced in this administrative regulation; and (2) comply with the formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

803 KAR 2:403. Occupational health and environmental controls.

803 KAR 2:425. Toxic and hazardous substances.

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

803 KAR 2:500. Maritime employment.

PUBLIC PROTECTION CABINET: Department of Alcoholic Beverage Control: Fair Trade; Pricing and Sales

804 KAR 3:100. License may be suspended or revoked for accepting Supplemental Needs Assistance Program ("SNAP") benefits for alcohol purchases. Steve Humphress, general counsel, represented the department.

In response to a question by Representative Petrie, Mr. Humphress stated that this administrative regulation was being revised and modernized for consistency with federal standards.

A motion was made and seconded to approve the following amendments: (1) to amend the TITLE and Section 1 to correct the name of the referenced federal program; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Section 1 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Department of Insurance: Agent Licensing Division: Group and Blanket Health Insurance

806 KAR 18:020. Preferred and exclusive provider arrangements. Patrick O'Connor II, executive advisor, represented the division.

In response to questions by Co-Chair Harris, Mr. O'Connor stated that Section 3 of this administrative regulation listed service organizations and exempted those service organizations from the requirements established in Section 2 of this administrative regulation. The regulated community understood these provisions.

CABINET FOR HEALTH AND FAMILY SERVICES: Office of Inspector General: Division of Health Care: Health Services and Facilities

902 KAR 20:081. Operations and services; home health agencies. Stephanie Brammer – Barnes, regulation coordinator, and Robert Silverthorn, Jr., inspector general, represented the division.

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; (2) to amend Sections 1, 3, and 4 to comply with the drafting requirements of KRS Chapter 13A; and (3) to amend Section 4 to clarify what types of personnel may serve as supervisors for therapy services and home health aides. Without objection, and with agreement of the agency, the amendments were approved.

Department for Medicaid Services: Division of Community Alternatives: Behavioral Health

907 KAR 15:005 & E. Definitions for 907 KAR Chapter 15. Veronica Cecil, deputy commissioner, represented the department. Sarah Nicholson, vice president, Kentucky Hospital Association, appeared in opposition to 907 KAR 17:035 & E.

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 Section 1 to: (a) make technical corrections; (b) delete two (2) definitions; (c) add a definition; and (d) clarify two (2) definitions. Without objection, and with agreement of the agency, the amendments were approved.

907 KAR 15:010 & E. Coverage provisions and requirements regarding behavioral health services provided by individual behavioral health providers, behavioral health provider groups, and behavioral health multi-specialty groups.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add citations; (2) to amend the TITLE and Sections 1 and 3 through 7 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (3) to amend Section 3 to: (a) add physician assistants to the lists of covered service providers; (b) clarify provider groups; and (c) clarify intensive outpatient program services requirements. Without objection, and with agreement of the agency, the amendments were approved.

907 KAR 15:015 & E. Reimbursement provisions and requirements for behavioral health services provided by individual behavioral health providers, behavioral health provider groups, or behavioral health multi-specialty groups.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to correct citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1, 2, and 5 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (3) to amend Section 2: (a) to reorganize requirements to avoid unnecessary redundancy; and (b) for consistency with the State Plan Amendment. Without objection, and with agreement of the agency, the amendments were approved.

Commissioner's Office: Managed Care

907 KAR 17:015 & E. Managed care organization requirements and policies relating to providers.

In response to a question by Co-Chair Harris,

Ms. Cecil stated that the department expected a cost savings because streamlining of the process allowed providers to have a third-party review to appeal denials.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs to correct citations; and (2) to amend Sections 1, 4, 7, 8, 11, and 12 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

907 KAR 17:035 & E. External independent third-party review.

In response to questions by Co-Chair Harris, Ms. Cecil stated that the Kentucky Hospital Association requested to bundle cases for multiple individuals within a case; however, doing so would create numerous administrative logistical problems. Multiple claims were allowable, but only for one (1) individual within a case. The department agreed to reconsider bundling for multiple individuals in the future if processing time became a concern. A future change to bundling would require an administrative regulation, rather than a statutory, amendment. Ms. Nicholson stated that the Kentucky Hospital Association appreciated the department committing to working with them on this matter.

In response to questions by Representative Petrie, Ms. Cecil stated that the department believed the Kentucky Hospital Association's concerns would be adequately addressed without multiple bundling, but would consider that form of bundling in the future if necessary. Bundling multiple claims for multiple individuals would create administrative logistical problems, including problems with HIPAA compliance.

In response to a question by Co-Chair Upchurch, Ms. Cecil stated that the department should be able to determine if processing time was a concern within approximately thirty (30) to sixty (60) days. It would take approximately six (6) month to a year to make a change to the bundling provisions.

A motion was made and seconded to approve the following amendments: (1) to amend the STATUTORY AUTHORITY paragraph to add a citation; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 2 and 3 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

907 KAR 17:040 & E. Appeal and administrative hearing post external independent third-party review.

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

Department for Behavioral Health, Developmental and Intellectual Disabilities: Division of Program Integrity: Institutional Care

908 KAR 3:051 Repeal of 908 KAR 3:050.

Stephanie Craycraft, executive advisor, and Tanya Dickinson, division director, represented the division.

908 KAR 3:060. "Means test" for determining patient liability and per diem rates.

Department for Income Support: Child Support Enforcement: Child Support

921 KAR 1:430. Child support administrative hearings. Mary Sparrow, internal policy analyst, represented the department.

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

Department for Community Based Services: Division of Protection and Permanency: Child Welfare

922 KAR 1:400. Supportive services. Elizabeth Caywood, executive advisor, and Steven Fisher, branch manager, Adult Protective Services, represented the division.

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

Block Grants

922 KAR 3:011. Repeal of 922 KAR 3:010 and 922 KAR 3:020.

Adult Services

922 KAR 5:120. Caregiver misconduct registry and appeals.

In response to a question by Co-Chair Harris, Ms. Caywood stated that this administrative regulation applied to employees, volunteers, contractors, and anyone related to caregiving.

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 3 through 5 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Other Business: Co-Chair Upchurch introduced Sarah Amburgey as the Subcommittee's newly appointed committee staff administrator. Co-Chair Upchurch also welcomed to the Subcommittee meeting guest legislator, Representative Kevin Bratcher, House Majority Whip.

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

EDUCATION AND WORKFORCE DEVELOPMENT CABINET: Education Professional Standards Board: Assessment

16 KAR 6:020. Assessment requirements for occupation-based career and technical education teachers. (Deferred from April)

GENERAL GOVERNMENT CABINET: Office of Occupations and Professions: Board of Interpreters for the Deaf and Hard of Hearing

201 KAR 39:001. Definitions for 201 KAR Chapter 39. (Comments Received)

201 KAR 39:030. Application; qualifications for licensure; and certification levels. (Comments Received)

201 KAR 39:070. Application and qualifications for temporary licensure. (Comments Received)

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. (Comments Received)

201 KAR 46:060. Continuing education requirements. (Deferred from April)

201 KAR 46:070. Violations and enforcement. (Comments Received)

201 KAR 46:090. Complaint process and administrative hearings. (Comments Received)

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

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

TRANSPORTATION CABINET: Department of Vehicle Regulation: Division of Driver Licensing: Administration

601 KAR 2:030 & E. Ignition interlock. ("E" expires 4/25/2017) (Not Amended After Comments) (Deferred from February)

EDUCATION AND WORKFORCE DEVELOPMENT CABINET: Department of Workforce Investment: Office of Employment and Training: Unemployment Insurance

787 KAR 1:070. Reasonable time for protesting claim. (Not Amended After Comments) (Deferred from February)

CABINET FOR HEALTH AND FAMILY SERVICES: 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. (Comments Received, SOC ext. due 3/15)

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

907 KAR 1:065. Payments for price-based nursing facility services. (Comments Received, SOC ext. due 3/15)

The Subcommittee adjourned at 2 p.m. until May 9, 2017, at 1 p.m.

GOVERNMENT CONTRACT REVIEW COMMITTEE

Committee Minutes

April 11, 2017

Call to Order and Roll Call

The Government Contract Review Committee met on Tuesday, April 11, 2017, at 10:00 AM, in Room 131 of the Capitol Annex. Representative Stan 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; Senators Julie Raque Adams, and Paul Hornback; Representatives Chris

Fugate, Dennis Horlander, and Diane St. Onge.

Guests: Jenny Lafferty, Paul Gannoe, Charlie Harman, Gretta Hylton, Jennifer Linton, Linda Hume, Megan McLain, Laura Hagan, Bob Silverthorne, Michelle Mitchell, Stacy Phillips, Beverly Santamouris, Ingrid Gentry, Leslie Strohm, Craig Delger, Rob Weber, Holly McCoy Johnson, Fran Pinkston, and Jay Hall.

LRC Staff: Kim Eisner, Kim Smith, and Jay Jacobs.

DEFERRED ITEMS:

WESTERN KENTUCKY UNIVERSITY:

World Education Services; 161730. A motion was made by Senator Wise to defer the contract to the May 2017 meeting of the committee. Representative Fugate seconded the motion, which passed.

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

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

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

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

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

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

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

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

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE REVIEWED WITHOUT OBJECTION:

CABINET FOR HEALTH AND FAMILY SERVICES:

Taylor Holbrook, 1700001557; G. Thomas Mercer, 1700001560.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Dana N. Christensen, 1700001478.

DEPARTMENT FOR MEDICAID SERVICES:

Navigant Consulting, Inc., 1700001679.

DEPARTMENT FOR PUBLIC HEALTH:

Market Decisions, LLC, 1700001548.

DEPARTMENT OF INSURANCE:

Examination Resources, LLC, 1700001506.

EDUCATIONAL TELEVISION, KENTUCKY:

Ginger Robinson, 1700001670.

FINANCE AND ADMINISTRATION CABINET

- DIVISION OF ENGINEERING:

Stantec Consulting Services, Inc., 1700001105; Ensaf, Inc., 1700001146; John A. Newman Consulting Engineers, PLLC, 1700001543.

JUVENILE JUSTICE, DEPARTMENT OF:

Youth Advocate Programs, Inc., 1700001498.

KENTUCKY LOTTERY CORPORATION:

Affiliated Forensic Laboratory, Inc., 17-011.

MILITARY AFFAIRS, DEPARTMENT OF:

Scottie W. Sloan, 1700001673.

MURRAY STATE UNIVERSITY:

The Segal Company (Eastern States), Inc., 011-17.

NORTHERN KENTUCKY UNIVERSITY:

Alemba Group, Inc., 2017-183; Adams, Stepner, Woltermann & Dusing, PLLC, 2017-196.

OFFICE OF INSPECTOR GENERAL:

Carmel Manor, 1700001308; Morganfield Nursing and Rehabilitation, 1700001310; Mountain Manor of Paintsville, 1700001312; Trilogy Health Services, 1700001314.

STATE POLICE, DEPARTMENT OF:

Stuart Recke, 1700001575.

TRANSPORTATION CABINET:

Parsons Brinckerhoff, Inc., 1700001573; Parsons Brinckerhoff, Inc., 1700001590; Stantec Consulting Services, Inc., 1700001597; Booker Engineering, Inc., 1700001602; HDR Engineering, Inc., 1700001613; Aecom Technical Services, Inc., 1700001614; QK4, Inc., 1700001650; H. W. Lochner, Inc., 1700001651.

UNIVERSITY OF KENTUCKY:

Audio Visual Preservation Solutions, Inc., K17-234; Advanced Fiber Technologies, Inc., K17-235; Engineered Fiber Technologies, LLC, K17-236; Fourth Quadrant, Inc. d/b/a Up & Up, K17-237; NetMediaOne, LLC d/b/a Able Engine, K17-238; Isaac Commercial Properties, Inc. d/b/a NAI Isaac, K17-239; Logicals, Inc., K17-240; Jennifer Arenas Davis, PA-C, MPAS, K17-241; Witt/Kieffer, K17-242.

VETERANS AFFAIRS, DEPARTMENT OF:

Trilogy Healthcare Holdings, Inc., 1600001304-1; Astra Behavioral Health, 1700001333.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

CRIMINAL JUSTICE TRAINING, DEPARTMENT OF:

Ricks International Consulting, Inc., 1700001100.

FAIR BOARD:

Dinsmore and Shohl, 1700001107.

FINANCE AND ADMINISTRATION CABINET

- DIVISION OF ENGINEERING:

Facility Commissioning Group, 0700004439; Florence & Hutcheson, 1200001112; HMB Professional Engineers, Inc., 1200002582; URS Energy & Construction, Inc., 1300001891; Paladin, Inc., 1400001412; URS Corporation, 1500001991; Arcadis US, Inc., 1600001293; Omni Architects, C-05256615.

JUSTICE CABINET:

Axis Forensic Toxicology, Inc., 1700000746.
KENTUCKY STATE UNIVERSITY:
 Dean Dorton Allen Ford, PLLC, 17-01.
MOREHEAD STATE UNIVERSITY:
 Dr. Brenda Wilburn, 17-011.
MURRAY STATE UNIVERSITY:
 Hodgkins Beckley Consulting, LLC, 006-17.
NORTHERN KENTUCKY UNIVERSITY:
 Multi, 2017-100; JMS & Associates, Inc., 2017-122; BKD, LLP, 2017-123; Anderson Strickler, LLC, 2017-135.
TRANSPORTATION CABINET:
 GRW Engineers, Inc., 0600002134; GRW Engineers, Inc., 1100001198; Strand Associates, Inc., 1200000019; Stantec Consulting Services, Inc., 1300002846; HMB Professional Engineers, Inc., 1400000565; QK4, 1500001396; J. M. Crawford and Associates, Inc., 1600000216; Bacon Farmer Workman Engineering & Testing, Inc., 1600002442; Michael Baker International, Inc., 1600003185; Tooms & Dunaway, PLLC, 1600003473; Tooms & Dunaway, PLLC, 1600003746; GRW Engineers, Inc., C-00349417-4; Gresham Smith and Partners, C-01209233-3; H A Spalding, Inc., C-99005052-6.
UNIVERSITY OF KENTUCKY:
 GBBN, A151180; JRA Architects, A171090; Selge Holding & Ventures, LLC d/b/a Wheless Partners, K17-128; Phoenix Business Consulting, K17-133; Boice Enterprises, LLC d/b/a boice.net, K17-136.
UNIVERSITY OF LOUISVILLE:
 Multi, 17-010 A-G; Multi, 17-010 A-G; Multi, 17-010 A-G; Multi, 17-016 A-H.
VETERINARY EXAMINERS, BOARD OF:
 C. Loran Wagoner, 1600003711.
WESTERN KENTUCKY UNIVERSITY:
 Multi, 161702; Multi, 161820.
THE FOLLOWING MEMORANDA OF AGREEMENTS WERE REVIEWED WITHOUT OBJECTION:
AGRICULTURE, DEPARTMENT OF:
 Multi, 1700001578; Multi, 1700001659.
DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES:
 Department of Public Advocacy, 1700001003; Arc of Kentucky, Inc., 1700001203; Young People In Recovery, 1700001205.
DEPARTMENT FOR COMMUNITY BASED SERVICES:
 KVC Behavioral Health Care/Croney & Clark, 1700001431; Ramey Estep Homes, Inc., 1700001432.
DEPARTMENT FOR ENVIRONMENTAL PROTECTION:
 Bluegrass Greensource, Inc., 1700001336.
DEPARTMENT FOR NATURAL RESOURCES:
 University of Kentucky Research Foundation, 1700001234.
EDUCATION, DEPARTMENT OF:
 University of Wisconsin Madison, 1600004028; Collaborative Center for Literacy Development, 1700001155; Menifee County Board of Education, 1700001271; Western Kentucky University Research Foundation, Inc., 1700001316; Hazard Independent Board of Education, 1700001535.
FISH & WILDLIFE, DEPARTMENT OF:
 University of Tennessee, 1600002947.
JUSTICE CABINET:

UK Research Foundation C/O National City Bank, 1700000999.
LIBRARIES & ARCHIVES, DEPARTMENT FOR:
 Carroll County Public Library, 1700001201; Casey County Public Library, 1700001441; Daviess County Public Library, 1700001444; Fleming County Public Library, 1700001447; Hart County Public Library, 1700001477; McCreary County Public Library, 1700001483; Metcalfe County Public Library, 1700001485; Nelson County Public Library, 1700001487; Nicholas County Public Library, 1700001490; Spencer County Public Library, 1700001494; Washington County Public Library, 1700001495; Wayne County Public Library, 1700001496; Wolfe County Public Library, 1700001499.
MILITARY AFFAIRS, DEPARTMENT OF:
 Eminence Board of Education, 1700001315; Multi, 1700001334.
OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT:
 Housing Authority of Bowling Green, 1700001279; Oldham County Fiscal Court, 1700001510; City of Centertown, 1700001704; Warren County Fiscal Court, 1700001705.
TOURISM DEVELOPMENT CABINET:
 Frazier International History Museum, 1700000889.
THE FOLLOWING MEMORANDA OF AGREEMENT AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:
ADMINISTRATIVE OFFICE OF THE COURTS:
 Bluegrass Prevention Center, 1400000390; Morehead State University, 1400001526; Morehead State University, 1600000958; Morehead State University, 1700001012.
AGRICULTURE, DEPARTMENT OF:
 Multi, 1600002013.
DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES:
 Bluegrass Regional Mental Health Mental Retardation, 1600001661; Eastern Kentucky University, 1600001704; Kentucky Partnership for Families and Children, Inc., 1600001718; Oxford House, Inc., 1600001731; Four Rivers Behavioral Health, 1600001861; Pennyroyal Mental Health Mental Retardation Board, 1600001862; Green River Regional Mental Health Mental Retardation Board d/b/a River Valley Behavior, 1600001863; Lifeskills Industries, 1600001864; Communicare, Inc., 1600001865; Northern Kentucky Regional Mental Health Mental Retardation Board, 1600001867; Comprehend, Inc., 1600001868; Pathways, Inc., 1600001869; Mountain Comprehensive Care Center, 1600001870; Kentucky River Community Care, 1600001871; Cumberland River Behavioral Health, Inc., 1600001872; Bluegrass.Org, 1600001874.
DEPARTMENT FOR COMMUNITY BASED SERVICES:
 Eastern Kentucky University, 1600001294; Multi, 1600001461; Owl d/b/a Opportunity for Work and Learning, 1700000605; Child Care Council of Kentucky, 1700001130; Child Care Council of Kentucky, 1700001130.
DEPARTMENT FOR FAMILY RESOURCE

CENTERS & VOLUNTEER SERVICES:
 Multi, 1600002525; Multi, 1600002526; Multi, 1600002528; Multi, 1600002529; Multi, 1600002531; Multi, 1600002532; Multi, 1600002533; Multi, 1600002534; Multi, 1600002535; Multi, 1600002536.
DEPARTMENT FOR INCOME SUPPORT:
 Kentucky State Police Headquarters, 1600002336.
DEPARTMENT FOR NATURAL RESOURCES:
 Virginia Polytechnic Institute and State University, 1600001374; Kentucky Department of Fish and Wildlife Resources, 1700000533.
DEPARTMENT FOR PUBLIC HEALTH:
 Cancer Survivors Against Radon, Inc., 1600002549; University of Kentucky Research Foundation, 1600003207.
EASTERN KENTUCKY UNIVERSITY:
 UK College of Sports Medicine, Department of Orthopedic Surgery & Sports, 18-002.
EDUCATION, DEPARTMENT OF:
 University of Louisville Research Foundation, 1600002173; Pike County Board of Education, 1600003113; Newport Independent Board of Education, 1600003133; Kentucky Valley Education, 1600003155; KCTCS, 1600003882; Eastern Kentucky University, 1600003897; Western Kentucky University, 1600003898; Morehead State University, 1600003899; Ballard County Board of Education, 1700000027; Lewis County Board of Education, 1700000047; Jefferson County Board of Education, 1700000052; Kenton County Board of Education, 1700000061; Powell County Board of Education, 1700000071; Morehead State University, 1700000226; Western Kentucky University Research Foundation, 1700000336; University of Kentucky Research Foundation, 1700001273.
FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING:
 City of Frankfort, 1400002396; City of Frankfort, 1500001640.
FISH & WILDLIFE, DEPARTMENT OF:
 City of Paducah, 1600000179; University of Georgia Research, 1600003859.
JUSTICE CABINET:
 University of Louisville, 1600003489.
OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT:
 Hazard Community College, 1700000139.
WORKFORCE INVESTMENT, OFFICE OF:
 Eastern Kentucky C.E.P., Inc., 1600003486.
THE FOLLOWING FILM TAX INCENTIVES WERE REVIEWED WITHOUT OBJECTION:
TOURISM DEVELOPMENT CABINET:
 Post Time Audiovisual Services, Inc., 1700001558; American Made Heroes, LLC, 1700001561; Post Time Audiovisual Services, Inc., 1700001564; Jems and Joules, Inc., 1700001572; Amerisourcebergen Drug Corporation, 1700001576; Sunshine Films Louisville, LLC, 1700001639; White Comet Films (Strangers), LLC, 1700001643.
THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE SELECTED FOR FURTHER REVIEW:
ADMINISTRATIVE OFFICE OF THE COURTS:
 Greenebaum Doll and McDonald, 1700001370. Jenny Lafferty 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.

EASTERN KENTUCKY UNIVERSITY:

Multi, 18-113. Paul Gannoe discussed the contract with the committee. A motion was made by Senator Hornback to consider the contract as reviewed. Representative Fugate seconded the motion, which passed.

EDUCATION, DEPARTMENT OF:

Maria Isabel Pereira, 1700001581. Charlie Harman and Gretta Hylton discussed the contract with the committee. A motion was made by Senator Hornback to consider the contract as reviewed. Senator Raque Adams seconded the motion, which passed.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING:

Neel-Schaffer, Inc., 1700001479. Jennifer Linton and Linda Hume 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.

OFFICE OF INSPECTOR GENERAL:

Florida Atlantic University, 1700000589. Bob Silverthorne, Michelle Mitchell, and Stacy Phillips discussed the contract with the committee. A motion was made by Senator Raque Adams to consider the contract as reviewed. Representative Lee seconded the motion, which passed.

TRANSPORTATION CABINET:

PFM Financial Advisors, LLC, 1700001439. Megan McLain and Laura Hagan discussed the contract with the committee. A motion was made by Senator Raque Adams to consider the contract as reviewed. Representative St. Onge seconded the motion, which passed.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE SELECTED FOR FURTHER REVIEW:

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING:

Neel-Schaffer, Inc., 1700001479. Jennifer Linton and Linda Hume 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.

UNIVERSITY OF LOUISVILLE:

Crowe Horwath, LLP, 17-002. Beverly Santamouris and Ingrid Gentry discussed the contract with the committee. A motion was made by Senator Hornback to consider the contract as reviewed. Senator Wise seconded the motion, which passed.

UNIVERSITY OF LOUISVILLE:

Alvarez & Marsal Disputes and Investigations, LLC, 17-066. Leslie Strohm and Craig Delger discussed the contract with the committee. A motion was made by Senator Raque Adams to consider the contract as reviewed. Senator Wise seconded the motion, which passed.

THE FOLLOWING PERSONAL SERVICE CONTRACT FOR \$10K AND UNDER WAS SELECTED FOR FURTHER REVIEW:

LEGISLATIVE RESEARCH COMMISSION:

Susan McDonald, 17-02. Rob Weber discussed the contract with the committee. A motion was made by Senator Wise to consider the contract as reviewed. Representative Fugate seconded the motion, which

passed.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE SELECTED FOR FURTHER REVIEW:

ATTORNEY GENERAL, OFFICE OF THE:

Maryhurst, Inc., 1700000084; Westcare Kentucky, Inc., 1700000090; Independence House, 1700000092; Hope In the Mountains, 1700000097. Holly McCoy Johnson and Fran Pinkston discussed the contracts with the committee. A motion was made by Senator Raque Adams to consider the contracts as reviewed. Senator Wise seconded the motion, which passed.

THE FOLLOWING FILM TAX INCENTIVE AGREEMENTS WERE SELECTED FOR FURTHER REVIEW:

TOURISM DEVELOPMENT CABINET:

Smashbits Animation Studio, LLC, 1700001504; Smashbits Animation Studio, LLC, 1700001505; Castle Brands (USA) Corporation, 1700001538. Jay Hall discussed the contracts with the committee. A motion was made by St. Onge to consider the contracts as reviewed. Senator Wise seconded the motion, which passed with Senator Hornback and Representative Fugate voting no.

EXEMPTION REQUESTS:

DEPARTMENT OF AGRICULTURE:

The Department of Agriculture requested an exemption from Committee Policy Statement #99-4 which prohibits contracts and agreements for extending beyond the current biennium in order to execute the Kentucky Proud Promotional Grand Program. A motion was made by Representative Fugate to grant the request to January 17, 2019. Senator Wise seconded the motion, which passed without objection.

DEPARTMENT OF AGRICULTURE:

The Department of Agriculture requested an exemption from Committee Policy Statement #99-4 which prohibits contracts and agreements for extending beyond the current biennium in order to execute the Kentucky Proud Buy Local Program. A motion was made by Representative Fugate to grant the request to January 17, 2019. Senator Wise seconded the motion, which passed without objection.

There being no other business, the meeting adjourned at 12.15 p.m.

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

April 18, 2017

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee met on Tuesday, April 18, 2017, at 1:30 PM, in Room 129 of the Capitol Annex. Senator Stan Humphries, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stan Humphries, Co-Chair; Representative Phil Moffett, Co-Chair; Senators Julian M. Carroll, Rick Girdler, and Christian McDaniel; and Representatives Larry Brown, Will Coursey, and Steven Rudy.

Guests: Mr. Michael Mardis, Dean of Students

and Vice President for Student Affairs, University of Louisville; Mr. Mark Watkins, Associate Vice President for Business Services, University of Louisville; Ms. Elizabeth Baker, Planning Director, University of Kentucky; Ms. Beth Patrick, Chief Financial Officer and Vice President for Administration, Morehead State University; Mr. Scott Aubrey, Director, Division of Real Properties, Finance and Administration Cabinet; Ms. Janice Tomes, Deputy State Budget Director, Office of State Budget Director; Ms. Ashley Adams, Financial Analyst, Kentucky Infrastructure Authority; Mr. Darren Sammons, Staff Attorney, 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.

Election of Senate co-chair and House co-chair

Ms. Bowen said the current co-chairs, Senator Stan Humphries and Representative Phil Moffett, were elected to fill the unexpired terms of the previous committee co-chairs, and those terms have now expired. She said the first order of business was the election of Senate and House co-chairs.

Senator McDaniel nominated Senator Humphries for the position of Senate co-chair. The motion was seconded by Senator Girdler. A motion was made that nominations cease and that Senator Humphries be elected Senate co-chair by acclamation. The motion was seconded by Senator McDaniel and approved by voice vote.

Representative Brown nominated Representative Moffett for the position of House co-chair. The motion was seconded by Representative Rudy. A motion was made that nominations cease and that Representative Moffett be elected House co-chair. The motion was seconded by Representative Moffett and approved by voice vote.

Approval of Minutes

A motion was made by Representative Rudy to approve the minutes of the March 15, 2017 meeting. The motion was seconded by Senator Carroll and approved by voice vote.

Information Items

Ms. Bowen said there were five information items on the agenda this month: a follow-up response from the School Facilities Construction Commission regarding the McCracken County school bond issue; news articles regarding allocations from the Workforce Development Construction Pool and future plans for the Capital Plaza Tower Building in Frankfort; legislation relating to the jurisdiction of the committee; and quarterly capital construction status reports. The information items did not require committee action.

Project Reports from the Universities

Mr. Mardis reported a new lease for the University of Louisville (U of L). The university plans to enter into a \$7.8 million lease with American Campus Communities for university student housing. A housing market and demand assessment conducted by Brailsford and Dunlavey in June 2015 showed that the university will have a deficit of 1,500 beds if the need for additional housing is not addressed. The two buildings, located in close proximity to

campus, will free up on-campus housing space by 1,072 beds, help alleviate potential housing shortages, and provide time for the university to study future housing options. The additional beds will also allow for expansion of the university's Themed and Living Learning Communities, which allows students with similar majors to be housed together. Individual student rents will serve as the source of restricted funds, and there are no state general funds involved in the lease. The lease contains the option to renew for four one-year periods.

In response to a question from Representative Moffett, Mr. Mardis said that there is no on-going debt to the university arising from this new lease and that the facilities' infrastructure is the responsibility of American Campus Communities.

A motion to approve the lease was made by Representative Rudy, seconded by Senator Carroll, and approved by unanimous roll call vote.

Ms. Baker reported two items for the University of Kentucky (UK): the purchase medical and research equipment with restricted fund sources, and a lease renewal for the UK Human Development Institute. The lease is being renewed at an annual cost of \$147,373, effective July 1, 2017, for a one-year period.

A motion was made by Representative Rudy to approve the lease renewal. The motion was seconded by Senator Carroll, and approved by unanimous roll call vote.

Ms. Patrick reported an emergency project for Morehead State University (MoSU). In accordance with KRS 164.600, the university's president declared an emergency project to replace the failed chiller in Lappin Hall. The project has a scope of \$1,641,038, and restricted funds derived from the institution's fund balance reserve account will fund the project. Lappin Hall is one of the university's largest instructional facilities with over 150,000 square feet, and serves the university's science and math academic program needs. In July 2016, Lappin Hall's chiller failed and, through mid-October, MoSU rented a temporary chiller to maintain cooling in the building. Lappin Hall will be closed in late May in order to proceed with the replacement of the cooling system. Due to the emergency project designation, no action was required.

Lease Reports from the Finance and Administration Cabinet

Mr. Aubrey reported on leasehold improvements at the 300 Building in Franklin County. The agencies requesting the modifications include the Energy and Environment Cabinet, the Education and Workforce Development Cabinet, and the Department of Education. The modifications consists of the installation of a sink and additional electrical outlets, and have a total cost of \$7,072. The total cost of improvements to date in the 300 Building is \$190,702. Mr. Aubrey said that the building was originally proposed to accommodate approximately 1,500 staff from various state offices. The actual staff and offices that were moved into the building were not identified until after the design was complete. Since those agencies have moved, they have identified improvements that are needed to meet their programmatic needs. While trying to address these improvements, the Finance Cabinet was unable to

modify the lease agreement due to the Certificates of Participation (bonds) that were issued by the developer. A condition of the trust indenture prohibits any modifications which would change the amount of the lease payments absent the consent of the majority of the owners, in aggregate principal amount, of the Certificates of Participation. These lease documents created a Tenant Improvement Fund to address this predicament.

A motion to approve the modifications was made by Senator Carroll, seconded by Representative Coursey, and approved by unanimous roll call vote.

Project Reports from the Finance and Administration Cabinet

Ms. Tomes presented project reports on behalf of the Transportation Cabinet and the Tourism, Arts and Heritage Cabinet, Department of Fish and Wildlife Resources. The Transportation Cabinet has modified the Hart County Rest Area Emergency Repair, Maintenance, or Replacement Project to cover the cost of additional change orders and to provide contingency funds. This project was initially submitted to the committee in January 2017 as an emergency project. As reported, the project scope was \$1,513,400, and the work included demolition and reconstruction of the existing rest area, which burned in early January 2016. Further investigation revealed that damage to the structure was worse than the original estimate, and additional funding in the amount of \$90,000 is needed. The approved scope is \$1,603,400, and the emergency project is funded 100 percent with proceeds from the Fire and Tornado Insurance Fund. The project was declared an emergency, and no action was required.

The Department of Fish and Wildlife Resources has established the Goose Creek, Casey County, Fees-in-Lieu of (FILO) Stream Mitigation Pool project in the amount of \$3,290,200. This stream mitigation project will stabilize approximately 15,842 linear feet of the creek and its tributaries, and 10 acres of wetlands within the Green River basin. Projects established from the FILO pool are required to be reported to the committee, however, no action is required.

Report from the Office of Financial Management

Ms. Adams reported four KIA loans: Fund A loan, Mountain Water District, Pike County, \$300,000; Fund B loan, City of Lawrenceburg, \$1,200,000; Fund F loan, City of Irvine, \$5,732,000; and Fund F loan, City of Olive Hill, \$883,000.

Representative Rudy made a motion to roll the KIA loans into one vote. The motion was seconded by Senator Carroll, and approved by voice vote.

A motion was made by Representative Moffett to approve the KIA loans, seconded by Senator Carroll, and approved by unanimous roll call vote.

Mr. Barrow reported a new bond issue for the Kentucky Economic Development Finance Authority (KEDFA). The bonds, Hospital Revenue Refunding Bonds Series 2017A (\$437,360,000) and Series 2017B (\$37,415,000), will advance refund outstanding bonds for Owensboro Health, Inc.

A motion was made by Senator McDaniel to approve the bond issue, seconded by Representative Rudy, and approved by unanimous roll call vote.

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

Participation

Mr. Barrow reported 14 new SFCC school district bond issues for a total amount of \$1,516,578. All issues will finance school renovations, improvements, or new school construction. With the exception of the Breckinridge County bond issue, no tax increase was necessary to finance the projects. [In regard to the Breckinridge County school bond issue, the district levied a Recallable Nickel in September 2014 to finance the project. The Recallable Nickel was equalized at 25 percent beginning in FY 2017.]

In response to a request from Senator McDaniel, Mr. Barrow said he would compile more information to clarify the specific details of the Owsley County school construction project, as well as the money aspects of this project brought up in the past two budget sessions.

A motion was made by Representative Rudy to approve the school bond issues, seconded by Senator McDaniel, and approved by unanimous roll call vote.

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

Ms. Bowen reported two 100 percent locally-funded school bond issues for Jessamine and Adair Counties. The bond issues total \$4,390,000, and the scope of work includes improvements and renovations to district schools. The bond issues did not involve a tax increase, and no action was required.

Senator McDaniel commented that a representative from the Louisville Arena Authority should attend the committee meetings each month to provide updates as to the transactions of the Arena Authority. The Arena Authority has appeared before the committee in the past, and updates are required statutorily to keep abreast of any ongoing issues. Senator Humphries said that he and Chairman Moffett would discuss the LAA and make a decision in regard to the request.

With there being no further business, the meeting adjourned at 2:06 p.m.

TOBACCO SETTLEMENT AGREEMENT FUND OVERSIGHT COMMITTEE

Minutes of the 2nd Meeting of the 2017 Interim

April 12, 2017

Call to Order and Roll Call

The 2nd meeting of the Tobacco Settlement Agreement Fund Oversight Committee was held on Wednesday, April 12, 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 Paul Hornback, Stephen Meredith, Dennis Parrett, Robin L. Webb, and Whitney Westerfield; Representatives Kim King, Phillip Pratt, Brandon Reed, and Dean Schamore.

Guests: Warren Beeler, Executive Director, Governor's Office of Agricultural Policy; Bill McCloskey, Deputy Executive Director, Governor's Office of Agricultural Policy; John McCauley,

Kentucky Department of Agriculture; and Representative Wilson Stone.

LRC Staff: Lowell Atchley, Kelly Ludwig, and Marielle Manning.

Upon motion made by Senator Embry and seconded by Senator Westerfield, the February 1, 2017 minutes were approved by voice vote and without objection.

Governor's Office of Agricultural Policy

Warren Beeler, Executive Director, and Bill McCloskey, Deputy Executive Director, Governor's Office of Agricultural Policy, testified about five regional projects approved by the Agricultural Development Board at its February 2017 meeting:

Kentucky Hemp Research Foundation, Inc., approved by the board for \$2,000 in Floyd County funds to purchase a dual harvester for research and education purposes;

Sunstrand, LLC, approved by the board for \$381,500 in state and county funds for the expansion of its bast fiber processing facility;

Hopkinsville Elevator Co., Inc., approved by the board for \$12,000 in county funds, split between Christian and Todd counties, for a study to look at the feasibility of merchandising and processing canola;

Eastern Kentucky University, approved by the board for \$179,373 in state funds to purchase and install an Automated Milking System (AMS) for demonstration, education and research at EKU's Meadowbrook Farm; and

KY Agricultural Opportunities, Inc., approved by the board for \$50,000 in state funds for a comprehensive valuation of a marketing opportunity to benefit beef producers.

Responding to a question from Representative King, GOAP representatives explained that the 1997 tobacco production base is used to calculate CAIP funds.

In response to a question from Representative Dossett, GOAP officials stated that the Floyd County harvester is a fabricated specialized piece of equipment to harvest hemp.

Warren Beeler and Bill McCloskey testified about three projects approved by the Agricultural Development Board at its March 2017 meeting:

Ohio Valley Food Connection, approved by the board for up to \$88,439 in State and County funds to expand marketing outlets for Kentucky farmers, County Commitments to date: Campbell-\$5,000; Clark-\$5,000; Fayette-\$5,000; Kenton-\$2,500; and Woodford-\$10,000;

Community Agricultural and Nutritional Enterprises, Inc., approved by the board for \$150,000 in State funds to expand its commercial kitchen to allow farmers and opportunity to produce value-added projects, as well as a market for locally grown fruits and vegetables; and

Community Farm Alliance, Inc., approved by the board for \$266,888 in State funds to continue the Double Dollars and Market Manager incentive programs.

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

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% 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%

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% 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 adjourned at 1:25 p.m.

GOVERNMENT CONTRACT REVIEW COMMITTEE

Committee Minutes

May 9, 2017

Call to Order and Roll Call

The Government Contract Review Committee met on Tuesday, May 9, 2017, at 10:00 AM, in Room 149 of the Capitol Annex. Senator Max Wise, Chair, called the meeting to order, and the secretary called the roll.

Present were:

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

Guests: Larry Brown, Amy Shoemaker, Paula Hensel, Fran Pinkston, Holly McCoy Johnson, Mike Denney, Edie Frakes, and Steve Casebeer.

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

DEFERRED ITEMS:

WESTERN KENTUCKY UNIVERSITY:

World Education Services; 161730. A motion was made by Representative Lee to consider the contract as reviewed. Senator Carroll seconded the motion, which passed.

A motion was made by Representative Lee to approve Minutes of the April 2017, meeting of the committee. Senator Carroll seconded the motion, which passed without objection.

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

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

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

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

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

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

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE REVIEWED WITHOUT OBJECTION:

CRIMINAL JUSTICE TRAINING,
DEPARTMENT OF
Elizabeth Messer, 1700001855.

DEPARTMENT FOR BEHAVIORAL HEALTH,
DEVELOPMENTAL AND INTELLECTUAL
DISABILITIES
Patricia F. Seybold, 1700001611.

DEPARTMENT FOR INCOME SUPPORT
Benjamin Kutnicki MD, 1700001148; Humildad Anzures, 1700001149.

EASTERN KENTUCKY UNIVERSITY
Cammack Retirement Group, 18-114; Crowe

Horwath, LLP, 18-115; Mountjoy Chilton Medley, 18-117; BioMedical Research Services, 18-118.

EDUCATION, DEPARTMENT OF

Curriculum Associates, LLC, 1700001021; Career Cruising, 1700001295; Siteimprove, Inc., 1700001338; Kelly Stewart, 1700001671; Ameresco, 1700001856.

EDUCATIONAL TELEVISION, KENTUCKY

Roger Bondurant, 1700001852; James H. Bugay, 1700001876; Britt Davis, 1700001880; Michelle Grant, 1700001887.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING

Greg Best Consulting, Inc., 1700001729.

JUVENILE JUSTICE, DEPARTMENT OF

Shannon Smith-Stephens, 1700001703.

KENTUCKY HOUSING CORPORATION

Crowe Horwath, LLP, 2018-1; iiWA, LLC, 2018-10; McBrayer, McGinnis, Leslie & Kirkland, PLLC, 2018-11; Multi, 2018-13-35; BLX Group, LLC, 2018-2; Caine Mitter & Associates, 2018-3; Regulatory Solutions, LLC, 2018-4; Gibson Consulting, LLC, 2018-5; T. Ronald Brown: Research and Analysis, 2018-6; Vogt Santer Insights, Ltd., 2018-7; Value Tech Realty Services, Inc., 2018-8; Valbridge Property Advisors, 2018-9.

KENTUCKY LOTTERY CORPORATION

Affiliated Forensic Laboratories, Inc., 17-17-011; Smartplay International, Inc., 18-12-011; Blue & Company, LLC, 18-13-029.

MEDICAL LICENSURE, BOARD OF

Blue & Co., LLC, 1700001820.

MILITARY AFFAIRS, DEPARTMENT OF

Safe Transportation Training Specialist, LLC, 1700001363; Philip Kenneth Miller, 1700001773.

MOREHEAD STATE UNIVERSITY

Dean Dorton Allen Ford, PLLC, 17-051.

NORTHERN KENTUCKY UNIVERSITY

Isaacson Miller, Inc., 2017-201; ROK Consulting, 2017-202.

OFFICE OF INSPECTOR GENERAL

Western Kentucky University Research Foundation, Inc., 1700001509.

TRANSPORTATION CABINET

Tooms, Dunaway & Webster, PLLC, 1700001151; Tooms, Dunaway & Webster, PLLC, 1700001152; Vaughn and Melton, 1700001652; H.W. Lochner Consulting, Inc., 1700001715; Greenman-Pedersen, Inc., 1700001719; Palmer Engineering, 1700001724.

UNIVERSITY OF KENTUCKY

Facility Commissioning Group, A171170; Ekhooff, Ochenkoski, Polk Architects, Inc., A171180.

VETERANS AFFAIRS, DEPARTMENT OF

Trilogy Healthcare Holdings, Inc., 1600001334-1; Trilogy Healthcare Holdings, Inc., 1600001582-1; Special Care Management, LLC, 1700001777.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

DEPARTMENT FOR ENVIRONMENTAL PROTECTION

Stantec Consulting Services, Inc., 1600001285; Aecom Technical Services, Inc., 1600001323.

DEPARTMENT FOR INCOME SUPPORT

Multi, 1600002416; Multi, 1600002420; Multi, 1600002422; Multi, 1600002425; Parandhamulu Saranga, 1600003618; Mary Thompson Ph. D, 1600003694; Ed Stodola, 1600003825; Lisa D. Beihn, 1600003828; John M. Reed MD, 1600003829.

DEPARTMENT FOR MEDICAID SERVICES

Myers and Stauffer LC, 1600000122.

DEPARTMENT FOR PUBLIC HEALTH

Multi, 1600002605; Multi, 1600002663.

DEPARTMENT OF INSURANCE

Taylor & Mulder, Inc., 1600002358.

EDUCATIONAL TELEVISION, KENTUCKY

Michelle Grant, 1600002632.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING

Mactec Engineering & Consulting, 1000002150; URS Corporation, 1100002668; Ross Tarrant Architects, Inc., 1200001550; Omni Architects, 1500000941; Bender Associates Architects, 1500001577; Sustainable Streams, LLC, 1600000034; Facility Commissioning Group, 1600000180; John L. Carman and Associates, Inc., 1700001106.

JUSTICE CABINET

Kindra Kilgore, 1600003974.

MEDICAL LICENSURE, BOARD OF

Multi, 1600002744.

MOREHEAD STATE UNIVERSITY

Carson Consulting and Training, Inc., 17-027; Ashley Gootee, 17-031.

OFFICE OF INSPECTOR GENERAL

Sayre Christian Village Nursing Home, Inc., 1600003997.

TRANSPORTATION CABINET

Burgess & Niple, Inc., 1100000206; QK4, 1200002605; Municipal Engineering Company, 1300000984; American Engineers, Inc., 1300001393; URS Corporation, 1300001719; Burgess & Niple, Inc., 1300002497; American Engineers, Inc., 1400000002; Palmer Engineering, 1600000637; Parsons Brinckerhoff, Inc., 1600000993; Strothman and County, PSC, 1600001508; Marn Rivelle, 1600001518; William D. Boyd, 1600002159; Gess, Mattingly and Atchison, 1600003727; Stantec Consulting Services, Inc., 1700000621; ICA Engineering, C-01063751-3; Palmer Engineering County, C-01080271-3.

UNIVERSITY OF LOUISVILLE

K. Norman Berry Associates Architects, 16-002; TEKsystems, 17-012; TEKsystems, 17-012; Brailsford

& Dunlavey, Inc., 17-072.

WESTERN KENTUCKY UNIVERSITY

Multi, 161807.

WORKFORCE INVESTMENT, OFFICE OF

Kimberly D. Martin, 1600002364; Cell Staff, LLC, 1600002623.

THE FOLLOWING PERSONAL SERVICE CONTRACT FOR \$10K AND UNDER WERE REVIEWED WITHOUT OBJECTION:

CABINET FOR HEALTH AND FAMILY SERVICES

O'Bryan, Brown & Toner, 1700001984.

MOREHEAD STATE UNIVERSITY

Stacey Stevens, 17-048; Funda Gonulates, 17-050; Dr. Jennifer Koenig, 17-052; Todd Linden, 17-054; Katie Johnson, 17-055.

WORKFORCE INVESTMENT, OFFICE OF

John Christopher Ingram, 1700001710.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE REVIEWED WITHOUT OBJECTION:

AGRICULTURE, DEPARTMENT OF

Multi, 1700001857.

CORRECTIONS, DEPARTMENT OF

Harlan County Fiscal Court, 1700001353; Hopkins County Detention Center, 1700001355; Danville Public Library, Inc. (KYEM PA), 1700001713.

DEPARTMENT FOR COMMUNITY BASED SERVICES

Kentucky Association of Child Advocacy Centers, 1700001567.

EDUCATION PROFESSIONAL STANDARDS BOARD

Danville Independent Board of Education, 1700001712.

EDUCATION, DEPARTMENT OF

Kentucky School Boards Association Educational Foundation, 1700001544; Northern Kentucky University, 1700001669.

FISH & WILDLIFE, DEPARTMENT OF

University of Montana, 1700001465.

LIBRARIES & ARCHIVES, DEPARTMENT FOR

Clark County Public Library, 1700001443; Lexington Public Library, 1700001446; Grant County Public Library, 1700001474; Greenup County Public Library, 1700001476; Louisville Free Public Library, 1700001480; Menifee County Public Library, 1700001484; Pulaski County Public Library, 1700001492; Robertson County Public Library, 1700001493; Grant County Public Library, 1700001803; Marion County Public Library, 1700001814.

MILITARY AFFAIRS, DEPARTMENT OF

University of Kentucky Research Foundation, 1700000991; University of Kentucky Research Foundation, 1700001210.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT

City of Mount Olivet, 1700001698; Floyd County Fiscal Court, 1700001700; Kenton County Fiscal Court, 1700001720; City of Hartford, 1700001778; Kenton County Fiscal Court, 1700001781; City of Hawesville, 1700001802; University of Kentucky Research Foundation, 1700001839.

TRANSPORTATION CABINET

Federal Highway Administration, 1700001676.

THE FOLLOWING MEMORANDA OF AGREEMENT AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS

Lifeskills Corporation Offices, 1600003942.

AGRICULTURE, DEPARTMENT OF

Multi, 1700001578; Multi, 1700001659.

DEPARTMENT FOR AGING & INDEPENDENT LIVING

Multi, 1600001180; Multi, 1600001203; Bluegrass Community Action Age, 1700000945.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES

Kentucky Housing Corporation, 1600001699; Seven Counties Services, 1600001866; Lake Cumberland Mental Health Mental Retardation Board d/b/a The Adanta Group, 1600001873.

DEPARTMENT FOR COMMUNITY BASED SERVICES

Prevent Child Abuse Kentucky, 1600001309.

DEPARTMENT FOR MEDICAID SERVICES

University of Kentucky Research Foundation, 1600000805.

DEPARTMENT FOR PUBLIC HEALTH

University of Kentucky Research Foundation, 1600002286.

EARLY CHILDHOOD ADVISORY COUNCIL

Eastern Kentucky University, 1600002551.

EDUCATION, DEPARTMENT OF

University of Louisville Research Foundation, 1600002548; Eastern Kentucky University, 1600002669; Murray State University, 1600002695; KCTCS, 1600002770; Kentucky Educational Development Corporation, 1600003093; Trustees of Indiana University, 1600003270; Christian County Board of Education, 1700000043; Edmonson County Board of Education, 1700000044; Boyd County Board of Education, 1700000275; Fayette County Board of Education, 1700000279; Fleming County Board of Education, 1700000280; Lee County Board

of Education, 1700000283; Webster County Board of Education, 1700000289.

JUSTICE CABINET
Project Unite, 1600003567.

MILITARY AFFAIRS, DEPARTMENT OF
Taylorsville City of for Hazard Mitigation Only), 1400003467.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT

McLean County Fiscal Court, 1400003124; Union County Fiscal Court, 1600000433.

TRANSPORTATION CABINET
Graves County Fiscal Court, 1600001878; Kosair Children's Hospital, 1700000436.

WORKFORCE INVESTMENT, OFFICE OF
Buffalo Trace Area Development District, 1600001494.

THE FOLLOWING MEMORANDA OF AGREEMENTS FOR \$50K AND UNDER WERE REVIEWED WITHOUT OBJECTION:

AGRICULTURE, DEPARTMENT OF
Murray State University School of Agriculture, 1700001508.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION
Marshall County Schools, 1700001272.

DEPARTMENT FOR PUBLIC HEALTH
Lexington Center Corporation, 1700001668.

EDUCATION, DEPARTMENT OF
Berea College, 1700001574; Kentucky State University, 1700001609; Northern Kentucky University, 1700001683; Ashland Independent School District, 1700001687; McCracken County Board of Education, 1700001689; Mercer County Board of Education, 1700001690; Pulaski County Board of Education, 1700001691; Pulaski County Board of Education, 1700001692; Kentucky Council for Children With Behavioral Disorders, Inc., 1700001767.

INFRASTRUCTURE AUTHORITY
City of Campton, 1700001554.

KENTUCKY LOTTERY CORPORATION
Finance & Administration Cabinet, Office of Financial Management, 18-14-023.

LIBRARIES & ARCHIVES, DEPARTMENT FOR
Grayson County Public Library, 1700001475; Clay County Public Library, 1700001801.

MILITARY AFFAIRS, DEPARTMENT OF
University of Kentucky Research Foundation, 1700000969; Kentucky Wing Civil Air Patrol, 1700001247; Kentucky Transportation Cabinet, 1700001331.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT

Hancock County Fiscal Court, 1700001551; Kenton County Fiscal Court, 1700001782; Kenton County Fiscal Court, 1700001783; Pike County Fiscal Court, 1700001959.

WORKFORCE INVESTMENT, OFFICE OF
Department for Medicaid Services, 1700001424.

THE FOLLOWING FILM TAX INCENTIVES WERE REVIEWED WITHOUT OBJECTION:

TOURISM DEVELOPMENT CABINET
Tremendous Entertainment, Inc., 1700001784; Witches Brew, LLC, 1700001859; Silo Film, LLC, 1700001995.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE SELECTED FOR FURTHER REVIEW:

KENTUCKY LOTTERY CORPORATION
Bandy Carroll Hellige, 18-16-044-1; The Buntin Group, Inc., 18-16-044-2. Mike Denney, Edie Frake, and Steve Casebeer discussed the contracts with the committee. A motion was made by Representative Lee to consider the contracts as reviewed. Senator Carroll seconded the motion, which passed.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE SELECTED FOR FURTHER REVIEW:

DENTISTRY, BOARD OF
McBayer McGinnis Leslie and Kirkland, 1700000265. Larry Brown discussed the contract with the committee. A motion was made by Senator Raque Adams to consider the contract as reviewed. Representative St. Onge seconded the motion, which passed.

UNIVERSITY OF LOUISVILLE
Multi, 17-023 A-F; Isaacson Miller, Inc., 17-029. Amy Shoemaker and Paula Hensel discussed the contracts with the committee. A motion was made by Senator Carroll to consider the contracts as reviewed. Representative Horlander seconded the motion, which passed.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE SELECTED FOR FURTHER REVIEW:

ATTORNEY GENERAL, OFFICE OF THE
Kentucky River Community Care, 1700000085. Fran Pinkston and Holly McCoy Johnson discussed the contract with the committee. A motion was made by Representative Lee to consider the contract as reviewed. Senator Carroll seconded the motion, which passed.

THE FOLLOWING MEMORANDA OF AGREEMENTS FOR \$50K AND UNDER WERE SELECTED FOR FURTHER REVIEW:

ATTORNEY GENERAL, OFFICE OF THE
Kentucky State Police, 1700001547. Fran Pinkston and Holly McCoy Johnson discussed the contract with the committee. A motion was made by Senator Carroll to consider the contract as reviewed. Representative Lee seconded the motion, which passed.

There being no further business, the meeting adjourned at 10:50 a.m.

PUBLIC PENSION OVERSIGHT BOARD

Minutes of the 4th Meeting of the 2017 Interim
April 24, 2017

Call to Order and Roll Call

The 4th meeting of the Public Pension Oversight Board was held on Monday, April 24, 2017, at 1:00 PM, in Room 131 of the Capitol Annex. Representative Brian Linder, 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, Gerald A. Neal, Dennis Parrett, and Wil Schroder; Representatives Ken Fleming, James Kay, Jerry T. Miller, Arnold Simpson, and Russell Webber; J. Michael Brown, Timothy Fyffe, Mike Harmon, and Sharon Mattingly.

Guests: Beau Barnes, Deputy Executive Director; Donna Early, Executive Director, Judicial Form Retirement System; David Eager, Interim Executive Director, Kentucky Retirement Systems; Bo Cracraft, LRC; Bryanna Carroll, Kentucky League of Cities, Chris Bartley, Kentucky Professional Firefighters, Eric Kennedy, Kentucky School Boards Association, and J.C. Young, Executive Director, Kentucky Magistrates and Commissions Association, J.D. Chaney, Deputy Executive Director, Kentucky League of Cities; Brad Gross and Jennifer Black Hans, LRC.

LRC Staff: Brad Gross, Jennifer Black Hans, Bo Cracraft, and Angela Rhodes.

Quarterly Investment/Cash Flow Update

Beau Barnes, Deputy Executive Director, Teachers' Retirement System (TRS) discussed investment performance as of March 31, 2017, noting the quarterly pension fund return was 5.02 percent while the fiscal year to date return was 11.02 percent. Mr. Barnes stated if these type of returns continue for the last quarter of the fiscal year, TRS would meet or exceed the 7.5 percent assumed rate of return. Over the last 30 years, the compounded gross return of the TRS pension fund was 8.01 percent. For the quarter ending March 31, 2017, the market value of the pension fund was \$18.1 billion, which was up from the \$16.8 billion reported at the end of the 2016 fiscal year. The medical insurance fund was valued at \$743 million, which was also up from \$607 million reported at the end of the 2016 fiscal year. In total, the market value of the TRS funds have increased from roughly \$17.4 billion to \$18.8 billion since the end of

the 2016 fiscal year.

Mr. Barnes discussed cash flow and how TRS has been in a negative cash flow situation for the past number of years, which has forced TRS to sell assets when markets were down and assets were undervalued. He stated that TRS received an additional \$973 million in the current budget from the Governor and General Assembly which has reduced the negative cash flow from \$611.7 million in 2016 to a projected \$300.2 million in 2017.

In response to a question from Senator Higdon, Mr. Barnes stated in the late 1990s, TRS lowered their assumed rate of return from 8 percent to 7.5 percent and TRS feels the 7.5 percent rate is in the right range at this time. In response to an additional question from Senator Higdon, Mr. Barnes stated there are two types of payouts at retirement that can increase a members' retirement allowance. First, retiring administrators may be compensated by their employer for up to 60 days of annual leave that can be used in their last years' salary that is then used to calculate their retirement allowance. For those who became members on or after July 1, 2008, this payout is not included in the retirement calculation. Secondly, members can be compensated by their employer for any unused sick leave at 30 percent of their daily rate of pay. The lump sum sick leave payment is then incorporated in the members last year of salary and will increase their retirement allowance.

In response to a question from Representative Fleming, Mr. Barnes stated that the \$125 million coming in every quarter helps make investments manageable and TRS would sell any assets that decreased the least in value to meet cash flow needs.

Quarterly Investment/Cash Flow Update

Donna Early, Executive Director, Judicial Form Retirement System noted that performance for the third quarter, in both the Judicial and Legislative funds, slightly exceeded their benchmarks, while both funds have exceeded the benchmark by an average of 250 basis points for the fiscal year to date. Ms. Early pointed out that the Judicial Defined Benefit plan was valued at \$370 million as of March 31, 2017, and included 229 members and a total of 346 retirees and beneficiaries. The Judicial Hybrid plan had a market value of \$490,729 and included 22 members. The Legislators Defined plan had a market value of \$109 million and included 79 members and a total of 216 retirees and beneficiaries. The smallest plan, Legislators Hybrid Cash Balance plan had a market value of \$129,106.

Ms. Early provided a summary of the Judicial plan cash flows fiscal year to date with total income earned, including investment earnings and contributions, of \$17.9 million and total payouts of \$18.7 million. The Legislators fund had income of \$4.2 million and payouts of \$3.6 million.

Quarterly Investment/Cash Flow Update

David Eager, Interim Executive Director, Kentucky Retirement Systems (KRS) began with a few key points, most notably that markets had been positive, cash flow had improved, and that the Kentucky Employees Retirement System (KERS) non-hazardous fund continues to be the main focus. He noted that as of March 31, 2017, investment markets had been positive, equity markets were up

about 15 percent, and alternatives ranged from 3 to 6 percent. KRS added 13 basis points to an unmanaged benchmark, which equated to around \$20 million in added gains.

Mr. Eager discussed investment returns for the pension fund as of March 31, 2017. He noted the total returns for the fiscal year to date were 9.91 percent for the pension plan and 10.11 percent insurance. Individual plan returns on the pension side included KERS non-hazardous at 8.75 percent, KERS hazardous at 9.86 percent, County Employees Retirement System (CERS) non-hazardous at 10.23 percent, CERS hazardous at 10.15 percent, and State Police Retirement System (SPRS) at 9.22 percent. On the insurance side, individual plans' returns for the fiscal year to date included KERS non-hazardous at 10.29 percent, KERS hazardous at 10.17 percent, CERS non-hazardous at 10.06 percent, CERS hazardous at 10.05 percent, and SPRS at 10.04 percent.

Mr. Eager discussed the pension and insurance fund asset allocations and noted KRS was starting to see some differences on the pension side, most notably within U.S. Equity and Non U.S. Equity, where the KERS non-hazardous fund is down to a 39.6 percent allocation, while CERS and the other funds are closer to 52 percent. In insurance, most of the systems are in the 60 percent or greater range in terms of funding and have similar asset allocations.

Mr. Eager discussed cash flow for the KRS pension funds through the third quarter. KERS non-hazardous total contribution inflow was \$735 million, while the contribution outflow was \$734 million. Inflows increased by 37.18 percent and outflows increased by 2.17 percent. The KERS hazardous fund had total contribution inflows of \$91 million and outflows of \$51 million. Inflows increased by 167.16 percent and outflows increased by 3.65 percent. The CERS non-hazardous fund had total inflows of \$825 million and outflows of \$575 million. Inflows increased by 137.95 percent and outflows increased by 5.90 percent. The CERS hazardous fund had total inflows of \$283 million and outflows of \$183 million. Inflows increased by 120.88 percent and outflows increased by 5.94 percent. The SPRS contribution inflow was \$66 million and outflows were \$44 million. Inflows increased by 165.67 percent and the outflows increased by 1.87 percent.

In response to questions from Representative Kay, Mr. Eager stated he had not been alerted that outside counsel had been hired to discuss fiduciary issues. He noted that Brian Thomas, General Counsel, had departed KRS in September 2016 and Carmine Lacarrino, who was hired in January 2017, had also recently departed KRS.

In response to a question from Senator Bowen, Mr. Eager stated that the net asset base as of March 31, 2017, was \$11.6 billion for the pension fund and \$4.6 billion for insurance, for a total of \$16.2 billion. In 2016, the pension fund was \$10.9 billion and insurance was \$4.6 billion, for a total of \$15.1 billion.

In response to a question from Senator Higdon, Mr. Eager stated that there are a significant number of issues that need to be addressed in regards to system separation.

Calendar Year Ended Investment Review

Bo Cracraft, LRC, provided a semi-annual

investment return covering the 2016 calendar year. He noted 2016 was more encouraging than the prior year, as evident by several benchmark returns exceeding 7 percent during the year. Mr. Cracraft noted that each of the retirement systems had returned 7 percent or more for the one year ending December 31, 2016. At a plan level, the KERS non-hazardous and SPRS plans have lagged behind the other KRS plans primarily due to a below target allocation to equity in the short term, and when considering longer-term results, some of relative underperformance is due to cash flow constraints.

Mr. Cracraft discussed changes in asset allocation since June 30, 2016, which were less than a one percent deviation for the two larger plans. With regards to KRS, evidence of their recent decision to reduce and redeem some of their hedge fund assets were beginning to be reflected and absolute return assets were down just over 0.5 percent.

Mr. Cracraft discussed recent performance and noted that early 2017 returns have been encouraging from both a return and benchmark standpoint. All three plans have posted fiscal year to date returns of 10 percent or more. Mr. Cracraft also noted that the KRS Board was spending time discussing asset allocation, where to reallocate the assets being redeemed from hedge funds, and creating tailored allocations specifically for each of the individual plans. KRS has asked their consultant, R.V. Kuhns, to review capital market expectations and potential allocations. On a similar note, while not directly related to rebalances or redemptions, TRS had also asked their consultant, AON Hewitt, to do a review of their current asset mix, targets, and how it relates to current assumptions.

CERS Separation

Senator Bowen made a few opening comments and noted the following presentation had also been heard by the State Government Committee during regular session, but the initiative was slowed down at the request of the Executive Branch. Senator Bowen reiterated his belief that separation of CERS from KRS is very important and would be good public policy.

Bryanna Carroll, Kentucky League of Cities (KLC), stated that CERS pension stability is the top priority for many associations and employee groups within CERS. The proposed CERS separation would remove the entire group of CERS employers. CERS is on an upward trajectory and is funded at 61.5 percent, while KERS and SPRS combined are 23.8 percent funded. Currently, CERS is paying 63 percent of the administrative expenditures for KRS and CERS liabilities are approximately \$19.3 billion, which is 53 percent of all KRS liabilities.

Ms. Carroll continued and noted a 2012 task force that was assembled to study pension reform which lead to SB 2 in 2013 and a third tier known as the hybrid cash balance plan. As a result of these changes, CERS is at a higher funded percentage than it was prior to the passage of SB 2, despite more conservative actuarial assumptions. Actuaries have projected CERS will be fully funded by 2043, the end of the current amortization period. CERS assets totaled approximately \$12 billion, which is approximately 73 percent of KRS assets. Since 2000, the administrative costs have increased 245 percent, which is significant since CERS pays 63 percent of the administrative

costs.

Ms. Carroll discussed the separation proposal and that KERS continues to be on a downward trajectory. CERS members feel that it is time to separate and ensure local control of local pensions. Separating CERS from KRS will ensure the long term solvency of CERS and also allow the focus to be on fixing the funding shortfalls of the remaining KRS plans. The proposal includes the creation of a nine member CERS Board of Trustees, which would include, three members that are elected officials, three members that must have investment experience, and three members that must have retirement experience. The new CERS Board would still report to the Public Pension Oversight Board (PPOB). The current KRS Board includes six CERS representatives, while the Investment Committee contains no CERS representatives. The three current elected members on the KRS Board would transition to the CERS Board. Lastly, Ms. Carroll noted there were no benefit changes included in the proposal and over 95 percent of the bill is taken directly from the current language and mirrored into a new set of statutes for CERS.

Mr. Chris Bartley, Kentucky Professional Firefighters, testified that the Kentucky Professional Firefighters fully support the separation of CERS from KRS. CERS separation maintains a status quo for the retirements of their members. It would protect and maintain the current benefit levels, protect the inviolable contract, and protect overall retirements of those retired, active, or recently hired. Mr. Bartley stated that firefighters cannot take anymore retirement reductions and noted that most firefighters in the state do not receive social security and rely on the benefit as their sole retirement. Separation basically allows a secure dignified retirement for the firefighters who protect the Commonwealth.

Eric Kennedy, Kentucky School Boards Association, testified that local school districts participate in CERS, accounting for over half of all active employees in the plan. Like others in the system, school boards have made tough budget choices through the past few years in order to fund student services, education, and the pension system. Mr. Kennedy stated that any further benefit reductions would be devastating to retain staff that is needed.

J.C. Young, Kentucky Magistrates and Commissions Association, stated that a purpose for the separation proposal is to separate out funds and ensure there is no comingling, while also providing a microscope on management in the future.

Senator Bowen made comments that in no way should the separation be perceived as abandoning KRS or in particular KERS. This will be an opportunity to give focus on the most troubled system.

In response to several questions, Ms. Carroll stated that 95 percent of the bill was mirrored from statute and currently Kentucky Revised Statute 61.565 requires full funding of the ARC, which would also be required of CERS after separation. The inviolable contract currently is established with the state and specifically reads that it is the responsibility of employers to pay the costs and this language would also remain the same. Ms. Carroll stated that the employers are responsible for their own liabilities and agreed there is zero liability for the state with

separation and that the CERS liabilities will not show up on the state's books. As for investments, there may be some that are comingled for larger investments and in terms of a separation, CERS could buyout of those comingled investments and that the bill allows for four years from date of passage to hash out those details. Ms. Carroll stated that at this time there are no legal analysis available that shows how a separation would impact the Commonwealth or the stakeholder in CERS, but that there is an actuary looking at that information.

In response to several questions, Mr. Kennedy stated that the current statutory provision for the inviolable contract for CERS is between the employee and the Commonwealth and they believe it would be a breach of contract to change the language. Mr. Kennedy discussed what would happen if an individual city or any of the employers in CERS were to file bankruptcy or were dissolved, and referenced recorded law that would require the cities or counties to payout of all existing debts, including pension liabilities.

In response to questions from Representative Simpson, J.D. Chaney discussed that the inviolable contract is a guarantee by the General Assembly to not alter, impair, or amend the benefits promised to the employees. Mr. Chaney stated that if a city were to go out of existence, the employer contributions would be adjusted across the system and all remaining participating employers would be responsible for payment. The state has no statutory or constitutional obligation to intervene.

Legislative Update

Brad Gross and Jennifer Black Hans, LRC, discussed the legislation directly impacting the state-administered retirement systems. Bills that passed included SB 2, SB 3, SB 104, SB 126, SB 197, HB 173, HB 351, HB 471, and HB 520.

Public Comments

Dolly Guenther, Retiree, who had requested to make comment, declined stating she had changed her mind.

With no further business, the meeting was adjourned. The next regularly scheduled meeting is Monday, May 22, 2017.

TOBACCO SETTLEMENT AGREEMENT FUND OVERSIGHT COMMITTEE

Minutes

May 3, 2017

Call to Order and Roll Call

The 3rd meeting of the Tobacco Settlement Agreement Fund Oversight Committee was held on Wednesday, May 3, 2017, at 10:00 AM, in Room 129 of the Capitol Annex. Senator C.B. Embry Jr., 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 Paul Hornback, Stephen Meredith, Dennis Parrett, and Robin L. Webb; Representatives Kim King, Brandon Reed, and Dean Schamore.

Guests: Warren Beeler, Executive Director,

Governor's Office of Agricultural Policy; Bill McCloskey, Deputy Executive Director, Governor's Office of Agricultural Policy; Andrew Graves, Chairman, Atalo Holdings, Inc.; Bill Hilliard, Chief Executive Officer, Atalo Holdings, Inc.; Tom Hutchens, Chief Research Officer, Atalo Holdings, Inc.; Dr. Trey Riddle, Chief Executive Officer, Sunstrand, LLC; Representative Wilson Stone; and Representative Richard Heath.

LRC Staff: Lowell Atchley, Kelly Ludwig, and Marielle Manning

Upon motion made by Senator Parrett and seconded by Representative Reed, the April 12, 2017 minutes were approved by voice vote and without objection.

Governor's Office of Agricultural Policy

Warren Beeler, Executive Director, and Bill McCloskey, Deputy Executive Director, Governor's Office of Agricultural Policy, discussed seven regional projects approved by the Agricultural Development Board at its April 2017 meeting:

Louisville/Jefferson County Metro Government, approved by the board for \$100,000 in state funds to continue its Farm to Table program for two years;

Crowley's Mill, LLC, approved by the board for \$245,000 in multiple county and state funds as a grant and loan to relocate an operating fiber mill to process hemp, wool and other natural fibers;

Taylor County Board of Education, approved by the board for \$15,000 in county funds to construct a greenhouse at the Taylor County High School;

Nicholasville Farmers' Market, Inc., approved by the board for \$3,000 in Jessamine County funds for marketing and vendor development of the newly formed farmers market in Jessamine County;

American Black Hereford Association, approved by the board for up to \$100,000 in various county and state funds to establish its official headquarters in Lexington, Ky.;

Russell County Conservation District, approved by the board for \$4,250 in county funds to purchase grain bin rescue equipment;

Hopkins County Board of Education, approved by the board for \$4,000 in county funds to make improvements to the Madisonville North Hopkins High School greenhouse.

GOAP officials responded to a question from Representative Schamore regarding the use of excess funds in the Master Settlement Agreement (MSA) budget. Representative Schamore stated he would like to see money go towards water projects in the future.

Responding to a question from Senator Parrett regarding the Louisville/Jefferson County Metro Government project, GOAP officials explained that the terms and conditions are decided and valued based on farm impact. The project will facilitate sales for at least 60 farmers and will provide educational opportunities for at least 300 farmers.

In response to a question from Senator Webb regarding the American Black Hereford Association project, GOAP officials said funding for the association will be used to establish an office space and should not be a reoccurring expense.

Responding to Senator Hornback, GOAP officials stated that the project should hopefully produce a long term benefit by bringing national shows to Kentucky.

In response to a question from Senator Webb, GOAP officials said the American Black Hereford Association should share an office space with the Kentucky Cattleman's Association.

Responding to Representative King, GOAP officials stated a few local staff members will be hired from the Somerset area.

Discussion of Hemp Processing and Marketing
Andy Graves, Chairman, Bill Hilliard, Chief Executive Officer, and Tom Hutchens Chief Research Officer, Atalo Holdings, Inc., and Dr. Trey Riddle, Chief Executive Officer, Sunstrand LLC provided a discussion of hemp processing and marketing.

Andy Graves provided a report on Atalo Holdings, Inc. and described their focus of operations. Atalo Holdings, Inc. representatives discussed the current hemp industry issues and farmer challenges, such as lack of conventional farming tools like pesticides and herbicides, as well as a lack of crop insurance. An unstable, fragmented market and a restrictive legal framework are other challenges that hemp producers face. Bill Hilliard explained Atalo Holdings, Inc. use of MSA funds.

Dr. Trey Riddle provided a presentation on Sunstrand, LLC and the producer and market impact of the hemp industry as a fiber producer. Dr. Riddle explained there is competition between kenaf and plastics. At the producer level, Sunstrand LLC does specialty crop contracts. Further explaining some of the challenges, Dr. Riddle said that harvesting of hemp for fiber is similar to harvesting hay, however, hemp plants are taller than 8 feet and require a specialty mower. There are also issues with supply chain management of hemp seed.

Responding to a question from Representative King, Andrew Graves explained that THC levels get higher in Kentucky's climate and the hemp that was destroyed was a California strand. It is a regulated industry with the constraint of federal law stating hemp is an illegal crop, but under federal mandate of the farm bill, people are able to grow the crop.

In response to Representative Reed, Dr. Riddle explained that weeds can be mitigated by agronomic methodologies. By planting a variety of hemp plant that is much taller, denser and heavier, weeds are not so much of an issue.

Responding to Senator Webb, Bill Hilliard stated 20 acres is an average plot size for a grain variety. Dr. Riddle said his average plot size is around 25 acres, but the goal is to have more hemp farmers in general, rather than more acreage per farmer. Andy Graves stated the quicker people in D.C. are to separate marijuana from hemp, the better to continue support for hemp production. Both public and private support is important to the hemp industry.

In response to Senator Parrett, Andrew Graves stated that South Carolina, North Carolina, Colorado, Pennsylvania, and the Pacific Northwest are other states and areas that are involved in hemp processing. Dr. Riddle said Sunstrand, LLC processes year round.

Responding to Senator Hornback, Andrew Graves explained there is a need for medical CDB THC levels to be higher than 0.3 percent, so that it is easier for growers to be more efficient in the extraction process. Tom Hutchens explained that for breeding purposes, it would be beneficial to go to one percent. The ratio

of CBD to THC is the important key, not just the level of THC.

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

Hemp, from page 3

THC hemp, it doesn't create the sensation of being high, like marijuana can.

Hornback asked Graves and others testifying before the committee if medicinal products made from industrial hemp, including CBD oil, are more effective if the THC level is above 0.3 percent. Atalo Holdings Research Officer Tom Hutchens said that, as of yet, is unknown.

"We don't know the answer to that, truly, because there hasn't been enough research. I think it will probably get (to a) higher (level) somewhere along the line, but all of this has to do with the national scope," said Hutchens.

Graves said he'd like to see Kentucky increase its legal limit of THC in industrial hemp from 0.3 percent to 1 percent to improve plant breeding options. That would give Hutchens "some leeway, where he wouldn't be under the scrutiny of law while he's trying to breed some new variety that could be indigenous to Kentucky and beneficial to farmers here," he said.

Cultivation of up to 12,800 acres of industrial hemp for research purposes has been approved by the Kentucky Department of Agriculture (KDA) for 2017. That is nearly three times the acreage approved for industrial hemp cultivation in 2016, according to a press release from the KDA. Kentucky has "the largest state industrial hemp research project program in the nation," the KDA reports.

Some funding for hemp processing in Kentucky has come from the state's share of the national Master Settlement Agreement, a 1998 multi-billion dollar agreement between major tobacco companies and 46 states including Kentucky. Spending of those funds are overseen by the Tobacco Settlement Agreement Fund Oversight Committee.

New laws, from page 3

year if their first day of instruction is on or after the Monday closest to Aug. 26.

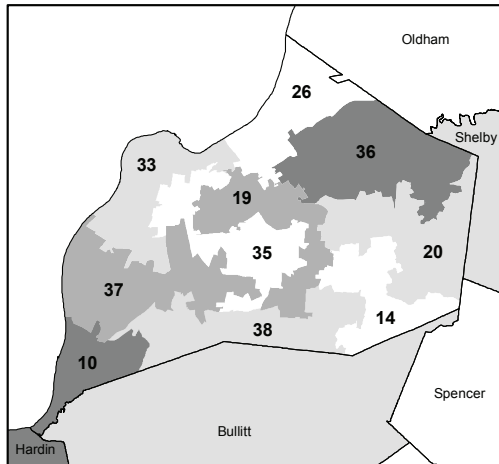
Veterans. SB 117 allows a veteran with a bachelor's degree in any field to receive a provisional certificate to teach public elementary or secondary school if he or she has an academic major or passing assessment score in the area in which he or she seeks certification. After completing a required teaching internship, the veteran will receive a professional teaching certificate.

The Kentucky Constitution specifies that new laws take effect 90 days after the adjournment of the legislature unless they have a special effective date, are general appropriations measures, or include an emergency clause making them effective immediately upon becoming law. Final adjournment of the 2017 Regular Session was on March 30, making June 29 the normal effective date for most bills.

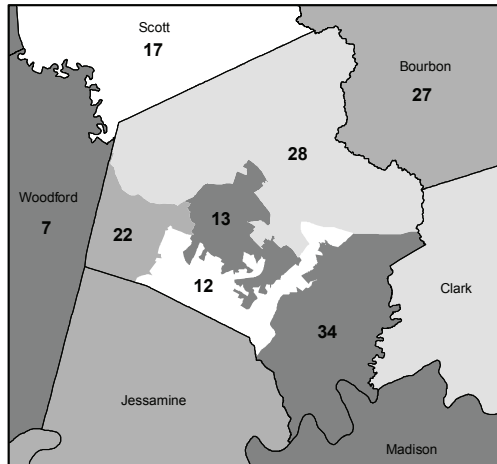
Bills from last session that took effect earlier in the year include House Bill 1, a right-to-work bill that outlaws mandatory membership in a labor union as a condition of employment.

HB 1 included an emergency clause that required it to take effect immediately after it was signed into law by Governor Matt Bevin on Jan. 9.

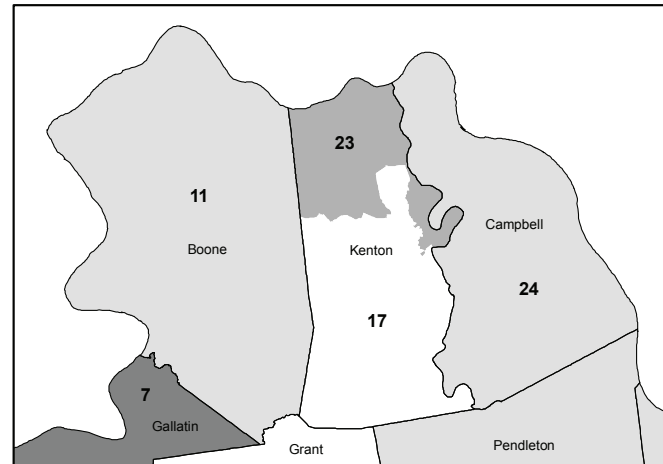




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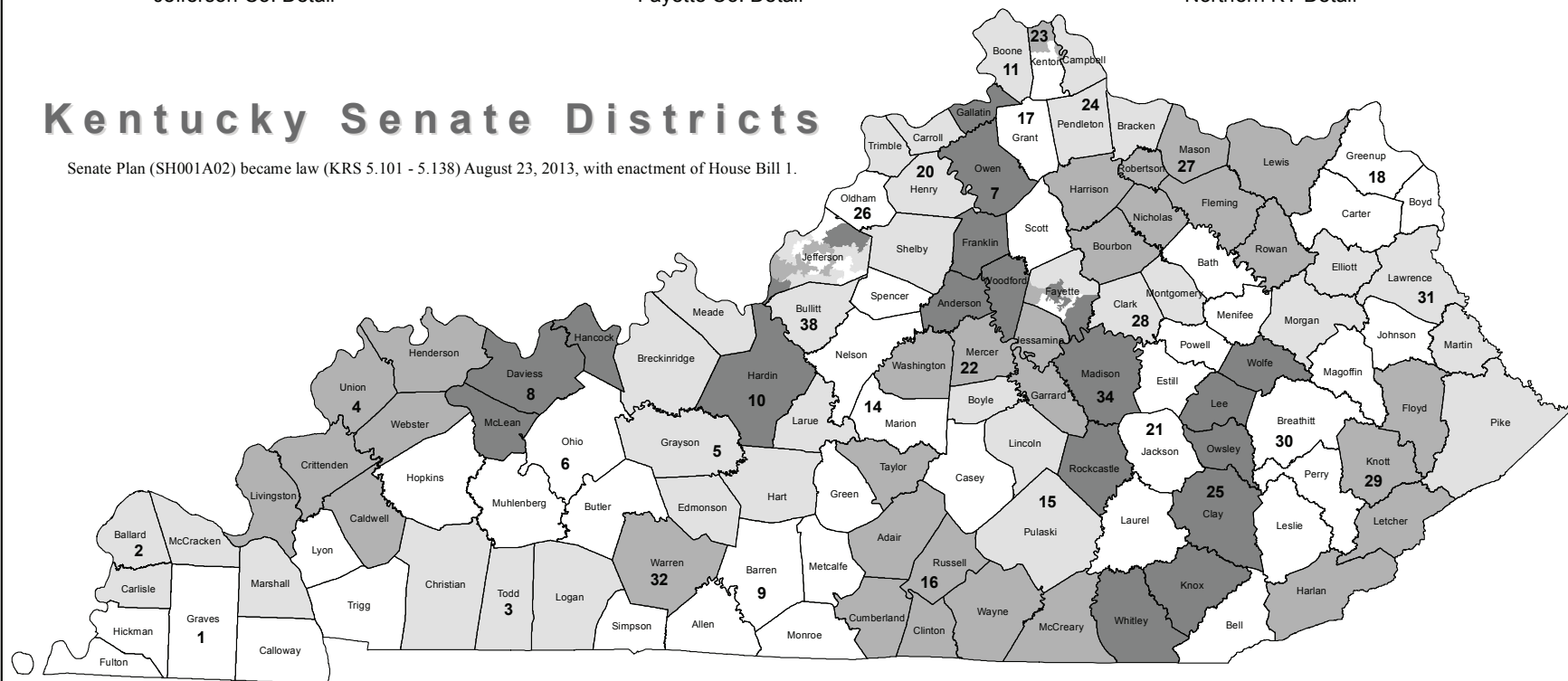
Fayette Co. Detail



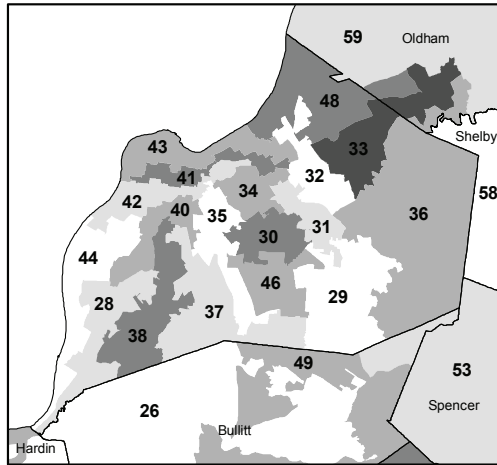
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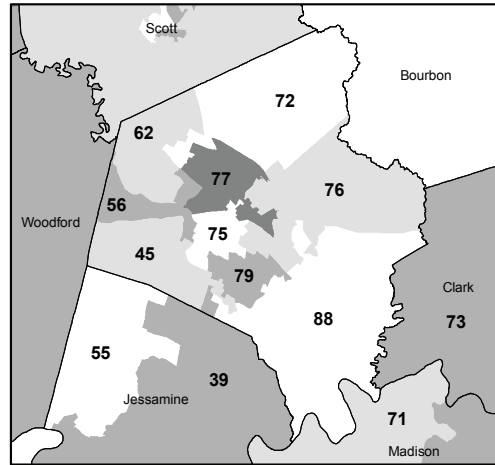
Senate Plan (SH001A02) became law (KRS 5.101 - 5.138) August 23, 2013, with enactment of House Bill 1.



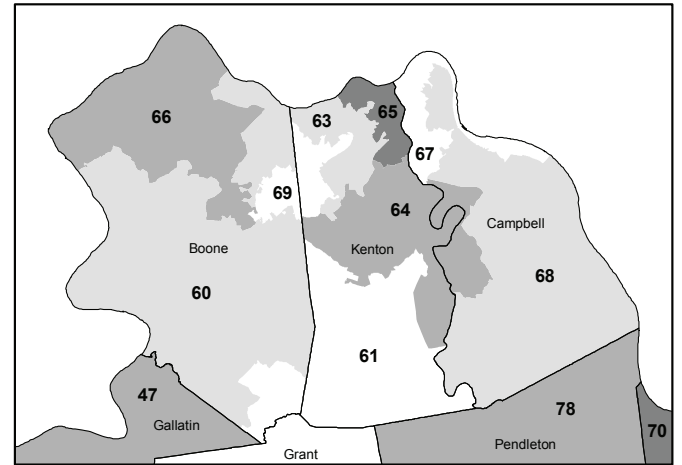
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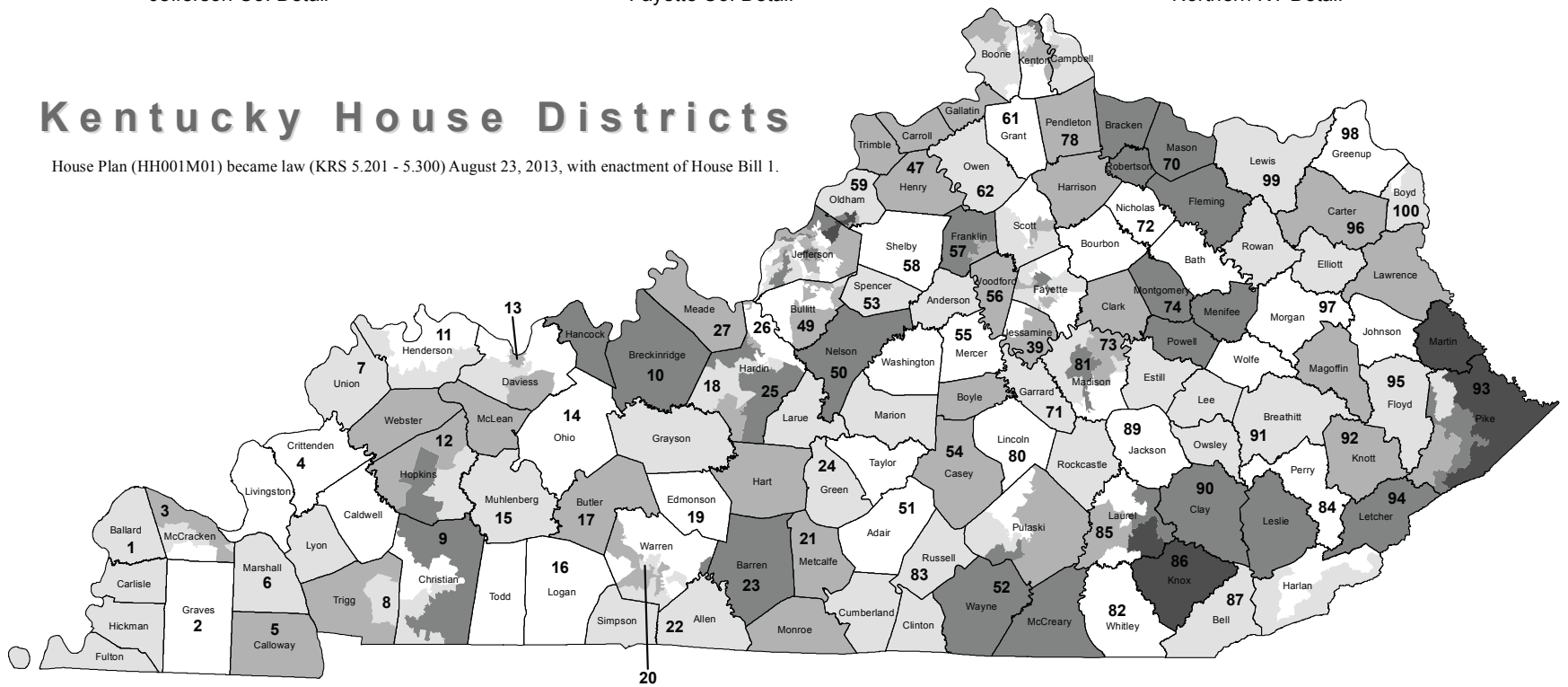
Fayette Co. Detail



Northern KY Detail

Kentucky House Districts

House Plan (HH001M01) became law (KRS 5.201 - 5.300) August 23, 2013, with enactment of House Bill 1.



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2017 Interim

LEGISLATIVE RECORD

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The Commission and its staff, by law and by practice, perform numerous fact-finding and service functions for members of the Legislature, employing professional, clerical and other employees required when the General Assembly is in session and during the interim period between sessions. These employees, in turn, assist committees and individual legislators in preparing legislation. Other services include conducting studies and investigations, organizing and staffing committee meetings and public hearings, maintaining official legislative records and other reference materials, providing information about the Legislature to the public, compiling and publishing administrative regulations, administering a legislative intern program, conducting orientation programs for new legislators, and publishing a daily index and summary of legislative actions during sessions.

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