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Assessments ahead for school districts, panel told

by Rebecca Hanchett
LRC Public Information

Every school district in Kentucky will likely pay an assessment to cover the deficit in the Kentucky School Boards Insurance Trust, a state legislative committee was told July 18.

The fund, which was taken over by the Kentucky League of Cities from the Kentucky School Boards Association in 2009, is expected to levy a total assessment of at least $50 million on past and present members of KSBIT, according to earlier reports from state officials. Those members likely include every school district in the state, according to Kentucky Department of Insurance Commissioner Sharon Clark.


Committee Co-Chair Rep. Rick Nelson, D-Middlesboro, chaired the July 18 meeting.

Clark told the Interim Joint Committee on Labor and Industry today that her department was notified in June 2012 that KSBIT would be discontinuing insurance due to a growing deficit in its workers' compensation self-insurance and liability pools.

The fund experienced an approximate $4 million deficit after several "catastrophic events" in 2011 alone, Clark said.

"It was our sincere hope that with (KLC) management there would be improvement," Clark told the committee.

The Department of Insurance is now considering three assessment options, Clark said, with a report on estimates and other data expected to be made to the department by mid August. The department hopes

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Lawmakers briefed on cybersecurity

by Amy Rose Karr
LRC Public Information

Cybersecurity is now considered a top safety concern in our state and nation, members of the Interim Joint Committee on State Government heard in a July 24 meeting.

State governments have recently been targeted by cyber criminals because of the large amount of personal information they store, Harry Raduege, Chair of the Deloitte Center for Cyber Innovation, told lawmakers. "States really have the most comprehensive information about citizens," he said.

Raduege said the loss of such sensitive information not only impacts citizens' trust, but could also negatively impact state business by affecting services to constituents and creating unplanned spending.

A 2011 study estimated that a data breach costs $194 per record, Tom Pageler, Chief Information Security Officer for Docusign, said. One breach could cost state government tens of millions of dollars, he said.

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Nominations now accepted for Vic Hellard Jr. Award

The Kentucky Legislative Research Commission is now accepting nominations for the 2013 Vic Hellard Jr. Award.

The award, given annually in memory and recognition of the longtime LRC Director's contributions to an independent legislative institution and devoted service to the Commonwealth, recognizes a person who has advanced the interests of citizens of Kentucky by example and leadership. It is the highest honor the Legislature can bestow.

Letters of nomination should be submitted by Oct. 31, 2013 and should explain how the candidate meets the following criteria, drawn from Hellard's own career:

1) Demonstrates vision, considering long-term implications for the public good; 2) Demonstrates innovation, finding new approaches while appreciating history; 3) Champions the equality and dignity of all; 4) Enhances the processes of a democratic society, promoting public dialogue, educating citizens and decision makers, and fostering civic engagement, and; 5) Approaches work with commitment, caring, generosity and humor.

Please submit nominations to: Hellard Award Selection Committee, Legislative Research Commission, Attn: Ben Payne, 702 Capitol Avenue, Room 101, Frankfort, KY 40601, or online at www.lrc.ky.gov/HellardAward.htm.


Vic Hellard Jr.

"Difficult" future ahead for coal, committee told

by Rebecca Hanchett
LRC Public Information

At left: Reps. Hubert Collins, D-Wittensville, left, and John Short, D-Hindman, talk before the July 9 meeting of the Interim Joint Committee on Natural Resources and Environment begins. Above: Sen. Bob Leeper, I-Paducah, listens to committee testimony.

It will be a "difficult, if not in fact impossible, task" to get a new coal-fired power plant permitted by the federal government in the foreseeable future, Kentucky Energy and Environment Cabinet Secretary Dr. Len Peters told a state legislative committee on July 9.

Peters made the statement to the Interim Joint Committee on Natural Resources and Environment, which met to discuss the well-publicized impending federal regulation of greenhouse gas emissions from new and existing power plants. The latest proposed federal rule is not final, but is expected to limit carbon dioxide emissions from new power plants to 1,000 pounds per megawatt hour, said Peters. Rules affecting existing plants are expected within the year.

The proposed rule for new power plants was delayed in April by the E.P.A. after the electric power industry said the new standards couldn't be met using current technology, according to April coverage in The New York Times.

Coal plants are expected to be hardest hit by the rule, which will in turn hurt Kentucky's coal industry and coal-reliant manufacturing industry, Peters said.

"We are four times more electricity intensive than (the least energy intensive state in the U.S.)," he said showing lawmakers a chart that marks Kentucky's electricity consumption per dollar of state gross domestic product with other states.

The least energy intensive states—California, New York, and Alaska—are not large manufacturing states, he said.

Between 200,000 and 215,000 Kentuckians are employed in the manufacturing industry, he said.

"That's why we have to look (at these proposed rules) in the light of what we need and what is important in the state of Kentucky, and that's the message that we're trying to get out there," Peters said.

That means looking at newer technologies that can help meet the state's electricity needs, he said—technologies like oxy-combustion and "supercritical" boiler efficiency methods that would "enable us to use coal to a greater extent," by reducing carbon dioxide emissions, Peters said.

Today, Kentucky is around 90 percent reliant on coal for its electricity needs. That level of usage will decline with time, Peters said, although he explained that coal is an important part of the state's and nation's energy mix.

Peters said there are only three viable means of base load electricity generation for manufacturing states—coal, nuclear, and natural gas.

LG&E and KU Vice President for External Affairs George Siemens explained that regulation of carbon dioxide emissions is a significant issue. Because of that, he said, electricity generators are asking for flexibility and time to deal with proposed changes.

"This is unlike anything we have dealt with before," said Siemens.

Schools,
from page 1

to have a plan in place by the end of this year.

The Department of Insurance has final authority to approve an assessment plan, and no assessment will be final until after the plan is approved, according to a June 4 letter from the KLC to all KSBIT members. A letter to all KSBIT members from the KLC dated June 26, 2013 says a public hearing on the upcoming assessment plan will be convened by the Department of Insurance sometime this fall.

Meanwhile, school boards across the state are looking at their options to pay whatever their assessment is in the end. One option may be to bond the cost of the assessment, said Clark. Another option may be for school boards to make a one-time payment to cover costs.

State law requires school districts to carry insurance on school property, boilers, automobiles, as well as workers' compensation and unemployment insurance, the Department of Education stated early this year when news of the assessment broke.

KSBIT was created in 1978 to help meet the statutory requirement, covering risks ranging from accidents to compensation for sick or injured workers for both school districts and many colleges and universities.

The fund has carried a deficit in all but three or four years since its inception, Clark said.

The fund has carried a deficit in all but three or four years since its inception, Clark said.

Committee updated on jail pilot program

by Amy Rose Karr
LRC Public Information

Sen. Ernie Harris, R-Crestwood, at right, speaks with Rep. Tim Moore, R-Elizabethtown, during the July 11 meeting of the Interim Joint Committee on Veterans, Military Affairs, and Public Protection in Frankfort.

Early results of a pilot program aimed at reducing recidivism in jails across the state are positive, Marion County Jailer Barry Brady told members of the Interim Joint Committee on Veterans, Military Affairs and Public Protection in a July 11 meeting.

The pilot program is part of a comprehensive justice reform bill, House Bill 463, passed during the 2011 Regular Session to decrease the state's prison population and reduce incarceration costs.

"It's still jail and it's still doing time, but we've got to do more. … We can assure [each inmate] will be a better neighbor and won't be a ward of our state," Brady said.

Marion County Jails are using a variety of evidence-based programs to rehabilitate low-custody inmates in their system. Among the programs, prisoners may be engaged in parenting classes, re-entry classes or cognitive thinking training.

"Inmates work during the day, return to the facility, clean up and go to classes at night," Brady said.

According to Brady, the efforts cost approximately $175,000 each year and are funded through the Marion County Detention Center budget and an HB 463 Community Corrections grant. In three years, projected savings from decreasing inmates' jail time should more than pay for the cost of the programs to continue, he said.

Brady said he is receiving a lot of positive feedback about the programs from inmates and their families and is seeing an increased number of GEDs earned by prisoners.

Several lawmakers commended the work of the programs and urged jailers across the state to take the same approach.

"Not only are you trying to achieve the goal of HB 463… but more than that you are trying to improve the lives of human beings," Rep. Terry Mills, D-Lebanon, said.

Committee members also watched a heavy equipment demonstration from urban and technical search and rescue units across the state and received an update from state officials on cuts to be made by the Department of Defense to military personnel at Fort Campbell and Fort Knox in 2014.

Fort Knox is expected to lose an entire army combat brigade which makes up 43% of its active force, officials with the Kentucky Commission on Military Affairs said. That agency is discussing options with the Department of Defense.

Cyber,

from page 1

According to Pageler, hackers are becoming more organized, invasive and advanced in their attacks. "The risk is increasing every day," he said.

The increased risk calls for more diligence in protecting information in the ever-changing cyber environment, Pageler said. He encourages advanced encryption of all data stored electronically as one of the best safeguards against cyber fraud of state government.

State Auditor Adam Edelen told lawmakers that encryption of all state data is part of the Commonwealth Office of Technology's business plan and should be complete in three years. Some of the state's data is already encrypted, he said.

In response to a question from Sen. Joe Bowen, R-Owensboro, about the cost of cybersecurity, Edelen told lawmakers the process can be expensive, but is still significantly cheaper than dealing with a security breach after it happens.

Edelen asked lawmakers to consider legislation in the 2014 session that would mandate individuals be contacted anytime their personal information is compromised. Kentucky is one of four states that doesn't have a breach notification law, he said.

Interim Joint Committee on State Government Co-Chair Sen. Joe Bowen, R-Owensboro, comments during the July 24 meeting in Frankfort.

Committee co-chair Rep. Brent Yonts, D-Greenville, said he was interested in pursuing cybersecurity legislation.

"This affects not only every aspect of state government, but also our personal lives," he said. "I believe you've got our attention."

2013

KENTUCKY

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LEGISLATIVE RESEARCH COMMISSION

Subcommittee on 2014-2016 Budget Preparation and Submission

Minutes of the Meeting

June 27, 2013

Call to Order and Roll Call

The first meeting of the Subcommittee on 2014-2016 Budget Preparation and Submission of the Legislative Research Commission was held on Thursday, June 27, 2013, at 3:15 PM, in Room 131 of the Capitol Annex. Senator Bob Leeper, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Bob Leeper, Co-Chair; Representative Rick Rand, Co-Chair; Senator Ernie Harris; Representatives Kelly Flood, Marie Rader, and Arnold Simpson.

Guests: Jane Driskell, State Budget Director, and John Hicks, Deputy State Budget Director; Office of State Budget Director.

LRC Staff: Gregory M. Rush, Stephanie Craycraft, and Spring Emerson.

John Hicks, Deputy State Budget Director, testified about the state budget process and proposed changes to the draft budget instructions.

In response to a question from Senator Harris, Mr. Hicks stated that personnel costs are linear and have a multiplier effect; for example, having a percentage of salary as a retirement contribution. Senator Harris expressed concern with the effects of Obamacare and increased costs to employers.

In response to questions from Representative Rand, Mr. Hicks said funded positions had been included in baseline requests in the past, but that had not been done for several budgets.

In response to a question from Representative Flood, Mr. Hicks stated that statutes and regulations should both be mentioned in requests to be able to understand source and use as the law dictates.

Chairman Leeper requested a motion to direct the Co-Chairs to work with LRC staff to finalize the 2014-2016 Budget Instructions and formally present them to LRC for adoption. A motion was made by Representative Simpson and seconded by Senator Harris, and the motion carried without objection or discussion.

Chairman Leeper requested a motion to direct staff to send Defined Calculations letters to specific agencies before 2014-2016 Budget Instructions are finalized. A motion was made by Representative Flood and seconded by Representative Rand, and the motion carried without objection or discussion.

There being no further business, the meeting was adjourned at 3:40 PM.

INTERIM JOINT COMMITTEE ON AGRICULTURE

Minutes of the 2nd Meeting of the 2013 Interim

July 10, 2013

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Agriculture was held on Wednesday, July 10, 2013, at 10:00 AM, at the Webster County Extension Office, Dixon, Kentucky. Senator Paul Hornback, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Paul Hornback, Co-Chair; Representative Tom McKee, Co-Chair; Senators Carroll Gibson, David Givens, Stan Humphries, Dennis Parrett, Dorsey Ridley, Kathy W. Stein, Robin Webb, and Whitney Westerfield; Representatives Lynn Bechler, Johnny Bell, Jim DeCesare, Myron Dossett, C.B. Embry Jr., Jim Glenn, Richard Heath, Kim King, Martha Jane King, Terry Mills, Ryan Quarles, Tom Riner, Steven Rudy, Jonathan Shell, and Wilson Stone.

Legislative Guests: Senator Dorsey Ridley and Representative Jim Gooch.

Guests: Jim Townsend, Webster County Judge-Executive; Joel Sappenfield, Tyson Foods Inc., VP and GM IF and Cornish; Craig Coberley, Complex Manager, Robards; Dave Phillips, Complex Human Resources Manager, Robards; Jeff Wood, Manager, Community Relations; Chuck Penry, VP, Government Relations; Matt Mika, Director, Government Relations; Jamie Guffey, Kentucky Poultry Federation; Mike Burchett, Kentucky Soybean Association; Laura Knoth and Ray Allen Mackey, Kentucky Corn Growers Association; Josh Lancaster, Webster County farmer; Eddie Melton, Kentucky Farm Bureau.

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

Jim Townsend, Webster County Judge Executive, Senator Dorsey Ridley, and Representative Jim Gooch welcomed the members to the Webster County area.

Impact of Kentucky's Poultry Industry on Agriculture

Joel Sappenfield, Vice President and General Manager of Individual Frozen and Cornish at Tyson Foods, stated that Tyson is one of the world's largest producers of meat and poultry, producing approximately one quarter of all protein consumed by Americans. Tyson is also a leader in hunger and disaster relief.

Tyson produces prepared foods such as tortilla shells, chips, and pet food. Tyson employs approximately 100,000 people in the United States and 15,000 people abroad. The Robards, Kentucky, complex has approximately 1,700 employees. Tyson works with about 12,000 independent livestock and poultry farmers.

Tyson ships to approximately 85 foreign countries, exporting drumsticks from Robards, Kentucky, to Singapore and wing tips to China. Since 2000, Tyson has donated more than 92 million pounds of protein to U.S. food banks and has served more than 73,000 meals in Moore, Oklahoma, since it was struck by the May tornado.

Tyson relies on 130 Kentucky poultry farmers, who about 2 million bushels of corn purchased from farms in Henderson County. The total economic impact is roughly $15 million in corn purchases.

Mr. Sappenfield stated that because of the closing of Century Aluminum in August, Tyson's energy costs could rise 30 percent, equivalent to $960,000 per year. Ninety-six poultry farmers could see an annual increase of $7,000-$8,000 in energy costs.

Mr. Sappenfield discussed truck weight issues relating to KRS 189.222(2)(b). In recent months, the interpretation of the statute has changed, forcing Tyson to run lighter loads to comply. As a result, more loads must be hauled, and fuel consumption increases. Tyson encourages legislation increasing the weight limit to 88,000 pounds on two axles. The current weight limit is 80,000 pounds.

Mr. Sappenfield discussed Tyson's high costs for water, which is supplied by the Henderson County Water District. The high electric rate and water costs will make the Robards plant one of the highest in total utility costs in the United States.

In response to Senator Hornback, Mr. Sappenfield stated that some parts of the chicken, in particular the bottom of the breast frame, are ground up and used in pharmaceuticals.

In response to Representative Riner, Mr. Sappenfield stated that Tyson may be interested in purchasing free-range chickens. However, the possibility gives concern about the Avian Influenza virus. Tyson's first steps would be to evaluate the purchase of antibiotic free poultry, organic poultry, and then free-range poultry.

In response to Senator Parrett, Mr. Sappenfield stated that Tyson uses 1.8 to 2 million gallons of water per day at an annual water cost of $5 million.

In response to Senator Stein, Tyson speakers stated the company produces Fresh Pet food, which is a refrigerated product, and products such as True Chews, which is a dog treat.

In response to Senator Hornback, Dave Phillips, the Tyson Complex Human Resources Manager in Robards, explained that Tyson team members represent 43 countries, and those employees often speak multiple languages. There is a 50 percent turnover that usually occurs within the first 90 days of employment and that is due to the repetitive nature and motion of the job. Seventy-six percent of the turnover is made up of local residents.

In response to Representative Rudy, Tyson employees stated that the restricted weight limits result in about eight additional loads per day.

In response to Representative McKee, Jeff Wood, Community Relations Manager, stated that Tyson has donated approximately 17,000 pounds of food to local food banks. Tyson donates a total of about 6 million pounds of food annually.

In response to Representative Stone, Mr. Sappenfield stated that each location has a United States Department of Agriculture inspector in charge. Each line has four inspectors, and each inspects for visible problems. There are two additional USDA inspectors who assist with inspecting and grading the chickens.

In response to Senator Hornback, Joel Sappenfield stated that Tyson's traceability uses the Julian date code, which tracks the plant, grower, date, line, and minute the product was produced.

In response to Senator Webb, Tyson representatives stated that the company publicizes that it complies with regulatory issues, and informs consumers about its use of best practice standards. The message is more easily accepted when it comes from a grassroots organization.

Jamie Guffey, Executive Director, Kentucky Poultry Federation, gave an overview of Kentucky's poultry industry. Poultry is Kentucky's number one commodity. More than 850 farm families in 42 counties represent the industry. The Kentucky Poultry Federation provides over $13,000 in educational materials and supplies for poultry items to school systems. It is instrumental in bringing federal money into the state to support the University of Kentucky and Murray State University veterinary laboratories.

The federation's goal is to increase the number of family-owned poultry farms in Kentucky to 1,000. Its efforts will also focus on bringing one additional company or secondary processor to the state.

Mr. Guffey stated that the Kentucky Poultry Federation supports an increase in truck weight limits, increasing the limit to 88,000 pounds, and would like poultry bedding and veterinarian supplies to be included in the agriculture-exempt sales tax status.

Mike Burchett, Kentucky Soybean Association, stated that soybean check-off dollars help fund soybean promotion and gather data on growing soybeans. Most soybeans have been planted this year, but there was some delay due to wet weather. Animal agriculture is the soybean industry's number one customer, and many producers are concerned about continued attacks on animal agriculture and production.

Laura Knoth and Ray Allen Mackey, Kentucky Corn Growers Association, and Josh Lancaster, a Webster County farmer, discussed the impact of the corn industry on Kentucky's poultry industry.

Ms. Knoth stated that 1.6 million acres have been planted in 2013 and more than 80 percent is in good-to-excellent condition. In 2012, total production was 104 million bushels at an average price of $7.20 per bushel. The total estimated value of production, in 2012, was $749 billion. Each year, 45 million bushels of corn are used to feed 320 million chickens. An additional 35 million bushels feed beef and dairy cattle and hogs. Approximately 28 million bushels of Kentucky corn are distilled into ethanol and spirits.

Eddie Melton, Kentucky Farm Bureau, stated that Kentucky Farm Bureau is beginning its legislative policy process, which will be ready to present in November. Webster County has 110,000 crop acres and 10,000 head of cattle. The poultry industry is a great industry for Webster County. Kentucky Farm Bureau is working to offer more opportunities to young people and encourage young people to stay on the farm.

The meeting adjourned at 12:00 p.m.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Minutes of the 1st Meeting of the 2013 Interim

June 27, 2013

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, June 27, 2013, at 1:00 PM, in Room 154 of the Capitol Annex. Senator Bob Leeper, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Bob Leeper, Co-Chair; Representative Rick Rand, Co-Chair; Senators Walter Blevins Jr., Tom Buford, Sara Beth Gregory, Denise Harper Angel, Ernie Harris, Stan Humphries, Ray S. Jones II, Alice Forgy Kerr, Gerald A. Neal, and Robin L. Webb; Representatives Dwight D. Butler, John Carney, Leslie Combs, Ron Crimm, Robert R. Damron, Mike Denham, Bob M. DeWeese, Myron Dossett, Kelly Flood, Martha Jane King, Jimmie Lee, Reginald Meeks, Marie Rader, Jody Richards, Sal Santoro, Arnold Simpson, Rita Smart, Tommy Turner, David Watkins, Jim Wayne, Susan Westrom, Addia Wuchner, and Jill York.

Guests: Margaret Gibbs, Executive Vice President and COO, Kentucky Lottery Corporation; Mary Harville, Senior Vice President & General Counsel, Kentucky Lottery Corporation; Todd Hollenbach, Kentucky State Treasurer; Jane C. Driskell, State Budget Director; John Hicks, Deputy State Budget Director, Office of Policy and Management; and Greg Harkenrider, Deputy Executive Director for Financial Analysis.

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

New Kentucky Lottery games and projected revenues

Margaret Gibbs, Executive Vice President and COO and Mary Harville, Senior Vice President & General Counsel of the Kentucky Lottery Corporation, and Todd Hollenbach, Kentucky State Treasurer, discussed the implementation of new Kentucky Lottery games and projected revenues. Ms. Gibbs stated that net revenues from all lottery sales have increased steadily from $99.1 million in FY 93 to a projected $224.1 million in FY 13. The revenues are divided with 6.3 percent paid to retailers, 6.8 percent used for operating expenses, 26.8 percent paid to the Commonwealth, and 60.1 percent paid to lottery winners. The Kentucky Lottery Corporation has distributed revenues (from 1989 through May 2013) of $1.8 billion, including $214 million in SEEK funds, to the General Fund, $2.04 billion for grants and scholarships, $42 million for literacy development, and $20.8 million to the Affordable Housing Trust Fund (FY 99 through FY 03).

Ms. Gibbs discussed he implementation of Keno by the Kentucky Lottery Corporation. Keno will be played on the current terminal system at retail locations, with drawings conducted at five minute intervals. Thirteen other states offer Keno in the U.S., with $3 billion in sales annually. The game will be offered to current retailers and to newly recruited retailers in social settings, such as bars and restaurants. It should provide the corporation the ability to grow the player base to include younger players from higher economic and educational backgrounds. Keno will be included in current lottery products by amendment of the current GTECH contract, and is planned to start in November 2013. Estimated sales for Keno are $53 million in the first full year, growing to $110 million by the 5th year of operation, with annual dividends of $15 million in the first year, growing to $30 million in year five.

Ms. Gibbs discussed how Keno is played and gave detail of the amendment to the GTECH contract. Keno software and equipment installation will be completed by October 19, and sales should begin between October 19 and November 19. Ms. Harville stated that KRS 154A.020(1), KRS 154A.060, KRS 154A.063, and KRS 154.070(4) provide the statutory authority for Kentucky Lottery Corporation to provide Keno to its patrons.

Ms. Gibbs discussed the implementation of iLottery by the corporation. iLottery is a distribution channel for lottery games. This system will establish the foundation for internet lottery sales, including banking and player accounts, geo-location, age verification, time spent, and wagering limitations where appropriate. The iLottery system is expected to be implemented 9 to 12 months after the start of Keno. iLottery will provide a convenient way for customers to make purchases online. Implementation by other lotteries has not harmed lottery retailers. Projected proceeds from iLottery are $2.7 million in the first year, reaching $49 million by FY 23.

Ms. Gibbs and Ms. Harville discussed the statutory authority for the iLottery system, and Ms. Gibbs said the Kentucky Lottery Corporation has received several state and national awards for its efforts promoting social responsibility.

In response to a question from Senator Webb, Ms. Gibbs said there have been several federal legislative proposals to make changes to the Wire

Act that may impact iLottery sales over the internet. No bill has been passed to date.

In response to questions from Senator Gregory, Ms. Gibbs stated the corporation is not aware of any potential litigation in association with the implementation of Keno. The corporation has no role in historical racing terminals and is not involved in any litigation concerning them. The only games anticipated to be offered through iLottery are the current games offered by the corporation. Future additions to games would also be offered through iLottery. Amendments to the GTECH contract or any bids would be presented to the Government Contract Review Committee.

In response to questions from Senator Leeper, Ms. Gibbs replied that projected revenues produced by the introduction of Keno were based on experience in other states, with patron migration from presently available games to Keno taken into account. The corporation tested an instant game several years ago, but issues with the equipment caused the game to be discontinued. The impact on horse track revenues was not considered in the decision to implement Keno.

In response to a question from Representative Wayne, it was stated that the Kentucky Lottery Corporation has won several awards for being socially responsible, and that no addiction epidemiological studies were reviewed when making the decision to implement Keno.

In response to a question from Representative York, Ms. Gibbs said that there are 2,800 licensed lottery vendors in Kentucky, with approximately 100 of those expected to offer Keno. About 300 new retailers are expected to offer Keno initially, growing to approximately 650 retailers after full implementation.

FY 2013 – 2014 projected revenues

Jane C. Driskell, State Budget Director, John Hicks, Deputy State Budget Director, Office of Policy and Management, and Greg Harkenrider, Deputy Executive Director for Financial Analysis provided a financial outlook report, focusing on FY 13 – 14 projected revenues. Ms. Driskell discussed current fiscal status, stating that tight fiscal conditions are expected in the immediate future. General Fund receipts have been flat or declining for three of the last four months. Sales and use tax receipts will likely end FY 13 lower than receipts for FY 12. Severance tax receipts are declining slightly due to slower coal production and lower natural gas prices. Kentucky's slow fiscal growth is consistent with surrounding states and cannot make up for recession impacts and inflation. The official revenue growth estimate is 2.4 percent for FY 13 and 2.3 percent for FY 14.

Ms. Driskell gave a General Fund update, stating that 3rd quarter of FY 13 revenue data showed revenues flattening out to 0.2 percent growth, with receipts falling 2 percent in April 2013. April and June are typically the largest General Fund receipt months, and June 2013 collections need to equal $917.2 million to meet the enacted revenue estimates.

Ms. Driskell provided a Road Fund update, stating that data shows 3.4 percent growth in the 3rd quarter of FY 13. Road Fund receipts increased 18.3 percent in April, but were flat in May. Motor vehicle usage and motor fuels taxes show growth in the 4th quarter, but total receipts would need to grow 5.2 percent in June to equal the official estimate. She discussed the anticipated July statutory adjustment to the average wholesale price of fuel and the effects of falling fuel prices on the fund.

Ms. Driskell discussed the history of budget balancing measures during Governor Beshear's administration, totaling $1.6 billion. Most agencies have had 8.4 percent cuts, with 6.4 percent to universities, 4.2 percent to Education and Workforce Development, and 2.2 percent to Justice and Public Safety agencies. Several critical areas have been exempt from cuts, including SEEK, Medicaid, debt service, health insurance and retirement, student financial aid, and some community based services. She discussed unforeseen budgetary impacts, such as higher inmate populations than budgeted and federal sequestration. Ms. Driskell highlighted future budgetary challenges for the state, including increases in education funding, pension obligations, and infrastructure.

Ms. Driskell discussed the next biennial budget. She addressed the structural imbalance in the current budget, which totals $157.5 million. There are potential increases in the next budget to fund teacher and state employee pensions, inflation in public employee health insurance, and inflation in Medicaid costs, which are expected to total approximately $420 million. Ms. Driskell discussed other critical needs such as SEEK funding increases, teacher raises, increased debt service for new capital projects, and a salary increment for state employees.

In response to questions from Representative Wayne, Ms. Driskell said that sales tax receipts have rebounded. Mr. Harkenrider stated that growth in sales tax is difficult because the base is narrow. Ms. Driskell stated that Governor Beshear is committed to tax reform and plans to continue those efforts in the 2014 legislative session.

In response to questions from Representative Rand, Mr. Harkenrider said that the recovery from the recession has been slow, with low wages and low salary growth. This negatively affects income withholdings and sales tax receipts, which together represent 74 percent of the General Fund. The narrow sales tax base and softening sales tax receipts could be considered a structural issue.

In response to a question from Representative Denham, Mr. Hicks said that interest rate increases have not affected state debt service because the state refinanced the debt when interest rates were lower.

In response to questions from Representative Lee, Mr. Hicks stated the state has received information from the federal government regarding the effects of sequestration on FY 13 state agency budgets.

Being no further business, the meeting was adjourned at 3:30 p.m.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Postsecondary Education
Minutes of the 1st Meeting of the 2013 Interim

June 27, 2013

Call to Order and Roll Call

The 1st meeting of the Budget Review Subcommittee on Postsecondary Education of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, June 27, 2013, at 10:00 AM, in Room 154 of the Capitol Annex. Representative Arnold Simpson, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stan Humphries, Co-Chair; Representative Arnold Simpson, Co-Chair; Senators Gerald A. Neal, Johnny Ray Turner, and Mike Wilson; Representatives Julie Raque Adams, Derrick Graham, Reginald Meeks, Jody Richards, and Gerald Watkins.

Guests: Robert L. King, President, Council on Postsecondary Education (CPE); Scott Boelscher, Senior Associate, Budget, Policy and Planning, Council on Postsecondary Education.

LRC Staff: Perry Papka and Amie Elam.

Performance-Based Funding in Public Higher Education

President King and Mr. Scott Boelscher gave an overview of performance-based funding and outlined examples of other states using performance-based funding models.

In response to a question by Chairman Simpson, Mr. Boelscher said that the changes in funding models were driven by different people or groups in each state.

In response to a question by Senator Wilson, Mr. Boelscher said that Tennessee had a seamless transition from the old funding model to the new performance model. President King said that several states have stop-loss provisions to cushion the transition between funding models.

In response to a question by Representative Richards, Mr. Boelscher said that campuses are protected in the short term but that there will be a shift in funding over time.

In response to a question by Representative Adams, President King said that he is providing information and not advocating for a performance-based funding model.

In response to a question by Senator Neal, President King said that all Kentucky universities support the model that CPE presented for the current biennium. There is little research on the results of a performance funding model. Campuses respond well to financial incentives.

In response to a question by Senator Wilson, President King said that university support remains for the basic model that CPE presented two years ago. CPE is researching retention metrics instead of graduation metrics as a way of showing improvement faster.

In response to a question by Representative Richards, President King explained that each campus manages to its resources. Taking money from a university that is receiving funds will result in cutting programs and faculty to accommodate the change. A performance-based funding model would start to remove some of the disparities because of the rational way of distributing funds.

In response to a comment by Representative Graham stating that premiere education states were not featured on the map highlighting states that have adopted these models, Mr. Boelscher said that many states are interested in performance-based funding models and are considering whether to use them.

In response to a question by Representative Meeks, President King said that most performance-based funding models include a financial premium to improve outcomes for specific populations such as underrepresented minority students.

Chairman Simpson stated that Kentucky's higher education institutions must continue to be challenged to do a better job developing better outcomes for students. The current funding model needs logic behind it to ensure that the product is a desirable one.

There being no further business before the committee, the meeting was adjourned at 11:39 a.m.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Transportation

Minutes of the First Meeting of the 2013 Interim

June 27, 2013

Call to Order and Roll Call

The first meeting of the Budget Review Subcommittee on Transportation of the Interim Joint Committee on Appropriations and Revenue was held on Thursday, June 27, 2013, 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 Leslie Combs, Co-Chair; Senator R.J. Palmer II; Representatives Hubert Collins, Tim Couch, Jim Gooch Jr., Keith Hall, Sal Santoro, John Short, and Jim Stewart III.

Guests: Mike Hancock, Secretary, Transportation Cabinet; Tammy Branham, Executive Director, Office of Budget and Fiscal Analysis; Russ Romine, Executive Advisor to the Secretary; Steve Waddle, State Highway Engineer, Department of Highways; and Nancy Albright, Division of Maintenance, Department of Highways.

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

Road Fund Revenue Update

Ms. Branham provided an update of the Road Fund.

In response to a question from Chairman Higdon, Ms. Branham said the increase in motor fuels tax revenue mentioned in the presentation will not be effective until fiscal year 2014, which begins July 1, 2013.

In response to questions from Representative Collins, Ms. Branham replied that hybrid vehicles are not affecting usage tax, but may be affecting the motor fuels tax due to the widening gap between miles traveled versus consumption. She said vehicle miles traveled have increased for most of calendar years 2011 and 2012. Miles traveled in calendar year 2013 have fluctuated. Secretary Hancock said all states are different regarding the discussion of charging fees rather than taxes for hybrid vehicles. He said there are a number of ways to approach the subject, and Kentucky is looking at the spectrum of opportunity.

In response to a question from Representative Collins, Ms. Branham stated that of the 48.2 percent fuels tax, 22.2 percent goes to the Rural Secondary program, 18.3 percent goes to the County Aid program, and 7.7 percent goes to the Municipal Aid program. She said the County Aid dollars are run through a formula and then divided among the counties by formula. Representative Collins requested that more information be provided at a later date.

In response to a question from Representative Hall, Ms. Branham replied that the revenue numbers are provided by the Consensus Forecasting Group.

In response to a question from Representative Hall regarding weight distance tax, Secretary Hancock said the amount spent on coal haul roads is based on need, road conditions, and other factors. Representative Hall asked that more information on the weight distance tax be provided at a later date.

Representative Collins commented that citizens in eastern Kentucky would take the tolls if they could get the roads in order to have the same access as other areas of the state.

In response to a question from Chairman Higdon, Ms. Branham said compressed natural gas is being taxed as a special fuel. Comparatively speaking, non-motor carriers are taxed at 29.3 cents per gallon, motor carriers are taxed at 42.8 cents per gallon, and standard gasoline is taxed at 32.3 cents per gallon.

MAP-21 Update and Federal Sequestration

Russ Romine provided an overview of MAP-21, which became law on July 6, 2012, and replaces the SAFETEA-LU funding program.

In response to a question from Representative Combs, Secretary Hancock said funding codes will be modified for highways, and there is no intention of eliminating bridge replacements because there are still a number of bridges that need replacing.

In response to a question from Chairman Higdon, Secretary Hancock said Kentucky's highway fatalities are down from last year, with Kentucky in the lower tier of states. More information comparing Kentucky's performance measures versus the national average will be provided at a later date.

In response to a question from Representative Hall, Secretary Hancock he believes that Congress wants to fund transportation at higher levels. Some of funds will recover despite of fiscal cliff, but he did believe levels would be as high as before.

Representative Collins commended Commissioner Don Pasley for his hard work and thanked him for his efforts.

State and Local Bridges

Steve Waddle, State Highway Engineer testified about state and local bridges.

In response to a question from Representative Combs, Mr. Waddle replied that the Brent Spence Bridge is classified as functionally obsolete.

In response to a question from Representative Collins, Mr. Waddle explained that the term "out of compliance on bridge postings" means the weight limit is not posted on the bridge. Secretary Hancock added that if load restrictions are not posted sufficiently, federal bridge replacement funds cannot be used. He said Kentucky needs more money for preventive maintenance.

In response to a question from Representative Gooch regarding faulty paint on the Twin Bridges on Highway 41 from Henderson to Evansville, Secretary Hancock said he is not familiar with the details but would be concerned about closing bridges to repaint if repainting will cause disruption to the community. Representative Gooch asked about the McClean County Bridge. Mr. Waddle replied that rust forms a patina that protects steel. He said that, while rust is not pretty, it eliminates the need for paint.

In response to a question from Representative Combs regarding the most pressing need for Kentucky's bridges, Mr. Waddle said more available funds are needed for preventive maintenance. Representative Combs asked about the process to evaluate needs. Secretary Hancock explained that the structurally deficient category is such that only replacement can cure the issues. Estimated remaining life is guides decisions for potential bridge projects. Safety is a primary concern.

In response to a question from Representative Stewart, Secretary Hancock stated that embankment settling, freezing and thawing, and changing dynamics are all reasons for bumps in the road on bridge approaches.

In response to a question from Representative Short regarding the condition of the Route 30 Bridge in Magoffin County, Mr. Waddle replied that he would meet with him and inspect the bridge.

In response to a question from Representative Couch regarding rocks falling off the mountain on US 421 in Harlan County, Secretary Hancock said he did not have information available at this time. Mr. Waddle will provide that information at a later date.

In response to a question from Chairman Higdon regarding design/build updates, Secretary Hancock said up to five per year can be done, and the cabinet is planning at least two or three. He will share more information as soon as possible.

Chairman Higdon thanked everyone for their attendance and participation. There being no further business, Representative Hall moved to adjourn, which was seconded by Representative Combs. The meeting was adjourned at 11:22 AM.

INTERIM JOINT COMMITTEE ON BANKING AND INSURANCE

Minutes of the 1st Meeting of the 2013 Interim

June 25, 2013

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Banking and Insurance was held on Tuesday, June 25, 2013, at 10:00 AM, in Room 149 of the Capitol Annex. Representative Jeff Greer, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Tom Buford, Co-Chair; Representative Jeff Greer, Co-Chair; Senators Jared Carpenter, Julian M. Carroll, Chris Girdler, Morgan McGarvey, Dennis Parrett, Dorsey Ridley, Albert Robinson, Dan "Malano" Seum, and Brandon Smith; Representatives Julie Raque Adams, Dwight D. Butler, Ron Crimm, Joseph M. Fischer, Jim Gooch Jr., Mike Harmon, Dennis Horlander, Thomas Kerr, Adam Koenig, David Meade, Michael Meredith, Brad Montell, David Osborne, Sannie Overly, Ryan Quarles, Jody Richards, Steve Riggs, Bart Rowland, Jonathan Shell, Kevin Sinnette, Fitz Steele, Wilson Stone, and John Tilley.

Guests: Dr. Shelli Deskins, Director, Highlands Center for Autism, Prestonsburg, Kentucky, Greg Wilson, Tyler Hall, (Parents of children attending Highlands Center for Autism), Lorri Unumb, Autism Speaks, Melody Shrader, Kentucky Association of Health Plans, Kelli Rodman, Humana Insurance, Melissa Metzger, General Counsel, Kathy Lower, Jay Lynn Wagner, Anthem Insurance.

LRC Staff: Rhonda Franklin, Sean Donaldson, and Jamie Griffin.

The minutes from the October 23, 2012, meeting were approved.

Insurance Coverage of Autism Spectrum Disorders Mandated by 2010 RS HB 159

Dr. Shelli Deskins, Director, Highlands Center for Autism, discussed the center's program. The center treats 10 children, ages 2-15. There are 13 staff members who provide 30-32.5 hours of applied behavioral analysis (ABA). They also provide parent training, home visits, and interaction with parents at the center. Dr. Deskins stated that there has been much success and shared a video on the progress of a child over a 2 year treatment period. The video showed the child who initially was non-verbal but who later spoke her first words and was able to carry out daily tasks. Reimbursement remains a challenge, despite the mandate passed in 2010 House Bill 159. Many times the insurance companies will not reimburse parents, who then must pay the bills themselves.

Representative Steve Riggs stated

that there is more work needed to help autistic children.

Representative Jeff Greer stated that he is making a personal pledge to work on streamlining the process between claimants, centers and insurance companies.

Senator Carroll asked about the severity of autism of the girl in the video and whether Dr. Deskins had contacted the Department of Insurance. Dr. Deskins stated that the young girl in the video is severely autistic. Children at the center range from moderate to severely impaired. The center has worked very hard with insurance companies and has filed complaints with the Department of Insurance.

Senator Girdler stated that he has visited the Highlands Center for Autism and encourages members to tour the facility. He applauds the staff's outstanding work.

Senator Buford asked whether the center accepts Medicaid. Dr. Deskins stated that the center is not a Medicaid provider.

Senator Carroll asked whether the Center has contacted the Department of Education to see if it has access to methods of treating children with autism. Dr. Deskins stated that she had not contacted the department.

Representative Steve Riggs asked how the "Affordable Care Act" affects the center. Dr. Deskins said that remains to be seen.

Greg Wilson and Tyler Hall parents of children who attend the center discussed how ABA treatment at the center has changed and improved their children and families' lives. They said that the increase in speaking, vocabulary, and learning of daily living skills has been amazing and life changing. The financial struggles have been very hard, but they know they must provide ABA treatment for their children for them to be functioning members of society. They have filed numerous claims for reimbursement with their insurance companies in accordance with House Bill 159 and have received little or no money. Dr. Deskins stated that the struggle with reimbursement is typical of the families at the center.

Lorri Unumb, Vice President of State Government Affairs, Autism Speaks, stated that House Bill 159 has been used as model legislation across the United States. Thirty-three states have laws regarding reimbursement for treatment of autism. She has written a book entitled "Autism and the Law."

There are several issues hindering ABA treatment:

Denial.

ABA is sometimes coded as educational instead healthcare. This is not appropriate because the underlying condition is a medical condition and must be paid.

Service not medically necessary.

She stated that ABA treatment is legitimate and is prescribed by a physician.

Supervision of treatment.

She stated that there is planning, oversight, and monitoring of the treatment. Many times the treatment is implemented by others.

Billing codes.

She stated that billing codes are a problem with insurance companies. The problem is being addressed with the American Medical Association. It would possibly help if the Department of Insurance issued a bulletin regarding the acceptable codes to be used by insurance companies.

Providers not willing to be in-network.

She stated that this presents problems for families and providers.

Representative Jim Gooch asked if the Highlands Center was in-network. Dr. Deskins stated that it is not in-network.

Senator Tom Buford asked how the "Affordable Care Act" applies to ABA treatment. Lorri Unumb stated the health care reform prohibits monetary caps, and Kentucky has a $10,000 annual cap for small group members with autism spectrum disorder and $50,000 annual cap for large groups. Senator Buford stated that there may be a need to amend the Kentucky law with legislation to remove caps. Lorri Unumb stated that, in 2010, that 1 in 100 children were diagnosed with autism, and data indicates that 1 in 88 children are diagnosed in 2013.

Melissa Metzger, Kathy Lower and Jay Lynn Wagner, representing Anthem Insurance, Kelli Rodman, representing Humana Insurance, and Melody Schrader, representing United Health Care, discussed insurance reimbursement for autism spectrum disorders.

Ms. Metzger stated that Anthem is committed to working with providers. When House Bill 159 passed, Anthem put together a work group of 100 associates to deal with the changes. Coding is a problem, and the company has contacted families regarding claims that need to be resubmitted to receive reimbursement.

Kelli Rodman stated that Humana has experienced the same issues as Anthem and has worked with members to process claims. Humana is committed to working with interested parties to make the filing and reimbursement process easier.

Representative Greer stated that willingness to cooperate is what he has wanted to hear from all parties.

Senator Buford stated that he feels it is hard to discuss such matters on the phone and that maybe the interested parties should meet, discuss codes for autism disorders, and possibly visit Highlands Center for Autism.

Representative Greer and Senator Buford asked that the parties update the committee on their meetings and any progress.

The meeting was adjourned.

INTERIM JOINT COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM

Minutes of the 1st Meeting of the 2013 Interim

June 19, 2013

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Economic Development and Tourism was held on Wednesday, June 19, 2013, at 2:00 PM, at the Northern Kentucky Convention Center. Senator Mike Wilson, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Keith Hall, Co-Chair; Senators Ernie Harris, Dennis Parrett, and Mike Wilson; Representatives Lynn Bechler, Larry Clark, Mike Denham, Jeffery Donohue, Jim Gooch Jr., Mike Harmon, Richard Heath, Dennis Horlander, Dennis Keene, Thomas Kerr, Kim King, Martha Jane King, Brian Linder, Tom McKee, David Osborne, John Short, Arnold Simpson, Fitz Steele, Russell Webber, and Jill York.

Guests: Steve Stevens, President and Chief Executive Officer (CEO), Northern Kentucky Chamber of Commerce; Gretchen Landrum, Executive Director, Northern Kentucky Convention Center; Candace McGraw, CEO, Cincinnati/Northern Kentucky International Airport; Joe Wind, Vice President, Government and Community Relations and Janet Harrah, Senior Director, Center for Economic Analysis and Development, Northern Kentucky University; Ron Crouch, Research Director, Kentucky Education and Workforce Development Cabinet; Eric Rose, Vice President and Executive Director, Newport Aquarium; and Dan Tobergte, President and CEO, Northern Kentucky Tri-Ed.

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

Northern Kentucky Chamber of Commerce

Steve Stevens, President and CEO of the Northern Kentucky Chamber of Commerce, thanked members for their work with the northern Kentucky area in helping it become an economic engine.

Mr. Stevens spoke of the success of the Cincinnati/Northern Kentucky Airport, including its growing air cargo industry, which gives it the potential to make Kentucky the country's leader in international logistics. Mr. Stevens commended the legislature on their work to produce needed and substantative policy changes to advance the Commonwealth during the past session. During the next months, the Northern Kentucky Chamber's main focus will be the construction of the new Brent Spence Bridge corridor, which will provide the most positive benefit to the region, as well as comprehensive tax reform to increase Kentucky's competitiveness.

Northern Kentucky Convention Center

Gretchen Landrum, Executive Director of the Northern Kentucky Convention Center, addressed the need to expand the center to meet area needs. Ms. Landrum noted the success of the center and its self-sufficiency in refurbishments and renovations. Over the past 15 years, the center has hosted over 2,500 events and supports over 350 jobs in the community, with an economic impact of over $1 billion. Ms. Landrum discussed the economic impact and fiscal return on investment of the proposed expansion. Based on a $35 million investment, the fiscal return would be 2.7 percent annually, or $930,000. The total economic return from the Center would be between $4.5 to $5.7 million annually. The economic loss for not expanding is approximately $50 million due to a lack of convention center space.

Responding to Representative Clark's question Ms. Landrum said the room tax is approximately 18 percent of the convention center's budget.

Cincinnati/Northern Kentucky International Airport

Candace McGraw, CEO, Cincinnati/Northern Kentucky International Airport (CVG), gave an overview of the airport's services. The airport does not accept local taxes but is a self-sustaining revenue generator for the Commonwealth. A recent economic impact study is available online. The airport generates approximately $3.6 billion annually toward the local economy, and is the fastest growing cargo airport in the United States. With the UPS and DHL presence, the airport is the logistics hub of North America. There are approximately 174 daily nonstop flights to 47 cities. Thirty-seven of the top 40 business markets are served on a daily basis. CVG is still the only nonstop service to Europe in Ohio, Indiana, and Kentucky.

Ms. McGraw said that, to improve sustainability, the primary goal is diversification of air carrier service by focusing on increasing local origination traffic. Last month, Frontier Airlines, the first low cost carrier out of CVG in 15 years, began service. It is performing very well and is booked at 100 percent capacity through the summer.

US Airways has launched additional service to Philadelphia and

Washington, DC. Delta Airlines has streamlined some scheduling issues with their west coast service. DHL recently completed a $105 million expansion at CVG--their North American Global Superhub. The airport has completed a $36 million, 16-gate terminal consolidation that has been greatly successful. The airport Master Plan update, a facilities blueprint through 2035, has just been completed. Ms. McGraw said CVG operates under a use and lease agreement that has remained the same for over 40 years. As the agreement expires in 2015, the airport is negotiating a new agreement. Enhanced concession offerings have resulted in increased revenues.

Northern Kentucky University

Joe Wind, Vice President, Government and Community Relations, Northern Kentucky University (NKU), discussed job creation. Focusing on the development of the right labor force will greatly increase the state's economic output. The state is challenged to not only increase the number of trained professionals for newly created jobs, but also to replace those who leave the workforce. There is high demand for trained professionals in healthcare and information technology; however, the state has not identified the investment necessary for capacity building in these areas. NKU's new College of Informatics needs $3 to $4 million in a recurring allocation to expand capacity for personnel and technology to meet the current talent and applied research requests from the community. Due to state funding cuts and tuition caps, the university is unable to fund this capacity building request. Enrollment has doubled in these key programs, but with nearly 100 percent placement of the 409 graduates in 2013, the region does not have the students to supply the additional talent to take advantage of opportunities for business growth. The same situation is mirrored in health care professions.

Mr. Wind said the state needs post secondary education public policy and investment strategy that supports the primary talent and applied research goals of the commonwealth. Each higher education institution must be incentivized to align talent development strategy with opportunities that exist within their region. The state must develop outcomes based funding models. These model appropriate all or a portion of an institution's existing funds and additional state funds based on level of productivity on very selective metrics. States implementing this plan include Indiana, Mississippi, Nevada, Ohio, and Tennessee.

Ms. Janet Harrah, Senior Director, Center for Economic Analysis and Development at Northern Kentucky University, said the state's number one opportunity is job growth, however it must first recognize that job growth is regional. Finding and retaining talent are the keys for long-term success in the state. For Kentucky to attract and retain growing businesses and industry that will generate job growth, a strategy that is targeted at regional needs around the talent supply is needed. Most regions are experiencing a mismatch between the skills of workers and jobs available. Many workers are skilled and trained for the old economy rather than available jobs. The state must invest to educate toward the new economy's high demand jobs which are occupational such as welders, machinists, and electricians. Occupational groups such as information technology and mathematical scientists are growing rapidly as well as the education field. Replacement needs will outnumber new net job growth by 2:1. Of interest are occupations that are high wage, have numerous job openings, and are growing relatively fast.

Mr. Wind said Kentucky needs to act now as businesses location decisions are being made based on the concentration of qualified talent to meet the demand of the technology advanced world economy. Nearly all states are focusing on increasing education levels to maintain and improve their economic competitiveness and are doing this through focused outcomes of the graduates they need.

Chairman Wilson noted that 30 percent of Microsoft's workforce are on work visas because the demand cannot be met otherwise.

Representative Clark told members that last year university presidents met to discuss future higher education needs of Kentucky. He recommended they meet with legislative leadership to share specific recommendations.

Responding to Representative Simpson's question, Mr. Wind said Kentucky's higher education leaders should use the outcomes-based model rather than have needs dictated by others.

Demographics and Jobs of the Future

Ron Crouch, Research Director, Kentucky Education and Workforce Development Cabinet, spoke on demographics and jobs of the future. He explained that the needs of a rapidly increasing older population cannot be met by the current and provided population data for each Kentucky county. The United States needs to return to what is successful—manufacturing, invention, and innovation. Not everyone needs to acquire a college degree. Trade occupations such as plumbers, machinists, and electricians are the most in demand. Jobs returning from China are lower wage jobs. Mr. Crouch expressed concern that workers not be overtaxed and also underpaid, which would result in a weak middle class. With the decline of the northeast and Midwest, the southeast could be the new economic engine with the right investments in education and infrastructure. Increasing tuition costs are making higher education unattainable. As the United States becomes more diverse, it is important to make sure everyone is educated. Vocational training is important as well.

Responding to Senator Parrett's question, Mr. Crouch said Kentucky is improving its high school graduation levels compared to other states, but it is important that graduates receive additional education. Higher education should be more affordable, and the state should promote occupational careers and technical training as well.

Newport Aquarium

Eric Rose, Vice President and Executive Director of the Newport Aquarium, asked that the legislature continue to fund Kentucky's tourism industry. Kentucky tourism has fared better than other states during the economic downtown. He noted the importance of tourism agencies supporting and promoting each other. He asked that the legislature to continue to support tourism with the Tourism Development Act and the hotel lodging and room tax, both of which are important to the industry.

New Businesses in Northern Kentucky

Dan Tobergte, President and CEO of the Northern Kentucky Tri-ED, commended Northern Kentucky University's College of Informatics and the airport's efforts to reinvent itself. Both have helped the area economy immensely. He reviewed Tri-ED's target areas, which include increasing professional office operations, technology oriented projects, and aviation service projects. He mentioned several successful recent projects in the area. Kentucky ranks 11th in *Site Selection* magazine. Surrounding states are competing much more aggressively than Kentucky. Taxing issues are at the forefront with other states including reducing or eliminating income taxes and other tax restructuring. Corporate income tax reform is needed in Kentucky. The exodus of major manufacturing firms is due more to competitive tax environments in other states. The state's 2005 tax reduction was helpful.

Mr. Tobergte reviewed the Kentucky Tax Reform Commission recommendations. The Tax Foundation ranked Kentucky the 19th best state tax system, but the system needs to improve to be at the forefront of future investment and job creation. Kentucky's status as a non-"Right-to-Work" state could hinder job creation. Kentucky could be surrounded by right-to-work states.

Mr. Tobergte said angel investing is critical to job creation and recommended an Angel Tax Credit.

Representative Donohue said Kentucky has been successful in job creation in the manufacturing area, and until he sees otherwise, he cannot support right-to-work.

Responding to Representative Linder's question, Mr. Tobergte said Kentucky's strengths include location, lower cost of living, and its work ethic of consistency and quality.

There being no further business, the meeting adjourned at 3:45 PM.

INTERIM JOINT COMMITTEE ON EDUCATION

Minutes of the 2nd Meeting of the 2013 Interim

July 8, 2013

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Education was held on Monday, July 8, 2013, at 1:00 PM, in Louisville, Kentucky. Representative Derrick Graham, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Mike Wilson, Co-Chair; Representative Derrick Graham, Co-Chair; Senators Walter Blevins Jr., Joe Bowen, Jared Carpenter, David P. Givens, Denise Harper Angel, Jimmy Higdon, Gerald A. Neal, Kathy W. Stein, and Katie Stine; Representatives John Carney, Jim DeCesare, Jeffery Donohue, C.B. Embry Jr., Kelly Flood, Jim Glenn, Richard Heath, Brian Linder, Mary Lou Marzian, Donna Mayfield, Reginald Meeks, Charles Miller, Rick G. Nelson, Jody Richards, Tom Riner, Bart Rowland, Rita Smart, Wilson Stone, Ben Waide, and Addia Wuchner.

Guests: Marcie Lowe, Education Professional Standards Board; Theresa Rakes, Office of the Speaker; Tracy Herman, Kentucky Department of Education; Kayne Ishmael, Kentucky Education Association; Mike Raisor, Jefferson County Public Schools; Clyde Caudill, Jefferson County Public Schools and Kentucky Association of School Administrators; Brent McKim, Jefferson County Teachers Association; Jim Thompson, Education and Workforce Development Cabinet; Alan Curran, AT&T; Gary Cox, Association of Independent Kentucky Colleges and Universities; and Erin Klarer, Kentucky Higher Education Assistance Authority.

Legislative Guests: Representatives Larry Clark, Dennis Horlander, Joni Jenkins, Darryl Owens, Steve Riggs, and Dwight Butler.

LRC Staff: Kenneth Warlick, Jo Carole Ellis, Ben Boggs, Janet Stevens, Erik Carlsen-Landy, and Daniel Clark.

Approval of June 10, 2013 Minutes

Upon motion from Representative Glenn and a second by Representative Smart, the minutes were approved by voice vote.

Jefferson County Public Schools: A District Moving Forward

Donna Hargens, Superintendent, Jefferson County Public Schools (JCPS), said Jefferson County is the largest school district in the state of Kentucky with more than 100,000 students, 172 school sites, and 10,966 full- and part-time employees. JCPS students make up one-seventh of the students in Kentucky with 50 percent of those students being minorities.

Dr. Hargens stated that the Strategic Plan Vision 2015 is based on a curriculum management audit and research based practices. The Strategic Plan has four focus areas: student progress in learning and proficiency in all subjects; career and college readiness at graduation; stakeholder involvement/engagement; and safe, resourced, supported, and equipped schools.

Dr. Hargens said JCPS is collaborating with the Kentucky Department of Education (KDE) and Jefferson County Teachers Association (JCTA) on professional development turnaround strategies to improve student achievement. KDE provided webinars on intervention models, a summer turnaround institute, assistant principal training, and assistance from the National Institute for School Leadership. Also, JCPS has adopted the Kentucky Professional Growth and Effectiveness System (PGES) developed by KDE. The goal is to have a highly effective educator in every classroom. Twenty-seven schools will participate in PGES in the 2013-14 school year, and it will be fully implemented in 2014-15. Dr. Hargens stated that each school developed specific plans and specific measures for success including priority schools. JCPS meets weekly with KDE staff, and the KDE Education Recovery Teams work closely with principals and teachers.

Susan Allred, KDE, Associate Commissioner, Office of Next Generation Schools and Districts, said that since May 2013 the collaboration with JCPS has been one of the best collaborations she has seen in her entire career. KDE previously had some concerns about the hiring of staff in priority schools, but the hiring processes and funding sources are now clarified for the three cohorts of education recovery staff. The priority schools are now specifically mentioned as part of the vision statement in the literature for JCPS. Ms. Allred stated that necessary personnel actions are being taken in priority schools to ensure success. The KDE Education Recovery Director and Dr. Hargens are meeting regularly to ensure that the collaboration matrix is being implemented.

Ms. Allred said there is support from JCPS to provide in the 2013-14 school year extended school days three days per week for priority schools including transportation and a meal. Priority schools are receiving technology upgrades and Internet expansion, and education recovery staff are included in JCPS professional learning opportunities. Also, there is collaboration with the National Association for the Advancement of Colored People (NAACP), JCPS, and the Prichard Committee to provide parent cohort training focused on Priority Schools in the fall of 2013.

Ms. Allred explained KDE's commitment to education recovery in Kentucky and more specifically Jefferson County. KDE will assist priority schools in building sustainable systems for continuous improvement. KDE will provide intensive intervention support for ensuring that those systems are transformational in order to create radical, exponential gains through the use of strategic planning, data, systems interventions, coaching, modeling, mentoring, and monitoring.

Brent McKim, President, JCTA, said JCTA represents 5,750 teachers in the JCPS. Mr. McKim said JCTA developed an educator growth system that would help every educator improve throughout their career. JCTA and JCPS formed the Educator Quality Oversight Committee (EQOC), which will coordinate the 2013-14 pilot and the 2014-15 full implementation of the PGES. Also, JCTA provided input on JCPS's successful District of Innovation application.

Dr. Hargens said JCPS and the University of Louisville have created signature training and capacity partnerships. One of the partnerships is the JCPS Teacher CARDS (Competency, Awareness, and Responsiveness to Diverse Students) program. This partnership offers a master's degree to eligible teachers in high-needs priority schools.

Dr. Hargens said graduation rates have increased overall and the graduation rate for African American students increased 7 percent over the past four years. College and career readiness increased 12 percent in the 2011-12 school year. The class of 2013 secured $132 million in scholarships, a $2 million increase over last year. Also, JCPS was one of six school districts in the nation that the Broad Foundation recognized for efforts to increase African American students' success and participation in Advanced Placement (AP) Programs. She said the number of African Americans in JCPS taking AP exams increased by 21 percent.

Dr. Hargens said 82 percent of JCPS teachers responding to the TELL (Teaching, Empowering, Leading and Working Conditions) survey agreed that JCPS schools are good places to work and learn. JCPS saw progress in every area of the TELL survey except collaboration with KDE. Also, Dr. Hargens said JCPS has now partnered with the Ford Next Generation Learning pilot, which includes externships, cohort scheduling, individual learning plan enhancement, and data enhancement. JCPS will have five high schools participating in this pilot for the 2013-14 school year.

Houston Barber, Principal, Fern Creek Traditional High School (FCTHS), said there has been successful collaboration between KDE, JCPS, and FCTHS focused on building sustainable systems. Dr. Barber stated there are three key areas to focus on in making sure students are career ready. Those areas are professional learning communities, targeted interventions/enrichment, and a focus on college and career readiness. Dr. Barber stated that FCTHS has established Professional Learning Communities (PLCs) which observe classrooms, provide feedback, and discussion of what is observed in classrooms. The PLCs and staff discuss how to motivate the students through innovation, invention, and teacher and student use of technology.

Dr. Barber said FCTHS has eliminated faculty meetings and eliminated a focus on compliance checklists and forms and is more focused on results and outcomes. FCTHS created core content driven common planning every Tuesday to help empower the teachers and staff. Also, FCTHS has Data Days which has led to innovations such as standard-based grading, FastBreak Wednesdays (job embedded professional development), student swap days, livescribe use, Radio technology, food literacy, graphic design with Adobe, computer applications, and many other innovations and inventions. Dr. Barber said the college and career readiness component at FCTHS is based on benchmarks set by ACT in conjunction with cultural competent teaching practices.

In response to Representative Derrick Graham's question regarding JCPS achievement target projections, Dr. Barber said the projections are based on a benchmark formula relating to college and career readiness and bonus points.

Senator Katie Stine praised JCPS and Dr. Barber for all of the hard work done and the presentation brought before the committee. In response to her questions regarding white and African American math proficiency rate gaps, Dr. Hargens said the rate gaps are troubling and every school should have a strategy regarding closing the gap. She said that JCPS will have buses return to priority schools at 5 p.m. to pick up students who stay for targeted tutoring. A federal grant will provide afternoon food service for those students.

In response to Senator Kathy Stein's question regarding the International Baccalaureate Program, Dr. Hargens said Seneca High School does not have the International Baccalaureate Program, but it is under consideration. She said Atherton High School does have an International Baccalaureate Program. Senator Kathy Stein commended JCPS for partnering with the Prichard Committee to work and NAACP on the highly successful Commonwealth Institute Parent Program.

In response to Representative Mary Lou Marzian's question regarding contract negotiations, Mr. McKim said staffing is really important in priority schools and three years ago JCTA gave principals in priority schools complete screening authority for the staffing of their buildings.

In response to Representative Derrick Graham's question regarding KDE, JCPS, and JCTA negotiations, Mr. McKim said JCTA spent a lot of time during the negotiations on the transfer process in priority schools. Ms. Allred said KDE staff concerns appear to have been resolved.

Representative John Carney stated that leadership, attitude, and collaboration are critical in order for priority schools to move forward, it is all about leadership, attitude, and collaboration. In response to his question regarding qualified teachers at the priority schools, Dr. Hargens said JCPS is ensuring that training is available to teachers including the 300 new teachers arriving in August.

Senator Mike Wilson commended Seneca High School on the hospitality and presentations provided to the committee. In response to Senator Mike Wilson's questions regarding technical education schools and high school counselors, Dr. Hargens said JCPS has 15 schools with themes, including with industry-recognized credentials. High school counselors have visited apprentice programs to better understand the opportunities they make available to students.

In response to Representative Reginald Meeks' question regarding the rationale behind KDE's request for JCPS to revise its Comprehensive District Improvement Plan, Ms. Allred said KDE's concern was that the term "priority" was not used specifically. KDE wanted to make certain that priority schools were specifically addressed in the plan. Dr. Hargens said the overall plan was for improvement in every school. She said the plan did not change but was amended to clarify how the plan is applied to priority schools.

Representative Reginald Meeks expressed concern with some of Commissioner Holliday's comments about JCPS. Representative Darryl Owens also stated his concern with comments made by KDE and said he is pleased with the progress JCPS making. Representative Derrick Graham stated that in a letter to Dr. Hargens from KDE, Dr. Holliday does acknowledge that KDE has not always been consistent in expectations, monitoring, and the support of JCPS in the implementation of turnaround strategies.

In response to Representative Joni Jenkins's question regarding plans for students with special needs and alternative education, Dr. Hargens said every student is different and needs different amounts of extended learning time and support.

In response to Senator Walter Blevins's question regarding internet access in homes and schools for students, Dr. Hargens said JCPS has tried to create "everyone learn places" close to students' homes so there is a place where students have access to the internet.

In response to Representative Jeffery Donohue's question regarding a KDE required improvement plan, Dr. Hargens said every district has an improvement plan and every school has a school improvement plan.

In response to Representative Riner's question regarding a Japanese educational model on manners, Dr. Hargens said each school might use a different model, and JCPS is putting an emphasis on students learning from their own mistakes.

In response to Senator Denise Harper Angel's question regarding the timeframe of the JCTA contract and when will there be results, Mr. McKim said JCTA has a tentative agreement with JCPS that has been mailed to members. If the teachers accept the ratification, the contract then goes to the Jefferson County Board of Education for a vote. The results should be finalized within two weeks.

In response to Representative Steve Riggs's question regarding a district office in Jefferson County for KDE, Ms. Allred said KDE has to find funding to place people in priority schools. Ideally KDE staff would like three people in each priority school, but every year KDE has to figure out how to pay for the people in each priority school.

Review of Executive Order 2013-389

Upon motion from Representative Marzian, seconded by Representative Charles Miller, Executive Order 2013-389 was accepted.

With no further business before the committee, the meeting adjourned at 3:03 p.m.

SPECIAL SUBCOMMITTEE ON ENERGY

Minutes of the 1st Meeting of the 2013 Interim

June 19, 2013

Call to Order and Roll Call

The 1st meeting of the Special Subcommittee on Energy was held on Wednesday, June 19, 2013, at 2:00 PM, in Ballroom D, Northern Kentucky Convention Center, Covington, Kentucky. Representative Richard Henderson, Chair, called the meeting to order, and the secretary called the roll.

Present were:

<u>Members:</u> Senator Jared Carpenter, Co-Chair; Representative Richard Henderson, Co-Chair; Senators Ernie Harris, Ray S. Jones II, Dorsey Ridley, Katie Stine, and Johnny Ray Turner; Representatives Rocky Adkins, Dwight D. Butler, Leslie Combs, Tim Couch, Jim Gooch Jr., Keith Hall, Thomas Kerr, Martha Jane King, Tanya Pullin, Tom Riner, John Short, Kevin Sinnette, John Will Stacy, Fitz Steele, and Brent Yonts.

<u>Guests:</u> James Henning, President, Duke Energy for Ohio and Kentucky; Greg Coker, Director, External Relations, Delta Natural Gas; Matt Tackett, Executive Director, Kentucky Gas Association; Melissa Howell, Executive Direction, Kentucky Clean Fuels Coalition; Virginia Carrington, Branch Manager, Department for Community Based Services, Cabinet for Health and Family Services and Mike Moynahan, Energy Programs Director, Community Action Kentucky.

<u>LRC Staff:</u> D. Todd Littlefield, CSA, Janine Coy-Geeslin, and Susan Spoonamore, Committee Assistant.

Natural Gas in Kentucky and Beyond

Matt Tackett, Executive Director, Kentucky Gas Association, Greg Coker, External Relations, Delta Natural Gas and Melissa Howell, Executive Director, Kentucky Clean Fuels Coalition, spoke about Natural Gas in Kentucky and Beyond. Mr. Tackett explained that there are 160 members of the Kentucky Gas Association. Eighty-three gas utilities serve 4,366,814 people in Kentucky. Utility sales revenue totaled $896,800 in 2011. The natural gas industry provides 4,397 direct jobs and 9,992 indirect jobs.

Melissa Howell, Executive Director, Kentucky Clean Fuels Coalition (KCFC), spoke about the KCFC's numerous natural gas projects with companies such as M&M Cartage, Louisville; Waste Transport Services, Elizabethtown; and Lexington Fayette Urban County Government, for fleet management, training and refueling stations. KCFC is a non-profit partnership supported by public and private members, including UPS, which is the Commonwealth's largest private-sector employer.

In response to Senator Carpenter, Mr. Coker stated that there must first be fueling centers for freight hauling trucks using Compressed Natural Gas (CNG). Kentucky needs to be a leader.

In response to Representative Atkins, Ms. Howell stated that Kentucky is headed in the right direction using natural gas for transportation fuel. However, she explained the infrastructure has to be built before the customer demand will support the need for more natural gas outfitted vehicles.

Presentation and Public Hearing on the Low Income Home Energy Assistance Program (LIHEAP) Block Grant Application – FY14

Virginia Carrington, Branch Manager, Department for Community Based Services, Cabinet for Health and Family Services, and Mike Moynahan, Energy Programs Director, Community Action Kentucky, testified on the FFY 2014 Low Income Home Energy Assistance Program (LIHEAP) Block Grant Plan Summary. Ms. Carrington explained allocation of funds, LIHEAP eligibility and application requirements, and the weatherization assistance program.

Upon motion of Representative Tanya Pullin and second by Representative Keith Hall, the LIHEAP Block Grant Application Findings of Fact were approved without objection, by unanimous vote.

The meeting was adjourned.

INTERIM JOINT COMMITTEE ON LABOR AND INDUSTRY

Minutes of the 2nd Meeting of the 2013 Interim

July 18, 2013

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Labor and Industry was held on Thursday, July 18, 2013, at 10:00 AM, in Room 131 of the Capitol Annex. Representative Rick G. Nelson, Chair, called the meeting to order, and the secretary called the roll.

Present were:

<u>Members:</u> Senator Alice Forgy Kerr, Co-Chair; Representative Rick G. Nelson, Co-Chair; Senators Perry B. Clark, Chris Girdler, Denise Harper Angel, Ernie Harris, Jimmy Higdon, Dennis Parrett, and Mike Wilson; Representatives Lynn Bechler, Regina Bunch, Denver Butler, Jeffery Donohue, C.B. Embry Jr., Toby Herald, Thomas Kerr, Adam Koenig, Charles Miller, Terry Mills, Tanya Pullin, Tom Riner, Jim Stewart III, and Brent Yonts.

<u>Guests:</u> Commissioner Sharon Clark, Department of Insurance; Secretary Larry Roberts, Labor Cabinet; Deputy Secretary Rocky Comito, Labor Cabinet; Commissioner Anthony Russell, Department of Workplace Standards; Executive Director Bill Riggs, Workers' Compensation Funding Commission; Secretary Thomas O. Zawacki, Education and Workforce Development Cabinet; Commissioner Beth Brinly, Department of Workforce Investment.

<u>LRC Staff:</u> Carla Montgomery, Matt Ross, Adanna Hydes, and Betsy Nickens.

Co-Chair Nelson welcomed members and guests to the second meeting of the interim. A motion and second were made to approve the minutes of the July meeting. Co-Chair Nelson mentioned upcoming interim meetings in September and October. Representative Donohue welcomed newly appointed Deputy Secretary Rocky Comito. Representative Bechler asked for remembrance for a family affected by a drowning in Union County. Co-Chair Nelson welcomed Commissioner Sharon Clark, who presented background and the status of the Kentucky School Boards Insurance Trust (KSBIT).

Kentucky School Boards Insurance Trust

KSBIT formed in 1978 to provide insurance limited to school districts, non-profit institutions of higher education, and other tax supported agencies. As a self-insured group, reports were made to the Department of Workers' Claims until 2004 when the AIK self insurance fund became financially insolvent. Governor Fletcher, through an executive order, transferred the responsibilities for oversight for all self-insured groups from the Department of Worker's Claims to the Department of Insurance.

In 2008, when Commissioner Clark took office, reports from the year before noted a decline in revenues for KSBIT. In 2009, Kentucky League of Cities (KLC) and KSBIT would financially partner. KLC, through its workers' compensation fund, transferred a total of 8 million to KSBIT funds. Of those funds, 5.5 million were transferred to the workers' compensation fund to bring it into solvency and 2.5 million were transferred to the property and liability fund. The board was formed, represented by 17 members of school boards and KLC members. KLC took over administrative operations and actuarial functions.

In 2011, the KSBIT board reported a deficit of 4 million, despite efforts to sustain solvency over the previous year. In July 2012, KSBIT gave notification that the board had made a decision not to offer insurance and would proceed with formal assessments of those formerly insured. Commissioner Clark said the Department of Insurance is considering three options to bring KSBIT back into solvency. First, the department could seek to rehabilitate the insurance fund. This would be the most expensive option. Second, a loss portfolio transfer would be a complete transfer of the business to another entity. School boards would be assessed, but then could walk away from responsibility. Major insurance companies with the experience and financial solvency to handle this transfer have been solicited for bidding to buy the business. Third, other entities were solicited to serve as a run-off to the fund. In this scenario, an entity would take over the fund, but the school boards would still be responsible for the remaining debt after the run-off.

In response to questions from Representatives Pullin and Yonts, Commissioner Clark said various options are available to school districts upon assessment as to how they pay, whether it is through a bonding company, lump sum, or by monthly payment, etc. A list of the school districts to be assessed will be available to the committee.

Overview from the Labor Cabinet

The newly appointed Kentucky Labor Cabinet Secretary, Larry Roberts, introduced new leadership within the cabinet, Deputy Secretary Rocky Comito and Commissioner Anthony Russell, Department of Workplace Standards. Secretary Roberts served eleven years as the director of the Kentucky State Building and Construction Trades Council following 29 prestigious years in state government. Deputy Secretary Comito is a member of the United Auto Workers, having worked with Ford Motor Company from 1974 to 2011. During his tenure at Ford, he served in various offices with the UAW representing the membership. Commissioner Anthony Russell has 20 years of experience with the Labor Cabinet and served 11 years as the director for the education and training division, as well as the administrative safety manager for the Transportation Cabinet from 2005 to 2012.

Secretary Roberts discussed educational outreach programs conducted by the Labor Cabinet, including the Safety and Health Conference, the Apprenticeship and Training Conference, and the Labor Management Conference, as well as other initiatives such as TRACK – Tech Ready Apprentices for Careers in Kentucky. By increasing various other outreach endeavors, Secretary Roberts aims to increase the efficiency of the cabinet.

Overview from the Workers' Compensation Funding Commission

Executive Director Bill Riggs, Workers' Compensation Funding Commission, was appointed to the position effective February 1, 2013. He discussed program's background. Created in 1987 to hold, administer, invest, and reinvest funds collected for specified workers' compensation liabilities. The commission is required to establish the annual assessment rates necessary to fund various programs.

Education and Workforce Development Cabinet

Secretary Thomas O. Zawacki, Education and Workforce Development Cabinet, and Commissioner Beth Brinly, Workforce Development, were introduced. Secretary Zawacki was appointed in July after serving three years as the commissioner of vehicle regulation in the Transportation Cabinet and is a retired Toyota executive.

In conclusion, Co-Chair Kerr complimented the appointments of Labor Cabinet Secretary Roberts and Secretary Zawacki. She praised the hard work of Commissioner Brinly.

There being no further business the meeting adjourned.

INTERIM JOINT COMMITTEE ON LICENSING AND OCCUPATIONS

Minutes of the 2nd Meeting of the 2013 Interim

July 12, 2013

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Licensing and Occupations was held on Friday, July 12, 2013, at 10:00 AM, in Room 129 of the Capitol Annex. Senator John Schickel, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator John Schickel, Co-Chair; Representative Dennis Keene, Co-Chair; Senators Tom Buford, Julie Denton, Denise Harper Angel, Jimmy Higdon, Christian McDaniel, Morgan McGarvey, R.J. Palmer II, Dan "Malano" Seum, and Damon Thayer; Representatives Larry Clark, Jeffery Donohue, Joni L. Jenkins, Charles Miller, David Osborne, Darryl T. Owens, Ruth Ann Palumbo, Sal Santoro, Arnold Simpson, Diane St. Onge, and Ken Upchurch.

Guests: Senator Paul Hornbeck; Senator David Givens, Senator Carroll Gibson, Representative Addia Wuchner; Kyle Kiser, MD, Director of ER Services, T.J. Samson Hospital, Glasgow, Molly Gadd, DNP, APRN, Jason Gregg, DNP, APRN, Elizabeth Partin, DNP, APRN, Julianne Z. Ewen, DNP, APRN, President, Kentucky Coalition of Nurse Practitioners and Nurse Midwives (KCNPNM); R. Brent Wright, MD, MMM, Medical Director T.J. Samson Family Medicine Center, Associate Professor U/L Department of Family & Geriatric Medicine, Nancy Swikert, MD, KAFP, Glenn A. Loomis, MD, MSHM, FAAFP, President and Chief Executive Officer, St. Elizabeth Physicians, John R. White, MD, Kentucky Medical Association.

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

Approval of minutes

A motion to approve the minutes from the June 14, 2013 meeting was made by Senator Seum and seconded by Senator Thayer. The motion was carried by voice vote.

Kentucky Coalition of Nurse Practitioners and Nurse Midwives

Senator Schickel reminded the committee that in 2010 the topic of collaborative agreements between physicians and Advanced Practice Registered Nurses was identified as one of the issues confronting the General Assembly. Bills filed in previous sessions were unsuccessful in making changes. It is hoped that the two groups can come together with an agreement for the upcoming legislative session. Because the topic was moved from Health and Welfare in 2013 to this committee, Senator Schickel he decided to hear testimony during the interim. If the topic returns to the committee in the 2014 session, the Senate will be prepared for an informed vote on the legislation.

Senator Paul Hornback told members that he had sponsored legislation the past two years regarding advanced practice registered nurses. This is an important issue for health in Kentucky. If access and availability of care can improve health at no cost to the state, it should be done. The issue is the collaborative agreement. Nurses and doctors are all to collaborate in school when they reach a level beyond their knowledge. Because collaborative agreements do not provide oversight, legislation in the past and legislation in the coming session ask that the requirement of a collaborative agreement be removed. Eighteen other states have removed this requirement with no decrease in the quality of health care.

Kyle Kiser, M.D., Director of ER Services at T.J. Samson Hospital in Glasgow, said that elimination of the collaborative agreement on prescriptions for nurse practitioners would help relieve the shortage of primary care access. In his work with nurse practitioners both in the emergency department and the community, he has found the care they provide to be appropriate and their training and judgment in patient care to be appropriate and sound. APRNs can see and counsel patients; however, they cannot write prescriptions without a collaborative agreement with a physician, even though the physician's presence in the same office is not required. This includes prescriptions for blood pressure medicine, diabetic medicine, or an antibiotic for an ear infection. While the training for APRNs is different than for physicians, it is not inadequate to treat the conditions they have been trained to care for.

Every day more physicians are refusing to take new Medicare/Medicaid patients. The rising cost of overhead and the regulation of medical care and running a business are causing doctors to leave their practices and take employed positions. A study published at Washington University in St. Louis shows that only 25 percent of medical school graduates between 2006 and 2008 chose to enter primary care. Only 5 percent of resident graduates chose to go into a rural area to practice.

The implementation of the Affordable Care Act will add two hundred thousand patients to state funded insurance. APRNs are licensed to provide medical care and will be able to provide more access to care if the collaborative agreement is abolished.

Jason Gregg, APRN, said the physician shortage is not new. Kentucky ranks among the highest in cancer deaths, heart disease, strokes, and high blood pressure. Increasing access to care in underserved areas of the state is a common goal. Sixty-three percent of APRNs practice outside of Jefferson and Fayette counties. APRNs are educated and certified by the American Academy of Nurse Practitioners to work independently to diagnose and treat a wide range of conditions. Their focus is on educating their patients and preventing costly care.

APRNs will not crowd out primary care physicians. States that are the least restrictive of nurse practitioners have a higher proportion of primary care physicians while states that have a higher restriction have a lower number of primary care physicians. All nurse practitioners want to collaborate with other health care providers and should be allowed to practice to the full extent of their education and training.

Molly Gadd, DNP, APRN, said APRNs provide information, guidance and follow-up to patients to prevent possible complications. APRNs are involved in patient-centered team care through referrals and collaboration with other providers. APRNs and nurse midwives re-certify every five years. License renewal requires completion of additional hours in pharmacology education each year. Legislation passed in 1996 allows APRNs to prescribe, therefore the proposal does not ask for an expansion of the scope of practice. There is no requirement for a physician to supervise nurse practitioners or a nurse midwife. The requirement is to have a "prescribing agreement," which is a piece of paper, signed once, with no other requirements for the physician. This poses a barrier to providing health care in Kentucky. Ms. Gadd provided an example of the Collaborative Agreement for APRN Prescription Authority for Non-Scheduled drugs or CAPA-NS. It is a single sheet of paper that APRNs spend months finding a physician to sign. Some physicians add requirements to the agreement before they will agree to sign a CAPA-NS, and some do not.

Groups that have studied this topic, such as the National Governor's Association and the Federal Trade Commission, are not medical or nursing associations. They agree that removing the prescribing agreement increases access to health care without increasing costs, and addresses the shortage in the health care field. Other consumer advocacy groups agree with the removal of the collaborative agreement.

In response to a question from Senator Schickel, Julianne Ewen said the piece of paper signed by the nurse practitioner is not motivation to collaborate; rather, collaboration is needed when there is a condition outside the APRN's scope of practice.

In response to a question from Senator Buford, Ms. Ewen said that fees physicians charge for signing a collaborative agreement vary. A member of the KCNPNM reported that she had to discontinue her collaborative agreement because the fee had increased to an amount that did not allow her to continue her practice.

In response to a question from Senator McDaniel, Ms. Ewen said the APRNs are licensed under the Board of Nursing and that there are two national certification organizations. Concerning the amount of liability a physician might be exposed to by signing a collaborative agreement, Beth Partin added that in other states, when a lawsuit is filed and no physician has been involved in the care of the patient, the physician is excused from the case. Dr. Kiser said if a physician's name is on a piece of paper there is going to be some liability; however, it is determined on a case by case basis. Ms. Ewen said that there is a competency standard for achieving certification for APRNs.

Senator McDaniel also requested a copy of a contract between a nurse practitioner and a physician.

In response to a question from Representative Jenkins, Ms. Partin said she and another nurse practitioner own their own business. A typical day includes patients with diabetes, hypertension, cholesterol checks, preventive care, and physicals for children. On occasion there are acute problems that require a higher level of care.

In response to a question from Representative St. Onge, Ms. Partin said that all care is provided based upon national standard parameters particular to the condition presented whether the provider is a nurse practitioner or a physician. The collaboration is based on the scope of practice and patient needs. The agreement is only for prescribing.

In response to a question from Representative Owens, Ms. Partin said the only time she met with the physician who signed her collaborative agreement was at the time of the signature of the document. There was no ongoing supervision.

In response to a question from Senator Harper-Angel, Ms. Ewen said if the physician who signs the collaborative agreement retires, moves away, or dies, the APRN must would find another physician to sign another collaborative agreement, or else the APRN must close the practice.

In response to a question from Representative Osborne, Ms. Ewen said that a demonstrated standard of competency in the management of health care is necessary to complete the preceptorship. In the last month, the Kentucky Coalition of Nurse Practitioners and Nurse Midwives has received four complaints regarding the collaborative agreement.

Kentucky Medical Association/ Kentucky Academy of Family Physicians

R. Brent Wright, MD, Medical Director, T.J. Samson Family Medicine Center, said across the nation healthcare is moving to a team-based practice rather than independent offices. Team is not a term used to shift the discussion from the collaborative agreement. A team consists of varying combinations of physicians, nurse practitioners, physician assistants, mental health providers, and other professionals to ensure the patient is receiving the right type of care. The result has been higher quality care and cost savings by reducing duplicative or unnecessary services.

The goal of KMA and KAFP is to testify as two physician bodies that have worked together and met with their colleagues to seek solutions. The physicians' concern is that elimination of the collaborative agreement moves away from the team-based model of care. Working independently has demonstrated a model of healthcare that does not promote health. The collaborative agreement has been in place for 17 years with no major issues, which is proof that it is working.

The Patient Centered Medical Home (PCMH) is a primary care model build around patients and delivered by teams led by the patient's personal physician. The personal physician coordinates with other health care providers within the PCMH to provide quality and safety. Patients and their family members actively participate in decision making.

Kentucky is ranked as one of the poorest health states and one of the most medicated states. Some non-scheduled drugs have the potential for harmful or even fatal drug interactions. Thirty-four states require a collaborative agreement in some form; twenty-five of those states require a collaborative agreement for treatment, diagnosis, and prescriptive authority. Physicians have met with nurse practitioners to listen to their concerns. Those concerns are charging excessive fees by the physician for a collaborative agreement and loss of their collaborating physician (e.g. physician dies, moves, retires, etc.) putting APRNs in a difficult situation if they cannot find another physician to sign their agreement. Solutions offered are to develop a cap on the amount that can be charged for an agreement, and to form a clearinghouse of physicians willing to work with existing practices to maintain current practices when collaborating physicians have left. There are ongoing discussions regarding rural health clinics and federally qualified health centers to increase access to care. There is an overwhelming concern regarding the need to increase access to healthcare, particularly in rural areas. PCMH demonstrates cost savings, decreased ER utilization, hospitalization, and readmissions.

Health care is changing and physicians are committed to finding lasting solutions for patients, professional organizations, the legislature, and the citizens of Kentucky.

Glenn A. Loomis, MD, MSHM, FAAFP, President and CEO of St. Elizabeth Physicians, said that his group has 285 physicians and 65 nurse practitioners and physician assistants. Twenty-one of the group's 28 primary care offices have been certified as Patient Center Medical Homes. Medicine has become a highly orchestrated team requiring everyone to do their part. St. Elizabeth Physicians has used the collaborative physician supervision model successfully with the physician and the nurse practitioner working together. This should be a standardized practice. Nurse practitioners should work collaboratively with physicians with a clear standard for that collaboration. There should be close supervision for those early in their career, with clear delineation of the educational experience that must be obtained before autonomy is considered. There should be a clear delineation of specialty services that should never fall outside physician collaboration in order to protect the public.

The issue of finding collaborative physicians in rural areas is being discussed. Large groups are working on telemedicine solutions for collaboration with nurse practitioners and specialty collaboration. Large groups may consider collaboration at a distance with rural practitioners and would do this at a very reasonable rate.

Nancy Swikert, M.M., KAFP, told committee members that doctors want to be part of the solution and have enjoyed working with the nurse practitioners.

In response to a question from Senator McDaniel, Dr. Swikert said there are four doctors in her group who each spend a day supervising nurse practitioners. On her day to supervise, she answers, and at the end of the day she reads the charts and signs off on them. The cost for this is $34 per hour, which is about $8,000 per year. This is built into the system of payment to the nurse practitioner. This makes her responsibility higher and makes her liable if a lawsuit is filed against the nurse practitioner.

In response to a question from Senator Seum, Dr. Loomis said hospitals have wide discretion regarding which doctor can or cannot collaborate with a nurse practitioner.

In response to a question from Representative Owens, Dr. Wright said there should be value in the collaborative agreement and that, ethically, physicians should communicate regularly with nurse practitioners.

In response to a question from Senator Denton, Dr. Wright said the doctors want to review collaborative agreements that charge excessively so they can be dealt with. Discussions about caps for collaborative agreement fees are ongoing.

Senator Thayer commented that he wants a compromise and that he was pleased to hear that both sides were coming together.

In response to Senator McGarvey, Dr. Loomis said there is a nebulous standard for the collaborative agreement that is massaged greatly by different people in different areas. The collaborative agreement in his group would be more detailed than the generic form that the members are seen.

In response to a question from Senator Givens, Dr. Loomis said he employs 135 physicians and 25 APRNs and physician assistants in 28 primary care offices. The PCMH was originally started by the Academy of Pediatrics and ultimately taken by the

Academy of Family Physicians and Internists. It has been adopted by a number of large payers. St. Elisabeth is in a pilot project with CMS and most large payers in Northern Kentucky. Most large groups use telemedicine for specialty physicians not within their group.

Senator Carroll Gibson said that his wife's niece, Dr. Tracey Ragland from LaGrange, has worked with physicians, and that he was confident that the nurses and doctors would be able to work together to resolve their differences.

Senator Schickel said there will be another meeting on this topic. He said he believes that committee expects an agreement between the two groups.

There being no further business, and following a motion and second, the meeting was adjourned at 11:57 AM.

INTERIM JOINT COMMITTEE ON LOCAL GOVERNMENT

Minutes of the 1st Meeting of the 2013 Interim

June 19, 2013

Call to Order and Roll Call

The first meeting of the Interim Joint Committee on Local Government was held on Wednesday, June 19, 2013, at 2:00 PM, in Ballroom C of the Northern Kentucky Convention Center, Covington, Kentucky. The meeting was a joint meeting with the Interim Joint Committee on State Government. Senator Joe Bowen, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Joe Bowen, Co-Chair; Representative Steve Riggs, Co-Chair; Senators Walter Blevins Jr., Ernie Harris, Christian McDaniel, Morgan McGarvey, Gerald A. Neal, R.J. Palmer II, Albert Robinson, Dan "Malano" Seum, and Damon Thayer; Representatives Ron Crimm, Mike Denham, Adam Koenig, Tom McKee, Michael Meredith, Jody Richards, Jonathan Shell, Kevin Sinnette, Rita Smart, and Jim Wayne.

Guests: Representative Greg Stumbo, Speaker of the House; Ed Hughes and Laura Kroeger, Gateway Community and Technical College; Steve Pendery, Campbell County Judge/Executive; Steve Arlinghaus, Kenton County Judge/Executive; Gary Moore, Boone County Judge/Executive; Kenton County Sheriff Chuck Korzenborn; City of Taylor Mill Mayor Dan Bell; Former City of Covington Commissioner Jerry Stricker; Tom Bennett, State Auditor's Office; Paula Smith, Kentucky Farm Bureau; Karen Hargett, Transitions; Cara Stewart, Kentucky Equal Justice Center, Covington; Richard Harrison, Northern Kentucky Water District; Don Pasley, Kentucky Transportation Cabinet; Bert May, Kentucky League of Cities; Rhonda Whitaker, Duke Energy; and Ted Heckmann, Cincinnati Bell.

LRC Staff: Mark Mitchell, Joe Pinczewski-Lee, John Ryan, Alisha Miller, Karen Powell, Kevin Devlin, and Cheryl Walters.

Opening Remarks and Welcome

On behalf of its delegation and the community, Dr. Ed Hughes, President of Gateway Community and Technical College, welcomed the committees to Northern Kentucky. The last two years have been the largest graduating classes in the history of the ten year old school. Education and training are the heart of solutions to the issues of pension, revenue, and healthcare. Sixteen community colleges of the Kentucky Community and Technical College System, of which Gateway is one, are about doing that work. Putting people back to work in high wage, high demand jobs will move the state forward. Because of legislation passed by the General Assembly, the school is developing a master plan to repurpose seven buildings in Covington and to move the campus. Only 15 percent of the adult populations aged 25 to 64, have a college credential in the area, while the national average is 31 percent. The reason for the move to the population center is that Northern Kentucky, as all communities in Kentucky, must improve and be prepared to thrive. The move is more of an economic development than an educational project.

Representative Riggs commented that Dr. Hughes' remarks regarding the prosperity and growth are very positive. That the college graduation rate is too low is something the legislature must keep in mind as it makes decisions. Gateway is doing very well, and Dr. Hughes deserves commendation for his leadership.

Representative Yonts commented that the last time he was on the Gateway campus, Dr. Hughes talked about the needs for more manufacturing students, which is important since the country is trying to bring manufacturing back. Gateway plays a big role in that educational effort.

Representative Wayne commented that he has been an advocate for smart growth and limiting urban sprawl because urban sprawl is so inefficient and costs the taxpayers much more money to service sprawl areas than it does to reuse areas. He complimented Dr. Hughes for his forward thinking relating to the relocation of the campus and trying to develop an urban core that is vital and will grow and prosper.

Senator Bowen commented that it was very encouraging to hear that there is a collaborative effort with the community and the college.

State and Local Issues confronting Kenton, Boone, and Campbell Counties

Referring to a resolution of the Kenton County Fiscal Court, Judge Steve Arlinghaus, Kenton County Judge/Executive, said that Kenton County opposes the use of tolls as a funding mechanism for the reconstruction and/or replacement of the Brent Spence Bridge. The Brent Spence Bridge project is estimated to cost $2.5 billion. The bridge and the renovation of the existing bridge will cost over $800 million. The Ohio-Kentucky-Indiana Regional Council of Governments (OKI) estimates the daily bridge user ratio of Kentucky versus Ohio residents at 65:35.

The residents and business owners of Kenton County will be severely harmed if they are expected to carry the brunt of any toll because of the county's proximity to the new bridge, and considering that its population of 160,000 residents (which is less than 8 percent of the total population living within the OKI regional network of nine counties) will result in a significantly disproportionate cost per capita than any other county within the Greater Cincinnati and Northern Kentucky regions.

Residents in surrounding counties in Kentucky, such as Boone County, to the west of Kenton County, have a bridge already connecting them to Cincinnati, Ohio via I-275 at Dearborn County, Indiana. Also, Campbell County connects directly to downtown Cincinnati via I-471 through Newport, Kentucky, and also connects to eastern Hamilton County via the Combs-Hehl Bridge at I-275. Those affected residents of each respective neighboring county will be able to avoid tolls.

Judge Arlinghaus said that the heroin problem in Northern Kentucky appears to be far greater as opposed to anywhere else in the Commonwealth. The Kenton County Detention Center averages about 600 inmates per day and is at capacity. About 80 percent are there because of drug related issues at a cost of $23,000 per year per inmate. The numbers for Campbell County, and to a lesser degree, Boone County, are similar.

There is a shortage of beds in residential treatment centers in Northern Kentucky. Louisville has 787 beds and Lexington has 467 beds. Northern Kentucky has 199 beds, which is another example of an inequity in Northern Kentucky that needs to be studied.

Judge Arlinghaus pointed out that there are three areas of state funding inequities. The first is state funding for higher education per student in Kentucky. The University of Kentucky and the University of Louisville receive approximately $12,000 per student; Morehead State University receives $5,935 per student; Murray State University receives $5,994 per student; Eastern Kentucky University receives $5,469 per student; Western Kentucky University receives $4,578 per student; and Northern Kentucky University receives $3,987 per student. Northern Kentucky is the third largest populated region in the state, which produces a large amount of revenue for Kentucky and helps to keep the state fiscally afloat. There needs to be some equality in the sharing of the educational revenue that is generated.

The second issue involves state contract dollars for behavioral health and substance abuse per capita. Comprehend receives the most with $38.57 per capita and North Key (Northern Kentucky) receives the least with $16.36 per capita. Again, Northern Kentucky is last.

The last issue is involves the State House redistricting proposal, which is another example of Northern Kentucky being treated differently than the rest of the state. Northern Kentucky scored very high on placing the maximum number of people put into a district that could possibly be placed in a district, minimizing its ability to be fairly represented in Frankfort.

In response to a question from Senator Bowen regarding the sharing of cost for the Brent Spence Bridge between Kentucky and Ohio, Judge Arlinghaus stated that he did not have the figures for an equitable breakdown.

Representative Tilley commented that since the passage of 2011 HB 463, progress is being made to get 1,500 additional treatment beds throughout the state. The treatment beds are subject to the jurisdiction of the Department of Corrections and do not include faith-based treatment beds. The bill encourages and incentivizes faith-based treatment that would not be the private treatment beds that are escalating every day. Also, community mental health centers have a contract with the department to provide community-based treatment, which can be more cost-effective.

Judge Steve Pendery, Campbell County Judge/Executive, said that Northern Kentucky is succeeding in economic development. The area has led the state in the past 15 to 20 years in terms of job creation. It is the only region in the state directly under the influence of a big city nearby in a neighboring state. Even with all of the successes of the state and Northern Kentucky, there are some worries that have to be mentioned. In the last four or five years, there have been steps taken in the surrounding states to improve their economic competitiveness. Kentucky does not some of the appeal of Florida or

California. Kentucky must have an infrastructure and a tax climate that are competitive and attractive to people. Kentucky needs to be concerned about what the surrounding states are doing. For example, Ohio does not have a corporate income tax. The effect on Northern Kentucky was rather direct in the last couple of years by losing a Fortune 500 company, another large employer of several hundred people out of the City of Covington. In a recent competition over an advanced manufacturing firm, Northern Kentucky lost to Ohio. The sum total of just those three examples is over 1,000 jobs, with millions of dollars of tax revenue that come to Northern Kentucky and go to the state.

The tax reform commission has done good work but needs to go a step beyond and establish the goal of doing something that places Kentucky in the lead among states. It should catch the attention of perspective employers in certain categories that are meaningful and give Kentucky something convincing to sell.

Judge Pendery said that the Northern Kentucky Convention Center needed to be expanded because the groups that utilize the convention center have grown. It is the only convention center in the state that covers its own operational expenses and one of the few in the United States to do so.

Judge Gary Moore, Boone County Judge/Executive, said that there used to be regular allocations for infrastructure improvements of water and sewer, which has not been seen recently. In a growing region like Northern Kentucky, that has been a huge struggle for them to continue to try to get water and sewer service to unserved people in their communities. About half of Boone County's land mass does not have public water, and thus the county is trying to do more with less. Boone County is contracting services out, which is much more efficient. It has been fortunate that it has seen job growth in the private sector even though it is losing companies to Ohio.

Judge Moore said that Sanitation District No. 1 is the sewer and storm water utility that covers all three counties in Northern Kentucky. Northern Kentucky has been under a consent decree since 2005, and has 20 years to meet the elements of the decree. Between now and 2025, Northern Kentucky must spend about $3 billion to meet all of the requirements, and the number is growing. The rate increases over the last several years have been high but have been required to meet this unfunded mandate from the Federal EPA, Kentucky EPA, and the Kentucky Division of Water. Meeting the requirements and yet allowing residents to pay affordable utility fees in that timeframe is impossible. Northern Kentucky needs more time to get it done and needs assistance from the General Assembly.

In a day when local governments are seeing less revenue from federal and state government, local governments need more tools to fend for themselves. Some examples of this might be getting rid of obstacles that are in the way that would prevent the merging of certain units of government, combining departments across county lines, or cities combining services.

In response to a question from Senator Bowen, Judge Pendery said that local taxes in Northern Kentucky are less than those in Cincinnati.

In response to a question from Senator McDaniel, Judge Pendery said that $50 million is needed for the expansion of the Northern Kentucky Convention Center.

In response to a question from Senator McDaniel as to what action the legislature should take regarding Sanitation District No. 1, Judge Moore said the area needs help playing defense against the new rules that make it tougher for local communities to meet requirements.

There being no further business, the meeting was adjourned at 3:40 p.m.

INTERIM JOINT COMMITTEE ON NATURAL RESOURCES AND ENVIRONMENT

Minutes of the 2nd Meeting of the 2013 Interim

July 9, 2013

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Natural Resources and Environment was held on Tuesday, July 9, 2013, at 1:00 PM, in Room 149 of the Capitol Annex. Representative Jim Gooch Jr., Chair, called the meeting to order, and the secretary called the roll.

Present were:

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

Legislative Guest:Representative Rocky Adkins.

Guests: Dr. Len Peters, Secretary, Energy and Environment Cabinet; Mr. George Siemens, Vice President for External Affairs, LG&E and KU.

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

Impending US EPA regulation of greenhouse gas emissions from new and existing power plants

Secretary Len Peters, Energy & Environment Cabinet, discussed the Obama administration's climate change agenda. Prominent cornerstones of the climate change agenda include the following: targeted emissions from new and existing electric power plants; an $8 billion loan guarantee for advanced fossil energy and efficiency projects; efficiency initiatives for buildings and appliances standards; and efforts to end support for public financing of new coal-fired power plants abroad. In discussing significant dates for the new source performance standards, Secretary Peters stated that they would apply to both new and existing sources. Final rules are expected by June 1, 2015, and states will need to submit new state implementation plans under Section 111(d) of the Clean Air Act. The main concern is the time that states will have to comply with those rules.

Kentucky faces more severe implications from the new rules than other states. Kentucky is coal dependent and has a carbon footprint that is 50 percent higher than the national average. The manufacturing sector is vulnerable because it is predicated on Kentucky's historic competitive advantage in providing low cost power to this sector. Higher energy prices can induce higher unemployment because the energy-intensive manufacturing sector employs more than 20,000 Kentuckians.

Kentucky's share of coal relative to other fuel stocks will decrease, and coal shipments to other states will decline as more states retire coal-fired power plants. These changes are creating uncertainty in the electric power industry. The new source performance standard guarantee that there will be no new coal fired electric power plants in Kentucky. Governor Beshear and governors from several other states have asked the United States Environmental Protection Agency to reconsider the rule because of its dramatic impact on the states' economies.

Kentucky's options are limited. Kentucky will continue to petition the United States Environmental Protection Agency for greater flexibility in meeting the new rule's targeted reductions. Kentucky needs more reasonable implementation timelines. Kentucky will also identify ways to affordably comply with the standards by expanding research and development on advanced coal technologies and carbon capture and storage. The cabinet will be examining the recommendations of the Kentucky Climate Action Plan Council and determining whether the state can promote use of biomass as an alternative fuel stock. There is a boiler efficiency study being performed by the cabinet which should be finalized in October. The cabinet hopes that the study will reveal new ways to obtain higher efficiencies in burning coal and identify technologies that can be utilized going forward. There is no single method or single fuel source going forward. All resources are needed.

In response to a question about the future of coal exports to foreign countries and how the closure of the uranium enrichment facility in Paducah, Kentucky will affect energy demand, Secretary Peters stated that regardless of the administration's desire to end support for financing foreign coal-fired power plants, there will continue to be international demand for coal. However, the consumption of energy, expressed as kilowatt-hour as a percentage of gross domestic product (GDP), may not change with the closure of the uranium enrichment plant.

In response to a question about how much coal demand will decrease as a result of the administration's efforts to stop overseas financing of coal-fired power plants, Secretary Peters said that financiers of international power plants are multinational corporations and those corporations may not be controlled.

In response to a question about the destruction of different types of greenhouse gasses, including methane, that contribute to global warming, Secretary Peters stated that the contributions of various gasses are not as significant as carbon dioxide. Methane is more potent, but compared to carbon dioxide methane is not as concentrated. Other contributors of greenhouse gas include transportation. Up to 40 percent of greenhouse gasses come from that sector.

In response to a question about whether mining per se contributes to the methane footprint, Secretary Peters said that coal is composed mostly of carbon. Burning coal releases more carbon than burning methane, which releases 1 carbon atom and 4 hydrogen atoms. There is less carbon dioxide from burning methane than burning coal.

One legislator doubted the sincerity of the Obama administration's efforts to switch fuels when no resources have been put into increasing the share of hydro power and when nuclear power is predicated on the storage of wastes in Yucca Mountain, and asked about the value of chemical looping as a new coal fired technology. Secretary Peters responded that chemical looping is a new technology developed at Ohio State University with promise. It is hoped that some of the funding from the $8 million loan guarantee will be used to commercialize it. Hydroelectric power is a good source of renewable power in the West; however, in the manufacturing states of the Midwest, the sources of power are only coal, natural gas, and nuclear. The United States is reluctant to build nuclear power plants. The fear is that the nation and the economy will be predicated on a single fuel for electricity, and a single fuel would be unwise.

In response to a question about the eligible uses of the $8 billion dollar loan guarantee funds and about future natural gas usage in Kentucky, Secretary Peters stated that the cabinet does not know what the money can be spent on, but it is hoped that research and development of supercritical and oxycombustion boilers will be included. The cabinet will continue to evaluate project eligibility. Regarding natural gas use, Secretary Peters said that natural gas will become an important fuel in Kentucky. The concern is the variety of economic sectors, including home heating, vehicles, chemicals, and baseload generation, is too concentrated on a single fuel. Natural gas is best for value-added chemicals.

In response to a question on how the United States Environmental Protection Agency will set the amount of carbon dioxide that must be reduced by states, Secretary Peters stated that the guidelines for carbon dioxide reduction will likely be something set in conjunction with the National Resources Defense Council.

In response to a question about whether natural gas and other fuels are as reliable a baseload fuel source as coal, Secretary Peters said that the scale of energy use is of concern. Examining other fuels is not an option in Kentucky. Wind for baseload generation in Kentucky would require a wind turbine every square mile. In terms of coal sequestration, researchers have not solved the storage problem.

In response to a question about whether the cabinet is putting together a list of projects to submit to the United States Environmental Protection Agency for funding from the $8 billion dollar loan guarantee, Secretary Peters said that the cabinet is evaluating the loan guarantee. There is no project list at this time.

In response to several questions including whether the President has the authority to authorize a loan guarantee absent congressional approval, the opportunity for waste coal uses, and methane from volcanic gases, Secretary Peters said that volcanic gases do not have a substantial impact on global warming. Volcanic gases are a mixture of sulfur acids, ash and methane. There are many scientists studying global warming trends. Those scientists look at temperature, sea level, and glacial fields. There are indications that global warming is occurring. Legislators responded that it is too harsh to place all the blame for global warming on coal, and climate has always been changing.

George Siemens, Vice President for External Affairs, Louisville Gas & Electric and Kentucky Utilities, discussed the utilities' response to the White House announcement on proposed changes to the Clean Air rules. The utilities do not have a plan per se. There is much uncertainty with how the new rules will unfold, and the utilities will ask for more flexibility and time. Every regulation increases cost to customers, the exact cost is unknown. The technology to remove and control carbon does not exist.

In response to a question about what the penalties will be to the utilities if they unable to meet the federal emissions reduction guidelines, Mr. Siemens said that utilities will have to address reductions through efficiency. If efficiencies cannot be achieved, then the utility will compel reductions through retirement of utility plants. Secretary Peters stated that the boiler efficiency study will hopefully reveal some new technologies and opportunities to comply with the required reductions. However, the cabinet does not know what is best for the manufacturing sector in this state. Electricity costs will increase.

One legislator commented that a balanced energy portfolio is difficult under the new rules, and there is still a concern about fracking with natural gas. This is a concern if natural gas becomes a primary fuel for electric generation in Kentucky. In response to a question about whether there are any rules that prevent fracking wastes from coming into Kentucky, Bruce Scott, Commissioner for Environmental Protection, Energy and Environment Cabinet said that there is no prohibition against the disposal of fracking wastes in the state. Kentucky does not use fracking drilling fluids, so it has not been a problem. A request was made that the topic of fracking and controlling disposal of fracking wastes be examined more fully by the committee.

In response to a question about whether any other university has studied chemical looping, Secretary Peters stated yes. A legislator then commented that the United States is short sighted in terms of understanding the impact of restricting coal use for baseload generation in the United States. In response, Secretary Peters stated that the United States needs all fuels. Also, the state should reevaluate the use of nuclear energy. A legislative strategy must include all options. The fleet of power plants planned for today will be what is available in 30 years.

One legislator commented that Kentucky has been responsive and reduced emissions from power plants, but there was greater flexibility in responding to the problem. Utilities acted when technologies became available. In response, Mr. Siemens stated that Louisville Gas & Electric pioneered scrubbers. The utility can always add equipment, but nothing is comparable in the past to the technological needs required to control carbon dioxide emissions.

Several legislators commented that the White House administration does not care about the impact of these changes on the Kentucky economy. The impact is on jobs, severance money, and the economy. One legislator asked for a report on how severance tax is imposed and how it is used.

After a motion and a second, the committee adjourned at 2:20 PM (EST).

INTERIM JOINT COMMITTEE ON STATE GOVERNMENT

Minutes of the 1st Meeting of the 2013 Interim

June 19, 2013

Call to Order and Roll Call

The first meeting of the Interim Joint Committee on State Government was held on Wednesday, June 19, 2013, at 2:00 PM, in Covington, Kentucky, at the Northern Kentucky Convention Center. The meeting was a joint meeting with the Interim Joint Committee on Local Government. Senator Joe Bowen, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members:Senator Joe Bowen, Co-Chair; Representative Brent Yonts, Co-Chair; Senators Walter Blevins Jr., Ernie Harris, Christian McDaniel, Morgan McGarvey, Gerald Neal, R. J. Palmer II, Albert Robinson, Dan "Malano" Seum, and Damon Thayer; Representatives Dwight Butler, Leslie Combs, Joseph Fischer, Derrick Graham, Kenny Imes, Martha Jane King, Brad Montell, Tanya Pullin, Jody Richards, Tom Riner, Bart Rowland, Kevin Sinnette, Diane St. Onge, John Will Stacy, John Tilley, Ken Upchurch, and Jim Wayne.

Guests: Representative Greg Stumbo, Speaker of the House; Ed Hughes and Laura Kroeger, Gateway Community and Technical College; Steve Pendery, Campbell County Judge/Executive; Steve Arlinghaus, Kenton County Judge/Executive; Gary Moore, Boone County Judge/Executive; Kenton County Sheriff Chuck Korzenborn; City of Taylor Mill Mayor Dan Bell; Former City of Covington Commissioner Jerry Stricker; Tom Bennett, State Auditor's Office; Paula Smith, Kentucky Farm Bureau; Karen Hargett, Transitions; Cara Stewart, Kentucky Equal Justice Center, Covington; Richard Harrison, Northern Kentucky Water District; Don Pasley, Kentucky Transportation Cabinet; Bert May, Kentucky League of Cities; Rhonda Whitaker, Duke Energy; and Ted Heckmann, Cincinnati Bell.

LRC Staff: Mark Mitchell, Joe Pinczewski-Lee, John Ryan, Kevin Devlin, Alisha Miller, Karen Powell, and Cheryl Walters.

Opening Remarks and Welcome

On behalf of its delegation and the community, Dr. Ed Hughes, President of Gateway Community and Technical College, welcomed the committees to Northern Kentucky. The last two years have been the largest graduating classes in the history of the ten year old school. Education and training are the heart of solutions to the issues of pension, revenue, and healthcare. Sixteen community colleges of the Kentucky Community and Technical College System, of which Gateway is one, are about doing that work. Putting people back to work in high wage, high demand jobs will move the state forward. Because of legislation passed by the General Assembly, the school is developing a master plan to repurpose seven buildings in Covington and to move the campus. Only 15 percent of the adult populations aged 25 to 64 have a college credential in the area, while the national average is 31 percent. The reason for the move to the population center is that Northern Kentucky, as all communities in Kentucky, must improve and be prepared to thrive. The move is more an economic development than an educational project.

Representative Riggs commented that Dr. Hughes' remarks regarding the prosperity and growth are very positive. That the college graduation rate is too low is something the legislature must keep in mind as it makes decisions. Gateway is doing very well, and Dr. Hughes deserves commendation for his leadership.

Representative Yonts commented that the last time he was on the Gateway campus, Dr. Hughes talked about the needs for more manufacturing students, which is important since the country is trying to bring manufacturing back. Gateway plays a big role in that educational effort.

Representative Wayne commented that he has been an advocate for smart growth and limiting urban sprawl because urban sprawl is so inefficient, and it costs the taxpayers much more money to service sprawl areas than it does to reuse areas. He complimented Dr. Hughes for his forward thinking relating to the relocation of the campus and trying to develop an urban core that is vital and will grow and prosper.

Senator Bowen commented that it was very encouraging to hear that there is a collaborative effort with the community and the college.

State and Local Issues confronting Kenton, Boone, and Campbell Counties

Referring to a resolution of the Kenton County Fiscal Court, Judge Steve Arlinghaus, Kenton County Judge/Executive, said that Kenton County opposes the use of tolls as a funding mechanism for the reconstruction and/or replacement of the Brent Spence Bridge. The Brent Spence Bridge project is estimated to cost $2.5 billion. The bridge and the renovation of the existing bridge will cost over $800 million. The Ohio-Kentucky-Indiana Regional Council of Governments (OKI) estimates the daily bridge user ratio of Kentucky versus Ohio residents at 65:35.

The residents and business owners of Kenton County will be severely harmed if they are expected to carry the brunt of any toll because of the county's proximity to the new bridge, and considering that its population of 160,000 residents (which is less than eight percent of the total population living within the OKI regional network of nine counties) will result in a significantly disproportionate cost per capita than any other county within the Greater Cincinnati and Northern Kentucky regions.

Residents in surrounding counties in Kentucky, such as Boone County to the west of Kenton County, have a bridge already connecting them to Cincinnati, Ohio via I-275 at Dearborn County, Indiana. Also, Campbell County connects directly to downtown Cincinnati via I-471 through Newport, Kentucky, and also connects to eastern Hamilton County via the Combs-Hehl Bridge at I-275. Those affected residents of each respective neighboring county will be able to avoid tolls.

Judge Arlinghaus said that the heroin problem in Northern Kentucky appears to be far greater as opposed to anywhere else in the Commonwealth. The Kenton County Detention Center averages about 600 inmates per day and is at capacity. About 80 percent are there because of drug-related issues at a cost of $23,000 per year per inmate. The numbers for Campbell County, and to a lesser degree, Boone County, are similar.

There is a shortage of beds in residential treatment centers in Northern Kentucky. Louisville has 787 beds and Lexington has 467 beds. Northern Kentucky has 199 beds, which is another example of an inequity in Northern Kentucky that needs to be studied.

Judge Arlinghaus pointed out that there are three areas of state funding inequities. The first is state funding for higher education per student in Kentucky. The University of Kentucky and the University of Louisville receive approximately $12,000 per student; Morehead State University receives $5,935 per student; Murray State University receives $5,994 per student; Eastern Kentucky University receives $5,469 per student; Western Kentucky University receives $4,578 per student; and Northern Kentucky University receives $3,987 per student. Northern Kentucky is the third largest populated region in the state, which produces a large amount of revenue for Kentucky and helps to keep the state fiscally afloat. There needs to be some equality in the sharing of the educational revenue that is generated.

The second issue involves state contract dollars for behavioral health and substance abuse per capita. Comprehend receives the most with $38.57 per capita and North Key (Northern Kentucky) receives the least with $16.36 per capita. Again, Northern Kentucky is last.

The last issue involves the State House redistricting proposal, which is another example of Northern Kentucky being treated differently than the rest of the state. Northern Kentucky scored very high on placing the maximum number of people put into a district that could possibly be placed in a district, minimizing its ability to be fairly represented in Frankfort.

In response to a question from Senator Bowen regarding the sharing of cost for the Brent Spence Bridge between Kentucky and Ohio, Judge Arlinghaus stated that he did not have the figures for an equitable breakdown.

Representative Tilley commented that since the passage of 2011 HB 463, progress is being made to get 1,500 additional treatment beds throughout the state. The treatment beds are subject to the jurisdiction of the Department of Corrections and do not include faith-based treatment beds. The bill encourages and incentivizes faith-based treatment that would not be the private treatment beds that are escalating every day. Also, community mental health centers have a contract with the department to provide community-based treatment, which can be more cost-effective.

Judge Steve Pendery, Campbell County Judge/Executive, said that Northern Kentucky is succeeding in economic development. The area has led the state in the past 15 to 20 years in terms of job creation. It is the only region in the state directly under the influence of a big city nearby in a neighboring state. Even with all of the successes of the state and Northern Kentucky, there are some worries that have to be mentioned. In the last four or five years, there have been steps taken in the surrounding states to improve their economic competitiveness. Kentucky does not have some of the appeal of Florida or California. Kentucky must have an infrastructure and a tax climate that are competitive and attractive to people. Kentucky needs to be concerned about what the surrounding states are doing. For example, Ohio does not have a corporate income tax. The effect on Northern Kentucky was rather direct in the last couple of years by losing a Fortune 500 company, another large employer of several hundred people out of the City of Covington. In a recent competition over an advanced manufacturing firm, Northern Kentucky lost to Ohio. The sum total of just those three examples is over 1,000 jobs, with millions of dollars of tax revenue that come to Northern Kentucky and go to the state.

The tax reform commission has done good work but needs to go a step beyond and establish the goal of doing something that places Kentucky in the lead among states. It should catch the attention of prospective employers in certain categories that are meaningful and give Kentucky something convincing to sell.

Judge Pendery said that the Northern Kentucky Convention Center needed to be expanded because the groups that utilize the convention center have grown. It is the only convention center in the state that covers its own operational expenses and one of the few in the United States to do so.

Judge Gary Moore, Boone County Judge/Executive, said that there used to be regular allocations for infrastructure improvements of water and sewer, which has not been seen recently. In a growing region like Northern Kentucky, it has been a huge struggle for them to continue to try to get water and sewer service to unserved people in their communities. About half of Boone County's land mass does not have public water, and thus the county is trying to do more with less. Boone County is contracting services out, which is much more efficient. It has been fortunate that it has seen job growth in the private sector even though it is losing companies to Ohio.

Judge Moore said that Sanitation District No. 1 is the sewer and storm water utility that covers all three counties in Northern Kentucky. Northern Kentucky has been under a consent decree since 2005 and has 20 years to meet the elements of the decree. Between now and 2025, Northern Kentucky must spend about $3 billion to meet all of the requirements, and the number is growing. The rate increases over the last several years have been high but have been required to meet this unfunded mandate from the Federal EPA, Kentucky EPA, and the Kentucky Division of Water. Meeting the requirements and yet allowing residents to pay affordable utility fees in that time frame is impossible. Northern Kentucky needs more time to get it done and needs assistance from the General Assembly.

In a day when local governments are seeing less revenue from federal and state government, local governments need more tools to fend for themselves. Some examples of this might be getting rid of obstacles that are in the way that would prevent the merging of certain units of government, combining departments across county lines, or cities combining services.

In response to a question from Senator Bowen, Judge Pendery said that local taxes in Northern Kentucky are less than those in Cincinnati.

In response to a question from Senator McDaniel, Judge Pendery said that $50 million is needed for the expansion of the Northern Kentucky Convention Center.

In response to a question from Senator McDaniel as to what action the legislature should take regarding Sanitation District No. 1, Judge Moore said the area needs help playing defense against the new rules that make it tougher for local communities to meet requirements.

There being no further business, the meeting was adjourned at 3:40 p.m.

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

Minutes of the 2nd Meeting of the 2013 Interim

July 11, 2013

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Veterans, Military Affairs, and Public Protection was held on Thursday, July 11, 2013, 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 Tanya Pullin, Co-Chair; Senators Perry B. Clark, Carroll Gibson, Ernie Harris, Christian McDaniel, Dennis Parrett, Albert Robinson, Kathy W. Stein, and Mike Wilson; Representatives Robert Benvenuti III, Regina Bunch, Denver Butler, Dwight D. Butler, Larry Clark, Tim Couch, Myron Dossett, David Floyd, Kenny Imes, Jimmie Lee, Donna Mayfield, David Meade, Terry Mills, Tim Moore, Rick G. Nelson, Tom Riner, Rita Smart, and Russell Webber.

Guests: Col. (Ret.) David Thompson, Executive Director, Kentucky Commission on Military Affairs (KCMA); J. Barry Brady, Marion County Jailer; Chief Gregg Bayer, Lexington Fire Department; Lt. Col. Rick Adkisson, Louisville Department; Steven P. Mitchell, Owensboro Fire Department; and Jeff Pohlman, Alexandria Fire Department.

LRC Staff: Erica Warren, Kristopher Shera, and Rhonda Schierer.

Minutes

Representative Pullin moved to adopt the June 13, 2013, meeting minutes. Representative Lee seconded the motion, and the minutes were adopted.

Force Reductions at Fort Knox and Fort Campbell

Col. (Ret.) David Thompson, Executive Director, Kentucky Commission on Military Affairs, gave a PowerPoint presentation on the US Army force structure reorganization and its impact on Kentucky. The active army will cut 80,000 soldiers by 2017 which is a reduction of 15 percent of the force. This cut comes as a result of the US Budget Control Act 2011 and defense planning guidance issued in 2012. The impact will create a net loss of 320 military positions at Fort Campbell 3,300 military positions at Fort Knox. There will be no force structure reductions in the Army National Guard or Reserve. Sequestration driven cuts may reduce the Army end-strength by an additional 100,000 soldiers. Fort Knox remains an essential home to multiple units and force generating capabilities, and Fort Campbell remains an essential power projection platform and home to multiple strategic crisis response units and force generating capabilities. Col. Thompson discussed the KCMA's strategic plan to include protecting and growing Kentucky Department of Defense installations, strengthening the defense-related economy in Kentucky, communicating strategically, and conducting inter-agency program support for a strong military in Kentucky. A copy of KCMA's PowerPoint is filed with this official record.

In response to a question from Representative Lee, Col. Thompson stated that Fort Knox should be changed from a single to a joint installation to be better utilized.

In response to a question from Representative Moore, Col. Thompson said that sequestration has forced civilian workforce furloughs in the Army of 11 days off annually, making a 20 percent reduction in pay. Further furlough measures may be instituted.

Evidence Based Programming in Marion County Jail

J. Barry Brady, Marion County Jailer, gave an overview of the Marion County Detention Center (MCDC) and its evidence-based programming. MCDC has a capacity of 297 beds, including 80 pilot program beds and 128 substance abuse treatment beds. MCDC's goals are to protect public safety, protect institutional safety, provide legal standard of care, provide programs intended to reduce the likelihood of re-incarceration, provide a sanitary and humane environment for both offenders and staff, ensure all employees are knowledgeable of baseline standards, and ensure all employees are trained to carry out duties in accordance to standards. In June of 2013, MCDC received a Community Corrections Grant that will be used to operate three pilot programs being offered to inmates who qualify according to classification: Moral Reconation Therapy, Inside Out Dads, and New Directions. Mr. Brady summarized each program and said that MCDC has had 53 graduates get their GED from July 1, 2012 through June 30, 2013. In the Substance Abuse Treatment bed area, MCDC offers a Living in Balance Program (LIB). As of July 1, 2013, 370 clients have graduated from that program. The ALPHA Program is a six to nine month program designed for incarcerated individuals wanting to recover from their alcohol and drug addictions. As of July 1, 2013, 103 clients have graduated from that program.

In response to a question from Chair Higdon, Mr. Brady stated that statistics prove that prisoners are less likely to reoffend after enrolling in a jail's programs.

In response to a question from Senator Clark, Mr. Brady stated that MCDC helps released inmates secure necessary papers and materials and helps them find employment through a directions class called Reentry. MCDC does not have a program yet to help inmates reinstate their voting rights. Mr. Brady stated that he could definitely see the importance of inmates restoring their voting rights upon their release.

Heavy Search and Rescue Demonstration

Chief Gregg Bayer, Battalion Chief, Lexington Fire Department, and Lt. Col. Rick Adkisson, Assistant Chief, Louisville Fire Department, gave a PowerPoint presentation on the Kentucky Technical Search and Rescue Initiative. Mr. Bayer discussed finding and rescuing people affected by major widespread disaster using multi-discipline teams. Mr. Adkisson described the natural events as tornadoes, flooding, and earthquakes that could require heavy search and rescue methods. Mr. Bayer discussed weapons of mass destruction and ways the technical search and rescue teams can be of help without depleting a particular area's rescue workers who may be dealing with widespread multiple needs.

Upon completion of the PowerPoint presentation, the committee recessed and moved to the demonstration area on the top parking lot behind the Capitol Annex. Demonstrations were made of the equipment used by the heavy search and rescue teams from Brodhead, Lexington, Louisville, Northern Kentucky, and Owensboro Fire Departments. The demonstrations included rope rescue, shoring and trench rescue, flooding and swift water rescue, and breaching and breaking rescue.

There being no further business, the meeting adjourned.

CAPITAL PLANNING ADVISORY BOARD

Minutes of the 2nd Meeting of the 2013 Calendar

June 26, 2013

Call to Order and Roll Call

The 2nd meeting of the Capital Planning Advisory Board was held on Wednesday, June 26, 2013, at 9:30 AM, in Room 171 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 Terry Mills, Co-Chair; Senator Whitney Westerfield, Representative Tom Riner, Charles Byers, Carole Henderson, John Hicks, Sherron Jackson, Mary Lassiter, James Link, Carol Palmore, and Katie Shepherd.

LRC Staff: Shawn Bowen, Josh Nacey, and Jennifer Luttrell.

Guests testifying before the Board: Charles Harman, Director, Division of Budget and Financial Management, Department of Education; Stuart Johnston, Director, Division of Technology Services, Brian Easton, Assistant Director, Division of Administrative Services, Barbara Teague, Kentucky State Archivist, and Linda Hume, KET Director of Finance and Administration, Education and Workforce Development Cabinet; Robert L. King, President, Allen Lind, Vice President of Information and Technology, and Shaun McKiernan, Senior Associate of Budget, Policy, and Planning, Council on Postsecondary Education; Eric Shaffer, System Director of Facilities Management, and Ken Marks, Director of Capital Construction and Sustainability Initiatives, Kentucky Community and Technical College System; Dr. Mary Evans Sias, President, Hinfred McDuffie, Executive Vice President for Administration, and Joseph Gronefeld, Senior Project Manager, Kentucky State University; Beth Patrick, Chief Financial Officer and VP for Administration, Morehead State University; Ken Ramey, Vice President for Administration and Finance, and Larry Blake, Assistant Vice President for Facilities Management, Northern Kentucky University; Dr. Gary Ransdell, President, John Osborne, Vice President of Campus Services and Facilities, and Bryan Russell, Director of Planning, Design, and Construction, Western Kentucky University; Bob Jackson, Associate Vice President of Development and Governmental Relations, Kim Oatman, Chief Facilities Officer, and Carl Prestfeldt, Director of Fiscal Planning and Analysis, Murray State University; Larry Owsley, Vice President for Business Affairs, University of Louisville; James Street, Executive Vice President for Administration, Eastern Kentucky University; and Bob Wiseman, Vice President for Facilities Management, University of Kentucky.

Approval of Minutes

A motion to approve the minutes of the May 22, 2013 meeting was made by Mr. Hicks, seconded by Representative Mills, and approved by voice vote.

Information Items

Two information items were included in members' binders. The items included follow-up correspondence from the Transportation Cabinet regarding the square footage cost for the new District 10 office building in Breathitt County, and a chart outlining university capital projects authorized in House Bill (HB) 7, 2013 Session of the Kentucky General Assembly. No action was required.

Review of Agency Capital Plans

The Capital Planning Advisory Board received testimony regarding 13 state agency capital plans. The testimony included discussion of capital construction, information technology, and equipment needs for the period 2014-2020. The following state agencies and postsecondary institutions testified: Department of Education, Education and Workforce Development Cabinet, Council on Postsecondary Education, Kentucky Community and Technical College System, Kentucky State University, Morehead State University, Northern Kentucky University, Western Kentucky University (via video conference), Murray State University (via video conference), University of Louisville, Eastern Kentucky University, University of Kentucky, and University of Kentucky Hospital.

Relative to a question from Senator Westerfield, Mr. Harmon said facilities at the Kentucky School for the Deaf and the Kentucky School for the Blind are in poor condition. For the last ten years, two facilities have been deemed surplus property. The facilities are unoccupied due to ongoing problems with water leaks and mold.

In response to another question

from Senator Westerfield regarding the Department of Education Instructional Device Replacement project, Mr. Harmon said the useful life of instructional devices (tablets) is less than the useful life of desktop computers. The Department of Education provides the funds to districts to replace the devices, but school districts are not obligated to buy tablets, they may also purchase desktops. He added that most districts purchase iPads.

Mr. Hicks asked Mr. Harmon to provide for the members at the next meeting an analysis of what it would cost to lease the instructional devices rather than purchase them. [The Replace Instructional Device project is estimated to cost $100 million over a four-year period, $50 million in the 2014-16 and the 2016-18 biennium.] Mr. Harmon responded that he would provide that information to members.

In response to a question from Representative Mills, Mr. Harmon said desktop computers cost approximately $1,100 and laptops cost about $1,500.

Relative to a question from Senator Westerfield about the Next Generation Support in Education Excellence in Kentucky (SEEK) project, Mr. Harmon said there are numerous deficiencies with the current system of calculating and distributing the annual SEEK allocation. He said the system is slow to generate the required reports and inflexible when computing revised data.

Representative Mills asked how many students are enrolled at the Kentucky School for the Deaf (KSD) and the Kentucky School for the Blind (KSB). Mr. Harmon responded that there are approximately 120 students enrolled at each school. The enrollment has declined because more parents are choosing to keep their children at home, but through various outreach programs, the schools serve about 2,500 students.

In response to a question from Senator Humphries, Mr. Harmon said KSB and KSD underwent an analysis of its deferred maintenance needs in 2011. The repair cost at the KSB campus is $39 million, and the replacement cost is $60 million. The repair cost for KSD is $36 million, and the replacement cost is $57 million. Mr. Harmon said the department was pleased with the analysis; however, the dollar figures were based on the assumption of 700 students, instead of current enrollment figures.

Relative to the Expand the Libraries and Archives Building project for the Education and Workforce Development Cabinet, Mr. Hicks asked why the department has submitted a request for expanded library space when leased space has been secured. [The department recently leased property for $545,764 annually. The single-story, 100,000-square-foot building will have steel shelves able to hold 15 rows of boxes. Moving into the building will likely take about two and a half years and cost roughly $1.6 million.] Ms. Teague explained that the goal, over a 20-year period, is to have permanent records stored in a state-owned facility. There will always be a need for permanent paper records and those types of records should not be stored in leased space.

Mr. Jackson asked how many projects are designated for funding from the Education and Workforce Development Cabinet Miscellaneous Maintenance Pool project ($6,381,000, 2014-16 biennium). Mr. Easton responded that 43 projects within the cabinet are designated for maintenance pool funding. Those projects are within the Office of Education Technology, Office of Vocational Rehabilitation, and the Office for the Blind.

In response to additional questions from Mr. Jackson, Ms. Hume said the Kentucky Educational Television (KET) facility maintenance pool will be used to fund various ongoing maintenance projects. There is no specific list of projects designated for funding, and the largest project, at a cost of $25,000, would likely involve painting transmitter towers. The Federal Communications Commission and the Federal Aviation Administration require that the paint on all broadcast towers be maintained so that it is not flaking and has not visibly faded. The maintenance pool will also fund projects related to the repair of KET's Cooper Drive location. The building has experienced severe settling problems over the last ten years, resulting in the need to pump concrete into the foundation in an effort to prevent additional structural damage. The actual cause of the problem is still unknown, and an engineering study recommended the soil be studied to help determine the cause of the problem.

In reference to the Council on Postsecondary Education Adult Learner Degree Attainment Initiative project ($1,000,000 general funds, 2014-16 biennium), Ms. Palmore asked how much the project will cost, and if a needs assessment had been done. Mr. King said the Postsecondary Education Improvement Act of 1997, commonly referred to as House Bill 1, established educational goals for the state to achieve by 2020. One of those goals is to increase the educational attainment level of Kentucky residents to the national average of attainment. The Adult Learner Degree Attainment Initiative will be modeled after the Kentucky Community and Technical College System (KCTCS) online degree program. The offerings will be based on the needs of the four-year institutions. To qualify for the program, a student must have completed at least 60 postsecondary credit hours. The students would come in as juniors and would move into a limited number of degree programs to be identified based upon community need. The market or need is potentially 1 million students. As to the cost of the program, Mr. King said the cost of the program should be in line with public university tuition.

Relative to a question from Ms. Lassiter regarding the Council on Postsecondary Education Expand Kentucky Regional Optical Network Infrastructure (KyRON) project, Mr. Lind said the expansion of this network will not directly assist individuals that do not have broadband Internet access. KyRON will assist individuals indirectly by sharing national Internet2 100 Gbps backbone with public entities. The end customers are community libraries, schools, museums, university campuses, etc.

In response to a question from Mr. Jackson, Mr. Shaffer said KCTCS included a request for 2014-16 and 2016-18 for a $38 million Capital Renewal and Deferred Maintenance Pool. If authorized, this pool would fund some of the projects in the first biennium identified as asset preservation. Since 1997, KCTCS has included such a request in its capital plan, however, that funding has never been authorized in an executive budget. Historically, KCTCS has managed its deferred maintenance needs internally with $5 million each biennium. In addition, KCTCS has utilized service contracts for mechanical equipment upgrades and preventive maintenance for almost all KCTCS buildings statewide.

In response to a question from Representative Mills, Mr. Shaffer said KCTCS has been in contact with Ford Motor Company in Jefferson County about training students at its facility. KCTCS would also like to build a manufacturing technology facility to meet the needs of three counties - Jefferson, Bullitt, and Carroll. A 30-acre parcel of land has been acquired in Carroll County with the assistance of the county judge executive, local contributions, and a property trade with the Department of Parks for approximately 30 acres of unused land at General Butler State Park. The site would be for a facility to replace existing leased space and expand programs. In Bullitt County, a parcel of land is being offered by the local government to locate a new facility and replace existing leased space and expand the program offerings.

Mr. Shaffer added that there is a very active training program for service technicians for all manufacturers temporarily located at Toyota Motor Manufacturing in Georgetown. This program is difficult to get into because of its location on Toyota property, and security at the plant. KCTCS has acquired 20 acres at Lanes Run Business Park near Toyota to build a facility to move the manufacturing program into, as well as provide other educational options to the region. The Scott County Fiscal Court assisted in this acquisition.

Relative to the Kentucky State University Expand and Renovate Betty White Nursing Building project ($9,028,000 general funds, 2014-16), Ms. Palmore asked how many students are in the nursing program. Dr. Sias responded that the program has an enrollment of approximately 290 students.

Relative to another question from Ms. Palmore, Dr. Sias said KSU developed the old Paul Sawyier Library building for the Aquaculture Program of Distinction. The building will house a Kentucky Ecological River Exhibit, which will provide the opportunity for school-age children to see and learn about Kentucky aquatic life and river ecological systems. The building has classrooms and public learning space. Additionally, it will be the location of the Center of Excellence for the Study of Kentucky African Americans and display historical artifacts of Kentucky African American heritage. A floating science lab boat, known as the Kentucky River Thorobred, will serve as a classroom, and is planned on the Kentucky River for public learning in aquaculture. The project is developed in conjunction with the Frankfort Riverfront Development Plan.

Relative to the KSU Build Central Boiler System project, Senator Humphries commented that in addition to using horse muck as a heating source, he hoped the university would review clean coal alternatives for the new heating plant. Mr. McDuffie said this project is a high priority for the university, and they are reviewing clean coal alternatives. He added that KSU has been able to find coal that meets the EPA's compliance guidelines, but it is more expensive. The current boiler plant was built in 1947 and contains two coal-fired boilers installed 36 years ago.

Mr. Hicks asked how Morehead State University (MoSU) evaluates its capacity for debt. Ms. Patrick said the university is drafting a debt policy that will be approved by the university's board this year. MoSU established a ten-year housing master plan which calls for renovation and razing of residence halls. As a result of implementing this master plan, the university has incurred significant debt. MoSU is in the sixth year of completing its housing plan, and has renovated five residence halls by increasing residence hall rates to cover the debt service for the renovations.

Mr. Jackson asked if the MoSU

Replace Electrical Switchgear project ($2,660,000 general funds, 2014-16 biennium) could be completed under an Energy Savings Performance Contract (ESCO) or through third-party financing. Ms. Patrick said they could potentially look at completing the project in another manner if it is efficient.

In response to a question from Mr. Jackson as to whether any of MoSU's agency bond projects were related to projects approved in House Bill 7 (2013 Kentucky General Assembly), Ms. Patrick said the only connection is that the agency bond projects are part of the ten-year housing master plan that was completed in 2006. The phase that was approved in House Bill 7, the renovation of Mignon Hall, was just started. The next phase in that plan is to construct a 400-bed residence hall, which is the second priority for the university. MoSU is in the process of exploring a private partnership to reduce the potential debt of this project.

In response to a question from Mr. Hicks, Mr. Ramey replied that Northern Kentucky University (NKU) has developed a debt policy, and in the fall, it will be presented to the university's board for approval. NKU pays close attention to Moody's recommended debt level ratios and tries to stay within those ratios. All agency bonds that have been issued, or will be issued, must have a designated revenue stream to support the debt service. NKU does not utilize any general receipt funds to pay for agency bonds.

Relative to the NKU Renovate Old Science/Construct Health Innovations Center project ($97 million general funds), Mr. Jackson asked NKU representatives to further describe the condition of this facility and to explain what would happen if the project remains unfunded. Mr. Blake said the university has spent a significant amount of money to upkeep the facility. The shell of the building is in good condition; however, the interior has reached its useful life. The air-handlers quit working and had to be replaced on an emergency basis over the summer. New air-handling units are needed, and there are problems related to vibration of those units, including cracked structural slabs. The HVAC is highly inefficient and needs to be upgraded. There are 275 classes held in the building per semester, and 20-25 percent of all classes would not go forward if the building systems were shut down. The electrical system is inefficient and not working properly, and $60,000 had to be spent on duct work to seal the interior.

In response to a question from Senator Humphries, Mr. Ramey stated that the university has not launched any aggressive discussions with community partners relative to sharing in the cost of renovating the Old Science Building. To date, a $6 million naming gift has been received, and $2 million in private donations have been received for technology needs for the building.

In response to a question from Mr. Hicks, Dr. Ransdell said Western Kentucky University's (WKU) total institutional debt is under five percent (4.75) of the university budget. The bond ratings, which exceed the state's bond ratings, are good and in-line with what is recommended by Moody's and Standard and Poor's. WKU utilizes federal, state, and private funds, and agency bonds. The debt for WKU's student housing and the E. A. Diddle Arena Renovation project is not considered university debt. [WKU established the Student Life Foundation to fund and renovate student housing. The WKU Student Life Foundation Inc. was incorporated as a nonprofit, non-affiliated, tax-exempt Kentucky corporation. The foundation purchased, for the independently appraised value of $21.5 million, 17 of the 18 residence halls at WKU through the sale of $65 million in tax-exempt bonds. The Diddle Arena project was funded through a bond issue by the city of Bowling Green.] WKU was the first to use this model in the state capital planning process.

Dr. Ransdell stated that in August, WKU is moving its entire School of Nursing into a new leased building, the WKU Health Science Complex, which the medical center in Bowling Green will fund and build in a classic public/private partnership. The School of Nursing will double in size. Most of the lease payments will be covered by Tax Increment Financing (TIF) revenue, which allows an academic program to serve the region's needs, and is an economic stimulant for the downtown TIF district in Bowling Green.

In response to a question from Ms. Lassiter, Dr. Ransdell said that all projects are approved by the university's board of regents.

In response to a question from Senator Westerfield about the land in Hopkinsville being available to build the new Breathitt Veterinary Center ($32,468,000 general funds, 2014-16), Mr. Oatman replied that consultants have recommended that the center be built in a rural area, rather than across the street of the existing facility to remain out of conflict with adjoining developments. Mr. Jackson added that the existing facility may be transferred to KCTCS once the new Breathitt Veterinary Center is built.

In response to a question from Mr. Hicks, Mr. Oatman stated that the MuSU Board of Regents has not adopted a formal debt policy. However, the issue was discussed during the university's recently completed housing study, and should be formalized in the future.

In response to a question from Senator Humphries, Mr. Bob Jackson said the Breathitt Veterinary Center is a 50-year old animal diagnostic laboratory. The university has had a number of discussions with federal agencies and the congressional delegation in regards to funding to replace the center; however, the needed funding has not been obtained. MuSU has contracts with the Center for Disease Control and the military due to the proximity of Fort Campbell. If there was a widespread case of disease in the Commonwealth's livestock population, the case would come to the Breathitt Center for diagnosis.

In response to a question from Senator Humphries regarding the development of the University of Louisville (UofL) Shelby Campus, Mr. Owsley stated that the university absorbed this 230-acre campus in 1969 when Kentucky Southern College went bankrupt. The Shelby Campus is located in eastern Jefferson County, and houses the National Crime Prevention Institute and the Division of Distance and Continuing Education. This campus also houses the Center for Predictive Medicine, which includes one of the 13 level-three biosafety labs in the nation. UofL has developed a master plan that would maintain 30 acres for traditional academic purposes and research. The remaining acreage would be used for a business and research park. UofL has entered into a master lease with the UofL Foundation, and the foundation has leased one parcel of land to NTS Corporation for development. The UofL Foundation intends to use the income from the leases to pay for a number of real estate and economic development initiatives.

In response to a question from Senator Humphries, Mr. Owsley stated that UofL is at a 38 percent deficit in classroom space and that this deficit is expected to grow to 80 percent by 2020. There is not an alternative plan in place to expand classroom space if this plan is not funded.

In response to a question from Mr. Jackson, Mr. Owsley said that because of the lack of classroom space and faculty, the freshmen registration date was cut off earlier this year, even though there was a twelve percent increase in applications this year.

In response to a question from Mr. Hicks regarding the UofL Construct Instructional Building at the Health Sciences Center project, Mr. Owsley explained that this $71,730,000 project has two funding sources, $35,865,000 general funds and $35,865,000 agency bonds. Therefore, the project appears in more than one priority listing for the university.

In response to a question from Senator Humphries, Mr. Street said that the bids for phase one of the Eastern Kentucky University Construct Science Building project were excellent, and that the infrastructure for the project was built into the current request for phase two. The Construct Science Building Phase 2 project is the university's top priority, and the cost of this phase has been minimized as much as possible.

In response to a question from Mr. Hicks regarding the University of Kentucky Construct Library Depository Facility ($15,000,000 general funds), Mr. Wiseman said the project calls for the relocation of the on-campus storage facility to an off-campus site. A high-density, off-site, self-managed storage facility will provide the university libraries with a safe and economical place to store and provide access to its lesser-used documents and collections. The facility will provide about 25,000 sq. ft. of net assignable space. Most of the space would be used to house stored collections, but some space would be allocated for office and materials processing areas. The books that are housed in the central library facility could be brought to campus as needed. The on-campus space will then be renovated to serve as a modern teaching facility for students.

Ms. Lassiter commented that if each number one general fund priority from each institution was funded, it would total $462 million. Of these number one priorities, 54 percent were science buildings. She recommended that the board not lose sight of the outcome, which is better educated citizens, and to focus on what happens in those buildings and not just the buildings themselves.

The next meeting is scheduled for Wednesday, July 17, 2013, in Room 169 Annex starting at 1:00 PM. With there being no further business, Senator Humphries asked for a motion to adjourn the meeting. The motion was made by Representative Mills and seconded by Mr. Hicks, and the meeting adjourned at 3:04 PM.

CAPITAL PLANNING ADVISORY BOARD

Minutes of the 3rd Meeting
of the 2013 Calendar

July 17, 2013

Call to Order and Roll Call

The 3rd meeting of the Capital Planning Advisory Board was held on Wednesday, July 17, 2013, at 1:00 PM, in Room 169 of the Capitol Annex. Representative Terry Mills, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stan Humphries, Co-Chair; Representative Terry Mills, Co-Chair; Senator Whitney Westerfield, Representative Tom Riner; Charles Byers, Carole Henderson, John Hicks, Sherron Jackson, Mary Lassiter, James W. Link, Mark Overstreet, and Carol Palmore.

Guests testifying before the Board: John Covington, Executive Director, and Denise Pitts, Treasurer, Kentucky Infrastructure Authority; Michael Jones, Executive Director, Office of Management and Administration, and Colonel Steven King, Construction and Facilities Management Officer, Kentucky Air National Guard, Department of Military Affairs; Gilda Hill, Executive Director, Office of Veterans Centers, and Judy Solomon, Internal Policy Analyst, Department of Veterans Affairs; Robin Kinney, Deputy Secretary, and Sam Ruth, Commissioner, Finance and Administration Cabinet; Dr. Leonard Peters, Cabinet Secretary, Energy and Environment Cabinet, and Jeff Derouen, Executive Director, Public Service Commission.

LRC Staff: Shawn Bowen, Josh Nacey, and Jennifer Luttrell.

Approval of Minutes

A motion to approve the minutes of the June 26, 2013, meeting was made by Ms. Lassiter, seconded by Mr. Link, and approved by voice vote.

Information Items

For informational purposes, the Department of Education provided executive summaries for facility assessment studies performed at the Kentucky School for the Blind and the Kentucky School for the Deaf. The information was submitted in response to a request from the board during the June meeting.

Review of Agency Capital Plans

The Capital Planning Advisory Board received testimony regarding five state agency capital plans. The testimony included discussion of capital construction, information technology, and equipment needs for the period 2014-2020. The following state agencies testified: Kentucky Infrastructure Authority, Department of Military Affairs, Department of Veterans Affairs, Finance and Administration Cabinet, and the Energy and Environment Cabinet.

In response to a question from Representative Mills, Mr. Covington replied that a 1.6 percent decrease in KIA's budget represents a reduction in the amount of funding from the federal Environmental Protection Agency (EPA). The Drinking Water and the Clean Water state revolving fund programs are the largest single line item in EPA's budget, and as EPA's budget has been cut, it has cut those programs. The cuts impact KIA significantly because there is less funding available for loans.

Representative Mills asked how KIA uses its priority list to determine which projects receive loans. Mr. Covington said the priority list is part of the Intended Use Plan. KIA enters into a Memorandum of Agreement (MOA) with the Kentucky Division of Water (DOW). Pursuant to the MOA, the Division of Water is the primary agency with regard to drinking water and is responsible for compiling the drinking water, or Fund F, priority list.

For drinking water projects that have requested funding, DOW reviews those projects based upon criteria set forth in the federal Safe Drinking Water Act. DOW then ranks those projects on a priority list using a point scale based on the federal criteria. The priority list is provided to KIA, and projects are invited to apply based on their ranking on the priority list. Only Fund F applicants are invited in order of priority, this is not the case with Fund A, or Clean Water Act, projects. [The Clean Water Act deals with sewer systems.]

With regard to Clean Water Act projects, DOW also evaluates projects based on the criteria in the federal act and provides KIA with a priority list. KIA attempts to fund the most important environmental projects on the list, which would be those with the highest rankings. Projects can be bypassed if they are not ready to proceed. KIA wants to ensure that money is spent within the funding cycle.

In response to questions from Senator Humphries, Mr. Covington stated that KIA began funding broadband projects in 2006. A new section of KRS Chapter 224A was passed in 2006 that changed the definition of "eligible projects" so that broadband deployment projects could receive funding. KIA has made it known that these funds are available, but it does not actively advertise. Projects are funded on a first come first serve basis. KIA has $9 million potentially to fund any other type of project other than water or sewer. There are limited funds available and broadband projects can be expensive.

In response to a question from Senator Humphries, Mr. Covington said KIA estimates that between 92 to 95 percent of Kentuckians have access to potable water. The percentage of Kentuckians with access to potable water is calculated by correlating the water lines with highway rights-of-way. KIA does not count whether residents actually have potable water, instead it examines whether water is available. KIA has considerable information about the existing drinking water infrastructure in the state, including the location of drinking water lines.

In reply to a question from Representative Mills, Mr. Covington said KIA is not able to provide funding to wireless service providers and is only able to fund governmental projects.

In response to a question from Representative Mills, Mr. Jones replied that many of the Department of Military Affairs' files are still on microfilm. He said the use of microfilm is outdated, and the department is working with the Department of Libraries and Archives to eliminate older technology.

In response to a question from Representative Mills, regarding the implementation of the community living concept into Department of Veterans Affairs' nursing homes, Ms. Hill stated that as new construction is built in the nursing home industry, construction companies are implementing this design concept into their projects. The concept is a cultural change that is occurring across the nation because the public is becoming more aware of how they want to live as they grow old. This design concept creates functional and efficient home-like environments for the residents with long and/or short term needs.

In regard to the Design/Construct Sower Boulevard Office Complex project, Representative Mills asked which state agencies will occupy the new building when construction is complete. Ms. Kinney said the Finance and Administration Cabinet is not sure which agencies will occupy the new building; however, the goal is to move agencies that are in leased facilities to state-owned space.

Representative Mills asked if the reorganization of the Commonwealth Office of Technology (COT) will create efficiencies in state government and centralize information technology initiatives. Ms. Kinney stated that the reorganization will result in geographic and functional consolidation. However, many of the people who are part of the consolidation are still housed with their agencies due to the nature of their jobs. The reorganization should be completed within the next 24 months. The executive order to transfer staff was issued June 16, 2013.

Relative to questions from Mr. Hicks regarding the Finance and Administration Cabinet Commonwealth Energy Management and Control System (CEMCS) project, Mr. Ruth replied that there are four major components to the CEMCS: utility monitoring and analysis; building automation integration and diagnostics; centralized, automated utility bill paying; and work order generation and tracking. He added that the new Eastern State Hospital and the Glasgow State Nursing Facility were built with systems in place that are compatible with CEMCS.

In response to a question from Ms. Palmore relative to the Finance and Administration Cabinet Kentucky One Stop Phase 2 project, Ms. Kinney replied that the Finance Cabinet and the Secretary of State's Office are working together on this project. The Business One Stop Portal, which is a result of 2011 Senate Bill 8, creates an extensive system of online services to citizens through the creation of a single, easy to use, unified entry point to state government.

In response to a question from Representative Mills relating to the Energy and Environment Cabinet Engineering Standards Laboratory project, Mr. Derouen replied that the Public Service Commission calibrates the water and gas meters, but it does not have the capability to calibrate electric meters. Electric meters are calibrated by third party sites or independently verified by utility companies.

Mr. Hicks recommended that the board carry forward to the current capital plan three existing policy recommendations from the *2012-2018 Statewide Capital Improvements Plan*. The recommendations included endorsement of the Council on Postsecondary Education's strategy for financing capital needs of the postsecondary institutions; a recommendation that in each biennium sufficient funding be appropriated for state agency maintenance pools; and a recommendation that the Governor and the General Assembly continue to place a high priority on fully funding the Budget Reserve Trust Fund.

The next meeting is tentatively scheduled for Wednesday, August 21, 2013, in Room 169 Annex starting at 1:00 PM. With there being no further business, a motion to adjourn the meeting was made and approved, and the meeting adjourned at 2:45 PM.

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

July 16, 2013

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee met on Tuesday, July 16, 2013, at 1 p.m., in Room 131 of the Capitol Annex. Representative Chris Girdler, Chair, called the meeting to order and the secretary called the roll.

Present were:

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

Guests Testifying Before the Committee: John Covington, Executive Director, Kentucky Infrastructure Authority; Larry Blake, Assistant Vice President for Facilities Management, Northern Kentucky University; Bob Wiseman, Vice President for Facilities Management, University of Kentucky; Scott Aubrey, Director, Division of Real Properties; Ryan Green, Executive Director, Office of Budget and Administration, Department of Workforce Investment; Ryan Barrow, Executive Director, Office of Financial Management; and Andrew Hawes, Senior Director for Multifamily Housing, Kentucky Housing Corporation.

LRC Staff: Kristi Culpepper, Josh Nacey, and Angela Offerman.

Approval of Minutes

Senator Carroll made a motion to approve the minutes of the June 18, 2013, meeting. The motion was seconded by Senator McDaniel and approved by voice vote.

Correspondence Item

Chairman Girdler said that the correspondence item was related to action taken by the committee at the June 18, 2013, meeting for the Kentucky Infrastructure Authority (KIA) Fund A loan for the Oldham County Environmental Authority (OCEA) Orchard Grass Regional Wastewater Treatment Plant project.

Senator McDaniel made a motion to reconsider the vote taken at the June 18, 2013, meeting for the KIA Fund A loan. The motion was seconded by Senator Carroll and approved by roll call vote.

John Covington, Executive Director, KIA, said that KIA was informed of a discrepancy between the information submitted and presented at the committee's June 18, 2013, meeting. A letter clarifying the information was submitted for review.

In response to a question from Representative Wayne, Mr. Covington said the Division of Water (DOW) has received the necessary information from OCEA to approve the facility plan and the plan has been posted by DOW on their website for 30 days for public comment. At the end of 30 days, a public meeting will be held.

In response to a question from Senator Carroll, Mr. Covington said KIA will not enter into the loan until notification from DOW has been received confirming the process has been completed, including the necessary public hearing.

In response to questions from Senator McDaniel, Mr. Covington said that the correct funding information was presented to, and subsequently approved by, the KIA board. The information presented was from an earlier version of the credit analysis.

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

Information Items

Kristi Culpepper, Committee Staff Administrator, said there were seven information items for review. The first information item was Moody's Investors Service *Adjusted Pension Liability Medians for US States* report. The report uses Moody's new pension metric, which among other changes assumes a more conservative discount rate and the fair market value of assets rather than smoothing techniques. According to Moody's, Kentucky ranks 3rd in the nation in adjusted net pension liabilities to revenues; 4th in pension liabilities to personal income; 4th in pension liabilities as a percent of state GDP; and 8th in pension liabilities per capita.

The second information item was a notice of advertisement for leased space for the Commonwealth Office of Technology in Franklin County.

The third information item was a status report on the Louisville-Southern Indiana Ohio River Bridges project, which is required to be submitted to the committee at least semiannually by statute.

The fourth information item was an article from the *Courier-Journal* suggesting that the Kentucky State Fair Board has forgiven potentially $7,000,000 that the Louisville Arena Authority was contractually obligated to reimburse the Fair Board for business lost to the new arena. The article suggested this was done to increase funds the Louisville Arena Authority had available to make debt service payments on its outstanding revenue bonds.

The arena's construction was funded through a combination of conduit revenue bonds issued by the Kentucky Economic Development Finance Authority on behalf of the Louisville Arena Authority and a $75,000,000 state grant, which was authorized by the General Assembly in 2006 HB 380 and paid for by the state's issuance of General Fund supported bonds.

In response to comments from Representative Wayne and Senator McDaniel, representatives from the Kentucky State Fair Board and Louisville Arena Authority will be asked to attend the August 20, 2013, meeting to answer questions.

Ms. Culpepper said the remaining three information items were quarterly status reports on projects for the Administrative Office of the Courts, the Commonwealth Office of Technology, the Finance and Administration Cabinet, and the universities that manage their own capital construction programs.

Project Report from Northern Kentucky University (NKU)

Mr. Larry Blake, Assistant Vice President for Facilities Management, NKU, reported an emergency repair, maintenance, or replacement project, Steely Library Building Roof Replacement. A roofing consultant determined that leak repairs that have been made were not deterring roof deterioration and recommended immediate replacement of the building's entire roof system. The scope of the project was $875,000 and will be funded from the university's agency funds. No action was required.

Project Reports from the University of Kentucky (UK)

Mr. Bob Wiseman, Vice President for Facilities Management, UK, presented three items. The first report involved the purchase of unbudgeted medical equipment. The item purchased was an iE33 Ultrasound System that combines 2D and 3D image quality in the same transducer. This system addresses the clinical needs of managing patients with heart conditions and automates stress exams so that they are faster and more consistent. The cost of the system was $214,592 and was paid from restricted funds. No action was required.

The second item was a lease renewal for the University of Kentucky College of Social Work, Children, and Trauma Program for 11,199 square feet (sq ft) of office space owned by Blazer Parkway Venture, LLC. The lease was renewed under the same terms and conditions for an annual rental cost of $198,782 through June 30, 2015.

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

The third item was a notification of UK's intention to use the construction manager-at-risk project delivery method for the Patient Care Facility Fit-Up 8th Floor and Pharmacy project. The Patient Care Facility has involved multiple authorizations across budget cycles dating to the 2002-04 budget. The total scope of the project is approximately $31,500,000. A Request for Proposal has been issued and responses were due July 18, 2013.

In response to a question from Senator McDaniel, Mr. Wiseman said that the construction manager-at-risk project delivery method was used for most projects. The benefits of using this delivery method include the reduction of future change orders, advice in the constructability review process, providing assistance to the architects, and reducing delays in claims during the life of the construction. No action was required.

Ms. Culpepper presented a report from the University of Louisville of the purchase of two pieces of scientific research equipment. The first item was a MicroBrightField integrated microscope image capture system, which will maximize the power of microscopes. The purchase was made using $229,290 of gift and endowment funds.

The second item purchased was an optical coater for research into solar cells, light-emitting diodes, and optical bio-sensors. The purchase was made with $290,000 of federal funds. No action was required.

Lease Reports from the Finance and Administration Cabinet

Mr. Scott Aubrey, Director, Division of Real Properties, presented five items. The first item was for a lease modification and amortization of leasehold improvements for Cabinet for Health and Family Services (CHFS) in Lee County. The amortization of leasehold improvements was to complete security-related improvements to the receptionist area, which included the removal of one door to create a receptionist window with a counter in its place, the installation of that door into a newly-framed wall in a secure corridor, and the addition of an electric strike locking device on the door.

Two estimates were obtained for the improvements and the cabinet recommended accepting the lowest bid of $3,957 from AWI, LLC. The cost will be amortized through the term of the lease, which will expire June 30, 2014. No action was required.

The second item was for a lease modification and amortization of leasehold improvements for Department of Public Advocacy in Campbell County. The department requested the installation of Luxe Vinyl plank tile in the hallways, lobby, and break room. Two estimates were obtained for the improvements and the department recommended accepting the lowest bid of $5,907 from Midwest Flooring Contractors. The cost will be amortized through the term of the lease, which will expire June 30, 2020.

In response to questions from Senators McDaniel and Carroll, Mr. Aubrey said the Department of Advocacy requested the specifications be changed to incorporate this type of plank tile floor covering for all future agency projects. The specifications would be reviewed to ensure the allowance for a vinyl plank tile and not for a specific manufacturer's brand.

Representatives from the Department of Public Advocacy will be asked to attend the August 20, 2013, meeting to answer questions regarding their request for the specific manufacturer's brand of flooring to be used for the leasehold improvements and to be incorporated into the specifications. No action was required.

The third item was for a lease modification and amortization of leasehold improvements for CHFS in Pike County. The leasehold improvements included the replacement of two existing sliding glass receptionist windows with burglary-resistant glazing material, voice ports, and pass-through cutouts.

Two estimates were obtained and the agency recommended accepting the lowest bid of $1,600 from Cardinal Glass and Door. The cost will be amortized through the term of the lease, which will expire June 30, 2016. No action was required.

The fourth item was for a new lease for CHFS in Fayette County. New space was requested by the agency because the current facility was in receivership. Any future term extensions would not be guaranteed and any significant HVAC system repairs would not be addressed. The lease was for 11,201 sq ft of office space at $17.75 per sq ft, including utilities and janitorial services, for an annual cost of $198,818. The lease will expire June 30, 2015.

In response to a question from Senator McDaniel, Mr. Aubrey said the difference in the actual cost per sq ft and the average cost per sq ft in Fayette County is due to the consideration of leases that have been in place for several years at a lower rate and the state requirement of a 30-day termination clause.

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

The fifth item was for a new lease for the Department for Workforce Investment in Kenton County. New space was requested by the agency to create a one-stop facility as required by the Workforce Investment Act (WIA). The lease was for 8,356 sq ft of office space at $33.19 per sq ft for an annual cost of $277,336. The lease will expire June 30, 2021.

In response to a question from Representative Wayne, Mr. Aubrey said the reason for the higher cost per sq ft was the necessity to find space that will accommodate multiple agencies to create the one-stop facility under the requirements of the WIA. The additional agencies sharing the space include the Office of Employment and Training, Office for the Blind, and Office of Vocational Rehabilitation. By statute, because the state will not occupy 100 percent of the facility, common areas cannot be included, which tends to inflate the price.

In response to a question from Senator McDaniel, Ryan Green, Executive Director, Office of Budget and Administration, Department of Workforce Investment, said that the rental rates will be paid from federal and state funding sources.

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

New Bond Issues Submitted from the Office of Financial Management (OFM)

Mr. Ryan Barrow, Executive Director, OFM, presented two new bond issues. The first bond issue was for Kentucky Higher Education Student Loan Corporation Student Loan Asset-Backed Notes, Series 2013-2 in an amount not to exceed $625,000,000. The bonds were LIBOR floating rate notes and will be used to fund and refinance the corporation's existing debt.

The estimated date of sale will be August 14, 2013. The costs of issuance will be funded with equity and the estimated interest rate will be one-month LIBOR with a 0.70 percent spread. The notes will have a final maturity date of 2031. This will be a negotiated transaction and Hawkins Delafield & Wood LLP will serve as bond counsel; Bank of America Merrill Lynch as senior underwriter; Kutak Rock LLP as underwriter's counsel; US Bank National Association as trustee; and OFM as financial advisor. The savings is estimated to be $23,800,000.

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

The second item presented was KHC Conduit Multifamily Housing Revenue Bonds, Sheppard ACD Apartments Project, Series 2013, for the acquisition, construction, and equipping of a multifamily residential rental facility consisting of approximately 129 units. This project is the second phase of a $142,000,000 redevelopment plan.

The anticipated gross proceeds will be up to $14,000,000 and the proposed date of sale will be in July 2013. The estimated interest rate is 0.50 percent with an estimated term of 13 months. It will be a public offering and Peck, Shaffer & Williams LLP will serve as bond counsel; PNC Capital Markets, LLC as underwriter; and Bank of New York Mellon Trust Company, N.A. as trustee.

In response to a question from Representative Wayne, Andrew Hawes, Senior Director for Multifamily Production, Kentucky Housing Corporation, said that local elected officials have been notified.

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

Follow-up Report from the Office of Financial Management

Mr. Barrow presented follow-up reports on two previously approved bond issues. The first report was for $147,120,000 State Property and Buildings Commission (SPBC) Agency Fund Revenue Bonds, Series A Revenue Refunding Bonds, Series B Project No. 106, which will provide permanent financing for $112,000,000 of projects previously authorized by the General Assembly; repayment of the 2012 Asset/Liability Commission Interim Bank Loan from Citibank; refunding of some outstanding SPBC bonds for a net present value savings; and payment for the cost of issuing the bonds.

The transaction closed June 17, 2013 and the final maturity will be October 1, 2033. The true interest cost was 3.534 percent. It was a negotiated transaction and Peck, Shaffer & Williams served as bond counsel; Citi served as underwriter; Frost Brown Todd as underwriter's counsel; and OFM as financial advisor. The net present value savings on the refunding portion of the issue was $872,424. No action was required.

The second report was for $15,635,000 Murray State University General Receipt Bonds, 2013 Series A to finance the Renovate Hester Hall, Capital Renewal of Housing and Dining Facilities and Upgrading Sprinkler System at College Courts projects, which were authorized in 2013 HB 7.

The date of sale was May 29, 2013, and the closing was on June 19, 2013. The true interest cost was 3.186 percent. It was a competitive bid and Baird was the successful bidder. No action was required.

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

Mr. Barrow reported one school bond issue with SFCC debt service participation with a total par amount of $1,295,000. The state portion of the annual debt service payment was $31,927 and the local contribution was $60,155. The bond issue did not involve a tax increase.

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

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

Ms. Culpepper said three local school bonds have been reported. One issue will construct a new school, one will make improvements to existing facilities, and one will purchase land for a new elementary school. None of the bond issues required tax increases.

With there being no further business, the meeting adjourned at 1:55 p.m.

ADMINISTRATIVE REGULATION REVIEW SUBCOMMITTEE

Minutes of the July Meeting

July 9, 2013

Call to Order and Roll Call

The July meeting of the Administrative Regulation Review Subcommittee was held on Tuesday, July 9, 2013, at 10:00 AM, in Room 149 of the Capitol Annex. Senator Ernie Harris, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senators Joe Bowen, Perry Clark, and Ernie Harris, and Representatives Johnny Bell, Robert Damron, Jimmie Lee, and Tommy Turner.

Guests: Dinah Bevington, Personnel Cabinet; Steve Hart, Board of Pharmacy; Jonathan Buckley, David Cox, Kentucky State Board of Licensure for Professional Engineers and Land Surveyors; Nathan Goldman, Paula Schenk, Jimmy Isenberg, Board of Nursing; Anne-Tyler Morgan, Chuck O'Neal, Board of Emergency Medical Services; Thomas B. Gabbard, Sandra Gruzesky, Franklin C. Hall Jr., Division of Water; Kevin Brown, Hiren Desai, Amy Peabody, Kay Kennedy, Department of Education; Dustin R. Adams, Melissa Beasley, Anthony Hudgins, Clay Lamb, Education and Workforce Development Cabinet; Trey Heineman, Freddy Higdon, Steve Humphress, Department of Alcohol Beverage Control; John C. Allader, Michael T. Davis, David Moore, Ambrose Wilson, Department of Housing, Buildings and Construction; Stuart Owen, Department for Medicaid Services; Bob Babbage, Jim McGowan, American Diabetes Association; Teresa Combs, Sarah Nicholson, Kentucky Hospital Association; Malicia Hitch and Heidi Schissler, Department of Protection and Advocacy; Dan O'Brien, Ryan Stanton, MD, Kentucky Chapter of American College of Emergency Physicians; Jordan Absher, Wanda Johnson, Apple's Wine and Spirits; Charles Cole, Mayor Eddie Girdler, City of Somerset; and Chris Daniels, Wildcat Beer, Wine and Spirits Inc.

LRC Staff: Dave Nicholas, Donna Little, Emily Caudill, Sarah Amburgey, Emily Harkenrider, Karen Howard, Laura Napier, and Betsy Cupp.

The Administrative Regulation Review Subcommittee met on Tuesday, July 9, 2013, and submits this report:

The Subcommittee determined that the following administrative regulation did not comply with statutory requirements and was deficient:

PUBLIC PROTECTION CABINET: Department of Alcoholic Beverage Control: Quotas

804 KAR 9:040. Retail liquor package license quota. Trey Hieneman, special assistant; Frederick Higdon, commissioner; and Stephen Humphress, general counsel, represented the department. Nick Bradley, Somerset official; Charles Cole, attorney; and Eddie Girdler, Somerset mayor, appeared in support

of this administrative regulation. Jordan Absher, manager, Apple's Wine and Spirits; Chris Daniels, vice president, Wildcat Beer, Wine and Spirits, Inc.; Wanda Johnson, owner, Apple's Wine and Spirits; and Jason Nemesis, attorney, appeared in opposition to this administrative regulation.

In response to questions by Representative Lee, Mr. Humphress stated that KRS 246.201 authorized the board to establish liquor package licenses. Each city voted to repeal prohibition or not. Until recently, few cities opted to change status; however, in the recent past two years, approximately a dozen cities voted to repeal prohibition. The board used population and other data to determine the number of licenses appropriate for a given city. Case law established clearly that the acceptance of a license was accompanied by inherent business risks, including the risk of increased competition, which may be the case if more licenses were issued now or in the future. Mr. Higdon stated that the agency criteria included population, local retail demographics, and location (for example, if the area was near a tourist venue). A hearing was held, open to the public, to present data and discuss licensing options prior to license issuance.

Representative Lee stated that the doubling of licenses occurred after the licensing-related public hearing held by the agency, which was separate from the regulatory public hearing required by KRS Chapter 13A.

In response to questions by Representative Turner, Mr. Higdon stated that the license quota was changed through the administrative regulation process, as an Amended After Comments version of this administrative regulation. The City of Somerset provided economic data to support the added licenses. The agency agreed that the city had an obligation to voters who intended to vote for five, rather than ten, licenses.

Mr. Cole stated that local licensees accepted licenses knowing that the state had yet to officially determine the number of state licenses that would be available to Somerset. A city public hearing had been held to address licensing. Somerset was a local retail hub, and sales were much greater than could be satisfied by the initial five licenses. Somerset was responsible for 85 percent of Pulaski County sales, and demand in Somerset came from a four county region, including the tourist area, Lake Cumberland. The City of Somerset was capable of supporting ten retail liquor package licenses.

Representative Lee stated that, prior to and during the election to repeal prohibition in Somerset, it was publicized in the press that Somerset would have five retail liquor package licenses. Voters were unaware that the actual number of licenses could be double that. If the City of Somerset knew that it needed ten licenses, the city should have lobbied for ten licenses prior to and during the election process.

Representative Turner stated that if the City of Somerset needed ten licenses, a second election should be held to clarify the number of licenses. Representative Turner himself was opposed to any retail liquor package licenses; however, the citizens of Somerset had voted on the belief that there would be five licenses, and that is what he supported. Mr. Cole stated that Somerset license holders knew both a local and a state license were required. Mayor Girdler stated that some Kentuckians opposed the sale of alcohol. Rumors were always part of elections. During the public hearing there were no public comments opposed to the ten licenses. Mayor Girdler stated that, as an elected official, he represented the desires of the city and knew the intentions of its citizens.

Co-Chair Harris stated that Oldham County in his Senate district was similar in size but had been granted only three licenses.

In response to questions by Co-Chair Harris, Mayor Girdler stated that Pulaski County had a population of approximately 60,000 persons. The election results that repealed prohibition in Somerset demonstrated that 60 percent of voters supported repealing prohibition and 40 percent supported maintaining prohibition.

Mr. Nemesis stated that the issuance of ten retail package licenses constituted fraud because citizens intended to vote for five licenses when voters repealed prohibition. Business planning and financing had been based on the expectation of five licenses. Financial institutions would not have loaned funds pursuant to the same terms if it was known that there would be ten licenses issued. The number of licenses was doubled in less than one month. Nothing had changed population wise to demonstrate the need for additional licenses. Mayor Girdler had announced to the press that LiquorWorld was a preferred licensee; however, LiquorWorld did not receive a license. If LiquorWorld had received a license, the City of Somerset probably would not have petitioned for more licenses during the administrative regulation process. During the recent holiday season, there had been no complaints from the public, including tourism areas, that consumer demands for alcohol were not being met by the existing licensees. Additionally, the REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT filed with this administrative regulation was superficial and erroneous. It did not comply with the requirements established by KRS 13A.240.

Mr. Absher stated that, as local small business owners, the current licensees had taken a big personal financial risk. Suddenly and with little notice, competition was being doubled.

Mrs. Johnson stated that, when licensees petitioned financial institutions for capital, those financial institution determinations relied on expectations that five licenses would be issued.

Mr. Daniels stated that the agency seemed to keep changing standards. Current licensees had local economic interests at heart.

In response to a question by Senator Clark, Mr. Nemesis stated that Somerset's ballot initiative did not expressly state that only five licenses would be established.

In response to a question by Senator Bowen, Mr. Higdon stated that this situation was not unique but that, until the last two years, not many cities had voted to repeal prohibition. Until 2011, only two cities in the past 20 years had voted to repeal prohibition. Mr. Hieneman stated that the issues related to this administrative regulation were complex, and KRS 241.060(2) authorized the agency to establish the appropriate number of licenses.

Co-Chair Harris stated that statutory provisions for these licenses were probably adequate in previous years, but now that many cities were voting to repeal prohibition, KRS Chapter 241 probably needed revision to clarify requirements.

A motion was made and seconded to approve a committee amendment to return Somerset to a maximum of five licenses. In response to a question by Co-Chair Harris, Mr. Higdon stated that, respectfully, the agency did not agree with the committee amendment because the agency believed that ten licenses were appropriate. Without agreement of the agency, the committee amendment was not approved.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to correct a statutory citation; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1 through 22 to revise terms consistent with statutory updates. Without objection, and with agreement of the agency, the amendments were approved.

Representative Turner made a motion, seconded by Representative Lee, to find 804 KAR 9:040 as amended deficient. On a roll call vote, the administrative regulation as amended was found deficient, with Co-Chairs Harris and Bell; Senator Bowen; and Representatives Damron, Lee, and Turner voting in favor of the finding of deficiency.

Administrative Regulations Reviewed by the Subcommittee:

PERSONNEL CABINET: Office of the Secretary: Personnel Cabinet, Classified

101 KAR 2:076. Vacancies, detail to special duty and temporary overlap. Dinah Bevington, general counsel, represented the cabinet.

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

101 KAR 2:095. Classified service administrative regulations.

A motion was made and seconded to approve the following amendments: (1) to amend the TITLE; the NECESSITY, FUNCTION, AND CONFORMITY paragraph; and Sections 1, 2, 3, 5, 7, 8, and 9 to comply with the drafting and formatting requirements of KRS Chapter 13A; and (2) to amend the RELATES TO paragraph to add a citation. Without objection, and with agreement of the agency, the amendments were approved.

101 KAR 2:102. Classified leave administrative regulations.

A motion was made and seconded to approve the following amendments: (1) to amend the TITLE; the RELATES TO, STATUTORY AUTHORITY, and NECESSITY, FUNCTION, AND CONFORMITY paragraphs; and Sections 1, 2, 3, 5, 6, 10, 11, and 12 to comply with the drafting and formatting requirements of KRS Chapter 13A; (2) to amend Section 2 to clarify: (a) holiday exceptions; and (b) that the leave limit shall be continuous calendar days; and (3) to amend Section 10 to make technical corrections for internal consistency. Without objection, and with agreement of the agency, the amendments were approved.

Personnel Cabinet, Unclassified

101 KAR 3:015. Leave administrative regulations for the unclassified service.

A motion was made and seconded to approve the following amendments: (1) to amend the TITLE; the RELATES TO, STATUTORY AUTHORITY, and NECESSITY, FUNCTION, AND CONFORMITY paragraphs; and sections 1, 2, 3, 5, 6, 9, 10, 11, and 12 to comply with the drafting and formatting requirements of KRS Chapter 13A; (2) to amend Section

2 to clarify: (a) holiday exceptions; and (b) that the leave limit shall be continuous calendar days; and (3) to amend Section 10 to make technical corrections for internal consistency. Without objection, and with agreement of the agency, the amendments were approved.

101 KAR 3:050. Unclassified service; promotion, transfer and disciplinary actions.

A motion was made and seconded to approve the following amendments: (1) to amend the TITLE to make a grammatical correction; (2) to amend the STATUTORY AUTHORITY paragraph to correct a statutory citation; (3) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (4) to amend Sections 1 through 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.

GENERAL GOVERNMENT CABINET: Board of Pharmacy: Board

201 KAR 2:020. Examination. Steve Hart, pharmacy inspector and inspection coordinator, represented the board.

201 KAR 2:030. License transfer.

In response to a question by Co-Chair Bell, Mr. Hart stated that the national background check was necessary because Kentucky had licensing reciprocity with other states. A violation in another state would not manifest from a strictly Kentucky background check. HB 1 217 of the Regular Session of the 2013 General Assembly required a national background check.

State Board of Licensure for Professional Engineers and Land Surveyors: Board

201 KAR 18:040. Fees. Jonathan Buckley, general counsel, and David Cox, executive director, represented the board.

201 KAR 18:072. Experience.

201 KAR 18:142. Code of professional practice and conduct.

In response to a question by Co-Chair Harris, Mr. Buckley stated that the board's aim was to ensure that administrative hearings would involve only issues of record. Licensees were prohibited from lobbying the board in an effort to prevent jury tampering.

A motion was made and seconded to approve the following amendments: to amend Section 11 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Board of Nursing: Board

201 KAR 20:400. Delegation of nursing tasks. Jimmy Eisenberg, vice president; Nathan Goldman, general counsel; and Paula Shenk, executive director, represented the board. Malicia Hitch, attorney, and Heidi Schissler, legal director, represented the Division of Protection and Advocacy. Bob Babbage, cofounder of Babbage Company, and Jim McGowan, recent association member, represented the American Diabetes Association. Teresa Combs, director of legal services, represented the Kentucky School Boards Association.

Representative Lee thanked the board for agreeing to his committee amendment to delete Section 5 of this administrative regulation, which may have otherwise created a problem for Kentucky's Supports for Community Living (SCL) program. That program promoted in-home care over institutionalization, and the prohibition established in Section 5 of this administrative regulation pertaining to delegating the administration of medication via injection may have resulted in unnecessary institutionalization of some program participants. Ms. Shenk stated that the board did agree to the committee amendment.

Ms. Hitch stated that the division applauded the board for this administrative regulation, which permitted the administration of insulin in a school setting by someone other than a nurse. Some parents of diabetic students have had to change their lives in order to provide a child with necessary insulin injections. Some diabetic students have had to go to distant schools. The division appreciated the board's deletion and reconsideration of Section 5 of this administrative regulation, which may have otherwise harmed some independently living patients. Representative Lee reminded the division that, because the board had been willing to amend this administrative regulation due to the division's concerns, the division too should be willing to work with the board to establish safeguards for the delegation of injections. Ms. Hitch stated that the division intended to work with the board on this issue.

Mr. McGowan described disruptions in his diabetic son's school career and why this administrative regulation was important. His son had not been allowed to test his blood sugar level during the school day. Currently, approximately thirty (30) states had a program similar to that established by this administrative regulation, and the programs had been working well. Mr. McGowan supported the deletion of Section 5 of this administrative regulation. The American Diabetes Association promoted a "Safe at School" program to educate patients and schools regarding testing blood sugar levels and injecting insulin. This program had been endorsed by many medical associations, including the Centers for Disease Control. The program addressed supervision requirements and safety issues.

Mr. Babbage thanked the board and stated that this administrative regulation was an important step forward to creating a safer environment for diabetic students.

Representative Damron thanked the board and the local boards of education, superintendents, and administrators, and the American Diabetes Association for developing and strengthening this administrative regulation. The General Assembly considered this process to be the best approach to ensure that all stakeholders would be involved in the development of this policy. Representative Damron stated his agreement with Representative Lee's committee amendment, and supported revisions to this administrative regulation in the future regarding the previous requirements in Section 5 of this administrative regulation.

In response to a question by Representative Lee, Mrs. Combs stated that only one (1) or two (2) school systems had been able to afford a nurse for every building facility. Supervision often would have to take place after the injection due to the lack of nursing staff. The Kentucky School Boards Association supported this administrative regulation. This administrative regulation provided flexibility for diabetic students to participate in field trips and athletic events. The association was tolerant of the deletion of the previous Section 5 of this administrative regulation.

A motion was made and seconded to approve the following amendments: to delete Section 5, which prohibited certain nursing tasks from being delegated to an unlicensed person, including the administration of medication via an injection. Without objection, and with agreement of the agency, the amendments were approved.

KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM: Kentucky Board of Emergency Medical Services: Board

202 KAR 7:330. Requirements for examination, certification, and recertification of the advanced emergency medical technician. Anne-Tyler Morgan, attorney, and Chuck O'Neal, deputy director, represented the board. Dan O'Brien, MD, associate professor of emergency medicine, Kentucky Chapter of the American College of Emergency Physicians, and Ryan Stanton, president, Kentucky Chapter of the American College of Emergency Physicians, appeared in support of these administrative regulations.

Dr. O'Brien stated that collection of the data required by these administrative regulations was crucial. Violations for failure to collect this data were nationally publicized even prior to state implementation. Transition periods, such as from an emergency vehicle and to and from surgery, were especially vulnerable periods for patient safety, and proper transmission of patient information was crucial to patient safety and continuity of care.

Mr. Stanton stated that the outcome for an emergency patient was often affected by how much useful information was available, especially from EMS providers to medical facilities. The Kentucky Chapter of the American College of Emergency Physicians supported portions of these administrative regulations, including the provisions for patient safety during transitions.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO paragraph and Sections 2, 5, and 7 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 7:520. Allocation of block grant funding assistance for emergency medical services.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO paragraph and Sections 1 through 4, 6, and 13 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 7:540. Emergency Medical Services data collection, management, and compliance.

A motion was made and seconded to approve the following amendments: (1) to amend Section 5 to clarify that electronic submission shall only be required upon full implementation of the Kentucky Emergency Medical Information System (KEMSIS); and (2) to amend Section 9 to insert an edition date. Without objection, and with agreement of the agency, the amendments were approved.

ENERGY AND ENVIRONMENT CABINET: Department for Environmental Protection: Division of Water: Water Quality

401 KAR 5:320. Wastewater Laboratory Certification Program. Thomas B. Gabbard, manager, Technical Assistance Branch, and Sandra Gruzesky, division director, represented the division.

In response to a question by Co-Chair Harris, Ms. Gruzesky stated that this administrative regulation was mandated by federal regulations. Ninety-seven municipalities had wastewater laboratories that would be affected by this administrative regulation. Facilities that contracted with wastewater laboratories may continue to do so and shall submit newly required paperwork to demonstrate compliance with the federal standards. For many municipal wastewater laboratories, there would not be an additional cost as this administrative regulation is implemented.

A motion was made and seconded to approve the following amendments: to amend Sections 1 and 3 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

EDUCATION AND WORKFORCE DEVELOPMENT CABINET: Kentucky Board of Education: Department of Education: Facilities Management

702 KAR 4:160. Capital construction process. Kevin Brown, general counsel; Hiren Desai, associate commissioner; and Kay Kennedy, director, represented the department.

Senator Bowen stated that Senators David Givens and John Schickel asked Senator Bowen to express thanks to the department for addressing their concerns.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add statutory citations; (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph to clearly state the necessity for and function served by this administrative regulation, as required by KRS 13A.220; and (3) to amend Sections 1, 12, 13, and 14 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 of Workforce Investment: Office of Employment and Training: Unemployment Insurance

787 KAR 1:010. Application for employer account; reports. Dustin R. Adams, director; Melissa Beasley, assistant director; and Clay Lamb, staff attorney, represented the department.

787 KAR 1:290. Contract construction rates.

PUBLIC PROTECTION CABINET: Department of Alcoholic Beverage Control: Quotas

804 KAR 9:050. Retail liquor drink license quota.

A motion was made and seconded to approve the following amendments: (1) to amend the RELATES TO paragraph to add a statutory citation; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1 through 4 to revise terms consistent with statutory provisions. Without objection, and with agreement of the agency, the amendments were approved.

Department of Housing, Buildings and Construction: Division of Plumbing: Plumbing

815 KAR 20:034. Requirements for approval of continuing education courses and providers. Michael T. Davis, general counsel; David Moore, director; and Ambrose Wilson, commissioner, represented the division.

A motion was made and seconded to approve the following amendments: to amend Sections 1, 2, 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.

CABINET FOR HEALTH AND FAMILY SERVICES: Department for Medicaid Services: Medicaid Services

907 KAR 1:055 & E. Payments for primary care center, federally-qualified health center, federally qualified health center look-alike, and rural health clinic services. Stuart Owen, regulation coordinator, represented the department.

A motion was made and seconded to approve the following amendments: to amend Sections 1, 2, 4, and 6 to 9 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

907 KAR 1:071. Repeal of 907 KAR 1:070, 907 KAR 1:072, 907 KAR 1:090, 907 KAR 1:092, and 907 KAR 1:320.

907 KAR 1:595. Model Waiver II service coverage and reimbursement policies and requirements.

Other Business: A motion was made and seconded to adopt the following resolution:

A RESOLUTION honoring David L. Nicholas for his service to the Administrative Regulation Review Subcommittee, the Legislative Research Commission, the General Assembly, and the citizens of the Commonwealth of Kentucky.

WHEREAS, Dave Nicholas began his career with the Legislative Research Commission (LRC) in 1974, where he worked for five years before leaving for the executive branch; and

WHEREAS, Dave Nicholas spent over 18 years as the Director of Occupations and Professions in the Finance and Administration Cabinet, before returning home to LRC in 1999; and

WHEREAS, Dave Nicholas worked as a legislative analyst for the Committee on Licensing and Occupations prior to being named committee staff administrator for the Administrative Regulation Review Subcommittee on October 1, 1999; and

WHEREAS, for the last 14 years, Dave Nicholas has worked behind the scenes to ensure that the members of the Administrative Regulation Review Subcommittee have the information to do their jobs, and he has worked diligently with various state agencies, interested citizens, and LRC staff to bring improvements to administrative regulations and the regulatory process; and

WHEREAS, Dave Nicholas has a Baccalaureate degree in Business Administration and a Master's degree in Public Administration, both from Eastern Kentucky University; and

WHEREAS, Dave Nicholas will be retiring at the end of this month with over 39 years of dedicated state government service;

NOW, THEREFORE,

Be it resolved by the Administrative Regulation Review Subcommittee of the General Assembly of the Commonwealth of Kentucky:

Section 1. This honorable body recognizes and congratulates David L. Nicholas upon his retirement as committee staff administrator of the Administrative Regulation Review Subcommittee.

Section 2. This honorable body tenders Dave Nicholas best wishes and expresses its appreciation for his nearly four decades of service to the legislative and executive branches of government and to the Commonwealth of Kentucky.

Section 3. The Regulations Compiler is directed to transmit a copy of this Resolution to Dave Nicholas.

Representative Lee stated that, as the longest-serving Subcommittee member present, he knew that Mr. Nicholas had a long history of integrity and careful deliberation. The Subcommittee wished him well, but noted that he would be sorely missed.

Senator Bowen reiterated Representative Lee's statements and thanked Mr. Nicholas for his years of service to the Commonwealth.

Co-Chairs Harris and Bell thanked Mr. Nicholas, and Co-Chair Harris stated that Senator Tapp highly recommended Mr. Nicholas before Co-Chair Harris accepted the position of Senate Co-Chair. Mr. Nicholas left a legacy of excellent management and high moral standards.

Mr. Nicholas stated that he had enjoyed working for the Subcommittee and learned a great deal about administrative regulations. God had blessed Mr. Nicholas with wonderful legislative members, staff, and colleagues. Only once in his experience had this Subcommittee voted along party lines, which was a testimony to the fact that these legislators were statesmen. Mr. Nicholas thanked LRC staff leadership for giving him this opportunity. His goal as he retired was to provide a smooth transition. Mr. Nicholas thanked his new employer, his wife, Pat; lobbyists he had worked with over the years; and agency representatives who participated regularly in the administrative regulation process. Donna Little was announced as the new committee staff administrator effective August 1, and Mr. Nicholas stated that he had faith that she would be an excellent leader.

The following administrative regulations were deferred to the August 5, 2013, meeting of the Subcommittee:

GENERAL GOVERNMENT CABINET: Board of Registration for Professional Geologists: Board

201 KAR 31:010. Fees.

201 KAR 31:020. Compensation of board members.

201 KAR 31:040. Applications and examinations.

201 KAR 31:050. Renewals.

201 KAR 31:060. Code of professional conduct.

201 KAR 31:080. Geologist-in-training.

201 KAR 31:090. Complaint management process.

ENERGY AND ENVIRONMENT CABINET: Department for Environmental Protection: Division of Water: Water Quality Standards

401 KAR 10:030. Antidegradation policy implementation methodology.

CABINET FOR HEALTH AND FAMILY SERVICES: Department for Public Health

Division of Maternal and Child Health: Kentucky Early Intervention System

902 KAR 30:120. Evaluation and eligibility.

902 KAR 30:200. Coverage and payment for services.

Department for Medicaid Services: Payment and Services

907 KAR 3:230 & E. Reimbursement policies and requirements for specialty intermediate care (IC) clinic services.

Department for Community Based Services: Child Welfare

922 KAR 1:140 & E. Foster care and adoption permanency services.

922 KAR 1:400 & E. Supportive services.

Division of Child Care: Day Care

922 KAR 2:020. Child Care Assistance Program (CCAP) improper payments, claims, and penalties.

922 KAR 2:120. Child-care center health and safety standards.

922 KAR 2:180. Requirements for registered child care providers in the Child Care Assistance Program.

The Subcommittee adjourned at 12:10 p.m. until August 5, 2013 at 1 p.m.

GOVERNMENT CONTRACT

REVIEW COMMITTEE

Committee Minutes

July 12, 2013

Call to Order and Roll Call

The Government Contract Review Committee met on Friday, July 12, 2013, at 1:00 PM, in Room 131 of the Capitol Annex. Senator Sara Beth Gregory, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Sara Beth Gregory, Co-Chair; Representative Dennis Horlander, Co-Chair; Senators Julian M. Carroll, Paul Hornback, and Christian McDaniel; Representatives Jesse Crenshaw and Brent Yonts.

Guests: Nancy Carpenter, Paul Gannoe, Mike Sausman, Danine Tomlin, Craig Hopkins, David Holcomb, Gretchen Copley, Mike Rodman, Deanne Tobey, Ann DAngelo, Tom Harris, Leslie Brown, Kathy Burke, Betsy Dunnigan, Stacy Roland, Jill Mitchell, Maggie Woods, Tim Burcham, Andy Barber, Jennifer Portmann, Diane Bonfert, Tonia Wells, Stacy Woodrum, Mark Cornett, Virginia Carrington, David Gayle, Mike Denney, Charlie Harman, Jennifer Baker, Audrey Proctor, Carrie Banahan, Bill Nold, Chris Clark, and Mike Mangeot.

LRC Staff: Kim Eisner, Charles Booker, and Becky Brooker.

A motion was made by Representative Yonts to approve Minutes of the June 2013 meeting of the committee. Senator Carroll seconded the motion, which passed without objection.

JUNE 2013 DEFERRED ITEMS

FISH & WILDLIFE, DEPARTMENT OF

Jonathan W. Gassett, 1300002393. A motion was made by Representative Yonts to defer the contract to the August 2013 meeting of the committee. Senator Carroll seconded the motion, which passed without objection.

EASTERN KENTUCKY UNIVERSITY

Rauch Incorporated, 14-041. Per the request of the university this contract was withdrawn.

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

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

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

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

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS:

Tad Thomas, 1300003183; Transitions Incorporated, 1300003189.

CABINET FOR HEALTH AND FAMILY SERVICES:

Baptist Health Madisonville - Telehealth, 1300002847; St. Claire Medical Center, 1300002850.

CRIMINAL JUSTICE TRAINING, DEPARTMENT OF:

Polygraph Systems, Incorporated, 1300002841.

DEPARTMENT FOR AGING & INDEPENDENT LIVING:

Neurorestorative Carbondale, 1300001921; Neurobehavioral Resources, LTD, 1300001922; Experience Works Incorporated, 1300003164.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES:

Crown Services Incorporated, 1300002343.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION:

Micah Group Environmental Contractors, Inc., 1300002885.

DEPARTMENT FOR MEDICAID SERVICES:

Myers and Stauffer, LLC, 1300002706.

DEPARTMENT FOR PUBLIC HEALTH:

Matthew 25 Aids Services Incorporated, 1300001865; URS Corporation, 1300001971; Heartland Cares Incorporated, 1300001996; Matthew 25 AIDS Services Incorporated, 1300001998; Julia Rodriguez Cervera, 1300002169; Norton Healthcare Incorporated, 1300002451.

DEPARTMENT OF ENERGY DEVELOPMENT AND INDEPENDENCE:

The Bagley Group, LLC, 1300002612; Kentucky School Boards Association Educational Foundation, 1300002991.

EASTERN KENTUCKY UNIVERSITY:

Marsh USA Incorporated 14-044.

ECONOMIC DEVELOPMENT - OFFICE OF THE SECRETARY:

Lyon Park Associates, 1300002865.

EDUCATION, DEPARTMENT OF:

Career Cruising, 1300003051.

ENVIRONMENTAL EDUCATION COUNCIL:

Bluegrass Pride Incorporated, 1300002876.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING:

Kentucky Auctioneers Associates Incorporated, 1300002627.

HIGHER EDUCATION ASSISTANCE AUTHORITY, KENTUCKY:

Callan Associates Incorporated, 1300002524.

INFRASTRUCTURE AUTHORITY:

Kentucky Rural Water Associates, 1300003082; Peck Shaffer & Williams, LLP, 1300003145.

KENTUCKY EMPLOYERS MUTUAL INSURANCE:

Conning, Incorporated, 14-CON-001; Dean Dorton Allen Ford, PLLC, 14-DDF-001; Deutsche Investment Management Americas Incorporated, 14-DIM-001; Kenning Consulting, 14-KEN-001; McCarthy Strategic Solutions, 14-MSS-001; Towers Watson Pennsylvania, Incorporated, 14-TIL-001; Underwriters Safety & Claims, Incorporated, 14-USC-001.

KENTUCKY STATE UNIVERSITY:

Dean Dorton Allen Ford, PLLC, 14-01; Johnson Newcomb, LLP, 14-02; McBrayer, McGinnis, Leslie, & Kirkland, PLLC, 14-03; Anthony G. Barnes, 14-04; Tronconi Segarra & Associates, LLP, 14-05; SEM Works, 14-06; Penny R. Smith, 14-07; Lawrence L. Wilburn, Jr., 14-08.

KY HORSE RACING AUTHORITY:

HFL Sport Science, Inc., 1300002452.

MOREHEAD STATE UNIVERSITY:

Sturgill, Turner, Barker & Moloney, PLLC, 14-003; Wyatt, Tarrant & Combs, LLP, 14-004; Dean Dorton Allen Ford, PLLC, 14-005; MML&K Government Solutions, 14-006; Element Design, 14-007; Audrey Ruiz Lambert, 14-008; CG&B Marketing, LLC, 14-010; Sign Language Network of Kentucky, LLC, 14-013; Boice Enterprises, LLC, 14-015; Mercer Health & Benefits, LLC, 14-017; Stamats Incorporated, 14-018; Dr. Betsy E. Bailey, 14-019; University Accounting Services, LLC, 14-020.

MURRAY STATE UNIVERSITY:

Robert Clark Harris, MD, 001-14; Multi, 00114; Capitol Solutions, 002-14; McClain Dewees, PLLC, 003-14; Carrithers Law Office, PLLC, 004-14; Mercer Health & Benefits, LLC, 005-14; Sherman Carter Barnhart, PSC, 007-14; Multi, 009-14; Buck Consultants, 010-14; Sherman, Carter, Barnhart, PSC, 012-14; Sherman Carter Barnhart, 013-14.

NORTHERN KENTUCKY UNIVERSITY:

Geoff Smith, 2014-544-3; Dr. Bette Bonder, 2014-635.

OFFICE OF HOMELAND SECURITY:

RCC Consultants Incorporated, 1300002891; Ross and Company, PLLC, 1300002892.

PERSONNEL-OFFICE OF THE SECRETARY:

AON Consulting, 1300003008.

STATE POLICE, DEPARTMENT OF:

Powerphone Incorporated, 1300002146; Kenneth W. Mayfield, 1300002955; Roy Pace Jr., 1300002957; Paul D. Oldham, 1300002958; Jack Riley, 1300002959; Donald L. Perry, 1300002960; David W. Watkins, 1300002961; Michael Carnahan, 1300002962; Samuel R. Little, 1300002963; Robert G. Massie, 1300002964; Danny Clark, 1300002965; Kevin B. Guier, 1300002966; John L. Pratt, 1300002967; David Decker, 1300002968; Steve Thomas, 1300002969; Joseph R. Johnson, 1300002970; Bruce Kelly, 1300002971; William P Baker, 1300002972; Scott Davenport, 1300002973.

TRANSPORTATION CABINET:

Carl J Bensinger and Associates, 1300002376; Strothman and Company PSC, 1300002512; E. Patrick Moores, 1300002529; Berkley Appraisal County, 1300002696; Berkley Appraisal County, 1300002705; Wyatt Tarrant and Combs, 1300002901; T H E Engineers Incorporated, 1300002985; Municipal Engineering Company, 1300003012; QK4, 1300003016; Michael Baker Jr., Incorporated, 1300003116; Summit Engineering Incorporated, 1300003118; Collins Engineers Incorporated, 1300003121; HMB Professional Engineers Incorporated, 1300003153; J M Crawford and Assocs Incorporated, 1300003159.

UNIVERSITY OF KENTUCKY:

Smith Management Group, K12-139; Stidham & Associates, K13-105-1; Walther, Roark, & Gay, K13-108-1; Wyatt, Tarrant & Combs, K13-109-1; Stites & Harbison, PLLC, K14-101; Sturgill, Turner, Barker, & Maloney, PLLC, K14-102; Kriz, Jenkins, Prewitt, & Jones, K14-103; Underwriters Safety & Claims, K14-105; St. Elizabeth Medical Center, K14-106; Triad Technology Partners, LLC, K14-107; MCPC Technology Products & Solutions, K14-108; Tadarro L. Richardson, MD, PSC, K14-109; John R. Meek, MD, K14-110; Daniel C. Rodrigue, MD, K14-111; Marshall Emergency Services, LLC, K14-112; Marshall Medical Management, LLC, K14-113.

UNIVERSITY OF LOUISVILLE:

VeBridge, 14-002; TEKSystems, 14-006; Six Feet Up Incorporated, 14-007; VB Consulting, 14-008.

WESTERN KENTUCKY UNIVERSITY:

Sodexo Education Services Incorporated, 131402; Stokes Production Services Incorporated, 131404; Contemporary Services Corporation, 131405; RuffaloCODY, 131407.

WORKER'S COMPENSATION FUNDING COMMISSION:

Blue & Co., LLC, 1300003001; Actuarial and Technical Solutions, Incorporated, 1300003003.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS:

Gess Mattingly & Atchison, 1000002339; Gess Mattingly and Atchison, 1100001567; Gess Mattingly and Atchison, 1100001568; Greenebaum Doll & McDonald, 1200002672; Littler Mendelson, 1200002919; Stites & Harbison, 1300000600; Littler Mendelson, 1300001566; Tad Thomas, 1300002485; Tad Thomas, 1300002487.

ALCOHOL AND DRUG COUNSELORS, BOARD OF CERTIFICATION OF:

Mac R. Bell, 1200003133.

CABINET FOR HEALTH AND FAMILY SERVICES:

Susan Gormley Tipton, 1300001663.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES:

Crown Services Incorporated, 1200001161; Crown Services Incorporated, 1300001455; Guardian Angel Staffing Agency, 1300001456; Nursestaffing Group Kentucky, LLC, 1300001458.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Goldberg and Simpson, PSC, 1200002425.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION:

URS Corporation, 1000001352.

DEPARTMENT FOR MEDICAID SERVICES:

Navigant Consulting Incorporated, 1200001278.

EDUCATION, DEPARTMENT OF:

KSA-Plus Communications, Inc., 1300001673.

EDUCATIONAL TELEVISION, KENTUCKY:

Roger M. Bondurant, 1200003311; Michelle Larock, 1200003312; Britt Davis, 1200003313; James Bugay, 1200003314; James R. Slone, 1200003315; William K. Durhan, 1200003316; Vince Spoelker, 1300000132; Martha Fightmaster, 1300000764; Brian Vincent, 1300001099; Diana Rhea Deen, 1300001100; Philip Shepherd, 1300001101; Jewe S. Jee, 1300001103; Kathy Osmus, 1300001372; Catherine Fillmore-Hoyt, 1300001375; Stephen G. Shaw, 1300001376; Marsha Hellard, 1300001515; Douglas Gaines Collins, 1300001631; Tighe Publishing Services Incorporated, 1300001695; Maria Arroyo, 1300002469.

FINANCE AND ADMINISTRATION CABINET:

Goldberg & Simpson, PSC, 1200003737.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING:

Myers Jolly Architects, 0600002856; Omni Architects, 0700003255; Tetra Tech Incorporated, 0700003392; Stantec Consulting Services Incorporated, 0700003463; Grossman Chapman Klarer Architects, Inc., 0900012401; Third Rock Consultants, LLC, 0900013200; CMW Incorporated, 1000000976; Bravura Corporation, 1000001623; GRW Engineers Incorporated, 1000002308; Stantec Consulting Services, Inc., 1100001971; EOP Architects, PSC, 1100002570; Florence and Hutcheson, 1200001112.

KENTUCKY BOARD OF LICENSURE FOR MASSAGE THERAPY:

Scanlan Associates, LLC, 1300002051.

KENTUCKY LOTTERY CORPORATION:

PDT Communications, KLC-13-10-027.

KENTUCKY STATE UNIVERSITY:

Dean Dorton Allen Ford, PLLC, 13-01.

NORTHERN KENTUCKY UNIVERSITY:

Witt/Kieffer, 2013-630; Pinnacle Environmental Consultants, 846-13.

OFFICE OF INSPECTOR GENERAL:

Michigan Peer Review Organization, 1200002611.

OPHTHALMIC DISPENSERS, BOARD OF:

Byron E. Brentlinger, 1200003596.

PERSONNEL-OFFICE OF THE SECRETARY:

Cannon Cochran Management Services Incorporated, 1200002507.

PSYCHOLOGISTS, BOARD OF EXAMINERS OF:

Stan Heck, Psy D, 1200003590; Paula A. Berry, 1300000857.

PUBLIC ADVOCACY, DEPARTMENT FOR:

Erwin Wayne Lewis, 1200003669; DNA Diagnostics Center, 1200003671; John Niland, 1200003770; Robert Walker, 1200003773.

TRANSPORTATION CABINET:

URS Corporation, 1100002324; HMB Professional Engineers Incorporated, 1100002335; HDR Engineering Incorporated, 1100002338; EA Partners, PLC, 1200000960; Stantec Consulting Services Incorporated, 1200002237; Stantec Consulting Services Incorporated, 1200002239; Urgent Treatment Centers, 1200002457; Urgent Treatment Centers, 1200003394; GRW Engineers Incorporated, 1300001196; GRW Engineers Incorporated, 1300002177; URS Corporation, C-01346554-3.

UNIVERSITY OF KENTUCKY:

Hewitt Associates Public Sector Consulting, LLC, K13-128; WorleyParsons Group Incorporated, K13-166; Shield Environmental Associates Incorporated, K13-173.

UNIVERSITY OF LOUISVILLE:

Power Creative, 13-002; Red7e, 13-003.

VETERINARY EXAMINERS, BOARD OF:

Brian Fingerson Rph Incorporated, 1200003578; C Loran Wagoner, 1200003946.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS:

Adanta Group, 1300002927; Bluegrass Prevention Center, 1300003087; Communicare Incorporated Adult, 1300003091; Cumberland River Mental Health Mental Retardation Board Incorporated, 1300003094; Four Rivers Behavioral Health Corporate Office, 1300003095; Kentucky River Comm Care Incorporated, 1300003097; Lifeskills Corporation Offices, 1300003098; Mountain Comp Care Center, 1300003099; Pathways Incorporated, 1300003102; Seven Counties Services Incorporated, 1300003104; River Valley Behavioral Health, 1300003154; Pennyroyal Mental Health, 1300003155.

CABINET FOR HEALTH AND FAMILY SERVICES:

University of Kentucky, 1300002848; University of Louisville Research Foundation, 1300002849.

COMMISSION FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS:

Patient Services Incorporated, 1300002877.

CORRECTIONS, DEPARTMENT OF:

Boyle County Detention Center, 1300001984; Breckinridge County Jail, 1300001985; Christian County Jail, 1300002064; Daviess County Detention Center, 1300002068; Fulton County Jail, 1300002129; Grant County Jail, 1300002130; Grayson County Jail, 1300002131; Hardin County Jail, 1300002132; Hopkins County Detention Center, 1300002148; Marion County Jail, 1300002545; Mason County Detention Center, 1300002603; Pike County Detention Center, 1300002621; Kenton County Community Corrections Advisory Board Incorporated, 1300002663; Communicare Incorporated, 1300002664; Knott Drug Abuse Council Incorporated, 1300002669; NKU Research Foundation, 1300002670; 49th Community Corrections Program, 1300002671; Community Corrections-24th Judicial Circuit, 1300002672; Marion County Fiscal Court, 1300002673; Transitions Incorporated, 1300002674; Pike County Detention Center, 1300002675; Shelby County Detention Center, 1300002676; Kentucky Administrative Office of the Courts, 1300002686; Powell County Fiscal Court, 1300002873.

DEPARTMENT FOR AGING & INDEPENDENT LIVING:

Pennyroyal Mental Health, 1300001896; Green River Reg Mental Health Mental Retardation Board, 1300001897; Lifeskills Incorporated, 1300001898; Communicare Incorporated, 1300001899; Seven Counties Services, 1300001900; Northern Kentucky Regional Mental Health Mental Retardation Board, 1300001901; Comprehend Incorporated, 1300001902; Pathways Incorporated, 1300001903; Mountain Comp Care Center, 1300001904; Kentucky River Community Care, 1300001905; Cumberland River Mental Health Mental Retardation Board Incorporated, 1300001906; Lake Cumberland Mental Health Mental Retardation Board d/b/a The Adanta Group, 1300001907; Bluegrass Regional Mental Health Mental Retardation, 1300001908; Audubon Area Community Services, Incorporated, 1300001919; Licking Valley Community Action Agency, 1300001920; NKCES, 1300001923; Pennyrile Area Development District, 1300002005; Green River Area Development, 1300002006; Barren River Area Development District, 1300002007; Lincoln

Trail Area Development District, 1300002008; Kentuckiana Regional Planning & Development Agency, 1300002009; Northern Kentucky Area Development District, 1300002010; Buffalo Trace Area Development District, 1300002011; Gateway Area Development District, 1300002012; Fivco Area Development District, 1300002013; Big Sandy Area Development District, 1300002014; Kentucky River Area Development District, 1300002015; Cumberland Valley Area Development District, 1300002016; Lake Cumberland Area Development District, 1300002019; Bluegrass Area Development District Title Iii, 1300002020; Purchase Area Development District, 1300002025; Pennyrile Area Development District, 1300002026; Green River Area Development, 1300002027; Barren River Area Development District, 1300002028; Lincoln Trail Area Development District, 1300002029; Kentuckiana Regional Planning & Development Agency, 1300002030; Northern Kentucky Area Development District, 1300002031; Buffalo Trace Area Development District, 1300002032; Fivco Area Development District, 1300002034; Big Sandy Area Development District, 1300002035; Kentucky River Area Development District, 1300002036; Cumberland Valley Area Development District, 1300002037; Lake Cumberland Area Development District, 1300002038; Bluegrass Area Development District, 1300002039; Pennyrile Area Development District, 1300002386.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES:

Four Rivers Behavioral Health, 1300001811; Pennyroyal Mental Health, 1300001812; Green River Regional Mental Health Mental Retardation Board, 1300001813; Lifeskills Incorporated, 1300001814; Communicare Incorporated, 1300001815; Seven Counties Services, 1300001816; Northern Kentucky Regional Mental Health Mental Retardation Board, 1300001817; Comprehend Incorporated, 1300001818; Pathways Incorporated, 1300001819; Kentucky River Community Care, 1300001821; Cumberland River Mental Health Mental Retardation Board, Incorporated, 1300001822; Lake Cumberland Mental Health Mental Retardation Board d/b/a The Adanta Group, 1300001823; Bluegrass Regional Mental Health Mental Retardation, 1300001824; Eastern Kentucky University, 1300002415; Seven Counties Services, Incorporated, 1300002486; Mountain Comp Care Center, 1300003030.

DEPARTMENT FOR COMMUNITY BASED SERVICES:

Kentucky Association of Sexual Assault Programs, 1300002077; Audubon Area Comm Services, 1300002078; Bell Whitley Community Action Agency, 1300002079; Big Sandy Area Cap Incorporated, 1300002080; Blue Grass Community Action Partnership, 1300002081; Community Action Council for Lexington Fayette, 1300002082; Central Kentucky CAC Incorporated, 1300002083; Daniel Boone Community Action Agency, Incorporated, 1300002084; Gateway Community Services Organization, Incorporated, 1300002085; Harlan County Community Action Agency, 1300002086; Kentucky Communities Economic Opportunity Council, Incorporated, 1300002087; Foothills Community Action, 1300002088; Lake Cumberland CSO, Incorporated, 1300002089; LKLP Community Action Council, 1300002090; Licking Valley Community Action Agency, 1300002091; Louisville/Jefferson County Metro Government, 1300002092; Middle Kentucky Community Action Partnership, Inc., 1300002093; Multi Purpose Community Action Agency Incorporated, 1300002094; Northeast Kentucky Community Action Agency, 1300002095; Northern Kentucky Community Action, 1300002096; Pennyrile Allied Community SVC, 1300002097; Community Action of Southern Kentucky Incorporated, 1300002098; Tri County Community Action Agency, 1300002099; West Kentucky Allied Services, 1300002100; Barren River Area Child Advocacy, 1300002102; Judi's Place for Kids, 1300002103; Buffalo Trace Children's Advocacy Center, 1300002104; Children's Advocacy Center, 1300002105; Cumberland Valley Children's Advocacy Center, 1300002106; Family & Children First Incorporated, 1300002107; Gateway Children's Advocacy, 1300002108; Green River District Community Action Center, 1300002109; Hopes Place Incorporated, 1300002110; Kentucky River Children's Advocacy Center, 1300002111; Lake Cumberland Community Action Center, 1300002112; Advocacy and Support Center, 1300002113; Northern Kentucky Community Action Center, 1300002114; Purchase Area Sexual Assault Center, 1300002115; Pennyrile Child Advocacy Center, 1300002116.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION:

US Department of Interior Geological Survey, 1300002894.

DEPARTMENT FOR INCOME SUPPORT:

Eastern Kentucky University, 1300001935.

DEPARTMENT FOR MEDICAID SERVICES:

Bluegrass Regional Mental Health Mental Retardation, 1300001760; Northern Kentucky Regional Mental Health Mental Retardation Board, 1300001768; Seven Counties Services, 1300001772; Veterans Affairs, 1300002592.

DEPARTMENT FOR PUBLIC HEALTH:

University of Kentucky Research Foundation, 1300001977; University of Kentucky Research Foundation, 1300001994.

DEPARTMENT OF ENERGY DEVELOPMENT AND INDEPENDENCE:

Southeast Kentucky Community and Technical College, 1300002854; Cedar Incorporated, 1300002866; University of Kentucky Research Foundation, 1300002874; Western Kentucky University, 1300002875; University of Kentucky Research Foundation, 1300002976; University of Kentucky Research Foundation, 1300003000; Pacific Northwest National Lab, 1300003004.

DEPARTMENT OF REVENUE:

Multistate Tax Commission, 1300002823.

ECONOMIC DEVELOPMENT - OFFICE OF THE SECRETARY:

Campbell County Fiscal Court, 1300001262.

EDUCATION, DEPARTMENT OF:

Teach for America, 1300001304; Multi, 1300002323; KCTCS, 1300002330; Anderson County Board of Education, 1300002476; Ashland Independent Board of Education, 1300002477; Berea Independent Board of Education, 1300002478; Calloway County Board of Education, 1300002479; Simpson County Board of Education, 1300002480; Jefferson County Board of Education, 1300002490; Jefferson County Board of Education, 1300002491; Jefferson County Board of Education, 1300002492; Jefferson County Board of Education, 1300002493; Jefferson County Board of Education, 1300002494; Central Kentucky Educational Cooperative, 1300002504; Green River Regional Education, 1300002505; Kentucky Educational Development Corporation, 1300002506; Kentucky Valley Education, 1300002507; Northern Kentucky Cooperative for Educational Services Incorporated, 1300002508; Ohio Valley Education Cooperative, 1300002509; Southeast/Southcentral Educational Coop, 1300002510; West Kentucky Education Cooperative Special Education, 1300002511; Washington County Board of Education, 1300002530; Madison County Board of Education, 1300002535; Madison County Board of Education, 1300002540; Madison County Board of Education, 1300002541; Madison County Board of Education, 1300002542; Madison County Board of Education, 1300002543; Kentucky Educational Development Corporation, 1300002544; Kentucky Educational Development Corporation, 1300002546; Kentucky Educational Development Corporation, 1300002547; Trustees of Indiana University, 1300002548; Kentucky Educational Development Corporation, 1300002549; Kentucky Educational Development Corporation, 1300002550; Shelby County Board of Education, 1300002551; Shelby County Board of Education, 1300002552; Boyd County Board of Education, 1300002553; Campbellsville Independent Board of Education, 1300002554; Carter County Board of Education, 1300002555; Christian County Board of Education, 1300002556; Clark County Board of Education, 1300002558; Daviess County Board of Education, 1300002559; Daviess County Board of Education, 1300002560; Glasgow Independent Board of Education, 1300002561; Glasgow Independent Board of Education, 1300002562; Green County Board of Education, 1300002563; Hart County Board of Education, 1300002564; Henderson County Board of, 1300002565; Hopkins County Board of Education, 1300002566; Larue County Board of Education, 1300002567; Leslie County Board of Education, 1300002568; Leslie County Board of Education, 1300002569; Letcher County Board of Education, 1300002570; McCracken County Board of Education, 1300002572; Monroe County Board of Education, 1300002573; Pike County Board of Education, 1300002574; Scott County Board of Education, 1300002575; Scott County Board of Education, 1300002580; Christian County Board of Education, 1300002581; Todd County Board of Education, 1300002582; Trigg County Board of Education, 1300002583; Woodford County Board of Education, 1300002585; Woodford County Board of Education, 1300002586; Shelby County Board of Education, 1300002587; Shelby County Board of Education, 1300002588; Anchorage Independent Schools, 1300002590; Garrard County Board of Education, 1300002597; Letcher County Board of Education, 1300002600; Owen County Board of Education, 1300002602; Scott County Board of Education, 1300002608; Marion County Board of Education, 1300002618; Perry County Board of Education, 1300002620; Boyle County Board of Education, 1300002622; Pulaski County Board of Education, 1300002623; Knott County Board of Education, 1300002633; Fayette County Board of Education, 1300002637; Fayette County Board of Education, 1300002638; Fleming County Board of Education, 1300002639; Floyd County Board of Education, 1300002649; Newport Independent Board of Education, 1300002650; Georgetown College, 1300002651; Bell County Board of Education, 1300002657; Kentucky Valley Education, 1300002684; Kentucky Valley Education, 1300002685; Kentucky Valley Education, 1300002687; Boone County Board of Education, 1300002689; Estill County Board of Education, 1300002690; Estill County Board of Education, 1300002691; NKU Research Foundation, 1300002692; Warren County Board of Education, 1300002693; Central Kentucky Educational Cooperative, 1300002698; Green River Regional Education, 1300002699; Kentucky Educational Development Corporation, 1300002700; Kentucky Valley Education, 1300002701; Northern Kentucky Cooperative for Educational Services Incorporated, 1300002702; Ohio Valley Education Coop, 1300002703; West Kentucky Education Cooperative, 1300002704; Montgomery County Board of Education, 1300002714; Fayette County Board of Education, 1300002718; Jefferson County Board of Education, 1300002719; Jefferson County Board of Education, 1300002720; University of Kentucky Research Foundation, 1300002844; Eastern Kentucky University, 1300002878; Clark County Board of Education, 1300002881; Madison County Board of Education, 1300002882; University of Louisville Research Foundation, 1300002886; University of Kentucky Research Foundation, 1300002890; Shelby County Board of Education, 1300002893; KCTCS, 1300002899; Madisonville Community College, 1300002917; Barren County Board of Education, 1300002918; Eastern Kentucky University, 1300002920; Eastern Kentucky University, 1300002932; Letcher County Board of Education, 1300002954; Gallatin Count Board of Education, 1300002975; Jessamine County Board of Education, 1300002977; Simpson County Board of Education, 1300002979; Southeast/Southcentral Educational Coop, 1300002984; Jackson Independent Board of Education, 1300002986; Kentucky Educational Development Corporation, 1300002992; University of Kentucky Research Foundation, 1300003014; Eastern Kentucky University, 1300003024; Ballard County Board of Education, 1300003032; Bath County Board of Education, 1300003033; Christian County Board of Education, 1300003042; Grant County Board of Education, 1300003049; Grayson County Board of Education, 1300003050; Henderson County Board of Education, 1300003052; Lewis County Board of Education, 1300003063; Livingston County Board of Education, 1300003066; Magoffin County Board of Education, 1300003067; Muhlenberg County Board of Education, 1300003072; Treasurer Newport Independent Board of Education, 1300003073; Scott County Board of Education, 1300003075; Simpson County Board of Education, 1300003076; Western Kentucky University Research Foundation, 1300003086; University of Kentucky Research Foundation, 1300003115; Montgomery County Board of Education, 1300003125.

<u>EDUCATIONAL TELEVISION, KENTUCKY</u>:

Morehead State University, 1300002914.

<u>JUSTICE CABINET</u>:

Project Unite, 1300002974.

<u>JUVENILE JUSTICE, DEPARTMENT OF</u>:

Jefferson County Board of Education, 1300002072; Barren County Board of Education, 1300002350; Boyle County Board of Education, 1300002351; Bullitt County Board of Education, 1300002352; Calloway County Board of Education, 1300002353; Campbell County Board of Education, 1300002354; Clark County Board of Education, 1300002355; Corbin Independent Board of Education, 1300002356; Franklin County Board of Education, 1300002357; Hopkins County Board of Education, 1300002358; Knox Co Board of Education, 1300002359; Laurel County Board of Education, 1300002360; Lexington Fayette Urban County Government Department of Social Services, 1300002361; Madison County Board of Education, 1300002362; Mercer County Board of Education, 1300002363; Ohio County Board of Education, 1300002364; Pike County Board of Education, 1300002365; Pulaski County Board of Education, 1300002366; Shelby County Board of Education, 1300002367; Warren County Board of Education, 1300002368; DMA Youth Challenge Division, 1300002369; Univ. of Kentucky Medical Center, 1300002370; Univ. of Kentucky Medical Center, 1300002371; Kentucky Department of Education, 1300002373; Louisville Metro Youth Detention Services, 1300002375; Eastern Kentucky University, 1300002794.

<u>KENTUCKY HOUSING CORPORATION</u>:

Community Action Kentucky Incorporated, 2014-5.

<u>KENTUCKY RIVER AUTHORITY</u>:

University of Kentucky Research Foundation, 1300003015.

<u>MILITARY AFFAIRS, DEPARTMENT OF</u>:

Multi, 1300002443; Pike County, 1300002936.

<u>OFFICE OF INSPECTOR GENERAL</u>:

Office of Employment and Training, 1300001658.

<u>OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT</u>:

Hancock County Fiscal Court, 1300002609; Elliott County Fiscal Court, 1300002829; Pike County Fiscal Court, 1300002869; Pike County Fiscal Court, 1300002870; Hardin County Fiscal Court, 1300002871; Ohio County Fiscal Court, 1300002947; Lee County Fiscal Court, 1300003089; City of Campbellsville, 1300003090; City of Prestonsburg, 1300003101; Leslie County Fiscal Court, 1300003103.

<u>OFFICE OF THE KENTUCKY HEALTH BENEFIT EXCHANGE</u>:

Eastern Kentucky University, 1300002453.

<u>TOURISM DEVELOPMENT CABINET</u>:

Multi, 1300003127.

<u>TRANSPORTATION CABINET</u>:

Kentucky State University, 1300003070.

<u>UNIVERSITY OF KENTUCKY</u>:

St. Claire Regional Medical Center, MOA-001-14.

<u>THE FOLLOWING MEMORANDA OF AGREEMENT AMENDMENTS WERE REVIEWED WITHOUT OBJECTION</u>:

<u>ADMINISTRATIVE OFFICE OF THE COURTS</u>:

UK College of Social Work, 1300000137.

<u>AGRICULTURE, DEPARTMENT OF</u>:

Multi, 1300001593; Multi, 1300001595.

<u>ALCOHOL AND DRUG COUNSELORS, BOARD OF CERTIFICATION OF</u>:

Occupations & Professions, 1200002339.

<u>BOARD OF LICENSING HEARING AID DEALERS & FITTERS</u>:

Occupations and Professions, 1200002360.

<u>BOARD OF PROFESSIONAL ART THERAPISTS</u>:

Occupations & Professions, 1200002291.

<u>BOARD OF PROFESSIONAL COUNSELORS</u>:

Occupations & Professions, 1200002367.

<u>DEPARTMENT FOR AGING & INDEPENDENT LIVING</u>:

NKCES, 1200001086.

<u>DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES</u>:

Dayspring Incorporated, 1200001136; Lifeskills Incorporated, 1200001794; Bluegrass Regional MHMR Board, Incorporated, 1200001806; Kentucky Medical Services Foundation Incorporated, 1200002444; University of Kentucky Research Foundation, 1300001953.

<u>DEPARTMENT FOR COMMUNITY BASED SERVICES</u>:

Office of Victims Advocacy, 1200001857; Kentucky Administrative Office of the Courts, 1200002023; Community Action of Southern Kentucky Incorporated, 1200002113; University of Kentucky Research Foundation, 1200002220.

<u>DEPARTMENT FOR MEDICAID SERVICES</u>:

Cumberland River Comprehensive Care Center, 1200001183; Pathways Incorporated, 1200001189.

<u>DEPARTMENT FOR PUBLIC HEALTH</u>:

Health Kentucky, 1200001957; U of L Research Foundation, 1200002077; Pathways Incorporated, 1200002160; University of Kentucky Research Foundation, 1200002268; University of Kentucky Research Foundation, 1200002277; University of Kentucky Research Foundation, 1200002278; Eastern Kentucky University, 1200002379.

<u>DEPARTMENT OF ENERGY DEVELOPMENT AND INDEPENDENCE</u>:

University of Louisville Research Foundation, 1200001651; University of Kentucky Research Foundation, 1200003091; University of Kentucky Research Foundation, 1200003252; University of Louisville Research Foundation, 1300001377.

<u>DEPARTMENT OF WORKPLACE STANDARDS</u>:

U.S. Department of Labor OSHA, 1300000350.

<u>DIETITIANS & NUTRITIONISTS, BOARD OF LICENSURE CERTIFICATION</u>:

Occupations and Professions, 1200002358.

<u>EDUCATION, DEPARTMENT OF</u>:

Ballard County Board of Education, 1300000064; Barren County Board of Education, 1300000065; Berea Independent Board of Education, 1300000066; Bethune Institute, 1300000067; Treasurer Boone County Board of Education, 1300000068; Treasurer Boyd County Board of Education, 1300000072; Boys & Girls Club of Greater Cincinnati, 1300000074; Casey County Board of Education, 1300000079; Corbin Independent Board of Education, 1300000087; Lewis County Board of Education, 1300000144; Livingston County

Board of Education, 1300000147; Russell County Board of Education, 1300000170; Woodford County Board of Education, 1300000179; Boys and Girls Club Incorporated, 1300001603; Bullitt County Board of Education, 1300001604.

FEE-BASED PASTORAL COUNSELORS, BOARD OF CERTIFICATION OF:

Occupations and Professions, 1200002348.

GEOLOGISTS, BOARD OF:

Occupations & Professions, 1200002366; UK Research Foundation, 1200002438.

INTERPRETERS FOR DEAF, BOARD OF:

Occupations and Professions, 1200002337.

JUSTICE CABINET:

University of Louisville, Department of Pathology, 1200002833.

KENTUCKY APPLIED BEHAVIOR ANALYST LICENSING BOARD:

Occupations and Professions, 1200002242.

KENTUCKY ASSOCIATION OF DIABETES EDUCATORS:

Occupations and Professions, 1200002687.

KENTUCKY BOARD OF HOME INSPECTORS:

Occupations and Professions, 1200002343.

KENTUCKY BOARD OF LICENSURE FOR MASSAGE THERAPY:

Occupations and Professions, 1200002335.

MARRIAGE AND FAMILY THERAPISTS, BOARD OF LICENSURE FOR:

Occupations & Professions, 1200002313.

NURSING HOME ADMINISTRATORS, BOARD OF LICENSURE FOR:

Occupations & Professions, 1200002359.

OCCUPATIONAL THERAPY, BOARD OF:

Occupations & Professions, 1200002345.

OFFICE OF INSPECTOR GENERAL:

Kentucky Board of Nursing, 1200001958.

OFFICE OF THE GOVERNOR, DEPARTMENT FOR LOCAL GOVERNMENT:

City of Covington, 0800007100; City of Irvine, 0800010717; Knott County Fiscal Court, 0900013023; Carlisle County Fiscal Court, 1100001745; City of Hickman, 1100001901; McCracken County Fiscal Court, 1100002021; City of Benton, 1100002321; Floyd County Fiscal Court, 1200000289; City of Georgetown, 1200000503; Casey County Fiscal Court, 1200000734; Magoffin County Public Library, 1200003278; Harlan County Fiscal Court, 1300001128; City of Pineville, 1300001561.

OPHTHALMIC DISPENSERS, BOARD OF:

Occupations & Professions, 1200002350.

PSYCHOLOGISTS, BOARD OF EXAMINERS OF:

Occupations & Professions, 1200002341.

PUBLIC ADVOCACY, DEPARTMENT FOR:

University of Kentucky Research Foundation, 1200003560.

SPEECH-LANGUAGE PATHOLOGY & AUDIOLOGY, BOARD OF:

Occupations & Professions, 1200002342.

VETERINARY EXAMINERS, BOARD OF:

Occupations & Professions, 1200002352.

WORKFORCE INVESTMENT, OFFICE OF:

Northern Kentucky Area Development District, 1200002698.

THE FOLLOWING FILM TAX INCENTIVE AGREEMENTS WERE REVIEWED WITHOUT OBJECTION:

TOURISM DEVELOPMENT CABINET:

LA 5 Productions Incorporated, 1300002909.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE SELECTED FOR FURTHER REVIEW:

CORRECTIONS, DEPARTMENT OF

Mid America Health Incorporated, 1300002682. A motion was made by Representative Yonts to defer the contract to the August 2013 meeting of the committee. Senator Carroll seconded the motion, which passed without objection.

EDUCATIONAL TELEVISION, KENTUCKY

Susan B. Hines-Bricker, 1300002942. Nancy Carpenter discussed the contract. A motion was made by Senator Gregory to consider the contract as reviewed. Representative Yonts seconded the motion, which passed without objection.

FINANCE AND ADMINISTRATION CABINET - DIVISION OF ENGINEERING

Luckett and Farley Architects, Engineers, and Construction Managers, Incorporated, 1300002653; Godsey Associates Architects, Incorporated, 130002655; Patrick D. Murphy Company Incorporated, 1300002656; Patrick D. Murphy Company Incorporated, 1300002659. Paul Gannoe and Mike Sausman discussed the contracts. A motion was made by Representative Yonts to consider the contracts as reviewed. Senator Carroll seconded the motion, which passed without objection.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM

Alamo Community College District, 562; Spartanburg Community College, 564; Teachers College, Columbia University, The Community Research Center, 565. David Holcomb, Danine Tomlin, and Craig Hopkins discussed the contracts. A motion was made by Representative Yonts to consider the contracts as reviewed. Senator McDaniel seconded the motion, which passed without objection.

KENTUCKY EMPLOYERS MUTUAL INSURANCE

Multi, 14-CLD-001. Gretchen Copley discussed the contract. A motion was made by Senator McDaniel to consider the contract as reviewed. Senator Gregory seconded the motion, which passed without objection.

MEDICAL LICENSURE, BOARD OF

Kentucky Physicians Health Foundation Incorporated, 1300003006. Mike Rodman discussed the contract. A motion was made by Representative Yonts to consider the contract as reviewed. Representative Horlander seconded the motion, which passed without objection.

MURRAY STATE UNIVERSITY

Mercer Health & Benefits, LLC, 006-14; RubinBrown, LLP, 008-14. Deanne Toby discussed the contracts. A motion was made by Senator McDaniel to consider the contracts as reviewed. Representative Yonts seconded the motion, which passed without objection.

TRANSPORTATION CABINET

Assured Nl Insurance Services, Incorporated, 1300002484. Ann DAngelo discussed the contract. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Carroll seconded the motion, which passed without objection.

UNIVERSITY OF KENTUCKY

Cornett Integrated Marketing Solution, K14-104. Tom Harris discussed the contract. A motion was made by Senator Gregory to consider the contract as reviewed. Representative Yonts seconded the motion, which passed without objection.

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

ADMINISTRATIVE OFFICE OF THE COURTS

Littler Mendelson, 1300001350. Leslie Brown discussed the contract. A motion was made by Senator McDaniel to consider the contract as reviewed. Representative Yonts seconded the motion, which passed without objection.

CORRECTIONS, DEPARTMENT OF

Correctcare Incorporated, 1300001272. A motion was made by Representative Yonts to defer the contract to the August 2013 meeting of the committee. Senator Carroll seconded the motion, which passed without objection.

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES

Theracare Alliance, 1200003814. Kathy Burke, Betsy Dunnigan, and Stacy Roland discussed the contract. A motion was made by Representative Yonts to consider the contract as reviewed. Senator Carroll seconded the motion, which passed without objection.

DEPARTMENT OF INSURANCE

Lewis & Ellis, Incorporated, 1300000431. Jill Mitchell and Maggie Woods discussed the contract. A motion was made by Senator McDaniel to consider the contract as reviewed. Senator Gregory seconded the motion, which passed without objection.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM

Solaritech d/b/a The Solarity Group, 516. Tim Burcham and David Holcomb discussed the contract. A motion was made by Senator Gregory to consider the contract as reviewed. Representative Yonts seconded the motion, which passed without objection.

TRANSPORTATION CABINET

Community Transportation Solutions, 0900012152. Andy Barber discussed the contract. A motion was made by Senator McDaniel to consider the contract as reviewed. Representative Horlander seconded the motion, which passed without objection.

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

PARKS, DEPARTMENT OF

Claire Hess, 1300002912. Jennifer Portmann and Diane Bonfert discussed the contract. A motion was made by Senator McDaniel to consider the contract as reviewed. Representative Crenshaw seconded the motion, which passed without objection.

THE FOLLOWING MEMORANDUM OF AGREEMENT WAS SELECTED FOR FURTHER REVIEW:

DEPARTMENT FOR AGING & INDEPENDENT LIVING

Four Rivers Behavioral

Health, 1300001895; Purchase Area Development District, 1300002004. Tonia Wells and Stacy Woodrum discussed the contracts. A motion was made by Senator McDaniel to consider the contracts as reviewed. Representative Yonts seconded the motion, which passed without objection.

DEPARTMENT FOR COMMUNITY BASED SERVICES

Community Action Kentucky, Incorporated, 1300002076. Mark Cornett, Virginia Carrington, and David Gayle discussed the contract. A motion was made by Senator McDaniel to consider the contract as reviewed. Representative Horlander seconded the motion, which passed without objection.

DEPARTMENT FOR COMMUNITY BASED SERVICES

Eastern Kentucky University, 1300002117. Mark Cornett, Virginia Carrington, and David Gayle discussed the contract. A motion was made by Senator McDaniel to consider the contracts as reviewed. Representative Yonts seconded the motion, which passed without objection.

DEPARTMENT FOR FAMILY RESOURCE CENTERS & VOLUNTEER SERVICES

Multi, 1300001954; Multi 1300001955; Jefferson County Board of Education Vanhoose Education Center, 1300001956; Multi, 1300001957; Multi, 1300001958; Multi, 1300001959; Multi, 1300001960; Multi, 1300001961; Multi, 1300001962; Multi, 1300001963; Multi, 1300001964; Murray State University, 1300001965; Northern Kentucky Cooperative for Educational Services, Incorporated, 1300001966. Mike Denney discussed the contracts. A motion was made by Senator McDaniel to consider the contracts as reviewed. Representative Crenshaw seconded the motion, which passed without objection.

EDUCATION, DEPARTMENT OF

Jefferson County Board of Education, 1300002041; Jefferson County Board of Education, 1300002306. Charlie Harman, Jennifer Baker, and Audrey Proctor discussed the contracts. A motion was made by Representative Yonts to consider the contracts as reviewed. Representative Crenshaw seconded the motion, which passed with Senator Gregory electing to abstain (PASS).

OFFICE OF THE KENTUCKY HEALTH BENEFIT EXCHANGE

Department of Revenue, 1300002349; Department of Insurance, 1300002324. Carrie Banahan, Bill Nold, and Chris Clark discussed the contracts. A motion was made by Representative Yonts to consider the contracts as reviewed. Representative Crenshaw seconded the motion, which passed with Senator Gregory voting NO.

TRAVEL, DEPARTMENT OF

Multi, 1300003080; Multi, 1300003128; Multi, 1300003129; Multi, 1300003130; Multi, 1300003131; Multi, 1300003133; Multi, 1300003134; Multi, 1300003135; Multi, 1300003136. Mike Mangeot discussed the contracts. A motion was made by Representative Yonts to consider the contracts as reviewed. Representative Horlander seconded the motion, which passed without objection.

THE FOLLOWING MEMORANDA OF AGREEMENTS AMENDMENTS WERE SELECTED FOR FURTHER REVIEW:

DEPARTMENT FOR BEHAVIORAL HEALTH, DEVELOPMENTAL AND INTELLECTUAL DISABILITIES

Seven Counties Services, 1200001288; Bluegrass Regional Mental Health Mental Retardation, 1200001805. Kathy Burke, Betsy Dunnigan, and Stacy Roland discussed the contracts. A motion was made by Representative Yonts to consider the contracts as reviewed. Senator Carroll seconded the motion, which passed without objection.

THE FOLLOWING FILM TAX INCENTIVE AGREEMENT WAS SELECTED FOR FURTHER REVIEW:

TOURISM DEVELOPMENT CABINET

Sharp Entertainment, 1300002908. Mike Mangeot discussed the contract. A motion was made by Senator Carroll to consider the contract as reviewed. Representative Crenshaw seconded the motion, which passed without objection.

With no further business, the meeting adjourned at 2:54 PM.

PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

Minutes

July 11, 2013

Call to Order and Roll Call

The Program Review and Investigations Committee met on Thursday, July 11, 2013, at 10:00 AM, in Room 131 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 Fitz Steele, Co-Chair; Senators Tom Buford, Perry B. Clark, Ernie Harris, Jimmy Higdon, Dorsey Ridley, and Dan "Malano" Seum; Representatives Dwight D. Butler, Jim DeCesare, Terry Mills, Ruth Ann Palumbo, Rick Rand, and Arnold Simpson.

Legislative Guests: Representatives Jim Gooch Jr. and Dennis Horlander.

Guests: Jim T. Ward, Judge Executive, Letcher County; Bill Bissett, President, Kentucky Coal Association; Kim L. Nelson, Executive Director, Western Kentucky Coal Association; Amy Barnes, Department for Local Government.

LRC Staff: Greg Hager, Committee Staff Administrator; Chris Hall; Colleen Kennedy; Van Knowles; Lora Littleton; William Spears; Joel Thomas; Stephanie Love, Jessica Sapp, Graduate Fellows; Ashlee McDonald, Committee Assistant.

Approve minutes for June 13, 2013

Upon motion made by Representative Simpson and a second by Senator Harris, the minutes of the June 13, 2013, meeting were approved by voice vote, without objection.

Staff Report***: Kentucky's Coal Severance Tax***

Jonathan Roenker presented the report. Kentucky continues to be one of the largest coal producing states, but coal production in Kentucky has declined overall since 1990. Coal prices for central Appalachian coal have steadily declined since early 2011. In nominal terms, coal severance tax revenues peaked in 2012 at more than $298 million. In constant dollars, however; coal severance tax revenues were considerably higher in the late 1980s and early 1990s. Rising collections throughout the 2000s were mostly driven by increases in the price of coal.

The coal severance tax is 4.5 percent of the gross value of coal severed. Severance tax revenues have trended downward over the past 6 quarters. As of the end of fiscal year 2013, coal severance tax collections were down approximately 23 percent over the past year.

Each quarter, once collections are received by the Department of Revenue, a distribution formula is applied to the revenue before disbursing it to the General Fund (50 percent of the total) and two local funds (50 percent) after deductions specified in the state budget are made. "Off-the-top" deductions, authorized in the state budget, are applied to the overall coal severance tax revenue total. "Off-the-top" deductions are approximately $1.9 million per year in FY 2013 and 2014.

The Local Government Economic Assistance Fund (LGEAF) receives 15 percent of severance tax collections after "off-the-top" deductions. Ninety percent of these revenues are allocated to eligible coal-producing counties. Ten percent are allocated to coal-impact counties. Allocations are by formula. According to county judge executives in eastern and western Kentucky interviewed for the report, LGEAF funds not earmarked for the coal haul highway system are mostly used for projects related to public safety, environmental protection, and health.

Thirty-five percent of revenue after "off-the-top" deductions goes to the Local Government Economic Development Fund (LGEDF). "Off-the-middle" and "off-the-bottom" deductions occur before these funds are distributed to qualifying LGEDF counties. "Off-the-middle" deductions come before the single-county/multi-county split; "off-the-bottom" deductions come from the multi-county fund. The deductions are specified in HB 265, the FY 2013-FY 2014 budget bill. Generally, the tax revenue allocated to this fund is to be used for projects related to industrial park development, regional parks, and job development incentive grants made to individual firms. Based on the interviews, county judge executives are preparing for lower future LGEAF and LGEDF allocations.

Kentucky state budgets enacted for FY 2005 to FY 2014 have all included language that modified the structure of the LGEDF program, providing an expanded list of eligible activities to include projects related to public health and safety, economic development, public infrastructure, information technology, development and access, and public water and wastewater.

Two-thirds of total LGEDF allocations are by formula to individual counties. The remaining one-third is allocated for industrial development projects that benefit two or more coal-producing counties. Over recent years, LGEDF allocations were highest in FY 2009. The list of counties, mostly in eastern Kentucky, receiving the largest allocations has been similar over recent years.

HB 265 authorizes line-item projects in coal counties that are to be funded from the single-county LGEDF accounts. These line-item projects supersede statute. If a county's HB 265 line items are funded in a given fiscal year, and there are still funds available in a county's single-county account, grant projects will be considered. Few, if any, grants are being awarded. HB 265 line-item projects for FY 2013 are generally exhausting most funds allocated to each county's single-county LGEDF account.

Including the June coal severance tax receipts, FY 2013 total collections were just over $230 million. The Consensus Forecasting Group's forecast for FY 2013 was $337 million.

According to the Department for

Local Government, of the 38 counties receiving a FY 2013 single-county LGEDF allocation, 27 counties will have insufficient funds to complete all the county's line-item projects in HB 265. This becomes of particular concern when counties are using LGEDF funds to pay for recurring expenses such as debt service on previous bond issues.

Generally, the percentage of severance tax returned paid returned to the county in the form of either LGEAF or LGEDF funds over the past 5 fiscal years was between 20 and 30 percent of what coal companies in those counties paid.

In response to a question from Representative Gooch, Mr. Roenker clarified that 35 percent of total severance tax revenue goes to LGEDF.

Representative Steele asked whether any states or local governments in the western US hold mineral rights and how much coal severance revenue has been allocated to Save the Children and the Robinson Scholars Program. Mr. Roenker said that we would find out.

In response to a question from Senator McDaniel, Mr. Roenker said that he could not specify the major reasons for the large drop in coal prices recently.

In response to a question from Senator McDaniel, Mr. Roenker said that coal severance collections are not reported for counties in which a small number of companies pay the severance tax.

In response to a question from Senator McDaniel, Mr. Roenker said that he could not forecast whether coal severance revenue of approximately $200 million is possible.

In response to questions from Senator Buford, Mr. Roenker said that the allocation for Rupp Arena design is $2.5 million, which is an "off-the-bottom" deduction.

In response to a question from Senator Buford, Mr. Roenker said that staff did not calculate the total amount that counties would be short in LGEDF allocations to fund line-item projects. Table 9 in the report shows each county's FY 2013 ending balance.

Senator Buford said that the next issue is whether and how to help counties facing shortages.

In response to a question from Senator Buford, Mr. Roenker said that the spending reported by county judge executives who were interviewed was in accordance with regulations. Amy Barnes of the Department for Local Government can provide a list of projects.

Senator Buford said that the situation for coal communities will get worse. It is questionable whether plants that switch to natural gas will switch back to coal.

In response to questions from Senator Seum, Mr. Roenker said that the Department for Local Government tracks spending and could provide information on spending in coal impact counties.

In response to a question from Senator Seum, Mr. Roenker said that Table A.2 in the report covers coal producing and coal-impact counties.

In response to a question from Senator Seum, Mr. Roenker said that staff did not examine spending for any specific county. LGEAF funding for Jefferson County, as shown in Table A.2, is increasing because of the county's numbers used in the formula each year.

In response to a question from Representative Steele, Mr. Roenker said that he could not forecast whether coal tax revenue will be below $220 per year.

Mr. Bissett briefly described the Kentucky Coal Association, and then summarized prospects for Kentucky coal. Kentucky ranks fifth in the US in energy production. Coal provides more than 90 percent of Kentucky electricity. Kentucky benefits from having one of the lowest rates for electricity. Most of Kentucky coal goes to southeastern states. Although coal's share of electricity generation in the US is declining, demand for coal will continue to grow because demand for electricity is growing.

The one word to describe coal is "change." The price of natural gas has dropped significantly. As technology for burning coal has changed, the competitive advantage for eastern Kentucky's low sulfur coal has lessened. The Obama administration was anti-coal in its first term. The lack of manufacturing recovery has affected demand in the US, but global coal use is up and is projected to keep growing.

There are more than 70,000 Friends of Coal license plates, with proceeds going to mining engineering scholarships (more than $75,000 in 2011, $83,000 in 2012).

Mr. Ward said that Letcher County has had to cut its budget; there are no new revenues coming in. The LGEDF account will be $1.2 million short of what is needed for designated projects. He questioned many of the deductions made from coal severance revenue. More than $8.5 million is designated for mine safety. Other industries do not have to pay this; this should come from the general fund. The $1.8 million for drug courts should come from the budget of the Administrative Office of the Courts. Read to Achieve gets $3 million but there is no proof the program works. Funding for the School Facilities Construction Commission and school technology in coal counties should come from the budget of the Department of Education. There is a need for information on how Robinson Scholarship money is being spent. The state should pay for Operation Unite. The Public Service Commission received $200,000 from the county fund to pay for a study used to raise electricity rates. Nearly $6 million is going to the general fund for debt service despite the general fund getting 50 percent of severance revenue already. Rupp Arena is getting $2.5 when his county has applications for infrastructure projects.

Mr. Nelson said that severance tax revenue increased for a long time. This is no longer the case, but the attitude toward coal severance revenue remains the same. Arguably, many of the "off-the-middle" and "off-the-bottom" expenditures should be from the general fund. There is a need to take a look at the system. The logic is that as a resource is depleted, revenue should go back to counties to compensate.

In response to a question from Representative Steele, Mr. Ward said that his county gets 17 to 18 percent of the 50 percent.

Representative Steele said that legislators work with county judge executives on projects. He commented on excessive EPA regulation of coal mining.

Senator Buford said that Mr. Ward should give a list of questions on expenditures to staff to address.

Representative Simpson asked whether it is reasonable to expect job losses in eastern Kentucky to reverse. Mr. Bissett said that it appears the jobs situation is stabilizing.

Representative Simpson asked what efforts are being made to provide jobs if jobs are not going to return to the coal industry. Mr. Ward said that his county is considering a federal prison facility. An economic development specialist has been hired. He would like to have more control over revenues. The county is trying to diversify the economy through tourism. Infrastructure is needed to make all this happen.

Representative Simpson asked whether the original intent for the 50 percent of revenue going to counties was that it be for large projects that help prepare for the time when coal is not predominant. Mr. Nelson said that the fund has tried to serve too many purposes.

Representative Simpson said that he represents a district with many poor constituents and that the district does not have any revenue sources dedicated to it. It should be understood that diverting funds from the general fund hurts his constituents.

In response to a question from Senator McDaniel, Mr. Bissett said that there are many reasons for the price drop for central Appalachian coal.

Senator McDaniel asked whether the 4.5 percent severance tax rate makes Kentucky coal uncompetitive. Mr. Bissett replied that it depends on whether the tax is similar to contiguous states. The tax structure is a factor.

Representative DeCesare asked whether any lawsuits are being filed against EPA. Mr. Bissett said that industry litigation has focused on production issues. Usage issues are related to power producers.

Representative DeCesare commented that most coal produced in Kentucky goes to the Southeastern US. Given the role of manufacturing in the demand for Kentucky coal, a focus on job creation must recognize the value of fossil fuels.

In response to a question from Representative Steele, Mr. Bissett said that he was unsure of the chances for getting a chemical looping facility in Kentucky.

Upon motion by Representative Simpson and second by Representative DeCesare, the report was adopted by roll call vote.

The meeting adjourned at 11:47 a.m.

TASK FORCE ON THE UNIFIED JUVENILE CODE

Minutes of the 2nd Meeting of the 2013 Interim

July 3, 2013

Call to Order and Roll Call

The 2nd meeting of the Task Force on the Unified Juvenile Code was held on Wednesday, July 3, 2013, at 1:00 PM, in Room 169 of the Capitol Annex. Senator Whitney Westerfield, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Whitney Westerfield, Co-Chair; Representative John Tilley, Co-Chair; Hasan Davis, Glenda Edwards, Steven Gold, Teresa James, Lisa P. Jones, Bo Matthews, Mary C. Noble, Pamela Priddy, and John Sivley.

Guests: Representative Dennis Horlander; Mary Tansey, Cabinet for Health and Family Services; Nathan Stewart, North Laurel High School; Christa Wiley, Ramey Estep; Stephanie Kazee, Ramey Estep; Wayne Young, Kentucky Association of School Administrators; Denise Perry, Kentucky Association of School Administrators; Karen Kirby, Kentucky Association of School Administrators; David Johnson, Kentucky Association of School Administrators; Sylvia Kustie, Department of Juvenile Justice; Ron Sheets, Kentucky Association of School Administrators; Clyde Caudill, Kentucky Association of School Administrators.

LRC Staff: Joanna Decker, Ray Debolt, Jonathan Scott, Mike Clark, and Natalie Burikhanov.

Approval of Minutes

A motion by Senator Westerfield, seconded by Justice Noble and Commissioner Davis, was approved by voice vote to adopt the minutes of the June 5, 2013 meeting.

Screening/Assessment – Where we are and where we are headed

Commissioner Teresa James of the Department of Community Based Services (DCBS) introduced the importance of a standardized screening tool for all Kentucky children in need of services. She stressed the need for an assessment of children within the child service system in order to prevent unnecessary removal of the child and to meet the needs of those requiring services.

Rachel Bingham, Manager of Family and Juvenile Services for the Administrative Office of the Courts (AOC), testified about improvements in screening tools, and ways that communication about such results could be better utilized. Screening tools allow child services to perform a preliminary screening request and help to identify the child's options for diversion. The AOC worked with mental health and other services to streamline screening tools to make sure providers and families benefit from a new system. As a result, AOC began utilizing the Global Appraisal of Individual Needs (GAIN) tools, which included four instruments: Short Screener, Quick, Initial, and Monitoring. GAIN is not a diagnostic tool, but an initial screening tool designed to identify the need for referral to treatment or additional assessment. Each instrument is available online for free, although there is a cost for integrating these into existing data systems.

Responding to a question from Senator Westerfield, Ms. Bingham stated that despite its availability online, the GAIN system is not self-administered within the AOC's services.

Ms. Bingham suggested two ways that the screening tools could be improved by opening the language of KRS 630.060 and 635.010. The first is to create a statute stating that information gathered from screening tools is confidential unless it is in the best interest of the child to release it. The second is to allow Preliminary Intake Inquiries to be submitted to the courts. The goal of these workable solutions is to better share information from the GAIN system with courts.

After Glenda Edwards expressed concern that sharing GAIN information could affect a child's privacy and honesty, Ms. Bingham said that AOC workers are trained in interviewing children, and that the goal of the GAIN program is to provide the children with the resources they need.

Commissioner Hasan Davis of the Department of Juvenile Justice (DJJ) discussed the range of assessment and screening tools that DJJ utilizes. All youth within DJJ are evaluated by staff, and certain types of offenders, such as those with sexual charges, undergo additional assessments; each of these tests takes into account static and dynamic issues the child may be experiencing.

Commissioner Davis talked in-depth about certain assessment tools DJJ used. The Massachusetts Youth Screening Instrument, 2nd version (MAYSI-2) is an assessment meant to identify mental or emotional disturbances of distress in youth. It is given within 48 hours of admission to determine where the child will be placed within the larger DJJ population. MAYSI-2 has 7 subscales, all but one of which are normative based on the general population, and the results indicated normal, caution, or warning status of the youth.

The Youth Level of Service/Case Management Inventory (YLS/CMI) is another tool, which is an evidence-based assessment that evaluates certain risk factors correlated with crime. All but one of the 8 subparts for evaluation are dynamic, and the tool is used as a basis for case planning, treatment, and security. This tool is issued regularly, and the child is continually reevaluated to account for shifts in risk factors. Responding to a question from Senator Westerfield, Chairman Davis said that each factor within YLS/CMI is weighted equally, although anecdotal information may override the results in certain cases. Information is gathered through interviews, reviews of the youth's records, and 42 yes/no questions; the results are compiled to present an overall score for the child ranging from low-risk to very high-risk.

The CRAFFT tool is used for all probated or committed youth to quickly identify those who are high risk and in need of more comprehensive evaluations. Similarly, the GAIN-Q tool identifies those with various life problems who are in need of larger, more detailed assessment. Both tools help staff make more effective referrals and placements, as well as allowing certain youth to benefit from brief interventions. The Child and Adolescent Service Intensity Instrument (CASII), a product of the American Academy of Child and Adolescent Psychiatry, is used on youth with mental issues to determine if a child needs to be admitted to a mental health facility.

Additionally, the Juvenile Sex Offender Assessment Protocol (JSOAP II) is utilized for male sex offenders between the ages of 12-18, which helps identify the risks associated with sexual and/or criminal offenders based on 16 static and 12 dynamic factors. The Estimate of Risk of Adolescent Sexual Offense Recidivism, 2nd version (ERASOR) identifies sexual risks through certain categories. Finally, STATIC-99 and MNSOT-R are actuarial tools used for males over age 19, which measures the probability of reoffending within a certain timeframe.

Responding to questions from Senator Westerfield and Ms. Priddy, Commissioner Davis stated that the assessment tools are conducted through interviews. Rather than a question and answer session with the child, the interviewees are holding conversations. This allows for subjective or additional questions or to make further assessments before their final determinations. Because state law prevents agencies from sharing certain information, children are often required to repeat screenings or assessments as they are moved to another agency.

Commissioner James discussed the assessment tools and needs of DCBS. Unlike other agencies, DCBS contracts for services, with over half of their youth in therapeutic foster or residential care and the rest in DCBS foster care. Additionally, DCBS contracts programs to assess children, which can limit the amount of information the agency receives due to the urgency of a high-risk situation. Each child within DCBS requires a screening to create their case plan, with mental health needs built into the system. DCBS is working with the Department of Behavioral Health to choose screening tools that they can utilize. However, selecting one simple and quick screening process is difficult for several reasons. First, it must be covered by Medicaid so that all Kentucky children can consistently be funded. Second, it must have multiple assessment tools to account for variations in age, development, situation, drug/alcohol use, or mental health. Commissioner James asserted that it is essential that a screening tool meet these criteria because the first assessment, treatment, and placement of a child are critical to the child's development and situation.

HIPAA and its impact on child welfare services

Commissioner James and Mary Tansey, Assistant Counsel at the Cabinet for Health and Family Services, testified about the ways in which the Health Insurance Portability and Accountability Act (HIPAA) limits DCBS's ability to share information. HIPAA was the first federal law to standardize protection for health information by regulating how covered entities use and disclose protected health information. According to Ms. Tansey, DCBS is required to operate under HIPAA requirements because it is considered a "covered entity." These are health plans, providers, and clearinghouses that provide necessary treatment services. Although DCBS does not offer treatment, the Service Regions Divisions within DCBS are in charge of neglect and child protection and are thus considered a covered entity.

Ms. Tansey described the details of HIPAA restrictions. For example, protected health information (PHI) is individually identifiable details that deal with demographic, financial, or health information. In general, the release of PHI requires the consent of the individual, although exceptions do exist. Under KRS 620.030, there is a mandatory reporting provision for investigators to report abuse or neglect. Other HIPAA direct consent exceptions include treatment, intervention, and public-health related functions. However, the information acquired through HIPAA is confidential; agencies and individuals are limited in their authority to re-release information they receive. If a child is in DCBS custody, information can be shared if it pertains to treatment or safety. Furthermore, in regards to instances involving deaths, HIPAA entities are only able to identify the location, identity, and cause of death.

Responding to questions from Senator Westerfield and Dr. Sivley, Commissioner James stated that DCBS and other agencies operating under HIPAA are unable to release necessary information to schools because schools are not considered treatment centers. Even though the details could be helpful to school officials, disclosing the information could violate the rights of the child or parents and requires parental consent.

Addressing Ms. Priddy's question, Ms. Tansey clarified that even though a child may be in DCBS custody, the parent is still the primary caregiver, and DCBS cannot consent to the release of information.

In response to a question from Mr. Gold, Ms. Tansey stated that information collected from screening and assessment tools is protected; however, PHI can be shared with other agencies if it is being used to aid in treatment of the patient.

Responding to a question from Dr. Sively, Ms. Tansey said that HIPAA and state laws work alongside one another. When one is more restrictive than the other in the release of PHI, it is the applicable rule.

Teachers and school administrators: concerns and recommendations

Several school administrators spoke about how the education system encounters addresses child behavioral, emotional, and personal issues.

Denise Perry, Director of Pupil Personnel at Henry County Schools, discussed the steps educators take to identify potential problems students are experiencing and the limitations school systems face in rectifying them. She testified that school is the safest place for many troubled students and an education is their ticket out of deplorable conditions. While teachers and administrators are able to recognize certain behaviors as normal adolescent actions, they are concerned about students who are habitually truant or not actively engaged in class participation. Parents are notified and given opportunities to address the truancy or behavioral issue. However, after all options have been exhausted, court action is all that the schools are able to do to get the student in the classroom.

David Johnson, Assistant Superintendant and Director of Pupil Personnel at Owensboro Independent Schools, expanded on Ms. Perry's discussion of court action. He emphasized that referring a student to youth detention is a difficult decision for administrators and that the problems resulting in a court appearance are often unresolved due to their complexity. School systems continue to use court services, though, because it is a national security and economic issue for children to jeopardize their education due to truancy and behavioral issues. Youth respond to consequences and high expectations and that the tool of detention is a last but necessary option for the education system.

Executive Director Wayne Young of the Kentucky Association of School Administrators discussed the need for the education sector to work with child services, the courts, and legislators to address truancy and detention issues for children. He stated that it is imperative that these agencies work together to improve the system and break down barriers to better help children.

The Task Force members discussed the implications of youth detention. Commissioner Davis stated that detention is not a treatment and that money would be better invested into addressing the needs of the community. Justice Noble noted that the consequences of child detention are significant, and that all schools should implement a uniform policy for dealing with behavioral and truancy issues. Mr. Gold expanded on this concern by stating that detention creates future criminals and dropouts, and that this tool is ineffective and should be replaced with evidence-based, early intervention tools. Ms. Perry responded to these concerns by agreeing that preventive programs could be created and implemented but noted that they cost money. Mr. Johnson said that such programs have been introduced to younger children, and the effects will be seen in the future.

Next meeting date and agenda

Senator Westerfield announced that the State Interagency Council will hold a session regarding financial mapping on July 24 at 10 a.m. at the Department of Behavioral Health.

He also noted that, in light of the Governor calling an Extraordinary Session of the General Assembly, Senate President Stivers and Speaker of the House Stumbo have cancelled all August meetings unless they are held during the week of the special session. To accommodate this change, the next meeting for the Task Force will be held on Thursday, August 22 at 10 a.m. in the Annex.

The meeting was adjourned at 3:35 p.m.

TOBACCO SETTLEMENT AGREEMENT FUND OVERSIGHT COMMITTEE

Minutes

July 2, 2013

Call to Order and Roll Call

The meeting of the Tobacco Settlement Agreement Fund Oversight Committee was held on Tuesday, July 2, 2013, at 10:00 AM, in Room 129 of the Capitol Annex. Representative Wilson Stone, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Paul Hornback, Co-Chair; Representative Wilson Stone, Co-Chair; Senators Carroll Gibson, Jimmy Higdon, Dennis Parrett, and Robin L. Webb; Representatives Mike Denham, Tom McKee, Terry Mills, Ryan Quarles, and Jonathan Shell.

Guests: Joel Neaveill, Bill McCloskey, Angela Blank, Brian Murphy and Biff Baker, Governor's Office of Agricultural Policy; Terry Tolan, Governor's Office of Early Childhood and Brigitte Ramsey, Early Childhood Advisory Council.

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

The June 5, 2013, minutes were approved without objection by voice vote, upon a motion by Senator Parrett and second by Senator Hornback.

Governor's Office of Agricultural Policy

Mr. Joel Neaveill, Chief of Staff, and Mr. Bill McCloskey, Director of Financial Services, Governor's Office of Agricultural Policy (GOAP), testified about project funding decisions made by the Agricultural Development Board (ABD) during its June meeting.

Mr. Neaveill summarized funding allocations for the previous month under the County Agricultural Improvement (CAIP), Deceased Farm Animal Disposal Assistance, and On-Farm Energy programs.

Mr. Neaveill and Mr. McCloskey responded to a number of committee members' questions about the On-Farm Energy programs, allocations that totaled over $1.3 million under the latest round of funding. The cost-share program is funded in part by federal stimulus, the Agricultural Development Fund (ADF), and the Tennessee Valley Authority. There have been 103 applications for funding under the program, with 100 approved for funding.

People who had applied under an earlier round of funding, but were denied, generally were approved in the latest round. Funding could not be granted for energy savings projects funded earlier; the projects had to be newer endeavors. The witnesses explained that engineer reviewed the projects to assure that projected energy savings were correctly estimated. Some regions of the state may not have many projects simply because most applications came from poultry or dairy operations, which consume a considerable amount of power. GOAP officials said the agency is talking to extension agents about publicizing the program and is considering energy projects that may involve newer technologies, such as solar generation.

GOAP officials reviewed two projects approved for state or local ADF funds in the previous Agricultural Development Board meeting: Meat Hook LLC, a Louisville project that involves opening an artisan butcher shop and delicatessen in a former feed store located in the downtown; and the Washington County Cattlemen Association, which will conduct a beginning farmer training program.

Meat Hook had originally sought $225,000 in state funds and a $525,000 low-interest loan from the Kentucky Agricultural Finance Corporation (KAFC). The company received approval of $6,000 total in state and county ADF funds, and KAFC approved the loan last fall.

GOAP officials responded to several questions from committee members. The Meat Hook project will draw funds on the KAFC loan after the work is complete. Mr. Neaveill indicated farmer-producers are involved in the project, as is Marksbury Farm, a meat processing facility in Garrard County. The project is expected to add value to Kentucky products. Senator Hornback said there should be some assurance that goals are met and jobs created by the project, and there should be recourse if that does not occur.

The Washington County project was approved for $102,000 in county funds.

Following a GOAP report on administrative expenses allowed at the county council level, Senator Webb asked for an occasional report on those expenses.

Governor's Office of Early Childhood

Ms. Terry Tolan, Executive Director, of the Governor's Office of Early Childhood, Ms. Brigitte Ramsey, Chair of the Program Investment Committee of the Early Childhood Advisory Council, and Beth Jurek, Policy and Budget Director for the Cabinet for Health and Family Services discussed the Early Childhood Development Initiative.

While presenting the office's annual report, Ms. Tolan and Ms. Ramsey discussed: the importance of early vocabulary and reading; the role of the Early Childhood Advisory Council, components of the Council, including high quality early learning environments, supportive families, and access to data; the elements of school readiness; the screening tool used to access youngsters entering kindergarten; uses of the screening data to prepare children elementary school; and the many aspects of the KIDS NOW programs. Ms. Tolan indicated that KIDS NOW funding has declined from about $30 million in FY 2010 to the current FY 2014 appropriation of about $25 million.

In subsequent comments, Representative McKee emphasized the importance of dental care in ensuring good health of children.

Ms. Ramsey and Ms. Jurek responded to Representative Denham, who asked about programs that address prevalence of hunger among Kentucky's school children. Ms. Ramsey said families are able to obtain funds from the federal nutrition programs. Ms. Jurek mentioned some of the tangential food programs, such as the Women, Infants, and Children program. She said also that the family resource centers in schools put food in backpacks for children to take home on the weekends. She said "hunger is a huge issue, even with all the government programs."

Senator Higdon mentioned the impact that the "Toyota bornlearning Academy" program is having in his area.

Senator Higdon also suggested a way for Supplemental Nutrition Assistance Fund (formerly "food stamps") recipients to balance their monthly allotment through a twice-monthly distribution instead of the current monthly payment. Senator Higdon said recipients often buy non-perishables with the SNAP benefits, instead of perishables like milk, and fresh fruits and vegetables.

Ms. Jurek said the SNAP payment is an electronic benefit transfer (EBT). She will check with the Cabinet about loading the EBT cards twice each month instead of once. Senator Higdon said that a twice-monthly benefits transfer would mean low-income families would not be running out of food at the end of the month, noting a family might run out on the 13th day of a 15-day cycle, but would not go weeks without the SNAP benefits.

Senator Parrett applauded the speakers for the early childhood programs. A school in his county is dedicated to early childhood education.

Responding to Representative Mills, who said he is hearing from child care providers in his district who are concerned about federal funding cuts, Ms. Jurek described how Kentucky was successful in getting people into jobs in the mid-90s under the old "welfare-to-work" program and that success led to an ultimate reduction in federal funds that are used to leverage other federal funds.

Senator Webb expressed her concern about the future of SNAP funds under this Congress as it debates the passage of the new U.S. Farm Bill.

The officials also indicated they were receptive to including foster care numbers in their data collection processes.

Representative Shell pointed out some of the abuses he has observed in recipients' use of the EBT cards. He said there are reforms that can be undertaken. Representative Shell also talked about his family's experience as caregivers for a younger child and emphasized the importance of reading to children.

Documents distributed during the meeting are available with meeting materials in the LRC Library. The meeting adjourned at approximately noon.

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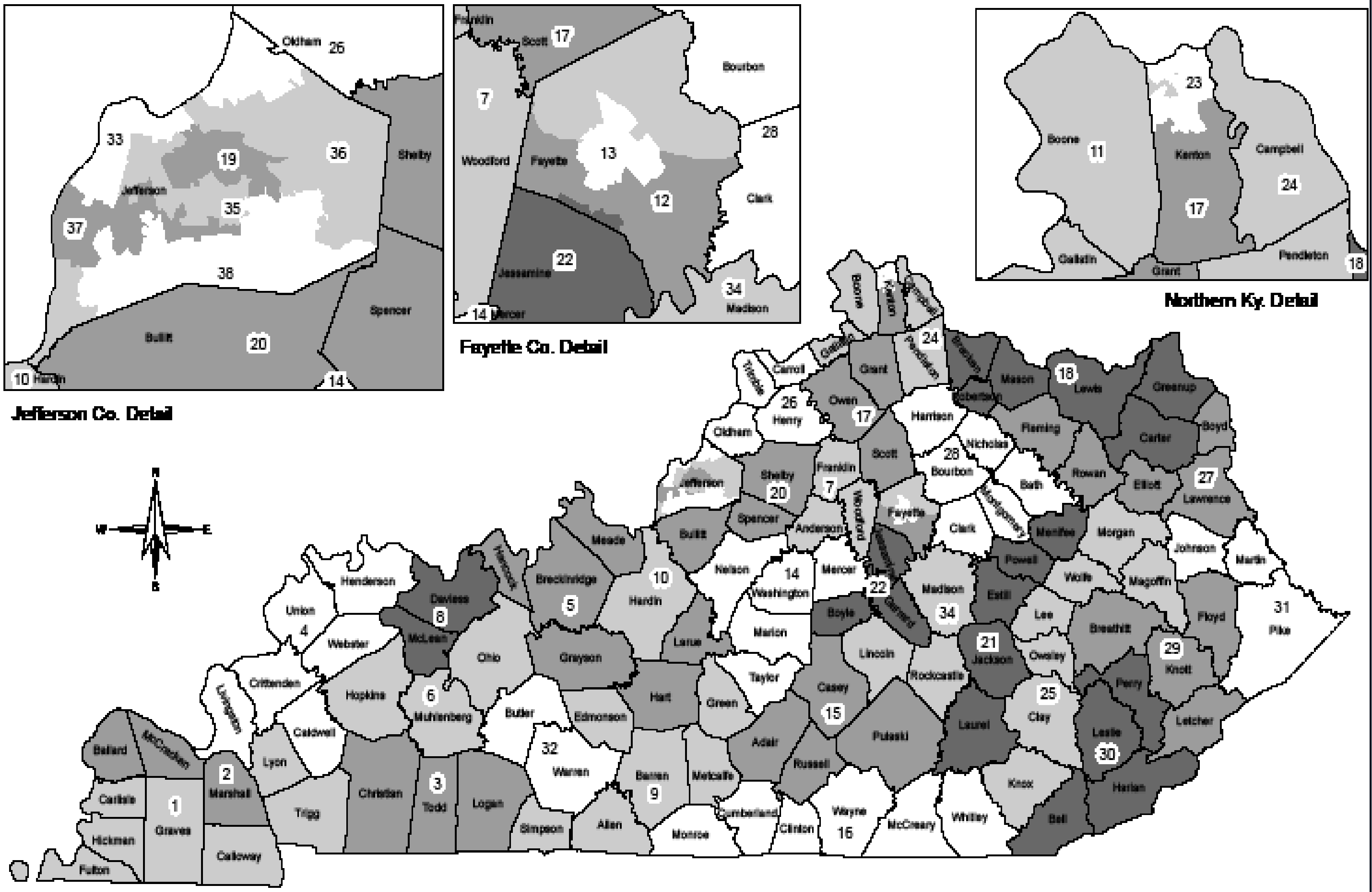

2002 Kentucky Senate Districts

Senate Plan (SB001A09) became law (KRS 5.101 - 5.138) January 31, 2002, with enactment of House Bill 1.

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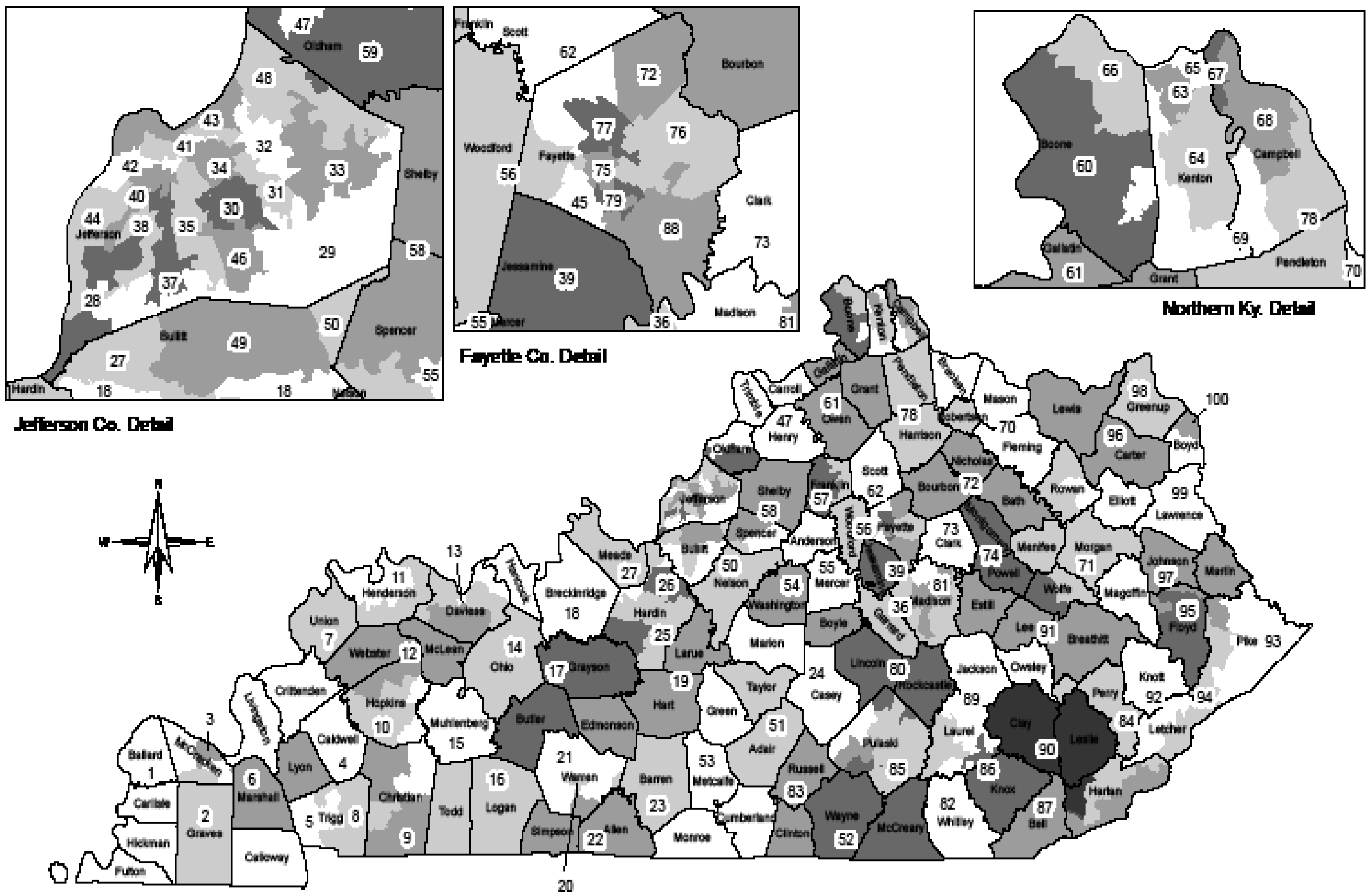

2002 Kentucky House Districts

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