2019

INTERIM RECORD
A SUMMARY OF INTERIM ACTIVITIES

September

Volume 32, No. 6

PUBLISHED BY
LEGISLATIVE RESEARCH COMMISSION
LEGISLATURE.KY.GOV/LEGISLATION/PAGES/DEFAULT.ASPX

Good news for dairy farmers shared with legislators

by Rebecca Hanchett
LRC Public Information

FRANKFORT— Market changes were at play when Kentucky lost 66 percent of its dairy farmers between 2005 and 2018 at the same time the state's milk production increased by 43 percent, dairy industry experts say.

At a Sept. 9 legislative committee meeting, one of those experts said market changes will likely be what helps to revive the state's dairy industry.

Kentucky Dairy Development Council Executive Director and lifelong dairy farmer H.H. Barlow told the Interim Joint Committee on Agriculture that a sluggish milk supply nationally combined with growth in out-of-state dairy processing could mean new in-state opportunities for Kentucky dairies.

A massive new cheese plant coming on line in Michigan next year will take much of the out-of-state milk that's been coming into Kentucky, Barlow predicts, giving Kentucky dairies a better chance to sell and process their milk at home.

"I think there's going to be a real opportunity for the milk market in Kentucky to open up for Kentucky products," said Barlow. "I think we

Continued on page 3

Lawmakers look at impact of opioid abuse on workforce

by Rob Weber
LRC Public Information

FRANKFORT –Overcoming Kentucky's opioid epidemic is a key to addressing the state's low rate of workforce participation, lawmakers were told during the Sept. 12 meeting of the General Assembly's Economic Development and Workforce Investment Committee.

"I think years ago we would have looked at this (opioid) problem mostly as a public health crisis in need of a public health solution," said Kate Shanks, vice president of policy development for the Kentucky Chamber of Commerce. "Today we really understand that one of the biggest issues facing the business community is workforce participation, finding the workers needed for the jobs of today and in the future. We know one of the reasons for that is addiction and incarceration which is oftentimes associated with addiction."

Shanks said Kentucky's business community has organized efforts to provide resources for employers dealing with workforce participation challenges while also asking which ones are willing to be "second-chance employers" that work with treatment centers to provide opportunities for those coming out of recovery.

"One of the first things you do when you come out of treatment and you are in recovery is you look for a job," Shanks said. "We're working with our business community to

Sen. Reginald Thomas, D-Lexington, speaks on the state's opioid epidemic at the Sept. 12 meeting of the Interim Joint Committee on Economic Development and Workforce Investment.

identify those employers that are willing and able to hire those individuals."

A report released in June by the Opioid Response Program, a partnership between private and public entities, states that Kentucky's workforce participation rate is ranked 47th in the nation.

"We hear constantly from our members that their biggest struggle is finding workers," Shanks said. "This is not a new problem. We've been hearing it for years. We have one of the lowest-ranked participation rates in the nation.

Continued on page 3

Kentucky driven to better manage fleet cars

by Jim Hannah
LRC Public Information

FRANKFORT – Kentucky state government had too many vehicles in its fleet and struggled to replace them when they got old.

Those were two of the major finding in a year-long study of the commonwealth's fleet, said Troy Robinson of the Finance & Administration Cabinet, while testifying before the Sept. 13 meeting of the Program Review and Investigations Committee.

"There were many underutilized vehicles," Robinson said. "Of the approximately 3,800 vehicles with GPS units, 574 had been driven less than 5,000 miles per year. The expectation is 13,000 miles."

He said he is working with each state cabinet to reduce the number of vehicles. It currently stands at about 4,800.

"We had all these vehicles, but we struggled to replace them," Robinson said. "Vehicles were being replaced at 190,000 to 200,000 miles."

He said he is trying to reduce it to an average of 165,000 miles or seven years. The state is in the process of spending $6 million on new vehicles preferably purchased from in-state dealerships.

In response to a question from Sen. Reginald Thomas, D-Lexington, Robinson said the state spends an average of $22,500 on each new vehicle. Rep. Lynn Bechler, R-Marion, asked what could be done to reduce the average cost. Robinson said the easiest way would be to replace sport utility vehicles and trucks with less-expensive sedans.

As part of the fleet modernization, officials have installed 1,000 GPS units with the latest mobile communications standards, known as 4G. Robinson said he still needs to install 3,500 more units.

"It's been a long-term process," he said, adding that the old 2G GPS systems proved too unreliable to be effective.

In coordination with the GPS systems, the Commonwealth Office of Technology designed an app that tracks personal miles take-home vehicles are driven. That information is used for tax purposes.

Robinson said the state uses GPS data to track down stolen vehicles and speeders in state cars.

"We are having a major speeding issue," he said. "Last week alone I had a couple of vehicles in the high 90s and one at 102. In some cases, they have resulted in dismissals."

Sen. Whitney Westerfield, R-Crofton, asked whether the third-party vendor collecting the GPS data for the state was selling it to data mining companies. Robinson said it was his understanding that the contract prevented the data being collected from being used for any other purpose.

Sen. Danny Carroll, R-Paducah, asked if there were any electric vehicles in the fleet.

"We bought four electric vehicles six or eight years ago," Robinson said. "The energy cabinet has two and the postal service has two. At the time, they couldn't get very far out of Frankfort so we tried to utilize them where they stay close by."

Bail reform may be on 2020 General Assembly

by Rebecca Hanchett
LRC Public Information

FRANKFORT—Bail reform has captured the attention of some high-ranking members of the General Assembly who are calling for potential action on the issue during the 2020 annual legislative session.

Senate Majority Floor Leader Damon Thayer, R-Georgetown, told the Interim Joint Committee on Local Government on Sept. 12 that the General Assembly needs to have a "serious discussion" about reforming the state's system of holding those accused of crimes in jail pending payment of financial bail.

"I believe we can save a lot of money. I believe also we have to look at people's rights – innocent before proven guilty—and we need to take a serious look at it and potentially act on it in 2020," said Thayer.

His comment came after remarks made by Senate Minority Floor Leader Morgan McGarvey, D-Louisville, that many low-risk pretrial defendants are being held in county jails because they cannot make bail. Twenty percent of people arraigned for a crime in Kentucky

Interim Joint Committee on Local Government Co-Chair Rep. Michael Meredith, R-Oakland, commented on the General Assembly's past work on criminal justice reform.

stay in jail because they can't afford bail by some estimates, McGarvey told the committee.

A defendant in Mercer County was held in jail for 18 days on a public intoxication charge because he couldn't make bail, McGarvey said.

"The state spent more money to keep him in jail than the fine he was ultimately charged for pleading guilty. So we need to talk about some of these kinds of stories," he said.

The discussion followed testimony by state officials, representatives from the Kentucky Jailers Association, and testimony from Campbell County Judge/Executive Steve Pendery on issues affecting county jails. The testimony comes amid increased attention to jail and prison incarceration by state lawmakers, state Executive Branch officials, and the media.

Most of Campbell County's net spending "by far" goes to its jail, said Pendery. He said the county's jail costs comprise a third of his county's $45 million annual budget, with around $6 million in net jail spending. Overall, he said the county spends more on its jail than any other department. The costs also outdo the county's pension obligation for now, said Pendery.

Local Government Committee Co-Chair Rep. Michael Meredith, R-Oakland, said the General Assembly has either considered or passed some kind of criminal justice reform nearly every year since he was first elected to

Continued on page 111

Opioid abuse, from page 1

"We have seen tremendous economic growth. We have set records on exports, on investments, on new jobs in the commonwealth. (But) we will not realize our true economic potential if we are not tackling the workforce participation problem in Kentucky."

Workers who abuse opioids miss an average of 29 days of work annually, said Jennifer Hancock, president and CEO of Volunteers of America Mid-States. By 2020, mental and substance abuse disorders are expected to surpass all physical diseases as a major cause of disability worldwide, she added.

Sen. Reginald Thomas, D-Lexington, asked Shanks for feedback on two of his priorities for dealing with the state's low rate of workforce participation: increasing the wages of Kentucky workers and investing more in education, particularly higher education.

"We've got 250,000 jobs that go unmet in this state because people don't have the skills to meet those jobs," Thomas said. "If we got them education and training, they could meet those jobs and have a decent living and not be subject to the grips of the opioid epidemic."

Shanks agreed that "we do need to emphasize education investment in the commonwealth." On the topic of wage increases, she said "we think wage growth (through economic growth) is important in the commonwealth. We do have concerns with mandated increases in the minimum wage above the federal (level.)"

Rep. Chris Freeland, R-Benton, asked whether businesses are offered incentives to participate in programs that promote "second chance" employment for workers in recovery.

"I don't think there are specific incentives in the sense of traditional tax incentives that we sometimes think of," Shanks said.

"I think the incentive is the willingness and the desire of business leaders to help with this problem and also to have a workforce," she said. "And I've heard so many of them anecdotally say these are some of the best workers they have because (second chance workers) are so appreciative of being here."

Rep. Lynn Bechler, R-Marion, comments on the impact the opioid epidemic has had on Kentucky at the Sept. 12 meeting.

Dairy, from page 1

can honestly say that you'll be buying local milk as we go down the road, and that's very important."

Kentucky dairy farmers will also have opportunities to focus on developing more value-added products, including cheese, cheese powders (used in snack foods and other products), protein drinks, and other products, said Barlow. Cheese, he said, is today's dairy "star" while bottled, or "fluid," milk only accounts for 40 percent of today's dairy consumption.

Development of products that combine milk and bourbon was also suggested by Barlow, with Senate Majority Floor Leader Damon Thayer, R-Georgetown, responding that bourbon cream—a liqueur consisting mostly of cream and Kentucky bourbon—is now marketed by a handful of Kentucky companies. Barlow said he doesn't know where the companies source their cream but he would like to find out.

Thayer said he believes there is growth potential for the bourbon cream product.

"There are only a couple of bourbon makers out there that have the (product), and it would seem to me that there is tremendous room in that market," he said. "And it would also seem to make sense that they would want to source it locally near where the bourbon is distilled. Obviously that would cut down on transportation costs."

> Kentucky dairy farmers will also have opportunities to focus on developing more value-added products, including cheese, cheese powders (used in snack foods and other products), protein drinks, and other products.

Regarding dairy pricing, Rep. Wilson Stone, D-Scottsville, asked Barlow if there is a way to ensure that farmers selling milk for cheese received a "cheese price" instead of being paid according to fluid milk pricing. Barlow said the issue is "extremely complicated."

Barlow said the southern U.S. has historically and largely been under federal order for pricing of fluid milk processing while the rest of the nation has been under federal order pricing for "product" processing, or pricing for the proteins used to make cheese and other dairy-based products.

"We are interested in federal order hearings to try and change that pricing system to bring back more value to the protein side," Barlow said. "We're trying to address it."

Senate President Pro Tem David P. Givens, R-Greensburg, a farmer and farm supplier who represents Barlow in the Kentucky Senate, said one challenge facing KDDC and other agriculture groups is a growing disconnect between consumers and the farm.

"When we get to the space where we have a whole generation of separation from the farm … we're moving toward where agriculture is not known; it's simply not a reality in the minds of a lot of folks once we get to that place," said Givens. He asked Barlow what he sees as KDDC's role, if any, in bridging that type of separation.

Barlow said educating the public about farming and agriculture is a challenge that KDDC and other like-minded groups must accept.

"We've got to be more noisy," he said. "We've got to tell our story."

2019 Kentucky General Assembly

Senate

Julie Raque Adams (36)
213 S Lyndon Lane
Louisville, KY 40222
(LRC) 502-564-8100

Ralph Alvarado (28)
3250 McClure Road
Winchester, KY 40391
(LRC) 502-564-8100

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

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

Danny Carroll (2)
220 Cimarron Way
Paducah, KY 42001
(LRC) 502-564-8100
(Home) 270-703-8025

Julian M. Carroll (7)
702 Capital Ave
Annex Room 255
Frankfort, KY 40601
(LRC) 502-564-8100

Matt Castlen (8)
702 Capital Ave
Annex Room 255
Frankfort, KY 40601
(LRC) 502-564-8100

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

C.B. Embry Jr. (6)
PO Box 1215
Morgantown, KY 42261
(LRC) 502-564-8100
(Home) 270-526-6237

Rick Girdler (15)
702 Capital Ave
Annex Room 209
Frankfort, KY 40601
(LRC) 502-564-8100

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

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

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

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

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

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

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

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

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

Stephen Meredith (5)
1424 Byrtle Grove Rd
Leitchfield, KY 42754
(LRC) 502-564-8100

Robby Mills (4)
702 Capital Avenue
Annex Room 255
Frankfort, KY 40601
(LRC/Home) 502-564-8100

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

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

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

John Schickel (11)
PO Box 991
Union, KY 41091
(LRC) 502-564-8100

Wil Schroder (24)
702 Capital Ave
Annex Room 209
Frankfort, KY 40601
(LRC) 502-564-8100

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

Brandon Smith (30)
124 Craig Street
Hazard, KY 41702
(LRC) 502-564-8100
(Home) 606-436-4526
(Home FAX) 606-436-4526

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

Damon Thayer (17)
702 Capital Ave.
Annex Room 242
Frankfort, KY 40601
(LRC) 502-564-8100

Reginald Thomas (13)
702 Capital Ave.
Annex Room 255
Frankfort, KY 40601
(LRC) 502-564-8100
(LRC FAX) 502-564-0777

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

Robin L. Webb (18)
102 S Hord St
Grayson, KY 41143
(LRC) 502-564-8100
(Home) 606-474-5380

Stephen West (27)
202 Vimont Ln
Paris, KY 40361
(LRC) 502-564-8100

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

Phillip Wheeler (31)
702 Capital Ave.
Annex Room 255
Frankfort, KY 40601
(LRC) 502-564-8100

Mike Wilson (32)
702 Capital Ave.
Annex Room 242
Frankfort, KY 40601
(LRC) 502-564-8100

Max Wise (16)
702 Capital Ave.
Annex Room 229
Frankfort, KY 40601
(LRC) 502-564-8100

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

2019 Kentucky General Assembly

House

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

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

Danny Bentley (98)
702 Capital Avenue
Annex Room 367C
Frankfort KY 40601
(LRC) 502-564-8100

John Blanton (92)
702 Capital Avenue
Annex Room 329H
Frankfort, KY 40601
(LRC) 502-564-8100

Tina Bojanowski (32)
702 Capital Ave.
Annex Room 451E
Frankfort, KY 40601
(LRC) 502-564-8100

Charles Booker (43)
702 Capital Ave.
Annex Room 424C
Frankfort, KY 40601
(LRC) 502-564-8100

Adam Bowling (87)
PO Box 2928
Middlesboro, KY 40965
(LRC) 502-564-8100

Terri Branham Clark (100)
702 Capital Ave.
Annex Room 429B
Frankfort, KY 40601
(LRC) 502-564-8100
(Home) 606-232-0357

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

R. Travis Brenda (71)
702 Capital Ave.
Annex Room 316E
Frankfort, KY 40601
(LRC) 502-564-8100

Randy Bridges (3)
375 Stonegate Drive
Paducah, KY 42003
(LRC) 502-564-8100
(Home) 270-331-0648
(Home FAX) 270-443-4526

George Brown Jr. (77)
424 E Fourth Street
Lexington, KY 40508
(LRC) 502-564-8100
(Home) 859-312-7513

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

McKenzie Cantrell (38)
702 Capital Avenue
Annex Room 424A
Frankfort, KY 40601
(LRC) 502-564-8100

John Bam Carney (51)
PO Box 4064
Campbellsville, KY 42719
(LRC) 502-564-8100
(Home) 270-403-7980

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

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

Jim DuPlessis (25)
702 Capital Ave
Annex Room 376
Frankfort, KY 40601
(LRC) 502-564-8100

Larry Elkins (5)
702 Capital Ave.
Annex Room 405D
Frankfort, KY 40601
(LRC) 502-564-8100

Daniel Elliott (54)
PO Box 2082
Danville, KY 40423
(LRC) 502-564-8100
(Home) 859-332-4204

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

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

Deanna Frazier (81)
702 Capital Ave.
Annex Room 405C
Frankfort, KY 40601
(LRC) 502-564-8100

Chris Freeland (6)
702 Capital Ave.
Annex Room 413E
Frankfort, KY 40601
(LRC) 502-564-8100

Chris Fugate (84)
277 Right Branch Spencer
Chavies, KY 41727
(LRC) 502-564-8100
(Home) 606-233-5660

Al Gentry (46)
8406 Cloverport Dr
Louisville, KY 40228
(LRC) 502-564-8100

Jim Glenn (13)
702 Capital Ave.
Annex Room 462A
Frankfort, KY 40601
(LRC) 502-564-8100
(Home) 270-686-8760

Robert Goforth (89)
2163 E Highway 30
East Bernstadt, KY 40729
(LRC) 502-564-8100
(LRC FAX) 502-564-5640
(Home) 606-305-1321

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

Derrick Graham (57)
157 Bellemeade Dr
Frankfort, KY 40601
(LRC) 502-564-8100
(Home) 502-223-1769

Joe Graviss (56)
702 Capital Ave.
Annex Room 429J
Frankfort, KY 40601
(LRC) 502-564-8100
(Work) 859-433-4392

David Hale (74)
11 Hales Ln
Wellington, KY 40387
(LRC) 502-564-8100
(Home) 606-768-3474

Chris Harris (93)
719 Forest Hills Rd
Forest Hills, KY 41527
(LRC) 502-564-8100
(Home) 606-237-0055

Mark Hart (78)
202 W 4th St
Falmouth, KY 41040
(LRC) 502-564-8100
(Home) 859-654-4278

Angie Hatton (94)
20 Ohio St
Whitesburg, KY 41858
(LRC) 502-564-8100

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

Kathy Hinkle (96)
702 Capital Ave.
Annex Room 424B
Frankfort, KY 40601
(LRC) 502-564-8100

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

2019 Kentucky General Assembly

Cluster Howard (91)
476 Kings Ridge
Jackson, KY 41339
(LRC) 502-564-8100
(Home) 606-568-7660

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

Thomas Huff (49)
PO Box 1331
Shepherdsville, KY 41065
(LRC) 502-564-8100

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

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

Kim King (55)
250 Bright Leaf Dr
Harrodsburg, KY 40330
(LRC) 502-564-8100
(Home) 859-734-2173

Matthew Koch (72)
702 Capital Ave.
Annex Room 329E
Frankfort, KY 40601
(LRC) 502-564-8100

Adam Koenig (69)
170 Herrington Ct #12
Erlanger, KY 41018
(LRC) 502-564-8100
(Home) 859-653-5312

Nima Kulkarni (40)
702 Capital Ave.
Annex Room 429E
Frankfort, KY 40601
(LRC) 502-564-8100

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

Derek Lewis (90)
702 Capital Ave.
Annex Room 413D
Frankfort, KY 40601
(LRC) 502-564-8100
(Home) 606-594-0061
(Home FAX) 606-672-5526

Scott Lewis (14)
PO Box 454
Hartford, KY 42347
(LRC) 502-564-8100

Savannah Maddox (61)
702 Capital Ave.
Annex Room 413G
Frankfort, KY 40601
(LRC) 502-564-8100

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

C. Ed Massey (66)
702 Capital Ave.
Annex Room 352B
Frankfort, KY 40601
(LRC) 502-564-8100

Bobby McCool (97)
702 Capital Ave.
Annex Room 413C
Frankfort, KY 40601
(LRC) 502-564-8100

Chad McCoy (50)
702 Capital Avenue
Annex Room 370
Frankfort, KY 40601
(LRC) 502-564-8100

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

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

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

Russ A. Meyer (39)
106 Lone Oak Drive
Nicholasville, KY 40356
(LRC) 502-564-8100

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

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

Jerry T. Miller (36)
PO Box 36
Eastwood, KY 40018
(LRC) 502-564-8100

Patti Minter (20)
702 Capital Ave.
Annex Room 429A
Frankfort, KY 40601
(LRC) 502-564-8100

Kimberly Poore Moser (64)
PO Box 143
Independence, KY 41051
(LRC) 502-564-8100

Jason Nemes (33)
702 Capital Avenue
Annex Room 416C
Frankfort, KY 40601
(LRC) 502-564-8100

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

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

Jason Petrie (16)
PO Box 397
Elkton, KY 42220
(LRC) 502-564-8100
(Home) 270-265-3163
(Home FAX) 270-265-3164

Phillip Pratt (62)
702 Capital Ave
Annex Room 351
Frankfort, KY 40601
(LRC) 502-564-8100

Melinda Gibbons Prunty (15)
PO Box 411
Greenville, KY 42345
(LRC) 502-564-8100

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

Josie Raymond (31)
702 Capital Ave.
Annex Room 451B
Frankfort, KY 40601
(LRC) 502-564-8100

Brandon Reed (24)
113 N Walters Ave
P.O. Box 8
Hodgenville, KY 42748
(LRC) 502-564-8100
(Work) 270-358-0868

Steve Riley (23)
189 Blue Sky Dr
Glasgow, KY 42141
(LRC) 502-564-8100
(Home) 270-646-6821

Rob Rothenburger (58)
811 Stapleton Rd
Shelbyville, KY 40065
(LRC) 502-564-8100
(Home) 502-633-5832

Bart Rowland (21)
PO Box 336
Tompkinsville, KY 42167
(LRC) 502-564-8100

Steven Rudy (1)
350 Peppers Mill Drive
Paducah, KY 42001
(LRC) 502-564-8100
(Work) 270-462-3156

Sal Santoro (60)
12094 Jockey Club Dr
Union, KY 41091
(LRC) 502-564-8100
(Home) 859-371-8840
(Home FAX) 859-371-4060

Dean Schamore (10)
120 Ball Park Rd
Hardinsburg, KY 40143
(LRC) 502-564-8100

Attica Scott (41)
702 Capital Ave
Annex Room 432C
Frankfort, KY 40601
(LRC) 502-564-8100

2019 Kentucky General Assembly

Steve Sheldon (17)
702 Capital Ave
Annex Room 351B
Frankfort, KY 40601
(LRC) 502-564-8100

John Sims Jr (70)
3177 Maysville Rd
Flemingsburg, KY 41041
(LRC) 502-564-8100
(Home) 606-748-1839

Maria Sorolis (48)
702 Capital Ave
Annex Room 432A
Frankfort, KY 40601
(LRC) 502-564-8100

Cherlynn Stevenson (88)
702 Capital Ave
Annex Room 424G
Frankfort, KY 40601
(LRC) 502-564-8100

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

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

Ashley Tackett Laferty (95)
702 Capital Ave
Annex Room 432F
Frankfort, KY 40601
(LRC) 502-564-8100

Nancy Tate (27)
702 Capital Ave
Annex Room 351D
Frankfort, KY 40601
(LRC) 502-564-8100

Walker Thomas (8)
2620 Cox Mill Road
Hopkinsville, KY 42240
(LRC) 502-564-8100
(Home) 270-889-8091
(Home FAX) 270-885-5335

James Tipton (53)
8151 Little Mount Rd
Taylorsville, KY 40071
(LRC) 502-564-8100

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

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

Russell Webber (26)
PO Box 6605
Shepherdsville, KY 40165
(LRC) 502-564-8100
(Home) 502-543-8209

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

Buddy Wheatley (65)
702 Capital Avenue
Annex Room 462A
Frankfort, KY 40601
(LRC) 502-564-8100

Rob Wiederstein (11)
702 Capital Avenue
Annex Room 451A
Frankfort, KY 40601
(LRC) 502-564-8100
(Work) 270-831-1087

Lisa Willner (35)
702 Capital Avenue
Annex Room 424D
Frankfort, KY 40601
(LRC) 502-564-8100
(Home) 502-599-7289

Les Yates (73)
702 Capital Avenue
Annex Room 351C
Frankfort, KY 40601
(LRC) 502-564-8100

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

LRC Publications 2019 Price List

Daily Record Pick up: $82.50
Daily Record Mailed: $82.50 (plus postage)
Friday Record Mailed: $30.25 (plus postage)
Individual Record Pick up: $2.75
Individual Record Mailed: $2.75 (plus postage)

Bills
Complete Set of Bills and Resolutions (Pick up): $425
Individual Bills Per Page: $.05
Amendments Per Page: $.05
Roll Call Votes: $.15 Per Page

Publications
1-10 copies: Free to general public; larger numbers of free copies are available to schools and state agencies *(Copies over preapproved limits require agency approval)*

Administrative Regulations (2018)
Bound Volumes: $235.25
Administrative Register: $120.00
Volumes and Register: $355.25

Acts of the General Assembly (2018)
Regular Sessions: $80.00 (2 Volumes)
Special Sessions: Priced after printing

Journals
House and Senate Complete Set, House Set, Senate Set: Priced after printing

(All prices subject to 6% Kentucky sales tax, and subject to change)

Committee Meetings

INTERIM JOINT COMMITTEE ON LICENSING, OCCUPATIONS, AND ADMINISTRATIVE REGULATIONS

Minutes of the 2nd Meeting of the 2019 Interim

August 21, 2019

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Licensing, Occupations, and Administrative Regulations was held on Wednesday, August 21, 2019, at 3:00 PM, in Room 171 of the Capitol Annex. Representative Adam Koenig, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator John Schickel, Co-Chair; Representative Adam Koenig, Co-Chair; Senators Julian M. Carroll, Denise Harper Angel, Christian McDaniel, Damon Thayer, and Reginald Thomas; Representatives Tom Burch, Al Gentry, Thomas Huff, Matthew Koch, Nima Kulkarni, C. Ed Massey, Jerry T. Miller, Kimberly Poore Moser, Ruth Ann Palumbo, Phillip Pratt, and Buddy Wheatley.

Guests: Gene Cole, Kentucky League on Alcohol & Gambling Problems; Marc Manley, Executive Advisor, and Greg Wells, Chairman, Kentucky Board of Licensure for Long-term Care Administrators; Vince Gabbert, Vice President and Chief Operating Officer, Keeneland; Chauncey Morris, Executive Director, Kentucky Thoroughbred Association, Elisabeth Jensen, Executive Vice President, Kentucky Equine Education Project.

LRC Staff: Tom Hewlett, Bryce Amburgey, Jasmine Williams, Melissa McQueen, and Lisa W. Moore

Minutes

The minutes from July 19, 2019, meeting were approved without objection.

Long-term Care Administrators' Temporary Permits

Greg Wells, Chairman, Kentucky Board of Licensure for Long-term Care Administrators, said the board of directors voted to amend 16A.070 related to temporary permits for individuals in the process of obtaining their license as a Long-term Care Administrator. The board is requesting that a temporary permit be valid for a period of time not to exceed nine months, changed from the current six-month period of time.

Mr. Wells said nursing facilities are required by law to have a licensed, long-term care administrator at all times. When a vacancy occurs, it can be difficult to obtain a licensed long-term care administrator within the typical 30-day resignation timeframe. The facility may be able to hire an interim administrator if a full-time person was not identified prior to the resignation. In this situation, the facility can request that a temporary permit be issued to the individual that has met the minimum education, but not the management experience that would be required.

Per administrative regulation 201 KAR 6:030, the temporary permit applicant must meet all the normal application requirements with the exception of the six months management experience required to obtain full licensure. The board is requesting a change to the statute as the regulations require an applicant to have six months of management experience, but by statute a temporary permit is only valid for six months and it cannot be renewed. He noted this allows very little room for error for the applicant to meet the current licensure requirements. Extending the time period of the temporary permit from six to nine months will help applicants to gain the required experience, and time to prepare and pass the licensure test. In addition, the board can only approve the applicants that have already fulfilled the statutory and regulatory requirements, thus the temporary permit holders license can expire while waiting for final approval of their full licensure application.

Mr. Wells said there are two options to correct the situation. The first is to amend the statute to reduce the management experience required to obtain full licensure, or the second is to amend the statute to extend the amount of time the temporary permit can be used. The board believes extending the length of time a temporary permit can be used from six to nine months allows the applicant a more reasonable amount of time to gain the required management experience while completing the application process towards full licensure.

In response to a question from Representative Burch, Mr. Wells said it would be more detrimental to the patient and the facility to have no one in the position rather than someone new and eager to learn. The individuals have met the minimum educational requirements, they just lack the management experience.

Sports Wagering in Kentucky

Vince Gabbert, Vice President and Chief Operating Officer, Keeneland, thanked Chairman Koenig and Representative Gentry for their leadership on sports wagering this past session. He said House Bill 175/HCS 1 is in great shape to be a vehicle to move this issue forward in the upcoming session. He noted 18 states have implemented some sort of sport wagering with New Jersey leading the way. Indiana will join these states and be in position to take its first wagers on September 1, 2019.

He noted New York has failed to pass sports wagering and that has allowed New Jersey to reap the benefits. He added an anecdotal side note that Monmouth Park, a horse track in New Jersey, has experienced a 16 percent increase in its simulcast wagers since implementing sports wagering. He said Chairman Koenig's intent is his piece of legislation is to drive more people to the racetracks and to protect the tracks. The racetracks have the facilities and infrastructure ready to start taking wagers as soon as the legislation is passed. Additionally, he noted there is stair step tax rate in the legislation that allows for a 10 percent tax revenue at the facility, versus an online tax of 14 percent if people bet on their cell phone or a home computer. He said Chairman Koenig's bill, as drafted, could realize about $20 million in tax revenue for the state. He urged the members to pass this bill during the 2020 Regular Session of the General Assembly.

Responding to a question from Senator Carroll, Mr. Gabbert said the Kentucky Horse Racing Commission would be the appropriate venue to administer and monitor sports wagering in Kentucky. He said the excellent staff, with their level of expertise, could monitor and administer the program flawlessly.

In response to a question from Representative Wheatley, Mr. Gabbert said there are two pots of money at the racetracks for simulcast and live wagering. He said sports wagering will also generate incremental revenue for the racetracks through the sales of food and beverage, sales tax, and the creation of new jobs for tellers. In addition, Mr. Gabbert explained Kentucky can still beat Ohio in implementing sports wagering, but other neighboring states have already passed this legislation. He said mobile geo fencing would be the ideal way to target residents from other states in order to reap the tax benefits of their wagering.

In response to a question from Representative Gentry, Mr. Gabbert spoke strongly against a tax increase on historical racing machines at the racetracks. He noted this is an exciting time for the horse racing industry. Kentucky has seen an increase in horse field size and record purses due to revenue generated by historical racing, with Ellis Park in Henderson leading the way. He said Keeneland is anticipating record purse sizes this fall and Churchill Downs has already revealed allowance races this fall over $100,000, which is more than competitive with all the other racing jurisdictions. He added that the training centers at the racetracks are at full capacity as a direct result of historical racing. The effective tax rate on historical racing, even though it is a pari-mutuel wager and taxed at the one and a half percent of total handle, is nearly twenty percent of the track's revenue from historical racing. He said the joint venture with the Red Mile racetrack was over $45 million in 2015. The joint venture with Churchill Downs in the western part of the state will be over a $200 million investment. He said there is no benefit in applying an additional tax on historical racing which is producing and growing revenue for the state.

Representative Gentry stressed the importance of keeping the mobile betting application in the legislation. He said data from other states shows the importance of mobile betting. People in Kentucky are already making sports wagers on their phones. He noted the success of Derby City Gaming in Louisville, despite the hit it took when casino gambling was legalized in southern Indiana. It has recovered some of the discretional spending money being spent by Kentucky residents who travel across the bridge to gamble. Mr. Gabbert agreed that people who want to bet on sports are already doing it and Kentucky is just not benefiting financially from the tax revenue.

In response to questions from Chairman Koenig, Mr. Gabbert said all pari-mutuel wagering is taxed on the handle, so even though the pari-mutuel tax rate is 1.5 percent it is paid right off the top and does not change by profit amount for the facility. The pari-mutuel tax helps fund the Kentucky Thoroughbred Development Fund and many other programs besides the contribution into the General Fund. He believes in paying a fair share of tax, but the current tax rate is appropriate for this type of product.

Mr. Gabbert said an eight horse field size is ideal. He said the demand is great and Churchill needs more space to build additional backside facilities due to the high demand for barn space. He said most training facilities in the state are at capacity and owners really would like to keep their horses here instead of shipping them somewhere else to be trained. The residual effect for keeping more horses here is that it generates more jobs, which provides more income to the state.

Senator Thayer commented that there is a good chance to create a bipartisan coalition and pass this legislation out of the Senate next session, especially if it passes out of the House of Representative with strong support. He adamantly opposes any tax rate increase on historical horse racing. He said there is no reason to penalize this growth industry that has been on an upswing for several years while other industries are struggling. He noted these are the good old days for the horse racing industry.

Responding to questions from Senator Thayer, Mr. Gabbert said the tax rate established in Chairman Koenig's legislation is very fair and appropriate compared to neighboring states. He does not feel the tax rates will prohibit participation or stifle growth. The 10.25 percent on-site tax is in line with other states, and the 14 percent online tax rate is appropriate because people will pay for the convenience in placing the wager. He said some people will pay the higher tax rate and still place bets on their phone even though they are physically at the facility because it is a social event in a social setting. Senator Thayer agreed with Representative Gentry on keeping the mobile online component in the legislation.

Mr. Gabbert also responded that they would do the sports wagering installation at the Red Mile, with some small installation at Keeneland only during live racing. Senator Thayer agreed with the installation plan and said he believes the Kentucky Horse Racing Commission is the appropriate regulatory agency. He would not be in favor of administering it under the Kentucky Lottery Corporation, or a new government entity.

Senator McDaniel cautioned the committee to never look at revenue and then work towards policy on any legislation. He said working out the language to make the legislation good public policy should be the first priority and the revenue piece will work it itself out. He also noted the Senator Carroll had prefiled a bill on sports wagering and is a good source of knowledge on the subject.

In response to a question from Senator McDaniel, Chairman Koenig said this is the bill he plans to move forward in the 2020 Regular Session of the General Assembly with a few tweaks. He gave his assurance that there would be no integrity fee in the legislation and Senator McDaniel was pleased. Senator McDaniel cautioned that this is not a panacea and for folks to have patience to yield better results in the long-term as this bill advances forward. He thanked Chairman Koenig for his hard work on the issue and said he felt confident that he and Leader Thayer could iron out their differences to move the bill forward.

Representative Gentry noted for the record that he did not support the idea of a tax increase on historical racing. He noted a few of his Republican colleagues had suggested this increase. Senator Thayer responded that he heard him and understood.

Senator Thomas commented that that he supports the bill and any expansion to the Red Mile. He noted his constituents in Lexington love to frequent the Red Mile racetrack, and it is always very crowded.

Mr. Gene Cole, Assistant Executive Director, Kentucky League on Alcohol & Gambling Problems, testified against the legislation. He noted the detriment in peoples' lives who get addicted to gambling. He said there is no guarantee how much revenue will be produced from gambling, and asked if there was language earmarked in the legislation that all revenue proceeds would be directed to help solve Kentucky's pension crisis. He asked about a provision for gambling addiction and recovery, and prohibiting minors from placing wagers on their cell phones utilizing geo fencing. He summarized by asking if the increased horse field sizes increase danger to the horses.

Representative Koenig thanked Mr. Cole for his comments and opinions.

Chauncey Morris, Executive Director, Kentucky Thoroughbred Association, discussed current labor challenges for the equine industry. Mr. Morris said grooms play an important role on the farm, with Kentucky producing a little under 10,000 foals a year. He said as the economy has started to recover in the United States and Kentucky, the horse farms are having to pay their workers at least 20-30 percent above the minimum wage.

Mr. Morris said the horse industry has utilized a Hispanic labor force for many years just as other agriculture sectors in the Commonwealth have. These workers tend to be particularly good with livestock. The H2-A program is uncapped, but allows only seasonal versus year-round agriculture workers. He said legal programs tend to decrease illegal immigration from Mexico. He noted 55.8 percent of H2-A certified workers are located in North Carolina, Washington, Florida, Georgia, and California and the products primarily made are tobacco, apples, oranges, peanuts, and one other crop.

Mr. Morris said the H2-B program is capped at 66,000 people, however Congress allowed the addition of 30,000 workers in 2019 as temporary, non-agricultural workers. He said these workers are predominantly used in hospitality and tourism in larger states, and are also utilized by trainers. Kentucky and the equine industry are working on creating a pipeline of these workers for a local labor source in the community. One such example is the partnership and collaboration with Locust Trace AgriScience Center in Lexington.

Mr. Morris compared statistics of Kentucky's foal crops compared to neighboring states. He also discussed the different jobs and salaries within the industry and its direct economic impact.

Ms. Elisabeth Jensen, Executive Vice President, Kentucky Equine Education Project (KEEP), said KEEP's primary mission is to advocate for issues that impact the economics of the horse industry. She said horse farms and trainers have communicated over the last few years that the biggest challenge to their success is an adequate workforce and labor supply. She said it is a critical issue, and is hampering growth within the industry. These are jobs that cannot be mechanized or computerized and will require a living, breathing person.

Ms. Jensen said a partnership was created last year with the Kentucky Chamber Workforce Center to develop an equine workforce talent pipeline to study and fulfill the needs in the industry. She said the project was funded by Churchill Downs, Keeneland, Kentucky Downs, and the Race for Education within the Kentucky Horse Council.

Ms. Jensen discussed some monetary figures of the equine industry's impact on Kentucky. She said $5.2 billion is the annual state impact of the horse industry, with $2.75 billion contributing to the gross domestic product of the state. The equine industry produces 60,494 direct and indirect jobs, and is the number one impact on Kentucky's economy, including tourism.

Ms. Jensen said since 2015, Kentucky has seen 55,143 new jobs and 20.2 billion in new business investment. She noted there are 1,191 new or expanded facilities in the state. Kentucky's equine talent pipeline can include farms, trainers, veterinary, equine transportation, and feed mills. She has reached out to employers all across the state to determine worker needs.

Ms. Jensen said feedback was received from several central Kentucky farms and they have identified grooms, night watchmen, and barn foremans as their most critical positions, while also being their most difficult to fill and retain. As far as equine transportation and shipping, four Kentucky companies have identified CDL drivers and dispatchers as their most critical positions while also being their most difficult to fill.

Representative Koch thanked the presenters for highlighting the labor issues and noted the problems are not unique to the thoroughbred industry or to Kentucky. He said most local farms want to grow and hire more people and the workforce is just not there. Mr. Morris said the farms are not the problem, but finding the people to take care of them.

Responding to a question from Chairman Koenig, Mr. Morris said that the H2-A workers are uncapped, but the public policy problem is that the contracts are not year- round. This is problematic because businesses need the workers for longer amounts of time, and Kentucky loses out to the other states who can employ them for longer periods of time.

Representative Pratt discussed his business and said he had to pass up many projects due to the lack of manpower. He has 38 employees, and eleven of those are H2-B status. He said the H2-A and H2-B worker program are extremely valuable programs that need to be sustained. He noted many American workers fail to show up, and 72 percent fail the initial drug testing. He has no issues with his H2-A and H2-B workers, and they are required to pass background checks. He pays over $19,000 a year to bring legal H2-A and H2-B workers to his business and work and return home in ten months. He said it is money well spent as America has a real workforce problem.

Senator McDaniel concurred that there are many regions in the Commonwealth with major employment issues. He is experiencing the same type issues as Representative Pratt with his business, and said we need to figure out a way to match employees in desolate regions with no jobs to places where employers cannot find employees to hire. Many farms in his area cannot even find workers for $15/hour.

In response to Representative Burch, Representative Pratt said he does offer healthcare benefits to his workers and pays most of them over $20/hour. Representative Burch said most workers will be loyal and work hard if they can make a proper living with healthcare benefits and a good hourly wage.

Representative Miller said he supports strong borders and liberal guest worker programs. He is a strong supporter of H2-A and H2-B workers. In response to a question from Representative Miller, Mr. Morris said Kentucky cannot rely on legal overseas workers, but needs to be proactive and have a trained local workforce that can be promoted and retained within the enterprise. He discussed taking care of workers through a 3400 insurance trust and offering programs to help fight substance abuse issues.

Ms. Jensen discussed the second phase of the partnership with the Kentucky Chamber of Commerce and how it assists finding resources for employees. She said this includes bringing back veterans or previously incarcerated folks, and exploring all avenues to find local talent to bring to work on our horse farms.

Responding to questions from Representative Kulkarni, Mr. Morris said the partnership with Locust Trace AgriScience Center is designed to establish a worker pipeline and design courses to meet the minimum training requirements for workers in the equine industry. He also said one Kentucky private college and two public universities are offering equine degrees. He noted that many horse farms value experienced workers in entry and executive level positions. Representative Kulkarni discussed the many different types of VISA programs and the problems associated with those. She discussed how establishing a local pipeline would be beneficial, as well as partnerships with universities.

Ms. Jensen said KEEP is working with Locust Trace and horse farms in the area to develop a minimum skillset that all employers should expect workers to possess. Representative Kulkarni wants to work with this workforce issue in a more detailed manner at the state level. Ms. Jensen said Locust Trace was developed based on the number of young people that identified they had an interest in working in agriculture.

With no further business before the committee, the meeting adjourned at 4:30 p.m.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Transportation

Minutes of the 3rd Meeting of the 2019 Interim

August 20, 2019

Call to Order and Roll Call

The third meeting of the Budget Review Subcommittee on Transportation of the Interim Joint Committee on Appropriations and Revenue was held on Tuesday, August 20, 2019, at 10:00 AM, in Room 131 of the Capitol Annex. Representative Sal Santoro, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jimmy Higdon, Co-Chair; Representative Sal Santoro, Co-Chair; Senators Dennis Parrett and Robin L. Webb; Representatives Chris Fugate, Chris Harris, Thomas Huff, Phillip Pratt, John Sims Jr, and Ken Upchurch.

Guests: Robin Brewer, Executive Director, Office of Budget and Financial Management, KYTC; Paul Looney, Deputy Secretary, KYTC; and, Jon Wilcoxson, Deputy State Highway Engineer, KYTC.

LRC Staff: Justin Perry, Tammy Branham, and Spring Emerson.

Approval of Minutes

Chair Santoro called for a motion to approve the minutes of the July 9, 2019 meeting. The motion was made by Representative Fugate, seconded by Representative Sims, and the minutes were approved without objection.

Fiscal Year 2019 Closeout

Robin Brewer provided an overview of the KYTC fiscal year 2019 closeout.

In response to a question from Co-Chair Higdon regarding motor vehicle usage tax revenues and the trade-in credit, Ms. Brewer said the average revenue lost for the trade-in credit has consistently been between $42 million and $45 million per year.

Project Letting Process

Deputy Secretary Looney provided an explanation and overview of the Six-Year Road Plan project letting process.

In response to a question from Chair Santoro regarding highway maintenance records and the lifespan of highways, Mr. Looney said the Pavement Management Branch within the Division of Highway Maintenance keeps very good records. The entire 28,000 miles of interstates, parkways, and national highway systems are inspected on a three-year cycle. The average lifespan of an asphalt pavement on the interstate highways is approximately eleven years. Parkways and national highway systems are averaging a lifespan of about 14 years.

In response to a question from Co-Chair Higdon, Mr. Wilcoxson said the single-bid estimates work out to be almost right on target with the KYTC engineering estimates. Projects with multiple bidders are approximately 8.9 percent below the engineering estimates. Mr. Looney said competition among bidders drives down costs.

Chair Santoro expressed his concerns with single-bid projects, and commented that transparency in the bidding process for multiple-bid projects is very important.

In response to a comment from Co-Chair Higdon regarding local Strategic Highway Investment Formula for Tomorrow (SHIFT) meetings being held during the first three months of the year, Mr. Looney said they would look into rescheduling those meetings in order for legislative members to be able to attend.

Chair Santoro commented that he receives many compliments on the SHIFT program.

Adjournment

A motion to adjourn was made by Representative Fugate, seconded by Representative Upchurch, and the meeting was adjourned at 10:35 AM.

INTERIM JOINT COMMITTEE ON HEALTH, WELFARE, AND FAMILY SERVICES

Minutes of the 4th Meeting of the 2019 Interim

August 19, 2019

Call to Order and Roll Call

The 4th meeting of the Interim Joint Committee on Health, Welfare, and Family Services was held on Monday, August 19, 2019, at 1:00 PM, in Room 154 of the Capitol Annex. Senator Ralph Alvarado, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Ralph Alvarado, Co-Chair; Representative Kimberly Poore Moser, Co-Chair; Senators Julie Raque Adams, Tom

Buford, Danny Carroll, Julian M. Carroll, Denise Harper Angel, Alice Forgy Kerr, Morgan McGarvey, Stephen Meredith, and Max Wise; Representatives Danny Bentley, Adam Bowling, George Brown Jr., Tom Burch, Deanna Frazier, Robert Goforth, Scott Lewis, Mary Lou Marzian, Melinda Gibbons Prunty, Steve Riley, Steve Sheldon, Nancy Tate, Russell Webber, and Lisa Willner.

Guests: Representative Rob Rothenburger House District 58; Jim Duke, Owner, Com-Care, Inc.; Carol Steckel, Commissioner, Department for Medicaid Services, Cabinet for Health and Family Services; Wendy Morris, Commissioner, Stephanie Craycraft, Executive Advisor, Dee Werline, Executive Advisor, Department for Behavioral Health, Developmental and Intellectual Disabilities, Cabinet for Health and Family Services; Jim Musser, Executive Director, Office of Legislative and Regulatory Affairs, Cabinet for Health and Family Services; Betsy Johnson, President, Executive Director, Bruce Linder, Executive Vice President, Kentucky Association of Health Care Facilities, Kentucky Center for Assisted Living; Sheila Schuster, PhD, Licensed Clinical Psychologist, Executive Director, Kentucky Mental Health Coalition; Amanda Parker, Senior Director, Ayaan Hirsi Ali Foundation; Jenny, Local Survivor and Advocate for Anti-Female Genital Mutilation; Dale McCreary, Director, Franklin-Simpson County Ambulance Service; Nathan Goldman, Kentucky Board of Nursing; Elizabeth Caywood, Deputy Commissioner, Douglas Beard, Division Director, Jessica Hinkle, Human Services Program Branch Manager, Brian Isaacs, Human Services Program Compliance Analyst, Department for Community Based Services, Cabinet for Health and Family Services; Judy Taylor, Director, Government Affairs, Kentucky Ambulance Providers Association; Phill Gunning, Executive Director, Shannon Baker, Director of Development and Communications, Valerie Mudd, Consumer Programs Coordinator, Lexington National Alliance on Mental Illness (NAMI); Christy Shuffett, M.Ed., Executive Director, New Beginnings, Bluegrass, Inc.; John Wood, Kentucky Board of Emergency Medical Services; Heidi Schissler, Legal Director, Kentucky Protection and Advocacy Division; Natalie Cunningham, Outreach Director, Kentucky Center for Economic Policy; Shellie A. May, Executive Director, Jonathan Borden, Procedures Development Specialist II, Office for Children with Special Health Care Needs, Cabinet for Health and Family Services; Jaclyn McGranahan, Field Organizer for Reproductive Rights, American Civil Liberties Union (ACLU); and Kathy Hager, President, Kentucky Nurses Association.

LRC Staff: DeeAnn Wenk, CSA, Ben Payne, Chris Joffrion, Dana Simmons, Sean Meloney, Becky Lancaster, and Hillary McGoodwin.

Consideration of Referred Administrative Regulations

The following administrative regulations were on the agenda for consideration: **201 KAR 002:010 Regular** - Schools approved by the board; **201 KAR 002:090 Regular** - Reference material and prescription equipment; **201 KAR 002:100 Regular** - Security and control of drugs and prescriptions; **201 KAR 002:116 Regular** - Substitution of drugs, biologics and biosimilar products; **201 KAR 002:225 Regular** - Special limited pharmacy permit - Medical gas; **201 KAR 002:240 Regular** - Special limited pharmacy permit – Charitable; **201 KAR 002:270 Regular** – Expungement; **201 KAR 002:340 Regular** - Special limited pharmacy permit - Clinical practice; **201 KAR 006:030 Regular** - Temporary permits; **201 KAR 006:040 Regular** - Renewal, reinstatement, and reactivation of license; **201 KAR 013:040 Regular** – Licensing; **201 KAR 013:050** Regular – Apprentices; **201 KAR 013:055 Regular** - Continuing education requirements; **201 KAR 013:060 Regular** - Military service; reciprocity; endorsement; **201 KAR 020:370 Regular** - Applications for licensure; **201 KAR 020:506 Regular** - Nurse licensure compact; **201 KAR 025:090 Regular** - Prescribing and dispensing controlled substances; **202 KAR 007:560 Regular** - Ground vehicle staff; **902 KAR 004:030 Regular** - Newborn screening program; **902 KAR 004:035 Regular** - Cost reimbursement for specialized food products; **902 KAR 009:010 Regular** - Environmental health; **902 KAR 045:120 Regular** - Inspection and permit fees for recreational vehicle communities, youth camps, and private water supplies; **908 KAR 001:341 Regular** - Repeal of 908 KAR 1:340; **908 KAR 001:370 Regular** - Licensing procedures, fees, and general requirements for nonhospital-based alcohol and other drug treatment entities; **908 KAR 001:372 Regular** - Licensure of residential alcohol and other drug treatment entities, **908 KAR 001:374 Regular** - Licensure of nonhospital-based outpatient alcohol and other drug treatment entities; **921 KAR 001:380 Regular** - Child Support Enforcement Program application and intergovernmental process; and **922 KAR 001:510 Regular** - Authorization for disclosure of protection and permanency records. A motion to accept the administrative regulations was made by Representative Marzian, seconded by Senator Raque Adams, and accepted by voice vote.

Legislative Hearing on the FFY 2020-2021 Community Services Block Grant

Laura Begin, Legislative Liaison, Douglas Beard, Division Director, and Jessica Hinkle, Human Services Program Branch Manager, Department for Community Based Services (DCBS), Cabinet for Health and Family Services (CHFS), were present to answer questions. Mr. Beard stated that the Community Services Block Grant (CSBG) issued by the Department of Health and Human Services (HHS) and provides services to all 120 counties in Kentucky through 23 community action agencies. It is up to the individual county agencies to decide how to use the grant funding. Some counties use the grant money for a meals-on-wheels type of program, the local Head Start program, or to offer financial literacy courses.

In response to questions from Representative Burch, Mr. Beard stated that each agency must present a plan to CHFS. CHFS submits a collective plan to HHS for approval. There is annual monitoring for all of the 23 community action agencies which looks at the program outcomes.

A motion to accept the block grant was made by Senator Buford, seconded by Representative Frazier, and accepted by voice vote.

Legislative Hearing on the FFY 2020 Social Services Block Grant

Laura Begin, Legislative Liaison, Department for Community Based Services (DCBS) and Rachel Ratliff, Legislative Liaison, Division of Protection and Permanency, Cabinet for Health and Family Services, were present to answer questions. The block grant can be found at https://apps.legislature.ky.gov/CommitteeDocuments/7/ . Ms. Begin stated that the Social Services Block Grant (SSBG) began in 1981. The SSBG provides federal funding to DCBS through the Department of Juvenile Justice. The funding is used for adult and child domestic violence protective services and other services to stabilize households through in-home living supports. The SSBG also provides funding for juvenile services to help prevent future involvement with juvenile or criminal justice systems. A motion to accept the block grant was made by Senator Buford, seconded by Representative Moser, and accepted by voice vote.

Legislative Hearing on Executive Order 2019-466 Relating to Reorganization of the Cabinet for Health and Family Services

Jim Musser, Executive Director, Office of Legislative and Regulatory Affairs, Cabinet for Health and Family Services, stated that the executive order was created in response to 2019 Regular Session Senate Bill 167 (SB 167) that required reorganization of the Office of Administration and Technology Services (OATS). SB 167 abolished OATS and two new offices were created, the Office of Administration Services and the Office of Application Technology Services. Within the Office of Administration Services, the Division of General Accounting, the Division of Facilities Management, and the Division of Procurement Services and Grant Oversight, were created. Within the Offices of Application Technology Services, the Division of Strategic Services, the Division of Social Support Systems, the Division of Eligibility Systems, and the Division of Medicaid Systems were created. A motion to accept the executive order was made by Senator Buford, seconded by Representative Tate, and accepted by voice vote.

Items Received for Review

Senator Alvarado stated that the half-year block grant status reports for the Child Care and Development Fund (CCDF), Community Services Block Grant (CSBG), Social Services Block Grant (SSBG), Temporary Assistance for Needy Families (TANF), and Low Income Home Energy Assistance Program (LIHEAP) block grants are available for review.

Discussion on 2020 Regular Session Prefiled Bill Request 83

Representative Rothenburger stated that the 2020 Regular Session Prefiled Bill Request 83 (BR 83) is an act relating to ground ambulance service providers and making an appropriation therefor. As Emergency Medical Services (EMS) struggle, there is a need to develop more revenue streams for the ambulance services. BR 83 authorizes the EMS to access a fund to allow more money to be federally matched by Medicaid. Jim Duke, owner, Com-Care Inc., stated that the Kentucky Ambulance Providers Association (KAPA) includes 130 ambulance services in Kentucky and is supportive of BR 83. KAPA works to enhance the Medicaid reimbursements. The EMS in Missouri and Tennessee have passed similar legislation with success in finding ways to have more money matched by federal funds.

In response to questions and comments from Senator Julian Carroll, Mr. Duke stated that the cost of providing a Medicare emergency transport in Kentucky varies from $350 to $800 for each transport. The average reimbursement from Medicaid to transport a patient is $125. The federal funds matching program would double that reimbursement and bring the total closer to the lower end of the Medicare cost. BR 83 should help many emergency service providers that have high numbers of Medicaid transports to be close to the cost of providing care to patients. 911 Ambulance services do not get a choice of caring for a patient. EMS must take care of the patient regardless if the patient has insurance or not. The regulatory agency is the Kentucky Board of EMS that is under the Kentucky Community College System.

In response to questions and comments from Senator Buford, Mr. Duke stated that the Medicaid reimbursement for a transport is an average $125. Medicare reimburses approximately $450 for a transport. BR 83 will help EMS providers receive more money for each transport. The maximum assessment rate according to The Centers for Medicare and Medicaid Services (CMS) is six percent of a provider's gross revenue for emergency calls. KAPA is encouraging an across the board increase with Medicaid. Carol Steckel, Commissioner, Department for Medicaid Services (DMS), Cabinet for Health and Family Services, stated that a job of Medicaid is to work with the providers that are offering up the state share of money to be federally matched. She stated that going by each county or city to see how it is individually taxed and funded would be extremely complicated. DMS is working with EMS providers to get the maximum dollar amount while following federal rules and regulations.

In response to questions and comments from Representative Riley, Mr. Duke stated that KAPA has spoken at all the regional association meetings and sent email surveys to providers. When KAPA's membership supports legislation, KAPA trusts that the members have the support of their governing body whether it is a judge-executive, board of directors, or hospital administrator. The majority of Kentucky counties are in support of BR 83. Representative Rothenburger stated that he has met with the Kentucky Association of Counties (KACO) but the association has not stated whether it is in favor of BR 83. Previously KACO has been supportive of any legislation that helps to increase revenue to local governments.

In response to questions and comments from Senator Meredith, Mr. Duke stated that the annual assessment is based on the total number of emergency transport services. Each ambulance service will pay a percentage. He confirmed that $200,000 will go to CHFS for administration and DMS will manage the balance of the money received from the matching federal funds. For every dollar that is accumulated, the federal government will match with two dollars and the money will come back to the providers in the form of a higher reimbursement rate for transporting patients. The higher reimbursement rate would be a flat rate increase for all. It is not guaranteed that each ambulance service will receive the total amount of the fees it has paid. Commissioner Steckel stated that DMS will need to do a full methodological study on how to get the providers' reimbursement close to a full return of the taxes paid. DMS is not a tax collector and will need to work on what department will collects the taxes.

In response to a question from Senator Danny Carroll, Mr. Duke stated that BR 83 only relates to ground transport providers not air flight service providers.

Deferred Administrative Regulation

The following deferred administrative regulation was on the agenda for consideration: **911 KAR 001:010 Regular** - application to clinical programs. A motion to accept the amendment on the deferred administrative regulation was made by Senator Buford, seconded by Senator Raque Adams, and accepted by voice vote. A motion to accept the amended administrative regulation was made by Senator Raque Adams, seconded by Representative Moser, and accepted by voice vote.

Personal Care Homes, Individuals with Serious Mental Illness, and Homelessness

Wendy Morris, Commissioner, Department for Behavioral Health, Developmental and Intellectual Disabilities (DBHDID), Cabinet for Health and Family Services, stated that serious mental illness is defined through diagnosis, duration, and disability. Examples of serious mental illness include major depression, bipolar disorder, post-traumatic stress disorder (PTSD), and schizophrenia. The housing options for people that have a serious mental illness are independent housing, living with family or a friend, supported housing, three-person homes, and institutions such as hospitals, nursing homes, personal care homes, or boarding homes. The key services necessary to help people live in the community are assertive community treatment (ACT), targeted case management, and supported employment. Vouchers from Kentucky Housing Corporation (KHC) and DCBS supplemental funding financially assist people in maintaining housing. The reasons people cannot access housing include lack of available and affordable housing, stigma associated with serious mental illness, lack of personal resources, criminal history, and personal choice.

There are also limiting factors such as the Olmstead Decision and the Second Amended Settlement Agreement (SASA). The SASA required CHFS to contract with the technical assistance collaborative, a national organization that has looked specifically at housing for people with serious mental illness in Kentucky and will provide recommendations to CHFS. Personal care homes could become a more integral part of the continuum of care. There would need to be regulatory changes in regards to personal care homes to assure alignment with the Olmstead decision. An enhanced reimbursement rate would be necessary to support any regulatory changes. Workforce capacity continues to be a limiting factor. The serious mental illness (SMI) waiver is under consideration as part of the Kentucky Medicaid 1915(c) Home and Community Based Services (HCBS) waiver redesign and must be approved by CMS. An increase in the general fund allocation would allow flexible funding for innovative and community-specific interventions.

The Community Mental Health Centers (CMHC) of Kentucky serve all 120 counties. CMHC are the only provider type that serves people with serious mental illness in Kentucky. DBHDID contracts with CMHC for services that include crisis services, diversion, SASA deliverables, re-entry, and homeless outreach. The expansion of Kentucky Medicaid's service array has not assured access because of managed care organizations (MCOs) approvals, low reimbursement rates, and continued workforce capacity. Prevention and early intervention are critical to patients with a serious mental illness. Fifty percent of those who develop mental health disorders show symptoms by age 14 and 75 percent of mental health conditions develop by age 24. DBHDID has the following early intervention initiatives; Early Detection and Intervention of First Episode Psychosis, Kentucky Suicide Awareness and Prevention, Transition-Age Youth Launching Realized Dreams (TAYLRD), Kentucky AWARE (Advancing Awareness and Resiliency in Education), and the Kentucky Opioid Response Effort (KORE).

In response to questions and comments from Senator Danny Carroll, Commissioner Morris stated that DBHDID general funds do not fund personal care homes. DBHDID does not have enough funds to use to match for federal money. Commissioner Steckel stated that personal care homes are a part of the 1915(c) HCBS waivers and that may be a benefit to those with a serious mental illness. She stated that adding a benefit like assisted living services as a Medicaid benefit means DMS would have to offer the benefit to all Medicaid beneficiaries unless the benefit is added as a SMI waiver. Commissioner Morris stated that the settlement agreement between CHFS and the Kentucky Protection and Advocacy Division (KYPA) obligate DBHDID to spend $7 million a year.

In response to questions and comments from Senator Julian Carroll, Commissioner Morris that DBHDID does not have funds in the budget to match for additional federal funds. If a SMI waiver was submitted, it would be for three-person homes and family home providers and not for congregate living settings. The DBHDID has general fund money to support approximately 12 three-person homes and if the money went towards a federal match, DBHDID could triple the number of people in three-person homes. The DBHDID is spending approximately $5 million for 12 personal care homes.

In response to questions and comments from Senator Meredith, Stephanie Craycraft, Executive Advisor, Department for Behavioral Health, Developmental and Intellectual Disabilities, Cabinet for Health and Family Services, stated that 2019 Regular Session Senate Bill 1 is helping to put more mental health services into schools. The Transition Age Youth Launching Realized Dreams (TAYLRD) program has expanded beyond the grant funding. The TAYLRD program helps teens to access services such as job counseling and assistance in finding housing. There is a Facebook page available for all 14 community health centers to contribute content and for the public to view. NAMI also has programs for youth and families.

In response to questions and comments from Representative Frazier, Commissioner Steckel stated that there are certain places of service that DMS would not fund such as assisted living facilities.

In response to questions and comments from Senator Alvarado, Ms. Craycraft stated that through the KHC subsidy that DBHDID provides there are approximately 200 people on the vouchers. There are 36 people in three-person homes. There are 1,290 recipients in the DCBS community integration supplement program. Commissioner Morris stated that DCBS spends roughly $7 million in addition to the $7 million that DBHDID spends for the community integration supplement program. She stated that DBHDID must review any new programs or ideas for housing. Mental health screening of junior high age children is a good idea because symptoms are often missed because the symptoms may look like normal behavior for the age group.

Heidi Schissler, Legal Director, Kentucky Protection and Advocacy Division, stated that KYPA is an independent state agency that promotes the rights of individuals with disabilities. KYPA receives seven federal grants that are the majority of the funding for the division. KYPA is required by United States Congress to use the funding to do various things for individuals that have disabilities that include investigating abuse and neglect, monitoring any place where a person with a disability lives or receives services, advocating for systemic change, monitoring legislation and regulations, and representing individuals and classes. KYPA gathered information on personal care homes and defined them as free-standing homes that are not a part of an assisted living facility or a nursing facility. KYPA reported in March 2012 that 85 percent of people living in personal care homes had a serious mental illness, 48 percent had guardians, and 39 percent had lived in the personal care home for more than five years. KYPA determined that personal care homes are institutions.

Ms. Schissler stated that the Olmstead Decision and SASA have changed many of the services that are available to individuals who are living or are at risk of living in a personal care home. Many individuals that are receiving services through the settlement agreements are homeless. Kentucky needs to increase the service level that is available to anyone whether they are living or are at risk of living in a personal care homes or coming out of a psychiatric hospital. The people that choose to live in personal care homes can continue to do so but must be given the choice of still receiving services and being successful in the community. The 1915(c) waivers are home and community based waivers so an individual could not use 1915(c) money to provide services in a personal care home because it is considered an institution. The state prisons and jails are the largest mental health providers in Kentucky.

Betsy Johnson, President, Executive Director, Kentucky Association of Health Care Facilities (KAHCF), Kentucky Center for Assisted Living (KCAL), stated that DCBS distributes a rate letter that states the allowable amount for personal care homes. There are gaps in services for the elderly and people with a serious mental illness in the continuum of care in Kentucky. Personal care homes receive $40.47 a day to care for an individual with a serious mental illness. The people living in a three-person home receive $380.00 a day and could have the same serious mental illness diagnosis as someone living in a personal care home. Personal care homes are licensed and regulated by the Office of the Inspector General. Personal care homes require a certificate of need, have set-up costs, provide 24 hour supervision, and oversight of medical care. The medical care provided includes medication services, administration, residential care, personal care, three meals and three snacks a day, activity services, and basic instruction with Activities of Daily Living (ADL) and Instrumental Activities of Daily Living (IADL), for $40.47 a day.

Ms. Johnson stated that if Kentucky does not change its rates then freestanding personal care homes will close due to increased costs of operations. If personal care homes close there would be an increase in the number of individuals in the state jails, hospitals, and emergency rooms along with an increased risk of drug addiction and homelessness. The Kentucky legislature should take steps to increase reimbursement and let personal care homes be a part of the solution. The last rate increase for personal care homes was in 2006. An increase in reimbursement would allow the care, medication, food, and services to continue for those with a serious mental illness. Personal care homes are the most cost efficient level of care.

In response to questions and comments from Representative Goforth, Ms. Johnson stated that the individuals living in a three-person home are receiving care management and services by DBHDID. The only difference in the individuals being served is that one chose a three-person home and one chose a personal care home but the providers are paid differently. The services are more enhanced for those that decided to move to a three-person home. Bruce Linder, Executive Vice President, Kentucky Association of Health Care Facilities, Kentucky Center for Assisted Living, stated that the personal care home buildings vary but could be a converted hospital wing, former hospital, or former hotel. The personal care home could have one to four people in a room based on the size of the room. The personal care homes are licensed under the Office of the Inspector General and follow those regulations. Ms. Johnson stated there are no specifications as to what the building needs to look like to be a personal care home.

In response to questions and comments from Senator Harper Angel, Ms. Johnson stated that it is an individual's choice to live in a personal care home as opposed to a three-person home with a higher rate of care and that choice is supported by the Olmstead Decision. The personal care home and congregate living is familiar and comfortable for some individuals with serious mental illness. Congregate living helps those individuals from becoming isolated. The individuals are aware and given the choice, per the Olmstead Decision, where to live. The personal care home worker is mandated to inform the individual that they have right to live elsewhere.

In response to questions and comments from Senator Julian Carroll, Commissioner Morris stated that there are only 12 three-person homes. Three-person homes came about when the state owned and operated personal care homes were closed. The three-person home is a pilot program to see if the level of care would work for the serious mental health population. If so, DBHDID would then advocate for a SMI waiver. The three-person homes should not be compared to the personal care homes but to the Supports for Community Living (SCL) waiver supports. DBHDID would need to work with DMS to have an accurate allocation to request a federal match. Individuals do not have the option to go the three-person homes, they were only available to people living in a state owned personal care home. Ms. Johnson stated that under the settlement agreement individuals are given the option to live in an apartment.

Commissioner Morris stated that DBHDID does not have the funding available to continue the three-person home program. The only way to provide funding for three-person homes would be to request an SMI waiver. She stated that obtaining a SMI waiver is a complicated process. DBHDID does have a lot of data and can work with Medicaid on a SMI waiver. Personal care homes are an important part of the continuum of care. Commissioner Morris does not want to see the personal care homes go away. The math of a rate increase would be based on the DBHDID contracts for personal care homes. Theoretically, the money used for three-person homes could be used for a match except that money is used for maintenance of block grant dollars. Ms. Johnson stated that KAHCF has had conversations with CHFS regarding the continuum of care but the providers have been dealing with the same funding amount for 17 years without a rate increase. The personal care homes are reaching a crisis status that could affect 3,200 Kentuckians who depend on that level of care.

In response to questions from Representative Sheldon, Ms. Johnson stated there are approximately 50 personal care homes located throughout the state with various owners. The owners have taken risks financially and otherwise to get a license and be regulated by the state. The personal care home owners should be supported to provide the continuum of care. The rate in 2016 was increased by $2.00 totaling $40.47 per day.

In response to questions from Representative Gibbons Prunty, Ms. Johnson stated KAHCF was not part of the settlement agreements. KAHCF and KCAL were not invited to give its perspective regarding the settlement agreements.

Youth and Mental Health Issues

Sheila Schuster, PhD, Licensed Clinical Psychologist, Executive Director, Kentucky Mental Health Coalition, stated that there are approximately 130,000 children enrolled in Kentucky schools with mental illness. She stated that one in every six children age two to eight have a mental, behavioral, or developmental disorder. Six percent of Kentucky's youth age 12 to 17 have depression. Eleven percent of the youth in Kentucky have anxiety. A 2017 survey showed that 29 percent of Kentucky high school students show symptoms of depression. Of the youth age 12 to 17 who had a major depressive episode in the past year, fewer than half received treatment for depression. A 2017 survey of Kentucky high school students in grades 9 through 12 revealed that 15 percent reported that they had seriously considered suicide during the 12 months before the survey. Eight percent of those students surveyed stated they had attempted suicide in the previous 12 months before the survey. Last school year in Jefferson County, there was a death of a 10 year old by suicide.

Senator Seum has addressed the issue with legislation requiring school personnel, as well as mental health professionals, to have specific training in suicide identification and prevention. Fifty percent of lifetime mental health conditions develop by age 14. She stated that 37 percent of youth age 14 and over with a mental health issue drop out of school. At the college level, 51 percent of United States college students report feeling hopeless in the last 12 months. There has been a 40 percent increase in college counseling center utilization while enrollment only increased 5 percent. The Adverse Childhood Experiences (ACES) study speaks to the trauma that all people have experienced in one form or another. Many children in Kentucky relate that they have experienced divorce, death, or separation of the family. Kentucky has a high rate of one or both parents being incarcerated. Kentucky has poor mental health resources. The community mental health centers are charged by statute to make available in every county, access to mental health programs, substance use disorder assistance, and services for developmental and intellectual disabilities. Kentucky is ranked 45 in per person mental health funding.

Early diagnosis and access to appropriate services can make a huge difference. Kentucky has a shortage of child psychiatrists and psychiatric mental health nurse practitioners. Stigma is still a barrier to be reviewed. The number of children in Kentucky that are victims of abuse and neglect and the impact of that on their mental health is a barrier. There are many school children that are homeless or are changing schools almost weekly in Kentucky. Kentucky needs to review the consent to be treated issue. However, there has been more focus, discussion, and awareness on mental health and substance use disorders in the last four years.

Anti-Female Genital Mutilation Legislation

Amanda Parker, Senior Director, Ayaan Hirsi Ali (AHA) Foundation, stated that the AHA Foundation believes in liberty for all women and girls. The AHA Foundation works to end honor violence, forced marriage, child marriage, and female genital mutilation in the United States. The AHA Foundation was founded by Ayaan Hirsi Ali, who is a survivor of female genital mutilation and forced marriage. Female genital mutilation is a form of child abuse that is used to control the sexuality of women and girls. The practice predates all major religions and is not required by any major religion but has been adopted by some patriarchal sects and religious organizations. There are four types of female genital mutilation or cutting. The World Health Organization defines female genital mutilation or cutting as "all procedures that involve partial or total removal of external female genitalia, or other injury to female genital organs for non-medical reasons." There are no health benefits to female genital mutilation but there are lifelong health and psychological consequences associated with the practice. The World Health Organization makes is clear that female genital mutilation should not be performed in any of its forms not even by a healthcare provider.

Globally, 200 million women and girls have under gone female genital mutilation. The Centers for Disease Control and Prevention estimate that in the United States there are 513,000 women and girls who are at risk of or have under gone the practice. In Kentucky, the Population Reference Bureau estimate that 1,845 women and girls are at risk for or have undergone female genital mutilation. There are 35 states with laws against female genital mutilation. Senator Raque Adams is drafting a bill that would make female genital mutilation a crime, make it illegal to take a girl across state lines for the practice, and it would provide education and outreach to communities and professionals who are likely to encounter cases of female genital mutilation.

Jenny, local survivor and advocate for anti-female genital mutilation, stated that the numbers of women and girls who are at risk of or have under gone the practice does not include her, her daughters, or sisters because they are white, American, and part of a Christian faith. The practice of female genital mutilation is still a silent issue that women and girls do not talk about freely. Jenny was five when she underwent female genital mutilation and it will affect her for the rest of her life. Female genital mutilation affects women physically, emotionally, and spiritually. She has suffered from depression, PTSD with flashbacks and nightmares, had all of her five children by cesarean section (C-section), and struggles with pain on a daily basis. She stated that she previously did not know that this practice was not normal because no one talked about the practice. She hopes that the new law will reach other women who may not know that this is not a safe or legal practice. The proposed law will help bring more education about female genital mutilation to women and health providers. She has gone to therapy about her experience and had to educate her therapist about the practice of female genital mutilation.

In response to questions and comments from Senator Alvarado, Ms. Parker stated that she does not know of any physicians that are performing female genital mutilation in Kentucky at this time. She stated that families that are performing female genital mutilation on their daughters are not doing it to be hurtful but believe they are doing what is best for their children. In many communities the practice is done for a girl to be marriageable and to secure her and her family's future. Over 98 percent of women in Somalia, 74 percent of women in Ethiopia, and 90 percent of women in Egypt undergo female genital mutilation.

In response to questions and comments from Senator Kerr, Jenny stated that she does not say what denomination of Christian faith that she was aligned with that practices female genital mutilation.

In response to a question from Representative Bentley, Senator Raque Adams stated that in her proposed bill the reporting of female genital mutilation will be going to vital statistics and would be public information.

Adjournment

There being no further business, the meeting was adjourned at 3:19 PM.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Economic Development, Tourism, and Environmental Protection

Minutes of the 2nd Meeting of the 2019 Interim

July 9, 2019

Call to Order and Roll Call

The 2nd meeting of the Budget Review Subcommittee on Economic Development, Tourism, and Environmental Protection of the Interim Joint Committee on Appropriations and Revenue was held on Tuesday, July 9, 2019, at 8:00 AM, in Room 154 of the Capitol Annex. Representative Lynn Bechler, Chair, called the meeting to order, and the secretary called the roll.

Present were:

<u>Members:</u> Senator Rick Girdler, Co-Chair; Representative Lynn Bechler, Co-Chair; Senators Perry B. Clark, Stan Humphries, Morgan McGarvey, and Max Wise; Representatives Terri Branham Clark, David Hale, Savannah Maddox, Dean Schamore, Russell Webber, and Les Yates.

Guests: David A. Dickerson, Secretary, Labor Cabinet; Michael G. Swansburg, Jr., Deputy Secretary, Labor Cabinet.

LRC Staff: Sara Rome, Chuck Truesdell, and Amie Elam.

Labor Cabinet

Secretary David Dickerson and Deputy Secretary Michael Swansburg presented a Labor Cabinet budget update to members of the subcommittee. The presentation included projected cost savings and anticipated General Fund budget request figures.

In response to questions from Chair Bechler, Secretary Dickerson said that the majority percentage of wage and hour claims are settled in favor of the worker. Secretary Dickerson said the Labor Cabinet will provide the exact percentages to the committee. Secretary Dickerson added that most offenders are transient companies and that there were occasionally repeat offenders. Deputy Secretary Swansburg said the Labor Cabinet is currently partnering with the Department of Revenue to collect money from individuals and companies. Secretary Dickerson said that only thirteen percent of the Labor Cabinet's budget comes from the General Fund. Chair Bechler expressed a need for POP Center training across the state, especially in rural areas. Secretary Dickerson said the Cabinet would consider expanding trainings to be able to reach more of the commonwealth.

In response to a question from Senator Girdler, Secretary Dickerson said it is important to reduce experience modification rates across the commonwealth. He reiterated that the Labor Cabinet must be invited into an organization to be able to evaluate and provide suggestions.

In response to a question from Representative Schamore, Secretary Dickerson said the length of administrative hearings can vary anywhere from thirty minutes to two weeks or more.

In response to a question from Representative Bechler, Secretary Dickerson said that there is no end date set for the consolidation of Administrative Law Judge facilities. He stated that the goal for the consolidation is to move the hearings to more limited access facilities.

There being no further business before the committee, the meeting was adjourned at 8:47 A.M.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Minutes of the 3rd Meeting of the 2019 Interim

August 20, 2019

Call to Order and Roll Call

The 3rd meeting of the Interim Joint Committee on Appropriations and Revenue was held on Tuesday, August 20, 2019, at 1:00 PM, in Room 149 of the Capitol Annex. Representative Steven Rudy, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Christian McDaniel, Co-Chair; Representative Steven Rudy, Co-Chair; Senators Tom Buford, Rick Girdler, David P. Givens, Alice Forgy Kerr, Morgan McGarvey, Stephen Meredith, Gerald A. Neal, Dennis Parrett, Dan "Malano" Seum, Robin L. Webb, Stephen West, and Phillip Wheeler; Representatives Lynn Bechler, Danny Bentley, Myron Dossett, Joseph M. Fischer, David Hale, Mark Hart, Angie Hatton, Dennis Keene, Russ A. Meyer, Jason Nemes, Ruth Ann Palumbo, Phillip Pratt, Melinda Gibbons Prunty, Brandon Reed, Steve Riley, Sal Santoro, John Sims Jr, Jim Stewart III, Wilson Stone, James Tipton, and Susan Westrom.

Guests: Trish Mazzoni, President and CEO, Special Olympics Kentucky; Ryan Barts, Special Olympics Kentucky Athlete; DesaRae Nickell, Special Olympics Kentucky Athlete; John E. Chilton, State Budget Director; Janice Tomes, Deputy State Budget Director; Kevin Cardwell, Deputy State Budget Director; Greg Harkenrider, Deputy Executive Director, Governor's Office of Economic Analysis; J. Michael Jones, Deputy Executive Director, Governor's Office for Policy Research; Jason Nemes, State Representative, District 33; and Gary Riley, General Manager, H.T. Hackney.

LRC Staff: Jennifer Hays, Cynthia Brown, and Chase O'Dell

Special Olympics

Trish Mazzoni, President and CEO, Special Olympics Kentucky; Ryan Barts, Special Olympics Kentucky Athlete; and DesaRae Nickell, Special Olympics Kentucky Athlete; discussed the Special Olympics in Kentucky.

Trish Mazzoni stated that Special Olympics programs have been changing the lives of individuals with intellectual disabilities for more than 50 years. Special Olympics Kentucky began as a one-day event and has grown into a program of year-round sports that now offers 15 sports options and serves more than 10,000 athletes across the state. Sports help the athletes build confidence, self-esteem, and life skills. Special Olympics athletes are 52 percent more likely to hold a job than their peers who do not participate.

Ms. Mazzoni testified that Special Olympics Kentucky serves its athletes and the state at-large through more than just sports. In 1997, the healthy athletes program was introduced. Studies show that people with intellectual disabilities are a medically underserved population. The healthy athletes program helps fill the care gap by offering athletes medical screenings provided by trained medical professionals. Last year, more than 1,300 individual screenings were provided. Healthy athlete screenings can make a positive impact on state budgets. According to the Centers for Disease Control (CDC), people with intellectual disabilities make up five percent of the Medicaid population, while using 15 percent of all Medicaid services.

The Unified Champion Schools (UCS) program, adopted in Kentucky in 2009, seeks to build stronger and more inclusive school communities by fostering understanding and bridging the gaps between students with and without disabilities. The program now reaches 76,000 students, 86 schools, and 40 counties. Ms. Mazzoni stated that 94 percent of Unified Champion Schools teacher liaisons say that UCS programs reduce bullying, teasing, and offensive language in schools.

Special Olympics Kentucky operates on a budget of slightly more than two million dollars a year. Income is primarily through fundraising events and direct donations. Forty percent of revenue comes from individuals, 47 percent comes from corporate support, with the remainder of revenue coming from civic organizations. Ms. Mazzoni stated that Special Olympics Kentucky does not receive direct state funding. Twenty-six states provide funding for their Special Olympics programs. Special Olympics Kentucky is requesting $50,000 in state funding for each year of the 2020-2021 biennium.

Ryan Barts stated that the Special Olympics has changed his life because he has made a lot of friends, travelled to places he had never been to, and gained confidence. Special Olympics has given him the opportunity to compete in the sports that he loves.

DesaRae Nickell said that she got the chance to play many sports when she joined Special Olympics Kentucky. She has met many lifelong friends through playing sports. Ms. Nickell found strengths she never knew she had as an athlete ambassador.

Representative Stone thanked Special Olympics Kentucky for presenting before the committee.

In response to a question from Representative Bechler, Ms. Mazzoni testified that the annual budget for Special Olympics Kentucky is just over two million dollars.

In response to a question from Representative Westrom, Ms. Mazzoni stated that there are an average 2,500 coaches who volunteer through Special Olympics Kentucky, with another four or five thousand one-day volunteers throughout the year.

Representative Rudy urged people to go to a Special Olympics event.

Representative Gibbons Prunty urged people to go to the summer games held in Richmond.

Approval of Minutes

A motion was made by Representative Tipton, and seconded, to approve the minutes of the July 9, 2019 meeting. The minutes were approved by voice vote.

Closeout of Fiscal Year 2018-2019

John E. Chilton, State Budget Director; Janice Tomes, Deputy State Budget Director; Kevin Cardwell, Deputy State Budget Director; Greg Harkenrider, Deputy Executive Director, Governor's Office of Economic Analysis; and J. Michael Jones, Deputy Executive Director, Governor's Office for Policy Research, reviewed the closeout of Fiscal Year (FY) 2018-2019.

Greg Harkenrider testified that the general fund experienced actual receipts of $11,392,698,460 in FY 2019. The actual receipts were $194,498,460 higher than the official Consensus Forecasting Group (CFG) estimate. The general fund revenues grew $554.5 million in FY 2019 – the most since FY 2015. Additionally, general fund revenues grew 5.1 percent.

Mr. Harkenrider stated that the individual income tax and the sales and use tax make up 75 percent of general fund revenues. The revenue surplus of $194.5 million in FY 2019 was mostly due to the smaller taxes. Abandoned property brought in $35 million more than expected. The bank franchise tax brought in $119 million instead of the projected $105 million. There was also a surplus in FY 2019 due to the estimates being exceeded by $119.8 million in FY 2018. February, March, April, and May of FY 2019 brought in $417.4 million in new revenue.

Kevin Cardwell testified that FY 2019 ended with a general fund surplus of $130.1 million. There were $33.2 million in Necessary Government Expenses (NGEs) in FY 2019. Dedicated revenue adjustments accounted for another $32.7 million in general fund expenses. The general fund spent $2.2 million less than budgeted during the fiscal year. Fund transfers to the general fund also added $2.4 million to the general fund. Other miscellaneous items cost the general fund $3.2 million.

Per HB 200, the FY 2019 general fund surplus was appropriated for FY 2020. $70 million of the surplus went to the Teachers' Retirement System Medical Insurance Fund, and $60.1 million went to the Kentucky Retirement System's Nonhazardous Unfunded Pension Liability Fund.

There was $47.57 million less in NGEs during FY 2019 than FY 2018. The top two expenditures were corrections and appropriations not otherwise classified (ANOC). NGEs were lower in FY 2019 than in FY 2014. The NGE estimate for FY 2020 is in the range of $30 million to $35 million. Corrections NGEs accounted for $14.9 million in FY 2019. Higher prison costs and private prison costs led to the NGEs for corrections. Nine million dollars for Guardian Ad Litem made up the majority of ANOC NGEs. Director Chilton stated that more NGEs had been built into the budget to reduce the unbudgeted amounts spent.

Mr. Cardwell testified that FY 2019 began with $93.8 million in the budget reserve trust fund. A regular appropriation of $33.45 million was also made to the trust fund. Two hundred and ninety thousand dollars were appropriated from the trust fund in the 2019 Regular Session. An additional $2.1 million was added to the trust fund due to the judicial unexpended use allowance. The budget reserve trust fund had a balance of $129.1 million at the end of FY 2019. It is estimated that the balance will be $306.1 million at the end of FY 2020. The trust fund balance is estimated to be 2.7 percent of the general fund in FY 2020.

Michael Jones stated that Master Settlement Agreement (MSA) revenues for FY 2019 were $1.9 million below the estimate. Lower MSA revenue estimates are being forecasted going forward. Last year alone, the total number of cigarettes subject to the MSA fell by seven percent.

Mr. Harkenrider testified that road fund revenues for FY 2019 totaled $1,556.0 million. Road fund percentage growth for the year totaled 3.6 percent. Motor fuels revenues were $14 million higher than expected in FY 2019. Motor vehicle usage revenues brought in a record $514.5 million, exceeding the estimate by $20 million.

Janice Tomes stated that the year-end balance for the road fund was $472.7 million. The total budgeted carryforward into FY 2020 totaled $397.5 million. As a result, the road fund surplus amounted to $75.2 million.

Mr. Harkenrider testified that the CFG's unofficial estimated growth for general fund revenues in FY 2020 is 1.5 percent. The CFG estimates tepid growth through FY 2024.

Mr. Harkenrider stated that cigarette tax revenues are forecast to decline in all of the next five fiscal years. Coal severance revenues are projected to grow by 7.2 percent in FY 2020, and then decline by double digits through FY 2024. Revenues for the road fund are projected to fall 0.9 percent in FY 2020.

Director Chilton testified that the economy has been doing well the past couple of years, and that the information received from the CFG indicates that growth is going to be moderate over the next few years.

In response to a question from Representative Gibbons Prunty, Mr. Jones stated that there is projected to be slight growth in the motor fuels revenues in the next few fiscal years.

In response to a question from Representative Nemes, Mr. Harkenrider stated that he had heard that because of lost federal toll credits, Kentucky would have to find $130 million more in state money to allocate. In response to another question from Representative Nemes, Director Chilton testified that the target for many states is for the budget reserve trust fund to be 5.5 percent of the general fund. Kentucky's reserve fund has not reached that level in years.

Cigarette Tax and Compensation to Wholesalers

Jason Nemes, State Representative, District 33; and Gary Riley, General Manager, H.T. Hackney, discussed the cigarette tax and compensation to wholesalers. Representative Nemes stated that wholesalers were requesting an increase in compensation to 1.5 cents per pack of cigarettes.

Gary Riley testified that as a wholesaler, his company distributes a wide array of products. For the distribution of cigarettes, his company is required to place tax stamps on each individual pack of cigarettes. This has been a function of wholesalers since 1955. The wholesaler must pre-pay for the tax stamps.

Mr. Riley stated that the stamping process is highly regulated – continuing to say that the equipment used is highly specialized and costly. Wholesalers are one of the largest collectors of tax revenue in Kentucky. Wholesalers are requesting two changes. The first request is for a 10-day credit term to pay the Department of Revenue (DOR) for tax stamps. The second request is for a reimbursement of 1.5 cents per pack of cigarettes for the collection and remittance of the cigarette tax. Wholesalers are currently reimbursed 0.3 cents per pack. The rate has not changed since 1955. Mr. Riley presented a video showcasing the stamping process.

Representative Nemes testified that when there is a blemish and not a full stamp on the product, wholesalers have to eat the cost.

In response to a question from Senator Girdler, Mr. Riley stated that the stamping machines in his wholesaling operation do not run 24 hours a day, but employees are paid a premium to run the machines and are specially trained by the manufacturers. Representative Nemes stated that wholesalers are asking for a 10-day credit term after the purchase of the tax stamps.

In response to a question from Senator Wheeler, Representative Nemes stated that the tax stamps are applied by the wholesaler and not the manufacturer because of differing state tax rates. In response to a follow up question from Senator Wheeler, Mr. Riley stated that an extreme amount of forecasting would be required for manufacturers to pre-stamp packages and send different amounts to various states.

Representative Stone questioned how many cigarettes make it to smokers without being taxed. In response to another question from Representative Stone, Representative Nemes stated that the request for 1.5 cents in reimbursement per pack of cigarettes came from looking at the reimbursement rate in surrounding states. The median rate for surrounding states is 1.8 cents per pack. In response to another question from Representative Stone, it was stated that the reimbursement rate is based on the Kentucky cigarette tax.

In response to a question from Senator Givens, Representative Nemes stated that wholesalers are requesting to go from a 0.3 cents per pack reimbursement rate to 1.5 cents per pack. In response to another question, Mr. Riley testified that a wholesaler can send stamped nonsalable packages back to the manufacturer in order to recoup the cost. He stated however that if there is a damaged stamp that is incomplete, the wholesaler cannot be reimbursed. In response to another question from Senator Givens, Mr. Riley stated that he was not aware of any mechanism whereby a wholesaler could reclaim the money invested in stamps at an establishment.

In response to questions from Representative Rudy, Mr. Riley testified that each wholesaler facility stamps for their own areas. Mr. Riley stated that the only compensation for wholesalers to apply the stamps is 0.3 cents per pack, and that the $10 million fiscal impact estimate was scored after the cigarette tax increase.

Adjournment

With no further business before the committee, the meeting was adjourned at 2:35 pm.

INTERIM JOINT COMMITTEE ON JUDICIARY

Minutes of the 3rd Meeting of the 2019 Interim

August 23, 2019

Call to Order and Roll Call

The 3rd meeting of the Interim Joint Committee on Judiciary was held on Friday, August 23, 2019, at 10:00 AM, in Room 149 of the Capitol Annex. Representative Jason Petrie, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Jason Petrie, Co-Chair; Senators Danny Carroll, Alice Forgy Kerr, Gerald A. Neal, John Schickel, Wil Schroder, Dan "Malano" Seum, Robin L. Webb, and Phillip Wheeler; Representatives John Blanton, Kevin D. Bratcher, McKenzie Cantrell, Daniel Elliott, Joseph M. Fischer, Chris Harris, Angie Hatton, Joni L. Jenkins, Nima Kulkarni, Savannah Maddox, C. Ed Massey, Chad McCoy, Patti Minter, Jason Nemes, Brandon Reed, and Maria Sorolis.

Guests: Secretary John Tilley, Justice and Public Safety Cabinet; Cyndi Heddleston, Legislative Liaison, Department of Corrections; Kathleen Kenney, Interim Commissioner, Department of Corrections; Erica Hargis, Director, Department of Corrections Division of Probation and Parole; Kristin Harrod, Director, Department of Corrections Division of Reentry Services; Kirstie Willard, Director, Department of Corrections Division of Local Facilities; Judge Kelly Easton, Hardin Circuit Court; Shane Young, Commonwealth's Attorney for the 9th Judicial Circuit; Rod Seelye; and Sean Hankins.

LRC Staff: Katie Comstock, Alice Lyon, Chandani Kemper, Dale Hardy, Matt Trebelhorn, Yvonne Beghtol, and Raleigh Dixon.

Approval of the July 12, 2019 Minutes

Representative Reed made a motion to approve the July 12, 2019 minutes, seconded by Representative Nemes, and passed by voice vote.

Introduction and System Overview

Secretary John Tilley of the Justice and Public Safety Cabinet addressed the over-incarceration crisis in Kentucky and its relationship to the opioid drug epidemic. Kentucky is currently tenth in prison growth and second in female per capita incarceration, costing approximately $650 million. Lower parole grant rates are a contributing factor.

Kentucky currently houses 24,000 in prison, with all class D offenders being housed in county jails. Only 21 of the 76 county jails offer drug treatment programs. A $9 million federal grant was recently given to incentivize a drug treatment program for women in county jails that already offered a program for men.

Secretary Tilley noted that justice reform requires an ongoing effort with reentry, probation and parole, and substance abuse. Since the passing of 2014's juvenile justice reform bill, the juvenile justice population has been cut in half, forcing the closure of four facilities with another facility is anticipated to close this year. Secretary Tilley stated this proves that when you mandate changes, good changes come.

In response to Chairman Petrie, Secretary Tilley said there are currently 12,000 Class D felons housed in county jails and that jailers are allowed to refuse to house them.

In response to Representative Hatton, Secretary Tilley explained that housing a state inmate in prison costs $71 a day. County jails are paid $31.34 a day for housing each state inmate. The jails receive approximately $70 a day for housing a federal inmate. Secretary Tilley stated that he is an advocate for performance-based funding, paying jails based on their programs and performance.

The Department of Corrections Interim Commissioner Kathleen Kenney reviewed the infrastructure challenges with many facilities over 50 years old. The required maintenance has led to the closure of some units, causing the absorption of inmates into other facilities. The statewide staffing vacancy rate is currently

21%, with one facility being over 50%. Of these staff members, 65% have less than five years of experience and 28% have less than one year. There are inexperienced staff having to work overtime in facilities with infrastructure issues.

Secretary Tilley mentioned that the shortage of staff leads to extra expenses with overtime and travel expenses. This also leads to high burnout and stress for correctional officers.

In response to Senator Schickel, Interim Commissioner Kenney agreed that eight hour shifts with two days off is the goal.

In response to Senator Webb, Interim Commissioner Kenney agreed that, while overtime pay and fewer days with longer hours is appealing in the beginning, it is not safe for the correctional officers or the inmates. Interim Commissioner Kenney stated that the department needs to offer forms of incentives to retain staff. Secretary Tilley added that the care of correctional officers is of great concern and there are plans to try and improve their pay, training, and benefits.

In response to Representative Harris, Secretary Tilley stated that county jails would not lose revenue by not housing state inmates because the cost to house them is more than the state pays. He then added that we need fewer prisoners not more prisons. Kentucky's high rate of female incarceration has a high impact on children and families.

In response to Representative Nemes, Secretary Tilley stated that he agrees that having unused treatment beds is a negative. However, getting prisoners into a treatment facility is often the decision of a judge, the Parole Board, or the arresting officer. Once a prisoner is released, they work with social service technicians for immediate drug treatment. Currently, 1,200 offenders are serving time in a state prison for only simple possession. If simple possession was changed to a misdemeanor (something that more than 20 other states have done), those offenders could be diverted directly into treatment and not prison. That would fill the unused treatment beds.

In response to Senator Wheeler, Secretary Tilley advised that the cabinet is looking into creative ways of recruiting college students as correctional officers; such as offering part-time or contract employment and college loan forgiveness. In regard to offering incentives to jails that offer various programs to prisoners, Secretary Tilley is hopeful that the upcoming budget will help support this effort.

In response to Senator Schickel, Secretary Tilley explained that drug rehabilitation often takes several attempts but is successful in the long run.

Probation and Parole Update

Erica Hargis, Director of the Division of Probation and Parole, informed the committee of the status of their clients and officers. Currently, the average caseload for Probation and Parole officers is 99 to 1. In an effort to retain officers, a 12% raise was recently approved. Secretary Tilley clarified that this money was allocated to fill vacancies, but with no qualified applicants available, it was more useful to use the money to retain current officers. Director Hargis mentioned other incentive tools such as expanding technology offered to assist officers in their duties. Secretary Tilley commented that there were 6,000 returns to prison in 2016 for technical violations.

Director Hargis described the new community orientation intake process, the use of expanded graduated sanctions, and giving officers more options in dealing with each client. Cyndi Heddleston, Legislative Liaison with the Department of Corrections, added that the use of graduated sanctions showed a 3% reduction of individuals reentering the prison system at the end of the last fiscal year.

In response to Senator Webb, Ms. Heddleston advised that 20-25% of court ordered fees are paid into the system by defendants. It is a statutory requirement that offenders remain on supervision until restitution is paid in full. Secretary Tilley added that the General Assembly should look at lowering the time of supervision, which would lessen the cost for offenders.

In response to Senator Carroll, Secretary Tilley stated that, while there has to be a penalty, they need to offer proportionate options other than a return to prison.

Division of Reentry Services Overview and SB 120 Update

Kristin Harrod, Director of the Division of Reentry Services, explained that reentry programs help keep offenders from returning to prison by preparing them for reentry into the public workforce. Currently, there are ten employment administrator programs throughout the state that assist offenders in finding work and advise employers of the benefits in hiring a justice-involved individual. Over 40% of individuals who enter the reentry programs become employed. Kentucky is participating in the Safe Streets and Second Chances program and is working with the Transportation Cabinet to release inmates with a state identification letter to supply them with the tools needed to apply for work. The Department of Corrections is also working on a mentor program and currently has 60 mentor volunteers. In addition, Kentucky was selected nationally to host a reentry simulation program, showing society the barriers involved for those in the system trying to reenter society. If funding were available, Director Harrod believes they could be successful in more areas.

In response to Representative Bratcher, Secretary Tilley confirmed that there are 24,000 state inmates, an additional 50,000 on supervision, and 13,000 in county jails awaiting pretrial or on misdemeanor charges. In regards to drug dealers being released onto the streets, Secretary Tilley believes we have to lessen the demand for drugs. One way Kentucky is doing this is to limit prescription drugs to three days.

Hardin County Inmate Release Program

Judge Kelly Easton introduced Sheriff Staffing Services, a privately owned inmate release program in Hardin County.

Shane Young, the Commonwealth's Attorney for the 9th Judicial Circuit, explained that the program was designed to give those released from prison an immediate start in the workforce to keep them from relying on their previous contacts and falling back into the system.

Rod Seelye, owner of Sheriff Staffing Services, began a staffing company that only employees inmates. The company transports the inmates from the jail to work. A GPS ankle tracker, provided by the company, is worn at all times. There is no cost to the county. Mr. Young added that a check is issued every two weeks to the jailer for work release fees in the amount of approximately $4,000. Mr. Seelye said his company currently employs 40 inmates. Since May 2019, the inmates have earned over $74,770, paying over $12,000 in jail fees, and over $6,000 in child support. If an inmate gets out of hand, they are returned to the jail and another inmate is selected to work.

Sean Hankins gave his testimony on working through the inmate release program, and the success he has had since his release.

Mr. Seelye clarified the difference between a typical jail work release program, where inmates are paid 63 cents per day, and his company, where inmates make a decent wage, learn valuable skills, and receive resources for success.

In response to Senator Webb, Mr. Seelye explained that his staffing company is privately owned and operates like any other staffing service. He supplies the workers who are paid through his company. Taxes and other payroll deductions are withheld, and the company receives a percentage from the businesses using their service. Mr. Young stated that while the staffing company will make a profit, at this point it has been operating in the red. Mr. Seelye's accounting records are accessible to the county, as contractually required.

Justice and Public Safety Legislative Priorities to Address Population Challenges

Secretary Tilley mentioned the Strategic Initiate for Transformative Employment Program (SITE) and the benefits it has achieved. Some suggested legislative changes to consider include reclassifying simple drug possession as a misdemeanor, raising the felony theft threshold level, limiting supervisory time for those on parole to three years, bail reform, mandating the use of graduated sanctions for probationers, and expanding the work for time credit.

Kirstie Willard, Director of the Division of Local Facilities, commented on the impact of the Work Release Program and SB 120. Currently, seven jails and 99 state inmates participate in the program.

In response to Representative Blanton, Secretary Tilley agrees that raising the theft level and changing simple possession to a misdemeanor will shift some of the expense of housing prisoners from prisons to jails. Possession only cases could also be diverted into treatment instead of jails. In regards to traffickers who plead to the lesser charge of possession, the system would have to adjust and deal with trafficking appropriately. A focus on victims is addressed by placing victim advocates in state police posts and by offering a week long Victim's Assisted Academy.

There being no further business, the meeting adjourned at 12:07.

INTERIM JOINT COMMITTEE ON STATE GOVERNMENT

Minutes of the 2nd Meeting of the 2019 Interim

August 22, 2019

Call to Order and Roll Call

The second meeting of the Interim Joint Committee on State Government was held on Thursday, August 22, 2019, at 11:00 AM, at the Kentucky Fair and Exposition Center, Louisville, Kentucky. Representative Kevin D. Bratcher, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Wil Schroder, Co-Chair; Representatives Jerry T. Miller, Co-Chair, and Kevin D. Bratcher, Co-Chair; Senators Christian McDaniel, Morgan McGarvey, Robby Mills, and Damon Thayer; Representatives McKenzie Cantrell, Jim DuPlessis, Larry Elkins, Joseph M. Fischer, Derrick Graham, Joe Graviss, Scott Lewis, Mary Lou Marzian, Reginald Meeks, Patti Minter, Tim Moore, Jason Petrie, Attica Scott, Steve Sheldon, James Tipton, Ken Upchurch, and Les Yates.

Guests: Chuck Kucera, VFW Post 696, Owensboro KY; Representative Matthew Koch; BG (Ret) Benjamin Adams III, Kentucky Department of Veterans Affairs.

LRC Staff: Alisha Miller, Karen Powell, Michael Callan, Roberta Kiser, and Peggy Sciantarelli.

Approval of Minutes

The minutes of the July 19 meeting were approved without objection, upon motion by Senator Thayer. (This occurred following the Welcome and Projects Report offered by Secretary Landrum.)

Welcome and Projects Report by Secretary Landrum

Finance and Administration Cabinet Secretary William Landrum III welcomed the committee to the State Fair. He discussed major projects and ongoing activities relating to facilities and properties owned or managed by the cabinet.

Secretary Landrum said the cabinet recently entered into an agreement between Kentucky Kingdom and the State Fair Board to provide additional parking spaces and much needed upgrades to roads and infrastructure at the Kentucky Fair and Exposition Center (Expo Center). Demolition of Cardinal Stadium and the transportation building has also provided almost 3,000 additional parking spaces. Safety and security needs and digitizing of all signage are key features of the planned upgrades. He thanked the legislators for the 2018 Executive Branch budget (HB 200) appropriation of $7 million in the first year of the biennium for capital improvements at the Expo Center, through the Governor's Office of Agricultural Policy. He also commended Warren Beeler, Executive Director of the Office of Agricultural Policy, for his assistance in moving the projects forward.

Secretary Landrum said that after the two-year $207 million renovation of the Kentucky International Convention Center (KICC), it reopened "on time and on budget." Louisville tourism's goal of selling 655,000 booked rooms was exceeded during the past year with an historic amount of 711,000 booked rooms. In 2019, KICC will host events with an economic impact of more than $95 million.

Secretary Landrum commended Andy Casebier, an engineer in the cabinet's Department for Facilities and Support Services, and other members of the team that have worked on the remodel of the Kentucky Center for the Performing Arts after the fire in June 2018. Completion of the project is expected in early November. Downtown Louisville's L & N Building, which primarily houses the state's Cabinet for Health and Family Services, has been upgraded. The new office building in downtown Frankfort was recently named the Mayo Underwood Building in recognition of the publicly-funded African-American school of the same name that once sat on the same property. The Public Protection, Labor, Education and Workforce, and Tourism Cabinets are to be housed in the new 358,000 square foot, five-story building.

Representative Scott asked about the estimated cost and timeline to implement digital display signage. Secretary Landrum said the cost is currently being determined and should be available within 6-8 weeks.

Representative Scott asked about the upgrades to the Convention Center and the L & N Building. Secretary Landrum said that KICC had a complete remodel, rebuilt from the ground floor up, pursuant to an agreement with the city of Louisville. The goal was to make it the best convention center in the state and the nation. He said David Beck, President and CEO of Kentucky Venues, which manages KICC and the Kentucky Exposition Center, can provide detailed information about the upgrades. The cost to upgrade the L & N Building was $9.5 million.

Representative Graham said he hopes discussions will continue regarding development of the area formerly occupied by the Frankfort Convention Center. He commended Secretary Landrum for the naming of the Mayo Underwood Building and voiced approval of the favorable economic impact that the new office building will provide to the Frankfort business community. Secretary Landrum said a restaurant was not included in the new building in order to support downtown businesses and because the nearby Transportation Building has a restaurant facility. It is anticipated that occupants will begin moving into the new building in mid-October.

Senator Thayer thanked Secretary Landrum for his report on the Frankfort and Louisville projects. He said that what happens in Louisville affects the entire state and that the state-funded Louisville projects are extremely important. He commended the Secretary for the cabinet's collaborative work on the projects and for providing good stewardship of taxpayer dollars.

There were no further questions, and Representative Bratcher thanked Secretary Landrum.

Discussion of 20 RS BR 127 and 20 RS BR 247

Chuck Kucera, Adjutant for VFW Post 696, Owensboro, Kentucky, spoke in support of BR 127, prefiled by Representative Bratcher on July 9, 2019. The bill proposes to amend Section 170 of the Constitution of Kentucky to exempt certain veterans' organizations from property taxation. Mr. Kucera said he is a retired environmental engineer, former Army artillery officer, Vietnam combat veteran, and also son of a career Army officer and Korean War veteran who is now buried in Arlington Cemetery. He said he appreciates the invitation to address the committee. He provided a handout entitled "Veteran's Service Organization (VSO) Property Tax Issue."

Mr. Kucera said there are numerous VSOs in the nation, the largest being Veterans of Foreign Wars, American Legion, and AMVETS. They are chartered by Congress and operate under a large body of rules, regulations, and bylaws. There are 26 veterans' organizations in Kentucky, with approximately 36,200 members among the three largest VSOs. These 501(c)(19) organizations are exempt from federal income tax. Veterans' posts raise their operating funds through membership fees, donations, fundraisers, canteen sale of foods and beverages, and licensed charitable gaming. Operating expenses include mortgages, utilities, payroll, accounting services, supplies, licensing fees, state sales tax, and local property taxes. Typically they operate at break-even; in some years there may be a modest surplus, but in many years they may lose money. VSOs provide assistance to active duty military personnel and their families. They contribute greatly to the community by providing donations to such organizations as high schools, scouts, police departments, and first responders. Post 696 in Owensboro attends over 100 honor guard and military funeral burials each year, free of charge to the bereaved. In 2016, the president of the post's auxiliary received a Governor's award for outstanding community service.

Mr. Kucera said that Post 696 owns a modest building on Veteran's Boulevard. Subsequent to Owensboro's $300 million revitalization, the property's appraisal began to skyrocket. In 2019, the property tax increased 243 percent from the previous year and is threatening the post's existence. About five years ago the American Legion could not pay its property tax and was forced to leave. He said that in 2016 he became aware of an opportunity for VSOs to request an exemption from property tax through language in Section 170 of the Kentucky Constitution that includes "institutions of purely public charity" in categories that shall be exempt from taxation of property. "Public charity" is not defined in Kentucky law or regulations, although it is in Federal IRS rules. In 2016, a Kentucky Department of Veterans Affairs (KDVA) attorney advised that the Kentucky Department of Revenue looks favorably on exemption applications of organizations that give 50 percent of net revenue to charitable causes. Post 696 applied for the exemption, but the Owensboro Property Valuation Administrator did not want to decide on the application, and the request for exemption as a "purely public charity" was denied by the Department of Revenue.

Mr. Kucera said that in 2018, Representative D. J. Johnson prefiled BR 7, to exempt VSOs from city and county property taxes if the majority of net revenue was donated to charitable causes. That bill later became HB 153 in the 2019 regular session, sponsored by Representatives Walker Thomas, Tim Moore, and others, but it did not leave committee. D. J. Johnson is now the Governor's legislative liaison and remains interested in this issue. It is also a priority of KDVA. Representative Bratcher has prefiled BR 127 for the 2020 regular session, to exempt certain veterans' organizations from property taxation if the organization has qualified and been approved for exemption from federal income taxation.

Mr. Kucera said that passage of a constitutional amendment is a "high hurdle" and that a KDVA attorney has advised that the goal could be accomplished by changing language in existing law. He said that Representative Matthew Koch has prefiled BR 247, which would create a new section in KRS Chapter 132 to exempt veteran service organizations from ad valorem taxation if over 50 percent of the organization's annual net income is expended on behalf of veterans and other charitable causes. It would also define veteran service organization and apply to property assessed on or after January 1, 2021.

Mr. Kucera said his handout provides preliminary estimates of the potential annual impact of the property tax exemption on revenue to the state and counties. Loss to the state from all of the three largest VSOs (VFW, American Legion, AMVETS) is estimated at $25,000-$30,000. Loss to all counties and cities combined is estimated at $250,000-$300,000. The impact on counties and cities would vary widely, depending on assessed value of the property.

Representative Koch, sponsor of BR 247, testified briefly in support of the property tax exemption. He said he is a Marine veteran who has served in Afghanistan and Kosovo and is proud to sponsor BR 247. He paraphrased a declaration by George Washington that the willingness with which future generations are willing to serve is directly proportional to how they see veterans of previous wars treated.

Representative Graviss asked whether there has been a study of how many posts might close if the legislation does not pass. Mr. Kucera said he does not have those details but has heard that "a lot of people out there are struggling." Benjamin Adams (BG/ret), Commissioner of the Department of Veterans Affairs, testified in response. He said they are looking into that statistic. He thinks that every closure is also a loss to the community. In his tenure as commissioner for the past 18 months, he has traveled the state and has seen numerous vacancies from post closures. Posts are struggling to increase membership and to stay open.

Representative Graviss asked whether there is a dollar figure for the 50 percent of net revenue that VSOs may return to communities. Commissioner Adams said that they are working to develop that number and the amount of income going into the VSOs. He noted that not all posts will qualify for the property tax exemption. VSOs do a lot of charitable work and are being encouraged to return 50 percent. The Department is also in the process of gathering information for Representative Moore and Senator Robinson. He emphasized the importance of having information on the potential financial impact.

Representative Graviss asked about the ballot language for the constitutional amendment proposed in BR 127. Representative Bratcher said the wording for the ballot is not yet final.

Senator Schroder asked Mr. Kucera if he has a better estimate of the percentage of revenue going to charitable causes and the amount of funds that remain after operating costs. Mr. Kucera said that at his post between 50 and 56 percent of net revenue is expended on behalf of veterans and other charitable causes. The amount of funds remaining after payment of operating expenses varies from year to year. Senator Schroder said he looks forward to future discussions of this in more detail.

Representative Marzian suggested contacting Owensboro's state Representative Jim Glenn to include him in this bipartisan effort. Mr. Kucera said he would be contacting Representative Glenn.

Representative Marzian voiced concern about the loss of property tax income to school districts, especially smaller districts like Harlan County, which recently was affected by a coal company bankruptcy. She suggested conferring with some of the school districts to discuss possible ways to supplement their income if the property tax exemption becomes law. Mr. Kucera said that the impact on local districts and counties would vary widely. The loss to larger counties would be greater but would probably represent a much smaller percentage of their overall budget. The median loss is calculated to be about $4,000.

Representative Scott said that everyone may not be aware of how VSOs benefit local communities. She mentioned as an example the American Legion Auxiliary's support for the Girls State and Boys State programs. She encouraged bipartisan support for the proposed property tax exemption.

Representative Miller offered to help with the legislation. He also suggested that the language should be more precise in describing the issue.

Commissioner Adams said it is important to continue supporting veterans and that it would be detrimental if any VSOs are forced to close. He thanked the committee and said the Department will be happy to provide any information that is needed. He also expressed thanks for the passage of past legislation to support veterans.

Representative Bratcher thanked the speakers and expressed thanks to all veterans for their service. Business concluded, and the meeting was adjourned at 12:02 p.m.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Education
Minutes of the 2nd Meeting
of the 2019 Interim

August 20, 2019

Call to Order and Roll Call

The 2nd meeting of the Budget Review Subcommittee on Education of the Interim Joint Committee on Appropriations and Revenue was held on Tuesday, August 20, 2019, at 10:00 AM, in Room 154 of the Capitol Annex. Representative James Tipton, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representatives James Tipton, Co-Chair, and Steve Riley, Co-Chair; Senators C.B. Embry Jr., and Johnny Ray Turner; Representatives Randy Bridges, Joseph M. Fischer, Kelly Flood, David Hale, Cluster Howard, Regina Huff, C. Ed Massey, Bobby McCool, and Attica Scott.

Guests: Dr. Britt Brockman, Chair, University of Kentucky; John Smith, Member, University of Louisville Board of Trustees; Dan Durbin, Chief Financial Officer, University of Louisville; Gil Johnson, Chair, Western Kentucky University Board of Regents; Eric Howard, Member, Morehead State University Board of Regents; Dr. Gail Henson, Chair, Kentucky Community and Technical College System Board of Regents; Randy Schumaker, Southcentral Kentucky Community and Technical College Board of Directors; Senator David Givens.

LRC Staff: Chuck Truesdell, Jennifer Krieger, Nick Peak, and Amie Elam

Research Universities

Representatives from the governing boards at the University of Kentucky (UK) and the University of Louisville (UofL) gave brief presentations to the subcommittee. The presentations included information on the duties and the organization of each board.

In response to a question from Chair Tipton, Dr. Brockman said that UK's mission focuses on three components: education, service, and research. Dr. Brockman said that state support is critically important. He added that a significant amount of the performance funding that UK receives goes to fund extension offices.

In response to a question from Chair Tipton, Mr. Smith said that UofL's mission focuses on diversity and is tied to the acquisition of Jewish Hospital. Mr. Smith said that the status quo of not acquiring the hospital presented more of a risk to the university and the community. He added that surgeons and physicians were leaving the area due to a lack of opportunity to practice.

In response to a question from Representative Scott, Mr. Smith said that the community is very engaged in the budgeting process. He said that the board solicits input from the public, students, and deans. Mr. Durbin added that the budget process starts in January.

In response to a question from Representative McCool, Mr. Smith said that every initiative in UofL's strategic plan has a measurable outcome.

In response to a question from Representative Hale, Mr. Durbin said that UofL's operating budget is $1.2 billion.

Comprehensive Universities

Representatives from the governing boards at Western Kentucky University (WKU) and Morehead State University gave brief presentations to the subcommittee. The presentations included information on the duties and the organization of each board.

In response to questions from Chair Tipton, Mr. Howard said that the university has evolved from a teacher's college to include more STEM-related courses. He said that Morehead's goal centers on training professionals. Mr. Johnson said that WKU's mission is to graduate students that are workforce ready.

In response to a question from Representative McCool, Mr. Howard said that university mission statements are reviewed by the Council on Postsecondary Education.

Community and Technical Colleges

Representatives from the boards at Kentucky Community and Technical College System gave a brief presentation to the subcommittee. The presentations included information on the duties and the organization of each board.

In response to a question from Chair Tipton, Dr. Henson said that 18,000 students are enrolled in dual credit courses. She added that only 1/3 of the cost is covered by state support. Mr. Schumaker said dual credit courses have led to a growth in the number of students enrolled in postsecondary education.

In response to a question from Representative McCool, Dr. Henson said that students cannot use Kentucky Educational Excellence Scholarship money for dual credit courses.

There being no further business to come before the subcommittee, the meeting adjourned at 11:37 a.m.

INTERIM JOINT COMMITTEE ON ECONOMIC DEVELOPMENT AND WORKFORCE INVESTMENT

Minutes of the 3rd Meeting of the 2019 Interim

August 22, 2019

Call to Order and Roll Call

The 3rd meeting of the Interim Joint Committee on Economic Development and Workforce Investment was held on Thursday, August 22, 2019, at 9:30 AM, in the ULA Ballroom at Freedom Hall in Louisville, KY. The meeting was a joint meeting with the Interim Joint Committee on Tourism, Small Business, and Information Technology. Senator Danny Carroll, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Danny Carroll, Co-Chair; Representative Russell Webber, Co-Chair; Senators Perry B. Clark, Ernie Harris, Jimmy Higdon, Wil Schroder, and Mike Wilson; Representatives Lynn Bechler, John Blanton, Charles Booker, Adam Bowling, R. Travis Brenda, McKenzie Cantrell, Daniel Elliott, Chris Freeland, Al Gentry, Kathy Hinkle, Thomas Huff, Nima Kulkarni, Savannah Maddox, Jason Petrie, Bart Rowland, and Buddy Wheatley.

Guests: David Beck, President and CEO, Kentucky Venues; Don Parkinson, Secretary, Tourism, Arts, and Heritage Cabinet; Regina Stivers, Deputy Secretary, Tourism, Arts, and Heritage Cabinet; Mike Nemes, Deputy Secretary, Education and Workforce Development Cabinet; Cora McNabb, Executive Director, Kentucky Office of Vocational Rehabilitation; Becky Cabe, Deputy Executive Director, Kentucky Office of Vocational Rehabilitation; Holly Hendricks, Director of the Division of Field Services, Kentucky Office of Vocational Rehabilitation; and Ed Monheimer, Director of Human Resources, Kentucky Kingdom.

LRC Staff: Andrew Manno, Chip Smith, Candice Messer, and Sasche Allen.

Approval of Minutes

A motion to approve the minutes of the July 11, 2019 meeting was made by

Representative Russell Webber, seconded by Senator Wil Schroder, and approved by voice vote.

Welcome

David Beck, the President and CEO of Kentucky Venues, thanked the Kentucky General Assembly for funding that made several improvement projects possible including upgrades to restrooms and improvements to meeting spaces. Since January 2019, Freedom Hall and the Kentucky Exposition Center has hosted 123 shows with an estimated $200 million economic impact. The Kentucky International Convention Center in downtown Louisville has hosted 80 shows with a $100 million economic impact. According to Mr. Beck, over 60 percent of the area's hotels are occupied due to the shows and business of these facilities. The 2019 Kentucky State Fair, which is hosted at Kentucky Exposition Center, is the 115th state fair. The 2018 State Fair had over 614,000 patrons and online tickets sales showed that there were purchases made by people from all 120 Kentucky counties. For the 2019 State Fair, there are over 1100 animals on property that will be shown and judged, 23,000 competition entries, 5,000 exhibitors, and over 400 vendors. Two other major events that are held at the Kentucky Exposition Center, which has over 1.2 million square feet of climate controlled space, are the North American Livestock Show and the National Farm Machinery Show. Mr. Beck closed by explaining that providing a secure and safe environment for guests, clients, sponsors, and staff is a top priority.

Senator Ernie Harris thanked Mr. Beck and his staff for the fast and proactive response to a recent incident involving a reported gunshot at the 2019 State Fair.

Kentucky Office of Vocational Rehabilitation Update

The philosophy of the Office of Vocational Rehabilitation (OVR) is to recognize and respect the contribution of all individuals as a necessary and vital part of a productive society, and the mission is to assist Kentuckians with disabilities to achieve suitable employments and independence. The three core values of the agency include valuing the rights, merit, and dignity of all persons with disabilities and the opportunity to pursue employment as an important aspect of a full and meaningful life; valuing all staff, their individual talents, unique abilities and contributions; and valuing collaborative efforts and partnerships. 17.2 percent of people with disabilities in Kentucky that have an employment rate of 28.7 percent compared to the 75.1 percent employment rate for people without disabilities. The highest employment rate of individuals with disabilities is in Scott County with 45.2 percent and the lowest is in Owsley County with 6.3 percent. The OVR receives both state and federal funding. For every 22 cents funded by the Commonwealth, 78 cents in federal funds are received. Ms. McNabb stated that, because of the General Assembly, OVR was fully funded with general funds this past year which in turn allowed the agency to receive all of its federal funding. The OVR received $13,571,171 of general funds and $50,158,027 of federal funds.

The OVR services 50.3 percent males and 49.6 percent females. Almost 86 percent of consumer are white, 12.7 percent are Black, and 1.6 percent are of other races. Consumers have varying types of disabilities which include sensory, physical, cognitive, and psychological or mental but can fall into more than one category. The vocational rehabilitation process has four main steps which are application, eligibility, plan services, and program exit. The individual themselves can apply for services, a doctor can refer them, or a friend or family member can initiate the process. Eligibility for services is determined by the individual's disability and whether the disability has an effect on the person's ability to work. The OVR typically determines eligibility within 60 days. An individual vocational plan is made for each person and documents the agreed upon vocational goal. A case is considered to be closed when the individual has maintain 90 days of consistent employment and all services required were provided.

The Workforce Innovation and Opportunity Act (WIOA) that was passed in 2014 and requires vocational rehabilitation to be a part of the workforce system. WIOA places emphasis on credential attainment, measurable skills gain, and long term employment. The legislation also added the requirement that OVR spend 15 percent of federal funds on pre-employment transition services for individuals with disabilities ages 14 to 21. There was also an increased emphasis on developing partnerships with employers to increase work experiences available to consumers. In October 2018, OVR created a branch specifically dedicated to fostering relationships with employers. Three employer partnerships were discussed that included collaborations with Kentucky Kingdom, CVS, and UPS. The Director of Human Resources for Kentucky Kingdom, Ed Monheimer, briefly spoke about the partnership with OVR and the impact it has had on the park as well as the participants in the program.

Two grant programs were discussed that are being utilized by OVR that are geared toward providing career pathways and helping injured or ill employees remain in or return to their jobs. First, Project CASE is a rehabilitation services administration federal five year demonstration grant. The objective is to increase training and employment for vocational rehabilitation consumers with disabilities in the advanced manufacturing, healthcare, and information technology sectors. Career pathway coordinators help to increase capacity by collaborating with employers to create work experiences. 516 people enrolled in post-secondary training through the program, 262 have earned industry recognized credentials, and 134 are successfully employed with an average weekly wage of $665. The second grant that was detailed was RETAIN Kentucky, which is one of eight federally funded state pilot demonstration projects to implement and evaluate early intervention strategies and focuses on assisting workers to stay at work or return to work in the event of injury or illness that are in healthcare positions. The target population is specifically workers who have experienced a musculoskeletal injury or illness off the job in the Louisville Metro area, Bullitt, Henry, Oldham, Shelby, and Trimble counties. Phase one of the pilot program began in August 2018 with $2.5 million in funds. The state is eligible for phase two competitive funding with a potential of an additional $19 million to replicate and establish this model in other parts of the state.

Representative Nima Kulkarni made remarks about her brother who went through a program with Options Unlimited and is currently employed with UPS. She expressed her appreciation for organizations that work with individuals with disabilities and for the work of OVR. Replying to a question, Deputy Secretary Nemes said that extra funding is needed to help publicize the OVR programs.

Answering a question from Co-Chair Danny Carroll, Cora McNabb explained that OVR can close services to the lower categories of disabilities under federal law if there is insufficient staff or funding. There are four categories that are defined by severity of disability. The OVR currently has categories one and two open with 28 individuals on a waiting list in category three. Replying to a follow up question, Ms. McNabb explained that the OVR is receiving the maximum amount of federal funding as determined by population and number of individuals with disabilities. The additional funding that the OVR requires is partially due to recently adding new staff members. Deputy Secretary Mike Nemes said that he could provide a comprehensive breakdown of the OVR budget and what the cost would be to open another category.

Representative Al Gentry commented about how persons in the workplace with disabilities are viewed and discussed his personal experiences. He also mentioned the forming of a new caucus called Engage and Empower that will focus on educating the General Assembly and the public on issues effecting individuals with disabilities. Responding to a question, Deputy Secretary Mike Nemes said that although Kentucky Stats does a great job of compiling statewide statistics, there is not an adequate tracking mechanism to collect data and statistics for individuals with disabilities.

Addressing Co-Chair Danny Carroll, Ms. McNabb explained that although the pre-employment transition services are not mandated by the Department of Education for the schools, all pre-employment transition services are mandated for OVR. Provider relationships with the OVR and amongst the providers are being strengthened to better serve the consumers. Answering a follow up question, Ms. McNabb said more providers would be required if sheltered workshops began to close.

Responding to Representative R. Travis Brenda, Holly Hendricks said that the statewide average amount of time from application to eligibility is 27 days, and federal regulations requires no more than 60 days. Federal regulations require no more than 90 days to develop an individualized plan from the date eligibility is determined, and the statewide average is about 70 days.

Replying to Co-Chair Danny Carroll, Ms. McNabb said that although opening up category two has helped, funding is a struggle for not only the OVR but also for the nonprofit organizations throughout the state. Ms. Cabe added that some of the Medicaid waivers are helpful although eligibility may an issue for some consumers.

Representative Charles Booker made remarks about his grandfather who suffered a workplace injury and became a business owner. Ms. Hendricks confirmed that self-employment and entrepreneurship is something that can be supported in OVR's policy.

Kentucky State Fair and Tourism Update

Secretary Don Parkinson and Deputy Secretary Regina Stivers of the Tourism, Arts, and Heritage Cabinet gave a brief update on the State Fair and some other areas of tourism throughout the state. Due to funding allotted by the General Assembly, much needed updates were done at Freedom Hall and the Kentucky Expo Center. Around 1600 parking spaces were added after the removal of a building on the property, new carpet has been installed, painting has been done, and bathrooms have been renovated. Secretary Parkinson said state tourism, which is the Commonwealth's third largest industry, has increased by 3.7 percent in the last year and 71 million people were entertained in some form or fashion within the state. As a result, marketing funds are being shifted from international advertising to instate advertising.

Co-Chair Danny Carroll announced that the next meetings of the Interim Joint Committee on Economic Development and Workforce Investment and the Interim Joint Committee on Tourism, Small Business, and Information Technology would be September 12, 2019.

There being no further business, the meeting adjourned at 11:03 a.m.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Justice and Judiciary

Minutes of the 2nd Meeting of the 2019 Interim

August 20, 2019

Call to Order and Roll Call

The 2nd meeting of the Budget Review Subcommittee on Justice and Judiciary of the Interim Joint Committee on Appropriations and Revenue was held on Tuesday, August 20, 2019, at 8:00 AM, in Room 129 of the Capitol Annex. Representative Jason Nemes, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Jason Nemes, Co-Chair; Senators John Schickel and Whitney Westerfield; Representatives Angie Hatton, Nima Kulkarni, Jason Petrie, and Brandon Reed.

Guests: John Tilley, Secretary, Justice and Public Safety Cabinet (JPSC); Denver Butler, Commissioner, Department for Juvenile Justice (DJJ), JPSC; Ellen Hesen, Deputy Mayor, Louisville Metro Government; Ursula Mullins, Director, Youth Detention Services, Louisville Metro Government; Eric Haner, Judge, 30th District Court, 12th Division; David P. Bowles, Judge, 30th District Court, 8th Division; Annie O'Connell, Judge, 30th Circuit Court, 2nd Division; Jasmine Heiss, Campaign Director, In Our Back Yards, Vera Institute of Justice; Demontez Campbell, Concerned Citizen; and

Representative Jerry Miller.

LRC Staff: Zachary Ireland, Savannah Wiley, and Benjamin Thompson

Approval of Minutes

Senator Schickel made the motion to approve the minutes from the June 4, 2019 meeting, Seconded by Representative Reed, and the minutes were approved without objection.

Update on Jefferson County Youth Detention Center

Secretary Tilley, Commissioner Butler, and Deputy Mayor Hesen provided a brief presentation on the status of the Jefferson County Youth Detention Center (YDC) as it begins the process of transitioning from Louisville Metro Government to the state.

In response to questions from Chair Nemes, Secretary Tilley stated that Louisville Metro Government only funded the Jefferson County YDC through December 31, 2019. Secretary Tilley said that JPSC paid only $1.8 million out of a possible maximum of $3.2 million because the cabinet only pays for beds filled in a given day. Deputy Mayor Hesen noted that fixed costs continue, but when beds aren't filled the per-diems from the JPSC decrease. Deputy Mayor Hesen stated that the city/state relationship will flip, with the Louisville Metro Government owing the JPSC a per-diem rate. Deputy Mayor Hesen said that one option moving forward is maintaining the system as-is with JPSC making up the difference in funding.

In response to questions from Representative Miller, Secretary Tilley noted that youth home incarceration costs are greater in Louisville partly because Louisville uses a different home monitoring system than the state. Deputy Mayor Hesen stated that labor costs are greater in Louisville than elsewhere in the state.

In response to a question from Chair Nemes, Secretary Tilley said that the utmost priority in negotiations for the Jefferson County YDC is to keep juveniles close to home.

In response to questions from Senator Westerfield, Ms. Mullins stated that the average daily population for the Jefferson County YDC is 44. Ms. Mullins noted that prior to the current juvenile judges, the average daily population was 65. Judge Bowles noted that juveniles housed at Jefferson County YDC appear in court roughly once per month. Ms. Mullins noted that the average stay for juveniles with cases in district court is 19 days, while juveniles with cases in circuit court stay much longer. Ms. Mullins noted one juvenile whose case was in circuit court was housed at the facility for two years. Ms. Mullins said that 94 to 95 percent of the juveniles housed in the Jefferson County YDC were African-American.

In response to a question from Representative Petrie, Ms. Mullins stated that there were 3 female inmates of the 36 housed in the Jefferson County YDC. Ms. Mullins noted that the female inmates are housed in a separate area from the male inmates.

Discussion on Kentucky Jail Populations

Ms. Heiss discussed the bail bond system in Kentucky and overpopulation in Kentucky jails.

In response to a question from Representative Hatton, Ms. Heiss noted that increased incarceration correlates with increased drug overdose mortality.

In response to questions from Representative Petrie, Ms. Heiss stated an increase in access to pretrial diversion and mental health services would be an important aspect of bail reform. Ms. Heiss noted that one option for an alternative to cash bail would be to set drug treatment as a condition of release for drug offenders.

There being no further business before the subcommittee, the meeting was adjourned at 9:42 AM.

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

Minutes of the 3rd Meeting of the 2019 Interim

August 22, 2019

Call to Order and Roll Call

The 3rd meeting of the Interim Joint Committee on Tourism, Small Business, and Information Technology was held on Thursday, August 22, 2019, at 9:30 AM, in the ULA Ballroom at Freedom Hall in Louisville, KY. The meeting was a joint meeting with the Interim Joint Committee on Economic Development and Workforce Investment. Senator Danny Carroll, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Danny Carroll, Co-Chair; Senators Perry B. Clark, Ernie Harris, Jimmy Higdon, Wil Schroder, and Mike Wilson; Representatives Lynn Bechler, Terri Branham Clark, George Brown Jr, Deanna Frazier, Chris Freeland, Chris Fugate, Robert Goforth, David Hale, Kim King, Adam Koenig, Charles Miller, Josie Raymond, Bart Rowland, Steve Sheldon, Maria Sorolis, Cherlynn Stevenson, Nancy Tate, Rob Wiederstein, and Les Yates.

Guests: David Beck, President and CEO, Kentucky Venues; Don Parkinson, Secretary, Tourism, Arts, and Heritage Cabinet; Regina Stivers, Deputy Secretary, Tourism, Arts, and Heritage Cabinet; Mike Nemes, Deputy Secretary, Education and Workforce Development Cabinet; Cora McNabb, Executive Director, Kentucky Office of Vocational Rehabilitation; Becky Cabe, Deputy Executive Director, Kentucky Office of Vocational Rehabilitation; Holly Hendricks, Director of the Division of Field Services, Kentucky Office of Vocational Rehabilitation; and Ed Monheimer, Director of Human Resources, Kentucky Kingdom.

LRC Staff: Andrew Manno, Chip Smith, Candice Messer, and Sasche Allen.

Approval of Minutes

A motion to approve the minutes of the July 11, 2019 meeting was made by

Representative Chris Fugate, seconded by Senator Jimmy Higdon, and approved by voice vote.

Welcome

David Beck, the President and CEO of Kentucky Venues, thanked the Kentucky General Assembly for funding that made several improvement projects possible at including upgrades to restrooms and improvements to meeting spaces. Since January 2019, Freedom Hall and the Kentucky Exposition Center has hosted 123 shows with an estimated $200 million economic impact. The Kentucky International Convention Center in Downtown Louisville has hosted 80 shows with a $100 million economic impact. According to Mr. Beck, over 60 percent of the area's hotels are occupied due to the shows and business of these facilities. The 2019 Kentucky State Fair, which is hosted at Kentucky Exposition Center, is the 115th state fair. The 2018 State Fair had over 614,000 patrons and online tickets sales showed that there were purchases made by people from all 120 Kentucky counties. For the 2019 State Fair, there are over 1100 animals on property that will be shown and judged, 23,000 competition entries, 5,000 exhibitors, and over 400 vendors. Two other major events that are held at the Kentucky Exposition Center, which has over 1.2 million square feet of climate controlled space, are the North American Livestock Show and the National Farm Machinery Show. Mr. Beck closed by explaining that providing a secure and safe environment for guests, clients, sponsors, and staff is a top priority.

Senator Ernie Harris thanked Mr. Beck and his staff for the fast and proactive response to a recent incident involving a reported gunshot at the 2019 State Fair.

Kentucky Office of Vocational Rehabilitation Update

The philosophy of the Office of Vocational Rehabilitation (OVR) is to recognize and respect the contribution of all individuals as a necessary and vital part of a productive society, and the mission is to assist Kentuckians with disabilities to achieve suitable employments and independence. The three core values of the agency include valuing the rights, merit, and dignity of all persons with disabilities and the opportunity to pursue employment as an important aspect of a full and meaningful life; valuing all staff, their individual talents, unique abilities and contributions; and valuing collaborative efforts and partnerships. 17.2 percent of people with disabilities in Kentucky that have an employment rate of 28.7 percent compared to the 75.1 percent employment rate for people without disabilities. The highest employment rate of individuals with disabilities is in Scott County with 45.2 percent and the lowest is in Owsley County with 6.3 percent. The OVR receives both state and federal funding. For every 22 cents funded by the Commonwealth, 78 cents in federal funds are received. Ms. McNabb stated that, because of the General Assembly, OVR was fully funded with general funds this past year, which in turn allowed the agency to receive all of its federal funding. The OVR received $13,571,171 of general funds and $50,158,027 of federal funds.

The OVR services 50.3 percent males and 49.6 percent females. Almost 86 percent of consumer are white, 12.7 percent are Black, and 1.6 percent are of other races. Consumers have varying types of disabilities which include sensory, physical, cognitive, and psychological or mental but can fall into more than one category. The vocational rehabilitation process has four main steps which are application, eligibility, plan services, and program exit. The individual themselves can apply for services, a doctor can refer them, or a friend or family member can initiate the process. Eligibility for services is determined by the individual's disability and whether the disability has an effect on the person's ability to work. The OVR typically determines eligibility within 60 days. An individual vocational plan is made for each person and documents the agreed upon vocational goal. A case is considered to be closed when the individual has maintain 90 days of consistent employment and all services required were provided.

The Workforce Innovation and Opportunity Act (WIOA) that was passed in 2014 and requires vocational rehabilitation to be a part of the workforce system. WIOA places emphasis on credential attainment, measurable skills gain, and long term employment. The legislation also added the requirement that OVR spend 15 percent of federal funds on pre-employment transition services for individuals with disabilities ages 14 to 21. There was also an increased emphasis on developing partnerships with employers to increase work experiences available to consumers. In October 2018, OVR created a branch specifically dedicated to fostering relationships with employers. Three employer partnerships were discussed that included collaborations with Kentucky Kingdom, CVS, and UPS. The Director of Human Resources for Kentucky Kingdom, Ed Monheimer, briefly spoke about the partnership with OVR and the impact it has had on the park as well as the participants in the program.

Two grant programs were discussed that are being utilized by OVR that are geared toward providing career pathways and helping injured or ill employees remain in or return to their jobs. First, Project CASE is a rehabilitation services administration federal five year demonstration grant. The objective is to increase training and employment for vocational rehabilitation consumers with disabilities in the advanced manufacturing, healthcare, and information technology sectors. Career pathway coordinators help to increase capacity by collaborating with employers to create work experiences. 516 people enrolled in post-secondary training through the program, 262 have earned industry recognized credentials, and 134 are successfully employed with an average weekly wage of $665. The second grant that was detailed was RETAIN Kentucky, which is one of eight federally funded state pilot demonstration projects to implement and evaluate early intervention strategies and focuses on assisting workers to stay at work or return to work in the event of injury or illness that are in healthcare positions. The target population is specifically workers who have experienced a musculoskeletal injury or illness off the job in the Louisville Metro area, Bullitt, Henry, Oldham, Shelby, and Trimble counties. Phase one of the pilot program began in August 2018 with $2.5 million in funds. The state is eligible for phase two competitive funding with a potential of an additional $19 million to replicate and establish this model in other parts of the state.

Representative Nima Kulkarni made remarks about her brother who went through a program with Options Unlimited and is currently employed with UPS. She expressed her appreciation for organizations that work with individuals with disabilities and for the work of OVR. Replying to a question, Deputy Secretary Nemes said that extra funding is needed to help publicize the OVR programs.

Answering a question from Co-Chair Danny Carroll, Cora McNabb explained that OVR can close services to the lower categories of disabilities under federal law if there is insufficient staff or funding. There are four categories that are defined by severity of disability. The OVR currently has categories one and two open with 28 individuals on a waiting list in category three. Replying to a follow up question, Ms. McNabb explained that the OVR is receiving the maximum amount of federal funding as determined by population and number of individuals with disabilities. The additional funding that the OVR requires is partially due to recently adding new staff members. Deputy Secretary Mike Nemes said that he could provide a comprehensive breakdown of the OVR budget and what the cost would be to open another category.

Representative Al Gentry commented about how persons in the workplace with disabilities are viewed and discussed his personal experiences. He also mentioned the forming of a new caucus called Engage and Empower that will focus on educating the General Assembly and the public on issues effecting individuals with disabilities. Responding to a question, Deputy Secretary Mike Nemes said that although Kentucky Stats does a great job of compiling statewide statistics, there is not an adequate tracking mechanism to collect data and statistics for individuals with disabilities.

Addressing Co-Chair Danny Carroll, Ms. McNabb explained that although the pre-employment transition services are not mandated by the Department of Education for the schools, all pre-employment transition services are mandated for OVR. Provider relationships with the OVR and amongst the providers are being strengthened to better serve the consumers. Answering a follow up question, Ms. McNabb said more providers would be required if sheltered workshops began to close.

Responding to Representative R. Travis Brenda, Holly Hendricks said that the statewide average amount of time from application to eligibility is 27 days, and federal regulations requires no more than 60 days. Federal regulations require no more than 90 days to develop an individualized plan from the date eligibility is determined, and the statewide average is about 70 days.

Replying to Co-Chair Danny Carroll, Ms. McNabb said that although opening up category two has helped, funding is a struggle for not only the OVR but also for the nonprofit organizations throughout the state. Ms. Cabe added that some of the Medicaid waivers are helpful although eligibility may an issue for some consumers.

Representative Charles Booker made remarks about his grandfather who suffered a workplace injury and became a business owner. Ms. Hendricks confirmed that self-employment and entrepreneurship is something that can be supported in OVR's policy.

Kentucky State Fair and Tourism Update

Secretary Don Parkinson and Deputy Secretary Regina Stivers of the Tourism, Arts, and Heritage Cabinet gave a brief update on the State Fair and some other areas of tourism throughout the state. Due to funding allotted by the General Assembly, much needed updates were done at Freedom Hall and the Kentucky Expo Center. Around 1600 parking spaces were added after the removal of a building on property, new carpet has been installed, painting has been done, and bathrooms have been renovated. Secretary Parkinson said state tourism, which is the Commonwealth's third largest industry, has increased by 3.7 percent in the last year and 71 million people were entertained in some form or fashion within the state. As a result, marketing funds are being shifted from international advertising to instate advertising.

Co-Chair Danny Carroll announced that the next meetings of the Interim Joint Committee on Economic Development and Workforce Investment and the Interim Joint Committee on Tourism, Small Business, and Information Technology would be September 12, 2019.

There being no further business, the meeting adjourned at 11:03 a.m.

INTERIM JOINT COMMITTEE ON AGRICULTURE

Minutes of the 2nd Meeting of the 2019 Interim

August 22, 2019

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Agriculture was held on Thursday, August 22, 2019, at 10:00 AM, in Louisville, Kentucky. Representative Richard Heath, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Richard Heath, Co-Chair; Senators Robby Mills, Dennis Parrett, Damon Thayer, Robin L. Webb, and Stephen West; Representatives Larry Elkins, Joe Graviss, Mark Hart, Kim King, Matthew Koch, Phillip Pratt, Brandon Reed, Rob Rothenburger, Steven Rudy, Dean Schamore, John Sims Jr, Wilson Stone, Nancy Tate, Walker Thomas, James Tipton, and Susan Westrom.

Guests: William M. Landrum III, Secretary, Finance and Administration Cabinet, Alex Francke, Miss Kentucky, and members of the Kentucky State Fair Board.

LRC Staff: Stefan Kasacavage, Tanya Monsanto, Silas Montgomery, Graduate Fellow, and Susan Spoonamore, Committee Assistant.

The July 8, 2019, minutes were approved, by voice vote, upon motion made by Representative Rothenburger and seconded by Representative Rudy.

Welcome

William M. Landrum III, Secretary, Finance and Administration Cabinet, said that the Kentucky Exposition Center and the Kentucky Fair Board was sued by Kentucky Kingdom last year for violating lease agreements related to parking and use of common areas. Secretary Landrum said that an agreement was reached by all parties in July 2019. He stated that with the financial help from the Governor's Office of Agricultural Policy, the State Fairgrounds had been enhanced and upgraded including the demolition of Cardinal Stadium, which provided additional parking spaces. He said that $1.2 million had been approved for the improvement and replacement of a make-up ring behind Freedom Hall. Another $6 million had been approved to reconstruct Gate 1, Gate 4, and Gate 6.

Report on the Kentucky State Fair Board

David Beck, President and CEO, Kentucky Venues, stated that Kentucky Venues manages the Kentucky International Convention Center, and after a $207 million renovation, the Center is open and hosting shows. Since January, the Center has had over 80 shows with an estimated economic fiscal impact of over $1 million. He stated that since the first of 2019, the Kentucky Fair and Exposition Center has hosted 123 shows, with an estimated economic fiscal impact of $200 million.

Mr. Beck said that this year marked the 115th Kentucky State Fair. In 2018, approximately 114,000 people attended the fair. He said that over 11,000 different animals were entered in shows for 2019, along with approximately 5,000 exhibitors. In addition, there were over 23,000 entries for foods, quilts, etc. The facility has approximately 1.2 million square feet of climate controlled space, and the Kentucky State Fairgrounds is one of the largest in the nation. The Farm Machinery Show brings 300,000 people through the gates during a four-day period, and there are 400 vendors on a waiting list for an open space. Besides the Farm Machinery Show, the General Assembly mandates that the State Fair and North American International Livestock Show be held there each year.

Mr. Beck said that the board is also interested in upgrading technology, customer service, and safety for exhibitors, fair attendees, and employees. He stated that the Kentucky State Police and the Louisville-Metro Police Department have an active role in providing safety for the fairgrounds.

Ryan Quarles, Commissioner, Kentucky Department of Agriculture (KDA), stated that the KDA had over 100 employees working the fair in some capacity. He said that there are over 90 county fairs in Kentucky, most of which use the county fair grant program. Commissioner Quarles said that the grant program is important to the continuation of county fairs.

Meeting adjourned.

INTERIM JOINT COMMITTEE ON BANKING AND INSURANCE

Minutes of the 1st Meeting of the 2019 Interim

August 21, 2019

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Banking and Insurance was held on Wednesday, August 21, 2019, at 10:00 AM, in Room 149 of the Capitol Annex. Representative Bart Rowland, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jared Carpenter, Co-Chair; Representative Bart Rowland, Co-Chair; Senators Julie Raque Adams, Tom Buford, Rick Girdler, Christian McDaniel, Morgan McGarvey, Dennis Parrett, Albert Robinson, Brandon Smith, and Reginald Thomas; Representatives

Terri Branham Clark, Joseph M. Fischer, Deanna Frazier, Jim Gooch Jr., Kathy Hinkle, Dennis Keene, Adam Koenig, Derek Lewis, Sal Santoro, Dean Schamore, Wilson Stone, Ken Upchurch, and Rob Wiederstein.

Guests: Gary Dougherty, Director, Government Affairs and Advocacy, American Diabetes Association; Angela Lautner, Chapter Leader, and Angie Summers, Kentucky #insulin4all; George Huntley, Treasurer and President-Elect, National Diabetes Volunteer Leadership Council; Stewart Perry, Interim Chief Executive Officer, Diabetes Patient Advocacy Coalition; Allison Lile, Healthcare Data Administrator, Office of Health Data and Analytics, Kentucky Cabinet for Health and Family Services; Nancy Galvagni, President; Chuck Warnick, Vice President, Data Analysis and Planning; Melanie Moch, Director, Data Collection and Training; and Carl Herde, Vice President of Finance, Kentucky Hospital Association.

LRC Staff: Jessica Sharpe, Breanna Miller, and Dawn Johnson

Insulin Access and Affordability in Kentucky

Gary Dougherty, Director, State Government Affairs and Advocacy, American Diabetes Association (ADA) said many people with diabetes struggle to afford insulin, a life sustaining medication. Between 2002 and 2013, the average price of insulin almost tripled. Nearly 30 million Americans have diabetes, of which, 7.5 million rely on insulin. Approximately 567,000 adult Kentuckians have diabetes. In 2016, the ADA Board of Directors passed a resolution requesting increased transparency in pricing along the insulin supply chain to ensure no one is denied affordable access to insulin. The resolution requested congressional hearings to identify reasons for the significant cost increase and to ensure affordable access. At the same time, the ADA created a website, makeinsulinaffordable.org, with a grassroots petition for affordability, a forum for patient stories, and links to published research. The Insulin Access Affordability Working Group, formed in 2017 to assess the problem, concluded that the current pricing and rebate system encourages high list prices. It identified a lack of transparency throughout the insulin supply chain that allows high list prices and high out-of-pocket costs. Patient medical care can be adversely affected by formulary decisions, and the development and approval of biosimilar insulin is burdensome for manufacturers. The group recommended increased pricing transparency, lowering or removing patient cost-sharing, streamlining the biosimilar approval process, and increasing access to health care coverage for all people with diabetes. Following the 2016 resolution, Congress has held more than a dozen hearings on insulin affordability with the ADA testifying at many of them.

Last year, the ADA launched www.insulinhelp.org to provide resources, including links to insulin manufacturers who may offer immediate assistance, for those struggling with insulin costs and links to local community health clinics or pharmacies that may offer access to free or reduced-fee insulin. Mr. Dougherty said the ADA strongly supports the Insulin Price Reduction Act sponsored by the U.S. Senate Diabetes Caucus. Mr. Doughtery noted that Kentucky Representative Danny Bentley introduced 2019 Regular Session House Bill 502 on price transparency by diabetes drug manufacturers and pharmacy benefit managers(PBMs). The ADA recommended additional language to include all entities in the supply chain. They recommend legislation that requires reporting from health plans and pharmacies. In May 2019, Colorado became the first state to enact an insulin co-pay cap bill that caps co-pays at $100 per month, regardless of type of insulin or number of vials required. The Colorado bill also calls for the state attorney general to investigate the rising prices of insulin in the state and make recommendations to the General Assembly. Mr. Dougherty said Representative Bentley has prefiled a bill similar to Colorado that caps insulin copays at $100 per month. Seventeen states have introduced or are considering similar legislation.

The ADA supports efforts at the state and federal levels of government to ensure access to adequate and affordable healthcare, including making insulin affordable and accessible for all who need it. They recommend requiring entities in the insulin supply chain to report pricing, sales, and profit data to a designated state agency. This would apply to insulin manufacturers, PBMs, pharmacies, and health plans. Information would be compiled in an aggregated report and provided to the state legislature and insurance commissioner. It would also be available to the public. They recommend lowering or removing patient cost sharing for insulin by capping copays for insulin and exempting insulin from deductibles. The ADA recommends ensuring that the value of copay assistance programs is applied toward a patient's deductible. This is in response to individuals using copay coupons to help pay for expensive medications.

Angela Lautner, Chapter Leader, Kentucky #insulin4all and Angie Summers shared their stories of living with diabetes and the difficulties of affording insulin. Ms. Summers explained that even though she had insurance through her full-time employer, the cost of insulin increased from $35 to over $400 per month. After rationing insulin for years due to the high cost, Ms. Summers suffered severe, permanent medical issues.

Ms. Lautner said Kentucky #insulin4all is a grassroots organization created to raise awareness of the rising cost of insulin. She explained the difficulty of affording insulin, having been laid off from her employment four times. In 2017, the specific insulin she must use was being removed from her insurance formulary due to costs. Last year, she purchased insulin in Canada for $22 while the cost in Kentucky was over $300. When questioned about rising costs, manufacturers identify insurance plans and PBMs for increased list prices, while one suggested generic competition would help lower prices. Ms. Lautner said there is no generic equivalent for the insulin she uses. She said people are dying due to insulin unaffordability. Ms. Launter asked that the General Assembly address insulin price transparency across the entire insulin supply chain and pass Representative Bentley's proposed legislation that caps copays to ensure every person with diabetes has access to affordable insulin, including those on high deductible health plans, the uninsured, and those on multi-state insurance plans.

Stewart Perry, Interim Chief Executive Officer, and George Huntley, President Elect, National Diabetes Volunteer Leadership Council (NDVLC) spoke on insulin affordability. Mr. Huntley said that high insulin costs often leads to rationing. With one in three people with diabetes requiring insulin, the high cost affects a large segment of the population. As high deductible health plans have increased, deep systemic problems in the country's health system has resulted in costs being shifted to the patient. Often, medical and pharmacy costs are now part of the deductible. There has been a shift from flat copays to coinsurance as list prices skyrocket. There are too many middlemen. The consumer is not getting the benefit of the negotiated value of the pharmaceutical discounts and rebates that are part of their health plan. Patients are paying list price with the difference going to the PBM. He said the sick are subsidizing the healthy.

Mr. Perry said that while manufacturing costs of insulin have changed little, there are now multiple people, including PBMs, the insurance plan, and the employer, involved in the process causing insulin prices to skyrocket. Mr. Huntley said a study by NDVLC comparing insulin health plan cost versus online purchasing identified a $100 to $200 online purchasing price savings for one vial of insulin. Going outside the health plan to purchase insulin is not viable for the consumer since payment does not go toward the health plan deductible. To address the issue, the NDVLC recommends understanding and maximizing coverage, asking for cash prices, using retail discount programs, enrolling in manufacturer discount or patient assistance programs, checking prices at member warehouses, using a community health center low-cost health provider, talking to employers about insulin costs, and talking to a patient diabetes care team about lower cost options. Mr. Perry said the state can help by eliminating consumer exposure to excess cost burden by requiring first dollar coverage for insulin and other medical necessities and addressing rebate pass throughs, prohibiting pharmacy gag clauses, dictating that all payments count toward deductibles and out-of-pocket maximum, and improving consumer access to medically appropriate treatment by clearing the appeals process with quick adjudication. He noted that the number of drugs added to exclusionary formularies has increased 86 percent. He also recommended that the prescriber should prevail in non-medical switching, fee-only PBM contracts, and meaningful transparency reporting.

In response to Chairman Rowland's question, Mr. Perry said it would be difficult to estimate out-of-pocket expenses for diabetes treatment as health plans differ significantly.

Senator McDaniel said small employers are limited in healthcare options and must choose from available plans. Mr. Huntley said an employer can work with their PBM or consultant to design their plan. Senator McDaniel said certain private employers are under pre-Affordable Care Act guidelines to provide a more cost effective health plan.

Senator McDaniel said the Colorado copay cap model is flawed as it shifted the balance of the cost to Medicaid. No accountability was introduced into the system, they simply substituted the state as the payer. He cautioned that the legislation could potentially be an incentive for other drugs as well. Mr. Dougherty said he does not disagree and would support language changes to the Colorado bill.

Senator Smith said he sponsored a bill in 2005 to address the issue of drug rebates being directed toward the consumer in an attempt to offset manufacturing costs, but the bill did not advance. In response to Senator Smith's question, Mr. Perry said even though internet access has made rebate coupons more accessible, they can be hard to find and they do expire. The main problem is the rebates and coupons do not count toward a deductible, copay, or coinsurance. Ms. Lautner said people should not be forced to search for coupons for life-saving insulin.

Representative Koenig said that while he favors a more hands-off approach on this type of issue, it would be helpful if entities practiced self-transparencies so better decisions could be made by the legislature while being less invasive to businesses.

In response to Senator Thomas' comment, Mr. Perry said community health centers receive favorable drug pricing through the federal 340B Drug Discount Program that gives some access to medications at a lower cost. He suggested changing income qualifications to use the programs would be a positive step. Mr. Perry said that would need to be done on the federal level. Mr. Smith said it should not matter who is paying for a medication for deductible consideration but trying to get PBMs and insurance companies to agree would most likely require legislation. Ms. Lautner said there are income restrictions with faith pharmacies and free clinics so many people who are employed will not be helped.

Representative Gooch said health plans copay requirements have changed significantly. He said, previously, there was a monetary benefit for a healthy person to take a high deductible plan that allowed savings to cover future events. Now high deductible plans are being used because people cannot afford anything else.

Hospital and Ambulatory Facility Price Transparency Initiative

Allison Lile, Healthcare Data Administrator, Office of Health Data and Analytics, Kentucky Cabinet for Health and Family Services explained that the Office of Health Data and Analytics was recently established from an agency reorganization. They are currently reviewing and evaluating statutes and regulations to see how they apply to the new office. With regard to the part of Kentucky's health data collection law relating to health care cost and quality, the agency previously used resources from the federal Agency for Health Care Research and Quality, including a tool to create a consumer website showing costs and quality, but that website is no longer available. Referring to a PowerPoint, Ms. Lile presented an example of a quality indicator map using diabetes as it specifically related to long-term complications for something that could have been prevented had the person received well-regulated care. She noted that the indicators do not necessarily mean good or bad, they are a comparison to national benchmarks. She said the office publishes several annual reports.

Nancy Galvagni, President, Kentucky Hospital Association (KHA) said the KHA has been working on price transparency and understands the need for consumer access to better information when deciding where to have their services. The KHA has been partnered with the cabinet for over 20 years. It collects Kentucky hospital billing data. The KHA has a contract with the Cabinet and provides the Cabinet with information as well. Since 2005, they have released comparative charge information on inpatient services, which is available on their website. The KHA wants to get the word out that this information is available. Work is ongoing to make the website more consumer friendly and provide more outpatient service information. Melanie Moch, Director of Data Collection and Training gave an overview of the KHA's Consumer Price Transparency website, which includes pricing point information, quality information, hospital information from the CMS quality metrics, health care community and outreach events, and a "frequently asked questions" page to serve as a starting point for consumers.

Carl Herde, Vice President of Finance said there is a push for hospitals and insurers to publish agreed upon rates. He noted that many insurance contracts have confidentiality agreements. He said the agreed upon payment amount is a small part of the information sought; actual insurance coverage is what is important. Disclosing the payment information that hospitals have with payers will not get the information that consumers seek. That information comes from the insurer. The hospital is just one piece of the care of the patient.

Responding to Representative Stone's

question, Mr. Herde said most hospitals are working toward supplying procedure-specific cost information but often it is the insurance coverage that determines costs. Most hospitals will work with consumers to get an idea of where they stand. Representative Stone said it would be helpful if hospitals could submit basic procedure pricing that can then be used with the consumer's insurance coverage.

In response to Representative Wiederstein's question about whether the KHA would support an all-payer claims database in Kentucky, Ms. Galvagni said there is an interest, and the KHA collects billing data, but collecting payment and adjustment data would be a huge undertaking. Mr. Herde said there is a significant difference between charges and actual payments. Collecting payment data would be better than charge data but it still would not provide enough information to pass on to the consumer. Insurance coverage plays a monumental role.

In response to Chairman Rowland's question, Mr. Herde said most insurers provide consumers with online insurance data tracking, with hospital billing data provided.

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

MILEAGE BASED TRANSPORTATION FUNDING TASK FORCE

Minutes of the 1st Meeting of the 2019 Interim

August 19, 2019

Call to Order and Roll Call

The 1st meeting of the Mileage Based Transportation Funding Task Force was held on Monday, August 19, 2019, at 1:30 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 Jimmy Higdon, Co-Chair; Representative Ken Upchurch, Co-Chair; Senators Gerald A. Neal and Albert Robinson; Representatives Terri Branham Clark and Sal Santoro; Jason Siwula, and Bryan Sunderland.

Guests:

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

Presentation on road user charges

John Snyder, Committee Staff Administrator, Transportation Committee, Legislative Research Commission presented an overview of road use charges. Road use charges (RUCs) are a transportation funding mechanism that attempts to tie transportation taxes more closely to the actual use of a vehicle. Most state transportation funding comes from motor fuel taxes. 22 states, including Kentucky, have a variable tax on motor fuel. Kentucky's current gasoline tax rate of 26 cents per gallon is at the statutory minimum and has not changed since 2015. Twenty-one states impose a registration fee on electric or hybrid vehicles to replace the lost motor fuel tax revenue on these vehicles. Such a fee has been proposed in Kentucky, but not adopted. Theoretically a RUC system would eliminate the need for a fuel tax. However, in practice, only one state (Oregon) has a permanent RUC program, which is limited in enrollment. The most recent federal highway funding bill created the Surface Transportation System Funding Alternatives (STSFA), which gives grants to states to explore alternative funding mechanisms to the traditional funding method of fuel taxes. A RUC system brings numerous questions as to the manner in which the system will be designed and implemented, and these questions will eventually form the basis for the Task Force's work plan. The Task Force has the opportunity to hear from several entities who have been impressed in the issue for some time to draw upon those experiences.

Mr. Snyder explained a Road-use charge (RUC), sometimes referred to as a mileage-based user fee (MBUF) or vehicle miles traveled (VMT) fee, is a transportation funding mechanism that attempts to align transportation taxes to the actual use of the roadways by a driver, as compared to motor fuel taxes.

Mr. Snyder stated all states currently use motor fuels taxes as the major funding source for transportation funding. Similarly, the Federal Highway Trust Fund is funded primarily through the 18.4 cents per gallon federal gas tax. In terms of more innovative financial options involving general highway use, states have generally instituted one of two approaches to increasing revenues: variable rate fuel taxes or electric and hybrid vehicle user fees.

Variable Rate Fuel Taxes

Mr. Snyder stated that according to the Institute on Taxation and Economic Policy, 2019, Kentucky is one of 22 states that levy a variable tax on motor fuels. Other states, as well the federal government, employ a fixed per gallon tax. Kentucky's current tax on gasoline of 26 cents per gallon consists of three parts:

A 5 cent per gallon (cpg) supplemental highway user fee; 2.) A variable portion based on 9% of the average wholesale price (AWP) of gasoline for the previous year. By statute (KRS 138.210), the minimum AWP for gasoline is \$2.177 per gallon, 9% of that price amounts to 19.6 cpg; and 3.) A separate 1.4 cpg user fee is charged on each gallon of fuel sold in the state with the proceeds earmarked for the Petroleum Storage Tank Environmental Assistance Fund (KRS 224.60-140).

Mr. Snyder provided a chart that showed the historical trend in Kentucky's motor fuel tax from 2004, when the first statutory adjustment based on an increase in the AWP of gasoline occurred, to the present where the state is back to a newly defined statutory minimum gas tax.

Electric and Hybrid Vehicle Fees

Mr. Snyder stated according to data from NCSL, 21 states imposed registration fees on some combination of electric or hybrid vehicles to replace tax revenue not captured on these vehicles from a traditional fuel tax. The fees range from \$50 to \$200 annually. Although Kentucky does not charge a fee for electric or hybrid vehicles, several bills have been introduced over the past several sessions that would establish such a fee, most currently in 2019 (HB 517), which would have established a base fee of \$175, to be adjusted in conjunction with any increases in the motor fuels tax.

Road User Charges – A Different Approach

Mr. Snyder explained that unlike adjustable fuel taxes, which attempt to allow a cents per gallon fuel tax to keep up with inflation, or an electric vehicle fee, which attempts to replace the fuel tax revenue which would ordinarily be garnered from a vehicle's use, RUCs go one step further. These fees have the potential to eliminate the need for a gas tax altogether by charging drivers on a per-mile-driven basis. Proponents see this as a way to increase transportation revenues even as the move to more fuel efficient vehicles portend a future where traditional motor fuel purchases decrease and vehicle miles traveled increases.

Mr. Snyder stated for all its potential promise, there has not been much in the way of actual implementation of a RUC program beyond pilot programs. The lone exception is Oregon, which has established the voluntary, permanent, OReGo program, which is the only program in the country to implement actual financial transactions. The OReGo program is currently limited to 5,000 participants, but only has less than 2,000 registered users. Information provided by the Oregon Department of Transportation cites three states that have completed pilot programs (CA, CO, and MN) and four states where pilots are being planned (MO, PA, UT, and WA).

In addition, there are two multi-state coalitions that have been developed to explore interoperability of a RUC system between states: the I-95 Corridor Coalition, which includes 16 states and the District of Columbia along the Eastern Seaboard, and RUC West, which covers 13 states west of the Mississippi River stretching from Texas to Washington.

Federal Initiatives

Mr. Snyder explained that the 2015 Federal FAST Act created the Surface Transportation System Funding Alternatives (STSFA) program, a new state-based pilot program that allows a state or group of states to receive federal funding to demonstrate alternative funding mechanisms that employ user fees to maintain the solvency of the highway trust fund. Money is to be used to test the design, acceptance and implementation of such an alternative as well as for outreach to increase public awareness on the need for alternative funding. The program is funded at $15 million in 2016 and $20 million thereafter through 2020. The most recent round of funding awarded was for FY 2018, for which the award winners were announced in February 2019. The FY 2019 and FY 2020 awards have not been announced at the time of this paper.

The program provides funding to states to help them develop alternatives to the gas tax that utilize a user fee structure to help fund the nation's systems of highways, roads, bridges and mass transit through the Federal Highway Trust Fund. To date, 22 grants have been awarded to either states or groups of states for projects that include implementing a mileage fee or road user fee, registration fees for alternative fuel vehicles, and security and privacy issues concerning the collection of data through a road user fee. Both Oregon (OReGO) and California (California Road Charge Pilot Program) have received federal funds every cycle to further develop their road user charge programs which charge drivers based upon the number of miles driven. For those states that receive an award, the Federal Highway Administration (FHWA) anticipates substantial federal involvement with STSFA recipients during the course of these projects, which will include oversight, technical assistance, and guidance to the awardee.

Questions and Challenges

Mr. Snyder explained that like most innovations, the implementation of a road user charge system poses many questions and issues for policymakers and administrators, both in the design and implementation stages. The following questions are among the most commonly asked when discussing a RUC system, and the Task Force may wish to incorporate them as a part of its work plan:

What will the rate be?

Will there be variable rates based on the type or size of vehicle?

Will the rate be indexed, and if so, how?

How are miles driven reported?

How are miles driven verified?

Will the system require the use of a GPS or similar device?

How will road user fees be collected?

What involvement will third party vendors have in the reporting or collection process?

Depending on the reporting requirements what privacy concerns exist?

How are allowances made for fuel tax paid for vehicles using RUC system?

How will out of state travel be accounted for?

Are there concerns that moving fee collection away from the wholesale fuel level and away from the purchase of a product result in evasion?

Testimony and Data Sources

Mr. Snyder stated that the Task Force may consider hearing from the following entities, either through meeting testimony or interviews conducted with staff:

Oregon – With the OReGo program being the only permanent, albeit limited, RUC program in the country, the Task Force would certainly be well served to hear from a state who has been through taking a program live.

Other states – The Task Force could hear from other states who have implemented pilot programs and studies to gauge their experiences and findings.

Kentucky Agencies – Although the Department of Revenue and the Transportation Cabinet have representatives on this task force, it may be beneficial to hear testimony from representatives to those agencies to hear input on these questions.

Multi-state coalitions -- A RUC system will have a hard time operating a vacuum ignoring the realities of interstate travel. While Oregon has one major interstate that travels both into and out of the state (I-5). Kentucky has four (I-24, I-64, I-65, and I-75).

In response to a question asked by Representative Sal Santoro concerning the OreGo Program in Oregon, Mr. Snyder stated that the program has only been implemented for two to three years and it is a voluntary program. He added that is limited to potentially 5,000 individuals. At last count there were approximately 1,800 individuals enrolled in the program, and there have not been more than 2,000 individuals enrolled at any given time. Oregon has a gas tax of 34 cents per gallon and they charge 1.7 cents per mile.

Senator Higdon stated he has heard of recommendations for the road usage charge to be broken down by battery size. He stated that a recommendation was made to him in lieu of assessing a fee, that a surcharge on electric bills is placed. Another recommendation was assessing the charge according to miles driven, which could require a third party vendor to implement. He added the use of a third party vendor could be costly. Senator Higdon also raised the issue of ride sharing companies such as Lyft and Uber and how road user charges would be assed to them.

Chairman Upchurch stated this issue will be a long-term issue and that Kentucky will need to have plans in place for the advancement of technology.

Mr. Sunderland stated that not only does the issue of a road user charge need to be addressed due to the increase in electric vehicles, but also because of the increase in fuel efficiency standards of existing vehicles. He added studying the correlation between historical gas tax rates as well as fuel efficiency standards would be helpful in addressing the issue.

Senator Robinson stated Kentucky will have a difficult time capturing gas taxes or user fees due to the amount of out of state traffic that will pass through Kentucky. He suggested a federal or at the very least, a regional solution to this issue.

With no further business to come before the task force, Chairman Upchurch adjourned the meeting at 2:00 P.M.

INTERIM JOINT COMMITTEE ON LOCAL GOVERNMENT

Minutes of the 3rd Meeting of the 2019 Interim

August 22, 2019

Call to Order and Roll Call

The third meeting of the Interim Joint Committee on Local Government was held on Thursday, August 22, 2019, at 10:30 AM, in Room SWC 101 of the Kentucky Fair and Exposition Center in Louisville, Kentucky. Representative Michael Meredith, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Wil Schroder, Co-Chair; Representative Michael Meredith, Co-Chair; Senators Christian McDaniel, Morgan McGarvey, Robby Mills, Dan "Malano" Seum, Damon Thayer, and Johnny Ray Turner; Representatives Danny Bentley, George Brown Jr, Larry Elkins, Deanna Frazier, Joe Graviss, Kim King, Russ A. Meyer, Jerry T. Miller, Rob Rothenburger, John Sims Jr, and Ashley Tackett Laferty.

Guests: Representative Jason Petrie; 16th House District; Mayor Greg Fischer, Louisville Metro Government; Jasmine Heiss, Vera Institute of Justice; Josh Crawford and John Wright, Pegasus Institute; Shellie Hampton, Kentucky Association of Counties; Ron Wolf, Associated General Contractors of Kentucky; Dustin Miller and Prentice Harvey, Government Strategies, LLC; Bryanna Carroll, Kentucky League of Cities; and Pam Thomas, Mountain Association for Community Economic Development.

LRC Staff: Mark Mitchell, John Ryan, and Cheryl Walters.

Upon the motion of Senator McDaniel, seconded by Senator Schroder, the minutes from the June 6 and July 19, 2019 meetings were approved.

Welcome Remarks

Mayor Greg Fischer, Louisville Metro Government, welcomed the Committee to Louisville. Mayor Fischer told members that Louisville has had good economic momentum. Eighty thousand jobs have been created and 2,700 new businesses have opened. There have been closures and cuts, mostly in public safety, which is 55 percent of Louisville's budget.

Regarding revenue, one-third of Louisville's revenue comes from tourism. Twenty new hotels have been built for bourbon and food tourism.

Metro Corrections has had tremendous success with its "Enough is Enough Program" where people with drug abuse are given medication and rehabilitation instead of incarceration.

Discussion of County Jail Populations and Trends in Incarceration

Ms. Jasmine Heiss, with the Vera Institute of Justice, presented statistics on jail incarceration in Kentucky. The Vera Institute has three core priorities: transforming the conditions of our nation's jails and prisons; promoting safety and trust in a diverse America; and closing mass incarceration's front door by reducing the overuse and misuse of jails. It is the jail over-incarceration crises that is the focus of this discussion.

Kentucky continues to increase incarceration when the national trend is toward decreasing incarceration. In 2018, Kentucky had the eighth highest rate of pretrial detention in the U.S., the second highest rate of jail admissions, and the highest rate of prison admissions. While the U.S. overall prison population decreased by 15 percent between 2008 and 2018, Kentucky's incarceration rate rose 5.9 percent.

Small counties have been driving mass incarceration in jails and prisons at the highest rate since 2006. This is true nationally with rural communities bearing the highest rates of mass incarceration even as cities move to reduce their use of jails.

Historically jails were only used to detain people before trial who posed a flight risk or who were too dangerous to be in the community. As recently as the 1990s, less than 33 percent of people facing felony charges were assessed a financial bail amount before trial. It is only since 1998 that most people have been assessed a financial bail amount before trial. Administrative Office of the Courts data showed that only 40 percent of cases in Kentucky resulted in release on non-financial bond in 2018.

In a small handful of states, jails have become a place where people serve out their sentences. Nationally, using jails to house a small amount of prison populations is not uncommon. Thirty-four states use jails to hold around 82,000 state prisoners or 6% of the total prison population. Kentucky's use of local jails to house state prisoners is very unusual with Louisiana being the only state to rely more heavily on jails to house state prisoners.

The Kentucky Department of Corrections has twelve prisons that house more than 12,000 people, but nearly half of the total prison population is held in 76 local jail facilities. In 35 jails, state prisoners make up the majority of the persons held. In 13 counties, state prisoners equal 70 percent or more of the jail population.

Holding state prisoners was often only assumed to be a revenue boon for counties. Using county jails to house state prisoners invites two major risks: when jails are expanded to accommodate new people, the increase in beds often leads to an increase in pretrial detention; and local taxpayers are responsible for paying for the building costs if the state or federal government no longer sends people to be housed in the facility.

The practice of holding state prisoners in jails has inflated jail populations and in many counties has tied the financial viability of those jails to the status quo of criminal justice policy and practice. The state system, to avoid overcrowding, holds half its population in county jails where overcrowding is pervasive. If the jails reduced the number of state prisoners to alleviate overcrowding, the state would need to add 4,300 beds or reduce the population by that number. The loss of the per diem of these state prisoners being held in jails would equal $50 million in lost revenues to counties, annually. Studies indicate there is no correlation between prison development and long-term economic growth. It is urgent for Kentucky to think about other paths for economic resilience for struggling communities.

Yearly, there are 11 million admissions to local jails. This is 18 times the number of admissions to state and federal prisons. The construction of newer and bigger jails has been the response to overcrowding, as has been the case in some Kentucky counties. In 2011, the Department of Justice estimated that $22.2 billion has been spent on jails.

When a jail confronts overcrowding, often the county commissions a jail population projection. Such projections necessitate future decisions about justice decision making including arrests, prosecutions, pretrial release, sentencing, and crime rates themselves. These conditions are variable and, absent jurisdictions where these factors may be particularly stable, render most projections invalid when making projections beyond two years into the future. Bigger jails necessitate bigger expenditures. The link between incarceration and a reduction in crime is weak. Increased employment, graduation rates, increased consumer confidence, and changes in policing strategies, such as more community focused policing, show stronger associations with crime reduction.

An increase in reliance on incarceration may cause an increase in crime and cause harm. Being in jail before trial increases a person's likelihood of future arrest, particularly if that person has a limited criminal history. Recent peer-reviewed research shows a correlation between incarceration and drug related deaths. Counties and regions with high incarceration rates are associated with a 50 percent increase in drug related deaths compared to areas with low incarceration rates. This research shows that incarceration may fuel an overdose epidemic. Incarceration rates are a bigger factor in drug related mortality than the prescription rates of opioids.

Incarceration is shaped by state policy, but is a local issue, too. Reinvesting state and local dollars in community based responses and true crime prevention strategies, and shifting from incarceration based economic survival in some Kentucky counties, will shape a more vibrant future for Kentucky.

In response to a question from Senator McDaniel, Ms. Heiss stated that the institute was closely following news reports that the Grant County jail was closing and that it was struggling, but she was glad to hear from Senator McDaniel that the jail was not closing.

In response to a question from Representative Bentley, Ms. Heiss replied that the Vera Institute gets the data from jail reports that are submitted by Kentucky's counties to the Department of Corrections and Bureau of Justice Statistics.

Representative Meredith commented that counties are at the mercy of the state policies and are funding jails at levels that they feel they have to. The state needs to begin to understand the situation and move forward in a comprehensive way.

Mr. Josh Crawford, Director of Criminal Justice Policy with the Pegasus Institute, told the Committee that there are three take-aways from his testimony: Kentucky county jails are overcrowded, and that's a problem; Kentucky's county jail crowding is a uniquely Kentucky problem; and if Kentucky legislators do not fix it, a federal judge likely will.

In Kentucky, 72 percent of jails are at or over 100 percent capacity, and just under nine percent are at or over 200 percent capacity. It is a result of a structural problem that has developed over time in the Commonwealth and not the fault of local governments or jailers.

A 2012 Government Accountability Office report found that overcrowded conditions contribute to increased inmate misconduct, more competition for prison services such as educational or vocational training programs, and a lack of meaningful work opportunities for prisoners during their incarcerations. It can also contribute to faster spread of disease inside the jail. This jeopardizes both staff and inmate health and, ultimately, public safety, as jail crowding is associated with higher risks of recidivism. A recent study found that inmates coming out of severely overcrowded facilities were 2.5 times more likely to recidivate than inmates in non-severely crowded facilities.

Contributing factors to overcrowding include increased pre-trial populations, convicted misdemeanants, and state prisoners serving their sentences in a county jail.

California's prisons were grossly overcrowded, and a federal judge mandated that the prisons reduce their populations to no more than 137.5 percent of design capacity. Their experience has produced mixed results, and Kentucky would be well-served to avoid federal intervention.

Solutions for jails overcrowding would be pretrial reform, probation reform, and the creation of additional state prison space.

Pretrial reform has been an ongoing conversation for some time. Discussions have been productive with judges and others in the criminal justice system to ensure that the measures are reasonable, measured, and achieve the desired goals. There is a large number of individuals in Kentucky being detained on bonds of less than a thousand dollars because they cannot afford to pay the bond. These inmates are non-violent, non-sexual offenders with minimal criminal histories. They could be released on non-financial bonds, with bonds that they could afford, or under other forms of supervision by taking into account the individual's means during the pretrial process.

Probation and parole should be reformed to make them more meaningful alternatives to incarceration. As inmate populations increase, parolee and probation populations increase even more as probation and parole staff have not been adjusted accordingly. By using swift and certain sanctions, hiring additional probation officers and clinical staff, probation and parole can be made more viable for a subset of the population such as those having committed crimes associated with substance addiction.

The state must increase its state prison capacity to ameliorate such a large portion of state inmates in county jails. Just under half the state population of prisoners reside in county jails.

Dr. John Wright, Senior Fellow for the Pegasus Institute and Professor of Criminology at the University of Cincinnati, said the major growth in prisoners has occurred largely because the population in the Commonwealth has continued to increase, and just as more schools need to be built more schools and roads to accommodate population increases, so prison capacity needs to be increased. Prison capacity is a matter of state infrastructure, just like roads and schools.

In 2005, there were a total of around 286,000 arrests in Kentucky. Last year there were 520,000. In 2005, there were 46,000 drug arrests, and last year there were almost 68,000. In 2005, there were 115,000 violent crime arrests, and last year there were 276,000.

In comparison with other similar states, Kentucky prisons are about 4,500 beds short. There are ways other than building new prisons to alleviate overcrowding. In addition, prisoners can be transferred from older facilities that cost more to operate in order to save money. It is an infrastructure problem, but it would be best to look at the options now, including the recommendations both the Vera Institute and the Pegasus Institute have recommended, before possible court intervention.

In response to a question from Representative Tackett Lafferty, Dr. Wright stated that every option should be looked at including considering facilities that are not currently in use, but also facilities that might be in service and suitable for expansion.

In response to a question from Representative Petrie, Ms. Heiss replied that a report is coming from the Kentucky Administrative Office of the Courts (AOC) that has a breakdown of pretrial and Class D misdemeanor population. Representative Petrie commented that without that data, it is not known where the overcrowding exists. Dr. Wright stated that Pegasus is also expecting AOC data.

In response to a question from Representative Meredith, Ms. Heiss and Dr. Wright stated that reports will be sent to the Committee when received.

In response to a question from Senator McDaniel, Mr. Crawford said he would not recommend using private jails to help with overcrowding.

Senator McDaniel suggested that the public may not be supportive of increasing taxes to finance incarceration costs and inquired what solutions there may be. Mr. Crawford said that while he did not have the numbers at hand, in examining some of the operational costs of existing facilities, the numbers suggest that new facilities may be more cost effective.

Ms. Heiss noted that, relating to offsetting costs, that oftentimes that prisoners cannot pay when charged with the costs of their incarceration time, and collection costs can exceed the actual amounts of revenue owed.

Senator McDaniel commented that inmates incarcerated with a drug related crime leave in better shape than when they arrived because they received better medical care than they have in the years prior to their incarceration.

Senator Mills commented that some county jails are housing state and federal inmates and making those jails profitable.

In response to a question from Representative Meredith, Ms. Heiss stated that like Kentucky and Louisiana, most jails throughout the country are administered by the counties.

Representative Meredith commented that he believed that some of the pre-trial detentions were spurred by families trying to interrupt family members' substance abuse.

Ms. Heiss stated that substance abuse treatment as a condition of pretrial release can be equally effective, and that people who are released from jail are up to 120 times more likely to die from an overdose if they are not immediately connected to community based care.

Representative Meredith commented that he was aware of some creative approaches by counties to try and help persons with substance abuse issues.

In response to a question from Representative Meredith, Ms. Heiss said state-based pretrial services already exists and can help route people to treatment programs. The Vera Institutes is working with AOC to get an idea where there is extra capacity in treatment centers in the Commonwealth.

In response to a final question from Representative Meredith, Mr. Crawford said that regionalization of jails gets bi-partisan support, but the devil is in the details, as it ends up being a question of revenue sharing, resource sharing, and ensuring that there is adequate space and resources in those facilities, but from a 30,000 foot perspective it is a step in the right direction. Ms. Heiss stated that the question to regionalize would be considered on a county by county basis, but an advantages can be gained by sharing costs when costs take too much of county budgets.

There being no further business, the meeting was adjourned at 11:40 a.m.

INTERIM JOINT COMMITTEE ON TRANSPORTATION

Minutes of the 2nd Meeting of the 2019 Interim

July 19, 2019

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Transportation was held on Friday, July 19, 2019, at 10:30 AM, at the CVG Centre in Erlanger, Kentucky. Senator Ernie Harris, Chair, called the meeting to order, and the secretary called the roll. The minutes from the June 3, 2019 meeting were approved.

Present were:

Members: Senator Ernie Harris, Co-Chair; Representative Ken Upchurch, Co-Chair; Senators Ralph Alvarado, Jared Carpenter, C.B. Embry Jr., Jimmy Higdon, Gerald A. Neal, Albert Robinson, Brandon Smith, and Mike Wilson; Representatives Randy Bridges, Chris Fugate, Robert Goforth, Kathy Hinkle, Thomas Huff, Savannah Maddox, Bobby McCool, Russ A. Meyer, Sal Santoro, Maria Sorolis, Cherlynn Stevenson, Ashley Tackett Laferty, and Walker Thomas.

Guests: Brent Cooper, President and Chief Executive Officer, Northern Kentucky Chamber of Commerce; Candace McGraw, Chief Executive Officer, Cincinnati/Northern Kentucky International Airport (CVG); Todd Bloch, Commissioner, Department of Aviation, Kentucky Transportation Cabinet (KYTC), Craig Farmer, Aviation Engineer, Department of Aviation, KYTC; Sylvia Buxton, President and Chief Executive Officer, Perfetti van Melle, and Stephanie Creech, Communications Manager, Perfetti van Melle.

LRC Staff: John Snyder, Dana Fugazzi, Christina Williams, Bryon Ellis, Laura Beth Long, and Jim Hannah

Welcome Comments

Brent Cooper, President and Chief Executive Officer, Northern Kentucky Chamber of Commerce welcomed members and guests to the meeting on behalf of the Northern Kentucky Chamber of Commerce and elaborated on the itinerary for the upcoming activities.

CVG Operations

Candace McGraw, Chief Executive Officer, Cincinnati/Northern Kentucky International Airport (CVG) informed the committee on operations of CVG. She stated CVG encompasses 7,700 acres and is larger in land area than the City of Florence, Kentucky. The airport is a regional job hub with over 70 employers on campus employing 14,000 badge holders, of which, 52% Kentucky residents, 38% Ohio residents, and 10% Indiana and other state residents. In total CVG supports approximately 31,000 jobs with an economic annual impact of $4.4 billion.

Ms. McGraw stated CVG is serving more local monthly passengers than ever before, adding that the airport set a new all-time local passenger record in June of 426,246 passengers served. According to U.S. Department of Transportation rankings, CVG's average airfare of $346 is the lowest in the region and the only one to beat the national average of $353. CVG is ranked 63rd of the top 100 airports nationally.

Five strategic objectives for 2021 include growing air service, facilitating economic growth, building meaningful partnerships, delivering operational excellence, and differentiating the CVG brand. As of 2016, CVG supports more than $21 million in income tax revenues for Kentucky and more than $4 million for Ohio. The airport also supports more than $4.4 billion in total annual output in the Cincinnati/Northern Kentucky area. More than $625 million in direct labor income and more than $1.3 billion in total labor income is supported by CVG. Air service growth has been driving down airfares and therefore contributing to increased passenger volume at CVG. Ms. McGraw stated a new 2019 study is underway concerning economic impact.

Local passenger volumes have increased by more than 50% in the past three years. Meanwhile, average airfares have decreased by more than 30% in the same time period. She added that CVG has been one of the top five fastest-growing airports in the U.S. for the last several years. There are in excess of 50 non-stop destinations offered through CVG. It is the only Ohio or Kentucky airport with non-stop transatlantic service. There are nine passenger airlines with the addition of Allegiant, Frontier, and Southwest airlines in the last six years. There are nearly nine million passengers served and 90% are local travelers. The Cincinnati/Northern Kentucky International Airport total passenger volume has grown 38% since 2015 and the local passenger volume has grown 56% since 2015. New routes announced include Allegiant Airlines service to Norfolk, VA, and also Frontier routes from CVG to Fort Lauderdale, Miami, New Orleans, and Sarasota-Bradenton.

CVG has large air cargo success in that it is the 8th largest cargo airport in North America and is the fastest-growing in the U.S. Over 1.2 million tons were handled in 2018, more than double the volume in 2012. It is home to one of three DHL Global Super Hubs (second largest in the world.) Employment of 4200 employees at the hub is up 60% from 2016.

Ms. McGraw stated CVG is now home to an Amazon air hub as well. The Amazon air hub was announced in January 2017 and represents a $1.5 billion investment. It is also projected to create 2,000 jobs at its initial opening. The Amazon air hub has a partnership with DHL that began in May 2017, and a groundbreaking kickoff event occurred in May 2019. Phase one of the air hub is scheduled for completion in the third quarter of 2021.

There is also an aircraft maintenance facility development underway at CVG. Lynx's Industrial Contractors broke ground on an aircraft maintenance hangar for FEAM Maintenance and Engineering Services in fall 2018. The $19 million facility will be 103,000 square feet. FEAM Aero currently employs approximately 100 aircraft mechanics at CVG. The facility construction will create approximately 100 new permanent jobs with annual salaries stating at $65,000 to $70,000 annually. A common use cargo facility by Aeroterm began construction in 2019. The facility will be anchored by FedEx, who has two aircraft based out of CVG.

Ms. McGraw stated there are several CVG workforce challenges, one being employment growth. Because CVG is a regional jobs hub with hundreds of jobs being added in the last several years, and thousands more expected in coming years, a main concern is the available labor force for recruiting. Transportation, security environment, and pipelines of future employees are all employer related concerns. The CVG strategic workforce collaborative includes airlines, concessions, the federal government, ground transportation companies, and terminal operations. In closing, Ms. McGraw stated CVG plans to increase supporting infrastructure investments in the region, address artificial barriers to airport business growth and innovation, and tackle regional and state workforce development challenges.

In response to a question asked by Chairman Ernie Harris concerning the greatest road improvement needs, Ms. McGraw stated that while much of the Amazon traffic will be intra-airport, there will also be a need for expanding and improving the surrounding roadways including Aero Parkway (KY 1017) as well as Mineola Pike (KY 3076.)

In reference to Ms. McGraw's emphasis on the desire to expand CVG's workforce, Senator Gerald Neal suggested reaching out to surrounding high schools to gain interest and participation. Ms. McGraw stated CVG does partake in high school and community outreach in the interest of expanding their workforce.

Representative Sal Santoro expressed his gratitude for Ms. McGraw and all of the CVG staff for continuing to excel in all areas and running an efficient and top-notch airport.

In response to a question asked by Representative Sal Santoro regarding Delta leaving CVG, Ms. McGraw stated Delta did not totally abandon the airport, rather, when they merged with Northwest they consolidated their hubs in Detroit and Atlanta. This has actually had the benefit of bringing in more carriers, increasing competition and lowering fares that originate out of CVG.

Kentucky Department of Aviation

Todd Bloch, Commissioner, Department of Aviation, Kentucky Transportation Cabinet (KYTC), and Craig Farmer, Aviation Engineer, Department of Aviation, KYTC gave a brief overview of the Department of Aviation and the Economic Development Fund and Supplemental Maintenance Fund. The Department of Aviation is the Commonwealth's resource for all aviation issues. It oversees airport projects, participates in federal and state airport inspections, unmanned aircraft systems development, fleet services, economic development, Science, Technology, Engineering, and Math (STEM) aviation education advocacy, homeland security issues, and airport zoning issues.

Kentucky's airport system is composed of 57 public airports, 99 private airports, 138 private heliports, and two military air facilities. The system supports 23,392 on-airport jobs with a total of $1.4 billion in payroll for on-airport jobs.

Airport funding sources include economic development, Airport Maintenance Fund (legislative approved funding), Federal Aviation Administration (FAA) funded grants from the Airport Improvement Program (AIP,) and local matching shares from cities and counties. Economic development funding comes from jet fuel tax and is approximately $8 million per year. This funding is used for airport, terminal, and runway improvements and it supports a portion of the local share of federal grants. The Airport Maintenance Fund consists of approximately $9.7 million per year and specifically targets pavements from runways, taxiways, and aprons. Charts were provided to the committee to show the statewide locations that received each type of funding for FY 2019.

Commissioner Bloch stated every FAA classified airport in Kentucky receives at least $150,000 per year in entitlement funds. He added there are 50 classified airports in Kentucky. These funds require a 10% match. The state provides 7.5% of that match. Kentucky airports can also request additional federal discretionary funding based on need and FAA funds available. The FAA has committed over $36 million in Airport Improvement Funds for Kentucky airport infrastructure over the next year with more possible through discretionary grants. A list of projects and counties receiving those funds was provided. A list was also provided to show the state airport funded projects for the summer of 2019.

In closing, Commissioner Bloch stated that continued legislative commitment is essential for saving vital airport infrastructure. He added that a $70 million backlog of deferred pavement maintenance currently exists. Like highways, airport pavement degrades with time and requires continuing maintenance. Legislative commitment is also essential for catching up to neighboring states who compete for Kentucky's aviation activity, contributing to developing a workforce that is ready for the future, supporting continued success in economic development and finally, continuing a positive and lasting statewide impact.

With no further business to come before the committee, Chairman Harris adjourned the meeting at 11:20 P.M. A bus tour of the CVG facilities was provided following the meeting.

CHILD WELFARE OVERSIGHT AND ADVISORY COMMITTEE

Minutes

August 19, 2019

Call to Order and Roll Call

The Child Welfare Oversight and Advisory Committee meeting was held on Monday, August 19, 2019, at 10:00 AM, in Room 129 of the Capitol Annex. Senator Tom Buford, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Tom Buford, Co-Chair; Representative David Meade, Co-Chair; Senators Reginald Thomas, and Whitney Westerfield; Representatives Lynn Bechler, Angie Hatton, Joni L. Jenkins, and Suzanne Miles.

Guests: Kelly Stephens, Governmental Affairs Liaison, Kentucky Administrative Office of the Courts; Deloris Smith, Regional Supervisor, Department for Family and Juvenile Services, Administrative Office of the Courts; Cletus Poat, State Board Vice Chair, Citizens Foster Care Review Board; Elizabeth Caywood, Deputy Commissioner, Laura Begin, Legislative Liaison, Regulation Coordinator, Department for Community Based Services, Cabinet for Health and Family Services; Christa Bell, Division Director, Division of Protection and Permanency, Department for Community Based Services, Cabinet for Health and Family Services; and Liz McKune, Vice President Health Integration, Passport Health Plan.

LRC Staff: Ben Payne, Lead Staff, Dana Simmons, and Becky Lancaster.

Approval of Minutes

A motion to approve the minutes of the July 8, 2019 meeting was made by Representative Meade, seconded by Senator Westerfield, and approved by voice vote.

Child Welfare Court Case Process and Procedure Update

Kelly Stephens, Governmental Affairs Liaison, Kentucky Administrative Office of the Courts (AOC), stated that education on the changes that came about from 2018 Regular Session House Bill 1 (HB 1) is a main focus. The AOC provided webinars for judges, attorneys, and the employees of Cabinet for Health and Family Services (CHFS). The AOC education effort included staff of judicial colleges with sessions for circuit, family and district court judges, a family law conference for family court judges and staff, along with Guardian ad Litem and Court Appointed Counsel training curriculum. The Kentucky Bar Association (KBA) included HB 1 curriculum in the Kentucky law updates around the state. The HB 1 procedure changes included family court rules, court forms, and appellate court rules to expedite briefing and scheduling for involuntary termination of parental rights (TPR) cases.

The performance improvements from HB 1 consist of case management enhancements to data collection and quality, refining new reports for judges that will assist with caseload management and tracking, and pilot programs to update processes. Judicial data reports are delivered monthly to judges with pending dependence, neglect, or abuse (DNA) and adoption cases listed. The reports show past and future events and aid in the ability to track and manage cases. The Court of Appeals' has begun a pilot project for scanning all the files necessary to TPR cases. In Kentucky, there was an increase in the number of child DNA cases filed from 2015 to 2018. For 2019, the number of child DNA cases filed is trending downward.

Cletus Poat, State Board Vice Chair, Citizens Foster Care Review Board (CFCRB), stated that the CFCRB action areas consist of training, community forums, and recommendations that lead to suggested changes in laws and processes. Themes from the community forums were frustrations with the lack of communication, training, agency processes, court processes, available services, and accessible supports. Children, parents, and caregivers involved with foster care need timely, complete, and accurate information about agency and court processes. Foster children, parents, and caregivers also need help with facilitating communication between each other for better support and information. Foster parents reported a lack of information about available services, education, court dates, visitation schedules, and strategies to help the child.

Mr. Poat stated that foster parents have requested more communication and specific training on the court process, utilizing monetary resources, and accessible support. The court appointed special advocate (CASA) volunteers requested specialized training for medically fragile children. Youth placed in foster care are frustrated when placed outside their home counties and into different schools. If abuse allegations are unsubstantiated, children should be returned to relatives as soon as possible. The lack of family courts in each county continues to be an issue. The forums provided information on agency and court process concerns. Workers are troubled because out-of-state placements, TPR cases, and adoptions take too long to be processed. He stated there should be more reunification services for parents who are incarcerated for a short-term. Other needed services and supports include transportation services, interpreter services, financial support, and counseling for children.

The CFCRB legislative recommendations derived from the community forum information are that there should be statewide expansion of family courts to each judicial circuit, an increase in funding to the Department for Community Based Services (DCBS), and to amend KRS 620.190(e) to allow non-DCBS employees of CHFS to serve on local review boards.

In response to questions and comments from Representative Bechler, Mr. Poat stated that the charter of the CFCRB is to review all cases of children placed in out of home care every six months and submit the findings to the judge for review. There are forms that are filled out but the people involved in the case are also allowed to informally testify at the interested party reviews (IPR). He stated that typically children do not attend the IPR, but they are allowed to be in the room and testify on their own behalf. Deloris Smith, Regional Supervisor, Department for Family and Juvenile Services, Administrative Office of the Courts, stated that the names and addresses of people that are invited to the IPR is provided by CHFS. In each case every child is invited to attend the IPR and has the right to participate due to the requirements of KRS 620.190(e). Sometimes children placed in congregate care, along with their therapist, participate in the IPR over the phone. She stated that she had not heard that the CFCRB does not believe the children at the IPR but rather that the parties participating in the IPR empower the children to speak. There are a very small number of cases that require an interpreter at an IPR.

In response to questions and comments from Representative Meade, Mr. Poat stated that the CFCRB does communicate with foster parents regarding resources available to them. However, the focus of the review board is the child. The CFCRB will ask questions and request a status update on the child from the interested parties in attendance. The CFCRB could recommend classes or counseling in accordance with the case plan for the biological parents. Ms. Stephens stated that the AOC has addressed the family court rules of practice with the Guardian ad Litems that include communication with the client.

In response to a question from Senator Buford, Ms. Stephens stated that an employee of

DCBS attends every IPR and every community forum.

In response to questions and comments from Senator Thomas, Christa Bell, Division Director, Division of Protection and Permanency, Department for Community Based Services, Cabinet for Health and Family Services, stated that in an investigation it is CHFS' policy to remove all children from the home even if they are not the alleged victim of the abuse or neglect. However, other children in an investigated home should be interviewed and questioned about the circumstances in the home from which they were removed. Ms. Bell does not know of any reason as to why a child would not be allowed to testify in court but it would be the decision of the judge in the case.

Analysis of the First Year Implementation of 2018 Regular Session House Bill 1 and New 2019 Legislative Child Welfare Implementations

Elizabeth Caywood, Deputy Commissioner, Department for Community Based Services, Cabinet for Health and Family Services, stated that the HB 1 was landmark child legislation that established the Child Welfare Oversight and Advisory Committee. HB 1 focused on foster care adoptions, prioritized keeping children close to their communities, required consistency within public and private foster homes, and focused on services for relatives and fictive kin caregivers. With the addition of appropriations in the 2018 Regular Session House Bill 200 (HB 200), DCBS was charged with formulating a formal management structure to focus on the child welfare continuum in Kentucky. She stated that Commissioner Eric Clark has presented three goals to safely reduce the number of children entering foster care, to improve the timeliness to appropriate permanency, and to reduce caseloads.

Christa Bell, Division Director, Division of Protection and Permanency, Department for Community Based Services, Cabinet for Health and Family Services, stated that the DCBS implementation of HB 1 required uniform home studies. HB 1 authorized CHFS to establish monetary provisions, guardianship assistance program, and other services for relative and fictive kin caregivers. The implementation of HB 1 streamlined and added policies for the involved parties of foster care. In HB 1 there were changes to the diligent recruitment standards. DCBS has launched the Kentucky Faces Portal which is a resource and a recruitment tool for potential foster and adoptive parents. From August 2014 to August 2019 the number of foster homes in Kentucky has risen from 4,372 to 5,455.

Ms. Bell stated that with the implementation of HB 1 there have been significant changes to expedite the adoption process including the creation of a putative father registry. HB 1 ensured that sibling connections will be maintained and removed the maximum number of children that can be placed in an adoptive home. DCBS has implemented a new requirement of the Family First Prevention Services Act at the federal level which is the implementation of the National Electronic Interstate Compact Enterprise (NEICE). NEICE will help to expedite out of state placements because forms and documents can be submitted electronically. In the state fiscal year (SFY) 2019 there have been 1,257 finalized adoptions.

In response to questions and comments from Senator Westerfield, Ms. Caywood stated that 228 additional adoptions in SFY 2019 is a significant increase. Ms. Bell stated that DCBS can send updated charts that have a zero baseline and will present as such in the future.

Ms. Bell stated that the average number of child protective services (CPS) cases that a worker would be responsible for in SFY 2019 would be 30 cases which includes CPS not at full staff capacity along with past due cases. In SFY 2019, the average number of months to permanency through reunifications is 9.4 months. The average number of months to permanency through adoption for SFY 2019 is 37.5 adoptions. The state is working with child specific recruiters modeled after the Wendy's Wonderful Kids Program through the Dave Thomas Foundation. There are other ongoing efforts to reduce the total number of months that a child is in foster care. However, the number of children in the custody of or are committed to CHFS has continued to rise from September 2014 to August 2019. CHFS continues to advance prevention services to keep children from being placed in out-of-home care.

Laura Begin, Legislative Liaison, Regulation Coordinator, Department for Community Based Services, Cabinet for Health and Family Services, stated that along with HB 1, HB 200 included additional funds to DCBS that has been used for foster care and adoption supports, raises given to social workers and supervisors, and expanded services to relatives and fictive kin. The 2019 Regular Session House Bill 2 focused on relative and fictive kin caregivers. The 2019 Regular Session House Bill 158 required fingerprint based background checks for childcare facilities, created the Foster Youth Bill of Rights, and reduced the time for involuntary TPR cases to become final. The 2019 Regular Session House Bill 446 required a list of relatives or fictive kin when the child is removed from the home, gave foster parents standing as a party in a voluntary TPR case, and made foster parent licensure effective for a minimum of three years.

In response to comments and questions from Senator Buford, Ms. Bell stated that the Division of Protection and Permanency is making calls to each region to identify the barriers and solution to advance adoptions. She anticipates improvements with those barriers and the results to be noticeable by the end of SFY 2020. Ms. Caywood stated that in a previous comparison of states, Kentucky was average in the number of months to adoption but did very well with the placement of older youth that had in care for a longer period. DCBS is working with the AOC regarding the hearing process prior to receiving formal data on HB 1.

In response to questions and comments from Senator Westerfield, Ms. Caywood stated that the caseload for CPS workers varies by county and region. The information in the presentation is the average for all CPS workers across the state. Staff retention is the largest hurdle in the caseload status for CPS workers. DCBS hopes to get to the federal standard that would reduce Kentucky's average number of months to adoption by 10 months.

In response to questions and comments from Representative Meade, Ms. Caywood stated that there are circumstances that allow DCBS to file for TPR sooner than later however, DCBS must recognize the parental rights.

In response to questions and comments from Representative Hatton, Ms. Caywood stated that the majority of children served are in their home of origin or reunified with their home of origin. She stated that foster care and adoption are not the only solutions to child welfare. Preventative measures should be taken before steps are taken towards foster care and adoption.

In response to questions and comments from Representative Jenkins, Ms. Caywood stated that DCBS can provide data on the outcomes of reunification and the safety of the children after reunification. DCBS has expanded the family preservation and reunification services. The Family First Prevention Services Act funding from the federal government will be incremental and allow DCBS to provide more services within the home.

In response to questions and comments from Representative Meade, Ms. Bell stated that the average number of months to permanency by reunifications is related to the child's current episode in care. The numbers do not take into account multiple removals. DCBS can provide information regarding the total number of months a child is in foster care along with the number the removals. In regards to the average CPS caseload, a family, regardless of the number of children, is considered to be one case. DCBS anticipates that the Family First Prevention Services Act funding will bring the out-of-home care caseloads down and increase the number of in-home cases. The administrative regulations regarding the three year foster parent recertification have been filed and are projected to go into effect in September 2019.

In response to questions and comments from Senator Westerfield, Ms. Bell stated there is a long list of reasons as to why the months to permanency through adoptions are numerous. One barrier to adoptions is that there are not family courts in every county. In some rural counties, family court is only held once per month. DCBS works hard to reduce what the workers have to complete that become workload barriers. The barriers vary in need by region. DCBS has requested approval for the school authority to require background checks but the Federal Bureau of Investigation (FBI) has denied the request because the term staff member was not defined in the legislation. Ms. Caywood stated that the fingerprinting machine in First Lady Glenna Bevin's website video is for private child placement agencies to fingerprint foster or adoptive parents that is different from the House Bill 158 issue with fingerprinting. Child placing agencies are using CHFS statutory authority to conduct those fingerprint-based background checks.

In response to questions and comments from Representative Bechler, Ms. Caywood stated that in regards to the months to permanency through adoption, the timeframe starts when a child enters foster care. When a child returns home DCBS continues to monitor the child for a period of time, typically up to six months, before the case is closed. There are cases of relatives or fictive kin that petition the court for the custody of a child with CHFS not having any involvement in the preceding and the court awarding custody. If there are allegations of abuse or neglect typically the family court will report those allegations to CHFS for possible investigation. Custody could be given to the family or fictive kin by the courts before the CHFS investigation is complete. Ms. Stephens stated that the AOC can attempt to get the number of cases where the custody of a child is given to a relative or fictive kin and CHFS is not notified. The tracking system used by AOC may not be able to analyze such data on a higher statistical level. Ms. Caywood stated that there are limited monetary supports available to relative caregivers who receive custody directly through the courts.

Ms. Begin stated that the Family First Prevention Services Act allows funds to be spent on providing preventive services to families instead of only paying for foster care services. Kentucky is the only state in the southeast region to be an early implementer of Family First preventative services.

Adjournment

There being no further business, the meeting was adjourned at 11:49 AM.

INTERIM JOINT COMMITTEE ON EDUCATION

Minutes of the 2nd Meeting of the 2019 Interim

July 10, 2019

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Education was held on Wednesday, July 10, 2019, at 1:00 p.m., 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 Regina Huff, Co-Chair; Senators Jimmy Higdon, Stephen Meredith, Gerald A. Neal, Dan "Malano" Seum, Reginald Thomas, Johnny Ray Turner, Stephen West, and Mike Wilson; Representatives Tina Bojanowski, Randy Bridges, John Bam Carney, Jeffery Donohue, Jim Glenn, Mark Hart, Scott Lewis, Bobby McCool, Reginald Meeks, Steve Riley, John Sims Jr, James Tipton, Russell Webber, and Lisa Willner.

Guests: Chris Redle, Bluegrass Golf Foundation; Tennye Ohr, PGA Teaching Professional; Kevin Mims, KY Golf Coaches Association; Eric Straub, and Trent Taylor.

LRC Staff: Jo Carole Ellis, Joshua Collins, and Maurya Allen.

Chair Wise welcomed Governor's Scholars Program participants from Centre College and Bellarmine University campuses. Representative Bridges also welcomed Eric Straub and others.

Approval of Minutes

Representative Meeks made a motion, seconded by Senator West, to approve the minutes of the June 5, 2019, meeting as written. Motion passed by voice vote.

Kentucky High School Athletic Association

Commissioner Julian Tackett, Kentucky High School Athletic Association (KHSAA), and Chad Collins, General Counsel, KHSAA, were in attendance to give a general overview of the agency for committee members. Commissioner Tackett began the presentation by saying that the KHSAA is the 280 schools that participate together in high school athletics. The organization was founded over 100 years ago as a non-profit, and continues to maintain a 501c3 status. As a non-profit organization, they have an independent audit performed every year. They are also a public-private partnership, with a blend of public schools, private schools, and more recently home schools. KHSAA adopts the NFHS rules for playing in order to best facilitate games played across state lines, but are otherwise free from NFHS mandates. There were over 57,000 boys and 48,000 girls on rosters in 2017-18 participating in 13 sports and 6 sport-activities, including e-sports. And in the next few days, the Board of Control is expected to approve membership of a new non-public school to bring the number of member schools to 281. Overall, the KHSAA and school sports are the most effective drop-out prevention program in high schools today.

Commissioner Tackett next explained that there has been significant change to the structure and function of KHSAA since its inception. Most notably was a re-organization in the 1970s following a federal court case ordering more black officials, as well as restructuring of the Board of Control for more representation of minorities. Transition continued through the passage of legislation such as KRS 156.070 which formally allowed Kentucky Board of Education (KBE) to designate the KHSAA to manage athletics. Additionally, in the 1970s, employees whose position require them to hold a college degree were incorporated in the KTRS. Later, through an executive order in 1984, non-college degree holding employees were included in the KERS, making it one of the 'quasi government' agencies affected by the current pension funding discussions.

Authority for KHSAA starts with the

General Assembly, who established in KRS 156.070(2) the requirement for the KBE to manage and control the common schools, including interscholastic athletics in the schools and authorizes the KBE to designate an agency to manage athletics. The KBE appoints members of the KHSAA Board of Control, who are elected by the member schools. The Board hires the Commissioner and staff and creates the rules and regulations that member schools agree to follow. Until the mid-1990s the Board also determined student eligibility after initial review by the Commissioner. Composition of the Board led to allegations and innuendo regarding decisions as well as inconsistent rulings. In 1996, KHSAA appeals were made subject to the administrative hearing procedures in KRS 13B which requires using independent hearing officers. This has led to greater separation under the law for student eligibility and transfer decisions. Collaborative work with the legislature has resulted in several positive improvements including the transition from slow pitch to fast pitch softball and expanding the pool of coaches by allowing non-teaching coaches in all sports.

In 2009 there was a landmark piece of legislation, House Bill 383 (KRS 160.445), that requires safety training for coaches and facility specific emergency action plans. This legislation has resulted in tremendous improvement to player safety, as well as a significant cost savings for schools. In 2010, there was significant streamlining to the due process procedure to facilitate investigation into rules violations and eligibility. Under the new procedure, staff serve as initial ruling officers, providing a ruling typically within seven to 10 days. From the initial ruling, there is a 20 day notice of appeal for an administrative hearing with an independent hearing officer. A final decision is issued by the hearing officer within 30 days. Typically, these decisions take less than 14 days, and there is a process by which schools can waive the appeal process following the initial ruling. Of the 1000 rulings per year, there are only around 120 appeals. Rigid adherence to KRS 13B procedures would have resulted in such delay that transferring students would not know their eligibility status before their season was over.

A Title IX audit program was established in 1999, in accordance with administrative regulations and KBE directives, and is performed in every school on a regular basis. Retired educators are trained to go to schools and evaluate everything related to Title IX and athletics including facilities, equipment, and uniforms. Within a six year window, all schools are visited at a cost of approximately $70,000 to $90,000 annually; although the costs are not passed on to the schools or supported by general fund appropriation. However, KHSAA can only make recommendations; it does not have authority to penalize schools for non-compliance. In 2010, KHSAA worked collaboratively with the General Assembly and the KBE to implement middle school requirements due to concerns about health and safety. Most recently, there has been collaborative legislation to bring athletic opportunities to home schooled students without infringing on the member schools and their students.

There is no general fund appropriation for KHSAA; however, there are annual school dues. Unlike many states, these dues are not sport exclusive. KHSAA's daily operations are sustained predominately on event revenue from statewide competitions such as from basketball and football tournaments. Other state associations get district and regional event monies. Despite these limited revenue sources, there is not a pressing need for funding right now as KHSAA also gets corporate and private sponsorship. The building housing the KHSAA is owned by the organization, making them debt-free and freeing funds for other purposes. Approximately $4 million flows through the organization each year, and nearly 90 percent of the school dues every year is remitted to pay for the catastrophic insurance required for event participants and liability insurance.

The KHSAA operational philosophy is not to create events that ensures the absolute best possible field at the state tournament or to ensure that quality of play is the best it can be; rather, the Board of Control and staff strive to ensure that all regions of the state have an opportunity to have competitors experience the state championship and represent their schools, communities, and regions. This may not always result in the absolute best individuals or teams going to the state championship, or even the best quality of play, but it does ensure a quality experience for all athletes.

There are 13 full-time staff, 3 part-time staff (including a custodian), and 4 retired school administrators for the Title IX audit program, resulting in a much smaller organization than many envision. Commissioner Tackett again emphasized that the 280 member schools are the core of the organization. No school has any greater influence or importance than any other school. The 18 members of the Board are diverse by design. There are eight elected by schools (one for every two basketball regions), two elected by schools that must be female, two elected by schools that must be African-American, two elected by schools that must be from non-public schools, and then four appointees by the Kentucky Department of Education. Currently, the Board has a wide range of diversity among its members' professions as well, including active and retired coaches, active and retired athletic directors, active and retired farmers, superintendents, a guidance counselor, a college professor, a diocese education director, and a car dealer.

Commissioner Tackett also briefly discussed issues regarding the state golf championship. He explained that changes had been made to the procedures for the tournament as a result of the unpredictable weather in fall and problems with students needing to stay longer to complete the rounds of play due to inclement weather delays. The process started by looking at what other states do with their state golf championships. The decision was made to reduce the number of players attending the tournament to 144, which is higher than any other state high school golf championship. However, it was difficult to determine how best to reduce the number of students while not slighting small schools who may only have one golfer. Pace of play was also a serious concern, and depends on rigid enforcement by officials. It was a no-win situation for the Board in terms of satisfying all of the member schools. The format changes were designed to best ensure representation of the entire state in order to satisfy the mission statement of the KHSAA. Commissioner Tackett also said that the format changes were still under consideration and would be discussed at the upcoming KHSAA Board meeting in late July. However, a great majority of schools and others who had provided feedback said they preferred to have the runner-up team from each region eliminated versus moving to a '4 play 4 count' format, which is admittedly a different format from the rest of the golf world.

In closing, Commissioner Tackett said that some ongoing challenges KHSAA faces are in terms of officials and officiating. Members of the General Assembly and others have been looking at making changes to KRS 518.090, assault on sports officials. It was a leading piece of legislation when it was passed, but is now a distant follower in terms of what other states are doing to protect sports officials. There is also a serious lack of certified trainers. Working with Kentucky Athletic Trainers Society and Kentucky Medical Association, as well as members of the General Assembly, KHSAA is trying to address this situation. There are anticipated changes to the tennis state championship tournament format in the next year.

In response to question from Chair Wise, Commissioner Tackett said that the games played in esports tournaments do not involve shooting. However, League of Legends was a topic of concern and has been discussed with Jon Akers and the Center for School Safety. There is an ongoing discussion about whether to continue prohibiting the game or to provide more instruction to schools in order to allow them to make an informed choice.

Responding to questions from Senator Higdon, Commissioner Tackett said there is steadily increasing participation in all sports except football. Football continues to decrease in participation and the KHSAA is looking into promoting it and viable alternatives, including lacrosse. There is particularly strong increase in girls' sports participation. And there is also steep decline in officials for wrestling and soccer. Recruitment of officials is a difficult situation because of walking the line between being an employer and an independent contractor. However, the student participant pool is increasing, especially for soccer. Senator Higdon added that in addition to school sports being great drop-out prevention, student athletes also make excellent employees.

Regarding coaching questions from Senator Seum, Commissioner Tackett said there is an age requirement, but there is no education requirement in terms of a college degree. There is a background check and some minimal training requirements, but the costs for those are small. For teachers who take on coaching, those are considered extra-duty assignments, and there is limited training required. A lot of authority is granted to local schools to fill their coaching needs.

In response to questions from Representative Tipton regarding safety, Commissioner Tackett said there are not currently any requirements on portable automated external defibrillators outside of what is required in statute. KHSAA worked to facilitate getting AEDs to many schools at a very low cost. There is ongoing work toward getting grants to afford one at every venue, not just in every school. He also said that KHSAA would like to continue working to inform parents and students about the 'dead period' between the sports seasons and the importance of preserving it for students' wellbeing. Finally, Mr. Collins and Commissioner Tackett said it would be a benefit for KHSAA to have subpoena power.

Following comments from Representative Carney, Commissioner Tackett said that Spaulding game ball company, based in Bowling Green, and Whitaker Bank in Lexington were platinum level sponsors. There are a number of other corporate partners including Ted Cook Tire in London, Musco Sports Lighting in Georgetown, Bob Roberts Insurance in Richmond, University of Kentucky Healthcare Orthopedic Center, and many more small and large partners who provide services at low- to no-cost to KHSAA and the partner schools. Representative Carney also said he was glad to work with KHSAA on KRS 518.090 as it is something that would be beneficial to officials and school districts.

In response to a question from Senator Wilson, Commissioner Tackett said that the home school groups were now fully integrated into the KHSAA schedules. There are approximately a dozen teams that have entered into team sport competition, and an even larger number of students participating in track and single-participant sports. This area has taken off in terms of participation, providing excellent opportunities for all the students involved.

Responding to Senator Meredith's questions, Commissioner Tackett said that concussions and head injury were constantly being studied. The current challenge is lack of a mandatory period of rest for students, largely because there is so much variability in how individuals recover from a head trauma. Education seems to be the most important piece to reaching parents and students and ensuring that they take head injuries more seriously instead of 'doc shopping' until they are cleared to play. He agreed that by and large soccer and cheerleading are the most concussion prone sports and there should be some model guidance coming before the KHSAA Board soon that will be passed on to schools.

In response to questions from Representative Willner, Commissioner Tackett answered that the biggest challenges with Title IX compliance are playing uniforms and equipment which are replaced more often for boys than girls. Additionally, there are fewer opportunities for girls to participate in sports. While there is little KHSAA can do to make schools see problems, as a last resort they do occasionally refer schools with significant inequity to the Office of Civil Rights in Philadelphia to help ensure that compliance issues are taken seriously. Fayette County has had tremendous inequity in terms of softball facilities for several years, and while they are beginning to address this, they are only correcting one field per year. This means that some facilities are five and six years away from being addressed. This may be an area where some policy guidance may be useful.

Responding to questions from Senator Thomas about Amateur Athletic Union (AAU), Commissioner Tackett said that the KHSAA cannot check the grade records of students unless it is part of a transfer eligibility investigation. Manipulation of class has only recently become an issue and does not seem to be a large problem currently in our schools. In response to questions about transgender and cross-gender students, Commissioner Tackett said the KHSAA defers to the local school to determine the student's gender and then participation is based on that. However, those that are biologically male or identifying as male cannot participate in exclusively female sports in order to protect opportunities for more girls to participate in sport. But there are such a wide variety of sports that all students should be able to find an opportunity to participate.

Opposition to Proposed Changes to State Golf Tournament

Mr. Eric Straub thanked the members for allowing them to be present to share their passion and concerns with the high school golf tournament. He gave brief testimony regarding their attempts to persuade the KHSAA to return to the '5 count 4' format. Ms. Tennye Ohr added that a '4 count 4' format would potentially run the risk of disqualifying a team should any member become ill or injured before the tournament, as there are also not currently any substitutions allowed. Mr. Kevin Mims added that there were a number of other ways to address pace of play, or reduce the number of students at the state championship, suggesting perhaps instituting district level competition to post-season play.

Responding to questions from Chair Wise, Commissioner Tackett answered that there have been efforts to address pace of play in other ways, but different courses are structured differently, so it is hard to apply the same rules throughout the season. There are also those that refuse to be rigid in enforcing checkpoints or other alternatives. Adding an additional round of post-season play as suggested would eliminate even more students, and increased participation depends on the viewpoint. There is also an open mind to try this approach and evaluate it afterward to see how it works. They will look into the rules regarding sickness and injury as a separate issue. Currently, the decision to go to 144 players is final, but there is still some opportunity for the Board to return to a '5 play 4 count' structure in their upcoming meeting.

Responding to questions from Representative Riley, Commissioner Tackett said there were no dissenting votes on the matter at the February meeting. Representative Riley also expressed concerns about the illness and injury issue and a desire for substitutions. Commissioner Tackett said that that situation will be addressed after the final format is decided.

Representative Carney made comments regarding the desire to see the sport grow and a desire to see all the parties come together to reach a decision that will address all the needs of athletes.

Representative Bridges also commented that he would like to see opportunities provided to all the students who, as the fifth member of a team, may only get one chance to attend the tournament.

In response to questions from Senator Thomas, Commissioner Tackett said that the addition of more post-season play is something that has been not eliminated, but poses its own significant issues. Specifically that would stand to eliminate more teams and students from outside the higher population triangle, thus going against the KHSAA operational philosophy of ensuring that all regions of the state have an opportunity to experience the state championship.

Chairman Wise again thanked the Commissioner for coming and with no further business, the meeting adjourned at 3:15 p.m.

INTERIM JOINT COMMITTEE ON EDUCATION

Minutes of the 3rd Meeting of the 2019 Interim

August 21, 2019

Call to Order and Roll Call

The 3rd meeting of the Interim Joint Committee on Education was held on Wednesday, August 21, 2019, at 1:00 p.m., in Room 149 of the Capitol Annex. Representative Regina Huff, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Max Wise, Co-Chair; Representative Regina Huff, Co-Chair; Senators David P. Givens, Jimmy Higdon, Alice Forgy Kerr, Stephen Meredith, Gerald A. Neal, Dan "Malano" Seum, Reginald Thomas, Johnny Ray Turner, Stephen West, and Mike Wilson; Representatives R. Travis Brenda, Mark Hart, Scott Lewis, Mary Lou Marzian, Reginald Meeks, Charles Miller, Kimberly Poore Moser, Melinda Gibbons Prunty, Steve Riley, Attica Scott, John Sims Jr, James Tipton, Russell Webber, and Lisa Willner.

Guests:

LRC Staff: Jo Carole Ellis, Joshua Collins, Lauren Busch, and Maurya Allen.

Approval of Minutes

Following the welcome of special guests, Senator Wilson made a motion, seconded by Representative Tipton, to approve the minutes as written. The motion passed by voice vote.

School District Perspectives on Issues Impacting the Education of Students in Foster Care

Eric Kennedy, Director of Advocacy, Kentucky School Boards Association, Dr. Deann Allen, Instructional Supervisor, Clay County Schools, and Jamie Weddington, Superintendent, Lewis County Schools, were present to speak regarding this issue. Mr. Kennedy said that the number of children in foster care is rising and almost all of them are educated in the public school systems. Without question, the issues facing them are consistent across the state.

At the July Child Welfare Oversight and Advisory Committee meeting, it was reported that over 9,000 children are currently in foster care, with 56 to 58 percent of those children placed with private foster care providers. Up until now, much of the attention towards foster children has been centered on the social services aspects, such as safety and moving through the legal system. Education is not always at the forefront, but it is vital to their long-term wellbeing. More than receiving education, they are being cared for, nurtured, fed, and loved in the public schools.

A primary concern for schools is that the information that would have been received by the school from parents during school enrollment periods is sometimes significantly delayed or not received at all for foster students. Foster children often do not receive the same levels of support from home that other students receive. Additionally, school staff do not have the same levels of collaboration between the classroom and home for foster students as they do for other students. The system is larger than just a single school; it incorporates everyone in the community surrounding the students. This presentation was not meant to criticize any single party but highlight the issues that need to be addressed by all stakeholders. There are five general categories of concern including lack of critical information provided to schools which impacts the ability to make proper educational placements; lack of stability in home placement that leads to lack of educational stability; inadequate support for education in the foster home; inadequate collaboration with the district to provide needed support services; and contacts with social workers or guardian ad litem that disrupt learning and could be done at different times.

Dr. Allen said that education is key to economic opportunity and every child deserves that opportunity and access to the best education possible. Over half of the foster care students in her district receive special education services. The federal laws require that without a parent signature an Individualized Education Program (IEP) cannot be established. This hampers the ability of the school to provide the services the child needs. She gave an example of a student who came into her school this year with an IEP that dictates homebound services, so he stays home three days a week to receive these services. But uncertainty within the foster home and with the school makes it unclear whether this child will continue to receive the education he needs. The child himself does not know the necessary information in order to provide it. One of the saddest stories she shared was that of an 8th grader who had already been in 60 foster placements. During his time at Clay County, he went through four more placements before he was eventually transferred out of the district. It is impossible for students to create the necessary social and emotional bonds when they are so frequently moved between homes, schools, and districts. There is also very rarely any consideration for school calendars and schedules.

Dr. Allen also gave examples of students who are deaf and placed in homes without any signing adults, children being charged mileage by their foster parents in order to drive them to school, and other children whose foster parents will not allow them to participate in sports because it is too time consuming. There is severe culture shock also occurring for foster children who are moved so frequently. But when schools are unaware of prior history, they are unable to provide the best support and mitigate possible triggers for children who have suffered clear trauma. She further illustrated the many kinds of crisis that students are in when they come to the school, and the difficulties providing care when information is unavailable or there are conflicts in the IEPs.

Mr. Weddington said that lack of communication is the number one difficulty he faces in his district, and often, foster parents are unaware of the child's history or issues so they cannot share what they do not know. He shared the story of a young man who formed meaningful relationships with the basketball and football coaches in Lewis County and was able to graduate and enter postsecondary education. If the foster parents had chosen not to keep him, many of the teachers at the school would have volunteered to take him in order to support his education. But it took support from the coaches and parents in order to keep the student engaged and provide for the small things, such as before game meals and transportation. Time must be taken to ensure the proper placement for these students so that the best decisions are made and can result in less re-homing and movement among districts.

Mr. Weddington also said that he has experience with foster care parents who were removed from one private provider but went to another agency in order to continue receiving placements. He knows that these parents are not engaged in their students' education, but without communication routes between the schools and providers, there is little that can be done to assist these students.

Mr. Kennedy summarized saying there is a lack of critical information; even though there are many laws, policies, written procedures, and forms in place to facilitate the sharing of educational information for students in foster care. Even when a biological parent signs over educational decision making to the foster system, parents is not preclude from being present for decision making meetings (such as evaluation for IEPs). Lack of stability in home placement is terribly common, and education stability is more than just enrollment in a given district. The ability already exists for the department to prevent frequent transfer of foster students, but the funding needs to be provided for them to enforce the requirement. Use of respite care for extended periods is also a factor in lack of educational stability.

Some parents are not as invested in the care of their foster students as they need to be, and need better training. Many foster parents have not had any children of their own and need assistance in not just foster needs, but basic parenting skills. Lack of interest in and support for extracurricular activities and student supports offered by schools is often seen, even though foster children could benefit greatly from participation in these activities. Inadequate collaboration with the district comes with a lot of expense. Outside of just education needs, schools serve as a vital delivery mode for other supports such as clothing, food, and medical care. Better coordination of care across departments and agencies is essential and could have an enormous positive impact. Federal Medicaid expansion is anticipated to assist in this, but there are other areas where the Cabinet for Health and Family Services (CHFS) could address it with better coordination. More social workers and analysts would be able to make positive improvements through something as simple as expediting paper work.

In closing, prioritizing education and keeping these vulnerable students in the classroom through the entire day would be in the best interest of the child. Education should be a foremost consideration, not an afterthought. Requiring that the child's social worker accompany the child and foster parent when enrolling at a new school could close the gap regarding transfer of information to the school. Allowing the new district direct access to student information in Infinite Campus would also ensure the timely transfer of information. Continuous implementation of performance-based contracting between CHFS and private foster care providers could be made to prioritize education and placement stability through incentives and disincentives. By allowing school liaisons to share information with the Department for Community Based Services (DCBS), including when the school and foster parents lack information, schools can be partners in making the decisions about what would be best for foster students and designing systems and policies to require these needs be met.

Mr. Kennedy also highlighted the Foster Child's Bill of Rights, which was made Kentucky law last year in House Bill 158 of the 2019 Regular Session. Allowing schools to provide necessary physical and mental health support services to a child in foster care in addition to any services they may be receiving from CHFS, private care providers, and others directly addresses the rights outlined in the bill. He also advocated for investing in new foster homes in every community and in high quality foster homes through training and support to foster parents that is focused on education and education stability. He suggested strongly encouraging biological parents to give secondary educational decision-making authority to CHFS and foster parents when a child is removed from the home to vastly improve timely sharing of information. All parties in the child welfare system should be encouraged to collaborate with schools, not only to support students in foster care, but to build up families and help prevent children from being removed from their homes.

The entire panel advocated for additional funding to districts to support the whole foster child, to other programs serving these children, and to children at risk for neglect and abuse (such as the HANDS program). Mr. Kennedy thanked the committee for shining a spotlight on this often overlooked group of students.

Chair Huff asked if there was any data on how Kentucky compares to the nation in terms of transfers of students. Mr. Kennedy said he did not have that data, but that the Cabinet may be able to provide it.

In response to Representative Brenda, Mr. Kennedy said the numbers used today did not include students in kinship care.

Responding to Senator Wise, Dr. Allen said she has close coordination with DCBS in her county and in her experience, DCBS gives information to the foster care provider who then is tasked with enrolling the student. This removes the direct line between the school and the social workers who would have necessary information, thus delaying ability to get information. Mr. Weddington said that their first stop is always with the private provider, and sometimes DCBS does not know which district specific children are assigned to by the private provider.

In response to questions from Representative Moser, Mr. Kennedy said in terms of the expansion of school plans in response to Senate Bill 1 of the 2019 Regular Session, there are many schools who are unclear when to bill Medicaid for services. Expansion of free care will hopefully allow schools to expand the number of care providers in the schools to address the needs of all students.A key piece will be providing information to districts on who can bill Medicaid and how, because they are unfamiliar with how to navigate these medical services.

Responding to Representative Gibbons Prunty, Dr. Allen said Infinite Campus has many parts including a teacher section, a school section, and a district section. When a child is transferred from one district to another, the records have to be requested by the receiving district and then imported into the new district when they are released. Mr. Weddington added that these students move so quickly that sometimes it is difficult to get access to the person who can release the information in a timely fashion. And sometimes there is information not even included in Infinite Campus, such as medical history.

Responding to Representative Scott, Dr. Allen said school bus transportation is provided to all students, including foster students, to get to school during regular instruction hours. However, there is a significant gap in providing for transportation for foster students to participate in extracurricular activities. She reported there is no additional cost to providing bus transportation. Additional costs are typically only incurred when additional personnel are needed to address the needs of foster children with IEPs. Additionally, Mr. Weddington said requiring foster parents to sign up for parent portal would be an excellent suggestion, so they could receive notifications regarding the student in a timely fashion.

In response to questions from Senator Higdon, Mr. Kennedy said the federal 'free care' program is a bit of a misnomer. It is actually more an ability to bill Medicaid for more students than is currently allowed. The program will expand it for schools to be reimbursed for any Medicaid eligible service provided to all students free-of-charge when students take advantage of those services.

Responding to questions from Senator Givens, Mr. Weddington and Mr. Kennedy said they both would prefer as much funding as possible, whether it is earmarked for a specific purpose or not. The schools will provide transportation and textbooks, regardless of how the money comes and whether those categories are fully funded or not. Schools do have the ability to flex money to where they need it already for many categories. Having the guidelines on where the legislature wants to place emphasis is nice, but flexibility is very important because Frankfort cannot anticipate what each individual district may need. Mr. Weddington did say that the rural districts are disadvantaged by the current distribution of funding for transportation.

Eric Clark, Commissioner, DCBS, Elizabeth Caywood, Deputy Commissioner, DCBS, and Mary Carpenter, Assistant Director, DCBS Division of Protection and Permanency, came forward to give a response to the presentation. Commissioner Clark said it is an exciting time of change and transformation for CHFS, and apologized that he was reacting to this presentation instead of being more proactive. CHFS is seeking to address many of the specifics in the presentation, and unfortunately there was not time today to address them all individually. But he wanted to stress the need to elevate the conversation and change the way foster care is discussed. Children enter the foster care system because there is trauma in their homes, and often times that decision, and the foster care system, causes more trauma than what they were already facing at home. Last fiscal year, over $475 million were spent on children in foster care, and just over $18 million was spent on prevention, such as in-home services. Over 96 percent of children receiving prevention services stayed in their homes. Working with biological families can provide overwhelmingly positive results in keeping students in schools and in their families. Upstream attention is invaluable. Children also linger too long in the foster care system, and sometimes the school system is the most stable location for a social worker to meet with a student.

Ms. Caywood said the presentation today did not take into account the situations causing students to be removed from homes and the need to provide safety for students. Safety will always be the priority of the DCBS, and often children leaving an unsafe situation are not equipped to learn. Schools need to take that into account first and foremost.

In response to questions from Senator Thomas, Commissioner Clark said the HANDS program is very highly regarded and expanding funding for it would be very welcome, however, mandatory parenting classes would be a very difficult thing to implement and enforce.

Responding to questions from Senator West, Ms. Caywood said there were 9,660 foster students as of earlier this month, which does include some foster students in kinship care situations. Foster care maintenance, arrangements with foster care providers, staff salaries, psychiatric services for children, and many other things factor into the over $400 million spent on foster care children. And those dollars are paid from several different areas including state funds, federal funds, Medicaid funds, TANF, and others. The average cost per child is a bit over $53,000 a year. But these children are also headed for homelessness and other negative outcomes because they are not equipped for the workforce, so the conversation surrounding their care definitely needs to be had.

Responding to Representative Tipton, Ms. Caywood said there are a multitude of placement types. Approximately 32 percent are in DCBS, and slightly more than half are in private provider placements. They have oversight of the performance-based contracts between the state and private providers and broad authority to govern those agencies. Additionally, as a result of study groups, the contracts between DCBS and private providers are currently being studied and made more robust. Responding to further questions, she answered that over 35 percent of children in foster care had substance abuse as a factor in their removal.

In response to Representative Brenda, the panel responded that a state-wide regional breakdown of where children are entering foster care and where they are placed could be provided to members.

In response to Representative Willner, Commissioner Clark said there is a team in Washington D.C. currently investigating programs that help students stay in their homes in order to determine which programs would best serve the citizens of the Commonwealth. START (Sobriety Treatment And Recovery Team) is an in-home prevention service that is currently being implemented in this state that helps reunite parents, often mothers, with their children through a robust mentorship program. Ms. Caywood also said there are federal grant funds available to support the implementation of evidence based programs, and some specifically for the rural regions.

Responding to Representative Gibbons Prunty, Commissioner Clark said active engagement in the community helps families move forward instead of stagnating in situations that would not help them or their children. Ms. Caywood said expanded Medicaid has helped in some states because parents can access services and therefore they do not reach a point where children are removed from homes with their biological parents.

In response to Representative Moser, Commissioner Clark said he was unsure how much more funding schools could receive for expanding services and hiring more care providers.

With no further business to come before the committee, the meeting adjourned at 2:50 p.m. The next meeting of the committee will be Wednesday, September 11, 2019.

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

Minutes of the 1st Meeting of the 2019 Interim

August 23, 2019

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Veterans, Military Affairs, and Public Protection was held on Friday, August 23, 2019, at 1:00 PM, in Room 149 of the Capitol Annex. Representative Tim Moore, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Albert Robinson, Co-Chair; Representative Tim Moore, Co-Chair; Senators Julian M. Carroll, C.B. Embry Jr., Denise Harper Angel, Ernie Harris, Dennis Parrett, Wil Schroder, Brandon Smith, and Mike Wilson; Representatives John Blanton, Myron Dossett, Jim DuPlessis, Mark Hart, Matthew Koch, Scott Lewis, C. Ed Massey, Patti Minter, Rob Rothenburger, Dean Schamore, Walker Thomas, Susan Westrom, Buddy Wheatley, Rob Wiederstein, and Les Yates.

Guests: Samuel Deeds, Distinguished Veteran; Commissioner Benjamin Adams, Kentucky Department of Veterans Affairs, Deputy Commissioner Dean Stoops, Kentucky Department of Veterans Affairs, Mark Bowman, Executive Director of Veteran Centers; Commissioner Richard Sanders, Kentucky State Police, John Tilley, Secretary of Kentucky Justice and Public Safety Cabinet, Heather Wagers, Cabinet Legislative Director; Brigadier General (Ret.) Steve Bullard, Executive Director, Kentucky Commission on Military Affairs, Chief Jim Sims, National Guard Association of Kentucky, John Harvey, President of the National Guard Association of Kentucky; Chief Donald Bowman, Veterans Outreach Coordinator of the Epilepsy Foundation of Kentuckiana, Alex Nauert, Brain Injury Alliance of Kentucky

LRC Staff: Jonathan Philpot, Elizabeth Hardy, and Jamie Scowcroft

Distinguished Veteran

Gunnery Sergeant (Ret.) Samuel Deeds was raised in Maine. He served more than 14 years in the United States Marine Corps before retiring in 2011 due to an injury received in Iraq by two Improvised Explosive Devices. After retiring, he struggled with Post Traumatic Stress Disorder and Traumatic Brain Injury. He joined a professional skydive team called Team Fast Tracks that helped him find his purpose of giving back to others.

Kentucky Department of Veterans Affairs

General Ben Adams from the Kentucky Department of Veterans Affairs spoke on several funding goals for the years 2020 through 2022. These priorities include: $480K for Nurse Student Loan Repayment Program and $25 million for competitive salaries for Nursing Staff, $2 million for 20 additional Benefits Reps, $200,000 for Homeless Veterans Program, and $2.5 million for design work on the Bowling Green Veterans Center Project.

General Adams also went over legislative priorities for the year 2020. Those priorities include: Exempt military retired pay and survivor benefits from state income tax, exempt Veteran Service Organizations from property tax, the design and preconstruction of Bowling Green Veterans Center, clarify eligibility for special military license plate and provide a special military license plate for spouses as well, amend KRS 132.810 to expand the homestead exemption in the Constitution to include surviving un-remarried spouses of disabled veterans of the United States Armed Forces, etc.

Senator Schroder made a comment regarding the Honor and Remember flag as the state's emblem of the service did have some feedback that was not in favor of this legislation. General Adams responded that he has heard some of the negative feedback as well but dictated this is all in an effort not to forget veteran sacrifices in the state of Kentucky.

In response to Representative Blanton's question on updates on bed appropriation of privatizing more rooms so beds can be put back in them, General Adams said that they are still studying how to go from semi-private to private rooms.

Representative Schamore commented that he supports allowing certification as a Disabled Veteran-Owned Small Business because when his company gets out of state bids they ask for certification that they do not have.

Representative Massey made a comment in regards to Senator Schroder's comment that he believed the feedback had shifted into a more positive direction because the flag is not there to replace the American flag but to honor Veterans.

In response to Representative DuPlessis question, General Adams stated that they are unsure how much more revenue they will bring in once they get 20 additional Benefit Reps. He anticipates however, there will be an increase beyond the $2 million requested.

Kentucky State Police

John Tilley, Secretary of Kentucky Justice and Public Safety Cabinet, spoke about the Kentucky state lab technicians and the decrease in employee numbers. The Kentucky crime lab is funded by state tax dollars and about 120 individuals work there. It has significant turnover because of low pay. Many times the state will pay to train lab technicians who then get a job in another state because the pay is up to 30 percent more. He also said that Kentucky State Police pay ranks last in the country and every four years there is a 40 percent turnover.

Commissioner Sanders talked about the decline in Kentucky State Trooper numbers. Many police officers leave the state police to work at local police stations or civilian jobs that have higher pay. Kentucky State Police ranks 51st out of all state law enforcement agencies when it comes to pay. Commissioner Sanders would like the pay increased by $10,000 so the starting pay would be $46,000 but said even a $4,000 increase would help. In 2006 there were about 1,079 state troopers and today there are only 794 troopers. A higher starting salary is important for recruitment and retainment of troopers.

Representative Wiederstein asked if there was an annual attrition rate figured for the Kentucky State Police. In response, Commissioner Sanders explained that over the last couple of years around 30 to 40 troopers retired which is higher than usual. He anticipates those numbers to decrease due to the progressive pay scale and troopers are staying to receive their High-3 or High-5 retirement plan.

Representative DuPlessis explained that if a $5,000 raise was given to every current trooper would cost the state about $3.7 million. He then asked if it was possible to pay the current troopers with that pool of money to keep up retention in the troops. Commissioner Sanders explained that because of the progressive pay scale, troopers have raises to look forward to. He explained that the real problem lies within the entry level pay and if it was higher, more people would apply.

Representative Blanton commented that because many of these troopers are retiring sooner, the Commonwealth is losing 10 to 15 years of service from that person because there is not a competitive salary. He continued by saying the number of people applying has steadily declined over the last 20 years and there is no way by looking at that to determine if the pension system has contributed to the lack of applicants. Representative Blanton said a lot of local law enforcement agencies pay more and that is what contributes to low applicant numbers.

Kentucky Commission on Military Affairs

Brigadier General Steve Bullard wanted to go over their priorities discussed with Governor Bevin. The main priority is making Kentucky the most military friendly state in the country. To help meet that goal, the Kentucky Commission on Military Affairs will work with the general assembly, Veterans Affairs, and the Joint Executive Council of Veterans Organizations. He explained that attracting senior military leaders to work in the industry are also means of becoming the most military friendly state.

In response to Representative Rothenburger's question, Brigadier General Bullard explained that his Executive Director position was created in the late 1990s to be the strategic core to manage the efforts of all state agencies and others that are willing to assist in the development of business and industry. He went on to say that it was also created to create opportunities for defense contractors and for veterans to do defense related jobs in the industry.

National Guard Association of Kentucky

John Harvey of the National Guard Association of Kentucky spoke about the state sponsored life insurance program. When a new recruit joins the National Guard they are automatically eligible for a $1,000 life insurance benefit. However, they can increase that up to $50,000 for the National Guard member and up to $10,000 for a family member. With this policy, the beneficiary will receive their payment within 24 hours of their loved one passing away. Mr. Harvey went on to say they wanted the Adjutant General to be designated as the official sponsor for the state sponsored life insurance program.

Chief Jim Sims, Executive Director of the National Guard Association of Kentucky added that the association represents all members of the Kentucky National Guard. There are over 13,000 active policies under the state sponsored life insurance program. On top of the $1,000, members have the opportunity to receive an additional $10,000 benefit for free. Chief Sims' concern is they are not allowed to explain the additional benefit to members at all because of the general counsel for the TAG disagrees. Therefore, many National Guard members don't know about the free bonus of $10,000.

The Epilepsy Foundation of Kentuckiana

Chief Donald Bow, Veterans Outreach Coordinator spoke about a program that started nine years ago called Operation Outreach. The program increases epilepsy awareness and provides advocacy services, education, prevention, outreaches, and support services. The goal is to ensure all Kentucky veterans and their families understand there is an increased risk of Post Traumatic Epilepsy of veterans who have been impacted by Traumatic Brain Injury or Post Traumatic Stress Disorder. To reach veterans across the state, the Epilepsy Foundation works closely with numerous Veterans Organizations to ensure that every veteran they meet receives seizure education and resources to connect with Veterans Affairs and other Veterans Organizations.

Brain Injury Alliance of Kentucky

Alex Nauert from Brain Injury Alliance of Kentucky spoke about their current efforts of 2019. They have assisted over 500 veterans in Kentucky over the last four years. An updated Resource journal has also been distributed across the state at places like universities, hospitals, veteran organizations, and state veteran councils. The alliance also uses social media and Veterans Service Organizations as a key to connect with veterans and communities.

Other Business

Chairman Moore made an announcement regarding a historic marker that will be placed in honor of a plane crash that happened in 1958 during a refueling operation. He also talked about the opportunity to attend the last two Honor Flights of this year.

The meeting was adjourned at 1:44 PM.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Human Resources

Minutes of the 3rd Meeting of the 2019 Interim

August 20, 2019

Call to Order and Roll Call

The 3rd meeting of the Budget Review Subcommittee on Human Resources of the Interim Joint Committee on Appropriations and Revenue was held on Tuesday, August 20, 2019, at 10:00 AM, in Room 129 of the Capitol Annex. Representative Danny Bentley, Chair, called the meeting to order, and the secretary called the roll.

Present were:

<u>Members:</u> Representative Danny Bentley, Co-Chair; Senators Morgan McGarvey, and Stephen Meredith; Representatives Adam Bowling, Melinda Gibbons Prunty, Russell Webber, and Susan Westrom.

<u>Guests:</u> Carol Steckel, Commissioner, Department for Medicaid Services (DMS), Cabinet for Health and Family Services (CHFS); Steve Bechtel, Chief Financial Officer, DMS, CHFS; Jessin Joseph, Pharmacy Director, DMS, CHFS; Pam Smith, Division Director, DMS, CHFS; Senators Ralph Alvarado and Danny Carroll; and Representative Steve Sheldon.

<u>LRC Staff:</u> Miriam Fordham, Kevin Newton, and Benjamin Thompson

Approval of Minutes

Representative Gibbons Prunty made the motion to approve the minutes of the July 9, 2019, meeting, seconded by Representative Webber, and the minutes were approved without objection.

Medicaid Budget Update: Fiscal Year 2019 Year-End Report and Fiscal Year 2020 Outlook

Commissioner Steckel and Mr. Bechtel provided an update on the budgetary needs of the Department for Medicaid Services (DMS).

In response to a question from Representative Gibbons Prunty, Mr. Bechtel stated that restricted funds can only be spent if DMS has the funds available.

In response to a question from Chair Bentley, Mr. Bechtel noted that IGT is an acronym for inter-governmental transfer.

In response to a question from Representative Gibbons Prunty, Mr. Bechtel said that a decline in the Medicaid eligible population was instrumental in DMS being able to cover expenses through the end of Fiscal Year 2019.

In response to questions from Senator Meredith, Commissioner Steckel stated that Managed Care Organizations (MCOs) have a 90 percent medical loss ratio, meaning that MCOs are required to pay 90 percent of the funds they receive from DMS for medical benefits. Commissioner Steckel noted that all administrative costs must come from the remaining 10 percent.

In response to a question from Representative Westrom, Mr. Bechtel noted that administrative costs include obligations like salaries, retirement, and rent. Commissioner Steckel said that administrative costs are anything that don't fall under medical benefits.

Update on Status of 2018 RS Senate Bill 5 Data

Commissioner Steckel and Dr. Joseph provided an update concerning DMS' and contracted MCOs use of pharmacy benefit managers (PBM) and the related costs.

In response to questions from Senator Meredith, Dr. Joseph said Kentucky has gone much farther in investigating MCO practices than other states.

In response to questions from Representative Gibbons Prunty, Dr. Joseph stated that reimbursement claw backs go from pharmacies to the PBM, not back to DMS. Commissioner Steckel noted that although PBM practices may not be as desired, they operate within the law.

In response to questions from Representative Bowling, Dr. Joseph noted that the Wellcare/CVS relationship is different than other MCO/PBM relationships. Dr. Joseph stated that DMS has Wellcare/CVS data, but can't share it because it is considered proprietary and confidential data. Dr. Joseph said that starting July 1, 2020, all MCO contracts will require MCOs to use a pass-through model with their PBMs, bringing other MCOs in line with Wellcare/CVS.

In response to questions from Senator Alvarado, Commissioner Steckel said that new MCO contracts will factor in costs with pharmacy benefits and without pharmacy benefits. Dr. Joseph noted that insulin prices have skyrocketed, but Medicaid prices are lower than on the private market.

Overview and Update on Medicaid Waiver Slots

Ms. Smith provided information concerning Kentucky's various Medicaid waivers and the waitlists or open slots for each.

In response to a question from Chair Bentley, Ms. Smith stated that it is not difficult to get a waiver. Ms. Smith noted that there is one application for all waivers, and filling out an application enables DMS to determine which waiver an individual best fits the criteria for.

In response to questions from Senator Carroll, Ms. Smith noted that all but 20 of the slots for the Michelle P waiver have been filled, though some of those slots are in the process of being filled.

There being no further business before the subcommittee, the meeting was adjourned at 11:39 AM.

TASK FORCE ON ELECTRONIC RECORDING OF OFFICIAL DOCUMENTS BY COUNTY CLERKS

Minutes of the1st Meeting of the 2019 Interim

August 21, 2019

Call to Order and Roll Call

The 1st meeting of the Task Force on Electronic Recording of Official Documents by County Clerks was held on Wednesday, August 21, 2019, at 11:00 AM, in Room 171 of the Capitol Annex. Representative Joseph M. Fischer, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Julie Raque Adams, Co-Chair; Representative Joseph M. Fischer, Co-Chair; Senators Morgan McGarvey and Stephen West; Representatives Angie Hatton and Brandon Reed; Don Blevins, Michael Chodos, Debbie Donnelly, Russell Ford, Branden Gross, Mark Ladd, John McGarvey, Stephanie Schumacher, Debra Stamper, Gabrielle Summe, Pam Thompson, Barry Tuemler, and Tim Vaughan.

Guests: Gino Yoscovits, Quicken Loans; and Patricia Fry, Uniform Law Commission.

LRC Staff: Dale Hardy, Katie Comstock, and Yvonne Beghtol.

Chairman Fischer began the meeting by clarifying that the goal of the Task Force Committee is to implement the eRecording law, SB 114, which passed in Session 2019. One task is to consider eClosing, and eNotarization in other states.

Business Interactions in States with RULONA

Gino Yoscovits, Director of State Government Affairs for Quicken Loans in the Southeast, reviewed the three types of eClosings: Hybrid In-Person; In-Person eNotarization (IPEN); and Remote Online Notarization (RON).

On a national level, there are currently 22 states with RON legislation approved. Twelve states are awaiting regulations and ten states have officially gone into effect.

The industry has been more focused on RON, mainly because IPEN is not vastly different from traditional notarization. In creating the standards for IPEN there are questions to be considered and answered, such as requirements to become an e-notary.

Mortgage Industry Standards Maintenance Organization (MISMO) has been setting the standards for RON. The organization is made up of groups in the mortgage industry: document providers, lenders, e-Notary providers, and RON providers. The standards should be finalized in the upcoming weeks. Tennessee and Texas are two states Mr. Yoscovits refers to for industry standards.

Mr. Yoscovits detailed standards and security measures in areas of eClosings including government IDs, audio/visual quality, storage of records, and security.

Property Records Industry Association (PRIA) developed industry standards for eRecording, to ensure acceptance and implementation of eRecording.

In response to questions and comments from John McGarvey, Mr. Yoscovits clarified that any technology device, such as Androids, tablets, iPads, and laptops can be used. Mr. Yoscovits is not aware of any states using distributed ledger in the protection of documents and has not yet considered it.

In response to Chairman Fischer, Mr. Yoscovits confirmed that MISMO and eRecording standards are incorporated in the regulations for Texas and Tennessee.

RULONA in Other States

Patricia Fry, with the Uniform Law Commission, presented via remote audio. Over 20 states have enacted the Uniform Real Property Electronic Recording Act and have regulated the use of electronic technology for recordings. Local recorders have to establish the process for recording and indexing paper and electronic submissions. St. Louis, Missouri and Iowa have established an Electronic Recording System.

States have taken different approaches as to acceptable technology for eNotarizations, eRecordings, and eClosings. Because technology and business models change constantly, statutes and regulations containing specific technology standards will soon become obsolete. Ms. Fry suggests focusing on the function rather than the technology.

Distributed Ledger Technology offers prospects for ensuring reliable copies of electronic transactions. The multiple computers on which the records are stored need to be controlled by multiple parties, making the forgery of documents more difficult.

Ms. Summe stated that all counties are required by law to "paper out" electronic submissions into books.

Mr. Blevins stated that the official storage of permanent records is in paper or microfilm. Electronic storage is not considered a permanent record.

Mr. McGarvey addressed drafting with medium neutrality and durability, and emphasized that Distributed Ledger Technology is more of a security technique and not a back-up system.

Ms. Fry clarified the difference between the record and the evidence of something having occurred. The evidence is important to the lenders, title insurers, and lawyers.

Future Task Force Meeting Topics

Chairman Fischer would like to consult with Tennessee and Texas to determine regulations that may have to be implemented, and asked that members contact Dale Hardy with topics they feel would benefit the committee.

Mr. Blevins announced that, since the passing of SB 114, the clerks have been working on updates to fees, and updating the recording manual. Some issues they have run across and would like to discuss in future meetings are: Certificates of Delinquency, the attaching/unattaching of a manufactured home to real estate, how does a paper document get recorded, and how to determine if a copy from another county is truly certified.

Mr. Blevins asked Mike Nickles, Office of Business at the Secretary of State's Office, to speak to the committee. Mr. Nickles stated that Kentucky's in-house software used to track who is a notary is largely paper based, which needs to evolve into an electronic process.

Chairman Fischer asked that the clerks and the Secretary of State's Office to present issues that they would like the committee to consider, including the proposed regulations in draft form, along with any changes in the law.

Mr. McGarvey suggested the clerks review the integration of regulations regarding eFiling with paper filing for financing statements.

Future Meeting Dates

Chairman Fischer set the date of the next meeting to Tuesday, September 10th, at 11:00 am.

Mr. Gross suggested that the committee consider modifying legislation for documents coming from out-of-state. Ms. Summe would like a more standard form to be used across the state. She would also like the financial cost of retention, microfilm, and production of books to be assessed.

Adjournment

There being no further business, the meeting was adjourned at 12:04 PM.

INTERIM JOINT COMMITTEE ON NATURAL RESOURCES AND ENERGY

Minutes of the 3rd Meeting of the 2019 Interim

August 20, 2019

Call to Order and Roll Call

The 3rd meeting of the Interim Joint Committee on Natural Resources and Energy was held on Tuesday, August 20, 2019, at 3:00 PM, in Room 149 of the Capitol Annex. Representative Jim Gooch Jr., Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Brandon Smith, Co-Chair; Representative Jim Gooch Jr., Co-Chair; Senators Jared Carpenter, C.B. Embry Jr., Robby Mills, Reginald Thomas, Whitney Westerfield, and Phillip Wheeler; Representatives John Blanton, Charles Booker, Adam Bowling, Terri Branham Clark, R. Travis Brenda, Randy Bridges, Jim DuPlessis, Daniel Elliott, Chris Fugate, Derek Lewis, Suzanne Miles, Melinda Gibbons Prunty, Cherlynn Stevenson, and Rob Wiederstein.

Guests: Talina Mathews, Commissioner, Kentucky Public Service Commission.

LRC Staff: Stefan Kasacavage, Janine Coy-Geeslin, Tanya Monsanto, Silas Montgomery, and Rachel Hartley.

Utility Ratemaking 101 and An Update from the Public Service Commission

Talina Mathews stated the Public Service Commission (PSC) regulates 1,100 jurisdictional utilities, including: water and sewer utilities, natural gas distribution systems and intrastate pipelines, electric utilities, and telecommunications. The PSC does not regulate most municipal utilities or utilities regulated by the Tennessee Valley Authority. Utilities are allowed to recover the cost of serving customers and to earn a reasonable rate of return on capital investments.

Ms. Mathews provided an overview of the PSC ratemaking process and rate design. The PSC ensures rates are fair, just, and reasonable and utilities must provide safe and reliable service. Ms. Mathews explained the role of revenue requirements and the types of costs that are included in determining rates, including incentives. All costs must be prudently incurred.

In July 2019, the PSC opened an administrative case to take public comments on implementation of 2019 SB100 relating to compensation rates for net metering customers. The PSC also opened an investigation and adjusted rates downward after the Tax Cut and Jobs Act was signed into law by President Trump in 2017 to ensure that utilities' tax savings under the Act were passed through to ratepayers.

Ms. Mathews provided a brief update on the explosion of a gas line in Lincoln County and stated the PSC did not regulate that line.

In response to a question from Representative Gooch, Ms. Mathews stated a demand charge is an additional fee that industrial customers pay for maintaining a constant supply of electricity. The demand charge is based on the peak electricity usage of the customer during a billing period. The customer charge is an average that all residential customers pay.

In response to a question from Representative DuPlessis, Ms. Mathews stated the customer charge is used to cover basic infrastructure, and the demand charge is to cover infrastructure associated with the larger load.

In response to a question from Senator Thomas, Ms. Mathews stated New York does not regulate its utilities and has been experiencing blackouts. Kentucky has not experienced a similar problem, because Kentucky chose not to deregulate, has good reserve requirements, and has an adequate gas supply chain to serve generators.

In response to a question from Representative Brenda, Ms. Mathews stated most buried utility lines are breached due to excavating.

In response to a question from Representative Gooch, Ms. Mathews stated some utilities choose not to request a rate increase, because it is expensive for the utilities.

In response to a question from Representative Bowling, Ms. Mathews stated that what constitutes a reasonable rate of return depends on the utility's profile and sector. A reasonable rate of return is ordinarily seven to nine percent.

In response to a question from Senator Wheeler, Ms. Mathews stated that statutorily, utilities cannot recover a loss in revenue of more than 15 percent. Some utilities have waited too long to request rate increases, and as a result they have not properly maintained their infrastructure which is now failing. The PSC is streamlining a process for electric cooperatives to make the rate case process less costly and time-consuming.

There being no further business, the meeting was adjourned.

TASK FORCE ON ELECTRONIC RECORDING OF OFFICIAL DOCUMENTS BY COUNTY CLERKS

Minutes of the 2nd Meeting of the 2019 Interim

September 10, 2019

Call to Order and Roll Call

The 2nd meeting of the Task Force on Electronic Recording of Official Documents by County Clerks was held on Tuesday, September 10, 2019, at11:00 AM, in Room 171 of the Capitol Annex. Representative Joseph M. Fischer, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Joseph M. Fischer, Co-Chair; Senator Morgan McGarvey; Representatives Angie Hatton and Brandon Reed; Don Blevins, Michael Chodos (via audio), Debbie Donnelly, Brent Eisele, Russell Ford, Erica Galyon, Branden Gross, Mark Ladd (via audio), John McGarvey, Stephanie Schumacher, Debra Stamper, Gabrielle Summe, and Tim Vaughan.

Guests: Mike Nickles, Secretary of State's Office

LRC Staff: Dale Hardy, Matt Trebelhorn, and Yvonne Beghtol

Approval of the Minutes

Representative Reed motioned to approve the August 21, 2019 minutes, seconded by Debra Stamper, approved by voice vote.

Update on Status of SB 114 Regulations

Erica Galyon, Assistant Secretary of State, began by reviewing the existing status of notary laws. Ms. Galyon then discussed changes under SB 114 and why changes were necessary.

There are 4.5 million notaries in the United States. Kentucky processed 160,000 notary applications in 2018. There are currently 82,000 notaries commissioned in Kentucky.

Ms. Galyon reviewed the differences between traditional, electronic, and remote notarizations. To be an electronic or remote notary you first have to go through the traditional notary application process, and then a separate process to become an electronic or remote notary.

In April of 2016, the National Association of Secretaries of State (NASS) created a task force to promote a greater understanding of the issues and policies surrounding remote/video notarizations in an effort protect the credibility of the process, prevent identity fraud, and provide accountability to the public in order to advance secure electronic commerce.

Remote notarization will make it easier to find a notary, will benefit military and overseas transaction, as well as "after hour" transactions, will reduce operating costs, and provide more accurate transactions.

In the process of drafting regulations to implement SB 114, the Secretary of State is considering issues regarding identity verification, tamper evident technology, acknowledgements, the Uniform Electronic Transaction Act (UETA) and Uniform Real Property Electronic Recording Act (URPERA), consumer's choice of who to do business with, and interstate recognition to notaries across the states. Other considerations include witnesses, unauthorized access, and repository and custodian provisions. Kentucky is the 22nd state to authorize remote notarization.

Ms. Galyon presented the new qualifications for notaries based on SB 114. A $1,000 surety bond is required to be licensed or authorized to do business in Kentucky.

The disqualifications under SB 114 allows the Secretary of State to refuse to renew, revoke, suspend or impose a condition on a notary's commission for acts or omissions demonstrating the notary's lack of honesty, integrity, competence, or reliability to act as a notary.

Mike Nickles, Secretary of State's Office, added that there are a variety of ways in which different states implement disqualifying factors. In regards to criminal background checks, some states list the crimes that would disqualify an individual to be a notary. In response to Chairman Fischer, Mr. Nickles stated that there were no defined disqualifying factors before SB 114.

Ms. Galyon reviewed the administrative regulations SB 114 authorizes the Secretary of State to issue.

Ms. Galyon stated that the notary portal is currently in use, but not by all clerks. Mr. Nickles advised that the Secretary of State's office is to maintain an online service listing all notaries. A separate portal is available which allows the county clerks to see who has applied, and who has been approved. This portal allows clerks to generate a notary certificate for approved individuals.

In response to Branden Gross, Ms. Galyon stated that SB 114 applies to Kentucky notaries. The notary can notarize a document for someone outside of Kentucky, but the portal is for Kentucky notaries. Mr. Nickles added that the portal will indicate if the notary is authorized for electronic and online notarizations. States that have adopted the uniform law have similar portals. Mr. Nickles agrees that adding links to other state portals so the public can look-up notaries from other states would be helpful.

In response to Don Blevins, Ms. Galyon will contact county clerks for examples of how to remedy fraud cases and will share their draft of regulations when developed. In response to Chairman Fischer, Ms. Galyon said that January 1, 2020 is their deadline to complete the regulations.

SB 114 Cleanup Items

Don Blevins; Fayette County Clerk, Gabrielle Summe; Kenton County Clerk, Stephanie Schumacher; Mason County Clerk, and Debbie Donnelly; Hardin County Clerk, presented the impacts of SB 114 as discussed among the county clerks.

Mr. Blevins began by stating the primary concerns after SB 114's passage are the fee structure, and updating the document recording manual. Mr. Blevins believes there may be a need for a clean-up bill to SB 114 to address manufactured home documents, legal process taxes, certificates of delinquency, certified copy fees, and moving fixture filings and assignment of leases and rents into the flat fee structure. Other issues of concern include certified copy impact, definition of signature, power of attorney requirements, and retention and permanent record types.

In response to Russell Ford, Mr. Blevins clarified that they want to be consistent throughout the process. A wet signature cannot be required at the counter if you don't require it from the scanned copy. Mr. Ford suggested contacting Indiana to find what they require for signatures.

In response to John McGarvey, Mr. Blevins agreed to look at the definition of a signature in Article 9 of KRS Chapter 355.

In response to Brent Eisele, Mr. Blevins confirmed that the issue is not accepting a copy at the desk when the individual can use the same copy to submit online. Many times a document is flawed and the original signer is no longer available. Now they can use a copy and it would not be questioned.

Gabrielle Summe, Kenton County Clerk, discussed the retention issues involving permanent records. Many records previously considered permanent no longer need to be permanent.

In response to Mr. Gross, Mr. Blevins said that, technically, the documents at some point are microfiche and stored in the state archives. An individual would have to come to Frankfort to obtain a copy. After a number of years, the clerks would like to be able to purge some documents. Ms. Summe stated that the original document of records such as deeds, mortgages, and state tax liens only exist for 11 years, yet the release of the lien is considered a permanent record. If the original document no longer exists and the copy is not of use legally, then the retention period needs to be the same. If the Kentucky Department of Library and Archives (KDLA) maintains a record, the clerks would like to purge their files.

In response to Debra Stamper, Mr. Blevins agrees that having the documents housed in different locations is best.

Chairman Fischer asked that the clerks submit the clean-up bill to the committee as quickly as possible. Mr. Blevins said he would appreciate a sponsor to assist them in getting the bill completed.

Chairman Fischer announced October 2nd, and November 20th at 11:00 AM as the upcoming meeting dates.

Adjournment

There being no further business, the meeting adjourned at 11:54 AM.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on General Government, Finance, Personnel, and Public Retirement

Minutes of the 3rd Meeting of the 2019 Interim

September 10, 2019

Call to Order and Roll Call

The third meeting of the Budget Review Subcommittee on General Government, Finance, Personnel, and Public Retirement of the Interim Joint Committee on Appropriations and Revenue was held on Tuesday, September 10, 2019, at 8:30 AM, in Room 131 of the Capitol Annex. Representative Myron Dossett, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Robby Mills, Co-Chair; Representatives Jim Stewart III, Co-Chair, and Myron Dossett, Chair; Senators Dennis Parrett, Reginald Thomas, and Phillip Wheeler; Representatives Kevin D. Bratcher, Joe Graviss, Mark Hart, Michael Meredith, Russ A. Meyer, Suzanne Miles, Phillip Pratt, Wilson Stone, and Nancy Tate.

Guests: T.J. Gilpin, President, KY Transportation Employees Association (KTEA); Tony McGaha, President, KY Association of Transportation Engineers (KATE); and, Brent Sweger, P.E, former President of both KTEA and KATE.

LRC Staff: Liz Columbia, Emma Mills, Nick Peak, and Spring Emerson.

Approval of Minutes

Chair Dossett called for a motion to approve the minutes of the July 9, 2019 meeting. A motion was made by Representative Pratt, seconded by Senator Wheeler, and the minutes were approved without objection.

COLA Proposal for KRS Ch. 18A State Employees

Mr. Gilpin, Mr. McGaha, and Mr. Sweger provided an overview of a proposed cost of living adjustment (COLA) for state employees.

In response to a question from Representative Tate, Mr. Gilpin said most people consider retirement and health insurance as the main benefits of employment with state government.

In response to a question from Representative Stone regarding transportation engineers, Mr. McGaha said the KYTC has lost nine engineers in the past five years within one office. As a result, an Engineer-in-Training (EIT) with only eight months of experience was required to administer a $60 million project, due to there being no licensed Professional Engineer (PE) available.

Co-Chair Mills commented that businesses and industries are all struggling, and the issue cannot be solved overnight. He said needs vary by area, and it is a balancing act.

Representative Meyer commented that employment with government is no longer considered a good career move as it once was, due to the depletion of pension benefits. He said that personnel turnover is costly, and increasing revenues is one solution.

In response to a question from Representative Graviss regarding personnel data from other states, Mr. Gilpin said that he does not currently have that information. Mr. McGaha added that the information may be available from the American Association of State Highway and Transportation Officials (AASHTO). Chair Dossett requested that the information be provided to staff at a later date.

In response to a question from Representative Graviss regarding the amount required for the proposed COLA, Mr. Gilpin said that over the past eleven to fifteen years, the inflation rate has averaged about two percent. That would equal approximately $25 million per year for all state employees.

In response to questions from Representative Bratcher, Mr. McGaha said EITs have a four-year degree, and must work four years before becoming a licensed PE. Mr. Gilpin added that there are many positions within the KYTC that require these credentials. Entry level Highway Technicians are required to have a high school diploma as well as a Class A CDL license. He added that the average Consumer Price Index (CPI) over the past several years is approximately two percent.

In response to a question from Co-Chair Mills, Mr. Gilpin said the CPI information was provided by US Department of Labor statistics per state.

In response to a question from Representative Pratt, Mr. Gilpin said the five percent annual increment language was written in 1983.

Chair Dossett commented that the information provided today is important to know, not only for transportation engineers, but for every state employee.

In response to questions from Representative Graviss, Mr. Gilpin said government employment in the past was more desirable due to the pension benefits, in spite of low pay. Mr. McGaha said government pension benefits now are seen as just another 401(k)-type of portable savings account. Mr. Gilpin added that the Tier 3 group does not value it as a benefit, since it is no better than what is available in the private sector.

Representative Meredith commented that there is a transition happening with employment in general, due to generational changes, as well as changes in the workforce.

Chair Dossett commented that this issue is relevant all across the state.

Adjournment

There being no further business before the subcommittee, a motion to adjourn was made by Representative Pratt, seconded by Co-Chair

Mills, and the meeting was adjourned at 9:28 AM.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Transportation

Minutes of the 4th Meeting of the 2019 Interim

September 10, 2019

Call to Order and Roll Call

The fourth meeting of the Budget Review Subcommittee on Transportation of the Interim Joint Committee on Appropriations and Revenue was held on Tuesday, September 10, 2019, at 10:00 AM, in Room 131 of the Capitol Annex. Senator Jimmy Higdon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jimmy Higdon, Co-Chair; Representative Sal Santoro, Co-Chair; Senator Max Wise; Representatives Chris Fugate, Thomas Huff, Phillip Pratt, John Sims Jr, and Ken Upchurch.

Guests: Senator David Givens; Bruce Scott, Deputy Secretary, Energy and Environment Cabinet (EEC); Tony Hatton, Commissioner, Department of Environmental Protection (DEP), EEC; Ed Winner, Assistant Director, Division of Waste Management (DWM), EEC; and, Megan McLain, Innovative Finance Manager, KY Transportation Cabinet (KYTC).

LRC Staff: Justin Perry, Tammy Branham, and Spring Emerson.

Approval of Minutes

Chair Higdon called for a motion to approve the minutes of the August 20, 2019 meeting. A motion was made by Representative Sims, seconded by Co-Chair Santoro, and the minutes were approved by voice vote.

Energy and Environment Cabinet – Underground Storage Tanks Program

In response to a question from Chair Higdon regarding the amount needed to sustain the Petroleum Storage and Environmental Assurance Fund (PSTEAF), Mr. Scott said a penny generates about $15 million, and the purpose of the funds is determined by statute. Mr. Winner added that the PSTEAF is supported by 1.4 cents on each gallon of gasoline and special fuel produced or received in the state. The penny is for those not in compliance, and the 0.4 cent is for those in compliance with third-party coverage.

Transportation Cabinet – Louisville Bridges Project Update

In response to questions from Chair Higdon, Ms. McLain said late fees for non-payment of tolls amount to approximately thirteen percent of their revenues. She explained that for the first thirty days there is no fee, then a $5.00 late fee is charged after thirty days, a $25 violation fee is charged after sixty days, followed by a $30 collection fee after ninety days. There is a $60 maximum per invoice in fees.

Adjournment

Chair Higdon announced the next meeting date as October 1, 2019, and called for a motion to adjourn. A motion was made by Co-Chair Santoro, seconded by Representative Sims, and the meeting was adjourned at 10:39 AM.

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

Minutes of the 2nd Meeting of the 2019 Interim

July 11, 2019

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Tourism, Small Business, and Information Technology was held on Thursday, July 11, 2019, at 3:00 PM, in Room 154 of the Capitol Annex. Representative Tommy Turner, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Danny Carroll, Co-Chair; Representative Tommy Turner, Co-Chair; Senators Rick Girdler, Ernie Harris, Wil Schroder, Reginald Thomas, Mike Wilson, and Max Wise; Representatives Lynn Bechler, Terri Branham Clark, George Brown Jr, Jeffery Donohue, Chris Freeland, Chris Fugate, Jim Glenn, Robert Goforth, Jim Gooch Jr., David Hale, Richard Heath, Cluster Howard, Kim King, Bobby McCool, Michael Meredith, Charles Miller, Ruth Ann Palumbo, Josie Raymond, Brandon Reed, Maria Sorolis, Cherlynn Stevenson, Ashley Tackett Laferty, Nancy Tate, and Les Yates.

Guests: Victor Slone, Martin County Magistrate; Chris Musgrave, Interim Executive Director, Kentucky Mountain Regional Recreation Authority; Jerry Stacy, President, Kentucky Mountain Regional Recreation Authority; Matt Wireman, Treasurer, Kentucky Mountain Regional Recreation Authority; Frank Jemley, Chief of Staff, Tourism, Arts, and Heritage Cabinet; John Cox, Communications Director, Tourism, Arts, and Heritage Cabinet; Laura Prewitt, Executive Director, Kentucky Horse Park; Kim Baker, President and CEO, Kentucky Center for the Performing Arts; Rich Storm, Commissioner, Department of Fish and Wildlife; Karen Waldrop, Deputy Commissioner, Department of Fish and Wildlife; Kevin Kelly, Public Information Officer, Department of Fish and Wildlife, and Brian Clark, Chief of Staff, Department of Fish and Wildlife.

LRC Staff: Carla Montgomery, Andrew Manno, Chip Smith, Candice Messer, and Sasche Allen.

Approval of Minutes

A motion to approve the minutes of the June 06, 2019 meeting was made by

Representative Chris Fugate, seconded by Senator Wil Schroder, and approved by voice vote.

Rails to Trails

Representative Chris Fugate and members of the Kentucky Mountain Regional Recreation Authority gave an update of the program. Representative Fugate said he and members of the Authority have looked to the Hatfield and McCoy Trail System in West Virginia as an example for the Kentucky Mountain Regional Recreation Authority. Last year the Hatfield and McCoy Trail System generated $2.1 million in permit fees and had 51,000 visitors, 85 percent of which came from outside a 100 mile radius of the trail system. Representative Fugate detailed other statistics of West Virginia's trail system and said that the development of Eastern Kentucky's trail system could create major tourism and economic development opportunities. He stated that he hopes in the 2020 Regular Session the General Assembly can appropriate funds for the Authority, including hiring a permanent executive director.

Interim Executive Director Chris Musgrave said that in May of 2019 the Authority had a foundational meeting to establish the board members and have had two other meetings. Mr. Musgraves has accomplished everything thus far as a volunteer but cannot continue on as the permanent executive director. He was recently appointed as the Chief of Staff for the Department of Local Government which will be a conflict of interest. With a full time executive director, the Authority will be able to move forward with finalizing arrangements with existing trails, setting up accounts with the Finance and Administration Cabinet, obtaining insurance, among other things. The Authority would like to be a self-sustaining entity that operates without interference from the General Assembly. Thus far, all counties involved have verbally agreed to contribute $5,000 initially for the hiring of an executive director. At the Authority's last board meeting it was decided it would form a 501(c)(3) to seek private funding. Mr. Musgraves pointed out that the way the legislation was written, there are many other recreational opportunities possible besides ATV trails such as bicycle trails, horse trails, blue water trails, and historic and cultural sites.

The President of the Authority, Jerry Stacy said that the economic impact in West Virginia from the trail system was $23 million. The creation of that type of economic impact would be extremely beneficial after the loss of coal mining jobs in the region. The trail system will begin to generate revenue along with the creation of other entrepreneurial and investment opportunities. All 35 counties involved with the Authority have pledged to find funds in their budgets to help assist with the endeavor. Matt Wireman, said that recreational opportunities are imperative to the distressed counties in Eastern Kentucky. Establishing the trail system and other supporting businesses will help to draw in more visitors, create jobs, and add new money into the economy.

In response to Representative Bobby McCool, Representative Chris Fugate said that the trail system in West Virginia had been funded through permit sales and support from the state legislature, but it will take time to start selling permits for the trail system in Eastern Kentucky. The trails in the various counties have to be connected and marked. In addition, land agreements have to be established with property owners. Once those steps are taken, permits can begin to be sold to the trails. Mr. Musgrave added that West Virginia generates substantial revenue from paraphinalia sales from the Hatfield and McCoy Trail System. Answering another question, Mr. Musgraves said the Authority was set up to be a non-taxing special purpose governmental entity.

Replying to Representative Lynn Bechler, Representative Fugate stated that $1 million over the two year budget cycle would be requested from the state General Assembly in the coming Regular Session to get the trail system off the ground. Representative Fugate said that the goal is to connect all of the trails legally with permission from land owners. He said eventually the Authority would like to connect the trails of Eastern Kentucky to the Hatfield and McCoy Trail System in West Virginia and the Spearhead Trails in Virginia to create a three state system.

Answering a question from Representative David Hale, Representative Fugate confirmed that there are 35 counties in the Authority, and it has a board that includes nine county representatives which is either a county judge executive or a designee. Those nine board member seats will be rotated each year, going in alphabetical order of the county. In addition, the board includes the Secretary of the Tourism, Arts, and Heritage Cabinet; the Commissioner of the Department of Local Government; the Commissioner of the Department of Fish and Wildlife; a nonvoting state Representative; and a nonvoting state Senator. Co-Chair Tommy Turner added that some county fiscal courts in the eastern part of the state requested to be included in the legislation that were not originally involved.

Addressing a question from Representative Michael Meredith, Representative Fugate explained that West Virginia's state legislature gave $1 million for liability insurance and its Authority purchased an additional $9 million of coverage, but the Authority assumes all liability and all private land owners receive sovereign immunity. Representative Meredith pointed out the recent federal court rulings that may have some effect on waiver systems for places that charge a fee to use their facilities.

Representative Cherlynn Stevenson commended the idea of creating a trail system because it can add to the economy through adventure tourism in the eastern part of the state. She said that tourism revenue is often not capitalized on in the Commonwealth.

Responding to a question from Representative Terri Branham Clark, Representative Fugate confirmed that it is planned for all trails in the 35 counties listed in statute to be connected, including her district of Boyd County.

Replying to Representative Robert Goforth, Mr. Musgraves said that he does not have a complete list of contact information for all 35 county representatives to send meeting notifications to yet, which highlights the need for a full time executive director.

Representative Ashley Tackett Laferty made remarks about the development of the trail system and the possible economic opportunities it can create for the distressed counties of Eastern Kentucky which could create other adventure tourism activities, restaurants, shops, and supporting businesses.

Tourism, Arts, and Heritage Cabinet

Frank Jemely, Chief of Staff for the Cabinet, stated that information requested at a previous meeting regarding the return on investment of a $150 million proposal for renovations to state parks had been dispersed to members. He said that by August 1, 2019 members of the General Assembly would be provided with a list of completed, planned, and current projects of the Department of Parks.

Kentucky Horse Park

The Executive Director of the Kentucky Horse Park, Laura Prewitt, gave an overview of the economic impact of the park, new events at the park, and future events. A 2016 analysis showed that the park has an annual economic impact of over $130 million to the Commonwealth. That impact is attributed to the park's events, tourists, and campgrounds. The park holds over 200 equine and non-equine events each year, with six new events being added in 2019. Those events included the first park owned horse show, The Kentucky Horse Park Spring Opener. The park has hosted almost 20,000 horses this year, which means the people working with and coming to see those horses are spending money in Central Kentucky at hotels, restaurants, shops and other local businesses.

Although the park has added several new revenue streams, the staff has been focused on some international events such as the German based Equitana that will be held at the Park in 2020. The three day event is expected to bring at least 30,000 to the Park some of which will stay at the park's campground. The park's campgrounds welcome an average of 40,000 campers a year that come from all 50 states, but Kentucky residents account for 44 percent of reservations. In addition, group tours and horseback riding have become a renewed focus which has showed a 10 percent increase in revenue. Ms. Prewitt closed by detailing an online ticket solution that will allow visitors to purchase daily, annual, and parking passes online beginning in early August 2019.

Kentucky Center for the Performing Arts

The President and CEO, Kim Baker, outlined the history, operation, and an upcoming venue opening of the Center. In 1980 the General Assembly and Governor John Y. Brown developed a plan to build the $33.5 million Center through a public private partnership in which the state would provide partial funding, a foundation would provide partial funding, and a portion of the Louisville transient room tax would also fund the operation of the Center. It was established as a 501(c)(3) to promote the growth and development of the arts while serving as a catalyst for tourism and talent attraction. The board of directors are appointed by the governor and the center is administratively attached to the Tourism, Arts, and Heritage Cabinet. The Kentucky Center for the Arts Corp was also created, in conjunction with the Finance and Administration Cabinet, to supervise construction of the center and provide all management functions for facility or any other property acquired or leased. The center is not included in the state's personnel or pension systems and is considered a component unit of the Commonwealth. Sources of funds for the fiscal year 2020 budget included two percent from the Governor's School for the Arts state appropriation, one percent from a state maintenance pool, 19 percent from the Louisville transient room tax, 10 percent from contributed income, and 68 percent through center operations. The budget in 1983 was $3 million and the budget for fiscal year 2020 is approximately $25 million.

The Kentucky Center for the Arts Corp has a family of venues that included the Kentucky Center, the Brown Theater on Broadway, and the Old Forester's Paristown Hall. The Kentucky Center houses Whitney Hall, Bomhard Theater, and MeX Theater. The Brown Theater was purchased by the center in 2018 and the Old Forester's Paristown Hall opens to the public July 23, 2019. Old Forester's Paristown Hall is a 2,000 person standing room and part of a larger $32 million development project that is receiving tourism tax incentives. The venue is financed through private donations and a private commercial loan which will be maintained by the Kentucky Center for the Arts Foundation. It will attract national music artists with local, regional, and national audiences while driving tourism dollars to the area. Ms. Baker reiterated that no state tax dollars were used to build the Old Forester's Paristown Hall. She closed by giving an overview of the Kentucky Center Governor's School for the Arts (GSA), which has been hosted over the years at Bellarmine University, Centre College, Transylvania University, and University of Kentucky. GSA has 98 percent of its students attend college with 92 percent receiving a scholarship averaging $20,000.

Department of Fish and Wildlife

Department leadership gave overviews and updates. The Department uses various platforms to relay information to the public including Kentucky Afield Television, which is the longest continuously-running outdoors television show in the country, Facebook, Twitter, and YouTube. Although Kentucky Afield Television draws 250,000 viewers each month, the most growth has been with YouTube page which receives 12 million views a year. The Department has created 25 information videos this year that have garnered 350,000 Facebook views. Available on its website are statewide news releases, meeting agendas, video archives of committee and commission meeting, and quarterly financial reports. Another communication medium that has been expanded is GovDelivery, which is a communication tool that will allow the Department to engage customers and staff by email.

Some of this information dispersed to citizens includes details regarding the Asian carp crisis that the state is currently facing. Black, bighead, and silver carp have been infesting the lakes and rivers for the past several years. One solution has been the creation of a bio-acoustical fish fence that will be installed by the end of 2019 at Lake Barkley. These fences will use bubble fences and a sound deterrent to prevent the fish from continuing to travel any further. This effort is a collaboration with the U.S. Fish and Wildlife Service, the Unites States Geological Survey, the Tennessee Wildlife Resources Agency, and the United States Army Corps of Engineers through a three year research grant. The Department also recently began contracting with commercial fishermen to remove carp around the Louisville area through a $400,000 grant from the U.S. Fish and Wildlife Service. Nine commercial fishermen are already under contract and in a one day pulled out 8,000 pounds of fish from the Ohio River. The Department has also partnered with the Kentucky Fish Center to help combat the massive number of carp. The Kentucky Fish Center is a private business whose goal is remove five million pounds of carp from waterways by the end of 2019. Deputy Commissioner Karen Waldrop highlighted a press release that had just been issued which said the U.S. Fish and Wildlife Service would dedicate personnel and equipment to the state to combat the carp infestation, specifically deploying its unified method which is a combination of sound and specialized netting.

Chronic wasting disease (CWD) was also discussed which is a neurological disease that effects deer, moose, and elk. It is a contagious prion disease that causes deterioration of the brain and causes the animals to become emaciated, lose their fear of humans, react erratically, and can eventually be fatal. CWD has not been found in the Kentucky but has been found is six out of seven of the surrounding states. Due to the proximity of known cases in other states, forward planning is being utilized through the department's communication team. Community forums have been held in the western, eastern, and northern parts of the state to give information about how to prevent CWD from crossing into the Commonwealth.

Boater safety is currently being focused on, specifically the use of alcohol and wearing life jackets which are the top two factors in causes of boat fatalities. Public service announcement videos have been created by the Department and posted on social media to bring awareness to boating safety. Kentucky law requires each occupant of a boat to have a life jacket. Boating safety educational videos are available on the department's website, and a boating safety coordinator was recently hired. Department Chief of Staff Brian Clark thanked members for the passage of HB 248 during the 2019 Regular Session that gives conservation officers added authority to make boating under the influence arrests based on probable cause.

Commissioner Rich Storm closed by detailing the department's summer camp program. More than 250,000 people have taken part in the summer camp programs over the years. There will be 4500 kids ranging in ages of 10 to 13 to attend during the summer 2019. The campers will learn about nature, archery, boating, outdoor survival, firearm safety, fishing, and swimming. At the close of camp, the children can obtain completion patches and their hunter education card. The program staffs a director, educators, superintendents, and maintenance workers and has 8 air-conditioned cabins per camp that hold 25 to 30 campers. The yearly budget of the program is $1 million which is about $300 per camper.

Representative Ruth Ann Palumbo thanked Ms. Prewitt for what the Kentucky Horse Park has done in for the economy in her district.

Replying to a question from Co-Chair Tommy Turner, Commissioner Rich Storm stated that historically CWD has been transmitted from both wild herds and commercial farms. He said the zones of cases are hard to track because of the unpredictability of tracking the animals. Three cases in surrounding states are within 100 hundred miles of the state lines. The Commissioner explained that it can take over a year before a case is discovered. Commissioner Storm said it may be time revisit commercial deer farm legislation, and the department has planned to put together another deer working group to combat CWD.

Responding to Representative Charles Miller, Deputy Commissioner Karen Waldrop explained that dock permits are usually obtained through the department but there are certain cases when they would be obtained from United States Army Corps of Engineers depending on the location of the dock.

Representative Chris Fugate expressed his gratitude to the commissioner and the department for the success of the summer camp program in Perry County.

Addressing Representative Michael Meredith, Commissioner Rich Storm said the Department is fully supportive of double fencing of deer farms in an effort to prevent CWD.

Answering a question from Co-Chair Tommy Turner, Deputy Commissioner Karen Waldrop said because prions have been found in urine this can be a way to transmit CWD. Some states have banned urine unless in the synthetic form. Responding to another question, Commissioner Rich Storm said the economic impact of deer hunting industry in the state is $550 million.

Replying to Representative David Hale, Deputy Commissioner Karen Waldrop said that there are over 20 full time commercial fishermen in total working on the Asian carp issue but more are needed. Answering another question, she said that the market is there for the carp that are being harvested. Commissioner Rich Storm said there has been interest from the lobster bait industry.

Representative Kim King spoke of her personal experience with the Department's summer camp program.

Co-Chair Danny Carroll expressed his appreciation of the Department's summer camp programs and thanked the Commissioner and Department on behalf of his constituents for their work on the carp crisis.

Representative Lynn Bechler stated that there have been a lot of entrepreneurial efforts made in his district and surrounding areas to deal with the Asian carp including carp concrete.

Co-Chair Tommy Turner announced that will be a Subcommittee on Economic Development, Small Business, and Information Technology meeting on July 19, 2019 in Northern Kentucky, and the next meeting of the full Interim Joint Committee on Tourism, Small Business, and Information Technology will be on August 22, 2019 at the Kentucky State Fair.

There being no further business, the meeting was adjourned at 4:52 p.m.

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

July 23, 2019

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee was held on Tuesday, July 23, 2019, at 1:00 PM, in Room 169 of the Capitol Annex. Senator Rick Girdler, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Rick Girdler, Co-Chair; Representative Walker Thomas, Co-Chair; Senators Julian M. Carroll, Christian McDaniel, and Robby Mills; Representatives Steven Rudy, Steve Sheldon, and Maria Sorolis.

Guests: Elizabeth Baker, Planning Director, University Budget Office, University of Kentucky; Janice Tomes, Deputy State Budget Director, Office of the State Budget Director; Rick Sanders, Commissioner, Kentucky State Police; Donna McNeil, Executive Director, Kentucky Infrastructure Authority; and Ryan Barrow, Executive Director, Office of Financial Management.

LRC Staff: Katherine Halloran, Committee Staff Administrator; Julia Wang, Legislative Analyst; and Jenny Wells Lathrem, Committee Assistant.

Approval of Minutes (June 18, 2019)

Senator Carroll moved to approve the minutes of the June 18, 2019 meeting. Senator Mills seconded the motion and the committee approved the minutes by voice vote.

Correspondence and Information Items

Ms. Halloran referenced one correspondence item, KRS 45.800 notification to and from the Finance and Administration Cabinet, and three information items.

Pursuant to KRS 26A.168(1), KRS 45.793, and KRS 45.818; the Administrative Office of the Courts; the Finance and Administration Cabinet; the Commonwealth Office of Technology; and postsecondary institutions managing their own capital construction under KRS 164A.580 transmitted quarterly capital projects status reports.

Pursuant to KRS 45.760(5), the University of Kentucky (UK) reported three UK Healthcare medical equipment purchases totaling $3.5 million in restricted funds, a mobile fluoroscopic system for Good Samaritan Hospital and a mass spectrometer and cobas 6000 analyzer for Chandler Hospital.

The University of Louisville reported a $271,300 federal funds research equipment purchase of a flow cytometer.

Pursuant to KRS 45.812(1), the Shelby County and Spencer County school districts reported upcoming bond issues for new projects in expected respective amounts of $21 million and $8.6 million.

Lease Report from the University of Kentucky

Senator McDaniel moved to roll the two new leases into one roll call vote, seconded by Representative Sheldon, and approved by voice vote.

Elizabeth Baker submitted two new leases for the University of Kentucky. The first was to relocate UK Healthcare's Specialty Pharmacy from the Chandler medical campus to a larger off-campus site. The annual rental cost is $1.1 million for 30,712 square feet comprised of the pharmacy itself, central fill and mail order area, sterile room, and outpatient non-oncology infusion space.

The second was UK's College of Agriculture, Food, and Environment assumption, due to its takeover of testing for the sport horse industry both in Kentucky and nationally, of the United States Equestrian Federation's lease of the 1509 Building on the UK Coldstream Research Campus. The annual rental cost is $119,025 for 7,500 square feet.

In response to Senator McDaniel, Ms. Baker said no clean-up is involved at the current pharmacy location.

Senator McDaniel moved to approve the two new leases, seconded by Representative Sheldon, and approved by unanimous roll call vote.

Project Report from the Finance and Administration Cabinet

Representative Sheldon moved to roll the authorization revision and two new projects into one roll call vote, seconded by Representative Thomas, and approved by voice vote.

Ms. Tomes submitted an authorization revision for the Department of Military Affairs's Range Operations Expansion project at the Wendell H. Ford Regional Training Center in Greenville, KY. The project, construction of an approximately 38,000 square foot expansion to serve as a central security checkpoint, was previously submitted in October 2017 as a 100 percent federally funded new project and its authorization amount will be increased by $41,412 for a $1,315,149 project total. The increase will fund design and construction contract change orders such as relocation of electrical conduit and switching of proposed metal lockers and wood benches to polyethylene plastic.

Ms. Tomes also submitted two new projects, the first was an equipment purchase for the Kentucky State Police, a $1.7 million 2016 McDonald Douglas 530FF helicopter. Of the $1.7 million, $1 million will be federal asset forfeiture funds and $700,000 will be restricted funds. Use of this helicopter, appraised at $1.8 million and essential to the core function of the state police to provide public safety; will include surveillance, high-risk procedures, disaster surveys, critical response team transport, marijuana eradication, and other state police official business.

In response to Senator McDaniel, Commissioner Sanders said that when working with federal law enforcement, KSP requests a portion of the federal forfeiture proceeds and uses the funds for tasers and equipment.

Ms. Tomes said that asset forfeiture receipts from the U.S. Department of Justice and the U.S. Department of the Treasury range from $100,000 to $1 million annually, with about $1 million carried over each year. Use of those funds are restricted and subject to federal asset forfeiture rules and regulations.

In response to Representative Sorolis, Commissioner Sanders said this purchase will replace one of its six helicopters, model years ranging from 1967 to 1983, which has the most maintenance issues and will be returned to the military. KSP's last helicopter purchase was in 1984 for the 1983 model. The remaining five helicopters were military surplus dating back to the Vietnam era with the one returned retaining bullet holes from Vietnam.

In response to Representative Sheldon, Commissioner Sanders stated that KSP retains a contract pilot during marijuana eradication season. When KSP no longer uses a military surplus aircraft, it has to return it to the military rather than sell it. With KSP's current aircraft having antiquated airframes and associated maintenance issues, this purchase will help provide proper coverage.

In response to Senator Girdler, Commissioner Sanders confirmed that the avionics is better on this helicopter and said that it was sent back to McDonald Douglas for refurbishment, which included the engine, blades, tail rotor, and tail boom. The additional power will facilitate tight landings and take offs.

Senator Girdler referenced the appraisal in the members' materials.

The second project was the $3 million Renovate Building A – Main Campus at the Southcentral Kentucky Community and Technical College, which includes HVAC upgrades, a bookstore expansion, and additional faculty offices and is funded solely by restricted funds.

Senator McDaniel moved to approve the authorization revision and the two new projects, seconded by Senator Carroll, and unanimously approved by roll call vote.

Report from the Office of Financial Management

Kentucky Infrastructure Authority

Representative Rudy moved to roll the Clean Water State Revolving Fund (Fund A) loans and Drinking Water Revolving Fund (Fund F) loans into one roll call vote, seconded by Representative Thomas, and approved by voice vote.

Ms. McNeil submitted KIA loan requests. The Regional Water Resource Agency (RWRA), Daviess County, requested a $560,745 Fund A loan increase, due to higher than expected bids, for a total $2,607,745 loan amount, of which KIA will apply $250,000 in principal forgiveness. The Cedar Hills Subdivision Sewer Extension project will eliminate a failing package treatment plant in the eastern part of Daviess County. The construction will rehabilitate the collection system and install gravity sewer, lift station, and force main to connect 122 residential customers and one church to the RWRA collection system. Effective since July 1, 2018 for 4,000 gallons, the monthly sewer rate is $39.59. The term is 20 years at a 1.75 percent interest rate.

The City of Elkton, Todd County, is requesting a $3,934,351 Fund A loan, of which KIA will apply $1 million in principal forgiveness, incorporating a previously approved $500,000 planning and design loan. The Wastewater System Rehabilitation and Improvements project will address excessive wet weather sanitary sewer flows in the collection system and wastewater treatment plant. The collection system component includes installing cured-in-place pipe of about 20,000 linear feet of 6-inch to 15-inch pipe and the replacement and repair of various other items. The wastewater treatment plant portion includes upgrades of equipment, replacement of some components, and revisions to site piping, influent structure, processes, chemical feed system, and sludge dewatering. Effective since July 1, 2019, for 4,000 gallons, the monthly inside and outside city water rates are $47.10 and $53.24 and the monthly sewer rate is $49.60. The term is 30 years at a 0.50 percent interest rate.

The City of Hopkinsville F/B/O of Hopkinsville Water Environment Authority, Christian County, requested a $9 million Fund A loan incorporating a previously approved $1.5 million planning and design loan. KIA plans to fund the Expand Hammond-Wood Wastewater project over multiple funding cycles and will reassess loan compliance and creditworthiness prior to approval of each planned loan increment. This project will renovate and expand, from six to nine million gallons per day, the Hammond-Wood wastewater treatment plant to meet permit limits and demand from the cities of Hopkinsville and Pembroke. The project will include a bid option for an alternate sludge drying process. Effective since July 1, 2019 for 4,000 gallons, the monthly sewer rate is $28.77 and the proposed monthly sewer rate, effective July 1, 2020, is $32.78. The term is 20 years at a 0.50 percent interest rate.

The City of Georgetown, Scott County, requested a $13,542,784 Fund A loan, of which KIA will apply $1 million in principal forgiveness. Co-funding includes local funds from the City of Georgetown, Scott County, and Lexington-Fayette Urban County Government; a federal EPA Section 319 non-point source grant; and a state House Bill 265 non-coal grant. The Georgetown/Scott County South Sewer Extension project will eliminate the package treatment plants in the Ponderosa and Spindletop mobile home parks and remove major point sources of pollution to the Cane Run Creek and Watershed. Construction includes replacement of leaking sewers within the mobile home parks and installation two master meters; about 37,148 linear feet of gravity sewer; 2,256 linear feet of force main; manholes; and lift station. In addition to the 500 mobile home lots, the project will serve eight to ten farm or residential properties, and commercial customers along US 25. Effective since November 15, 2007 for 4,000 gallons, the monthly sewer and water rates are $18.98 and $18.14. The Spindletop and Ponderosa property owners will be billed for the sewer service with treatment and project costs passed on to residents in their lot rent bills. Based upon a door-to-door income survey for this project area, the term is 30 years at a 0.50 percent interest rate.

The City of Tompkinsville, Monroe County, requested a $861,148 Fund A loan, of which KIA will apply $430,574 in principal forgiveness. Co-funding includes an Appalachian Regional Commission grant, a Community Development Block Grant, and local funding from the Monroe County Board of Education. The Tompkinsville Wastewater and Treatment Plant Expansion and Sanitary Sewer Collection Improvements project will eliminate sanitary sewer overflows. Construction includes rehabilitation of 8,750 linear feet of 8-inch sewer, installation of 11,600 linear feet of 4-inch force main to a new lift station that eliminates a package treatment plant, and the expansion of the wastewater treatment plant to a larger sequential batch reactor treatment plant, which does three processes in one tank or basin. Effective February 1, 2019 for 4,000 gallons, the monthly inside and outside city sewer and water rates are $36.55 and $48.55. The term is 30 years at a 0.50 percent interest rate.

The City of Vanceburg, Lewis County, requested a $1.131 million Fund A loan, of which KIA will apply $400,000 in principal forgiveness. Co-funding includes an Appalachian Regional Commission grant and a Community Development Block Grant. The Meadowbrook and Black Oak Sewer Consolidation project will address notices of violation issued by the Kentucky Division of Water and eliminate four failing package treatment plants. Construction includes a new 64,000 gallon per day activated sludge treatment plant near the Black Oak Industrial Park plant, which will eliminate the two package plants in Meadowbrook, to be replaced with one lift station, and the Echo Hills and Black Oak Industrial Park package plants, to be replaced by lift stations. The collection systems will be connected to the new plant with 72 linear feet of 10-inch PVC gravity and 11,238 linear feet of 4-inch or 6-inch force main. Effective since February 1, 2014 for 4,000 gallons, the monthly sewer rate, which includes a $2 monthly surcharge, is $33.86 and the proposed rate is $35.45. Effective since February 1, 2017 for 4,000 gallons, the monthly inside and outside city water rates are $25.15 and $33.80 and the proposed monthly inside and outside city water rates are $26.41 and $35.50. The term is 30 years at a 0.50 percent interest rate. The proposed sewer and water rates will be effective February 1, 2020.

The RWRA, Daviess County, requested a $7.015 million Fund A loan. The Tunnel Replacement, Lining, and Repair project will rehabilitate or replace a deteriorated portion of the tunnel sewer system in downtown Owensboro. The first phase of construction will address part of the Eastern tunnel that in danger of failing. Construction will either reline or replace 1,100 linear feet with new piping. The second phase will rehabilitate or replace other sections of the tunnel deemed the highest priority with the remaining project budget. Effective since July 1, 2018 for 4,000 gallons, the monthly sewer rate is $39.59. The term is 20 years at a two percent interest rate.

The City of Edmonton, Metcalfe County, requested a $4.5 million Fund F loan, of which KIA will apply $1.3 million in principal forgiveness. Co-funding includes a Community Development Block Grant. The Water Improvements project will address an agreed order issued by the Kentucky Division of Water. Construction includes replacing about 28,000 linear feet of 2-inch, 4-inch, 6-inch, and 8-inch lines that are undersized with 11,600 linear feet of 4-inch PVC, 13,000 linear feet of 6-inch PVC, and 4,048 linear feet of 8-inch PVC. 15,100 linear feet of 3-inch PVC will be installed to create two loops to eliminate dead end lines, a 100,000 gallon storage tank will be replaced with a 250,000 gallon storage tank, and four other tanks will be rehabilitated or modified. One pump station will be rehabilitated, two will be replaced, and one will be eliminated. The Supervisory Control and Data Acquisition System (SCADA) will be upgraded on all storage and pumping facilities. Effective since July 1, 2019 for 4,000 gallons, the monthly inside and outside city water rates are $32.00 and $42.75 and the proposed monthly inside and outside city water rates, effective July 1, 2020 for 4,000 gallons, are $35.20 and $46.50. Effective July 1, 2019 for 4,000 gallons, the monthly sewer rate is $29.00. The term is 30 years at a 0.50 percent interest rate.

The City of Cynthiana, Harrison County requested a $95,457 Fund F loan increase, due to higher than expected bids, for a total $1,050,022 loan amount. The New Booster Pump Station project will install a booster pump station near the one million gallon storage tank to increase pressure by a minimum of 25 pounds per square inch and provide fire flows for the Harrison Memorial Hospital and surrounding areas. Effective since July 1, 2019 for 4,000 gallons, the monthly water rate is $19.65. Effective since September 5, 2017 for 4,000 gallons, the monthly sewer rate is $30.14. The wholesale water rate is $2.85 per 1,000 gallons. The term is 20 years at a 0.50 percent interest rate.

The City of Elkton, Todd County, requested a $170,000 Fund F loan, of which KIA will apply $85,000 in principal forgiveness. The Water System Rehabilitation and Upgrade project will improve pressures, flow, and address severe line breaks in the project area. Construction includes replacing two 4-inch galvanized lines along Popular Street and West Main Street and a 6-inch main on North Williams Lane with 1,324 linear feet of 6-inch PVC. Effective since July 1, 2019 for 4,000 gallons, the monthly inside and outside city water rates are $47.10 and $53.24 and the monthly sewer rate is $49.60. The term is 30 years at a 0.50 percent interest rate.

The City of Mortons Gap, Hopkins County requested a $835,000 Fund F loan, of which KIA will apply $417,000 in principal forgiveness. Co-funding includes a Community Development Block Grant. The Water Systems Improvement project will reduce significant water loss which created a financial hardship for the city. Construction includes replacing plastic fittings with ductile iron, installing valves and radio read meters, replacing all service tubing from the main to the meter, and installing SCADA for the tank and master meter. Effective since February 7, 2019 for 4,000 gallons, the monthly inside and outside city water rates are $40.96 and $51.96 and the proposed monthly inside and outside city water rates, effective March 1, 2020, are $42.96 and $54.61. The term is 30 years at a 0.50 percent interest rate.

In response to Senator McDaniel, Ms. McNeil said that some of the projects submitted this month had higher than expected bids, of which she expects more occurrences.

Senator McDaniel mentioned that while there are more projects than bidders, he wanted to ensure that KIA had mechanisms in place to verify that was the reason for an increase versus changes in scope or engineering difficulties. In response, Ms. McNeil said that several factors are affecting bids as well as a lack of bidders, which she expects to continue as one of the construction firms just filed for bankruptcy. With the Kentucky prevailing wage law's repeal, federal Davis-Bacon prevailing wage requirements apply and KIA is working with the Department of Labor to increase federal job categories. KIA also is looking at ways to recruit more contractors into the state. Although utilities may rebid projects with only one or two bidders, subsequent bids could yield the same results.

Senator McDaniel commented that initial estimates will need to reflect labor rates. Ms. McNeil said that KIA has a partnership committee meeting every two months with the American Civil Engineering Council and that one of the topics is improving bid estimates. Ms. McNeil stated that steel tariffs and other federal matters are also affecting bids and that KIA had two more loan increase requests this week.

In response to Senator Carroll, Ms. McNeil said KIA finalized its Clean Water State Revolving Fund Intended Use Plan with $75 million available for loans and 29 communities accepting loan invitations. The Drinking Water State Revolving Fund Draft Intended Use Plan, which KIA intends to finalize by the end of next week, is out for public comment. $52.5 million was available and communities accepted $45 million in loan invitations.

Senator Carroll referenced public employee retention, salaries, and pensions as well as additional revenues sources such as sports betting and medicinal marijuana.

Senator Carroll moved to approve the KIA loans, seconded by Representative Thomas, and approved by unanimous roll call vote.

New Debt Issue

Mr. Barrow submitted the Kentucky Economic Development Finance Authority Revenue Bonds (CommonSpirit Health), Series 2019 in an amount not to exceed $330 million. Mr. Barrow stated that the conduit debt issue is a liability of CommonSpirit, formed through the merger of Catholic Health Initiatives and Dignity Health, rather than the commonwealth.

Representative Sheldon moved to approve the debt issue, seconded by Senator Carroll, and approved by roll call vote of seven ayes and one nay.

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

Senator McDaniel moved to roll the school bond issues into one roll call vote, seconded by Senator Carroll, and approved by voice vote.

Mr. Barrow submitted four school district bond issues with School Facilities Construction Commission (SFCC) debt service participation for new projects [Henry County, Jackson Independent (Breathitt County), Monroe County, and Trigg County school districts]. The total estimated issuance amount is $16.8 million, with about 25 percent SFCC participation. No tax increases were necessary to finance the projects.

Senator Carroll moved to approve the school bond issues, seconded by Representative Rudy, and approved by unanimous roll call vote.

Senator Girdler announced that the next committee meeting would be Tuesday, August 27, 2019, at 1:00 p.m. in Annex Room 169, with Representative Thomas as chair.

With there being no further business the meeting adjourned at 1:45 p.m.

AREA DEVELOPMENT DISTRICT WORKING GROUP

Minutes of the 2nd Meeting of the 2019 Interim

July 24, 2019

Call to Order and Roll Call

The 2nd meeting of the Area Development District Working Group was held on Wednesday, July 24, 2019, Upon Recess of the Senate, in Room 149 of the Capitol Annex. Senator Christian McDaniel, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Christian McDaniel, Co-Chair; Representative Suzanne Miles, Co-Chair; Senator Dennis Parrett

Guests: Tony Wilder, Executive Director, Kentucky Council of Area Development Districts (KCADD); Lisa Cooper, Executive Director of the Northern Kentucky Area Development District and Legislative Chair of the Kentucky Association of District Directors (KADD); and David Duttlinger, Executive Director of the Bluegrass Area Development District and Chair of KADD.

LRC Staff: Jennifer Hays, Cynthia Brown, Kevin Branscum, Morgan King, and Chase O’Dell.

Programs Administered by Area Development Districts

Tony Wilder, Executive Director, Kentucky Council of Area Development Districts (KCADD), Lisa Cooper, Executive Director of the Northern Kentucky Area Development District and Legislative Chair of the Kentucky Association of District Directors (KADD), and David Duttlinger, Executive Director of the Bluegrass Area Development District and Chair of KADD, discussed programs administered by Area Development Districts (ADDs).

Tony Wilder gave an overview of the history of ADDs. Kentuckian John Whisman was crucial in the regionalism that led to the formation of the ADDs. In 1956, the Kentucky Junior Chambers of Commerce formed the Eastern Kentucky Development Council. In 1957, Governor Chandler created the Eastern Kentucky Regional Planning Commission. Before the regional council concept, counties were semi-autonomous and cities and counties hardly worked together. When cities and counties had problems, state government was asked to solve them.

Mr. Wilder stated that five governors were involved in the development of the ADDs. It all culminated with Governor Nunn being the ‘father’ of the modern ADD. Governor Nunn issued the executive orders that created the ADDs. In 1972, by statute, with the support of Governor Ford, the ADDs were established as public agencies. ADDs are as viable for delivering state and federal programs today as they were in the 1950s and 1960s.

Lisa Cooper testified that revenue and appropriation percentages drastically differed between ADDs for multiple reasons. One cause of the differences were variances in classification and audit reporting. ADDs were working with the auditor’s office to report with more consistency. Most ADDs subcontract direct services. In the past few years, in some areas, there have been a lack of providers, causing some ADDs to bring services in-house. Staffing salaries, populations, and the individuals served also impact the differences in appropriations and revenues between ADDs, and funding mechanisms play a role. There are, and will continue to be, anomalies in the Special Purpose Governmental Entity (SPGE) reporting, testifying that there is no manual on how to fill out an SPGE report. She explained the reasons for the various differences in reporting among ADDs.

Ms. Cooper stated that the Kentuckiana Regional Planning & Development Agency (KIPDA) did not receive direct Economic Development Administration (EDA) funds until 2013. Joint Funding Administration (JFA) funds going to ADDs have recently decreased. DLG is keeping a five percent administrative fee on EDA funds and keeping previous SPGE funding in-house. The most recent biennial budget specified a funding formula for JFA funds.

All ADDs receive EDA, Community Development Block Grant (CDBG), and State funding. Nine ADDs receive Appalachian Regional Commission (ARC) funds. Three ADDs receive Delta Regional Authority (DRA) funds.

Ms. Cooper testified that JFA funds are not the largest source of revenue for ADDs. ADDs were created to work regionally with local communities and governments, and JFA dollars directly impact local government services and infrastructure. JFA dollars fund staff salaries and provide some of the biggest return on investment within communities.

David Duttlinger testified that only eight of the 15 ADDs are involved in the workforce program. The Medicaid Waiver/Participant Directed Services (PDS) program is the largest expenditure among all ADD programs. Over 80 percent of the program is subcontracted, meaning service providers are hired at the local level. The state appropriated $2.1 million through JFA funds to ADDs in 2018, with the rest of the JFA funds coming from federal and local dollars.

In response to a question from Senator McDaniel, Mr. Duttlinger testified that direct expenses are the costs for an ADD to pay for its staff. Indirect costs also include staff costs, which includes salaries, benefits, travel expenses, and other burdens associated with staffing costs. A staff member meeting more than one cost objective, such as an information technology employee providing services to 10 different programs, is an example of an indirect cost. Subcontract costs are funds that are being used to hire contractors to carry out the services that are provided by a program.

In response to a question from Senator Parrett, Ms. Cooper stated that all but one or two ADDs will be reporting on governmental audits in the future. The goal is more consistency in reporting across the ADDs.

In response to a question from Representative Miles, David Duttlinger testified that the PDS program is the Medicaid program through which the state receives money from Medicaid. The program is used to keep people out of institutionalized care. It is thought that a higher quality of living is provided to people when they are able to stay in their homes. In response to another question from Representative Miles, Ms. Cooper said that aging care can be separated into two Medicaid programs. The PDS is where individuals receive funds to hire their own staff to provide services. The Title III and homecare programs are where an individual is eligible to receive services, and an ADD contracts with a home health care agency to provide the services. The programs offer the same services, but that the programs have different mechanisms for providing the services. In response to a follow-up from Representative Miles, Mr. Duttlinger stated that ADDs are only statutorily precluded from participating in education programs. Services and needs that are met are directed at the local level by the ADD board of directors. Differences in the programs administered by various ADDs are a result of the differing needs in areas across the state. Ms. Cooper said that having local control over the programs administered by ADDs is essential. Mr. Wilder said that one of the reasons ADDs were created was to have the local infrastructure to deliver various programs.

In response to a question from Senator McDaniel, Ms. Cooper stated that Buffalo Trace provided homecare services in the Title III and Area Agency on Aging programs. In response to a follow-up from Senator McDaniel, Mr. Duttlinger said that Lincoln Trail's aging Title III program is the same as the Title III programs provided by other ADDs.

In response to a question from Representative Miles, Ms. Cooper testified that the biggest portion of NKADD's travel budget is for case managers who go throughout the district and provide services. ADD board travel policies are set at the local level by the boards. Mr. Duttlinger said that the largest amount of travel for the Bluegrass ADD is travel throughout the district. Meals are not provided when people are travelling within the district. All Bluegrass ADD board members who come to executive committee meetings on a monthly basis, or to quarterly board meetings, travel on their own dime. He outlined the process for Bluegrass ADD board members and staff to be approved for an out-of-state meeting or conference. There are benefits for attending national conferences. Mr. Wilder testified that the percentage of state provided money to ADDs utilized for travel is miniscule. Travel for ADD board members are paid by local funds. In response to another question from Representative Miles, Ms. Cooper stated that sometimes all ADDs are represented at conferences, while sometimes the ADDs are represented by a few people. ADDs try to coordinate other meetings in conjunction with conferences.

In response to a question from Senator Parrett, Ms. Cooper stated that she believed that the Buffalo Trace ADD manages local agriculture development boards. Senator Parrett requested information related to the agriculture services program the Buffalo Trace ADD administers.

With no further business before the working group, the meeting was adjourned.

MEDICAID OVERSIGHT AND ADVISORY COMMITTEE

Minutes

August 19, 2019

Call to Order and Roll Call

The 1st meeting of the Medicaid Oversight and Advisory Committee was held on Monday, August 19, 2019, at 10:00 AM, in Room 171 of the Capitol Annex. Representative Daniel Elliott, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stephen Meredith, Co-Chair; Representative Daniel Elliott, Co-Chair; Senators Ralph Alvarado, Danny Carroll, Jimmy Higdon, and Morgan McGarvey; Representatives Jim Gooch Jr., Melinda Gibbons Prunty, Steve Sheldon, and Lisa Willner.

Guests: Russ Ranallo, Vice President, Financial Services, Owensboro Health, Chairman, Hospital Medicaid Technical Advisory Committee, Kentucky Hospital Association; Steven D. Davis, Inspector General, Office of the Inspector General, Cabinet for Health and Family Services; Carol Steckel, Commissioner, Department for Medicaid Services, Cabinet for Health and Family Services.

LRC Staff: DeeAnn Wenk, CSA, Chris Joffrion, Sean Meloney, and Hillary McGoodwin.

Approval of Minutes:

A motion to approve the minutes of the July 8, 2019 meeting was made by Senator Meredith, seconded by Senator Carroll, and approved by voice vote.

Update on Hospitals and Medicaid Services

Russ Ranallo, Vice President, Financial Services, Owensboro Health, Chairman, Hospital Medicaid Technical Advisory Committee, Kentucky Hospital Association, stated that 28 percent of hospital patients are covered by Medicaid but Medicaid reimbursements to hospitals are inadequate to cover costs of quality care such as: trained workforce, updates to equipment, and facility improvements. He emphasized that adequate Medicaid payments help hospitals recruit in the local job market by being able to pay administrative, frontline, and healthcare staff competitive rates. The 2019 Regular Session House Bill 320 (HB 320) will establish a new program to backfill losses incurred by recent Medicaid losses under the Affordable Care Act (ACA) at no cost to the state.

Under the ACA, Medicare rate updates

have been below inflation resulting in a loss of $7.4 million to Kentucky from 2010 to 2018 and Federal Disproportionate Share Hospital (DSH) redistributions will create a Kentucky loss of $77 million by 2020. The 2018 baseline Federal DSH spending pool (with a state match) was $227 million and will be reduced to $60 million by 2021 for a reduction of 75 percent. The new supplemental payment program under HB 320, modeled after programs in Michigan and Virginia, are endorsed by KHA and all hospitals in Kentucky. The program will not impact existing supplemental programs. The program will backfill funding with 6 percent being paid under fee-for-service Medicaid and 94 percent under managed care. The program should raise a net of $98 million after tax assessment.

Mr. Ranallo stated that KHA uses a bi-weekly forum with Managed Care Organizations (MCOs) to address issues facing hospitals. There has been a reduction in outstanding issues due to Aetna and Anthem not having any issues. The cumulative number of issues outstanding are 3,500 for Humana Care Source, 2,500 for Passport, and 1,500 for Wellcare. Common issues are with coding guidelines, pre-authorizations, payment reviews through auditors on outlier claims, and when Medicaid is a secondary payor. There are several MCO coding definitions that are contrary to Centralized Medicaid Services (CMS) definitions which hospitals follow and this results in denials of service and pre-authorizations denials. He stated that KHA has been working with the Cabinet for Health and Family Services to streamline coding guidelines and enforce MCO coding training. The open discourse between KHA and the MCOs should help to resolve the burdensome reimbursement issues that have been arising when Medicaid is the secondary payor, such as a two year post-reimbursement refund request due to the primary payor's error.

Mr. Ranallo stated that the Kentucky Hospital Engagement Network (K-HEN) created the Kentucky Hospital Innovation Network (K-HIIN) which is under CMS' Partnership for Patients to reduce errors and patient harm. 92 hospitals participate in K-HIIN. The hospitals receive funding and resources from CMS, and have as goals to reduce readmissions and improve education, coaching, including technical assistance, and tools. Improvements made include reductions in adverse drug events, MRSA, pressure ulcers, readmissions, sepsis, and worker safety.

The KHA hospitals are partnering with the Cabinet for Health and Family Services as part of the Kentucky Opioid Response Effort (KORE) to launch the Kentucky Statewide Opioid Stewardship Program. The focus of the Stewardship Program will be on reducing opioid overprescribing, improving safe opioid use, and giving hospitals a mechanism to demonstrate commitments to their patients and their communities. Improvements have been seen across the state from consumers and prescribers alike.

In response to questions and comments from Senator Meredith, Mr. Ranallo stated that 30 percent of rural hospitals have been at financial risk and part of HB 320 is to help make up the financial deficit.

In response to questions and comments from Representative Elliott, Mr. Ranallo stated that since HB 320 worked well in Michigan and Virginia, he is confident it will work well in Kentucky.

Facility Citations and Recoupments

Steven D. Davis, Inspector General, Office of Inspector General (OIG), stated the Division of Certificate of Need (CON), under the OIG's office, is responsible for implementation of KY's CON program. In Kentucky, all health care providers (unless exempt by KRS 216B.020) must obtain CON approval prior to: establishing a health facility or service; exceeding the capital expenditure threshold of $2,913,541; making a substantial change in bed capacity; obtaining major medical equipment valued at, or more than $2,913,541; altering a geographical area or specific location that has been designed on a CON or license; or developing or acquiring new health facilities.

Mr. Davis explained the OIG's Division of Health Care as the State Survey Agency, responsible for verifying how well federally certified health care facilities comply with the federal requirements for participation in the Medicare and Medicaid Programs as well as licensure oversight. The OIG receives and investigates thousands of hospital and healthcare setting complaints. Findings are issued through a statement of deficiency and facilities can fix the findings or issue an appeal.

The Centers for Medicare and Medicaid Services (CMS) is responsible for issuing and collecting civil monetary penalties (CMP) imposed on nursing facilities that do not meet the federal requirements. Effective January 1, 2012, all states must obtain prior approval from CMS for the use of CMP funds. CMP funds may be directed to a variety of organizations that submit a request for approval as long as the funds are to be used to support activities that benefit residents of Medicare/Medicaid certified nursing facilities. In accordance with KRS 216.557, long-term care facilities are subject to a Type A or Type B violation for noncompliance with applicable state or federal laws and regulations. All state penalties for a Type A or Type B violation are imposed only on personal care homes, family care homes, and any other long-term care facility that is not Medicare/Medicaid certified.

In response to questions and comments from Senator Meredith, Mr. Davis stated proposed legislation for the 2020 General Session will clean up the current CON statutes. Mr. Davis said that the capitol expenditures exceeding the $2,913,541 threshold requirement is obsolete and only serves administrative purposes. He agreed to explore amending that in the proposed 2020 legislation.

In response to questions and comments by Senator Alvarado, Mr. Davis attributed breadth of enforcement and level of deficiencies to the oversight of CMS. Kentucky falls in Region 4 of CMS's oversight which is based in Atlanta. He stated that Region 4's office is made up of long-serving staff who have not amended their governing practices with the changing times and needs of the region they oversee. With CMS overseeing most of the long-term care facilities in the state, the OIG is unable to intervene in CMS determined deficiencies. Mr. Davis noted that the CMS region that oversees the state of New York has no outstanding complaints or noted deficiencies because that region has lower CMS involvement than Region 4. Kentucky is the most heavily fined state in the country by CMS. CMS imposes the penalties and the OIG's office can help providers implement remedies.

In response to questions and comments by Senator Higdon regarding the opiod crisis, Mr. Davis stated that under Kentucky All Schedule Prescription Electronic Reporting (KASPER), the OIG has hired epidemiologists to create graphs and statistics, find trends, and send the data to their pharmacist reviewers to monitor upticks in dispensing and prescribing. This data also goes into a prescriber report card which shows prescribers how other prescribers in similar fields are dispensing opioids. The prescriber report card is part of Kentucky Opioid Response Effort (KORE). Mr. Davis stated that through KORE and the Federal Opioid Task

Force, they are able to track upticks in Suboxone clinic abuse and investigate accordingly.

In response to questions and comments by Senator Carroll, Mr. Davis stated that regarding surveyor's lack of expertise on particular types of facilities, there is a technical program, an exam, and six months of field supervision, to ensure surveyor competency.

In response to questions and comments from Representative Gibbons Prunty, Mr. Davis stated that gaps in private duty nursing (PDN) care will be addressed in amendments to the current CON laws. PDN's do not accept Medicare which is a barrier. He added that there is an administrative regulation coming soon that will address PDNs.

In response to questions and comments from Co-Chair Elliott, Mr. Davis stated that he will provide data on CMS investigations and fines. He added that the state is trending down in scope and severity of decencies, the right questions are being asked by surveyors, data is being mined, and the review process is working.

Kentucky HEALTH Section 1115 Waiver Legal Status Update

Carol Steckel, Commissioner, Department of Medicaid Services, Cabinet for Health and Family Services stated that the next hearing for the Kentucky Helping to Engage and Achieve Long Term Health (HEALTH) 1115 demonstration Waiver will be October 11, 2019 in Washington, DC before a three-judge panel. They expect a ruling in two to three weeks after that hearing with an appeal to follow that will be filed by whomever loses to the United States Supreme Court. No course of action to implement the waiver will be taken until July 1, 2020. The Substance Use Disorder (SUD) component of the Section 1115 Waiver went live July 1, 2019.

Update on the Kentucky Children's Health Insurance Program (KCHIP)

Carol Steckel, Commissioner, Department of Medicaid Services, Cabinet for Health and Family Services stated that Kentucky Children's Health Insurance Program (KCHIP) KCHIP1 recipients are eligible for Medicaid up to 139 percent of poverty. KCHIP2 recipients are between 139 percent and 159 percent of the poverty level which is from $1,959 a month to $2,240 a month for a family of two. KCHIP3 is for children who fall between 160 percent and 218 percent of the poverty line which is $2,254 to $3,071 a month for a family of two. She stated that there are 8,258 children eligible for all KCHIP programs as of July 2019.

In response to questions and comments from Senator Alvarado, Commissioner Steckel stated that not knowing the familial circumstances can lead to children being uninsured but that KCHIP has expanded who can be covered. If cost effective, the employer premium for the family can be paid for by the department.

In response to questions and comments from Co-Chair Elliott, Commissioner Steckel stated that aggressive outreach campaigns in schools, health fairs, the State Fair, and mailings are helping to capture uninsured children who are eligible for KCHIP across the state.

In response to questions from Representative Gibbons Prunty, Commissioner Steckel stated that the family choses the MCO and if the family does not choose, there is an algorithm used to place the child with an MCO. The algorithm uses that child's medical records to place them with their primary care doctor or a comparable provider.

Review of Kentucky's State Medicaid Plan

Carol Steckel, Commissioner, Department of Medicaid Services, Cabinet for Health and Family Services stated that the Kentucky State Medicaid Plan is a roadmap for how the state operate the Medicaid program. The statutory structure of the State Plan has not changed since 1965. The 1115 waiver and 1915c waiver programs are federally approved ways the state can meet the changing healthcare landscape, including that people are living longer and that healthcare resources are expanding. The state will match service needs with waivers which would exempt persons from the traditional Medicaid requirements. Any updates to the state plan need a State Plan Amendment (SPA), which has a formal process of 90 days after submission for approval, and 90 days for a response, with effective dates at the beginning of the next quarter. Commissioner Steckel stated that in the past six weeks Kentucky has submitted 6 SPA's. In August 2019, a SPA was approved for an increase in graduate medical education and indirect medical education payments to university hospitals and 14 community hospitals. Despite not being approved until August 2019, the SPA had a retroactive start date of July 1, 2019 and the increased payments were made accordingly.

In response to questions from Senator Meredith, Commissioner Steckel stated that a change in reimbursement or a healthcare marketplace update can create a need for SPA. For example, of increase in coverage of home healthcare would necessitate a SPA.

In response to questions from Representative Willner, Commissioner Steckel stated that to treat people where they are and increase access to healthcare, CMS requires a time/motion study to determine how much time, effort, and cost is involved in order for a SPA to be approved.

In response to questions from Senator Meredith, Commissioner Steckel stated that there are 1.2-1.4 million people eligible for Medicaid in Kentucky.

In response to Senator Carroll, Commissioner Steckel stated that her department is not doing well with the credentialing of Medicaid providers but she has her chief of staff on this full time and the creation of the provider portal is promising. A request for proposals (RFP) will be made to create a centralized credentialing component so providers don't have to go through all 5 MCOs to get credentialed. The providers will go to this central portal and will meet the credential requirements of all MCOs.

Adjournment

There being no further business, the meeting was adjourned at 11:45AM.

KENTUCKY CAREER AND TECHNICAL EDUCATION TASK FORCE

Minutes of the 3rd Meeting of the 2019 Interim August 21, 2019

Call to Order and Roll Call

The 3rd meeting of the Kentucky Career and Technical Education Task Force was held on Wednesday, August 21, 2019, at 10:00 AM, in Room 129 of the Capitol Annex. Senator Mike Wilson, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Mike Wilson, Co-Chair; Representative Bobby McCool, Co-Chair; Senators David P. Givens, Jimmy Higdon, and Johnny Ray Turner; Representatives Kevin D. Bratcher, C. Ed Massey, and Reginald Meeks; and Steven Thomas.

Guests: David Meinschein and Casey Allen, Ballard County Schools; Chris Riley and Sabrina Cummins, OEA.

LRC Staff: Jo Carole Ellis, Yvette Perry, Lauren Busch, Seth Dawson, Chuck Truesdell, and Christal White.

Senator Wilson said that today's meeting is focused on the funding system for Career and Technical Education (CTEs) Centers and Kentucky Department of Education (KDE)-funded Area Technology Centers (ATCs). He reminded members that some issues for the task force include disparity in funding, lack of a structured pay scale, and equal access for all students.

On a motion by Representative McCool and a second by Representative Meeks, the minutes of the July 10, 2019, meeting were adopted.

Representatives for KDE were David Horseman, Associate Commissioner, and Kiley Whitaker, Assistant Director, Office of Career and Technical Education and Student Transition; Deanna Durrett, General Counsel; and Charlie Harman, Director, Division of Budgets and Financial Management.

Mr. Horseman explained district SEEK funds differ from CTE SEEK funds. CTE SEEK funds are a budget line item used solely for CTE secondary students and amounts to $61.7 million. ATCs receive $45 million in funding for support of 53 state-operated technical centers governed by KDE, with $22.8 million in SEEK funds, $39.2 million in General Funds; and $53,500 in agency funds. Local Area Vocational Education Center (LAVEC) funds support 42 locally-operated schools with $11.8 million from the General Fund but receive no SEEK or agency funds. The Kentucky Community and Technical College System (KCTCS) receives $1.4 million, all from SEEK funding. Mr. Horseman provided a breakdown of operating expenses for each entity, available in detail on the LRC website accessible online at https://apps.legislature.ky.gov/Committee Documents/329.

Ninety-four percent of state CTE funds are distributed to schools and 6 percent are distributed to KDE.

The ATC statewide total budget, minus 20 percent SEEK dollars of the $4.1 million that goes to district-owned facilities amounted to $40.9 million; the current full-time equivalent (FTE) average value is a $5,068; the current total weighted FTE is $8,094; and the current total unweighted FTE is $6,139.

Mr. Horseman referred to regulations and statutes addressing categories of programs, with Category III programs such as welding and machining having higher operating costs. These areas have a higher weighted FTE which takes those values into consideration. Sixty-seven percent of higher cost categories are found within the ATCs.

ATCs are divided into multi-feeder district centers and single-feeder district centers. Forty-two centers serve multiple districts while 11 centers serve single districts. Budgetary, total weighted and unweighted FTEs, pathways, and staff count are similar in number. The number of students attending multiple feeders is almost 200 students fewer than single-district feeders. Exact figures can be accessed online at https://apps.legislature.ky.gov/Committee Documents/329.

Mr. Horseman said there are no specific statutes or regulations on how ATCs receive funds, only broad provisions in KRS 156.802 as to the responsibility of management, control, and operation. Additionally, KRS 156.842 has similar language giving board authority to CTE but providing little or no expenditure formulas.

ATC funding expends six percent for utilities, two percent for operations, and 92 percent for personnel.

Mr. Horseman said KRS 156.184 allows a process for local boards of education to assume control of state-operated secondary ATCs. The board petitions the commissioner and, if approved, the ATC receives 100 percent of district funds the next year. In subsequent years, funds would go to LAVECs as part of the fixed $11.8 million budget. Without extra funding, the current LAVEC per pupil value of $1,451 would drop to $1,426 for all LAVEC-funded schools due to it being split among a larger number of centers. Larger districts have a higher FTE percentage, impacting the amount other centers receive.

Originally, LAVECs established after June 2001 were not eligible for funding. A change in budget language in 2006 specified LAVEC established after 2001 were eligible for supplemental funding if approved by the Commissioner of Education. Mr. Horseman said that language places the decision in the hands of KDE or the commissioner as to who the “haves or have nots” are and said it is not a place anyone wishes to be.

In 2004, LAVEC funding began with $10 million, dropped minimally in 2005, rose to $11.8 million in 2008, peaked at $12.4 million in 2012, and has remained consistent at $11.8 million since 2013.

Mr. Horseman said there is an error in the statutory formula for determining the LAVEC. KDE does not distribute funds based on the statutory formula but under the regulatory formula.

LAVEC per pupil funding in 2016-2017 was $1,553; in 2017-2018 the amount decreased to $1,475; and in 2018-2019 again decreased to $1451. Sixty additional high-demand top-support pathways were introduced in 2018-2019 without funding, creating open funding requests estimated at $1.3 million. The goal of transitioning ATCs from workforce development to KDE was to maintain the stability of funded programs; however, the addition of LAVEC-funded schools and programs has a negative impact on funding to operating districts. Other districts who have opened or are in the process of starting locally-operated centers receive no funding.

Responding to a question from Senator Givens, Mr. Whitaker said figures for the multi-feeder and single-feeder centers were specific to ATCs. Being a larger district, the example of the single-feeder center is not representative of the entire state since single feeders in rural districts have a lower budget with fewer teachers. Ballard County was chosen because of a partnership that led KDE to some recommendations. The example of the multi-feeder district, Jessamine Career and Technology Center, is representation of an average district. Responding to a follow-up question, Mr. Whitaker said no statute exists that specifically addresses the flow of ATC money to an individual school. Mr. Horseman said although no regulatory action has been taken, KDE studied population, geography, and economic development changes relating to inconsistencies in per-pupil public funding in an effort to modify and gain more efficiency within the policy and procedures in place for ATC operations. Senator Givens said pain and anxiety come with needed change, and Mr. Horseman said that was one of KDE’s biggest considerations regarding KDE’s recommendations. Responding to another follow-up question regarding the interpretation of erroneous statutes, Ms. Durrett said HB 502 directed KDE to create a funding formula and promulgate a regulation, giving KDE legal authority to recognize legislative intent. Because the statutory formula created perverse results, KDE continued to operate funding according to the regulation. Senator Givens asked for the record to reflect that KDE counsel read the regulation and was guided by legislative intent and not the statute itself. Mr. Horseman said addressing this issue is a courageous effort for the benefit of students. Ms. Durrett said attention to this matter is being brought before the task force because KDE wants to operate in complete conformance with statute and regulation. Mr. Horseman indicated KDE will seek legislation on this matter.

In response to a question by Senator Wilson, Mr. Horseman said $1.4 million of SEEK funding is part of the 94 percent the budget allocated to schools. The two percent from these funds are distributed to 16 KCTCS' campuses that provide career and technical education to students enrolled in classes that are not offered in their home school. In response to a follow-up question, Ms. Durrett said the budget bill language has been renewed each year since 2006. Senator Wilson said the various categories under review are the ATCs, funded LAVECs, unfunded LAVECs, unfunded programs, and funded local centers. Mr. Whitaker said another category includes centers who would qualify under the current law and language but have not requested funding. In response to a follow-up question, Mr. Whitaker said the number of students in each category will be provided in the next part of the presentation. Mr. Horseman said helping students find the right pathway is crucial, and CTE desires to add pathway exploratory programs as early as elementary and middle school.

Dexter Knight, Principal, Jessamine Career and Technology Center (JCTC), and David Meinschein, Assistant Superintendent, Ballard County Career and Technology Center, shared programs offered by their respective centers, enrollment data, funding usage, and gaps and concerns with funding. Mr. Horseman said these districts were chosen due to one being a large center and the other being a smaller district with limited resources.

Mr. Knight said Jessamine County Schools (JCS) created a strategic plan to introduce career pathways to the elementary and middle schools. JCTC is one of 42 locally-operated centers and provides equitable access to CTE. Enrollment during the 2006-07 school year consisted of 700 duplicated students, six program areas, and 12 teachers. In 2018-19, JCTC grew to 2,866 duplicated students, 10 program areas with 60 pathways, and 35 teachers. Funding during the first year was $300,000 compared to $618,197 during the 2019-20 school year. Certified and classified staff salary and benefits amount to 66 percent of JCTC's LAVEC budget, a 743 percent increase over the 14-year period. With a very progressive and forward-thinking board, the Jessamine County Board of Education (JCBE) pays the full-time equivalent for 19.3 teachers with an average salary of $48,698, amounting to $939,871. JBCE also pays auxiliary costs associated with operating expenses amounting to $269,857. JCTC has 28.38 FTE for 35 full and part-time teachers; however, JCTS is unable to extend their facilities to other districts due to lack of physical space.

Mr. Knight said JCTC transferred funds to the Fayette County LAVEC centers in 2018-2019 since they have traditionally sent students to Fayette County locally-operated centers for programs not offered in Jessamine County; however, health science, auto body, diesel, and welding are now offered in JCTC. Federal Perkins dollars of $109,799 are primarily used to enhance programs, professional development, and travel. JCTCs addition of the high-demand diesel program was included in LAVEC funding but JCS absorbed much of the cost. Mr. Knight said JCS plans to add CTE hubs for advanced manufacturing and construction over the next two years and has chosen to invest over $28 million of new construction in existing and new programs and pathways. Mr. Knight said when these programs come to fruition, JCS will be stretched in terms of program funding.

In summary, Mr. Knight said in order to provide high-demand, high-wage CTE programs to all Kentucky students, funding models for both locally and state-operated CTE centers should be reviewed for equity and access to high school students across the Commonwealth. Additionally, as locally-operated centers continue to increase, funding for expansion of local districts will continue to decrease. He commended the CTE Task Force for working on ways to provide equity and access to all students through funding models for both locally and state-operated suitors.

In response to a question from Senator Wilson, Mr. Knight said JCS has close to 8,100 students. In a follow-up statement, Senator Wilson said local control rather than state-dictated control is important since high-demand pathways differ in certain areas.

Senator Givens questioned JCTC's slide regarding income and expenses and the duplication of auxiliary expenses of $269,857. Mr. Knight said the Perkins money was omitted because it is specific to teacher travel and professional development. The correction of the Perkins dollars and duplication make income and expenses more equal. In a follow-up question, Mr. Horseman said an ATC space within a typical high school could pay teachers on loan from a company who needs employees trained in a specific area. Employees with a vast amount of experience can teach on a provisional, part-time certificate. Mr. Horseman said KDE now has an occupation-based program requiring four years of experience during the past five years in a specific area to qualify. Additionally, they must be part of KDE's professional learning 10-day program. A teacher could have a full certificate after two years with an associate's degree. Mr. Horseman said, in his opinion, accepting money from a company or other entity to provide additional salary above the pay scale for a particular teaching area would not be acceptable.

David Meinschein, Ballard County Assistant Superintendent said that between 2011 and 2016 the two largest area employers in Ballard County closed and unemployment jumped to 9.2 percent. The community, work force, and school system suffered from the economic devastation.

Mr. Meinschein said CTE and Ballard Memorial High School (BMHS) are critical to the success of their community. He said all students at BMHS attend CTE. BMHS was the first high school to receive 100 percent for college and career readiness in the state's accountability system. In 2018-19, over 80 percent of BMHS students were transition ready, and the CTE program contributed to the community's economic viability. Industry sectors targeted at BCHS include industrial maintenance, health science, welding, agriculture, computer science, business, and family consumer science.

Mr. Meinschein said BMHS's success is due to partnerships with West Kentucky Community and Technical College, Four Rivers Foundation, and Murray State University. With their help, BMHS has a robust dual-credit program, receives help with funding for college prep and CTE programs, instituted the New Skills for Youth program, and is planning to offer remote CTE courses in Carlisle, Hickman, and Fulton Counties. He said partnerships are important for this geographically isolated area.

In FY 2011 to FY 2013, the Ballard County LAVEC was funded with $200,000. 2013 brought significant budget cuts; however, through strong leadership and strong CTE teachers, BMHS became a distinguished school and was recognized by the Southern Regional Education Board as the top CTE in the state for career and academic readiness. The level of funding dipped over the years but has now leveled off to around $96,000. Mr. Meinschein did not include Perkins money and grant monies received in the fund totals.

Mr. Meinschein said several years ago, BMHS received a $250,000 Work Ready Skills Grant and used the money to purchase new equipment for the center's industrial maintenance program. Ballard County Schools spent over $1.5 million for facilities improvement in FY 2018. In FY 2019, $307,806 funded 7 teachers and the CTE administrator salaries.

The current CTE has the flexibility to make changes to serve students and the community; however the current funding model is not sustainable. Mr. Meinschein said any lost funding in the next fiscal year will result in a job loss and adversely affect the economy, the community, the Commonwealth, and will negatively impact a viable product that could go immediately into the workplace. LAVEC spends about $400,000 per year and last year produced 130 certifications for graduating seniors and a total of 296 certifications, including OSHA 10 certifications. Mr. Meinschein believes the program is well worth the funding.

In response to a question from Representative Bratcher, Mr. Meinschein said the mechanics of changing a curriculum or a field of study is accomplished by looking at a community's viable needs, forward thinking, community meetings, and final approval by a panel inclusive of the superintendent, assistant superintendent, school counsel, and CTE teachers. Mr. Horseman said locally-operated centers are approved internally, usually after consulting with KDE data experts. ATCs operate with similar constraints regarding staff and the ability to close programs; however, KDE has more difficulty with staffing due to geography. Mr. Horseman said program or leadership changes in a multi-district requires the leadership of the districts to evaluate the data, make a joint decision with KDE, and follow a process. Mr. Meinschein praised the level of expertise within the KDE's CTE Division.

Responding to a question from Representative McCool, Mr. Horseman said to add or change programs, community needs and balances are reviewed and advisory boards are utilized locally. Each program has an advisory committee for teachers on curriculum matters in the ATCs and KDE recommends all locally- and state-operated centers have one as well. Mr. Horseman said ATCs have a steering level represented by administrative leadership of feeder districts who make decisions and recommendations. Programming changes are made through KDE's program viability analysis. Three supervisors facilitate the process between districts, review the data, and make programming changes with KDE approval. Once approved, staff can move forward with changes.

Mr. McKnight said many local companies reach out to schools to review data. They review Kentucky Center for Statistics data and projected jobs over the next five to ten years and rely on business and industry for updates on their needs.

Mr. Horseman gave an overview of KCTCS funding for secondary students. The total budget is $1.4 million with a current FTE value of $2,480, current total weighted FTEs of $561, and current total unweighted FTEs of $442.

He said there may be 78 more schools in Kentucky that meet the statutory definition of being classified as a locally operated CTE center but who have never requested status or funding. Two hundred locations serve 95,000 students that currently receive no state funding. In response to Senator Wilson's earlier question, Mr. Horseman said there are 31,000 students in LAVEC schools and roughly 22,000 in ATCs being served. Data also says there are 183 high schools offering one or more unfunded, high-demand CTE pathways with an estimated FTE of 12,611.

KDE recommends a phased approach for funding and governance for consideration by the CTE Task Force. Mr. Horseman said Kentucky is highly respected in the country due to paths taken with dual credit programs, ESSA, Senate Bill 1, industry certifications, and career and transition readiness.

Mr. Horseman said while Kentucky is struggling to figure out budget demands, KDE is taking a modest approach for equalization without adding more funding with a goal to reach a reasonable midpoint to fund pathways. He said a broad estimate of $2.8 million would provide funding to programs and currently unfunded centers. He said although it is important not to disturb the successful programs in place, the disparity in the funding formulas for LAVECS and transitioning ATCs require immediate attention.

KDE divided the recommendations into phases. Phase 1 relates to LAVECs and ATCs. For LAVECs, KDE recommends identifying funded pathways and re-examining the levels of funding by category; increasing funding for LAVECs to include unfunded center requests and unfunded programs within funded centers; establishing policies and procedures for requesting, approving, and closing programs that receive state funding; and correcting existing conflict between statute and regulation. Relating to ATCs, KDE recommends classifying which ATCs will move to local control during Phase 1 by determining districts that have the will and ability to operate a center; creating a process for transition of ATCs to local control that moves to long-term access and equity of funding; and incentivizing district collaboration and utilization of regional offerings for efficiency.

Phase 2 recommendations include designing and passing legislation supporting equitable CTE program implementation by creating a system for locating and funding programs and future centers; continuing to transition ATCs to local or shared governance; adding a funding mechanism for equipment upgrades; and finalizing a structure for continuous improvement and expansion of CTE in Kentucky.

Mr. Horseman raised several considerations and concerns for using the phased approach including the readiness of districts to transition to ATCs, the need for new and/or revised legislation, charging tuition and fees to feeder districts, requiring shared governance of LAVECs using inter-local agreements, and incentives for regional collaborations and shared resources. Mr. Horseman said if funded and appropriately governed, one equitable system of CTE could be created.

KDE presented a proposal on the impact of transitioning 10 ATCs to local districts using current data under state governance and projected data after transition to the local districts, based on new legislation. KDE's calculations indicated the current LAVEC FTE value of $1,451 would rise to $1,759 for all LAVEC-funded schools under this proposal.

Relating to LAVECs, KDE recommends correcting conflicting statutory and regulatory language; establishing policies, procedures, and guidelines for requesting, approving, and closing programs that receive funding; and providing additional funding for more pathways within currently-funded LAVEC schools. For ATC transitioning to local districts, the current statute only allows the ATC budget to follow for one year from state to local before the LAVEC formula applies, drastically reducing budgets for those who make the transition. Mr. Horseman said for all centers action must be taken to accomplish an equitable system and provide sustainability for the existing system.

In response to a question from Senator Wilson regarding KCTCS funds once being a line item in the budget, Mr. Harman said KDE's role is to submit the agency request to the Governor's Office, who in turn determines the budget proposal. Mr. Harman said KDE prefers fewer line items allowing the department more flexibility within districts.

Senator Higdon said KDE needs a better funding mechanism similar to the SEEK formula to fund ATCs and locally-controlled technical centers, allowing young people to get adequate training and education that meets the needs in each individual community. Change is needed to accomplish these goals for technical education. Mr. Horseman said every district is passionate about its CTE program, especially in smaller districts, and his office must make decisions that are not always welcomed. He said CTE employees' lives are impacted by KDE decisions and is the reason he suggests taking time, being thoughtful, keeping students' best interests in mind, understanding and addressing local needs, and providing support for all centers through a long-range plan. In response to a follow-up question, Mr. Horseman said SEEK money stays with the district and the conversation for SEEK money to follow students has not been addressed since his time in KDE. Mr. Harman said some districts choose to support their CTE program with their SEEK money and local tax dollars. He said no statute or regulation exists to dictate the transfer of the funds and no specific legislation or formula exists but progressive districts realize the benefit provided.

In response to a question from Representative McCool regarding multiple schools serving different districts and also different counties, Mr. Horseman has estimated it would take between $2-3 million to cover the unfunded LAVECs and funding all programs would require about $20 million per year.

Senator Givens highlighted some phrases used in the presentation: 1) "Establish policies and procedures for requesting, improving, and closing programs that receive state funding."; 2) "Incentivize district collaboration and utilization of regional offerings for efficiency."; 3) "Continuing transitioning ATCs to local or shared governments." Senator Givens said the money as well as the long-term, difficult process by which we approve or deny a particular program. He suggested avoiding the tribalism, parochialism, fragmentation of learning, and duplication of services is vital to get it right. He said legislators will need very strong backbones to take tough votes that may not satisfy a lot of their constituents. Mr. Horseman said the General Assembly must be the authority on funding the top occupations in certain areas with limited funds. He said partnering is a positive step and will contribute to financial management.

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

ADMINISTRATIVE REGULATION REVIEW SUBCOMMITTEE

Minutes of the August Meeting

August 9, 2019

Call to Order and Roll Call

The August meeting of the Administrative Regulation Review Subcommittee was held on Friday, August 9, 2019, at 1:00 PM, in Room 149 of the Capitol Annex. Senator Stephen West, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stephen West, Co-Chair; Representative David Hale, Co-Chair; Senators Julie Raque Adams, Perry B. Clark, and Alice Forgy Kerr; Representatives Deanna Frazier, Mary Lou Marzian, and Tommy Turner.

Guests: Emily Dennis, Registry of Elections; Rosemary Holbrook, Personnel Cabinet; Todd Renner, Department of Revenue; Victoria Hale, Alan Hurst, Kentucky Retirement Systems; Jeff Allen, Board of Dentistry; Heather Becker, H.E. Corder II, Jack Kenkel, Tom Veit, Real Estate Authority; Mike Sunseri, Office of Homeland Security; Karen Waldrop, Department of Fish and Wildlife Resources; Melissa Duff, Anthony Hatton, Department for Environmental Protection; Jeff Baird, Michael Mullins, Charles Snavely, Department for Natural Resources; Amy Barker, Brandon Lynch, Joseph Woods, Department of Corrections; Jon Johnson, Godwin Onodu, Kyle Willard; Department of Transportation; Todd Allen, Chad Collins, Julian Tackett, Department of Education; Steve Humphress, Marc Manley, Alcoholic Beverage Control; Tony Cotto, Department of Insurance; Erica Brakefield, Julie Brooks, Jessica Davenport, Kelly Giesbrecht, Virginia Hamilton, Pamela Hendren, Jim Musser, Department for Public Health; Lee Guice, Jonathan Scott; Department for Medicaid Services; Shannon Gadd, Jessica Wayne, Tonia Wells, Department for Aging and Independent Living; Laura Begin, Laura Carpenter, Kelli Root, Department for Community Based Services; Charles Wheeler, Tattoo Charlies of Kentucky.

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

The Administrative Regulation Review Subcommittee met on Friday, August 9, 2019, and submits this report:

Administrative Regulations Reviewed by the Subcommittee:

DEPARTMENT OF STATE: Registry of Election Finance: Reports and Forms

32 KAR 1:061. Repeal of 032 KAR 001:060. Emily Dennis, general counsel, represented the registry.

PERSONNEL CABINET: Classified

101 KAR 2:230. Kentucky Employee Mediation and Workplace Resolution Programs. Rosemary Holbrook, general counsel, and Larry Gillis, Ombudsman, represented the cabinet.

FINANCE AND ADMINISTRATION CABINET: Department of Revenue: General Administration

103 KAR 1:010. Protests. Todd Renner, executive director, Office of Tax Policy and Regulation, represented the department.

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

103 KAR 1:060. Electronic fund transfer.

A motion was made and seconded to approve the following amendments: (1) to delete Section 7, which was no longer applicable; and (2) to amend the RELATES TO; STATUTORY AUTHORITY; and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 1 through 4 and 8 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

103 KAR 2:030. Policies and circulars relating to inheritance tax.

Ad Valorem Tax, Administration

103 KAR 5:151. Repeal of 103 KAR 005:150.

103 KAR 5:160. Property valuation administrator office employees: payment of leave upon separation.

Ad Valorem Tax; Local Assessment

103 KAR 7:031. Repeal of 103 KAR 007:030.

Ad Valorem Tax; State Assessment

103 KAR 8:011. Repeal of 103 KAR 008:010.

103 KAR 8:110. Apportioned vehicles.

103 KAR 8:130. Ad valorem taxation of machinery actually engaged in the manufacturing of coal, crushed stone, sand, gravel and hot asphalt.

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

103 KAR 8:141. Repeal of 103 KAR 008:140 and 103 KAR 008:150.

Income Tax; General Administration

103 KAR 15:050. Filing dates and extensions.

A motion was made and seconded to approve the following amendments: to amend the STATUTORY AUTHORITY paragraph and Sections 1 through 5 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Income Tax; Corporations

103 KAR 16:200. Consolidated Kentucky corporation income tax return.

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

103 KAR 16:250. Net operating loss computation and deduction for corporations.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO; STATUTORY AUTHORITY; and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 1 through 3 and 6 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

103 KAR 16:400. Combined Unitary Kentucky corporation income tax return.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1 through 8 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (2) to amend Section 7 to establish how a designated filer may request a change in election. Without objection, and with agreement of the agency, the amendments were approved.

Sales and Use Tax; Service and Professional Occupations

103 KAR 26:010. Nontaxable service enterprises.

Sales and Use Tax; Miscellaneous Retailer Occupations

103 KAR 27:140. Publishers of newspapers, magazines and periodicals.

Sales and Use Tax; General Exemptions

103 KAR 30:261. Repeal of 103 KAR 030:260.

Sales and Use Tax; Administration and Accounting

103 KAR 31:030. Direct pay authorization.

A motion was made and seconded to approve the following amendments: to amend the STATUTORY AUTHORITY and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 2 and 10 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

103 KAR 31:111. Sales and purchases for resale.

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

KENTUCKY RETIREMENT SYSTEMS: General Rules

105 KAR 1:200. Retirement procedures and forms. Victoria Hale, staff attorney, and Alan Hurst, staff attorney, represented the systems.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO and NECESSITY, FUNCTION, AND CONFORMITY paragraphs 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.

105 KAR 1:390 & E. Employment after retirement.

A motion was made and seconded to approve the following amendments: to amend the STATUTORY AUTHORITY and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 1 through 4 and Section 6 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

BOARDS AND COMMISSIONS: Board of Dentistry

201 KAR 8:581. Charity dental practices. Jeff Allen, executive director, represented the board.

Real Estate Appraisers Board

201 KAR 30:010. Definitions for 201 KAR Chapter 030. Heather Becker, general counsel; H.E. Corder II, executive director, Kentucky Real Estate Authority; and Tom Veit, executive assistant, represented the board.

In response to questions by Co-Chair West, Ms. Becker stated that this package of administrative regulations was precipitated by federal revisions. These revisions were unrelated to the process of combining licensure boards.

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

201 KAR 30:021. Repeal of 201 KAR 030:020, 201 KAR 030:030, 201 KAR 030:050, 201 KAR 030:060, 201 KAR 030:120, 201 KAR 030:125, 201 KAR 030:150, 201 KAR 030:160, 201 KAR 030:170, 201 KAR 030:180, 201 KAR 030:200, 201 KAR 030:310, 201 KAR 030:315, 201 KAR 030:360, 201 KAR 030:375, and 201 KAR 030:380.

A motion was made and seconded to approve the following amendments: (1) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Section 1 to: (a) clarify that the content of repealed administrative regulations was established in other administrative regulations; and (b) remove the repeal of 201 KAR 30:125, 30:150, 30:160, 30:170, and 30:180; and (2) to amend Section 1 to comply with the formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 30:040. Professional standards of practice and conduct.

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

201 KAR 30:070. Grievances.

201 KAR 30:110. Appraiser roster and fees.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs and Sections 1 through 3 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (2) to amend Section 3 to add the Roster fee of one (1) dollar required for nonfederally-related transactions pursuant to KRS 324A.065(1)(b)4. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 30:190. Certification and licensing requirements.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1, 3, 4, 8 through 18, 20, and 21 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 30:330. Registration and supervision of appraisal management companies.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO; STATUTORY AUTHORITY; and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 2, 3, 6, and 7 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

OFFICE OF HOMELAND SECURITY: 911 Services Board

202 KAR 6:010. Definitions for 202 KAR Chapter 006. Christie Ross, chief operations officer, and Mike Sunseri, office deputy executive director and board administrator, represented the board.

In response to a question by Senator Clark, Mr. Sunseri stated that there had been significant advances in the past fourteen (14) months regarding advanced location services related to cellular calls for emergency response. The next hurdle was distinguishing, for example, from which floor a call originated in the case of large, multi-level urban buildings.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO and NECESSITY, FUNCTION, AND CONFORMITY paragraphs 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.

202 KAR 6:020. CMRS provider cost recovery.

A motion was made and seconded to approve the following amendments: to amend the STATUTORY AUTHORITY and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 3, 4, 9, 10, and 15 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

202 KAR 6:030. Confidential and proprietary information.

202 KAR 6:050. PSAP certification.

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

202 KAR 6:060. PSAP pro data fund disbursement.

A motion was made and seconded to approve the following amendments: 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.

202 KAR 6:070. PSAP workload fund disbursement.

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

202 KAR 6:080. CMRS surcharge remittance and reporting.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO; STATUTORY AUTHORITY; and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 1 through 3, and 6 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

202 KAR 6:090. Permitted uses by PSAPs for CMRS funds.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1 through 4 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

202 KAR 6:100. PSAP Phase II certification.

A motion was made and seconded to approve the following amendments: to amend the STATUTORY AUTHORITY and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 1 through 4, 7, and 8 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

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

301 KAR 1:152 & E. Harvest and sale of Asian carp. Daniel Schulman, staff attorney, and Karen Waldrop deputy commissioner, represented the department.

Wildlife

301 KAR 4:090. Taxidermy and the buying and selling of inedible wildlife parts.

ENERGY AND ENVIRONMENT CABINET: Department for Natural Resources: Division for Air Quality: Asbestos

401 KAR 58:005. Accreditation of asbestos professionals. Melissa Duff, division director, and Tony Hatton, commissioner, represented the division.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO paragraph and Sections 1, 4, 5, and 8 through 10 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Division of Mine Permits: Bond and Insurance Requirements

405 KAR 10:001. Definitions for 405 KAR Chapter 010. Jeff Baird, division director, and Michael Mullins, regulation coordinator, represented the division.

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

405 KAR 10:015. General bonding provisions.

A motion was made and seconded to approve the following amendments: to amend Sections 1 and 2 through 12 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

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

501 KAR 6:160. Correctional Industries. Amy Barker, assistant general counsel, and Joseph Woods, branch manager, represented the department.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO and STATUTORY AUTHORITY paragraphs, 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.

TRANSPORTATION CABINET: Department of Vehicle Licensing: Division of Motor Licensing: Motor Vehicle Tax

601 KAR 9:130. Motor vehicle registration. Jon Johnson, assistant general counsel; Godwin Onodu, assistant director; and Kyle Willard, transportation engineer, represented the cabinet.

A motion was made and seconded to approve the following amendments: to amend Sections 17 and 21 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Department of Highways: Division of Maintenance: Traffic

603 KAR 5:150. Encroachment permits.

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.

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

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

In response to questions by Co-Chair Hale, Mr. Tackett stated that, over the last couple of years, the Kentucky High School Athletic Association (KHSAA) made changes to reduce unintended problems pertaining to student athletes who transferred schools and were prohibited from participation in certain sports as a result of the transfer. KHSAA was continuing to address the issue of exceptions based on a guardian who works at a school, including implementing an appeal process. Only a small percentage (approximately 100) of the thousand student transfers per year resulted in an appeal. The transfer rule did not apply until a student had already played a specific sport at the high school level. Due to liability, transportation, and insurance concerns, principals and superintendents were disinclined to allow a student enrolled in a school to participate in sports events for another school. Mr. Collins stated that a student may enroll in a school and play a sport if the student did not have previous varsity experience at another school in that sport. Member schools were trying to narrow the scope of the transfer requirements in order to apply the requirements to the situations intended to be regulated. Mr. Tackett stated that there were families who would move residences in order to ensure that their child played a certain sport at a specific school. Free agency was inappropriate in true interscholastic environments; however, there were always those who would find a way to circumvent the rules. While imperfect, this administrative regulation made Kentucky interscholastic sports programs more equitable. The girls' state basketball tournament would continue to be held at Rupp Arena. While expensive, the benefits were significant. Parts of the arena were curtained off in order to prevent a feeling of cavernousness.

In response to a question by Representative Frazier, Mr. Tackett stated that there were some coaches who would allow a player to play in order to prevent that student from transferring. It was a discouraged practice.

In response to questions by Co-Chair West, Mr. Tackett stated that Kentucky was a member of the National Federation of High Schools, which was developing e-sport gaming programs between schools. Due to concerns for school safety, the e-sport games were carefully vetted, and principals and participants' guardians were required to review the gaming content and establish permission. Students were required to play as a team, rather than as individuals. E-sport gaming was engaging students who had previously been isolated. Those students were now representing their schools.

A motion was made and seconded to approve the following amendments: to amend Sections 3, 4, 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.

PUBLIC PROTECTION CABINET: Department of Alcoholic Beverage Control: Local Administrators

804 KAR 10:040. Cities with quotas for quota retail package licenses in excess of statutory default quotas. Steve Humphress, general counsel, and Marc Manley, attorney, represented the department.

In response to a question by Co-Chair West, Mr. Humphress stated that, for a city within a dry county that had voted to go wet and subsequently requested a quota increase, the default quota was one (1) retail package license for every 2,300 city residents; however, a city could request additional licenses up to one (1) per 1,500 city residents. The increase request process required public notification via newspaper, a city council resolution, and a request to the agency board. The authorizing statute established criteria for use by the agency board making the determination. There were also various due-process procedures. Changes to this administrative regulation were precipitated by statutory revisions.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO; STATUTORY AUTHORITY; and NECESSITY, FUNCTION, AND CONFORMITY paragraphs 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: Authorization of Insurers and General Requirements

806 KAR 3:240. Corporate Governance Annual Disclosure. Tony Cotto, executive advisor, represented the department.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO; STATUTORY AUTHORITY; and NECESSITY, FUNCTION, AND CONFORMITY paragraphs, Sections 1 through 4, and the material incorporated by reference to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Life Insurance and Annuity Contracts

806 KAR 15:081. Repeal of 806 KAR 015:080.

CABINET FOR HEALTH AND FAMILY SERVICES: Department for Public Health: Division of Epidemiology and Health Planning: Communicable Diseases

902 KAR 2:070. Rabies control. Erica

Brakefield, section supervisor; Julie Brooks, regulation coordinator; and Kelly Giesbrecht, Kentucky State Public Health Veterinarian, represented the division.

Department for Public Health: Division of Public Health Protection and Safety: Mobile Homes and Recreational Vehicles Parks; Facilities Standards

902 KAR 15:010. Manufactured and mobile homes. Jessica Davenport, program evaluator; Erica Brakefield, section supervisor; and Julie Brooks, regulation coordinator, represented the division.

In response to a question by Co-Chair West, Ms. Brakefield stated that the requirements established in this administrative regulation were not much more stringent than the previous provisions. These changes were primarily a consolidation of other requirements into one (1) administrative regulation for ease of use by stakeholders.

Food and Cosmetics

902 KAR 45:065. Tattooing. Julie Brooks, regulation coordinator; Virginia Hamilton, program coordinator; Pamela Hendren, branch manager; and Jim Musser, executive director, represented the division. Charles Wheeler, owner, Tattoo Charlie's of Kentucky, appeared in support of but requesting changes to this administrative regulation.

In response to a question by Co-Chair West, Mr. Musser stated that the division acknowledged the complexity of the administrative regulation process pertaining to this administrative regulation. The process was a testament to Kentucky's administrative regulation system. Mr. Musser thanked Senator Raque Adams, Representative Marzian, and their constituents for input during the development of these administrative regulations. The division received over 500 comments during the public comment period, and department staff did an excellent job of responding to the public comments. The primary concern was always the health, safety, and welfare of constituents.

In response to a question by Co-Chair West, Mr. Wheeler stated that he supported the updates to this administrative regulation, but requested amendments to this administrative regulation and 902 KAR 45:070. The requirement for a nonporous ceiling was impractical and unnecessary. Most studio ceilings were drop-down ceilings, which were porous; however, it was unlikely that bodily fluids could contaminate the ceiling. While the administrative regulation effectively addressed definitions pertaining to sterilization, tattoo studios and piercers that used metal or receiving tubes (lumens) should not sterilize with a gravity-based sterilizer only, which did not adequately sterilize the interior of the tubes, but should instead use a pulsed-vacuum sterilizer. Consent for minors should include both notarized consent and parental presence, rather than one (1) or the other. Practitioners should wear appropriate clothing and closed-toed shoes because sharp instruments could be dropped and cause injury to exposed skin.

Representative Marzian stated that prohibiting open-toed shoes and requiring appropriate attire was a good idea. In response to a question by Representative Marzian, Ms. Brooks stated that a health inspector would not cite a facility for inappropriate attire; therefore, the division believed that attire should be a policy decision for the facility. The division agreed that appropriate attire was an important safety component.

In response to questions by Representative Frazier, Mr. Wheeler stated that many clients took anti-coagulant medications. Practitioners always recommended that a client check with his or her physician about safety concerns. This was a more appropriate procedure than an explicit regulatory directive. Practitioners were prohibited due to privacy requirements from asking extensive questions of clients regarding medical conditions; however, if a client volunteered information, such as a diagnosis of diabetes, standard procedure was to recommend that a client check with his or her physician. Additionally, it was recommended that diabetics tattoo or pierce only above the waist because wounds above the waist healed better than wounds below the waist. Ms. Hamilton stated that a nonporous ceiling was something for which a studio may receive a violation. It would not necessarily be a critical violation; however, a studio may receive a lower inspection score as a result. Mr. Wheeler stated that health inspection violations should be standard.

In response to a question by Co-Chair West, Ms. Hamilton stated that there was an Association of Professional Tattooers. Mr. Wheeler stated that the Association of Professional Tattooers was not as comprehensive as the Association of Professional Piercers.

A motion was made and seconded to approve the following amendments: (1) to amend Sections 2 and 3 to remove the phrase, "or postmarked by" from the deadline requirement for a renewal application; (2) to amend Section 7 to revise provisions for parental or legal guardian consent to remove language that would conflict with KRS 211.760(3)(d); (3) to amend Section 12 to change the application requirements for a mobile studio to establish that an owner shall submit the application to the local health department where the owner resides, instead of to the health department where the studio is located; (4) to amend Section 12 to require mobile studio certification to: (a) be valid statewide; (b) be publicly displayed in the mobile studio; (c) be nontransferable from one person to another; (d) expire on December 31 each year; and (e) be assessed a $100 late renewal fee if the renewal application is not received by January 31 each year; and (5) to amend Sections 2, 3, 5, 7, 8, 12 through 15, and 17 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

902 KAR 45:070. Body piercing and ear piercing.

A motion was made and seconded to approve the following amendments: (1) to remove the phrase, "or postmarked by" from the deadline requirement for a renewal application; (2) to revise provisions for parental or legal guardian consent to remove language that would conflict with KRS 211.760(3)(d); (3) to revise application requirements for a mobile studio to establish that an owner shall submit the application to the local health department where the owner resides, rather than the health department where the studio is located; (4) to add mobile studio requirements, including that certification shall: (a) be valid statewide; (b) be publicly displayed in the mobile studio; (c) be nontransferable from one person to another; (d) expire on December 31 each year; and (e) be assessed a $100 late renewal fee if the renewal application is not received by January 31 each year; and (5) to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

902 KAR 45:075. Tanning facilities.

902 KAR 45:090 & E. Home-based processors and farmers market home-based microprocessors.

Department for Medicaid Services: Division of Policy and Operations

907 KAR 1:604 & E. Recipient cost-sharing. Lee Guice, director, and Jonathan Scott, regulatory and legislative advisor, represented

the division.

A motion was made and seconded to approve the following amendments: to amend Sections 1, 2, 4, and 8 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Department for Aging and Independent Living: Division of Guardianship

910 KAR 2:020. Referral process for adult guardianship. Shannon Gadd, commissioner; Jessica Wayne, assistant director; and Tonia Wells, director, represented the division.

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

922 KAR 1:310 & E. Standards for child-placing agencies. Laura Begin, staff assistant; Mary Carpenter, assistant director; and Kelli Root, branch manager, represented the division.

In response to a question by Co-Chair West, Ms. Begin stated that changes to these administrative regulations were precipitated by House Bills 1 and 446 from the 2019 Regular Session of the General Assembly. These administrative regulations established a new type of foster home, the child-specific foster home, which was specific to relative or fictive kin caregivers.

922 KAR 1:350 & E. Requirements for public child welfare agency foster parents, adoptive parents, and respite care providers.

922 KAR 1:495 & E. Training requirements for foster parents, adoptive parents, and respite care providers for children in the custody of the cabinet.

A motion was made and seconded to approve the following amendments: to amend Section 2 to clarify that the cabinet shall waive up to twelve (12) hours of preservice training curricula for an applicant seeking approval as a child specific foster home unless the cabinet identifies an unmet need that necessitates training. Without objection, and with agreement of the agency, the amendments were approved.

The following administrative regulations were deferred or removed from the August 9, 2019, subcommittee agenda:

STATE BOARD OF ELECTIONS: Forms and Procedures

31 KAR 4:120. Additional and emergency precinct officers.

FINANCE AND ADMINISTRATION CABINET: Office of Financial Management: State Investment Commission

200 KAR 14:201. Repeal of 200 KAR 014:200.

BOARDS AND COMMISSIONS: Board of Pharmacy

201 KAR 2:095. Pharmacist interns.

201 KAR 2:165. Transfer of prescription information.

Board of Dentistry

201 KAR 8:540. Dental practices and prescription writing.

Real Estate Commission

201 KAR 11:011. Definitions for 201 KAR Chapter 011.

201 KAR 11:105. Advertising.

201 KAR 11:461. Repeal of 201 KAR 011:420.

Board of Embalmers and Funeral Directors

201 KAR 15:010. Definitions.

201 KAR 15:015. Per Diem compensation of board members.

201 KAR 15:030. Fees.

201 KAR 15:040. Examination.

201 KAR 15:050. Apprenticeship and supervision requirements.

201 KAR 15:080. Complaints.

201 KAR 15:110. Funeral establishment criteria.

201 KAR 15:120. Requirements for applicants holding a license in another state.

201 KAR 15:125. Surface Transportation Permit.

Real Estate Appraisers

201 KAR 30:130. Education provider, instructor, and course.

ENERGY AND ENVIRONMENT CABINET: Department for Environmental Protection: Division of Water: Water Quality

401 KAR 5:010. Operation of wastewater systems by certified operators.

Water Quality Certification

401 KAR 8:030. Water treatment plant and water distribution system classification and staffing.

401 KAR 8:050. Drinking water program fees.

Water Quality Standards

401 KAR 10:001. Definitions for 401 KAR Chapter 010.

401 KAR 10:026. Designation of uses of surface waters.

401 KAR 10:029. General provisions.

401 KAR 10:030. Antidegradation policy implementation methodology.

401 KAR 10:031. Surface water standards.

Certified Operators

401 KAR 11:001. Definitions for 401 KAR Chapter 011.

401 KAR 11:030. Wastewater treatment and collection system operators; classification and qualifications.

401 KAR 11:040. Water treatment and distribution system operators; classification and qualifications.

401 KAR 011:050. Operator and training provider certification.

401 KAR 011:060. Operator and training provider certification fees.

JUSTICE AND PUBLIC SAFETY CABINET: Asset Forfeiture

500 KAR 9:011. Repeal of 500 KAR 009:010, 500 KAR 009:020, 500 KAR 009:030, and 500 KAR 009:040.

Motorcycle Safety Education Commission

500 KAR 15:010 & E. Motorcycle safety education program.

Department of Corrections: Office of the Secretary

501 KAR 6:110. Roederer Correctional Complex.

TRANSPORTATION CABINET: Department of Vehicle Regulation: Driver Improvement

601 KAR 13:090. Medical Review Board; basis for examination, evaluation, tests.

601 KAR 13:100. Medical standards for operators of motor vehicles.

EDUCATION AND WORKFORCE DEVELOPMENT CABINET: Board of Education: Department of Education: Office of Chief State School Officer

701 KAR 5:090. Teacher disciplinary hearings.

Office of District Support Services: School Administration and Finance

702 KAR 3:130. Internal accounting.

Office of Employment and Training: Apprenticeship Standards

787 KAR 3:010. Registration of apprenticeship programs.

PUBLIC PROTECTION CABINET: Department of Insurance: Agents, Consultants, Solicitors, and Adjustors

806 KAR 9:001. Prelicensing courses of study.

806 KAR 9:020. False or deceptive names, titles, prohibited.

806 KAR 9:030. Adjuster licensing restrictions.

806 KAR 9:061. Repeal of 806 KAR 009:060.

806 KAR 9:070. Examinations.

806 KAR 9:110. Agent's rights after contract termination.

806 KAR 9:190. Disclosure requirements for financial institutions authorized to engage in insurance agency activities.

806 KAR 9:200. Volume of insurance agent exchange of business.

806 KAR 9:310. Life settlement licenses.

806 KAR 9:321. Repeal of 806 KAR 009:320.

806 KAR 9:341. Repeal of 806 KAR 009:340.

806 KAR 9:350. Recognition of financial planning certification and designation for receipt of fees and commissions.

Rates and Rating Organizations

806 KAR 013:120. Workers' compensation deductible policies.

LABOR CABINET: Department of Financial Institutions: Administration

808 KAR 1:180. Use of special restricted funds.

CABINET FOR HEALTH AND FAMILY SERVICES: Department for Public Health: Division of Public Health Protection and Safety: Public Accommodations

902 KAR 7:010. Hotel and motel code.

Office of Inspector General: Division of Healthcare: Health Services and Facilities

902 KAR 20:036. Operation and services; personal care homes.

Department for Public Health: Division of Audits and Investigations: Controlled Substances

902 KAR 55:070. Emergency medication kits in long-term care facilities.

Department for Medicaid Services: Payments and Services

907 KAR 3:170 & E. Telehealth service coverage and reimbursements.

Department for Aging and Independent Living: Division of Guardianship

910 KAR 2:040. Service provisions for adult guardianship.

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

922 KAR 1:470. Central registry.

The subcommittee adjourned at 2:15 p.m. The next meeting of the subcommittee is tentatively scheduled for September 16, 2019, at 10 a.m.

GOVERNMENT CONTRACT REVIEW COMMITTEE

Committee Minutes

August 13, 2019

Call to Order and Roll Call

The Government Contract Review Committee met on Tuesday, August 13, 2019, at 10:00 AM, in Room 131 of the Capitol Annex. Senator Stephen Meredith, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stephen Meredith, Co-Chair; Representative Stan Lee, Co-Chair; Senators Julian M. Carroll, and Paul Hornback; Representatives Charles Booker, and Mark Hart.

Guests: Brad Bottoms, Eric Pelfrey, Royce Meredith, Travis Powell, Dr. Melissa Bell, Sara Beth Gregory, Farrah Petter, Blaine Gilmore, Chad Ogle, Mike Hales, Dan Davis, David Harmon, Laura Hagan, Katie Marks, Jennifer Moore, Douglas Beard, Jessica Hinkle, Toby Smith, Lisa Wilson, Bart Hardin, and Naomi Emmons.

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

A motion was made by Senator Carroll to approve Minutes of the July 2019, meeting of the committee. Representative Booker seconded the motion, which passed without objection.

JULY DEFERRED ITEMS:

DEPARTMENT FOR COMMUNITY BASED SERVICES

Jobs for Kentucky's Graduates, 1900004436. Douglas Beard, Jessica Hinkle, and Toby Smith discussed the contract with the committee. A motion was made by Representative Booker to consider the contract as reviewed. Senator Hornback seconded the motion, which passed without objection.

KENTUCKY TEACHERS RETIREMENT SYSTEM

Vertosoft, LLC, 2020-0010. A motion was made by Senator Carroll to consider the contract as reviewed. Representative Booker seconded the motion, which passed without objection.

WESTERN KENTUCKY UNIVERSITY

Tennessee Equine Hospital North, PLLC, 192010. A motion was made by Senator Hornback to consider the contract as reviewed. Representative Hart seconded the motion, which passed.

DEFERRED ITEMS:

UNIVERSITY OF LOUISVILLE

University Professional Continuing Education Association, 20-013. A motion was made by Senator Carroll to defer the contract to the September meeting of the committee. Senator Hornback seconded the motion, which passed.

WESTERN KENTUCKY UNIVERSITY

Compansol, 192018. A motion was made by Senator Carroll to defer the contract to the September meeting of the committee. Senator Hornback seconded the motion, which passed.

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.

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

<u>THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE REVIEWED WITHOUT OBJECTION:</u>

<u>BEHAVIORAL HEALTH, DEVELOPMENTAL & INTELLECTUAL DISABILITIES</u>
Jackson & Coker Locumtenens, LLC, 1900003334; Train for Change, Inc., 1900004946.

<u>DEPARTMENT FOR COMMUNITY BASED SERVICES</u>
Social Services Associates, LLC, 1900004730.

<u>DEPARTMENT FOR ENVIRONMENTAL PROTECTION</u>
RFH, PLLC, 1900004967.

<u>DEPARTMENT OF CORRECTIONS</u>
Charles T. Mitchell County, 2000000122.

<u>DEPARTMENT OF HIGHWAYS</u>
Gresham Smith, 2000000178; Elite Real Estate Services, LLC, 2000000215.

<u>DEPARTMENT OF MILITARY AFFAIRS</u>
Timothy Lane Pickerrell, 2000000142; Philip Kenneth Miller, 2000000213.

<u>FACILITIES & SUPPORT SERVICES</u>
Hafer PSC, 2000000001; Sustainable Streams, LLC, 2000000076.

<u>KENTUCKY EMPLOYERS MUTUAL INSURANCE</u>
Overland Solutions, Inc., 20-OSI-001.

<u>KY COMMUNITY TECHNICAL COLLEGE SYSTEM</u>
Universal Helicopters, Inc., 777; Sylvia Rayfield & Associates, Inc., 778.

<u>KY PUBLIC SERVICE COMMISSION</u>
Energy Technologies, LLC, 1900004865.

<u>MURRAY STATE UNIVERSITY</u>
Ruffalo Noel Levitz, LLC, 018-20.

<u>NORTHERN KENTUCKY UNIVERSITY</u>
Angela Arndt, 2020-101; Isaacson Miller, Inc., 2020-102.

<u>UNIVERSITY OF KENTUCKY</u>
Bell Engineering, A191200; Enovio, LLC d/b/a Enovio Consulting, K20-119; CorVel Enterprise Comp, Inc., K20-120; Grant Cooper & Associates, K20-122; Bluegrass Law Group, PLLC, K20-123; Commonwealth Anesthesia, PSC, K20-124; Vimarc, K20-126; Apax Software, K20-127.

<u>WESTERN KENTUCKY UNIVERSITY</u>
The Scorer's Table, 192016; Contemporary Services Corporation, 192017.

<u>THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:</u>

<u>DEPARTMENT FOR ENVIRONMENTAL PROTECTION</u>
URS Corporation, 1000001352.

<u>DEPARTMENT FOR INCOME SUPPORT</u>
Franklin Covey Client Sales, Inc., 1900002587.

<u>DEPARTMENT FOR PUBLIC HEALTH</u>
Market Decisions, LLC, 1800002049.

<u>DEPARTMENT OF HIGHWAYS</u>
URS Corporation, 0700003365; HMB Professional Engineers, Inc., 1100002335; HMB Professional Engineers, Inc., 1300002470; QK4, 1400001041; Municipal Engineering Company, 1500000523; CDP Engineers, Inc., 1500001103; HMB Professional Engineers, Inc., 1600000469; Stantec Consulting Services, Inc., 1600002541; QK4, Inc., 1600002562; HMB Professional Engineers, Inc., 1700000309; Palmer Engineering, 1700001724; WSP USA, Inc., 1800000309; QK4, Inc., 1800000826; Municipal Engineering County, 1900003494; American Engineers, Inc., 1900004728; Vaughn & Melton Consulting Engineers, Inc., 1900005010; H A Spalding, Inc., C-99005052.

<u>DEPARTMENT OF HOUSING, BUILDINGS AND CONSTRUCTION</u>
Code Administrative Association of Kentucky, 1900001829.

<u>FACILITIES & SUPPORT SERVICES</u>
EOP Architects, PSC, 1100002570; EOP Architects, PSC, 1400000675; CMTA, Inc., 1900003502.

<u>KENTUCKY STATE POLICE</u>
Gregory Dukes, 1900001675; Kelley Farris, 1900001676; Kevin B. Guier, 1900001677; Billy P. Hall, 1900001679; Isaiah Hill, 1900001680; Darrell Hutchison, 1900001683; Bruce Kelley, 1900001686; Ronald E. Long II, 1900001688; Roy Pace, Jr., 1900001689; Donald L. Perry, 1900001690; John L. Pratt, 1900001691; Michael Ray, 1900001692; Jack H. Riley, 1900001693; Trevor A. Scott, 1900001694; Todd C. Simon, 1900001695; Harry J. Sowders, 1900001696; James Don Trosper, 1900001699; Steve Walker, 1900001700; Robert Curtis Mouser, 1900001702; Stuart Recke, 1900001703; Kevin Rogers, 1900001704; Anthony Gatson, 1900001706; Matthew Jordan, 1900001707; Mark L. Combs, 1900001708; Jerrod L. Hearld, 1900001709; Marc H. Carter, 1900001711; Ronnie R. Reynolds, 1900001712; Samuel O. Shacklette, 1900001715; Gary Travis, 1900001716; Millar R. Root III, 1900001765; Kevin R. Pickett, 1900001800; Dwayne Ison, 1900001801; Chris Collins, 1900002081; Jim T. Whitaker III, 1900002082; Jonathan Blevins, 1900002154; Mitchell D. Holliman, 1900002155; Michael Hatler, 1900002236; Henry St. George Carmichael IV, 1900002653; Jonathan McChesney, 1900002654; Jeffrey L. Jacobs, 1900002947; Toney Gene Allen, 1900002948; Robert A. Maxwell, 1900002956; Anthoney C. Blakemore, 1900003001; James M. Taylor, 1900003029; Kelly Anderson, 1900003034; Keith Baker, 1900003252; James Jones, 1900003262; Steven L. Oliver, 1900003269; Luther Vanhoose, 1900003328; John Kearns, 1900003547; Kenneth Stewart, 1900003723; Paul Doublin, 1900004305.

<u>KY COMMUNITY TECHNICAL COLLEGE SYSTEM</u>
Franklin Covey Client Sales, 732; Interpreting Services of the Commonwealth, LLC, 753.

<u>MILITARY AFFAIRS COMMISSION</u>
Thomas P. Miller and Associates, 1900002651.

<u>MOREHEAD STATE UNIVERSITY</u>
Belinda Hitch, 19-034.

<u>UNIVERSITY OF KENTUCKY</u>
Omni Architects, A181090; THP Limited, Inc., A181150; Stengel-Hill Architecture, A191090; Marshall Medical Management, LLC, K19-195.

<u>WESTERN KENTUCKY UNIVERSITY</u>
Multi, 182003.

<u>THE FOLLOWING MEMORANDA OF AGREEMENTS WERE REVIEWED WITHOUT OBJECTION:</u>

<u>ADMINISTRATIVE OFFICE OF THE COURTS</u>
Morehead State University, 2000000217; New Vista of the Bluegrass, Inc., 2000000218;

Chrysalis House, Inc., 2000000282.

COUNCIL ON POSTSECONDARY EDUCATION

DXtera Institute, Inc., 1900004715.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION

University of Kentucky Research Foundation, 1900004999.

DEPARTMENT FOR FAMILY RESOURCE CENTERS & VOLUNTEER SERVICES

Multi, 1900004858.

DEPARTMENT FOR LOCAL GOVERNMENT

Fulton County Industrial Development Authority, 1900004323; Union County Fiscal Court, 1900004364; Barren County, 1900004881; City of Campbellsville, 1900004939; Pulaski County Fiscal Court, 1900004978; Pike County Fiscal Court, 1900004982; Logan Industrial Development Authority, Inc., 1900004995; Franklin-Simpson Industrial, 2000000077; Union County Fiscal Court, 2000000152; Webster County Fiscal Court, 2000000171; Barren River Area Development District, 2000000183; Buffalo Trace Area Development District, 2000000186; Gateway Area Development District, 2000000189; Green River Area Development District, 2000000190; Kentuckiana Regional Planning & Development Agency, 2000000192; Lincoln Trail Area Development District, 2000000194; Northern Kentucky Area Development District, 2000000195.

DEPARTMENT OF CORRECTIONS

Center for Employment Opportunities, Inc., 2000000031.

DEPARTMENT OF EDUCATION

Boone County Board of Education, 1900003863; Kenton County Board of Education, 1900003911; Department of Corrections, 1900004234; Kentucky Community and Technical College System, 1900004243; Eastern Kentucky University, 1900004260; University of Kentucky Research Foundation, 1900004267; University of Louisville Research Foundation, 1900004300; Indiana University, 1900004488; The National Center for the Improvement of Educational Assessment, Inc., 1900004750; Barren County Board of Education, 1900004758; Eastern Kentucky University, 1900004760; Kentucky Community and Technical College System, 1900004761; Anderson County Board of Education, 1900004799; Ballard County Board of Education, 1900004802; Bath County Board of Education, 1900004804; Bowling Green Independent School District, 1900004805; Boyd County Board of Education, 1900004806; Carter County Board of Education, 1900004807; Christian County Board of Education, 1900004809; Covington Independent School District, 1900004810; Edmonson County Board of Education, 1900004811; Fleming County Board of Education, 1900004815; Franklin County Board of Education, 1900004816; Grant County Board of Education, 1900004818; Grayson County Board of Education, 1900004819; Henderson County Board of Education, 1900004820; Jessamine County Board of Education, 1900004821; Johnson County Board of Education, 1900004822; Kenton County Board of Education, 1900004823; Lawrence County Board of Education, 1900004824; Lewis County Board of Education, 1900004825; Livingston County Board of Education, 1900004826; Magoffin County Board of Education, 1900004827; Marshall County Board of Education, 1900004828; McCreary County Board of Education, 1900004829; Muhlenberg County Board of Education, 1900004830; Newport Independent School District, 1900004831; Powell County Board of Education, 1900004832; Scott County Board of Education, 1900004833; Simpson County Board of Education, 1900004834; Trigg County Board of Education, 1900004835; Union County Board of Education, 1900004836; Ashland Board of Education, 1900004841; Berea Independent Board of Education, 1900004842; Calloway County Board of Education, 1900004843; Simpson County Board of Education, 1900004844; University of Kentucky Research Foundation, 1900004857; Western Kentucky University, 1900004984; Henderson County Board of Education, 2000000017; Bourbon County Board of Education, 2000000037; Fayette County Board of Education, 2000000050; Adair County Board of Education, 2000000055; Ballard County Board of Education, 2000000056; Barren County Board of Education, 2000000057; Berea Independent Board of Education, 2000000058; Bethune Institute Education Corporation, 2000000059; Boys and Girls Club, Inc., 2000000061; Boyd County Board of Education, 2000000062; Breathitt County Board of Education, 2000000063; Casey County Board of Education, 2000000064; Family and Children's Place, Inc., 2000000065; Hickman County Board of Education, 2000000066; Livingston County Board of Education, 2000000067; Menifee County Board of Education, 2000000068; Taylor County Board of Education, 2000000069; Washington County Board of Education, 2000000070; Wayne County Board of Education, 2000000071; Webster County Board of Education, 2000000072; Williamstown Board of Education, 2000000073; Boone County Board of Education, 2000000074; Bracken County Board of Education, 2000000075; Pleasant Green Baptist Church, 2000000078; Pendleton County Board of Education, 2000000079; Nelson County Board of Education, 2000000085; Bourbon County Board of Education, 2000000097; Bullitt County Board of Education, 2000000098; Burgin Board of Education, 2000000099; Campbell County Board of Education, 2000000100; Christian County Board of Education, 2000000101; Corbin Independent School District, 2000000102; Harrison County Board of Education, 2000000103; Johnson County Board of Education, 2000000104; Letcher County Board of Education, 2000000105; Monroe County Board of Education, 2000000106; Martin County Board of Education, 2000000107; Nicholas County Board of Education, 2000000108; Owensboro Independent School District, 2000000109; Cumberland County Board of Education, 2000000123; YMCA of Greater Cincinnati, 2000000124; Spencer County Board of Education, 2000000125; Whitley County Board of Education, 2000000127; Ashland Board of Education, 2000000128; Cloverport Independent School District, 2000000129; Covington Independent School District, 2000000130; Fulton Independent Board of Education, 2000000131; Glasgow Independent School District, 2000000132; Hardin County Board of Education, 2000000133; Grayson County Board of Education, 2000000134; Greenup County Board of Education, 2000000135; Harlan County Board of Education, 2000000136; Harlan County Boys and Girls Club, 2000000137; Harlan Independent School District, 2000000138; Henderson County Board of Education, 2000000139; Jefferson County Board of Education, 2000000140; Leslie County Board of Education, 2000000141; Lincoln County Board of Education, 2000000143; Ludlow Independent School District, 2000000144; Mayfield Independent School District, 2000000145; Metcalfe County Board of Education, 2000000146; McCracken County

Board of Education, 2000000147; Newport Independent School District, 2000000148; Save the Children Federation, Inc., 2000000149; Wolfe County Board of Education, 2000000151; Clinton County Board of Education, 2000000158; Crittenden County Board of Education, 2000000159; Bullitt County Board of Education, 2000000237; Lincoln County Board of Education, 2000000256; Casey County Board of Education, 2000000263; Fleming County Board of Education, 2000000269; Berea Independent Board of Education, 2000000270; Knox County Board of Education, 2000000290.

DEPARTMENT OF MILITARY AFFAIRS

University of Louisville Research Foundation, 1900003439.

ECON DEV - OFFICE OF THE SECRETARY

Murray State University, 1900004382.

KENTUCKY FISH AND WILDLIFE RESOURCES

University of Kentucky Research Foundation, 1900004942.

KY INFRASTRUCTURE AUTHORITY

Bluegrass Area Development District, 1900005013; Barren River Area Development District, 2000000025; Green River Area Development District, 2000000034; Kentuckiana Regional Planning & Development Agency, 2000000038; Kentucky River Area Development District, 2000000040; Lake Cumberland Area Development District, 2000000041; Lincoln Trail Area Development District, 2000000046; Northern Kentucky Area Development District, 2000000047; Purchase Area Development District, Inc., 2000000049.

OFFICE OF KY NATURE PRESERVES

Wilderness Louisville, Inc., 1900004312.

WESTERN KENTUCKY UNIVERSITY

KHEAA - KHEAA Verify, 2020-010.

THE FOLLOWING MEMORANDA OF AGREEMENT AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS

Cumberland River Behavioral Health, Inc., 1900001840.

BEHAVIORAL HEALTH, DEVELOPMENTAL & INTELLECTUAL DISABILITIES

University of Kentucky Research Foundation, 1800002012; Kentucky Partnership for Families and Children, Inc., 1900000286.

DEPARTMENT FOR COMMUNITY BASED SERVICES

Kentucky Coalition Against Domestic Violence, Inc., 1800001942.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION

Banklick Watershed Council, 1700002743.

DEPARTMENT FOR FAMILY RESOURCE CENTERS & VOLUNTEER SERVICES

Jefferson County Board of Education, 1900001735; Multi, 1900002169; Teach for America, 1900002183; Unlawful Narcotics Investigations Treatment and Education, 1900002206.

DEPARTMENT FOR LOCAL GOVERNMENT

Muhlenberg County Fiscal Court, 1900002778; Knott County Fiscal Court, 1900003045.

DEPARTMENT FOR PUBLIC HEALTH

DMA Kentucky Community Crisis Board, 1800001771.

DEPARTMENT OF AGRICULTURE

Multi, 1900003210; Multi, 1900003211.

DEPARTMENT OF EDUCATION

Green County Board of Education, 1900004096; Spencer County Board of Education, 1900004105; Lincoln County Board of Education, 1900004125; Newport Independent School District, 1900004163.

MILITARY AFFAIRS COMMISSION

Kentucky Science and Technology Corporation, 1900000653.

TRANSPORTATION - OFFICE OF THE SECRETARY

University of Louisville Research Foundation, 1900003620.

THE FOLLOWING FILM TAX INCENTIVES WERE REVIEWED WITHOUT OBJECTION:

TOURISM - OFFICE OF THE SECRETARY

Stretches Plenty Pictures, LLC, 2000000010; Post Time Audiovisual Services, Inc., 2000000011; Post Time Audiovisual Services, Inc., 2000000012; Prosper Media Group, Inc., 2000000014; Prosper Media Group, Inc., 2000000015; Level 5 Entertainment, LLC, 2000000161; Stargazer 2019A, LLC, 2000000288.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE SELECTED FOR FURTHER REVIEW:

AUDITOR OF PUBLIC ACCOUNTS

National Associates of State Auditors, Comptrollers and Treasurer, 1900004008. Sara Beth Gregory and Farrah Petter discussed the contract with the committee. A motion was made by Representative Lee to consider the contract as reviewed. Representative Hart seconded the motion, which passed.

COUNCIL ON POSTSECONDARY EDUCATION

Gray Associates, Inc., 1900004997. Travis Powell and Dr. Melissa Bell discussed the contract with the committee. A motion was made by Senator Hornback to consider the contract as reviewed. Representative Booker seconded the motion, which passed.

UNIVERSITY OF KENTUCKY

Cammack Retirement Group, K20-121; Academic Leadership Associates, K20-125. Lisa Wilson, Naomi Emmons, and Bart Hardin discussed the contracts with the committee. A motion was made by Senator Carroll to consider the contracts as reviewed. Senator Hornback seconded the motion, which passed.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE SELECTED FOR FURTHER REVIEW:

DEPARTMENT OF HIGHWAYS

American Engineers, Inc., 1600003407. Brad Bottoms, Eric Pelfrey, and Royce Meredith 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.

DEPARTMENT OF HIGHWAYS

Stantec Consulting Services, Inc., 1800002069. Brad Bottoms, Eric Pelfrey, and Royce Meredith discussed the contract with the committee. A motion was made by Representative Hart to consider the contract as reviewed. Senator Carroll seconded the motion, which passed.

NORTHERN KENTUCKY UNIVERSITY

Academic Partnerships, LLC, 2018-114. Blaine Gilmore, Chad Ogle, and Mike Hales discussed the contract with the committee. A motion was made by Representative Hart to consider the contract as reviewed. Senator Hornback seconded the motion, which passed.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE SELECTED FOR FURTHER REVIEW:

TRANSPORTATION - OFFICE OF THE SECRETARY

Western Kentucky University, 1900004443. Dan Davis, David Harmon, and Laura Hagan discussed the contract with the committee. A motion was made by Senator Carroll to consider the contract as reviewed. Representative Booker seconded the motion, which passed.

THE FOLLOWING MEMORANDA OF AGREEMENT AMENDMENTS WERE SELECTED FOR FURTHER REVIEW:

BEHAVIORAL HEALTH, DEVELOPMENTAL & INTELLECTUAL DISABILITIES

University of Kentucky Research Foundation, 1800000576. Katie Marks and Jennifer Moore discussed the contract with the committee. A motion was made by Representative Hart to consider the contract as reviewed. Senator Carroll seconded the motion, which passed.

EXEMPTION REQUESTS:

KENTUCKY DEPARTMENT OF AGRICULTURE:

The Kentucky Department of Agriculture requested an exemption from the two year contracting restrictions for seven (7) grant recipients for the purpose of researching and promoting specialty crop farming techniques in Kentucky. A motion was made by Representative Lee to grant the request to September 30, 2022. Representative Hart seconded the motion, which passed without objection.

ENERGY AND ENVIRONMENT CABINET:

The Department for Environmental Protection requested an exemption from the two year contracting restrictions for the Pollution Prevention Grant. A motion was made by Representative Lee to grant the request to September 30, 2020. Representative Hart seconded the motion, which passed without objection.

ENERGY AND ENVIRONMENT CABINET:

The Department of Forestry and Natural Resources requested an exemption from the two year contracting restrictions for the Growing Young Conservation Leaders and Natural Resource Career Exploration Grant. A motion was made by Representative Lee to grant the request to June 30, 2022. Representative Hart seconded the motion, which passed without objection.

CABINET OF HEALTH AND FAMILY SERVICES:

The Division of Procurement and Grant Oversight, on behalf of the Department of Aging and Independent Living requested an exemption from the two year contracting restrictions for Medicare Improvement for Patients and Providers Act of 2008 MIPPA Contract. A motion was made by Representative Lee to grant the request to September 30, 2020. Representative Hart seconded the motion, which passed without objection.

ADMINISTRATIVE OFFICE OF THE COURTS:

The Administrative Office of the Courts requested an exemption for the six Memoranda of Agreement (SAMHSA) Grant agreements dealing with Substance Abuse Treatment and Mental Health Services. A motion was made by Representative Lee to grant the request to May 31, 2024. Representative Hart seconded the motion, which passed without objection.

There being no further business, the meeting adjourned at 11:51AM.

TOBACCO SETTLEMENT AGREEMENT FUND OVERSIGHT COMMITTEE

Minutes of the 5th Meeting of the 2019 Interim

August 14, 2019

Call to Order and Roll Call

The 5th meeting of the Tobacco Settlement Agreement Fund Oversight Committee was held on Wednesday, August 14, 2019, at 10:00 AM, in Room 131 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 and Dennis Parrett; Representatives Kim King, Phillip Pratt, Rick Rand, and Brandon Reed.

Guests: Warren Beeler, Executive Director, Governor's Office of Agricultural Policy (GOAP); Bill McCloskey, Deputy Executive Director, GOAP; and Michael Hayes, Kentucky Highlands Investment Corporation (KHIC).

LRC Staff: Stefan Kasacavage, Nathan Smith, Silas Montgomery, and Rachel Hartley.

Governor's Office of Agricultural Policy Report

Warren Beeler provided a brief overview of the Kentucky Center for Agriculture and Rural Development, Kentucky State University Land Grant Program, Kentucky Highlands Investment Corporation, and Youth Agricultural Incentives Program.

In response to a question from Representative Rand, Michael Hayes stated KHIC's primary focus is business loans.

In response to a question from Senator Parrett, Mr. Beeler stated mentors are involved with the Kentucky Beginning Farmer Loan Program to assist individuals with developing, expanding, or buying into a farming operation. There are also mentors involved with the Youth Agricultural Incentives Program.

In response to a question from Representative Dossett, Mr. Hayes stated KHIC will submit loan applications for approval once the next round of funding is received.

Bill McCloskey described the Agricultural Development Board's projects for July under the program. Mr. McCloskey highlighted programs including the County Agricultural Investment Program (CAIP), Next Generation Farmer, Shared-Use Equipment Program, and Youth Agriculture Incentives Program.

The requested program amendments discussed included:

Taylor County Cattlemen's Association requested an additional $143,456 in Taylor County funds for CAIP. The board recommended approval, which would bring the program total to $269,312.

The projects discussed included:

Three Stone Farms was approved for $5,000 in Henry County funds to develop a cattle receiving station.

The Ewing Fire Department was approved for $12,500 in Fleming County funds to purchase grain bin rescue equipment.

The LaRue County Saddle Club was approved for $4,000 in LaRue County funds to expand and update the grounds to allow access to city water and to accommodate agricultural events.

Washington County Fiscal Court was approved for $14,296 in Washington County funds to purchase a new truck for its deceased animal removal program.

Rowan County Fiscal Court was approved for $18,000 in state funds to add a concrete pad and blacktop around the farmers market structure.

Maggie's Garden and More was approved for $7,000 in state funds and $7,000 in Trimble County funds to renovate and purchase equipment.

J.R. Chaney Bottling Company was approved for $28,091 in Warren County funds to purchase equipment to produce ice cream, yogurt, and heavy cream from fluid milk.

Bluegrass Community and Technical College was approved for $15,000 in state funds to purchase materials and supplies to establish the Kentucky Honey Testing Laboratory.

Owsley Brown Frazier Historical Arms Museum was approved for $50,000 in state funds to provide ongoing maintenance and enhancements to the Spirit of Kentucky exhibit.

Marion County Fiscal Court was approved for $20,000 in Marion County funds to purchase a new truck for its deceased animal removal program.

The city of Somerset was approved for $240,000 in state funds and $10,000 in Pulaski County funds for the construction of a farmers market structure and commercial kitchen.

In response to a question from Senator Hornback, Mr. Beeler stated the difference between Kentucky Proud and Certified Kentucky Honey is that Kentucky Proud products must be at least one of the following: grown, raised, produced, processed, or manufactured in Kentucky. Certified Kentucky Honey must be both produced and processed in Kentucky.

In response to a question from Representative King, Mr. Beeler stated Certified Kentucky Honey should be available in retail stores by December 2019.

There being no further business, the meeting was adjourned.

PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

Minutes

August 23, 2019

Call to Order and Roll Call

The Program Review and Investigations Committee met on Friday, August 23, 2019, at 8:00 AM, in Room 131 of the Capitol Annex. Senator Danny Carroll, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Danny Carroll, Co-Chair; Representative Rob Rothenburger, Co-Chair; Senators Tom Buford, Perry Clark, Reginald Thomas, Stephen West, and Phillip Wheeler; Representatives Lynn Bechler, Chris Fugate, Adam Koenig, Ruth Ann Palumbo, Steve Riley, and Walker Thomas.

Legislative Guest: Senator Jimmy Higdon.

Guests: OJ Oleka, Deputy State Treasurer and Chief of Staff, Kentucky State Treasurer; Eric Evans, Associate State Director of Advocacy & Outreach, AARP Kentucky; Anne-Tyler Morgan, Senior Fellow, Pegasus Institute, McBrayer, PLLC; Mark Tresh, Executive Director, Insurance Institute of Kentucky; Eric M. Perez, Executive Director of Office of Transportation Delivery, Transportation Cabinet; Jeremy Thompson, Human Services Transportation Delivery Branch Manager, Transportation Cabinet; Tabitha Martin, Public Transit Branch Manager, Transportation Cabinet; and Eddie Newsome, Benefit Policy Branch Manager, Department for Medicaid Services.

LRC Staff: Greg Hager, Committee Staff Administrator; Christopher T. Hall; Van Knowles; Sarah Ortkiese; Jeremy Skinner; William Spears; Shane Stevens; Susannah Stitzer; Joel Thomas; and Christy Young, Committee Assistant.

Minutes for July 12, 2019

Upon motion by Senator Wheeler and second by Representative Rothenburger, minutes for the July 12, 2019 meeting were approved by voice vote without objection.

Retirement Savings Options For Private Sector Employees

Mr. Evans thanked the co-chairs and committee members for the opportunity to present. Mr. Oleka said that Treasurer Allison Ball has a vested interest in seeing that citizens of Kentucky are set for retirement. The Treasurer's office is not advocating for a particular plan, but Kentucky needs a plan that includes employers and employees. The Treasurer is willing to take the lead on this issue.

Mr. Evans said that the United States has had a retirement crisis for decades. Half of households are at risk of not having enough money in retirement to afford basic necessities such as food, utilities, and health care. Over 45 percent of working-age households have no retirement account; this includes more than 40 percent of those aged 54 to 64 who have no account. Only 55 percent of private sector workers have access to a retirement plan at work, which has not improved over the past 40 years. Only a small percentage of individuals open a retirement account on their own. Kentucky ranks among the middle of states on a scorecard of retirement financial security. Approximately 51 percent of Kentucky private sector workers (795,000) do not have a way to save for retirement out of their paycheck.

Work and Save is a potential program that would allow private sector workers to save out of their paychecks. Possible design features of the program are that enrollment is automatic, participation is voluntary because employees can opt out, and that employees can take their retirement savings with them when they leave a job. Of those auto-enrolled in an employer plan, 91 percent save in an IRA. According to a study from AARP, Kentucky could save more than $46 million in public assistance over the period 2018 to 2032 if lower-income retirees save enough to increase their retirement income modestly.

Ms. Morgan said that the large number of people who have not saved for retirement affects small businesses and diverse populations, especially those with lower incomes. When people do not save for retirement, this affects taxpayers who must pay for government aid for those who cannot support themselves. There is no government solution for this problem. Businesses can help through public-private partnerships or through private options. It is important for all stakeholders to consider available options. AARP is here today to ask that this issue be considered by the committee at some point.

In response to a question from Senator

Carroll, Mr. Evans said that AARP is not advocating for a public solution, but for a public-private partnership. For example, a private company could bid for the project. All solutions would have a private element.

In response to a question from Senator Carroll, Mr. Oleka said the Treasurer has the capacity to do a study of this topic. The Financial Empowerment Commission has work groups, one of which could address this issue. Information could be gathered from experts and other states.

Representative Bechler said the committee is not voting today on whether to study this issue. The idea that government should be responsible for getting people to do what the government feels is correct for them is the opposite of his way of thinking. KentuckyWired is an example of a public-private project that did not go well, which makes him skeptical that this one would work better. The Treasurer already has a working group in place to look at this issue. Any plan should be opt in, not opt out. Anyone can set up automatic savings at a bank. This seems to be a solution looking for a problem. He hopes that the committee does not take on this issue as the Treasurer's office seems capable.

Mr. Evans said that AARP wants a study to get possible solutions to the lack of savings, not government overreach.

Senator Carroll asked whether there could be a commitment today for the Treasurer to look at this issue. Mr. Oleka said that authorization would have to come from the commission, which meets in early October.

Representative Rothenburger said that there is general agreement that savings should be encouraged. There will need to be a strong financial literacy component to whatever is done, so that people do not dip into savings early.

Mr. Tresh said that he agrees for the need for more retirement saving but is concerned about state mandates or requirements. A bill offered in 2015 by AARP and the previous treasurer would have established a state-mandated program with opt outs. State-run programs in seven other states have proven to be financial burdens. The California program is in litigation as to whether it is in violation of ERISA [US Employee Retirement Income Security Act]. Saving for retirement requires the will and ability to do so. A healthy economy helps.

Senator Carroll said that most of the lower-paid employees of the nonprofit he runs do not take advantage of a matching program. The best scenario is a good economy with good pay.

Mr. Tresh said that an option could be incentives such as tax credits for private employers instead of a mandate.

Senator Carroll asked Mr. Oleka to report back to the committee after the commission meeting in October.

Medicaid Transportation

Mr. Perez gave an overview of the two branches in the Transportation Cabinet's Office of Transportation Delivery. The main role of the Public Transit Branch is to secure statewide formula and competitive grants from the Federal Transit Administration. The branch distributes grant funding to rural, small urban, and large urban areas. All counties have some type of public transportation. In most counties, it is a demand-response system.

Among the responsibilities of the Human Service Transportation Delivery Branch is non-emergency medical transportation, which is for Medicaid members who do not have access to free transportation that suits their medical needs and need to be transported to a medically necessary, Medicaid-covered service. He described the requirements to be met to qualify for non-emergency transportation. Transportation is provided through annual agreements with brokers in each of 15 regions, who in turn have subcontractors.

In response to questions from Representative Rothenburger, Mr. Perez said that although brokers can provide transportation, typically they are responsible for scheduling and subcontract with other entities to transport clients. Brokers are paid a set amount per Medicaid recipient in the region. Brokers' costs may end up being more or less than what is provided via the capitated rate. Capitation rates are set by an actuary based on the previous year's rates with the goal that payments per region are 85 percent of the medical loss ratio. The amount subcontractors get is set by the Transportation Cabinet, currently approximately $1.65 per person per mile with extras for services such as picking up a client with a wheelchair. Mr. Perez said that the cabinet favors a set rate per trip based on a formula. Last year, the statewide cost was $104 million. The average cost per trip is $32; the average trip is 12 miles. Urban areas have a flat fee per trip because trips are shorter.

Continuing the presentation, Mr. Perez said brokers are responsible for dealing with complaints and assuring that vehicles are maintained by subcontractors and that drivers are qualified and tested for drugs and alcohol. The cabinet works with brokers on complaints. There is also an 800 number. In FY 2018, there were more than 3.4 million Medicaid trips and 12,889 denials issued for ineligible trips. The branch does monthly surveys of recipients of service. In FY 2018, customer satisfaction was 100 percent.

Through a relatively new program, non-emergency medical transportation is provided for released inmates from correctional facilities to go directly to approved residential substance abuse programs upon release. Eligibility is limited to those who are pregnant, 16 to 18 years old, or former foster children up to age 26. Starting this year, methadone treatment is an option.

He described an upcoming pilot program that is anticipated to start October 1, 2019: a partnership with the Department of Corrections to provide transportation for those on probation or parole to activities such as visits to substance abuse facilities, medical appointments, job interviews, and probation/parole meetings.

Representative Fugate asked whether the cost for transporting someone 55 miles to a methadone clinic would be $1.65 per mile. He said that some have been in a clinic in his district for years. He asked whether transportation is still paid for although the program is supposed to be 18 months. Mr. Perez said that transportation for methadone treatment has only been provided for specific groups since October 1, 2018. The program provides transportation as long as the client meets the criteria. Representative Fugate said that there should be restrictions to keep people from taking advantage of the system.

Senator Carroll said that the organization he runs serves disabled people who use transportation services. An unintended consequence to lowering the capitation rate is that some people with disabilities are losing services because household members may not take the initiative to meet requirements. The provider of services sometimes has to pay for transportation themselves. When the rate is higher, people are more likely to get services.

In response to questions from Senator Carroll, Mr. Perez said that the actuary that sets rates is chosen by the Department for Medicaid Services. The alternative favored by the Transportation Cabinet is the SAVE formula, which would have lowered costs by $50 million over 5 years. Under the formula, services would be provided and then reimbursed by the cost divided by 0.85. A drawback to the formula is the incentive for brokers to approve everyone. The Transportation Cabinet would have to do more oversight. All current brokers are nonprofits. Pursuing an alternative to the current funding system would depend on approval from the Department of Medicaid Services and the US Centers for Medicare and Medicaid Services.

Senator Carroll said that as the population eligible for non-emergency transportation expands, there are consequences for the disabled and other populations within Medicaid.

Senator Carroll said that his understanding is that the $2 million for the Corrections pilot comes from Medicaid funding, which is wrong given the other populations that need services.

In response to a question from Senator Higdon as to whether brokers are audited, Mr. Perez said that the loss ratio is tracked by region.

In response to questions from Senator Higdon, Mr. Perez said that there are programs that provide transportation to bus stations and airports but they are not part of non-emergency services. Programs may be targeted to low-income residents but anyone is eligible. Such eligibility is a not a requirement of the federal grants that are the sources of funding. Senator Higdon said that he is aware of those with substantial incomes who use this service. Service should be only for low-income residents. His understanding is that some are paying nothing for these trips. Mr. Perez said they should be paying a fare; he will check into this. When funding from the Federal Transit Administration is targeted to low-income clients, the administration favors everyone being eligible so that there is no stigma for using the services.

Senator Wheeler said that he is concerned that he often sees a mini-bus sent to transport one person. He asked whether there is a mandate that a broker have so many of this type of vehicle. Mr. Perez said that the only requirement is that ADA-compliant vehicles be available, which could be a mini-bus in some cases. Agencies have been buying smaller vehicles in recent years.

In response to question from Representative Bechler, Mr. Perez said that the hours of operation of the Human Services Transportation Delivery branch are local time depending on the area of the state.

In response to a question from Senator Carroll, Mr. Newsome said that he would get information on funding of the prisoner re-entry program.

Senator Carroll said that committee members should notify the co-chairs if they have suggestions for testimony at future meetings.

The meeting was adjourned at 9:36.

PUBLIC PENSION OVERSIGHT BOARD

Kentucky Retirement Systems Administrative Subcommittee

Minutes

March 25, 2019

Call to Order and Roll Call

The 1st meeting of the Kentucky Retirement Systems Administrative Subcommittee of the Public Pension Oversight Board was held on Monday, March 25, 2019, at 10:00 AM, in Room 154 of the Capitol Annex. Senator Wil Schroder, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Wil Schroder, Co-Chair; Representative Russell Webber, Co-Chair; Senators Jimmy Higdon and Dennis Parrett; and John Chilton.

Guests: Bryanna Carroll, Kentucky League of Cities; Eric Kennedy, Kentucky School Boards Association; Joe Baer, Kentucky Professional Firefighters; and David Eager, Executive Director, Kentucky Retirement Systems.

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

Costs and Pros/Cons of an Alternative to County Employees Retirement System Separation

Bryanna Carroll, Eric Kennedy, and Joe Baer collectively affirming their organizations' position that a full separation of the County Employees Retirement System (CERS) from the Kentucky Retirement Systems (KRS) is the best path forward. However, Ms. Carroll noted the employer groups had held an initial meeting with KRS staff to discuss the option of CERS having a separate board from Kentucky Employees Retirement System (KERS) and State Police Retirement System (SPRS) but retaining common administration under KRS. She indicated the discussion was positive, but stated that the process of discussions would take some time. Ms. Carroll stated the employer groups would not want a board in just name only, but would seek a board with full authority to govern and make all CERS-related decisions regarding investments, actuaries, managers, and other administrative decisions.

Ms. Carroll discussed how the proposed new CERS board might be structured and referenced the board structure proposed in SB 226 during the 2017 regular session. She stated the bill created a nine member board, consisting of three elected members, three members that have retirement management experience, and three members that have investment experience. The employer groups are willing to explore the idea of having a KRS board, which would serve as an administrative board for the two underlying boards, but that CERS would want to ensure the composition aligned with CERS interests.

Eric Kennedy stated the initial discussions with KRS staff were productive, but noted that further discussion and planning is needed. He emphasized that this alternative model, which would fall somewhere between full separation and the current operating model, would need clear and explicit details regarding how the two underlying boards would operate, make decisions, and relate to a single KRS administrative board.

Joe Baer stated that the Kentucky Firefighters Association continues to support the full separation of CERS, but was encouraged by the discussions with KRS staff.

In response to a question from Mr. Chilton, Ms. Carroll and Mr. Kennedy both stated the coalition of employer groups still support a full separation of CERS, but are willing to discuss alternatives such as having a separate board.

In response to a question from Senator Schroder with regards to a separate board model, Ms. Carroll stated the discussion could go in several directions, but the recent discussion with KRS focused on a model with three boards; one for CERS, one for KERS and SPRS, and then an overarching KRS board for administrative purposes. In this scenario, staff would be shared across all three governance boards. She stated that more planning was needed regarding the overarching KRS board and expressed a desire from CERS employer groups that any such board better represent the plan.

In response to a question from Mr. Chilton, Mr. Carroll stated that CERS separation had been on KLC's agenda dating back to 2014. She referenced past concerns with how investments were administered, assumptions were set or changed, and administrative functions that were difficult for CERS employers. She noted that CERS represents 63 percent of the KRS membership and 73 percent of the assets, and this is the core basis for why employers were seeking a model that gave them more of a voice.

Representative Webber requested that the groups submit questions and concerns to the

KRS Administrative Subcommittee.

Senator Higdon commented that he believes the most logical approach would be for boards to be established for CERS and KERS/SPRS to oversee actuarial, investment, and related issues while the KRS board continues to be responsible for all other aspects of KRS and to keep one administrative operation intact.

David Eager, KRS, began his opening remarks by noting that the topic of CERS separation dated back to 2008. Mr. Eager noted that KRS' position is to not separate CERS from KRS, and he expressed the belief that the current governance and structure worked effectively and efficiently. He stated that separation would be destructive from a member's standpoint and would cost taxpayers approximately $7 million more per year. He pointed out how the size of KRS has enabled the system to better serve the underlying membership and also noted that the KRS consolidated model of administration is the most common model utilized in the industry.

Mr. Eager discussed three options regarding CERS separation. The first option would be to continue with the current model and with KRS having one board and one administrative operation. The second option would be to establish separate boards for CERS and KERS/SPRS to oversee actuarial, investment, and related issues. The KRS board would continue to be responsible for all other aspects of KRS and there would only be one administrative operation intact. And the third option would result in KRS and CERS completely separated over time.

Mr. Eager reviewed the current KRS board structure and composition. The 17 member board consists of 10 gubernatorial appointments, six elected members, and one ex-officio member. He discussed the several underlying committees of the board, such as the investment, audit, and retiree healthcare committees. Mr. Eager discussed the increasing time commitment for members and expressed concern for finding qualified investment professionals to serve on multiple boards.

Mr. Eager reviewed the cost comparisons for each of the three options being considered. For option one, he stated that KRS currently operated on a $47 million annual budget. Under option two, Mr. Eager stated there would be some additional expenses added to the $47 million annual budget. Under option 3, or full separation, there would be an estimated $7 million in additional expenses annual added to the $47 million budget.

In response to a question from Senator Schroder, Mr. Eager stated that the estimated $7 million in additional expenses under the third option was an annual expense. Mr. Eager stated there would be one-time costs anywhere from $2.5 to $4.5 million under the full separation option.

Mr. Eager discussed the composition and governance of a new CERS board and stated that it should be large enough to get a broad perspective, but not so large to become cumbersome. He also expressed a belief that at least two investment professionals should be included. With regards to governance, Mr. Eager proposed the new board would be responsible for actuarial and investment related decisions. This would include assumptions, experience studies, annual valuations, asset allocations, and the selection of external asset managers.

Mr. Eager discussed how the current KRS board would change under each option. Under the second option, the KRS board would likely continue, but would not be not be responsible for investments and actuarial decisions. Under complete separation, the six board members related to CERS would leave and likely be replaced.

Next, Mr. Eager discussed the duplication of administrative and consulting services, how to promulgate or amend regulations, and trends for consolidation under two separate boards. He indicated there would be some duplication of services if separate boards were created or if CERS was fully separated. And he indicated that administrative regulations would have to be addressed by the new boards under options 2 or 3.

In closing, Mr. Eager provided a summary of the options from KRS' perspective and outlined reasons why their position was to continue with option 1, which is the current consolidated model. He emphasized that KRS operated efficiently and effectively and noted the current model was the cheapest of the three reviewed. It avoids duplication, can respond to each systems different needs, assumptions, and asset allocations effectively. He stated that option three, or full separation, is problematic and unnecessary. He stated it would result in greater cost to taxpayers and would cause multiple disruptions. Mr. Eager did state that while KRS does not believe it is needed, option two could be an acceptable alternative if properly organized.

In response to a question from Senator Schroder, Mr. Eager clarified that the investment operations department was essentially the accounting team associated with the investment activities of KRS. The group settles transactions and performs monthly reconciliations, so it is likely they could support both the CERS and KERS/SPRS board.

In response to questions from Senator Higdon regarding requested actuarial analysis, Mr. Eager stated that KRS is asked to conduct analysis for each bill that is related to pensions. Some have no fiscal impact, while others are forwarded to the systems' actuary to provide an estimated cost or savings. He indicated KRS had processed approximately 35 requests for actuarial analysis during the 2019 regular session.

In response to a follow up question from Senator Higdon regarding projected administrative costs, Mr. Eager stated that KRS does periodic trainings throughout the state as well as in their Frankfort offices to try and encourage members to use the START online self-serve program. He indicated KRS was trying to improve communications through the use of email and referenced HB 80, which would allow trustee ballots to be sent via email.

Senator Schroder commented and Mr. Eager confirmed that the electronic ballot is optional.

In response to a question from Representative Webber with regards to decisions made by the board for CERS and KERS, Mr. Eager stated that he was not aware of any conflicts when making decisions, including investment decisions.

Senator Schroder invited the CERS employer groups back to the testimony table to add anything further to Mr. Eager's remarks.

As follow up to Representative Webber's question regarding board decisions resulting in conflict, Ms. Carroll noted that currently, with how committee memberships are structured, CERS is only 11 percent of the investment committee. She also stated that CERS members have expressed concern with there only being three elected CERS members, while the remaining three are ultimately appointed by the Governor. Lastly, she referenced the board's decision to lower actuarial assumptions in 2017 and their unwillingness to consider a phase-in period, which forced CERS to rely on legislative intervention.

Mr. Kennedy agreed with Mr. Eager's

statement that the overall investment policy and decisions have become more unique and tailored to the CERS fund, but emphasized that had not always been the case. He stated that having a singular focus on CERS, and its investment decisions and funding, was one aspect of why the employer groups supported full separation.

With no further business, the meeting was adjourned.

PUBLIC PENSION OVERSIGHT BOARD

Kentucky Retirement Systems Administrative Subcommittee

Minutes

December 17, 2018

Call to Order and Roll Call

The 4th meeting of the Kentucky Retirement Systems Administrative Subcommittee of the Public Pension Oversight Board was held on Monday, December 17, 2018, at 10:00 AM, in Room 154 of the Capitol Annex. Representative Russell Webber, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Wil Schroder, Co-Chair; Representative Russell Webber, Co-Chair; Senators Jimmy Higdon and Dennis Parrett; Representatives DJ Johnson and Arnold Simpson; John Chilton, and James M. "Mac" Jefferson.

Guests: Jennifer Black Hans and Bo Cracraft, LRC Staff.

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

Approval of Minutes

Representative Simpson moved that the minutes of the October 22, 2018 meeting be approved. Representative Johnson seconded the motion, and the minutes were approved without objection.

Public Pension Board Composition, Representation, and Structure Review

Jennifer Hans and Bo Cracraft, LRC Staff, presented a review and case study of state and local retirement plan board compositions. Ms. Hans pointed out that staff research hoped to identify trends in board composition, appointed to elected ratios, and local member representation, but ultimately no clear trends were revealed.

Ms. Hans began with a quick summary of the spectrum of plans studied by staff, which included a consolidated model similar to Kentucky Retirement Systems (KRS), a consolidated administration with separate board governance, and fully separated plans, utilized in several states and similar to the model proposed by SB 226. In addition, Ms. Hans reviewed the history of the KRS statutory board structure and stated it has remained the same for 40 years with only recent changes made between 2013 and 2017 as a result of statutory changes.

Ms. Hans discussed a survey of over 80 retirement system boards conducted by the National Association of State Retirement Administrators (NASRA). She noted that 31 systems had no elected members and for the majority of boards included in the survey has more appointed than elected trustees. No general ratio of local members were evident, even for municipal-only plans, and pointed out that many boards included employer appointees, legislative appointees, and public-at-large members. According to the survey, member representation was evident for nearly all plans and in many cases required by statute.

Mr. Cracraft discussed board structures of consolidated plans, narrowing the review to systems where multiple underlying plans were governed and administered by a single board of trustees. He said that fifteen plans are similar to KRS, and he provided a summary of each plan's board of trustees, broken down by appointed, ex-officio, and elected members. The smaller, narrower group looked pretty similar to the larger universe provided by NASRA. Almost half of the boards did not include elected positions and 12 of the 15 boards were majority appointed. All but one of the plans had member representation, which was required by statute. For 5 of the 15 plans, at least half the board represented underlying plan membership.

Mr. Cracraft noted that some states sourced members through an election process, while other states required appointed trustees to be members. He identified Colorado and Mississippi as two examples of states that utilized an election process to choose board members. He reviewed Tennessee and Wyoming, two states where plan members are appointed to the board as a result of an appointment process.

Mr. Cracraft discussed whether the size of a plan's membership was reflected in their representation on the boards. Board structure is generally defined by statute and not something that changes dynamically, while membership for a retirement plan changes pretty rapidly in some cases. He provided a summary of active and retired membership for the Colorado, Mississippi, Tennessee, and Wyoming plans, and pointed out that in many cases local board representation was relatively proportional to the retirement plan membership.

In response to a question from Mr. Chilton, Mr. Cracraft stated that three of the KRS board appointments are made by the Governor from a list of three individuals provided by the Kentucky League of Cities (KLC), Kentucky Association of Counties (KACo), and Kentucky School Boards Association (KSBA), respectively. This process is similar to the state of Tennessee; however, in Tennessee, the three appointments are made directly by the local government organizations rather than by the governor from a list.

In response to questions from Representative Simpson regarding employer contributions versus employee contributions and how that might affect board representation, Mr. Cracraft stated staff would follow up and report to the Chairs at a later time.

In response to a comment from Representative Johnson regarding how the percentage of assets could also impact board representation, Mr. Cracraft agreed to follow up.

Ms. Hans reviewed states utilizing separate boards for plan governance, but consolidated plan administration under a single entity. Ms. Hans reviewed about 16 plans across 7 states and compared each plan's board of trustees broken down by the number of appointed, ex-officio, and elected members. Many of the boards were majority-appointed and tended to be smaller in size relative to other state plans. Ms. Hans reviewed the structures of Alabama and Vermont, which have a majority elected board members, and Arkansas and North Carolina, which have a majority of appointed board members.

Ms. Hans singled out the state of North Carolina and its structure as a case study. North Carolina has two separate boards of trustees, which govern plans that have been administered by the North Carolina Retirement Systems (NCRS) since 1976. One board oversees the Teachers' and State Employees' Retirement System (TSERS) and the other board oversees the Local Government Employees Retirement System (LGERS). NCRS has over 900,000 members, but, of that number, LGERS represented approximately 300,000 local government employees, which is similar to the size of CERS. Plan membership is represented by each board independently, but that the two boards do share some trustees and meet on a quarterly basis, at least, and on the same days.

In response to a question from Representative

Simpson regarding how assets were invested, Ms. Hans stated that, while the funds are accounted for separately, the retirement system does consolidate investment transactions, which is similar to the way KRS handles their separate funds.

Ms. Hans provided a summary of the composition of both North Carolina boards. Both boards consist of 13 members and that each has the responsibility of governing some additional legacy funds. Both plans are completely appointed or ex-officio, with the Governor appointing 8 trustees who represent members of the plans. Ms. Hans also stated that LGERS has a fire and police advisory panel that has 7 members, who communicate ideas and recommendations to the LGERS Board.

In closing, Ms. Hans expressed a hope that the case study and review of governance models had provided the committee with a different perspective and a window into how other states were handling board composition. While staff's research had not identified a clear or discernable trend in board composition across states, the research does indicate that majority appointed boards were edging out majority elected boards. Further, staff's review did indicate that a majority of boards have a diversified representation of plan membership.

In response to questions from Senator Parrett, Mr. Cracraft indicated that after researching consolidated plans, the model and structure utilized by Kentucky did not look much different than its peers. He noted the KRS board was a bit larger, primarily due to the additional investment professional appointees, but it had member representation and CERS had a slightly larger number of trustees. Ms. Hans added that after her review of plans with separated boards, the single staff administration model utilized in North Carolina allows for economies of scale as well as ensuring that the separate retirement systems function with a little more consistency.

In response to a question from Senator Schroder regarding the governor appointees, Ms. Hans confirmed that 3 of the 10 appointees are selected by the governor from a list of three individuals submitted from the KLC, KACo, and KSBA.

In response to questions from Mr. Chilton with regards to the composition of separated investment management boards, Mr. Cracraft stated that at a high level, boards will consist of more financial professionals rather than underlying plan members.

In response to comments from Senator Higdon with regards the Tennessee model and its use of consolidation to reduce expenses, Mr. Cracraft agreed that Tennessee had an interesting model and noted how the state also incorporated legislative and investment advisory committees into its process.

Senator Schroder expressed his gratitude to Representation Simpson on their last meeting day together.

With no further business, the meeting was adjourned. The next regularly scheduled meeting is Monday, January 28, 2019.

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

August 27, 2019

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee met on Tuesday, August 27, 2019, at 1:00 PM, in Room 171 of the Capitol Annex. Representative Walker Thomas, Chair, called the meeting to order, and the secretary called the roll.

Present were:

<u>Members:</u> Representative Walker Thomas, Co-Chair; Senators Julian M. Carroll, and Robby Mills; Representatives Steven Rudy and Steve Sheldon.

<u>Guests:</u> Dan Durbin, Vice President of Finance and Chief Financial Officer, University of Louisville; Vincent Tyra, Vice President for Intercollegiate Athletics and Director of Athletics, University of Louisville; Janice Tomes, Deputy State Budget Director; Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services; Donna McNeil, Executive Director, Kentucky Infrastructure Authority; Sandy Williams, Deputy Executive Director, Office of Financial Management; and Tracy Thurston, Managing Director, Multifamily Programs and Asset Management, Kentucky Housing Corporation.

<u>LRC Staff:</u> Katherine Halloran, Committee Staff Administrator; Julia Wang, Legislative Analyst; and Jenny Wells Lathrem, Committee Assistant.

Approval of Minutes (July 23, 2019)

Representative Rudy moved to approve the minutes of the July 23, 2019 meeting. Senator Mills seconded the motion and the committee approved the minutes by voice vote.

Information Item

Ms. Halloran referenced one information item. Pursuant to KRS 45.812(1), the Meade County School District reported an estimated $2.5 million upcoming bond issue that did not involve a tax increase for improvements to its high school track and associated site work.

Project Report from the University of Louisville

The University of Louisville (UofL) submitted a $1,178,180 private funds appropriation increase, primarily due to dewatering of the site, for the Expand Papa John's (Cardinal) Stadium/Football Complex project. $55 million in agency bonds was authorized by the General Assembly in House Bill 303 (2016 Regular Session) and the committee approved the expenditure of $8.25 million in private funds in November 2016, resulting in a project total of $63.25 million. The project, completed in early September of last year, was the expansion of the north end of the stadium for increased seating and of the football complex for a larger weight room and training room, additional coaches' offices, and classroom space. The stadium and complex, originally constructed in 1998, is on a brownfield site. There were record rains during the expansion and the site's dewatering cost around $1.3 million with final invoices submitted in January 2019. Environmental issues are handled by a third party and water has to be contained on-site and then tested prior to elimination. Payment came from UofL's Next Step Fund, geared towards capital projects impacting athletics. UofL is revising its Board policy to ensure that all capital project scope increases are submitted to the committee for approval.

Representative Thomas thanked Mr. Durbin and Mr. Tyra for ensuring submittal of scope increases to the committee.

In response to Senator Carroll, Mr. Tyra said that there was about $36 million in pledges, including funds from vendors such as Pepsi for club access seating, about $25 million of which is outstanding. The bulk of pledge receipts will come in the first five years of the project.

Senator Carroll moved to approve the appropriation increase, seconded by Representative Rudy, and approved by unanimous roll call vote.

Project Report from the Finance and Administration Cabinet

Senator Carroll moved to roll the authorization revision and two new projects into one roll call vote, seconded by Representative Sheldon, and approved by voice vote.

Ms. Tomes submitted an authorization revision to $1,650,877 in federal funds for the Department of Military Affairs (DMA), Disney Training Site Battalion Headquarters Facility, for underground electrical conduit and increased design and contingency costs.

Ms. Tomes next submitted two new projects. The first was the $1,635,509 DMA Boone National Guard Center Emergency Operations Center Renovation in Frankfort, Kentucky. The renovation is 50 percent federally funded and 50 percent state funded, with the state funded portion a combination of about $770,000 in agency restricted funds and $50,000 in bond funds. The Emergency Operations Center was constructed in the 1970's with no prior office and common area upgrades. The renovation consists of the office and common area upgrades, which include replacing the suspended ceiling, lighting, and asbestos floor tile, and the second phase of the HVAC upgrade.

The second was the $1,326,021 federally funded DMA Cypress Creek Restoration project at the Wendell H. Ford Regional Training Center in Greenville, Kentucky. This project will enhance the flow of Cypress Creek and its tributaries to mitigate negative impacts to the Cypress Creek watershed ecosystems.

Representative Rudy moved to approve the authorization revision and two new projects, seconded by Representative Sheldon, and approved by unanimous roll call vote.

Lastly, Ms. Tomes reported a $1.2 million Agricultural Development Board pool allocation for the Kentucky State Fair Board Freedom Hall Make-Up Ring project at the Kentucky Exposition Center. When Cardinal Stadium was removed, a structural study indicated the need for reinforcing the existing make-up ring that was not fiscally reasonable. This project will demolish the existing ring and replace it with a ring comprised of clear span beams and a raised roof line, allowing Kentucky Venues to utilize a more open environment. The make-up ring is an important part of the support area for events including the North American International Livestock Expo, National Farm Machinery Show, and World Championship Horse Show.

Representative Thomas commented that the Kentucky State Fair was well attended these last couple of weeks.

Lease Report from the Finance and Administration Cabinet

Senator Carroll moved to roll the two lease renewals into one roll call vote, seconded by Senator Mills, and approved by voice vote.

Mr. Aubrey submitted a lease renewal with a rental rate increase through June 30, 2027 for the Department of Agriculture in Franklin County, procured though advertisement; 9,639 square feet of office space at $12.50 per square foot and 2,687 square feet of warehouse space at $3.25 per square foot for a $129,220.24 annual cost.

Mr. Aubrey next reported a lease renewal under the same terms and conditions through June 20, 2028 for the Department of Workforce Investment in Fayette County; 7,275 square feet of office space at $16.40 per square foot for a $119,310 annual cost.

Senator Mills moved to approve the two lease renewals, seconded by Senator Carroll, and approved by unanimous roll call vote.

Report from the Office of Financial Management

Kentucky Infrastructure Authority

Senator Mills moved to roll the Clean Water State Revolving Fund (Fund A) Program loans and the Infrastructure Revolving Fund (Fund B) Program Loan into one roll call vote, seconded by Senator Carroll, and approved by voice vote.

Ms. McNeil submitted four Kentucky Infrastructure Authority (KIA) loan requests. The City of Nicholasville, Jessamine County, requested a $565,466 Fund A loan increase for the Orchard Sanitary Sewer Overflow Relief and Brittany Heights Lift Station Elimination project, resulting in a $906,446 loan amount. The increase was due to a scope change as the completion of another sanitary sewer overflow project reduced the capacity of the sewer line initially planned to receive flow from this project. This project will reduce wet weather overflows in the Orchard area through the elimination of a lift station, modification of another lift station, and installation of about 5,000 linear feet of 10-inch and 12-inch gravity sewer lines. For 4,000 gallons, effective August of this year, the monthly inside and outside city sewer rates are $25.75 and $37.29 and, effective July of this year, the monthly inside and outside city water rates are $22.97 and $33.37. The term is 20 years at a 2.75 percent interest rate.

The Louisville and Jefferson County Metropolitan Sewer District, Jefferson County, requested a $2.2 million Fund A loan increase, due to higher than expected bids, for the Hite Creek Water Quality Treatment Center project, resulting in a $24.2 million loan amount. The project will rehabilitate and expand the plant from six million gallons per day to nine million gallons per day average daily flow and 24 million gallons per day wet weather flow, which will eliminate sanitary sewer overflows upstream of the facility and accommodate future growth. For 4,000 gallons, effective August 1 of this year, the monthly sewer rate is $48.98. The term is 20 years at a two percent interest rate.

The City of Mayfield, Graves County, requested a $2,221,117 Fund B loan for three sewer projects and one drinking water project. The $1.382 million Existing 10th Street Wetwell and Force Main project will alleviate inflow and infiltration from three manholes by the construction of a new lift station next to the existing lift station, rehabilitation of the existing lift station, and installation of force main to replace 4-inch asbestos cement force main. The $240,000 Bar Screen for Todd Lift Station project is the replacement of the bar screen which has experienced issues from an increase in garbage and medical waste. The $350,000 Combination Sewer Cleaning Truck project is the reimbursement to the city for the purchase of a sewer cleaning truck. The completed $249,117 Waterline Extension to Wildwood Subdivision project provided drinking water and fire service to Wildwood Subdivision and one commercial location through the installation of approximately 4,300 linear feet of 6-inch water mains. For 4,000 gallons, effective since the beginning of this year, the monthly inside and outside city sewer rates are $22.45 and $30.97, which will increase to $22.89 and $34.05, and the monthly inside and outside city water rates are $17.33 and $25.10, which will increase to $18.37 and $26.61. The increases will be effective January 1, 2020. The term is 20 years at a 0.50 percent interest rate.

Senator Carroll moved to approve the Fund A loans and the Fund B loan, seconded by Representative Sheldon, and approved by unanimous roll call vote.

The Allen County Water District requested a $2.45 million Drinking Water State Revolving Fund (Fund F) Program loan for the US 231 Elevated Water Tank project to increase storage and improve drinking water quality for existing customers in a high growth area of Allen County by replacing the Lambert Road ground storage tank with a 500,000 gallon elevated tank as well as installation of approximately 9,000 linear feet of 8-inch polyvinyl chloride waterline and a new master meter to gather data for the district's water loss program. For 4,000 gallons, effective since October, 5, 2011, the monthly water rate is $42.03. The district has met the special condition to pass a resolution to increase water rates, effective January 1, 2021 when the District expects to start loan repayments contingent upon approval from the Public Service Commission (PSC), by seven percent in revenue or $160,000. The term is 20 years at a two percent interest rate.

In response to Representative Rudy, Ms. Halloran said that KIA needs to obtain committee approval prior to execution of assistance agreements.

In response to Senator Carroll, Ms. McNeil said that the utility has a large amount of money in reserve; however, KIA bases rate increases on the utility's revenues relative to its operating and maintenance expenses.

Representative Mills moved to approve the Fund F loan, contingent upon PSC approval of the rate increase, seconded by Representative Sheldon, and approved by unanimous roll call vote.

New Kentucky Housing Corporation Conduit Debt Issues

Representative Rudy moved to roll the four conduit debt issues into one roll call vote, seconded by Representative Sheldon, and approved by voice vote.

Ms. Williams submitted four new Kentucky Housing Corporation (KHC) conduit debt issues, clarifying that KHC conduit debt is neither a liability to KHC nor the commonwealth. All four publicly offered transactions will have short-term ratings of either MIG (Municipal Investment Grade) 1 (Moody's) or A-1+ (Standard and Poor's). The first was the Kentucky Housing Corporation Tax-Exempt Conduit Multifamily Revenue Bonds (Ashland Portfolio Project), Series 2019, in an amount not to exceed $34 million with an estimated total project cost of approximately $96 million. Proceeds will be used to finance the rehabilitation of over 400 housing units at three different locations in Ashland and the proposed sale date is October 15, 2019.

The second was the Kentucky Housing Corporation Tax-Exempt Conduit Multifamily Revenue Bonds (Chapel House Project), Series 2019, in an amount not to exceed $14 million with an estimated total project cost of approximately $26 million. Proceeds will be used to finance the rehabilitation of over 200 housing units located on South Fifth Street in Louisville and the proposed sale date is December 15, 2019.

The third was the Kentucky Housing Corporation Tax-Exempt Conduit Multifamily Revenue Bonds (City View Park Project), Series 2019, in an amount not to exceed $34 million with an estimated total project cost of approximately $129 million. Proceeds will be used to finance the rehabilitation of over 500 housing units located in three different locations in downtown Louisville and the proposed sale date is September 6, 2019.

The fourth was the Kentucky Housing Corporation Tax-Exempt Conduit Multifamily Revenue Bonds (Winterwood II Portfolio Project), Series 2019, in an amount not to exceed $17 million with an estimated total project cost of approximately $47 million. Proceeds will be used to finance the rehabilitation of over 300 multifamily housing units located in fourteen different locations throughout Kentucky and the proposed sale date is October 24, 2019.

Senator Carroll commended the work of the Kentucky Housing Corporation. In response to Senator Carroll, Ms. Thurston said that Lisa Beran was appointed as interim executive director and chief executive officer and that the Board of Directors will start an executive search. Prior to her retirement in March, Ms. Beran served for around ten years as KHC's general counsel.

Senator Carroll moved to approve the conduit debt issues, seconded by Representative Rudy, and approved by unanimous roll call vote.

Previous Debt Issue

Ms. Williams reported the $400 million Kentucky Asset/Liability Commission General Fund Tax and Revenue Anticipation Notes, 2019 Series A, which priced on June 25, 2019 with a final maturity date of June 25, 2020. The proceeds financed fiscal year 2020 general fund cash flow requirements in anticipation of tax and revenue receipts. This negotiated transaction had a 1.4 percent yield and a 1.58 percent all-in true interest cost.

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

Representative Rudy moved to roll the school bond issues into one roll call vote, seconded by Representative Sheldon, and approved by voice vote.

Ms. Williams submitted three school district bond issues with School Facilities Construction Commission (SFCC) debt service participation for new projects in the Breathitt County, Casey County, and Harrison County school districts, with a total anticipated issuance amount of $7.095 million, none of which required a tax increase. Ms. Williams also submitted four current refunding bond issues from the Bracken County, Floyd County, Walton-Verona Independent (Boone County), and Williamstown Independent (Grant County) school districts, with a total anticipated issuance amount of $5.015 million.

Senator Carroll moved to approve the school bond issues, seconded by Representative Rudy, and approved by unanimous roll call vote.

Representative Thomas announced that the next committee meeting would be Tuesday, September 17, 2019 in Annex Room 169, with Senator Girdler as chair.

With there being no further business the meeting adjourned at 1:40 p.m.

PUBLIC WATER AND WASTEWATER SYSTEM INFRASTRUCTURE TASK FORCE

Minutes of the 2nd Meeting of the 2019 Interim

August 28, 2019

Call to Order and Roll Call

The 2nd meeting of the Public Water and Wastewater System Infrastructure Task Force was held on Wednesday, August 28, 2019, at 1:00 PM, in Room 129 of the Capitol Annex. Senator Phillip Wheeler, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Phillip Wheeler, Co-Chair; Representative Jim Gooch Jr., Co-Chair; Senator Robin L. Webb; Representatives Derek Lewis and Ashley Tackett Laferty; David Farrar, Mike Gardner, John Holiday, Donna McNeil, and Brian Traugott.

Guests: Lisa Daniel, Managing Director, PFM Financial Advisors LLC and Jayrd Crum, Inez, Kentucky.

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

The July 24, 2019, minutes were approved by voice vote upon motion made by Representative Gooch and seconded by Representative Lewis.

Water Infrastructure Financing

Donna McNeil, Executive Director, Kentucky Infrastructure Authority (KIA), gave an overview of funding sources available to assist community water systems and utilities. She stated that KIA has some funds for small and disadvantaged community water systems. The Kentucky Department of Local Government has funds available through the Appalachian Regional Commission and Community Development Block Grant program. The Energy and Environment Cabinet funding sources include grants through the Division of Abandoned Mine Lands, Clean Water Act Section 319 (non-point source pollution) grants, and Brownfield funding and incentives. Other grants funds are available through the United States Environmental Protection Agency (USEPA), the Kentucky Cabinet for Economic Development, the Kentucky Department of Transportation, the United States Army Corps of Engineers Section 595 program, and the Delta Regional Authority. Loans are available through KIA, USDA/Rural Development, USEPA, National Rural Water Association, Rural Community Assistance Partnership, and Kentucky Association of Counties.

Ms. McNeil stated that KIA mandates include providing assistance for water services, maintaining water resources information, gather water resource data for development and management, promulgate regulations related to financial, managerial, and technical information for potential borrowers. As of January 1, 2019, KIA had $1.4 million in assets. Current balance left to distribute is $9 million. KIA is administering 34 state grants with over 600 active loans. As of January 2, 2019, KIA had 239 borrowers. KIA and the Department of Water (DOW) funding sources include the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF), the Infrastructure State Revolving Program (Fund B) and the Governmental Agencies Program (Fund C). For fiscal year 2020, KIA will have $134.5 million in available funds, but the Water Resource Infrastructure System (WRIS) will need $4.97 billion.

Ms. McNeil proposed items to be considered by the task force such as the creation of a loan program to improve financial, managerial, and/or technical capacity of utility. As part of that program, the utility must implement best management practices. The utility would receive principal forgiveness, if specific metrics are met showing improvement (reduction of water loss, consolidation or merger with another utility, or financial controls to safeguard against theft). A KIA funding workgroup would help to facilitate better communication with funding agencies and regulators. An annual rate adjustment clause based on the consumer price index and periodic rate studies would help to ensure adequate rates. Other items to consider would be to mandate training for all water utility decision-makers, maintain a replacement reserve account, and encourage regionalization and consolidation of water systems.

Lisa Daniel, Managing Director, PFM Financial Advisors LLC said that the low cost funding provided by KIA allows more dollars to be used for project funds rather than interest expense. During the last 10 years, $4.8 billion of municipal bonds were issued by Kentucky municipalities for water and wastewater infrastructure projects away from KIA. If those municipalities had borrowed through the State Revolving Funds, approximately $1 billion of additional project funds would have been available for project costs. She gave examples of other state water infrastructure initiatives that included New Jersey, Indiana and North Carolina.

In response to Representative Lewis, Ms. Daniel said that Kentucky is like other states who are struggling with big debt levels. State funds are restricted from co-mingling with federal funds.

Ms. McNeil stated that Plan B was not subject to Davis Bacon or environmental review. If seeded with state funds, it can be setup as a grant program.

In response to Mr. Gardner, Ms. McNeil stated that requiring local accountability and best management practices would be a start for utilities having to qualify for loans. If certain metrics are met showing improvement, then the utility could receive partial or full principal forgiveness.

In response to Mr. Farrar, Ms. McNeil said that most are in compliance with their financial assistance agreement.

In response to Senator Webb, Ms. Daniel stated that she did not know how many states used privatization for funding. Public/private partnerships could be used to create opportunities through a framework to help municipalities explore their value. Ms. Daniel suggested creating policies and practices for municipalities to public/private partnerships. North Carolina has performed a study on the impact of using public/private partnerships to finance water projects.

In response to Senator Wheeler, Ms. Daniel said that there are some municipalities who have contracts with management companies. Some management companies charge larger rates than others.

Mr. Jaryd Crum, Inez, Kentucky stated that he was recently appointed to the Martin County Water Board in 2018. All the former board members have been replaced. Martin County is facing many challenges in fixing the water supply problems. Over the years the pipes deteriorated, and people were stealing water with no enforcement. Since some of the pipelines have been replaced, the loss of water has decreased from 70 percent to roughly 45 percent.

In response to Senator Wheeler, Mr. Crum stated that the board had asked the Public Service Commission (PSC) to allow a rate increase but the request was denied. Although, the PSC was serious about fixing the problems. People in the community are concerned about the PSC imposing a substantial rate increase when many of the residents live in poverty.

In response to Representative Tackett Lafferty, Ms. McNeil said that mandatory training should be for all utilities. KIA looks at 3 years of audits, but some utilities do not have audits. There is a need for standardized categories for audits.

In response to Senator Webb, Ms. McNeil stated that KIA's list of recommendations for audits and promulgating regulations related to potential borrowers financial, managerial, technical information is still a work in process.

Mr. Gardner stated that consolidating and/or regionalization of water utilities could have financial risks and burdens. He suggested that loan forgiveness could be based on Best Management Practices being followed by the water district.

Ms. McNeil stated that the Water Infrastructure Act provides that a state agency can implement mandates for assessment of regionalization or consolidation. If Kentucky implements a mandated assessment for regionalization, the KIA could fund the assessment with any of KIA's loan programs and could be considered for loan forgiveness too.

In response to Senator Webb, Ms. McNeil stated that a stakeholder workgroup should be put into place to consider best management practice options for Kentucky water infrastructure needs.

Meeting adjourned.

AREA DEVELOPMENT DISTRICT WORKING GROUP

Minutes of the 3rd Meeting of the 2019 Interim

August 28, 2019

Call to Order and Roll Call

The 3rd meeting of the Area Development District Working Group was held on Wednesday, August 28, 2019, at 10:00 AM, in Room 149 of the Capitol Annex. Representative Suzanne Miles, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Christian McDaniel, Co-Chair; Representative Suzanne Miles, Co-Chair; Senator Brandon Smith; Representative Susan Westrom.

Guests: Harold Monroe, Executive Director, Pennyrile Allied Community Services; Brandon Harley, Deputy Chief Executive Officer, Audubon Area Community Services; Troy Roberts, Executive Director, Blue Grass Community Action Partnership; Hal Goode, Executive Director, Central Kentucky Community Action Council; Roger McCann, Executive Director, Community Action Kentucky; and Jennifer Hays, Committee Staff Administrator, LRC Appropriations and Revenue Committee.

LRC Staff: Mark Mitchell, Jennifer Hays, Cynthia Brown, and Chase O'Dell

Overview of Community Action Agencies in Kentucky

Harold Monroe, Executive Director, Pennyrile Allied Community Services; Brandon Harley, Deputy Chief Executive Officer, Audubon Area Community Services; Troy Roberts, Executive Director, Blue Grass Community Action Partnership; Hal Goode, Executive Director, Central Kentucky Community Action Council; and Roger McCann, Executive Director, Community Action Kentucky, presented an overview of Community Action Agencies in Kentucky.

Roger McCann testified that there are 23 Community Action Agencies (CAA) in Kentucky. All agencies are private 501(c)(3)s, except for Jefferson County. The agencies are a part of the city governments. There are 23 agencies because different communities have different needs, and the agencies are geared towards local needs and participation. There are agency offices in all 120 counties. All CAAs came together to form a statewide association called Community Action Kentucky. There are over 1000 CAAs across the United States.

Mr. McCann stated that CAAs offer a variety of programs and services. The services provided vary depending on the agency. The programs cover a wide range of topics, including workforce development, senior support, family advocacy, asset building, financial literacy classes, and youth enrichment.

Mr. McCann testified that community action grew from the anti-poverty movement of the 1960s. The Economic Opportunity Act of 1964, signed by President Johnson, focused on building community resources in areas such as economic development, education, healthcare, youth development, and senior care. The Quie Amendment of 1967 demanded that agencies follow a tri-partite board structure. An agency's board of directors must be at least 30 percent locally elected officials, and at least 30 percent low income representatives, with the rest of the board being comprised of the private sector.

Mr. McCann stated that the greatest impact to how CAAs look came from President Reagan's administration. In 1981, the Community Services Block Grant (CSBG) was created. The CSBG is the foundation of CAAs today.

Mr. McCann testified that CAAs, through the CSBG, are trying to help people get off government assistance. CSBG is entirely federally funded. Kentucky's allocation in Fiscal Year (FY) 2019 totaled \$12 million, which was the 18th highest allocation in the country. The CSBG is administered by Health and Human Services (HHS), through the Office of Community Services (OCS), in Washington D.C. Kentucky's dollar amount is granted and then administered through the Cabinet for Health and Family Services (CHFS), Department of Community Based Services (DCBS). DCBS grants the CSBG funds to each CAA in Kentucky.

CAAs follow federal Office of Management and Budget (OMB) guidance. CAA programs are monitored at the state and federal levels. Each CAA is also required to submit to a third-party single audit. Mr. McCann outlined the organizational standards that CAAs adhere to.

Mr. McCann testified that the bulk of people served by CAAs are well below the federal poverty line. The poverty rate in Kentucky is 17.2 percent. In the statewide Community Needs Assessment survey, 80 percent of respondents stated that they needed employment.

Over three-hundred thousand individuals participated in a community action program or service from FY 2017 to 2018. Thirty-three percent of families served in Kentucky were in severe poverty. Over one-hundred thousand people served were children.

Senator McDaniel stated that his community does not have enough people to fill jobs. Mr. McCann responded that Community Action Kentucky (CAK) wants to try to help solve those issues in communities. Hal Goode stated that Northern Kentucky has shown how regionalism is important.

In response to a question from Representative Miles, Mr. McCann stated that CAK helps CAAs and their staff do their jobs better. CAK provides training to CAA staff through various methods. In response to another question from Representative Miles, Brandon Harley stated that Audubon Area Community Services has a CEO, and encompasses the same area as the Green River ADD. Harold Monroe added that Pennyrile Allied Community Services has an office in each Pennyrile county. In response to another question from Representative Miles, Mr. McCann stated that HHS uses a formula to allocate CSBG funds across all states. He continued to say that the formula is based upon the number of people in poverty in each state. In response to another question, Mr. Harley stated that the federally approved indirect rate for Audubon Area Community Services is issued by HHS. Troy Roberts stated that Bluegrass Community Action Partnership also has to apply for their federally approved indirect rate each year. In response to a final question from Representative Miles, Mr. McCann stated that data and analysis must be reported to local CAA boards and DCBS. He continued to say that he has received feedback stating that Kentucky's CAAs are very good.

In response to a question from Representative Westrom, Mr. McCann stated that CAAs started in Kentucky in 1964. In response to another question, it was stated that CAA funds are a combination of state and federal funds. The CSBG allows CAAs to leverage dollars to seek other grants and funds. In response to another question from Representative Westrom, it was stated that CAAs are generally the service provider for ADDs. In response to further questions from Representative Westrom, Mr. Monroe stated that Pennyrile Allied Community Services is the only service provider for aging services for the Pennyrile ADD. Pennyrile Allied Community Services is expected to provide services even if the funding available is not adequate. Mr. Monroe stated that his CAA is constantly doing fundraising for its programs. It was stated that needs outstrip the resources available. It was also stated that ADDs contract with CAAs to provide services. As it relates to aging services, the money comes through the Department of Aging, to the local ADDs, who then sub-contract to someone who will provide the services.

In response to Representative Miles, Troy Roberts stated that the Blue Grass Community Action Partnership is a subcontractor for the Bluegrass ADD. He continued to say that the

Bluegrass ADD is not a service provider for aging services. Mr. Monroe stated that state and federal funds float through the Department of Aging and the ADDs. Mr. McCann testified that the relationship between ADDs and CAAs is a contractual one. Mr. Harley stated that the Audubon CAA is not a contracted entity. CAAs are direct service providers to the communities. Mr. Roberts stated that CAAs remove barriers to an individual's self-sufficiency.

In response to Representative Westrom, it was stated that CAAs have to go through a Request for Proposal (RFP) every three years. In response to further questions, it was stated that CAAs have some programs for which they contract directly with cabinets. It was also stated that several, but not all, contracts are renewed annually. Several of them are also automatically renewed.

Mr. Harley testified that the Audubon CAA has become more involved in healthcare. The CAA has opened a primary care clinic for those that are homeless and precariously housed.

Answers to Prior Questions

Jennifer Hays, Committee Staff Administrator, LRC Appropriations and Revenue Committee, provided information related to questions asked at previous meetings.

Jennifer Hays testified that there were questions from the first working group meeting regarding the creation and boundaries of ADDs. The average number of counties per ADD is eight. It does not appear that the number of counties in an ADD was the deciding factor in where to set boundaries. It also does not appear that ADD boundaries were determined by population. Every ADD's population has increased since 1970 except for the Kentucky River ADD. Square mileage also does not appear to have been a factor in ADD creation. It does not look like per capita income was a measure used to define ADD boundaries. The boundaries of the ADDs correlate to geographic areas of the state. For example, the Bluegrass ADD is located in the Bluegrass Region of the state. The boundaries may be a result of a combination of mobility as well as who had already started working together and cooperating prior to the boundaries being set.

Ms. Hays stated that the ADD reports required under KRS 147A.115 are not submitted in a uniform electronic format. The reports are also full of lingo that does not allow someone outside of the daily operations to fully understand them.

Ms. Hays reviewed the total dollars awarded in grants to the ADDs as reported under KRS 147A.115. The percent of administrative costs range from two to nine percent for most ADDs. The percentage of direct expenditures range from 52 percent to 80 percent for the ADDs.

Ms. Hays reviewed the various funds that flow through the Joint Funding Administration (JFA) to the ADDs. There are differences in the numbers reported by different data sources in regards to the funding provided to ADDs through the JFA.

It is required that annual audited financial statements be made of each ADD under KRS 65A.030. Ms. Hays testified that nothing in the required reports or the audited financial statements answer the questions she hears most about ADDs.

Ms. Hays reviewed the structures of districts in surrounding states.

Adjournment

With no further business before the working group, the meeting was adjourned.

CAPITAL PLANNING ADVISORY BOARD

Minutes of the 3rd Meeting of the 2019 Calendar

September 9, 2019

Call to Order and Roll Call

The 3rd meeting of the Capital Planning Advisory Board was held on Monday, September 9, 2019, at 1:00 PM, in Room 154 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 John Blanton, Co-Chair; Senator Whitney Westerfield, Representative Derek Lewis; Laurie Dudgeon, Carole Henderson, John Hodgson, William Landrum, Mark Overstreet, and Katie Shepherd.

Guests: Greg Harkenrider, Deputy Executive Director, Governor's Office for Economic Analysis, J. Michael Jones, Deputy Executive Director, Governor's Office for Policy Research, and Kevin Cardwell and Janice Tomes, Deputy State Budget Directors, Office of State Budget Director; Dr. Aaron Thompson, President, Dr. William Payne, Vice President for Finance and Administration, Shaun McKiernan, Director of Budget and Finance, and Ron Carson, Senior Fellow for Policy Development, Council on Postsecondary Education; Carole Henderson, Budget Director, and Danny Rhoades, Executive Officer of Court Facilities, Administrative Office of the Courts; Regina Stivers, Deputy Cabinet Secretary, and Chris Reece, Executive Director, Office of Finance, Tourism, Arts, and Heritage Cabinet; and Charles Harman, Director of Budget and Finance, Department of Education.

LRC Staff: Shawn Bowen, Julia Wang, and Jennifer Luttrell.

Approval of Minutes

A motion to approve the minutes of the July 8, 2019 meeting was made by Representative Lewis, seconded by Senator Westerfield, and approved by voice vote.

Presentation - Kentucky Financial Outlook Report

An in-depth analysis of the current and projected debt position of the commonwealth was included in members' binders. The report addressed factors that were included in the Consensus Forecasting Group's report that was delivered to all three branches of government earlier this year; the actual revenue compared to the enacted estimates of the general, road, tobacco, and the budget reserve trust funds; and the estimated fiscal impacts of legislative changes. Mr. Harkenrider, Mr. Cardwell, Mr. Jones, and Ms. Tomes prepared and presented the report for the board.

In response to a question from Senator Humphries, Mr. Cardwell stated that House Bill 200, the 2018-2020 Executive Budget, Part VII, directed that FY 2019 general fund surplus receipts of $70 million be appropriated to the Kentucky Teachers' Retirement System Medical Insurance Fund, and the remaining amount of surplus ($60.1 million), be applied to the Kentucky Retirement System Nonhazardous Unfunded Pension Liability Fund. Mr. Cardwell confirmed that the surplus funds were appropriated and distributed as required in the current budget.

In response to comments from Senator Humphries regarding declining tobacco fund revenues, Mr. Jones said revenues from the Master Settlement Agreement with the cigarette companies have declined due to the decrease in cigarette consumption and the increased use of vaping products. He noted that the cigarette tax was raised, but consumers are purchasing less tobacco products due to the tax increase.

In response to a question from Senator Humphries, Mr. Harkenrider stated that in the past, to generate additional road fund dollars, taxes were raised. He said the Mileage-Based

Transportation Funding Task Force is studying the possibility of transitioning to a mileage-based fuels tax to replace the current system of taxing highway use through motor vehicle gallons sold fuels tax.

Presentation - Postsecondary Capital Project Review

As part of the capital planning process, the Council on Postsecondary Education (CPE) is responsible for the review and evaluation of capital construction and information technology (IT) projects submitted by the postsecondary institutions. Dr. Thompson, Dr. Payne, and Mr. McKiernan discussed the review process and the corresponding results. In its report to the board, CPE provided background information about the campuses, the enrollment growth, and research activity between 1999 and 2018.

In its 2020-2022 biennial budget request, CPE plans to request a $400 million general fund pool for asset preservation. Postsecondary institutions would be required to have a 50 percent match, providing a total of $600 million in funding over the biennium. Each institution's pool will be supported by a list of projects in priority order. CPE will not make a request for general fund-supported bonds for new and expanded spaces or IT in 2020-2022. CPE's focus represents a much more aggressive approach to funding asset preservation than in previous biennia. The rationale for this proposal is a growing inventory of facilities, infrastructure, and systems in need of asset preservation; increasing construction costs (up 17 percent between 2007 and 2013, based on VFA estimates); minimal state investment in asset preservation since 2007 ($262 million in appropriations or 3.6 percent of need); and a need to renovate aging facilities and systems to reduce operating costs through greater efficiencies.

CPE staff was asked to evaluate IT projects submitted by the institutions. Forty-two projects were submitted addressing network infrastructure and instructional and administrative system needs; nine projects were identified as high value, with a total cost of $549.8 million (three UK Healthcare projects totaling $520.0 million and six campus projects totaling $29.8 million). These restricted fund projects address security, firewalls, and other upgrades.

In response to a question from Senator Humphries regarding the difference in the postsecondary institutions' capital plans and CPE's capital plan, Dr. Thompson stated that the institutions presented their overall needs, which included plans for new construction, and CPE is presenting what it considers to be the best way to meet each university's critical needs, which does not include new construction. Dr. Payne explained that some of the institutions, in their capital plan, identified new construction projects as their highest priority. CPE had numerous meetings with the institutions about its plan for an asset preservation pool, and they understand that the number one priority needs to be renovation and renewal of existing facilities, rather than new construction.

Senator Humphries raised concerns regarding the equitable distribution of asset preservation pool funds to the institutions. He questioned whether the smaller regional institutions will be able to achieve the required 50 percent match. Dr. Thompson said the distribution of the funds is based on the total need of the campus, and there will be an inherit inequity based on that process. He said he would be happy to discuss with the institutions ways to ensure the pool funds are distributed in an equitable manner. Dr. Thompson acknowledged that the smaller regional institutions may face more of a challenge in generating the required match, and in recognition of that fact, CPE has changed the matching requirement from 100 percent (in 2017) to 50 percent match.

Review of Agency Capital Plans

The Capital Planning Advisory Board received testimony regarding four state agency capital plans: Council on Postsecondary Education, Kentucky Court of Justice, Tourism, Arts, and Heritage Cabinet, and the Department of Education. The testimony included discussion of capital construction, information technology, and equipment needs for the period 2020-2026.

<u>Council on Postsecondary Education</u>

Dr. Thompson, Dr. Payne, and Mr. McKiernan gave a brief overview of the CPE capital plan. For 2020-2022, CPE identified projects totaling $3 million general funds, with $2 million allocated for the College to Career Pathways Portal project and $1 million for the Upgrade Kentucky Regional Optical Network (KyRON) project.

<u>Kentucky Court of Justice</u>

Ms. Henderson and Mr. Rhoades provided a brief overview of the Kentucky Court of Justice capital plan. For the 2020-2022 biennium, the capital request will include $8 million general funds to support local bonds totaling $81,560,000, and for the 2022-2024 biennium, $11 million general funds to support $116,595,000 local bonds. Amounts appropriated from the general fund are for use allowance payments that support the debt service for local bonds issued to construct the project. The Court of Justice capital plan includes three new court facilities for Butler, Clinton, and Owsley counties, and the renovation of two court facilities in the counties of Crittenden and Jessamine in the first biennium and three new court facilities for Barren, Scott, and Woodford counties, and the renovation of one court facility in Spencer County in the second biennium.

In response to a question from Senator Humphries regarding the elimination of state debt associated with the court facility construction projects, Ms. Henderson said the state can anticipate a total savings of about $4.4 million once the local bonds for court facility construction are retired. Six bond issues are currently being paid off, which will generate $1.4 million in savings in FY 2023, and 12 bonds will be retired in FY 2023, which will generate savings of about $3 million in for FY 2024. She explained that although the debt is coming off the state debt rolls, the Court of Justice must still pay the counties four percent of the original capital construction costs, even when there is no more debt on the building. These costs are in addition to the operating costs AOC pays the counties to operate these buildings.

In response to a question from Senator Humphries, Mr. Rhoades said before a decision is made to build a new facility or renovate an existing facility, a certified architect is hired to perform an independent feasibility study on the needs of the community and the Court of Justice, and whether those needs can best be met through the construction of a new freestanding facility or through an addition/renovation to an existing facility.

In response to questions from Senator Westerfield, Mr. Rhoades said the location for the new Butler County Judicial Center (Agency Priority #1, $11,860,000 local bonds) has not yet been determined. If the project is authorized by the General Assembly, a local project development board will be established to determine the building type, location, the architect, and general contractor. Once the schematic design of the building is determined, the program requirements will be reviewed by the Court Facilities Standards Committee. He further explained that the need for a new judicial center is decided by factors such as county population growth, condition of the existing facility, and the court caseload. Ms. Dudgeon stated that the need to build in Butler, Crittenden, and Jessamine counties has only increased, as expressed almost daily by the circuit clerks, since the original request in the 2018-20 budget.

Tourism, Arts, and Heritage Cabinet (TAHC)

Ms. Stivers and Mr. Reece presented the cabinet's needs which focused mainly on asset preservation. The following agencies within the cabinet submitted capital plans: Department of Fish and Wildlife Resources, Department of Parks, Kentucky Center for the Arts, Kentucky Heritage Council, Kentucky Horse Park, Secretary's Office, and the State Fair Board. The first five projects proposed for the first biennium (2020-2022) are maintenance pools for facilities maintained by various TAHC agencies. The first four are the Department of Parks, the Kentucky State Fair Board, the Kentucky Horse Park, and the Kentucky Center for the Performing Arts. The fifth, maintenance pool for the Office of the Secretary, is intended to address two crucial needs: 1) provide adequate funds to maintain the aging facilities at several of the smaller agencies in the cabinet; and 2) fund statewide replacement of deteriorating highway and building signage used to promote the state's various tourism-related activities.

The cabinet's six-year capital plan has a total dollar value of $546.4 million from all fund sources and includes 16 new maintenance and/or renovation projects with a general fund dollar value of $37 million. The general fund request for the 2020-2022 biennium comprises 67 projects totaling just under $221 million, a reduction of $54 million from the 2018-2020 plan and $94 million from the 2016-2018 plan. This reduction in capital needs comes from the General Assembly's support over the past four years, as well as efforts by agencies to better define projects and find alternative funding solutions. The cabinet continues to look for public-private partnership opportunities to share the capital costs with the private sector or local stakeholders by identifying and promoting shared economic growth opportunities. There were no questions.

Department of Education

Mr. Harman presented the department's needs. For the six-year period, the department's capital plan included 12 proposed projects totaling $59,500,000. Maintenance, repairs, replacement, and renovation continue to be a significant part of the facility side of the 2020-2026 capital plan. Priorities for facilities at the Kentucky School for the Blind, Kentucky School for the Deaf, and the FFA Leadership Training Center are further identified in the plan as items necessary to correct health, safety, security, and ADA concerns that if not addressed could cause a disruption in the operations at these locations.

In response to a question from Senator Humphries, Mr. Harman replied that the FFA Leadership Training Center generates about $35-$40,000 of revenue annually for the commonwealth.

Board Discussion of Planning Issues

As part of the capital planning process, board members recommend individual projects they think should be funded by the General Assembly in the upcoming biennial budget. Ms. Bowen said three spreadsheets, containing projects in the categories of new construction, construction to protect investment in plant (maintenance and renovation), and information technology, will be e-mailed to members after the meeting. Members are to identify up to 15 projects in each category and return to the board's staff no later than September 24.

Adjournment

The next meeting is scheduled for Tuesday, October 22, 2019, in Room 171 Annex starting at 1:00 PM. There being no further business, the meeting was adjourned at 2:59 p.m.

PUBLIC PENSION OVERSIGHT BOARD

Minutes of the 6th Meeting of the 2019 Interim

August 26, 2019

Call to Order and Roll Call

The 6th meeting of the Public Pension Oversight Board was held on Monday, August 26, 2019, at 1:00 PM, in Room 154 of the Capitol Annex. Senator Jimmy Higdon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jimmy Higdon, Co-Chair; Representative Jim DuPlessis, Co-Chair; Senators Christian McDaniel, Dennis Parrett, and Wil Schroder; Representatives Joe Graviss, Jerry T. Miller, Phillip Pratt, Russell Webber, and Buddy Wheatley; J. Michael Brown, John Chilton, Timothy Fyffe, Mike Harmon, James M. "Mac" Jefferson, and Sharon Mattingly.

Other Legislators Attending: Representative Derrick Graham and Representative James Tipton.

Guests: Donna Early, Executive Director, and Stephen LeLaurin, Board Trustee, Kentucky Judicial Form Retirement System; Beau Barnes, Deputy Executive Secretary and General Counsel, Teachers' Retirement System; and Richard Robben, Executive Director, Office of Investments, and Rebecca Adkins, Interim Executive Director, Operations, Kentucky Retirement Systems.

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

Approval of Minutes

Senator Parrett moved that the minutes of the June 24, 2019 meeting be approved. Senator McDaniel seconded the motion, and the minutes were approved without objection.

Biennial Budget Request/FY Ended Investment Returns and Cash Flows – JFRS

Donna Early, Judicial Form Retirement System (JFRS), and Stephen LeLaurin, Trustee, JFRS, began their presentation by reviewing the portfolio allocation for the judicial and legislators defined benefit and hybrid cash balance plans. Ms. Early discussed recent performance and noted that each of the plans had outperformed their benchmark for all trailing periods. Mr. LeLaurin added that the board meets with their investment manager, Hilliard Lyons, quarterly for a review to ensure the portfolios are being managed appropriately.

In response to questions from Mr. Fyffe regarding the cash balance fund's significant outperformance from fixed income, Mr. LeLaurin explained that the underlying outperformance was largely due to an exchange traded fund (ETF) authorized by the board to gain the fixed income exposure for the plans. He pointed out that the cash balance plans, when created, could not buy individual bonds like the defined benefit plans, so the board decided to authorize Hilliard Lyons to buy units of ETFs that had strategies comparable to the plans' benchmark, the Barclays Capital U.S. Intermediate Government/Credit Bond Index. Over time this index has become more and more allocated to corporate bonds, which have significantly outperformed governments, which is why the cash balance plans have experienced such positive outperformance. Mr. Fyffe pointed out that while performance had been positive, the plan was taking considerable risk as compared to the benchmark. Mr. LeLaurin stated that Hilliard Lyons had brought similar concerns to the board's attention and they were in process of considering options.

Ms. Early provided and reviewed a cash flow summary for the judicial and legislators plans. While preliminary, she stated that the judicial plan ended the year with an 8.45 percent increase in their market asset, while the legislators plan saw assets grow by 7.82 percent.

In response to question from Representative DuPlessis regarding employer contributions for the legislators plan, Ms. Early explained that only an appropriation for administrative expenses was made during the 2019 fiscal year. No funds were provided for contributions, which is reflected in the $2.3 million difference from FY 2018 to FY 2019.

Lastly, Ms. Early reviewed the funding data and stated that most of the actuarial assumptions will be the same as the 2018/2020 biennium, with the exception of incorporating the Getzen Model and the 2013 Society of Actuaries Yamamoto Health Care Costs Study to the health care trend rates. She also noted that in 2017 the interest rate assumption was lowered for the current biennium from 7 percent to 6.5 percent. Ms. Early discussed the annual required contributions for both the judicial and legislators plans for the 2018/2020 biennium and the 2020/2022 biennium. She discussed the figures for the requested, appropriated, percentage of payroll, and the preliminary projections. Ms. Early noted that the health care side of the judicial plan is 100 percent funded for both the defined benefit plan and the hybrid cash plan. The health care fund of the legislators plan is 100 percent funded in the defined benefit plan, but not the hybrid cash plan.

In response to questions from Senator Higdon regarding health care trend rate assumptions, Ms. Early stated the assumptions are used to project future retiree health benefits paid and the rates would be graded down over time from 8 percent to 5 percent.

In response to a question from Representative DuPlessis, Ms. Early stated that the administrative expenses are not included in her report. Representative DuPlessis pointed out that recent legislation had created an August 15 deadline for providing projected budget requests.

Biennial Budget Request/FY Ended Investment Returns and Cash Flows – TRS

Beau Barnes, Teachers' Retirement System, (TRS) began his presentation with a review of the investment performance for FY ending June 30, 2019, and discussing the 1-, 3-, 5-, 10-, 20-, and 30-year gross/net-of-fees returns.

Mr. Barnes next reviewed preliminary cash flow for the pension and health funds for the fiscal year ending June 30, 2019, as compared to FY 2018. He pointed out cash inflows, outflows, and the total net plan assets across both periods.

In response to a question from Senator Higdon regarding a recent distribution of surplus funds, Mr. Barnes stated that TRS received an appropriation of $70 million for the retiree insurance fund, which was reflected in the FY 2019 amounts reported.

In response to a question from Representative Miller regarding what recovery income represented, Mr. Barnes stated those amounts were primarily pharmaceutical rebates received.

Mr. Barnes continued by discussing TRS' preliminary budget request for the 2020-22 biennium. He reviewed the categories of funding requested, including pension leave of absence, the state's portion of shared responsibility medical funding, annual expenditures, amortized payments, additional employer contributions required, TRS budget actual/requested, statutory contributions funded through SEEK, and state expenditures for debt service. The total preliminary request from TRS was $1,166,508,800 for FY 2021 and $1,189,953,800 for FY 2022.

Senator McDaniel commented on the system's interpretation of KRS 161.550 and expressed belief that the initial intent of the language was to give TRS a "catch-up" clause for any contributions not received that were related to the fixed statutory rate. He noted that TRS is interpreting it a bit differently as a means of asking for additional dollars required above and beyond the statutory rate, which are largely the result of actual experience, missed assumptions, or changed assumptions.

Senator Higdon commented and pointed out the shared responsibility bill included full repayment of all funds redirected from the pension fund for insurance purposes. Mr. Barnes confirmed and noted that bonds the Commonwealth issued after the shared responsibility bill passed also included transitional funding and now represent the debt service reflected in the budget.

In response to questions from Representative Graviss regarding an increase in contributions funded through SEEK, Mr. Barnes stated the increase was combination of both payroll increases and additional teachers. Representative Graviss inquired if TRS staff could provide a breakdown between the two components and Mr. Barnes stated he would see if TRS staff could provide the data.

Senator McDaniel, referencing an earlier discussion on bonds that had been issued, clarified that those bonds were not to cover money that had been borrowed from the teachers' pension trust, but instead funds that had been paid to TRS, but reallocated or redirected to help cover insurance benefits. Senator McDaniel emphasized that the Commonwealth has never borrowed, swept, or otherwise taken money already received from TRS. Mr. Barnes agreed with both statements.

In response to questions from Representative Graviss regarding cash flow, Mr. Barnes stated that TRS has been in a negative cash flow situation since about 2008, but noted the recent additional funding received had made the negative cash flow much more manageable. In response to a follow up question, Mr. Barnes indicated that he did not anticipate a positive cash flow anytime soon. In response to another follow up question regarding their payroll growth assumption, Mr. Barnes stated that TRS assumed 3.5 percent annual growth.

In response to a question from Mr. Chilton regarding the TRS actuarially determined employer contribution (ADEC), Mr. Barnes noted that the statutory funding mechanism for TRS is different from the Kentucky Retirement System (KRS) plans. While those plans are funded relative to a calculated ARC or ADEC, the TRS plan was initially established as a fixed statutory plan. More recently, additional funding has been required, so TRS has requested those contributions in addition to the fixed statutory rate. However, Mr. Barnes stated that when combined, the total dollars requested to TRS in his presentation did reflect the ADEC as calculated by their actuary. The total dollars shown represented the required contribution, but the request is made differently than the KRS plans.

Representative Miller commented that cash flow and requested contributions are also impacted by underlying assumptions used. He noted actual payroll growth for TRS over the past decade had been well below the assumed 3.5 percent. If a lower assumption had been used, the required contributions would have been higher and helped offset the negative cash flow. Mr. Barnes stated that TRS strives for accurate assumptions and the board of trustees reviews those assumptions regularly.

In response to a question from Representative DuPlessis regarding cash flow, Mr. Barnes agreed that without the Commonwealth's payment of the additional contributions above the 13.105

percent fixed statutory rate, TRS would have an approximate negative cash flow of $1 billion. Representative DuPlessis emphasized the additional funding that had been provided, which was considerably more than the fixed amount. In response to a follow up, Mr. Barnes indicated that in 25 years, after the funding plan had been fully implemented, the Commonwealth's required contribution or ADEC, would be much lower than the current 13.105 percent. Lastly, in response to a follow up question regarding health insurance contributions, Mr. Barnes indicated that the Commonwealth provided a fixed amount of dollars, which equaled the total cost of the Kentucky Employee Health Plan premium less an amount paid by the member for new retirees who retired on or after July 1, 2010.

In response to a question from Senator Higdon regarding any delinquent employer accounts, Mr. Barnes stated that TRS does not have any delinquent accounts. In response to a follow up question regarding the system's assumptions, Mr. Barnes stated that the 7.5 percent assumed rate of return, as well as the payroll growth rate, will be considered during the system's Experience Study going forward. Mr. Barnes noted that if the assumed rate is lowered, it will increase the budget request.

In response to a question from Representative Graviss, Mr. Barnes stated that the health fund is funded at 36.3 percent and pension is at 57.7 percent as of June 30, 2018.

In response to a question from Representative Tipton regarding TRS' budget request, Mr. Barnes stated that the budget request for medical funding accounted for individual only and no dependent subsidy.

Biennial Budget Request/FY Ended Investment Returns and Cash Flows – KRS

Richard Robben and Rebecca Adkins, KRS, presented. Mr. Robben began with a review of key economic assumptions for Kentucky Employees Retirement (KERS) System, State Police Retirement System (SPRS), and County Employees Retirement System for the pension and insurance plans.

Next, Mr. Robben reviewed estimated annual required contributions for FY 2020 and 2021 as compared to FY 2019. He noted that estimated employer contributions to the KERS non-hazardous (NH) plan were expected to increase from $1.14 billion in FY 20 to $1.35 billion in FY 21, which is about an 18.2 percent increase.

Mr. Robben reviewed the pension investments as of June 30, 2019. He stated that depending on the time period reviewed, performance had been in line with benchmarks. He reviewed the 1-, 3-, 5-, 10-, 20-, and 30-year returns for each of the plans as compared to their stated performance benchmark.

Mr. Robben reviewed historical and projected funding levels for each plan and pointed out that several of the more poorly funded plans were beginning to see some positive movement. Using the KERS NH plan as an example, he noted that beginning in FY 2019, the plan is projected to see funding levels grow and a total unfunded liability decrease for the first time in several years.

In response to a question from Senator Higdon regarding how assumption changes impacted funding levels, Mr. Robben agreed that some of the decline in funding had been a result of significant assumption changes made by the board of trustees.

Mr. Robben provided cash flow summaries for each of the pension funds as of June 30, 2019, compared to the prior fiscal year. He pointed out that the KERS NH fund experienced positive cash flow and growth in total assets for the first time in many years, driven primarily by the increase in contributions provided by the General Assembly. Mr. Robben stated that the insurance plans had performed similarly and all had flat or positive cash flow.

Senator McDaniel emphasized the importance of seeing the KERS NH post positive cash flow and commented that a long term disciplined approach was needed to continue that trend.

In response to a question from Representative Graviss regarding the portfolio's ability to weather a recession, Mr. Robben responded that he believed KRS was positioned fairly conservatively, especially in the KERS and SPRS plans, and should perform better than other plans if a recession were to occur. In a follow up question regarding the recent mortality assumption changes, Mr. Robben stated he did not expect those changes to have a significant effect on the information he had presented. While the changes will likely add some amount of liability, the plan has some positive experience that should minimize that impact. In response to a follow up question regarding since-inception performance, Mr. Robben stated that KRS' return, since inception, was around 9 percent and dated back to 1986. He stated having the historical return was interesting, but said in his experience the average pension plan should earn roughly 300 to 350 basis points above the 30-year treasury rate. With rates currently around 2 percent, expecting a 9 percent return over the next 30 years would be tough.

In response to a question from Representative DuPlessis with regards to how recent assumption changes impact other aspects of retirement, such as service purchases, Ms. Adkins responded that those same assumptions are used to price the cost of future service purchases and to calculate payments to survivors if a member selects a survivorship payment option. So, the recent changes in investment return assumptions and mortality have generally resulted in higher costs for buying service prior to retirement. For survivorship payment options, the assumptions have resulted in lower payments for the surviving beneficiaries of members when those options are selected. Ms. Adkins explained that these changes do not take effect until January 1, 2020, so members have some time to analyze and compare the impacts on their retirement.

In response to a question from Representative Wheatley regarding changing beneficiaries after retirement, Ms. Adkins stated that opportunity does not currently exist under state law. She noted that actuarial factors are based on age, which is determined at time of retirement. In response to a follow up question regarding the impact of allowing for a one-time change of the beneficiary, Ms. Adkins stated she would have to discuss the issue with the actuary and other organizations, but assumed it would require a recalculation and adjustment to benefits.

In response to a question from Senator Higdon regarding why the KERS NH retiree health fund had a funded ratio of 36 percent, Mr. Robben stated he would have to discuss it with Mr. Eager and report back.

In response to a question from Representative Graviss, Mr. Robben stated that KRS runs a stress test on the portfolio for risk of any failure or faltering in case of a recession. Mr. Robben added that the stress tests are reported to the investment committee. In a follow up question regarding whether the revenue schedule includes revenues that have not been collected or expenses that have not been paid, Mr. Robben stated that there should not be any unpaid expenses at this time.

Lastly, Ms. Adkins reviewed the outstanding invoices owed to KRS. She stated that as of June 30, 2019, the total unpaid invoices is $12,923,168.

In response to a question from Representative Graham, Ms. Adkins stated that there is a process KRS follows to collect unpaid invoices, which includes continuous contact throughout the collection process.

With no further business, the meeting was adjourned.

PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

Minutes

September 13, 2019

Call to Order and Roll Call

The Program Review and Investigations Committee met on Friday, September 13, 2019, at 8:00 AM, in Room 131 of the Capitol Annex. Representative Rob Rothenburger, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Danny Carroll, Co-Chair; Representative Rob Rothenburger, Co-Chair; Senators Perry B. Clark, Reginald Thomas, Stephen West, Whitney Westerfield, and Phillip Wheeler; Representatives Lynn Bechler, Chris Fugate, Ruth Ann Palumbo, Steve Riley, and Walker Thomas.

Guests: Troy Robinson, Executive Director, Office of Administrative Services, Finance and Administration Cabinet; Tom Delacenserie, President and CEO; Kentucky Lottery Corporation; Mary Harville, Senior Vice President and General Counsel, Kentucky Lottery Corporation; Chip Polston, Senior Vice President, Communications and Public Relations, Kentucky Lottery Corporation; and Maggie Garrison, Vice President, Finance, Kentucky Lottery Corporation.

LRC Staff: Greg Hager, Committee Staff Administrator; Christopher T. Hall; Van Knowles; Jean Ann Myatt; Jeremy Skinner; William Spears; Shane Stevens; Susannah Stitzer; Joel Thomas; and Christy Young, Committee Assistant.

Minutes for August 23, 2019

Upon motion by Representative Thomas and second by Representative Fugate, minutes for the August 23, 2019 meeting were approved by voice vote without objection.

State Motor Vehicles

Mr. Robinson said that in December 2015, the new Governor Bevin administration wanted to look at fleet to understand how money was being spent and what any common complaints were. The administration had noticed that approximately $6 million, sometimes much more, was being swept from fleet each year.

A 1-year study that began in 2016 indicated four major issues to be addressed. First, there were many underutilized vehicles. Of the approximately 3,800 vehicles with GPS units, 574 had been driven less than 5,000 miles per year. The expectation is 13,000 miles. Staff contacted each cabinet to discuss this issue. The number of underutilized vehicles was reduced somewhat. Second, for over 20 years, Kentucky had been using the IRS commute rule for permanently assigned vehicles, charging a rate of only $1.50 for a one way commuting trip. At this time, an audit of the Colorado vehicle program identified problems with assigning tax-exempt benefits to employees, which caught the attention of Kentucky officials. The two other major issues were pricing of vehicles and the replacement cycle.

At the time, there were four categories of vehicles. The majority were agency-lease vehicles: an agency buys a vehicle, turns it over to Finance and Administration Cabinet (FAC) fleet, and then pays a monthly assessment to use the vehicle. Some vehicles are federal vehicles that are purchased with federal funds for which FAC provides services such as maintenance, fuel, and insurance. Schedule 2 vehicles are near the end of their life cycle and have been repurposed. Motor pool vehicles was the remaining category.

There were 183 classifications of vehicles that were compressed into 48 classifications. The $6 million sweep was stopped, with the intent of returning $4.2 million to agencies. For agency-lease vehicles, the rate agencies pay was reduced by 17.5 percent. The monthly mileage threshold was increased to 1,225, with a charge per mile for going over. These actions resulted in savings of $3.8 million for agencies. At the time, there were 3,459 agency-lease vehicles. The 467 federal vehicles were changed to a cents-per-mile system that resulted in savings of $396,000. Savings were also achieved for the 90 schedule 2 vehicles. Total savings for agencies were $4.2 million.

Vehicles were not being replaced effectively. An annual $6 million purchase was done through JP Morgan. Vehicles were being replaced at 190,000 to 200,000 miles, which has been reduced to 165,000. Once the contracts are in place, the state will be purchasing $6 million worth of vehicles.

It was a long-term process to install 4,500 GPS units in vehicles, which included replacing the previous GPS model in most vehicles. As this was occurring, Kentucky moved ahead of what Colorado was doing. After consulting the IRS, a hybrid leased value model was established with an assumed vehicle lifespan of 72 months. The Commonwealth Office of Technology designed an app that tracks personal miles in vehicles based on input from users.

In September 2018, it became apparent that 4.2 percent of newly installed 2G GPS units were unreliable. The vendor said that 100 percent accuracy was not possible with these units. So far, 1,000 4G units have been installed, with 3,500 to go.

In response to questions from Senator Carroll, Mr. Robinson said that purchase contracts are done annually. Vehicles are generally purchased relatively locally. The vehicles he has been discussing do not include state police. Other agencies can purchase vehicles through a FAC master agreement. Other agencies with their own fleet are responsible for the vehicles' maintenance. FAC fleet vehicles are maintained at the state T1 Garage. If a vehicle cannot be repaired there, it goes to an outside shop at which the state has a discount. Agencies with their own fleets are responsible for wrecked vehicles.

In response from a question from Senator Carroll, Mr. Robinson said that FAC generally replaces a vehicle with the same or similar vehicle, but agencies can request a different vehicle.

In response to a question from Senator Carroll, Mr. Robinson said that four electric vehicles were purchased several year ago.

In response to a question from Senator Carroll, Mr. Robinson said that underutilization is the biggest area of waste he has found.

In response to questions from Representative Palumbo, Mr. Robinson said that 4G GPS units are being installed in 4,853 vehicles, some replacing 2G units. The cost per vehicle is $23 per month, including fees. The vendor is AT&T.

In response to a question from Senator Westerfield, Mr. Robinson said that the lifespan of vehicles varies. The current goal is 165,000 miles or 7 years. Agency preferences may differ from this.

Senator Westerfield asked what the breakdown is between vehicle use on state business and personal use. Mr. Robinson said he does not have good data on that yet. Some people are not paying the $1.50 per one way commute. Some are taking vehicles home who should not be. The number of personnel classifications that are eligible to take vehicles home has been reduced. An annual report to LRC lists the people that agencies allow to take home vehicles.

In response to questions from Senator Westerfield, Mr. Robinson said that all fleet vehicles have GPS. Tracking is done by WebTech, which gathers data and reports it to the FAC Office of Administrative Services. The data indicate that speeding by drivers of state vehicles can be a problem. Mr. Robinson said that his understanding is that the data collected by WebTech cannot be used for other purposes, but that he would check on this.

In response to a question from Senator Westerfield, Mr. Robinson said that one person is on call 24 hours per day to answer calls for roadside assistance.

In response to a question from Senator Westerfield, Mr. Robinson said that he would find out what the average daily operating cost is for the 4,800 vehicles.

In response to questions from Senator Westerfield, Mr. Robinson said that he could not say precisely how many vehicles agencies have outside the FAC fleet. A rough guess is 1,000. The major outside agency is the Public Protection Cabinet. He could not say for sure why agencies choose to remain outside the fleet. Agencies want autonomy to replace vehicles when they want. The savings from bringing outside vehicles into the FAC fleet would not be significant. He will try to put together numbers on the outside vehicles.

In response to a question from Senator Thomas, Mr. Robinson said that the average cost of the 4,800 vehicles is $22,500.

In response to questions from Representative Bechler, Mr. Robinson said replacement at 165,000 miles is not based on systematic data, but that he is comfortable with it.

In response to a question from Representative Bechler about what could be done to reduce the average price, Mr. Robinson said that there are a lot of trucks and SUVs; passenger cars would cost less.

Representative Rothenburger asked whether, since the average purchase price is good, there would be an advantage to selling vehicles at a lower mileage, which would reduce maintenance costs. Mr. Robinson agreed that the sale price would likely be higher and maintenance costs would be lower.

In response to a question from Representative Rothenburger, Mr. Robinson said that the Transportation Cabinet, which has approximately 1,800 vehicles, is not separate; his office works closely with staff there.

In response to a question from Representative Rothenburger, Mr. Robinson said that he did not know why the Public Protection Cabinet chooses to remain separate.

In response to a question from Senator Carroll, Mr. Robinson said that fuel services are bid out through Procurement Services. The state pays a reduced rate. Currently, Wex has the contract.

Kentucky State Lottery

Mr. Delacenserie's presentation covered the background of the Kentucky lottery and the mission and attributes of the Lottery Corporation. He described lottery proceeds and the educational grants and scholarships funded with them. Instant and draw sales are available via more than 3,200 retailers. The online lottery is a small but growing share of sales. Of the more than $20 billion of sales since the lottery's inception, 61 percent has been paid to winners and more than 26 percent is state revenue. He summarized the trend in sales and earnings for the state. He concluded by describing challenges facing the lottery.

In response to questions from Representative Rothenburger, Mr. Delacenserie said that the period to claim a winning Powerball ticket is 180 days. If there is no claim, the money is returned to the contributing states. Kentucky's portion goes to the KEES Reserve Fund [Kentucky Educational Excellence Scholarship]. The deadlines are shorter for other games, but unclaimed winnings also go to this fund. A ticket cannot be claimed after the deadline.

In response to a question from Senator Wheeler, Mr. Delacenserie said that the Lottery Corporation is capable of expanding into sports gaming. Direction would have to come from the General Assembly.

In response to a questions from Representative Bechler, Mr. Delacenserie said that the lottery has done research on the demographics of lottery participants, who are reflective of the population. Typical players are 35 to 55 and are high school graduates or have some college. Mr. Delacenserie said that he could provide more specific demographic information.

In response to questions from Representative Bechler, Mr. Delacenserie said that Kentucky's lottery proceeds per capita are average. Some states are just starting sports betting. Lotteries in states with casinos still seem to do well. According to gaming industry experts, there is a distinction between casino game and lottery players. He said that he could provide more detailed information on the competing sources of state gambling revenue.

Representative Bechler asked whether lottery revenue is set aside to help problem gamblers. Mr. Polston said that statute prohibits the corporation from providing direct services. For the past two decades, the corporation has worked with the Kentucky Council on Problem Gambling to push for legislation to allow direct services. In response to Representative Bechler's follow-up question, Mr. Polston said that if direct services were not prohibited, the most recent proposal from the council called for a $680,000 annual contribution from the lottery for treatment and awareness programs.

Senator Carroll noted that the Kentucky lottery gets only a 1.8 star rating. Mr. Delacenserie said that the corporation is aware of problems and is trying to improve the app.

In response to questions from Senator Carroll, Mr. Delacenserie said that GPS is used to determine whether someone buying a ticket online is located in Kentucky. Sales outside Kentucky are prohibited.

In response to questions from Senator Carroll, Mr. Delacenserie said that Vanna White is coming to Kentucky to promote a Wheel of Fortune ticket.

In response to a question from Senator West, Mr. Delacenserie said that annual marketing costs are about $8 million, operating costs are more than $200 million.

Senator Carroll asked about planned games. Mr. Delacenserie said that a new game called Fast Play is coming in October. There will be another $30 scratch-off ticket. The game Win Place and Show has been tested and will come out in April.

In response to a question from Senator Carroll, Mr. Delacenserie said that scratch-offs range from $1 to $30. The $1 ticket pays out the least to the player. The payout percentage increases as denominations increase.

In response to question from Senator Carroll, Mr. Delacenserie said that a vendor handles printing and security of scratch-off tickets and the calculations of what payouts should be.

In response to a question from Representative Bechler, Mr. Delacenserie said that for multi-state lottery games proceeds are based on each state's share of sales.

The meeting adjourned at 9:25 AM.

MEDICAID OVERSIGHT AND ADVISORY COMMITTEE

Minutes

September 9, 2019

Call to Order and Roll Call

The Medicaid Oversight and Advisory Committee meeting was held on Monday, September 9, 2019, at 10:00 AM, in Room 171 of the Capitol Annex. Senator Stephen Meredith, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stephen Meredith, Co-Chair; Representative Daniel Elliott, Co-Chair; Senators Ralph Alvarado, Danny Carroll, Jimmy Higdon, and Morgan McGarvey; Representatives Jim Gooch Jr., Melinda Gibbons Prunty, Steve Sheldon, and Lisa Willner.

Guests: Beth Partin, Medicaid Advisory Council, Tom Miller, CEO, University of Louisville Hospital

LRC Staff: DeeAnn Wenk, Lead Staff, Chris Joffrion, Hillary McGoodwin, and Dana Simmons

Overview of the Advisory Council for Medical Assistance

Dr. Beth Partin, Chairperson, Medicaid Advisory Council, stated that Medicaid Advisory Council (MAC), was established by the Kentucky General Assembly in 1960, to advise the legislative and executive branch on services provided by the Cabinet for Health and Family Services, development of Medicaid policy, and participation in programming. Outlined in KRS 205.540. Membership on the council consists of 18 total members. 17 are appointed by the Governor with all appointments lasting four years and the cabinet secretary for Health and Family Services serves as an ex-officio member. Dr. Partin stated that the MAC is required by statute to meet at least every three months but has chosen to meet every other month. In addition to the MAC, per KRS 205.590, there are 15 technical advisory committees (TACs) which are made up of professional and community representatives who advise the council. Recommendations made by the TACs are voted on by the MAC and sent to the Department for Medicaid Services. Dr. Partin stated that often when there is policy from the cabinet, the council is not given an opportunity to participate in the development process and is often informed of policy changes after policy becomes law.

In response to comments and questions from Senator Meredith, Dr. Partin stated that the MAC has been focused on issues surrounding the 1115c waiver, working with managed care organizations on reduction of emergency room visits and, ways to incentive preventative care. Dr. Partin stated that most of the TACs meet regularly with reciprocal communication between the TACs and the MAC.

In response to questions from Representative Elliott, Dr. Partin says that despite the secretary for the Cabinet for Health and Family Services being an ex-officio member of the MAC, the secretary is rarely present at the meetings, but there is always a representative from the cabinet as well as from Department for Medicaid Services in attendance.

In response to questions from Representative Prunty, Dr. Partin stated that the MAC could have made an impact on the outcome of the pharmacy benefit manager policy, if the MAC had been brought into the discussion.

In response to questions and comments from Senator Alvarado, Dr. Partin stated that the MAC did not attend all public hearings regarding the 1115c waiver nor was the MAC asked to come to the table when the legislation for the 1115c waiver was being drafted.

In response to questions and comments from Representative Sheldon, Dr. Partin stated that the managed care organizations communicate directly with the MAC in addition to attending MAC meetings.

Passport/Evolent Healthcare Update

Senator Meredith addressed the absence of planned presenter, Scott Bowers, Passport CEO. Senator Meredith stated he was disappointed when Mr. Bowers informed him that he would not attend the Medicaid Advisory and Oversight Council meeting due to advice from his counsel in fear that coming before the committee would violate the blackout period for the Medicaid managed care RFP. Senator Meredith said that he was confused by that because the purpose for Passport being called before the committee was to follow up on the declaration from January that they were preparing to file for bankruptcy based on a reimbursement rate decrease recommended by a cabinet funded actuarial analysis. Senator Meredith stated that in April 2019, another cabinet funded actuarial analysis reported that Passport now needed a reimbursement rate increase.

Senator Meredith stated he was bewildered by the discrepancy between the two actuarial analysis reports and would like to get answers from the cabinet. Senator Meredith directed the committee to the letter Mr. Bowers sent in his absence and opened the floor for comments from the members.

Senator Higdon stated that he echoed the frustrations of Senator Meredith and that Mr. Bowers' absence seems shortsighted, leaving many unanswered questions.

Senator Carroll stated that providers in his area, have experienced issues with reimbursement from Passport and many have begun dropping Passport altogether. Senator Carroll stated that when a provider drops a managed care organizations (MCO), there are large ramifications for the community. Senator Carroll stated that he is bothered by the many ongoing issues with MCOs and their lack of cooperation, ethical practices, and not prioritizing the needs of the people they serve.

Senator Alvarado stated that in a recent PBM report, $40 million of Passport's expenditures went to PBMs and the administrative costs for Passport is higher than any other state agency and higher than all other MCOs. Senator Alvarado recommended that Passport look at their administrative and internal expenditures.

University of Louisville/ Jewish Hospital Update

Tom Miller, CEO, University of Louisville Hospital, stated that the Kentucky One Health hospital system has been for sale for several years. In December 2018, the University of Louisville expressed an interest in acquiring the assets of the Kentucky One Health System to consolidate them into University of Louisville Health. As of December 2018, Kentucky One Health was losing approximately $41 million a year. Mr. Miller stated the university's proposed plan of acquisition involved seeking a capital partner who would provide financial and management resources which would support a multi-year turn around that would not put the university at risk for the significant financial losses. As of June 14, 2019, without finding a capital partner, the university discontinued discussions to purchase Kentucky One Health.

Mr. Miller stated that in August 2019, the university received word from Kentucky One Health that they were suspending heart transplant services and were starting the process to close Jewish Hospital. Mr. Miller stated that after that became known, the university and the Governor began discussing a partnership option with a loan of $50 million from the state, to retain jobs and keep these hospitals open in Louisville. Mr. Miller stated that as of August 2019, university hospital was running above capacity and could not accommodate Jewish Hospital's over 200 patients and 35,000 emergency room visits. The partnership with the state and local foundations gave the university board the ability to acquire the Kentucky One Health facilities effective November 1, 2019.

Mr. Miller stated that the November 1, 2019 acquisition date secured access to care for the one in four Medicaid patients at Kentucky One Health hospitals and secured over 2,000 jobs in the system. In 2018, Kentucky One Health saw 11,439 Medicaid discharges and University Hospital had 6,790 Medicaid discharges, marking them both as high-volume Medicaid providers. In 2018, Kentucky One Health saw $189.3 million in Medicaid revenue dollars and the university provided $166.8 million in Medicaid revenue dollars, totaling $356.1 million for both healthcare systems.

In response to questions and comments from Senator Meredith, Mr. Miller stated that the importance of keeping Jewish Hospital functioning serves more than just the city of Louisville's interest. Mr. Miller stated that one in three patients seen at Jewish Hospital and over 40% of the out-patient physician visits come from rural towns and counties.

In response to questions and comments from Senator Alvarado, Mr. Miller stated that Jewish hospital saw approximately 35,000 emergency room visits in 2018 and 3,000 per month in 2019. With University hospital at capacity, they could not absorb the amount of patients seen at Jewish, if it were to close. Mr. Miller stated that if the transplant program at Jewish hospital were to close, those patients would have to seek treatment outside of their communities and state for care. Mr. Miller stated that the agreement with the Governor is that the state will lend the university $50 million with $25 million to be paid back over a period of time. If the payments were not made, the University Medical Center would be the backstop. Mr. Miller stated there is a five year loan forgiveness agreement with repayments beginning in the fifth year.

In response to questions and comments from Representative Sheldon, Mr. Miller stated that the university will be giving Kentucky One Health $10 million for their assets. Kentucky One Health will forgive the University of an over $20 million information technology systems loan from when Kentucky One Health broke away from the university several years ago. The university will keep the $75 million accounts receivable and several local foundations will be contributing. The Jewish Heritage Foundation will be contribute $10 million and St. Mary's/St. Elizabeth's Healthcare Systems will contribute $10 million a year for 4 years. Mr. Miller stated that the main objective is to ensure that the facility stays open so the needs of the community do not go unmet.

In response to questions and comments from Senator McGarvey, Mr. Miller stated the university acknowledges that there are risks involved with this deal. If by the November 1, 2019 acquisition date, the state is unable to fulfill their partnership agreement, the university is prepared to continue with the purchase. Currently the University of Louisville faculty provides 40 percent of the care for Jewish Hospital which fulfills all the disciplinary needs of the university's teaching faculty; the university hospital cannot meet the multi-disciplinary needs alone. Mr. Miller stated that the Governor suggested to the university that their partnership would be an economic development driven deal between the state and the needs of the largest economy in the state.

In response to questions and comments from Representative Elliott, Mr. Miller stated that the university was able to identify the financial shortfalls of the Kentucky One Health system and planned improvements for those shortfalls in their purchase proposal. Since the university is a teaching hospital, the university qualifies for matching federal funds of $33 million which Kentucky One Health did not have. Kentucky One Health had issues with their outsourced collections which the university would do in house, saving overhead. Mr. Miller stated that Jewish Hospital was paying $41 million in corporate overhead and the university would be able to cut those administrative fees to $21 million.

Discussion of Prefiled Bills

2020 RS BR 275

In response to questions from Representative Sheldon, Senator Meredith stated that 2020 RS BR 275 is a bill that is designed to give the legislature more oversight over provider reimbursements from MCOs to ensure fair and equitable payment for rural providers. Senator Meredith stated that with the current lack of accountable oversight of the MCOs' reimbursement to providers, rural hospitals suffer from the inability to be competitive with contracts like the urban hospitals are able to be which lowers the rural hospital reimbursement rate.

2020 RS BR 315

In response to questions from Representative Prunty, Senator Meredith stated that 2020 RS BR 315 is a bill to eliminate Medicaid co-pays. Senator Meredith stated that the MCOs are at fault for not educating the recipients on co-pays. The inability to collect co-pays creates a financial burden on providers.

In response to questions from Representative Gooch, Senator Meredith stated that 2020 RS BR 315 does not address the problem of the healthcare industry and the need for reform. It does buy time for the rural providers to stay afloat until healthcare reform happens.

2020 RS BR 278

In response to comments from Representative Prunty, Senator Meredith stated that 2020 RS BR 278 seeks to limit the number of MCOs to three to ease the credentialing burden that many providers are having. Senator Meredith cited 2018 RS HB 69 which created single-source credentialing as another mechanism to help providers more easily get credentialed with the MCOs. However, the problem will not be solved until there is a limit on the number of MCOs a provider has to work with.

In response to questions from Representative Sheldon, Senator Meredith stated that 2020 RS BR 278 will enhance the bidding process and make it more competitive since there will be fewer MCOs' to choose from.

Adjournment

There being no further business, the meeting was adjourned at 11:45AM.

2020 Prefiled Bills

BR6 - Representative Diane St. Onge (4/18/2019)

AN ACT relating to cruelty to equines.

Create a new section of KRS Chapter 525 to prohibit cruelty to equines, including situations involving abuse or neglect; make cruelty to equines a Class D felony and provide for the termination of ownership; list exceptions; establish a short title of "Klaire's Law."

(Prefiled by the sponsor(s).)

BR7 - Representative Danny Bentley (6/4/2019)

AN ACT relating to voluntary non-opioid directives.

Create a new section of KRS Chapter 218A to define terms and to establish a voluntary non-opioid directive form to inform practitioners that an opioid drug shall not be prescribed, ordered, or administered to a patient who has filed the form with the Cabinet for Health and Family Services; amend KRS 218A.172 to require a practitioner to determine if a patient has filed a voluntary non-opioid directive and to provide the patient with a copy of the form prior to prescribing an opioid drug; amend KRS 218A.202 to establish that the electronic monitoring system established in this section shall permit the cabinet to report and document receipt of a voluntary non-opioid directive and to permit a practitioner to determine if a patient has filed a voluntary non-opioid directive.

(Prefiled by the sponsor(s).)

BR23 - Representative Charles Booker (5/3/2019)

AN ACT proposing an amendment to Section 145 of the Constitution of Kentucky relating to persons entitled to vote.

Propose to amend Section 145 of the Constitution of Kentucky to restore voting rights to persons convicted of felonies upon completion of their sentence; submit to the voters for ratification or rejection.

(Prefiled by the sponsor(s).)

BR27 - Representative Attica Scott (5/10/2019)

AN ACT relating to historical instruction.

Create a new section of KRS Chapter 158 to require African history instruction in certain middle and high school world history and civilization courses; require Native American history instruction in certain middle and high school United States history courses; require the Kentucky Board of Education to promulgate administrative regulations establishing academic standards for the required historical instructions; require local school boards to adopt curricula for required instruction; require the Department of Education to collaborate with the Kentucky African American Heritage and the Kentucky Native American Heritage Commission to develop recommended curricula and instruction guidelines for the required historical instruction, elective high school course offerings in African history and Native American history, and relevant professional development materials.

(Prefiled by the sponsor(s).)

BR31 - Representative Derek Lewis (7/2/2019)

AN ACT relating to teachers and making an appropriation therefor.

Create a new section of KRS Chapter 164 to define terms; establish a student loan forgiveness program for STEM teachers employed at a public school district within a federally designated promise zone; authorize the Kentucky Higher Education Assistance Authority to promulgate administrative regulations to administer the program; create the STEM teacher promise zone scholarship fund; APPROPRIATION.

(Prefiled by the sponsor(s).)

BR32 - Representative Jerry Miller (8/21/2019)

AN ACT relating to the taxation of tobacco products.

Amend KRS 138.130 to define terms; amend KRS 138.140 to impose an excise tax on vapor products; amend KRS 138.143 to impose a floor stock tax; EFFECTIVE 11:59 p.m. on June 31, 2020.

(Prefiled by the sponsor(s).)

BR36 - Representative John Sims Jr (7/12/2019)

AN ACT relating to an increase in tax rates.

Amend KRS 139.200 to provide for a sales and use tax rate of eight percent (8%) on or after January 1, 2021; amend KRS 139.230 and 139.310 to conform; amend KRS 139.471 to provide a six percent (6%) sales tax rate on property purchased for use in the performance of a lump sum, fixed fee contract, sales made under a fixed fee contract, or sales made under a fixed price contract, if the contracts were executed on or before July 10, 2019; amend 138.460 to provide for a motor vehicle usage tax rate of eight percent (8%) on vehicles purchased on or after January 1, 2021; amend KRS 138.463 to provide for an eight percent (8%) U-Drive-It tax rate for rental and leasehold contracts entered into after January 1, 2021; amend KRS 139.260 and 139.470 to conform.

(Prefiled by the sponsor(s).)

BR45 - Representative Jason Nemes (6/19/2019)

AN ACT relating to fire districts.

Amend KRS 75.040 to deem that emergency ambulance service provided by a fire protection district, volunteer fire department district, or subdistrict, is the primary emergency ambulance service within the district or subdistrict in the boundaries of the county containing the largest population within the district boundaries; add a method for boards of trustees to declare that the district or subdistrict is not the primary provider of emergency ambulance service within the district; declare status for secondary providers of emergency ambulance service; require that the additional tax moneys allowed for being a primary provider are no longer allowable; and require local governments providing secondary emergency ambulance service within the district or subdistrict within the boundaries of the county containing the largest population within the district boundaries to credit the amount of taxes paid by taxpayers of the district or subdistrict for emergency ambulance service to the taxes owed to the local government by the taxpayer.

(Prefiled by the sponsor(s).)

BR47 - Representative Les Yates
(9/12/2019)

AN ACT relating to vacancies in elective office.

Amend KRS 83A.165, 118.115, 118.165, 118.365, 118.375, and 118A.100 to extend by ten calendar days the deadline for filing nomination papers to fill an unexpired term if the vacancy occurs five calendar days or less before the prescribed deadline; amend KRS 118.225 to conform; amend KRS 132.380 to require an examination whenever there is a vacancy in the office of property valuation administrator and to direct that the certificates of any examination shall remain valid for four years.

(Prefiled by the sponsor(s).)

BR61 - Representative Attica Scott, Representative Mary Lou Marzian, Representative Charles Booker, Representative Joe Graviss, Representative Kathy Hinkle
(7/9/2019)

AN ACT relating to public charter schools.

Amend KRS 156.095 and KRS 158.4416 to remove references to public charter schools; repeal KRS 160.1590, 160.1591, 160.1592, 160.1593, 160.1594, 160.1595, 160.1596, 160.1597, 160.1598, 160.1599, and 161.141.

(Prefiled by the sponsor(s).)

BR72 - Representative Melinda Prunty
(9/10/2019)

AN ACT relating to the recognition and registration of professional employer organizations.

Create new sections of KRS Chapter 336 to declare that professional employer organizations provide a valuable service to commerce and should be properly recognized and regulated; define "client," "co-employer," "co-employment relationship," "covered employee," "professional employer organization group," "person," "professional employer agreement," "professional employer organization," "professional employer services," "registrant," and "temporary help service"; indicate that covered employees shall be deemed employees of the client for purposes of determining tax credits or economic incentives; require a person providing professional employer services to be registered and to set forth the registration requirements; require professional employer organizations to pay a registration fee; require a professional employer organization to either maintain positive working capital or provide a bond, letter of credit, or security; set forth the rights and responsibilities of parties to a co-employment agreement; set forth the health insurance obligations of professional employer organizations; set forth the workers' compensation requirements of professional employer organizations and the client; set forth the unemployment insurance obligations of the professional employer organization and the client; prohibit a person from knowingly providing professional employer services without becoming registered and set forth actions that may be taken by the Labor Cabinet against any person in violation; amend KRS 336.990 to provide a civil penalty; amend the definition of "premium" in KRS 342.0011 to include co-employment relationships with a professional employer organization; amend KRS 342.990 to delete references to KRS 342.615; repeal KRS 342.615; state that the provisions of this Act are severable.

(Prefiled by the sponsor(s).)

BR79 - Representative Attica Scott
(5/23/2019)

AN ACT relating to the investigation of a shooting or deadly incident by a law enforcement officer.

Create new sections of KRS Chapter 15A to provide definitions and establish an Officer Shooting Review Board to investigate any shooting of an individual by a law enforcement officer or officers or any deadly incident involving law enforcement; set requirements for board members; provide duties of the board; specify requirements related to investigatory work performed by the Kentucky State Police Critical Incident Response Team on behalf of the board; establish investigatory procedures and protocols; provide requirements for submission of the board's report to the Commonwealth's attorney of the jurisdiction in which the shooting or deadly incident took place or to the Attorney General; provide requirements for independent investigation of any shooting of an individual by a law enforcement officer or officers or any deadly incident involving law enforcement.

(Prefiled by the sponsor(s).)

BR80 - Representative Dennis Keene
(5/8/2019)

AN ACT relating to the expansion of gaming and making an appropriation therefor.

Create a new section of KRS Chapter 154A to state the findings of the General Assembly; amend KRS 154A.010 to define, "authorizing location," "casino," "county," "county legislative body," "department," "full casino gaming," "gaming licensee," "gross gaming revenue," "handle," "licensee," "limited casino gaming," and "principal"; amend KRS 154A.030 to expand the Lottery Corporation board membership and duties; amend KRS 154A.040 to include casino licensees; amend 154A.063 to remove prohibition against casino gaming; create new sections of KRS Chapter 154A to require a local option election in any precinct wanting to host a casino; describe the duties of the county clerk and sheriff in a casino gaming local option election; state requirements for local option elections held on a day other than a regular election day; require the corporation to advertise an invitation to bid for casinos; require the corporation to evaluate all proposals for full casinos; establish initial licensing fees for full casinos at $50 million with an initial licensing period of ten years and annual renewal thereafter at $6 million per year; permit limited casino gaming at horse racing tracks licensed under KRS Chapter 230; establish requirements for limited casinos; establish requirements for any track holding a limited casino license; establish requirements for principals of any corporation granted a casino license; create license application requirements for casino, manufacturer's, or supplier's licenses; prohibit anyone not licensed from selling, leasing, or otherwise furnishing gaming supplies; prohibit anyone under the age of 21 from participating in casino gaming; require the Lottery Corporation to determine occupations related to casino gaming that require licensure and establish criteria for occupational licensing; permit the corporation to initiate disciplinary action against applicants and license holders; establish an appeal process; create new sections of KRS Chapter 138 to establish wagering and admissions taxes to be remitted by gaming licensees and full and limited casinos; create new sections of KRS Chapter 154A to establish the casino gaming revenue distribution trust fund and limit that money to the benefit of the state retirement systems for the first ten years; establish the regional tourism and infrastructure development fund and provide criteria for projects seeking money from the fund; waive 15 U.S.C. secs. 1172, 1173, and 1174 for devices authorized by this Act; require the corporation to promulgate administrative regulations to define and limit games and devices permitted for gaming in casinos; provide guidelines for exclusion or ejection of certain persons; define "cheat" and provide penalties for those who cheat at casino games; amend KRS 243.500 to exempt limited or full casino gaming; amend KRS 525.090 to exempt persons engaged in casino gaming; amend KRS 528.010 to exempt gambling activity and devices licensed under KRS Chapter 154A; amend KRS 528.020 to conform; amend KRS 528.070 to exempt activity licensed under KRS Chapter 154A; amend KRS 528.080 to exempt those with the appropriate license required under KRS Chapter 154A; amend KRS 528.100 to exempt limited or full casino gaming licensed under KRS Chapter 154A; APPROPRIATION; EFFECTIVE DATE DELAYED.

(Prefiled by the sponsor(s).)

BR82 - Representative Rob Rothenburger, Representative Mark Hart
(6/10/2019)

AN ACT relating to tuition benefits and making an appropriation therefor.

Amend KRS 164.2841, relating to college tuition benefits for spouses and children of specified emergency response personnel and public employees who have died in the course of their duties to specify that the beneficiary is eligible for up to a maximum of 128 credit hours of undergraduate instruction; amend KRS 164.2842, relating to college tuition benefits for spouses and children of specified emergency response personnel and public employees who have been totally and permanently disabled in the course of their duties to specify that the beneficiary is eligible for up to a maximum of 128 credit hours of undergraduate instruction.

(Prefiled by the sponsor(s).)

BR83 - Representative Rob Rothenburger, Representative Mark Hart
(5/9/2019)

AN ACT relating to ground ambulance service providers and making an appropriation therefor.

Create new sections of KRS Chapter 205 to define terms; establish the Medicaid ground ambulance service provider assessment; require ground ambulance service providers to pay a Medicaid ambulance service provider assessment quarterly; authorize the Cabinet for Health and Family Services to promulgate administrative regulations necessary to implement the Medicaid ground ambulance service provider assessment; create the ambulance service assessment revenue fund; APPROPRIATION.

(Prefiled by the sponsor(s).)

BR85 - Representative C. Ed Massey
(6/18/2019)

AN ACT relating to the Honor and Remember flag.

Create a new section of KRS Chapter 2 to designate the Honor and Remember flag as the state's emblem of the service and sacrifice of the brave men and women of the United States Armed Forces who have given their lives in the line of duty; specify locations, dates, and circumstances under which the flag may be displayed.

(Prefiled by the sponsor(s).)

BR94 - Senator John Schickel
(6/4/2019)

AN ACT relating to criminal damage to rental property.

Create a new section of KRS Chapter 512 to specify that a tenant who, having no right to do so or any reasonable ground to believe that he or she has such right, intentionally or wantonly defaces, destroys, or damages residential rental property is to be charged with violating KRS 512.020, 512.030, or 512.040 as appropriate.

(Prefiled by the sponsor(s).)

BR95 - Representative Thomas Huff
(9/9/2019)

AN ACT relating to motor vehicle titles.

Amend KRS 186A.170, to require delivery of a motor vehicle title upon which there is a security interest to the holder of the security interest rather than the owner of the vehicle; amend KRS 186.045 to require the holder of a security interest who has possession of a vehicle title to transmit that title to the owner when the security interest has been paid in full; set forth procedures for cases when the title is not transferred; amend 186A.180 and 186.170 to conform.

(Prefiled by the sponsor(s).)

BR102 - Representative R. Travis Brenda
(9/12/2019)

AN ACT relating to the taxation of certain services.

Amend KRS 139.200 to exclude mowing, fence cleaning, and other pasture maintenance services performed on agricultural or horticultural land for a farmer or retired farmer from landscaping services; EFFECTIVE August 1, 2020.

(Prefiled by the sponsor(s).)

BR105 - Representative Danny Bentley
(6/4/2019)

AN ACT relating to prescription insulin.

Amend KRS 304-17A.148 to cap the cost sharing requirements for prescription insulin at $100 per 30 day supply; EFFECTIVE January 1, 2021.

(Prefiled by the sponsor(s).)

BR107 - Representative Attica Scott
(7/11/2019)

AN ACT relating to an exemption of feminine hygiene products from sales and use taxation.

Amend KRS 139.010 to define feminine hygiene products; amend KRS 139.480 to exempt from sales and use tax the sale or purchase of feminine hygiene products; apply to sales or purchases made after August 1, 2020, but before August 1, 2024; require Department of Revenue to report to the Interim Joint Committee on Appropriations and Revenue the amount of exemptions claimed.

(Prefiled by the sponsor(s).)

BR113 - Representative Jason Nemes
(6/6/2019)

AN ACT relating to call centers.

Create a new section of KRS Chapter 337 to require an employer intending to relocate a call center from Kentucky to a foreign country to notify the secretary of the

Labor Cabinet at least 120 days prior to such relocation; require the secretary to compile a list of employers that have relocated a call center to a foreign country; amend KRS 337.990 to create a civil penalty of not more than $1,000 for each violation; provide short title.

(Prefiled by the sponsor(s).)

BR117 - Senator C.B. Embry Jr.
(8/20/2019)

AN ACT relating to the taxation of pension income.

Amend KRS 141.019 to increase the pension income exclusion from $31,110 to $41,110.

(Prefiled by the sponsor(s).)

BR118 - Senator C.B. Embry Jr.
(9/5/2019)

AN ACT relating to solid waste.

Amend KRS 224.40-310 to modify the definition of "waste disposal facility" to specify that all residual landfills are included in the process of local determination and remove the exception for private facilities that dispose of waste on their own private property; amend KRS 224.40-315 to remove the exception for private facilities that dispose of their own waste on their own property from the requirements to obtain approval from local governing body when a municipal solid waste disposal facility seeks to expand or construct a facility.

(Prefiled by the sponsor(s).)

BR119 - Senator C.B. Embry Jr.
(8/20/2019)

AN ACT relating to road safety.

Amend KRS 512.070 to include, as criminal littering, permitting unsafe amounts of leaves or mowed grass to remain on a highway.

(Prefiled by the sponsor(s).)

BR120 - Representative Steve Riley, Representative Jason Nemes, Representative Lisa Willner
(7/9/2019)

AN ACT relating to corporal punishment in schools.

Create a new section of KRS 158.440 to 158.449 to define "corporal punishment"; prohibit a person employed by a school district from using corporal physical discipline; amend KRS 158.444 to remove corporal punishment as a form of discipline in a school; amend KRS 503.110 to remove the exception that permitted the use of physical force by a teacher against a minor.

(Prefiled by the sponsor(s).)

BR121 - Representative Steve Riley
(7/19/2019)

AN ACT relating to long-term care administrators.

Amend KRS 216A.070 to extend temporary permits from a period not to exceed 6 months to 9 months.

(Prefiled by the sponsor(s).)

BR125 - Representative Michael Lee Meredith, Representative Patti Minter, Representative Tim Moore, Representative Jason Petrie, Representative Phillip Pratt, Representative Melinda Prunty, Representative Brandon Reed, Representative Steve Riley, Representative Bart Rowland, Representative Steve Sheldon, Representative Wilson Stone, Representative Walker Wood Thomas, Representative Ken Upchurch
(7/9/2019)

AN ACT relating to the Bowling Green Veterans Center, making an appropriation therefor, and declaring an emergency.

Appropriate to the Department of Veterans' Affairs $2,500,000 from the General Fund in fiscal year 2019-2020 for design and preconstruction costs for the Bowling Green Veterans Center; stipulate that appropriations in this Act shall be paid from the General Fund Surplus Account or the Budget Reserve Trust Fund Account; APPROPRIATION; EMERGENCY.

(Prefiled by the sponsor(s).)

BR126 - Representative Josie Raymond
(7/22/2019)

AN ACT relating to bullying.

Amend KRS 158.148 to include incidents that occur at non-school-sponsored events or through the use of technology in the definition of bullying; require a school district's code of acceptable behavior to include notification procedures for parents in situations of alleged bullying; require the school district's code of acceptable behavior to include procedures for restoring a student's sense of safety.

(Prefiled by the sponsor(s).)

BR127 - Representative Kevin Bratcher
(7/9/2019)

AN ACT proposing an amendment to Section 170 of the Constitution of Kentucky relating to exemptions from taxation.

Propose to amend Section 170 of the Constitution of Kentucky to exempt certain veterans' organizations from property taxation; provide ballot question with proposed amendment; submit to voters for ratification or rejection.

(Prefiled by the sponsor(s).)

BR132 - Senator Reginald Thomas
(8/20/2019)

AN ACT relating to wages.

Amend KRS 337.010 to increase the applicable threshold of employees of retail stores and service industries from $95,000 to $500,000 average annual gross volume of sales for the employer; amend KRS 337.275 to raise the state minimum wage to $8.20 per hour on July 1, 2020, $9.15 per hour on July 1, 2021, $10.10 per hour on July 1, 2022, $11 per hour on July 1, 2023, $12.05 per hour on July 1, 2024, $13.10 per hour on July 1, 2025, $13.95 per hour on July 1, 2026, and $15 per hour on July 1, 2027, and to raise the state minimum wage for tipped employees to $2.13 per hour on the effective date of the Act, $3.05 per hour on July 1, 2021, $3.95 per hour on July 1, 2022, and $4.90 per hour on July 1, 2023; include anti-preemption language permitting local governments to establish minimum wage ordinances in excess of the state minimum wage.

(Prefiled by the sponsor(s).)

BR133 - Representative Regina Huff
(6/12/2019)

AN ACT relating to road safety.

Amend KRS 512.070 to include, as criminal littering, permitting unsafe amounts of mowed grass to remain on a highway.

(Prefiled by the sponsor(s).)

BR136 - Representative Robert Goforth, Representative Joe Graviss, Representative Jason Nemes, Representative Steve Sheldon, Representative Jim Stewart III
(8/1/2019)

AN ACT relating to school bus safety and making an appropriation therefor.

Create a new section of KRS Chapter 160 to define "owner," "recorded images," "school bus stop arm camera," and "third party designee"; create a new section of KRS Chapter 160 to require each local school district to install and maintain school bus stop arm cameras on daily route school buses by August 1, 2023; allow districts to contract for purchase and maintenance of cameras; allow districts to contract for the processing of an alleged violation of KRS 189.370(1); require school districts to establish procedures or contract with a third-party designee prior to utilizing school bus stop arm cameras; provide an emergency exception to the stop arm requirement; permit school districts with a population density equal to or less than 100% of the state average to apply for special permission to suspend the stop arm requirement for up to five years; establish requirements for school districts granted special permission to suspend the stop arm requirement; require the Kentucky Board of Education to promulgate administrative regulations; create a new section of KRS Chapter 160 to establish annual on-site compliance inspections for school districts and penalties for noncompliance; create a new section of KRS Chapter 174 to define "'owner," "school bus stop arm camera", and "third-party designee"; require the Transportation Cabinet or third-party designee to review images for violations of KRS 189.370(1) recorded by school bus stop arm cameras after July 1, 2021, and issue civil citations for violations; establish civil penalties for a violation of KRS 189.370 recorded by a school bus stop arm camera after July 1, 2021; require the Transportation Cabinet to adopt a uniform civil citation form and establish the form's minimum contents; establish notification requirements; require a recipient of a uniform civil citation to pay civil penalty or submit proof of a criminal citation or appeal the uniform civil citation to the Transportation Cabinet within 30 days; grant the Transportation Cabinet appellate powers and authority; establish potential defenses the Transportation Cabinet may consider for uniform civil citations; allow for suspension of registration for failure to pay a fine, require third- party designee to notify the Transportation Cabinet of the need to release a suspension within 1 business day of payment; appropriate 80 percent of funds collected by the Transportation Cabinet for a uniform civil citation to the school district; allow a third-party designee to keep up to 80 percent of funds but no more than $160 per civil penalty collected by a third party designee; appropriate 10 percent of all funds collected from a uniform civil citation to the Kentucky Department of Education; appropriate 10 percent of all funds collected from a uniform civil citation to the Transportation Cabinet; appropriate any remaining funds collected by a third party designee to the local school district; provide that a uniform civil citation shall not result in points against a driving record; require the Transportation Cabinet to promulgate administrative regulations necessary to effectuate the purpose of administering stop arm camera use, enforcement, and calibration; amend KRS 189.990 to appropriate 80 percent of funds collected from criminal fines levied by law enforcement for violation of KRS 189.370 to the local school district, 10 percent to the Kentucky Department of Education, and 10 percent to local law enforcement.

(Prefiled by the sponsor(s).)

BR139 - Representative Kim King (6/14/2019)

AN ACT relating to assistance dogs.

Amend KRS 258.500 to prohibit the misrepresentation of assistance dogs; allow peace officers to investigate; amend KRS 258.991 to conform and to remove outdated references.

(Prefiled by the sponsor(s).)

BR143 - Representative Lynn Bechler (9/9/2019)

AN ACT relating to child abuse and declaring an emergency.

Amend KRS 500.050 to remove the five-year statute of limitations for misdemeanor sex offenses against minors and allow prosecution to be commenced at any time; amend KRS 413.249 to remove the ten-year statute of limitations for civil actions arising from childhood sexual assault or abuse and allow a suit to be commenced at any time; amend KRS 620.030, relating to the requirement to report child abuse, to limit the clergy-penitent exemption and make any person who intentionally fails to report guilty of a Class D felony; amend KRS 620.050, relating to the reporting of child abuse, to limit the clergy-penitent exemption; provide for severability; EMERGENCY.

(Prefiled by the sponsor(s).)

BR160 - Representative Joe Graviss, Representative Kevin Bratcher (7/11/2019)

AN ACT relating to state symbols.

Create a new section of KRS Chapter 2 to name and designate as the official pets of Kentucky domestic cats and dogs that reside in or have been adopted from Kentucky animal shelters or rescue organizations.

(Prefiled by the sponsor(s).)

BR166 - Representative James Tipton, Representative Steve Sheldon (8/1/2019)

AN ACT relating to operating a motor vehicle.

Amend KRS 189.292 to provide that no person shall use a personal communication device while operating a motor vehicle; set forth exceptions; provide that persons under the age of 18 shall not use a personal communication device while driving, except for emergencies; amend KRS 189.990 to set forth penalties for the violation of KRS 189.292; amend KRS 186.452 and 186.454 to conform; repeal KRS 189.294.

(Prefiled by the sponsor(s).)

BR176 - Senator Danny Carroll (7/22/2019)

AN ACT relating to road safety.

Amend KRS 512.070 to include, as criminal littering, permitting unsafe amounts of mowed grass to remain on a highway.

(Prefiled by the sponsor(s).)

BR178 - Representative Attica Scott (9/11/2019)

AN ACT relating to taxation.

Amend KRS 139.010 to define "diapers"; amend KRS 139.480 to exempt from sales and use tax the sale or purchase of diapers, breast pumps, and certain baby products; provide that the exemptions apply to sales or purchases made after August 1, 2020, but before August 1, 2024; require the Department of Revenue to report to the Interim Joint Committee on Appropriations and Revenue the amount of exemptions claimed.

(Prefiled by the sponsor(s).)

BR179 - Representative Jerry Miller (9/9/2019)

AN ACT relating to the promotion of living donor human organ and bone marrow donation.

Create a new section of KRS Chapter 18A to allow full-time employees of the Commonwealth of Kentucky a paid leave of absence of 240 hours for donating a human organ and 40 hours for donating bone marrow and to set requirements for the paid leave of absence; amend KRS 141.010 to define "human organ" and "qualified organ donation expenses"; amend KRS 18A.025 and 18A.110 to conform; amend KRS 141.019 to allow a tax deduction in an amount equal to the qualified organ donation expenses incurred by a taxpayer up to $10,000 and require reporting by the Department of Revenue; amend KRS 131.190 to allow the Kentucky Department of Revenue to report organ donation tax deduction data to the Legislative Research Commission.

(Prefiled by the sponsor(s).)

BR180 - Representative Patti Minter (7/3/2019)

AN ACT relating to mandatory benefits for health benefit plans.

Amend KRS 304.17A-200 to extend health-status eligibility rules to individual and employer-organized association markets; authorize insurance commissioner to designate additional health status-related factors; prohibit adjustment of premium or contribution amounts for group health benefit plans on the basis of genetic information; amend KRS 304.17A-220 to remove requirements relating to preexisting condition exclusions; repeal and reenact KRS 304.17A-230 to define "preexisting condition exclusion"; prohibit health benefit plans in any market from imposing any preexisting condition exclusion; amend KRS 304.17A-155, 304.17A-250, 304.17A-430, 304.17A-706, 304.17B-001, 304.17B-019, and 304.18-114 to conform; provide that provisions of Act apply to all health benefit plans issued or renewed on or after January 1, 2021; EFFECTIVE January 1, 2021.

(Prefiled by the sponsor(s).)

BR181 - Representative Brandon Reed, Representative Bart Rowland, Representative John Bam Carney, Representative Steve Riley (7/1/2019)

AN ACT relating to time.

Create a new section of KRS Chapter 2 to adopt year-round daylight saving time in the state of Kentucky if authorized by the United States Congress; EFFECTIVE upon the first Sunday of November following passage of enabling legislation by Congress.

(Prefiled by the sponsor(s).)

BR182 - Senator Danny Carroll (8/20/2019)

AN ACT relating to assisted-living communities.

Create a new section of KRS 194A.700 to 194A.729 to prohibit certification or certification renewal of an assisted-living community if it is owned, managed, or operated by any person convicted of certain crimes or listed on an abuse list; exempt owner of an assisted-living facility certified as of July 1, 2020; amend KRS 194A.700 to amend definitions; amend KRS 194A.707 to make changes to the appeals and renewal processes; amend KRS 194A.717 to prohibit on-site staff person from being shared with another level of care; amend KRS 194A.723 to permit the cabinet to initiate injunctive relief in Circuit Court.

(Prefiled by the sponsor(s).)

BR187 - Representative Charles Booker (7/22/2019)

AN ACT relating to carrying concealed weapons.

Repeal KRS 237.109, which provides authorization to carry concealed deadly weapons without a license; amend KRS 527.020 and 237.115 to conform.

(Prefiled by the sponsor(s).)

BR203 - Representative Mark Hart (8/20/2019)

AN ACT relating to arts education.

Create a new section of KRS Chapter 158 to require schools to offer all students instruction in the visual and performing arts, submit an annual report to the Department of Education, and implement school policies regarding visual and performing arts instruction; require the Department of Education to develop visual and performing arts program standards, guidelines on model programs, and strategies and initiatives for meeting the requirements of the section; require the Department of Education to provide resources, assessment tools, and a reporting checklist to schools; require the Department of Education to report to the Interim Joint Committee on Education by December 1, 2021, on the status of schools meeting the requirements of this section; amend KRS 158.6453 to require the school profile report to be included in the school report card and require the visual and performing arts program data to be included in the school profile report; amend KRS 160.345 and 158.153 to conform; cite the Act as the Arts Education Equity Act.

(Prefiled by the sponsor(s).)

BR204 - Representative Jim Gooch Jr. (8/29/2019)

AN ACT relating to key infrastructure asset.

Amend KRS 511.100 to change the definition of "key infrastructure assets" to specify that natural gas or petroleum pipelines are the type of pipelines covered in the definition and include other types of infrastructure assets; amend KRS 512.020 to include tampering with, impeding, or inhibiting operations of a key infrastructure asset in the offense of criminal mischief in the first degree; create a new section of KRS 411 that a civil action may be maintained against a person that compensates or remunerates a person to violate KRS 512.020 and the compensated person is convicted of criminal mischief in the first degree.

(Prefiled by the sponsor(s).)

BR205 - Senator C.B. Embry Jr. (8/20/2019)

AN ACT relating to veterinarians.

Creates a new section of KRS Chapter 321 to require that a veterinarian report abuse and to allow immunity for a good faith report; amends KRS 321.185 to allow veterinarians to release information in order to report abuse.

(Prefiled by the sponsor(s).)

BR206 - Senator C.B. Embry Jr. (8/20/2019)

AN ACT relating to solid waste.

Amend KRS KRS 68.178 to delete incidental or residual waste facilities from the exclusion in the description of waste management facilities; allow fiscal courts to license solid waste landfills and residual landfills and assess increased fees for accepting wastes outside of the waste planning area; amend KRS 224.40-315 to delete the exclusions from the definition of "municipal solid waste disposal facility."

(Prefiled by the sponsor(s).)

BR215 - Representative Regina Huff (8/5/2019)

AN ACT relating to the taxation of pension income, making an appropriation therefor, and declaring an emergency.

Amend KRS 141.019 to increase the pension income exclusion from $31,110 to $41,110; apply retroactively for taxable years beginning on or after January 1, 2018; require the Department of Revenue to automatically issue refunds; APPROPRIATION; EMERGENCY.

(Prefiled by the sponsor(s).)

BR231 - Representative Attica Scott (7/26/2019)

AN ACT relating to discriminatory practices against a person.

Amend KRS 344.010 to provide definitions of "protective hairstyle" and "race" that include traits historically associated with race.

(Prefiled by the sponsor(s).)

BR233 - Representative Attica Scott (8/20/2019)

AN ACT relating to cosmetic services.

Amend KRS 317A.155 to permit a cosmetologist, esthetician, or nail technician to operate outside of a licensed establishment for persons with physical mobility limitations, as attested by a physician in writing, or for persons residing in a long-term care nursing facility or assisted living facility.

(Prefiled by the sponsor(s).)

BR236 - Senator Julian Carroll (8/20/2019)

AN ACT relating to sports wagering and making an appropriation therefor.

Establish KRS Chapter 239 and create new sections to define "amateur athletics," "collegiate sports contest," "commission," "principal," "professional sports contest," "sports wager," and "sports wagering"; create the Kentucky Gaming Commission; establish membership to be appointed by the Governor with the advice and consent of the Senate; establish the commission's responsibilities and authority; require the Governor to appoint an executive director and establish the executive director's responsibilities; require the commission to promulgate administrative regulations relating to sports wagering conducted by the Kentucky Lottery Corporation, racing associations licensed under KRS Chapter 230, and other locations; establish licensing fees; prohibit persons from wagering on an event in which they are a participant; establish the sports wagering distribution trust fund and the uses of the fund; establish penalties for tampering with the outcome of a sporting event and wagering on a sporting event by a participant; create a new section of KRS Chapter 138 to impose an excise tax on sports wagering at 25 percent of net sports wagering receipts; amend KRS 138.1817 to permit the Department of Revenue to work with the commission to restrict licensure in the event that sports wagering taxes are not paid; amend KRS 154A.010 to revise the definition of "amateur sports contest," and to define "collegiate sports contest," "professional sports contest," "sports wager," and "sports wagering"; amend KRS 154A.030 to conform and to prohibit the director or family member from being a part owner of a professional team or a board member of a college or university that engages in collegiate sports upon which sports wagers may be placed; amend KRS 154A.050 to include sports wagering; amend KRS 154A.060 to include sports wagering and to include contracts for the purchase of goods and services necessary for sports wagering; require monthly and annual reports to be submitted to the Kentucky Gaming Commission; amend KRS 154A.063 to permit sports wagering on collegiate and professional sports contests; amend KRS 154A.065 to prohibit accepting sports wagers on the outcomes of contests involving horses; amend KRS 154A.070 to include sports wagering and require contracts to be in accord with administrative regulations of the Lottery Corporation and the Kentucky Gaming Commission; amend KRS 154A.090 to stipulate that sports wagering retailers aggrieved by a decision of the board may appeal to the Kentucky Gaming Commission; amend KRS 154A.110 to include sports wagering; stipulate that unclaimed sports wagering prize money be added to the sports wagering distribution trust fund; to prohibit sports wagers from being accepted from members or coaches of professional or collegiate team; amend 154A.120 to include sports wagering; amend KRS 154A.130 to specify net sports wagering receipts collected by lottery to be used for expenses and moneys in excess of expenses shall be dedicated to the sports wagering distribution trust fund; amend KRS 154A.400 to include sports wagering and stipulate the criteria for selecting sports wagering retailers shall be developed in consultation with the Kentucky Gaming Commission; amend KRS 154A.420 to include sports wagering and permit the Lottery Corporation to require a retailer to establish separate sports wagering electronic funds transfer accounts; amend KRS 154A.430, 154A.440, 154A.600, and 154A.650 to include sports wagering; amend KRS 230.225 to permit the Kentucky Horse Racing Commission to oversee sports wagering at licensed racing associations; amend KRS 230.370 to require administrative regulations relating to sports wagering to be developed in consultation with the Kentucky Gaming Commission; amend KRS 243.500 to exempt the conduct of sports wagering licensed or permitted under KRS Chapter 239; amend KRS 12.020 to administratively attach the Kentucky Gaming Commission to the Public Protection Cabinet.

(Prefiled by the sponsor(s).)

BR237 - Representative Kathy Hinkle, Representative Rocky Adkins, Representative Charles Booker, Representative Jeffery Donohue, Representative Derrick Graham, Representative Joe Graviss, Representative Chris Harris, Representative Joni Jenkins, Representative Nima Kulkarni, Representative Maria Sorolis, Representative Cherlynn Stevenson, Representative Buddy Wheatley, Representative Rob Wiederstein (8/21/2019)

AN ACT relating to wages.

Amend KRS 337.010 to increase the applicable threshold of employees of retail stores and service industries from $95,000 to $500,000 average annual gross volume of sales for the employer; amend KRS 337.275 to raise the state minimum wage to $8.20 per hour on July 1, 2020, $9.15 per hour on July 1, 2021, $10.10 per hour on July 1, 2022, $11 per hour on July 1, 2023, $12.05 per hour on July 1, 2024, $13.10 per hour on July 1, 2025, $13.95 per hour on July 1, 2026, and $15 per hour on July 1, 2027, and to raise the state minimum wage for tipped employees to $2.13 per hour on the effective date of the Act, $3.05 per hour on July 1, 2021, $3.95 per hour on July 1, 2022, and $4.90 per hour on July 1, 2023; include anti-preemption language permitting local governments to establish minimum wage ordinances in excess of the state minimum wage.

(Prefiled by the sponsor(s).)

BR240 - Representative Lynn Bechler, Representative Brandon Reed
(9/10/2019)

AN ACT relating to compliance with state and federal law.

Amend KRS 65.133 to require local law enforcement agencies and Kentucky State Police to enforce immigration laws; create a new section of KRS Chapter 65 to define terms, including “sanctuary” and “sanctuary policy”; prohibit local governments from adopting sanctuary policies; establish hearing procedures for determination of sanctuary status; provide for the withholding of state funding from sanctuaries; create new sections of KRS Chapter 164 to prohibit postsecondary educational institutions from enrolling employing or contracting with illegal aliens; require postsecondary educational institutions to keep records of immigration status; provide for the withholding of state funding from postsecondary educational institutions that enroll, employ, or contract with illegal aliens; limit who may be considered a Kentucky resident for in-state tuition purposes; EFFECTIVE in part January 1, 2021.

(Prefiled by the sponsor(s).)

BR247 - Representative Matthew Koch
(8/16/2019)

AN ACT relating to property taxes for veteran service organizations.

Create a new section in KRS Chapter 132 to exempt veteran service organizations from ad valorem taxation if over fifty percent of the organization’s annual net income is expended on behalf of veterans and other charitable causes; amend KRS 132.010 to define veteran service organization; apply to property assessed on or after January 1, 2021.

(Prefiled by the sponsor(s).)

BR252 - Representative Walker Wood Thomas
(9/17/2019)

AN ACT relating to the Kentucky Community and Technical College System, making an appropriation therefor, and declaring an emergency.

Create a new section of KRS Chapter 164 to establish the Kentucky Community and Technical College endowment match fund; transfer $3 million annually to the fund from general fund; authorize promulgation of administrative regulations.

(Prefiled by the sponsor(s).)

BR257 - Senator Danny Carroll
(8/20/2019)

AN ACT relating to employees of quasi-governmental agencies.

Create a new section of KRS Chapter 18A to allow state hiring preference for employees of quasi-governmental agencies ceasing participation in the Kentucky Retirement Systems; require an employing state agency offer an interview to all finalist entitled to preference unless five or more of the finalists are entitled to preference; require that if more than five finalists are entitled to preference, the employing state agency shall offer an interview to no fewer than five.

(Prefiled by the sponsor(s).)

BR258 - Representative Derek Lewis
(9/10/2019)

AN ACT relating to hunting coyotes.

Amend KRS 150.360 to require the administrative regulations promulgated by the Department of Fish and Wildlife Resources relating to the hunting of coyotes at night to: require hunters to carry a hunting license, unless license-exempt, allow the use of electronic or mouth calls and decoys, specify which weapons may be used, prohibit hunting of coyotes at night on wildlife management areas or during any deer gun or muzzle loading season, prohibit hunting coyotes at any time from a road or motor vehicle; prohibit hunting coyotes at night using white light, and place no bag limit on coyotes; and amend KRS 150.395 to allow the hunting of coyotes at night using only non-white light.

(Prefiled by the sponsor(s).)

BR263 - Representative Bobby McCool
(8/21/2019)

AN ACT relating to wage theft.

Create a new section of Chapter 514 to create the offense of theft of wages and establish penalties; define employer and employee; amend KRS 336.080 to indicate the secretary may enter places of employment without unreasonable delay to inspect a place of employment; amend KRS 337.020 to allow the commissioner to charge and collect past due wages; amend KRS 337.070 to require certain employers to include rate of pay, the number of hours worked, and the total amount of gross pay earned on wage statements provided to employees; amend KRS 337.320 to require employers to keep record for three years of the name, address, and occupation of each employee, the rate of pay and amount paid to each employee, a list of personnel policies provided to the employees, and a copy of the wage statement provided to each employee; create a new section of Chapter 337 to require employers to provide to an employee a written notice at the time of hire that sets forth the rate and method of pay, the employees employment status, accruals of time, deductions that may be made from pay, and the name and address of the employer, and require the employer to keep a copy of the notice signed by the employee; amend KRS 337.990 to include a civil penalty for failure to provide the written notice to employee and maintain a copy of the signed notice.

(Prefiled by the sponsor(s).)

BR270 - Senator Johnny Ray Turner
(8/15/2019)

AN ACT relating to mining permits and making an appropriation therefor.

Create a new section of KRS Chapter 350 to require the Energy and Environment Cabinet to notify the Department of Workplace Standards of any applicant or permittee that may be subject to the performance bonding requirements of KRS 337.200; create a new section of KRS Chapter 337 to require the commissioner of the Department of Workplace Standards to notify the Energy and Environment Cabinet of any employer engaged in the severance, preparation, or transportation of minerals that is not compliant with the performance bonding requirements of KRS 337.200; amend KRS 350.085 to prohibit the approval of mining permit applications for applicants that are not compliant with the requirements of KRS 337.200; amend KRS 350.130 to make compliance with the requirements of KRS 337.200 a condition of a mining permit issued under KRS Chapter 350 or the administrative regulations promulgated thereunder; amend KRS 337.200 to remove references to liquidated damages and attorneys’ fees as provided by law; amend KRS 337.994 to require that all penalties collected for violations of KRS 337.200 be paid to employees injured by the employer’s failure to post the

performance bond; APPROPRIATION.
(Prefiled by the sponsor(s).)

BR275 - Senator Stephen Meredith (8/20/2019)

AN ACT relating to Medicaid payments.
Amend KRS 304.17A-527 to require Medicaid managed care organizations to provide all payment schedules utilized to reimburse health care providers with whom they have maintained a contractual relationship for the previous three months to the Medicaid Oversight and Advisory Committee on a quarterly basis for the committee's review; create a new section of KRS Chapter 205 to require that services provided in rural counties be reimbursed at least at the median amount paid to an urban health care provider within the nearest metropolitan statistical area; establish a penalty that goes to the underpaid provider. .
(Prefiled by the sponsor(s).)

BR278 - Senator Stephen Meredith (8/20/2019)

AN ACT relating to Medicaid managed care contracts.
Create a new section of KRS Chapter 205 to limit the number of managed care organization (MCO) contracts to operate the Medicaid program to three.
(Prefiled by the sponsor(s).)

BR285 - Representative Jim DuPlessis (9/6/2019)

Urge Congress to require car manufacturers to install safety features to help prevent children from being left in hot cars.
(Prefiled by the sponsor(s).)

BR297 - Senator John Schickel (8/20/2019)

Proclaim September 2020 as Prostate Cancer Awareness Month in Kentucky.
(Prefiled by the sponsor(s).)

BR315 - Senator Stephen Meredith (8/20/2019)

AN ACT relating to copayments by medical assistance recipients.
Amend KRS 205.6312 to prohibit the cabinet or a managed care organization contracted to provide services from instituting copayments, cost sharing, or similar charges to be paid by any medical assistance recipients, their spouses, or parents, for any assistance provided pursuant KRS Chapter 205, federal law, or any federal Medicaid waiver; amend KRS 205.6485 to prohibit copayments to be charged in the Kentucky Children's Health Insurance Program.
(Prefiled by the sponsor(s).)

BR334 - Representative Josie Raymond (8/23/2019)

AN ACT relating to full-day kindergarten.
Amend KRS 158.060 to remove language that allows for half-day kindergarten programs; amend KRS 157.320, 157.360, and 158.030 to conform.
(Prefiled by the sponsor(s).)

BR339 - Representative George Brown Jr (8/27/2019)

AN ACT relating to the rural hospital tax credit.
Create a new section of KRS Chapter 141 to establish the rural hospital organization donation tax credit; amend KRS 141.0205 to order the new tax credit; amend KRS 131.190 to allow reporting by the Department of Revenue.
(Prefiled by the sponsor(s).)

BR341 - Representative George Brown Jr (9/4/2019)

AN ACT relating to firearms.
Create a new section of KRS Chapter 527 to make it a crime to unlawfully store a firearm; establish elements of the crime for recklessly allowing access to an unsecured firearm by a minor; establish the crime as a Class B misdemeanor unless a physical injury or death results, in which case it is a Class A misdemeanor.
(Prefiled by the sponsor(s).)

BR342 - Representative George Brown Jr (9/4/2019)

AN ACT relating to firearms and declaring an emergency.
Create new sections of KRS Chapter 237 to specify definitions for "assault weapons," "large-capacity ammunition-feeding devices," and "ammunition sellers"; require background checks for private firearms sales; require reporting to law enforcement of firearm and ammunition thefts and losses; require the safe storage of firearms; amend KRS 395.250 to require an estate's inventory to list each firearm; amend KRS 403.735 to require judges, when issuing an order of protection, to consider whether a person against whom the order is entered should be prohibited from possessing an firearm; amend KRS 504.030 to require judges in criminal cases where a person is found not guilty by reason of insanity to demand the surrender of the defendant's firearms; amend KRS 237.104 to conform; amend KRS 506.080 to specify that the offense of facilitation includes assistance in providing firearms; amend KRS 508.020 to include physical injury to a minor by virtue of the intentional discharge of a firearm within the offense of assault in the second degree; create a new section of KRS Chapter 527 to create the offense of criminal purchase or disposal of a weapon; amend KRS 527.040 to require that the sentence for a felon in possession of a firearm be served subsequent to any other felony sentence; amend KRS 527.070 to include postsecondary education facilities within the existing ban on firearms in schools; amend KRS 532.030 to require the judge pronouncing a defendant guilty but mentally ill to demand the surrender of the person's firearms; create a new section of KRS Chapter 237 to require the State Police to promulgate administrative regulations relating to the licensing of persons to possess handguns and assault weapons, the registration of handguns and assault weapons, and the logging of firearms and ammunition sales effective January 1, 2021; amend KRS 532.025 to conform; amend KRS 237.115 to conform; repeal KRS 65.870; EMERGENCY; some provisions EFFECTIVE January 1, 2021.
(Prefiled by the sponsor(s).)

BR343 - Representative George Brown Jr (8/27/2019)

AN ACT relating to criminal histories of job applicants.
Create a new section of KRS Chapter 344 to prohibit employers from considering or requiring disclosure of prior criminal history as part of the initial job application; title the Act "Ban the Box - The Criminal Record Employment Discrimination Act."
(Prefiled by the sponsor(s).)

BR355 - Representative Jeffery Donohue (9/9/2019)

AN ACT relating to tax credits for airport noise mitigation.

Create a new section of KRS Chapter 141 to establish a refundable income tax credit for the costs of mitigating noise from a commercial airport for taxable years beginning on or after January 1, 2020, but before January 1, 2024; amend KRS 131.190 to conform; amend KRS 141.0205 to order the credit.

(Prefiled by the sponsor(s).)

BR356 - Representative Jeffery Donohue (9/9/2019)

AN ACT relating to the sale or transfer of historic places.

Amend KRS 171.382 to require the Finance and Administration Cabinet to give notice to the Kentucky Heritage Council 90 days prior to the transfer or sale of a property nominated by the Kentucky Historic Preservation Review Board to be listed on the National Register of Historic Places; require the Kentucky Heritage Council to consult with the Finance and Administration Cabinet regarding the property's historic, cultural, and archeological resources; require the Kentucky Heritage Council to make a written recommendation to the Finance and Administration Cabinet on whether the property should have a preservation easement; if a preservation easement is recommended, no sale or transfer of the property shall take place until the easement is listed on the deed; amend KRS 82.660 to update council name.

(Prefiled by the sponsor(s).)

BR357 - Representative Jeffery Donohue (9/9/2019)

AN ACT relating to education.

Amend KRS 158.785, relating to the management of local school districts, to include criteria to review when completing a management audit; require the chief state school officer to provide a local district with written deficiencies found through the management audit and corrective actions and a time frame for completion in order to exit assistance; specify that a district can only be a "state managed district" after at least two years of unsuccessful assistance, criminal malfeasance, or insolvency; restrict the chief state school officer's authority during state management to only those specific items found through the management audit; amend KRS 156.029 to require the Kentucky Board of Education to include two at-large members who are current or retired elementary or secondary teachers; amend KRS 156.040 to clarify that a state board member cannot hold any elective federal, state, county, or city office.

(Prefiled by the sponsor(s).)

BR403 - Representative Brandon Reed (9/18/2019)

AN ACT relating to farmer suicide prevention and awareness.

Create a new section of KRS Chapter 2 to designate the Wednesday of National Farm Safety Week, which is the third week of September, as "Farmer Suicide Prevention Day".

(Prefiled by the sponsor(s).)

BR407 - Representative Attica Scott (9/13/2019)

AN ACT relating to providing free feminine hygiene products for women public postsecondary students.

Create a new section of KRS Chapter 164 to require each public postsecondary education institution to provide free feminine hygiene products to women students; require the governing boards of each public postsecondary education institution to adopt policies for the distribution of free feminine hygiene products; define feminine hygiene products.

(Prefiled by the sponsor(s).)

BR412 - Senator Dennis Parrett (9/19/2019)

AN ACT relating to veteran-owned nonprofit businesses.

Amend KRS 14A.1-070 to add a nonprofit business which is at least 51 percent unconditionally controlled by a veteran to the definition of "veteran-owned business"; amend KRS 14A.2-060 and KRS 14A.2-165 to conform.

(Prefiled by the sponsor(s).)

BRs by Sponsor

* - denotes primary sponsorship of BRs

Senate

Carroll, Danny
BR176*, 182*, 257*
Carroll, Julian M.
BR236*
Embry Jr., C.B.
BR117*, 118*, 119*, 205*, 206*
Meredith, Stephen
BR275*, 278*, 315*
Parrett, Dennis
BR412*
Schickel, John
BR94*, 297*
Thomas, Reginald
BR132*
Turner, Johnny Ray
BR270*

House

Adkins, Rocky
BR237
Bechler, Lynn
BR143*, 240*
Bentley, Danny
BR7*, 105*
Booker, Charles
BR23*, 61, 187*, 237
Bratcher, Kevin D.
BR127*, 160*
Brenda, R. Travis
BR102*
Brown Jr, George
BR339*, 341*, 342*, 343*
Carney, John Bam
BR181
Donohue, Jeffery
BR237, 355*, 356*, 357*
DuPlessis, Jim
BR285*
Goforth, Robert
BR136*
Gooch Jr., Jim
BR204*
Graham, Derrick
BR237
Graviss, Joe
BR61, 136, 160*, 237
Harris, Chris
BR237
Hart, Mark
BR82, 83, 203*
Hinkle, Kathy
BR61, 237*
Huff, Regina
BR133*, 215*
Huff, Thomas
BR95*
Jenkins, Joni L.
BR237
Keene, Dennis
BR80*
King, Kim
BR139*

Index Headings

BR Index

Bail reform,

from page 2

the House in 2010. He commented on counties' rising jail and other costs.

"If you look at county government today anywhere across the state, I think what you're going to find is that the pension cost and the jail cost are the vast majority of the budget that you all have, not the other services that you provide to your community," Meredith said.

Pendery agreed. "Absolutely right. And the average citizen ought to be pretty upset about that, when we're spending more on those two categories than we spend on police (or) public transit, or the entire gamut of public services."

Oldham County Jailer and KJA Vice President Mike Simpson suggested that education of the general public on issues facing county jails and their inmates—around half of which are state inmates housed by jails on a state per diem of $31.34 a day—could be in order. Issues like drug addiction, which afflicts a large percentage of jail inmates, also affects a large number of Kentuckians, he said.

"They should care, because they are directly affected by this unbelievable epidemic that we are facing," he told the committee.

Two bills proposing monetary bail reform were filed during the 2019 Regular Session. They remained in committee at session's end.

2019 Interim
LEGISLATIVE
RECORD

Published monthly by the Legislative Research Commission, the *Interim Record* is designed to inform the citizens of Kentucky of the between-sessions work of the General Assembly.

Paper subscriptions are free upon request. Contact the LRC Public Information Office, Capitol Annex, Frankfort KY, 40601 at 502-564-8100, ext. 307 to subscribe.

The *Interim Record* can also be read online at **legislature.ky.gov/Legislation/Pages/default.aspx**. *If you have a paper subscription and would like to end your subscription and read the Interim Record online only, please contact the LRC Public Information Office at 502-564-8100, ext. 307.* Stories and photographs may be reprinted without permission, although credit is appreciated.

Printed with state funds

Jay D. Hartz
Director
Legislative Research Commission

Carla Montgomery
Deputy Director for Committee and Staff Coordination

Rob Weber
Public Information Officer

Joe Cox
Publications and Printing Officer

Rebecca Mullins Hanchett
Editor, Typography and Design

Public Information Staff:
Stephanie Newberg
Jeff Fossett
Steve Gatewood
Bruce Phillips
Bud Kraft
Keith Krey
Jim Hannah
Susan Kennedy

Robert Stivers SENATE PRESIDENT	David Osborne SPEAKER OF THE HOUSE
David P. Givens PRESIDENT PRO TEMPORE	David Meade SPEAKER PRO TEMPORE
Damon Thayer MAJORITY FLOOR LEADER	John Bam Carney MAJORITY FLOOR LEADER
Morgan McGarvey MINORITY FLOOR LEADER	Rocky Adkins MINORITY FLOOR LEADER
Julie Raque Adams MAJORITY CAUCUS CHAIR	Suzanne Miles MAJORITY CAUCUS CHAIR
Johnny Ray Turner MINORITY CAUCUS CHAIR	Derrick Graham MINORITY CAUCUS CHAIR
Mike Wilson MAJORITY WHIP	Chad McCoy MAJORITY WHIP
Dennis Parrett MINORITY WHIP	Joni L. Jenkins MINORITY WHIP

The Kentucky Legislative Research Commission is a 16-member committee of the majority and minority leadership of the Kentucky Senate and House of Representatives. Under Chapter 7 of the Kentucky Revised Statutes, the LRC constitutes the administrative office for the General Assembly. Its director serves as chief administrative officer of the Legislature when it isn't in session.

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

The LRC is also responsible for statute revision, publishing and distributing the Acts and Journals following sessions, and for maintaining furnishings, equipment and supplies for the Legislature. It also functions as Kentucky's Commission on Interstate Cooperation in carrying out the program of the Council of State Governments as it relates to Kentucky.

2019 Interim
LEGISLATIVE
RECORD
Kentucky General Assembly
700 Capital Avenue
Frankfort, Kentucky 40601

Change Service Requested

Pre Sorted Standard
U.S. Postage
PAID
Frankfort, Kentucky
Permit Number 308