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Education committee hears ideas on legislation to reduce vaping in schools

by Jordan Hensley - LRC Public Information

FRANKFORT — Whether you call them vapes, vape pens or electronic cigarettes, the popular activity among teenagers is drawing some criticism in Frankfort.

Rep. Mark Hart, R-Falmouth, was joined by retired U.S. Marine Corps, veteran and current Pendleton County High School instructor Brian Melton at the Interim Joint Committee on Education meeting on Oct. 18 to discuss the dangers of vaping and possible legislative solutions to the problem.

“We’re in the process of drafting legislation, which I hope to have ready and available to be filed first of January,” Hart said.

According to Melton’s presentation, the USDA reports that 2.6 million teens are using e-cigarettes and 25% use them daily with the majority of them vaping nicotine products.

Nicotine isn’t the only substance found in vapes, Melton said. Teens are also drawn to cannabis, THC containing and CBD, non-THC containing vape pens. Heroin and fentanyl vape pens also exist and could end up in the hands of teens, Melton added.

Melton encouraged the committee to consider changing state law to create harsher penalties for vaping in schools and to close loopholes regard-



Rep. Mark Hart, R-Falmouth, speaks on possible legislation to reduce vaping in schools during an Interim Joint Committee on Education meeting on Oct. 18.

ing fentanyl-laced vaping products. He also asked the committee to consider legislation to provide more funding on anti-vaping education for students and education on how teachers can respond to a vaping-related medical emergency.

Current state law leaves it up to local school districts to decide the punishment for vaping at school.

“I think we would benefit from having something from the state that says any vaping device would have a harsher punishment or fine associated on a school campus,” Melton said.

Rep. Lisa Willner, D-Louisville, asked if there is any data that supports harsher punishments leading to a reduction in vaping incidents in schools.

Melton said he did not currently have that data available.

Rep. Killian Timoney, R-Nicholasville, who is also an educator, agreed vaping is a major issue in schools that needs more attention, especially when it comes to educating parents on the dangers of vaping.

“I think that every dollar that we put into looking at increasing consequences for these offenses we also need to put an equal amount into educating parents on what these are,” he said. “... This technology is changing so fast. I remember having

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conferences with parents and they're like, 'Oh, it's flavored vapor.' No, it's not."

Sen. Stephen Meredith, R-Leitchfield, suggested asking students for their input on how to address vaping in schools.

"It's great that we can pass laws, but if it's our laws, it's not going to have a whole lot of ownership among young people," he said. "Surely, we've got some cadre of young people that understand this is a serious issue, and I'd like to give it back to them and say, 'What are you going to do about it?'"

Hart agreed and said Meredith's suggestion to create a task force of the "best and brightest" teens is an "excellent idea."

As of Oct. 18, Hart has not submitted an interim working draft related to vaping for the 2023 legislative session. During the interim, the Kentucky General Assembly cannot take any action on legislation. The 2023 legislative session begins Jan. 3.

The next Interim Joint Committee on Education meeting is currently scheduled for Nov. 1 at 11 a.m. For more information, visit legislature.ky.gov.

Transportation committee members learn about autonomous vehicles

by Nancy Royden - LRC Public Information

FRANKFORT — Members of the Interim Joint Committee on Transportation learned more about autonomous vehicles during a meeting at the Capitol Annex on Oct. 18.

Arlyn Upshaw, counsel for the Autonomous Vehicle Industry Association and an attorney at Venable LLP, answered legislators' questions and shared information about a business she said increases supply chain efficiencies, decreases the cost of goods, improves safety and boosts job growth.

She reported that, according to the U.S. Department of Transportation, nearly 43,000 fatalities occurred on U.S. roads last year – an 11% increase from 2020 and a 16-year high.

"I think we have become accustomed to these numbers," Upshaw said. "In contrast, AVs do not have a human in them and they do not drive drunk. They don't text while driving, and they don't fall asleep at the wheel. These are all major contributors to crashes on our roads today."

Upshaw said autonomous vehicles are used for many purposes. They include goods delivery, passenger ride hailing services, last-mile transportation services, shuttle services and long-haul trucking.

Several states are able to test and deploy AVs,



From left, Rep. Buddy Wheatley, D-Covington, and Rep. Cherlynn Stevenson, D-Lexington, listen to testimony at the Interim Joint Committee on Transportation meeting on Oct. 18.

some are able to test them, and some are "silent" on their operation. Kentucky is among the "silent" states, she said.

Sen. Johnnie Turner, R-Harlan, asked Upshaw about the possible decrease in the cost of goods transported via AVs.

"Is that based upon you're just eliminating the driver, since that's all I see pretty much is what's

going to happen you're going to eliminate a human being in that vehicle," he said.

Upshaw said she thinks the particular study on cost decreases was based on removing the driver from autonomous trucking.

"So when we think about the movement of goods across the country, it's much more efficient to not have a driver that has the human limitations..." she said. "So, they would be much faster, and it would help decrease the cost of goods associated with increased efficiency and speed and things like that."

Turner also asked Upshaw if autonomous vehicles have to go through weigh stations and be checked.

"Yes, autonomous vehicles would be required to do all of the same administrative things like that that currently a vehicle would have to do, and it would be taxed in the same way and subject to all those same operational requirements..." she said.

The exceptions would be things that human drivers would have to do, Upshaw said.

Senate Majority Whip Mike Wilson, R-Bowling Green, asked Upshaw if a truck is loaded with tens of thousands of products, would the system adjust itself accordingly.

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Education committee discusses potential changes to KEES money for homeschoolers

by Jordan Hensley - LRC Public Information

FRANKFORT— Kentucky’s homeschooling parents and students are advocating alongside lawmakers for better access to state-sponsored college scholarships.

Sen. John Schickel, R-Union, was joined by a homeschooling parent, two homeschooled students and Mark Messingschlager, director of financial aid at Thomas More University, at the Interim Joint Committee on Education meeting on Sept. 20.

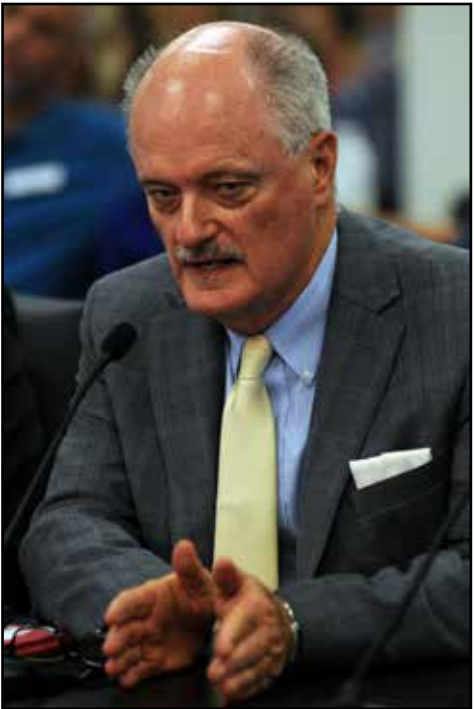
Together, they asked lawmakers to consider potential legislation that would give Kentucky’s homeschooled students more access to Kentucky Educational Excellence Scholarship (KEES) funds.

Homeschooled students are not currently eligible to earn KEES money through their GPA like students who attend a certified public or private school, despite most homeschooled students being at the same level academically as certified school students, Schickel said.

“All the data shows that children that are homeschooled on average, and there’s always exceptions, but on average are some of the best prepared students for college in the state,” Schickel said.

Laura Edwards, a homeschooling parent, said homeschooled students are only eligible for up to \$2,000 of KEES funds while certified students can earn up to \$10,000 in KEES funds. In her presentation, Edwards shared with the committee her thoughts on where the current law is not fair to homeschooled students.

“Kentucky says that college readiness is earning a 3.0 in high school or higher and an ACT of 18 or higher,” Edwards said. “Currently, our state scholarship gives KEES awards to students that have a 2.5 and higher for their GPA and a 15 or higher on their ACT.



Sen. John Schickel, R-Union, advocates for homeschoolers to have more access to KEES funds during an Interim Joint Committee on Education meeting on Sept. 20.

“So the concern here is that we’re awarding state scholarships for college to students who are not college ready, whereas we have a population of high school students that have proven college readiness and cannot get the GPA award,” she said.

Edwards proposed several methods to increase eligibility for homeschooled students. One proposal includes creating a formula using a student’s GPA from dual credit college courses or standardized test scores.

Messingschlager said homeschooled students “routinely excel” in dual credit courses.

As for potential legislation, Schickel recently filed Draft Bill Request 226 for the 2023 Regular Session related to KEES awards for high school students who graduate from a nonpublic secondary school not certified by the Kentucky Board of Education. He said, however, he’s not currently “tied to any bill.”

Rep. Tina Bojanowski, D-Louisville, asked about the potential cost if homeschooled students were eligible for more KEES funds.

Messingschlager said the potential cost has not been calculated, but since statute dictates that KEES is funded first through the Kentucky Lottery, the scholarship would remain fully funded.

Several lawmakers, including Sen. Adrienne Southworth, R-Lawrenceburg, and Sen. Jimmy Higdon, R-Lebanon, expressed support for a bill to give homeschoolers more access to KEES funds even as the details are still

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“They’re really designed to drive better than really a human driver can. They’ve developed these AVs to undergo simulation and experiences for over a dozen years, really that have calculated what needs to happen in any given scenario,” she said.

According to Upshaw, the federal government

is responsible for oversight and administration of performance and safety standards for AVs, and states are responsible for things such as licensing, registration, insurance and traffic enforcement.

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2023 Session begins Jan. 3.

Rep. Ken Upchurch, R-Monticello, and co-chair of the committee, said the next meeting will be Nov. 1 at 1 p.m. in the Capitol Annex.

Child welfare committee members hear concerns from Children's Alliance president

by Nancy Royden - LRC Public Information

FRANKFORT — Members of the Child Welfare Oversight and Advisory Committee heard serious concerns from a representative of the Children's Alliance on Oct. 12 about workforce shortages and youths with severe behavior problems.

Based in Frankfort, the Children's Alliance advocates for improved care and treatment of Kentucky's children through a collaboration of agencies that serve them. Some of the member organizations are: Alliance Counseling Associates in Glasgow, Kentucky Intensive Family Services in Fort Thomas and Foothills Academy Inc. in Albany.

The organization's president, Michelle M. Sanborn, told committee members that the intensity of behavior issues of young people who they serve has increased, but only those with the most severe treatment needs are being served in residential facilities today.

In some cases, Sanborn said, residential agencies are referring foster youth of the state's Department of Community Based Services for psychiatric hospitalization and are being told their cases are too severe for the psychiatric hospital. This means youths with high acuity needs must be maintained at residential facilities even when staff at hospitals say they are too severe. Sanborn said residential agencies must have the staff and resources to keep the children safe.

According to Sanborn, some of the children who need assistance are very aggressive and have been cutting themselves.

"They are crying out for help, and they need treatment," she said.



File photo

and find out what information do we really need to provide adequate services and to make sure that the quality of services provided is being adequate," she said.

Sanborn told legislators there is also a workforce crisis in residential care.

Before the pandemic, the average starting hourly wage for residential direct care staff was only around \$11 per hour, with some agencies paying as little as \$8.50 per hour. Today it is about \$14 or \$15 an hour, she said. Though hourly pay has increased, there is still a shortage of help available.

Sanborn said another concern is the "never-ending" audits from managed care organizations, or MCOs.

"I got one from one MCO on Thursday and I got that finished, and on Monday, got another one. I just don't have the staff to keep up," she said.

Senate Majority Caucus Chair Julie Raque Adams, R-Louisville, said Sanborn covered a great deal of information in her presentation and she would like to lessen agencies' administrative burdens. Adams is also co-chair of the committee.

"I agree with you on the MCO audits. But part of the reason they do it is because they can," she said. Sen. Adams suggested that the committee could send a letter to all of the MCOs and ask them to justify their audits.

Sen. Karen Berg, D-Louisville, said the situation with audits could possibly be improved.

"Can we not simply require the MCOs to consolidate their data? You know, to come together

"Many residential facilities have had to stop accepting additional foster children because they cannot hire the staff to care for them," Sanborn said.

Also in her update, Sanborn said some things are going very well, but she wanted legislators to be aware of areas of concern. While her staff are holding their own, she added "I want to make sure that we're not falling into those concerns that other states have gotten into."

One of the areas that has been a major focus of the Children's Alliance is family preservation.

"Our investments in family preservation prevention services are actually showing a decrease in the cost of our out-of-home care," she said. "You can see that it's working. So thank you for that investment, and know that we're going to continue to improve this and work on this, but that's an important and key place."

The next committee meeting is Wednesday, Nov. 9 at 1 p.m.

KEES money, from page 3

in the process of being worked out.

"It's time that we discussed this. It's a very worthy cause," Higdon said.

Southworth said as a homeschooled student in Kentucky, she had better options to attend college out of state.

"But if this kind of stuff was around when I was a homeschool senior, I sure would have even taken a look at Kentucky schools. But at that time, it wasn't even on the table for me. And so I didn't even look at it. So I think it's gonna be a really good opportunity for our students," she said.

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Legislators discuss reforming rules for pharmacy benefit managers

by Nancy Royden - LRC Public Information

FRANKFORT — The Interim Joint Committee on Health, Welfare and Family Services heard ardent testimony on Sept. 28 from a state legislator and others about pharmacy benefit managers reform.

Pharmacy benefit managers, or PBMs, are licensed entities that provide services on behalf of a health benefit plan, state agency, insurer, managed care organization or other third-party payor, according to the Kentucky Department of Insurance. They are intermediaries between pharmacies and insurance companies.

PBMs contract directly or indirectly with pharmacies to provide prescription drugs to people, administer a prescription drug benefit, and process or pay pharmacy claims, among other services, according to the department.

“I see every day the role PBMs play in the various hats I wear in the cost of a prescription drug,” said Rep. Steve Sheldon, R-Bowling Green. “As a legislator, we recognized the problems of PBMs within Medicaid managed care. We had to address that a couple of years ago.”

Sheldon, a pharmacist and owner of Sheldon’s Express Pharmacy in Kentucky and Indiana, sponsored a PBM reform package that passed out of the House this year, but stalled in the Senate. He hopes others will take up the effort next year. He was joined by several other legislators in support of the legislation during the meeting.

PBM reform has already led to Medicaid savings to Kentucky taxpayers through Senate Bill 50. It requires the Department for Medicaid Services to contract with a single PBM to administer pharmacy benefits, Sheldon said.

Sen. Ralph Alvarado, R-Winchester, and co-chair of the committee, said the committee has heard from state officials that the state is saving money.

“We’ve had a lot of discussions from PBMs,” he



Rep. Steve Sheldon, R-Bowling Green, testifies on pharmacy benefit managers during a meeting of the Interim Joint Committee on Health, Welfare and Family Services on Sept. 28.

said. “We’ve had some testimony this year based on the fact that we’ve signed to a single PBM system within Medicaid and we’ve heard from the cabinet, the savings that have come into Medicaid as a result and really it appears to be a rather large amount of money that we’re going to be saving with that. That prompts us to start to looking at PBMs in general in the state of Kentucky.”

Sheldon said in his presentation that PBMs prohibit patient choice, create an anti-competitive

marketplace and increase costs to patients.

He said comprehensive reform includes protecting patients’ ability to choose their pharmacy, establishing pharmacy network adequacy requirements, and establishing fair and transparent contracting requirements. It would prohibit below-cost reimbursement, clawbacks, and spread pricing. It would also require manufacturer revenue received by the PBM to be shared with the patient.

Sen. Karen Berg, D-Louisville, thanked Sheldon for his work on PBM reform. She said she was taught by her father to go to pharmacists with questions because they do much more than simply put medications in a bottle. They are experts, she said.

“This is not only a patient care and delivery service issue, this is a how do we utilize our healthcare dollars efficiently and effectively and take care of people,” she said.

Berg, who is a physician, said she has fought with an online pharmacy that has incorrectly filled prescriptions.

“We are putting people in danger when we take pharmacists out of the local community as trusted healthcare providers and expect people to rely on whatever some company that doesn’t know them and doesn’t care about them and that’s making nothing but a profit on them to show up in their mailbox,” she said.

Antonio Ciaccia, chief executive officer and co-founder of 46brooklyn Research and president and co-founder of 3 Axis Advisors, testified remotely. He told legislators the path of prescription drugs from the factory to the patient is complicated.

Ciaccia said that PBMs claim that legislation protecting patients, payers and pharmacies from opaque business practices raises health insurance costs. He said the facts don’t back this up.

Testimony from some speakers on the agenda was deferred to a later date, Alvarado said.



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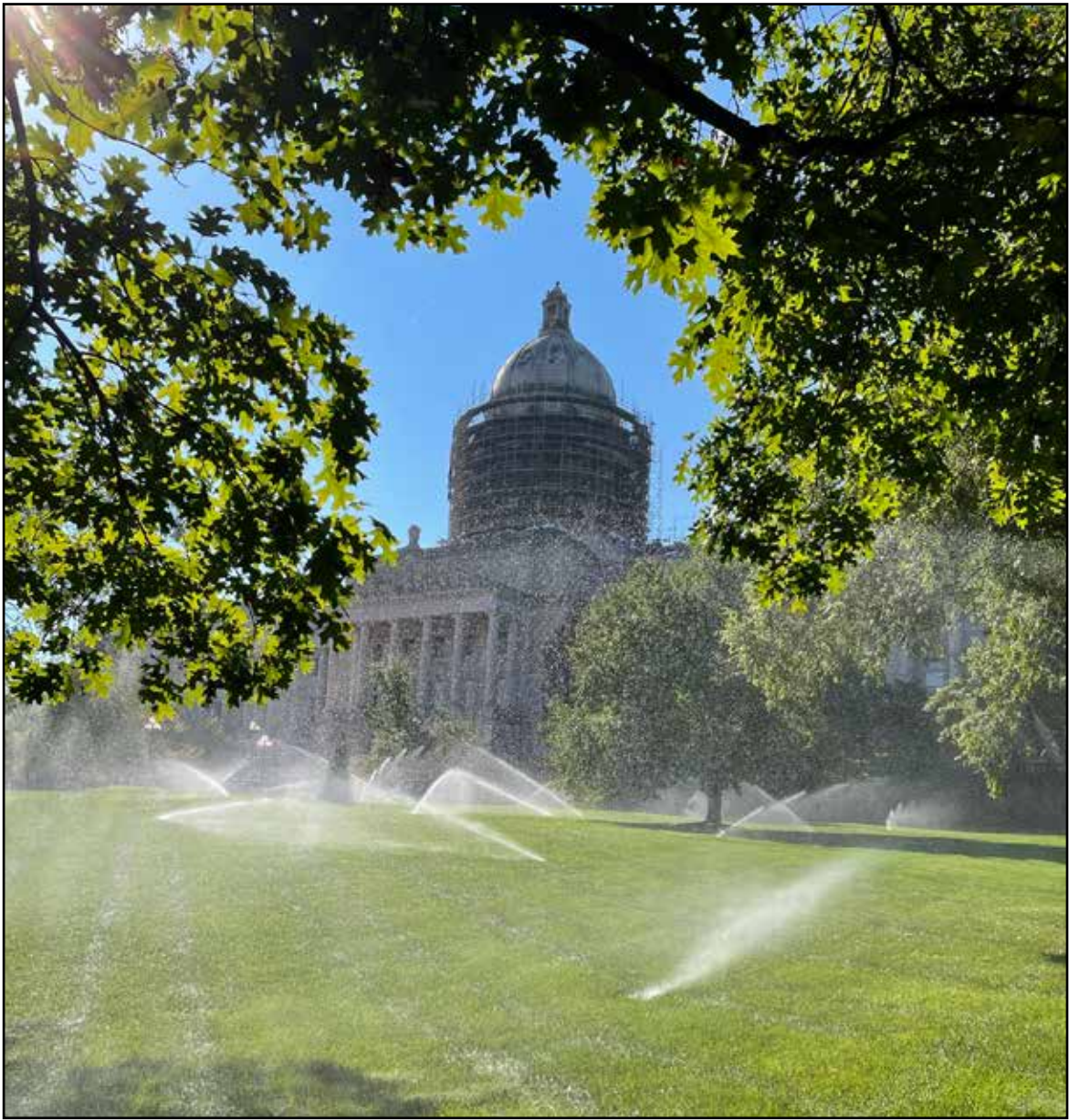
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Committee Meetings

INTERIM JOINT COMMITTEE ON AGRICULTURE

Minutes of the 3rd Meeting

of the 2022 Interim

August 25, 2022

Call to Order and Roll Call

Pursuant to the approval of the President of the Senate and Speaker of the House, the Senate Standing Committee for Agriculture and the House Standing Committee for Agriculture, met jointly at the Kentucky State Fair on August 25, 2022 Special Session. Senator Howell, Chair and Representative Heath, Chair called the meeting to order, and the secretary called the roll for each committee.

Present were:

Members: Senator Jason Howell, Chair; Representative Richard Heath, Chair; Senators Dennis Parrett, Damon Thayer, Robin L. Webb, Stephen West, and Max Wise; Representatives Josh Calloway, Jonathan Dixon, Daniel Fister, Derrick Graham, Mark Hart, Keturah Herron, Mary Beth Imes, Kim King, Matthew Koch, Shawn McPherson, Michael Sarge Pollock, Phillip Pratt, Felicia Rabourn, Brandon Reed, Cherlynn Stevenson, Nancy Tate, Walker Thomas, and James Tipton.

Guests: Mayor Greg Fischer, Louisville Metro, Shelby Somervell, VP of Government Affairs and Communications, Greater Louisville, Inc., David Beck, President and CEO, Kentucky Venues, and Hannah Edelen, Miss Kentucky 2022.

LRC Staff: Stefan Kasacavage, Kelly Ludwig, Hillary Abbott, and Susan Spoonamore, Committee Assistant.

Welcome

Mayor Greg Fischer, Louisville Metro, and Shelby Somervell, VP of Government Affairs & Communications, Greater Louisville, Inc. welcomed members to Louisville. Mayor Fischer said that bourbon and local food tourism is helping Kentucky's tourism industry to grow. Louisville generates approximately \$3.4 billion in economic impact with over one-third of the visitors experiencing the bourbon industry. He said that Louisville promotes the Kentucky Proud brand along with farm to table produce and meats.

Report on the Kentucky State Fair

David Beck, President and CEO, Kentucky Venues, stated that because of monies allocated by the General Assembly, the Kentucky Exposition Center now has new admission gates with more admission gates to be upgraded in the future. He said that the Exposition Center hosts around 200 events annually, and the Kentucky International Convention

Center hosts around 125 events each year. He said that last year produced about 70 percent of pre-covid attendance and so far, this year is showing around 80 percent. He said that the State Fair has an approximate \$12 million economic impact on Louisville. Mr. Beck stated that the Farm Machinery Show is the most profitable out of all the events held at the fairgrounds.

Ryan Quarles, Commissioner of Agriculture, stated that the World Championship Horse Show consists of approximately \$400 million worth of livestock on-site. The Ag- Tag program raised approximately \$600,000 that is divided between 4-H, FFA, and the Kentucky Proud program. He thanked the General Assembly for appropriating \$455,000 to the County Fair Program which allows capital improvements to 84 county fairs.

Meeting adjourned.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Minutes of the 4th Meeting

of the 2022 Interim

September 21, 2022

Call to Order and Roll Call

The 4th meeting of the Interim Joint Committee on Appropriations and Revenue was held on Wednesday, September 21, 2022, at 1:00 PM, in Room 149 of the Capitol Annex. Representative Jason Petrie, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Christian McDaniel, Co-Chair; Representative Jason Petrie, Co-Chair; Senators Danny Carroll, Donald Douglas, David P. Givens, Stephen Meredith, Michael J. Nemes, and Stephen West; Representatives Lynn Bechler, Danny Bentley, John Blanton, Randy Bridges, Ken Fleming, Chris Fugate, Al Gentry, David Hale, Angie Hatton, Bobby McCool, Ruth Ann Palumbo, Melinda Gibbons Prunty, Josie Raymond, Brandon Reed, Steve Riley, Sal Santoro, James Tipton, and Lisa Willner.

Guests: Eric Kennedy, Director of Advocacy, Kentucky School Boards Association; Nick Clark, President, Kentucky Association of School Business Officials; Charles Aull, Executive Director, KY Chamber, Center for Policy & Research; and Katherine Loughhead, Senior Policy Analyst, Tax Foundation.

LRC Staff: Jennifer Hays, Sarah Watts, Hunter Branham, and Lexi Bensberg.

Approval of Minutes

Upon motion and second, the minutes from the August 17, 2022, meeting were approved without objection.

K-12 Funding – School Board Employee Raises

Eric Kennedy, Director of Advocacy, Kentucky School Board Association (KSBA) and Nick Clark, President, Kentucky Association of School Business Officials, testified on the impact that 2022 RS HB 1 has had on school districts across the state.

Mr. Kennedy testified that 2022 RS HB 1 included increases in funding that the KSBA has advocated for in previous budget cycles. Among these increases were the Support Education Excellence in Kentucky (SEEK) base per pupil amount, transportation reimbursement, and the per-child rate for Family Resource and Youth Service Centers (FRYSCs).

To further explain the SEEK formula, and how HB 1 has benefitted school districts, Mr. Kennedy provided Todd County's final calculation sheet from last year and its most recent calculation sheet for the current school year. This county was chosen because it can be considered average, as the funding received by a district is dependent on the county's local property assessment. It would be a misrepresentation to provide a calculation sheet for a county that is 'property poor' or 'property rich'. Other factors considered in the SEEK formula include attendance, number of children, and the number of children considered to be 'at-risk' in a district.

Mr. Kennedy also provided the calculations for Livingston County to provide an explanation for 'hold-harmless districts.' These are districts that, when assessing the typical variables in the SEEK formula, would receive less SEEK funding in the current school year than they received in the 1991-92 school year. Budget bills enacted by the General Assembly provide a guaranteed per pupil amount, which prevents school districts from receiving less SEEK funding than what they received in the 1991-92 school year.

In the 2022 Session, the General Assembly encouraged local school boards to adopt employee raises. The KSBA conducted a survey in July to ascertain local school board approved employee raises. All 171 districts responded to the survey, and responses were provided in legislators' folders for the meeting. 162 districts responded that their school board approved an across-the-board employee raise for the 2022-23 school year, though the school boards of 105 of these districts approved salary increases that were more nuanced and involved a consideration of staff classification.

In response to a question from Chair Petrie, Mr. Clark testified that the budget passed in 2022 was the most favorable for education in recent history.

In response to a question from Senator McDaniel, Mr. Kennedy testified that it would be beneficial to continue looking at the SEEK formula and consider changes that would make its resulting funding more equitable between districts. It is possible that with increasing property values, more counties could fall into the 'hold-harmless' category.

In response to a question from Senator Nemes, Mr. Clark clarified that the more a district receives in local property tax, the less it will receive in SEEK funding. Mr. Kennedy testified that when considering this, it is important to evaluate all the variables in the formula.

In response to a question from Senator Carroll, Mr. Kennedy testified he is not aware of requirements in statute that ensure that SEEK money provided for specific variables is spent on said variables. However, there are mandates in state and federal law that require schools to provide services to specific classifications of students regardless of the funding they receive from the state.

In response to a question from Representative Willner, Mr. Kennedy said that school boards would be able to provide more to students if they were provided more funding.

In response to a question from Representative Tipton, Mr. Kennedy testified that there are large disparities in pay across school districts within the state.

Tax Modernization Issues

Charles Aull, Executive Director, KY Chamber, Center for Policy & Research and Katherine Loughhead, Senior Policy Analyst, Tax Foundation, testified on Kentucky's opportunity for growth in terms of tax modernization.

Mr. Aull testified that tax policy reforms that occurred in 2018 and 2019 have had a positive impact, and will continue to grow. These reforms included eliminating income tax brackets and reducing Kentucky's individual and corporate tax rates from 6 percent to 5 percent. He predicts that HB 8 will have a similar positive impact by the reducing the individual income tax rate.

In order to consider attracting more population into the state, the legislature must understand that there is ample competition from other states in terms of tax modernization. This competition is further

intensified when considering that the number of interstate migrants continues to trend downwards. There are a multitude of factors that people consider when looking to move states. There is research that suggests a connection between state taxation and geographic mobility.

Mr. Aull testified that improvements could be made through transparency of the amount in the state's budget reserve trust fund, improvement of cost recovery, changing the inventory tax, and multiple other avenues.

Ms. Loughhead testified that there are reforms that can be made to the Kentucky tax code that would be conducive to the state's economic growth while minimizing economic harms to taxpayers. Including Kentucky, 24 states have recently enacted income tax cuts. There is also a trend away from graduated tax structures, Kentucky enacted a flat tax rate in 2019. By the end of 2026, there will be at least 14 states that have enacted a flat tax rate. These reforms create a competitive landscape that ideally attracts more constituents.

After discussing areas for potential reform in Kentucky's tax code with state legislators and constituents, the Kentucky Chamber and the Tax Foundation published a report in November 2021. This report provides recommendations resulting from these discussions. In addition to the recommendations mentioned by Mr. Aull, Ms. Loughhead testified in favor of improving the tax treatment of business investment expenses, shifting away from local occupational

and net profit taxes, repealing the inventory tax, and reducing the reliance on tangible property taxes.

In response to a question from Senator Carroll, Ms. Loughhead testified that these suggestions would be best applied to the tax code incrementally.

Chair Petrie clarified that raising the sales tax to recoup lost revenue from the implementation of these suggestions would be a last resort.

In response to a question from Representative Raymond, Mr. Aull stated that increasing the sales tax is not the only way to recoup revenue that would be lost if these reforms were adopted. Mr. Loughhead testified that it would be likely to see the sales tax base increase before the sales tax rate would increase.

In response to a question from Senator Carroll, Mr. Aull testified that the transition from occupational licensing taxes to a sales based tax structure would be very difficult. It would be beneficial to avoid adopting tax code reforms that approach it as 'one-size-fits-all,' as it would be more difficult to apply in rural areas of the state. Regardless, the occupational licensing tax is something that employers find odd, so it would benefit economic growth to consider phasing out this tax. Mr. Aull added that the Kentucky Chamber is actively researching ways to increase economic development in rural areas experiencing trends of depopulation.

Chair Petrie made the committee aware of the additional materials provided in their folders, including the Interim Budget Allotment Adjustments for FY 2023, the Interim Emergency Appropriation Increases for FY 2023, and reports received by the Appropriations and Revenue Committee since the August meeting.

With there being no further business, the meeting was adjourned at 3:03 p.m.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Minutes of the 5th Meeting

**of the 2022 Interim
October 19, 2022**

Call to Order and Roll Call

The 5th meeting of the Interim Joint Committee on Appropriations and Revenue was held on Wednesday, October 19, 2022, at 1:00 PM, in Room 149 of the Capitol Annex. Senator Christian McDaniel, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Christian McDaniel, Co-Chair; Representative Jason Petrie, Co-Chair; Senators Danny Carroll, Donald Douglas, David P. Givens, Alice Forgy Kerr, Stephen Meredith, Michael J. Nemes, and Stephen West; Representatives Lynn Bechler, Danny Bentley, John Blanton, Randy Bridges, Myron Dossett, Ken Fleming, Chris Fugate, Al Gentry, David Hale, Jason Nemes, Ruth Ann Palumbo, Melinda Gibbons Prunty, Josie Raymond, Brandon Reed, Steve Riley, James Tipton, and Lisa Willner.

Guests: Michael Meredith, State Representative, House District 19; Jennifer Hays, Committee

Staff Administrator, Appropriations & Revenue Committee; J.D. Chaney, Kentucky League of Cities; Shellie Hampton, Kentucky Association of Counties; Andi Johnson, Commerce Lexington, Inc.; Shelby Williams Somervell, Greater Louisville, Inc.; Lena Muldoon, You Decide, Kentucky!; Amanda Davenport, Lake Barkely Partnership; and Andrew McNeil; Bluegrass Institute.

LRC Staff: Jennifer Hays, Cynthia Brown, Katy Jenkins, Sarah Watts, Hunter Branham, and Lexi Bensberg.

Approval of Minutes

Upon motion and second, the minutes from the September 21, 2022 meeting were approved without objection.

Proposed Constitutional Amendment & Overview of Local Taxes

Jennifer Hays, Committee Staff Administrator, Appropriations & Revenue Committee, provided a broad overview of local taxation processes.

Mrs. Hays testified that the revenue related to local taxation is primarily generated by various license fees and property tax, with occupational license fees generating a significant amount of revenue for both cities and counties. Occupational license tax can be based on either the net profit of businesses or a percentage of the salaries of employees within a local jurisdiction. She explained that certain sections of the Kentucky Constitution outline the General Assembly and local jurisdiction's role in local tax structure. She provided an overview of Sections 181, 180, 157, 170, 174, 172, and 171 of the Kentucky Constitution.

Mrs. Hays testified that when considering proposing changes to local taxation, the existing constitutional provisions and the 100+ references to local taxes throughout KRS chapters must be considered.

Michael Meredith, State Representative, House District 19; J.D. Chaney, Kentucky League of Cities; Shellie Hampton, Kentucky Association of Counties; Andi Johnson, Commerce Lexington, Inc.; Shelby Williams Somervell, Greater Louisville, Inc.; Lena Muldoon, You Decide, Kentucky!; and Amanda Davenport, Lake Barkely Partnership, testified on behalf of the provisions contained in HB 475 from the 2022 Regular Session.

Representative Meredith testified that the goal of this bill is to transition from reliance on income based taxes to consumption based taxes at the local level. The provisions contained in HB 476 from the 2022 Regular Session would ensure that the General Assembly has supremacy over what happens in local jurisdictions regarding taxes.

Ms. Johnson testified that it is important to diversify local tax revenue to increase Kentucky's ability to compete with other states. Ms. Somervell added that making this change would help attract businesses and talent to Kentucky. Ms. Davenport testified that allowing local jurisdictions to have more control over their tax policy allows them to be agile in addressing problems specific to their jurisdiction. Ms. Hampton testified that this topic has been the focus of multiple task forces in recent decades, with the final recommendation including a constitutional

amendment.

Andrew McNeil, Bluegrass Institute, testified that the focus of this issue should remain on competitiveness rather than increased revenue. To achieve this, Mr. McNeil provided three principles that tax policy changes should meet which include revenue neutrality, preference for taxing consumption over income, and preference for individuals and entrepreneurs over narrow special interests.

In response to a question from Chair McDaniel, Representative Meredith clarified that the constitutional amendment, if passed, would remove the existing obstacle that prevents local jurisdictions from widening their tax base. He added that the accompanying legislation, 2022 RS HB 476, would ensure that no new tax structure can be created in local jurisdictions without explicit authorization from the General Assembly through statutory framework.

In response to a question from Representative Nemes, Representative Meredith testified that the ultimate goal of this legislation is to allow for a consumption based tax model at the local level so that local jurisdictions can effectively compete for new constituents and businesses. He added that there will be a need to draft policy to protect the baseline revenue.

In response to a question from Senator Meredith, Mr. McNeil testified that to achieve revenue neutrality, the additional revenue from a tax base expansion should be used to lower the income tax rate. Representative Meredith added that this legislation is an attempt to lower the local jurisdictions' reliance on income-based taxes.

In response to a question from Representative Raymond, Representative Meredith testified that this legislation would complement the tax rate reduction introduced in 2022 RS HB 8. He added that, in order to protect baseline revenue in local jurisdictions, an offset would have to be implemented.

In response to a question from Representative Bechler, Mr. McNeil testified that the principles he provided earlier in the meeting would be applicable after the legislation was passed. However, he acknowledged that to ensure tax structure changes made in response to this legislation met these principles, safeguards could be put in place.

In response to a question from Senator Carroll, Mr. Chaney testified that in order to be more competitive, consumption based elements must be added to local tax structures. Representative Meredith added that, in the context of local tax reform, this legislation has been the primary focus in the House for the past few years.

Chair McDaniel made the committee aware of the additional materials provided in their folders, including the Interim Budget Allotment Adjustments for FY 2023, the Interim Appropriation Revisions for Second Quarter FY 2023, and reports received by the Appropriations and Revenue Committee since the September meeting.

With there being no further business, the meeting was adjourned at 3:05 p.m.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS & REVENUE

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

Minutes of the 3rd Meeting of the 2022 Interim

September 21, 2022

Call to Order and Roll Call

The 3rd meeting of the Budget Review Subcommittee on Economic Development, Tourism, and Environmental Protection of the Interim Joint Committee on Appropriations & Revenue was held on Wednesday, September 21, 2022, at 9:00 AM, in Room 154 of the Capitol Annex. Representative Lynn Bechler, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Lynn Bechler, Co-Chair; Senator Wil Schroder; Representatives Al Gentry, and Nima Kulkarni.

Guests: Jeff Noel, Secretary, Cabinet for Economic Development; Katie Smith, Deputy Secretary and Commissioner, Cabinet for Economic Development; Haley McCoy, President/CEO, Kentucky Association for Economic Development

LRC Staff: Kevin Newton, Joseph Holt, and Amie Elam

Kentucky Product Development Initiative

Representatives from the Cabinet for Economic Development and the Kentucky Association for Economic Development (KAED) provided the subcommittee with an update on the Kentucky Product Development Initiative (KPDI). The presentation included information regarding the application process for KPDI funding and data from the pilot program.

In response to a question from Chair Bechler, Ms. McCoy said that KAED is paying a national site consultant in \$60,000 installments with private funding. Ms. Smith said the site promotions are for all industries, including aerospace. Ms. Smith said the cabinet would provide the list of the top five industries to the committee.

In response to a question from Representative Gentry, Ms. Smith said that any work with Amtrak would be handled through the Transportation Cabinet.

In response to a question from Representative Webber, Ms. Smith said that consultants provide the cabinet with requirements and criteria, including proximity to the interstate, access to railways, water and sewer access, etc. Project managers then match available sites with those that fit the requirements of the particular company. Ms. Smith said that Firestone has an electrical vehicle (EV) expansion program in Williamsburg. She said there are several other projects in Eastern Kentucky that she cannot disclose at this time. Ms. Smith said the cabinet would provide a list from project managers of what requirements have prevented companies from locating in certain parts of the state. Ms. McCoy added that one component that companies were looking for was diversity.

In response to a question from Chair Bechler, Ms. Smith said that the need for a Class I railway varies between projects. Ms. Smith said that Kentucky can market low electric costs, which is very attractive to companies. Ms. McCoy said that once KAED is cleared to do so, it will provide the committee with a list of the 86 letter-of-intent properties.

There being no further business before the subcommittee, the meeting adjourned at 10:05 a.m.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS & REVENUE

Budget Review Subcommittee on Education

Minutes of the 3rd Meeting of the 2022 Interim

September 21, 2022

Call to Order and Roll Call

The 3rd meeting of the Budget Review Subcommittee on Education of the Interim Joint Committee on Appropriations & Revenue was held on Wednesday, September 21, 2022, at 10:00 AM, in Room 154 of the Capitol Annex. Representative Steve Riley, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stephen West, Co-Chair; Representatives James Tipton, Co-Chair, and Steve Riley, Co-Chair; Representatives Kim Banta, Tina Bojanowski, Ken Fleming, Bobby McCool, and Charles Miller.

Guests: Benjamin Wilcox, State School Security Marshal, Department of Criminal Justice Training.

LRC Staff: Seth Dawson, Liz Columbia, and Amie Elam.

School Safety

Benjamin Wilcox, State School Security Marshal, spoke to the committee regarding School Resource Officer (SRO) coverage across the Commonwealth and school district compliance with the SRO requirements addressed in 2022 Regular Session House Bill 63.

In response to a question from Senator West, Mr. Wilcox said that the \$25 million accounts for an SRO at every campus that does not currently have one.

In response to a question from Chair Riley, Mr. Wilcox said the total cost to have an SRO at every campus is approximately \$55 million.

In response to a question from Representative Tipton, Mr. Wilcox clarified that the \$55 million only accounts for a base salary and does not include benefits. He added that responsibility for the cost of partnering with local police departments to provide SROs varies among districts.

In response to a question from Representative Bojanowski, Mr. Wilcox said that when asked, districts said that the two main issues in meeting SRO requirements were a lack of personnel and funding.

In response to a question from Chair Riley, Mr. Wilcox said that both rural and urban settings are struggling with finding available personnel.

In response to a question from Representative Miller, Mr. Wilcox said in order to be an SRO one must be Peace Office Professional Standards Act (POPS) certified and start the 120-hour training

required by the Department of Criminal Justice Training (DOCJT). He added that SROs have three years to complete the DOCJT certification.

In response to a question from Senator West, Mr. Wilcox said there is a backlog at training academies, but the state is prepared to train additional SROs.

In response to a question from Representative McCool, Mr. Wilcox stated that SRO training is a very specialized unit with comprehensive training requirements.

In response to a question from Chair Riley, Mr. Wilcox said that the 120-hour training required by DOCJT is physical. He said that it involves firing ranges and active shooter training.

In response to a question from Representative Banta, Mr. Wilcox said that 117 districts need at least one SRO. 57 districts have an SRO on every campus.

In response to a question from Representative Tipton, Mr. Wilcox answered that employment contracts vary between agencies and districts. He added that nothing prevents a law enforcement agency from contracting with an officer for a specific amount of time during the year to serve as an SRO.

In response to a question from Representative Bojanowski, Mr. Wilcox said that SROs in Kentucky are directed to immediately engage with an active shooter. He added that training does include single-officer response training.

In response to a question from Representative Tipton, Mr. Wilcox said that he does not have data on which districts have additional safety measures, including secure vestibules and safety glass.

In response to a question from Representative Fleming, Mr. Wilcox answered that during training, experts are brought in to prepare SROs to work with individuals with mental health needs or those experiencing a mental health crisis.

In response to a question from Representative McCool, Mr. Wilcox said that during an emergency, the individual who responds first and has the most knowledge of the ongoing situation would take the lead for those officers arriving to provide backup.

There being no further business before the subcommittee, the meeting adjourned at 11:16 a.m.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on General Government, Finance, Personnel, and Public Retirement

Minutes of the 3rd Meeting of the 2022 Interim

September 21, 2022

Call to Order and Roll Call

The third meeting of the Budget Review Subcommittee on General Government, Finance, Personnel, and Public Retirement of the Interim Joint Committee on Appropriations and Revenue was held on Wednesday, September 21, 2022, at 9:00 AM, in Room 131 of the Capitol Annex. Representative Myron Dossett, Co-Chair, called the meeting to order, and the secretary called the roll. Representative John

Blanton, Co-Chair, chaired the last half of the meeting.

Present were:

Members: Senator Michael J. Nemes, Co-Chair; Representatives John Blanton, Co-Chair, and Myron Dossett, Co-Chair; Senators Adrienne Southworth, Reginald Thomas, and Stephen West; Representatives Kevin D. Bratcher, Jeffery Donohue, Jim Gooch Jr., Derrick Graham, Mark Hart, Adam Koenig, Michael Meredith, Suzanne Miles, Jerry T. Miller, Phillip Pratt, Josie Raymond, Nancy Tate, and Buddy Wheatley.

Guests: David Eager, Executive Director, Kentucky Public Pensions Authority (KPPA); Danny White, FSA, EA, MAAA, Regional Director and Actuary, GRS Consulting; Janie Shaw, ASA, EA, MAAA, Consultant, GRS Consulting; and, Tim Hughes, Senior Trade Advisor, Kentucky Department of Agriculture (KDA).

LRC Staff: Emma Mills and Spring Emerson.

Approval of Minutes

A motion was made by Representative Gooch to approve the minutes of the August 17, 2022 meeting. The motion was seconded by Co-Chair Nemes, and the minutes were approved by voice vote.

Kentucky Public Pensions Authority

David Eager, Executive Director, KPPA, provided an overview of the impact of supplemental payments into the Kentucky Employees Retirement System (KERS) non-hazardous fund, as well as the State Police Retirement System (SPRS) funds.

Chair Dossett commented that it is important to look at the impact to the Teachers' Retirement System (TRS), and consider including additional funding into the pension plans in order to help make the plans more sustainable. Director Eager said we are moving in the right direction, and additional funding would help.

In response to questions from Representative Bratcher, Director Eager said the KERS non-hazardous plan is currently funded at 16.8 percent. The KERS hazardous plan, and the SPRS, are currently funded at over 50 percent. The annual cost is currently at 9.9 percent of payroll, and would be approximately four percent in 2042. The Actuarially Required Contribution (ARC) would be reduced to the normal cost when the liability is paid off. Tier Three in KERS would be a more stable investment as compared to a typical 401(k).

In response to questions from Representative Meredith regarding the effect of the recent across-the-board salary increase, Mr. White said the salary increase was not included in the actuarial evaluation. Even though the one-time event was bigger than previously assumed, it is still relatively small in magnitude overall. Director Eager added that evaluations are performed annually on June 30, and all economic assumptions are considered in the process. Tier Three has far less liability than the risk that came with Tiers One and Two.

In response to a question from Senator Southworth regarding other sample calculations on the sliding scale, Director Eager said other number scenarios can be provided if requested.

In response to a question from Co-Chair Blanton regarding cost of living adjustments (COLAs) for retirees, Director Eager said that is being discussed in

the Public Pension and Oversight Committee (PPOB), and is currently beyond funding. Pre-funding just 1.5 percent would amount to billions of dollars.

In response to a comment from Representative Miller regarding COLAs being pre-funded versus applying a one-time investment, Director Eager said the amortization schedule had been reset and, as a result, six years were lost. There are tough choices to be made, due to the amount of need.

Co-Chair Dossett expressed his appreciation for the information provided, and commented that more funds are needed over the amount of the ARC. Director Eager said any funds received over the ARC are invested in the plan.

Kentucky Department of Agriculture

Tim Hughes, Senior Trade Advisor, KDA, provided an overview of the impact of recent flooding in Eastern Kentucky.

Co-Chair Blanton commented that people do not necessarily think of farming in Eastern Kentucky due to the hilly terrain. The farmers' market programs in the area do well and there are cattle farmers in the area also. He expressed his concern for the loss of hay as a result of the catastrophe.

In response to a question from Co-Chair Blanton regarding the loss of hay, Mr. Hughes said the KDA is working closely with the Mountain Cattlemen's Association, and a number of other county associations in the area. There is a concern for the pastures that were underwater for a number of days, and covered with mud and debris, which will require reseeding. The KDA is researching vendors that may be willing to donate or supply seed at a lower cost. A number of conservation districts have shared use of equipment such as no-till seeders, and the KDA is looking into those and other offers of assistance through the county extension services. Also of concern is the trucking shortage as well as high fuel prices. Co-Chair Blanton commented that the loss of fertilizers through water contamination should also be considered.

Adjournment

There being no further business before the subcommittee, the meeting was adjourned at 10:06 AM.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on General Government, Finance, Personnel, and Public Retirement
Minutes of the 4th Meeting
of the 2022 Interim
October 19, 2022

Call to Order and Roll Call

The fourth meeting of the Budget Review Subcommittee on General Government, Finance, Personnel, and Public Retirement of the Interim Joint Committee on Appropriations and Revenue was held on Wednesday, October 19, 2022, at 9:00 AM, in Room 131 of the Capitol Annex. Senator Michael

J. Nemes, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Michael J. Nemes, Co-Chair, and Representative John Blanton, Co-Chair; Senators Adrienne Southworth and Stephen West; Representatives Kevin D. Bratcher, Jeffery Donohue, Jim Gooch Jr., Derrick Graham, Mark Hart, Adam Koenig, Michael Meredith, Jerry T. Miller, Phillip Pratt, Josie Raymond, Nancy Tate, and Buddy Wheatley.

Guests: Representative Thomas Huff; Brian Dillard, Vice President, Rogers Group, Inc.; Scott Harrison, Sales Manager, Rogers Group, Inc.; and Cynthia Brown, Committee Analyst, Interim Joint Committee on Appropriations and Revenue.

LRC Staff: Emma Mills, Joey Holt, Liz Columbia, Ethan Williams, and Spring Emerson.

Approval of Minutes

A motion was made by Co-Chair Blanton to approve the minutes of the September 21, 2022 meeting. The motion was seconded by Representative Koenig, and the minutes were approved without objection.

Discussion of Rock Quarries

Representative Thomas Huff, along with Mr. Dillard and Mr. Harrison of Rogers Group, Inc., presented information regarding proposed legislation relating to mineral severance tax for outlying states.

In response to a question from Senator West regarding how the tax would be implemented, Mr. Dillard said the proposal is currently only a concept. Representative Huff commented that no specific language has been drafted for the collection of the proposed tax. Chair Nemes said Representative Miles had filed a similar measure in the past.

Representative Miller commented that the proposed new tax revenue should go to the Road Fund, due to out-of-state trucks using Kentucky's roads but not buying gasoline here.

Representative Gooch expressed his concern that laws of interstate commerce must be considered.

In response to a question from Senator West regarding where the tax revenues are deposited, Mr. Dillard said it currently goes to the state, and then fifty percent is sent back to the local district. Representative Graham commented that the impact on the budgets of local governments should also be considered. Chair Nemes explained that the idea was for the percentage that is retained by the state now would then go directly to the Road Fund, so the percentage going back to the local government would not be affected.

Homestead Property Tax Exemption

Ms. Brown provided an informational overview of the Homestead Exemption for Property Tax, as outlined in Section 170 of the Kentucky Constitution.

Chair Nemes commented that there would be no revenue loss as a result of the measure.

In response to a question from Co-Chair Blanton regarding ages of co-owners, Ms. Brown said when one of the co-owners turns age 65, the property would qualify for the exemption.

Representative Donohue commented that this is

similar to legislation that he filed previously, and he would be happy to work on it as a co-sponsor. Chair Nemes said he would look forward to working with him on this measure.

Representative Tate said the homeowner has to request a re-evaluation, but there is nothing in the statute requiring the Property Valuation Administrators (PVAs) to communicate the eligibility to affected homeowners. She suggested that there should be an additional obligation on the PVAs for communication.

In response to questions from Representative Wheatley regarding if eligibility would occur in the year the property was purchased versus the year the owner turned age 65, Ms. Brown replied that eligibility would occur on the latter of the two scenarios.

In response to questions from Representative Meredith regarding fiscal impact, Chair Nemes said there would be no immediate impact locally, due to no increase in the tax rate. There would only be an impact when assessments are increased in the future.

In response to a question from Representative Gooch regarding past values, Chair Nemes said no retroactivity would be applied.

Adjournment

There being no further business before the subcommittee, the meeting was adjourned at 9:30 AM.

INTERIM JOINT COMMITTEE ON APPROPRIATIONS & REVENUE
Budget Review Subcommittee on Justice and Judiciary
Minutes of the 3rd Meeting
of the 2022 Interim
September 21, 2022

Call to Order and Roll Call

The 3rd meeting of the Budget Review Subcommittee on Justice and Judiciary of the Interim Joint Committee on Appropriations & Revenue was held on Wednesday, September 21, 2022, at 9:00 AM, in Room 129 of the Capitol Annex. Representative Joseph M. Fischer, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Danny Carroll, Co-Chair; Representative Joseph M. Fischer, Co-Chair; Senators Christian McDaniel and John Schickel; Representatives McKenzie Cantrell and Daniel Elliott.

Guests: Elizabeth Lucas, Implementation & Court Services Director, Department of Information & Technology Services, Administrative Office of the Courts (AOC); Scott Mattingly, Technology Officer, Department of Information & Technology Services, AOC; and Jim Dailey, Campbell County Jailer, President, Kentucky Jailers' Association.

LRC Staff: Perry Papka, Zachary Ireland, and Benjamin Thompson

Update – Virtual Hearing Technology in the Courts and Jails & Electronic Court Filing System Upgrades

Ms. Lucas, Mr. Mattingly, and Mr. Dailey

provided testimony regarding technology upgrades in courts and jails.

In response to questions from Chair Fischer, Mr. Mattingly noted that the Administrative Office of the Courts (AOC) was working on a single platform solution that will work for both video arraignments and hybrid video conferencing. Ms. Lucas stated that the rollout of the new platform would be on a county by county basis, noting that the pilot program was ongoing. Ms. Lucas confirmed that Zoom has a breakout room feature that would allow attorney/client communications to be confidential and unrecorded. The AOC will begin implementation of the new platform in early 2023, but does not expect to be completed until sometime in 2025.

In response to a question from Senator McDaniel, Mr. Mattingly stated that either the judge or a judicial court specialist would be responsible for setting up and starting video arraignments, while jails will be responsible for having the inmate available and ready at the scheduled start time.

In response to a question from Senator Carroll, Ms. Lucas noted that video record is the currently accepted record of the court in Kentucky.

In response to a question from Representative Cantrell, Ms. Lucas stated that communication with and training for attorneys regarding the new virtual hearing technology would be an important component in the platform rollout.

In response to a question from Chair Fischer, Ms. Lucas confirmed that the Self Representation Portal would be ready by December of 2023.

In response to a question from Senator Carroll, Ms. Lucas said that the self-service kiosks for those who have fines but would prefer to pay with cash are secured. The vendor for those kiosks is the same vendor used for similar machines in Probation and Parole offices throughout the state.

In response to a question from Representative Elliott, Ms. Lucas noted that the kiosks will have a convenience fee applied, just as if one were paying online with a credit or debit card.

Approval of Minutes

Senator Schickel made the motion to approve the minutes from the August 17, 2022 meeting of the subcommittee. Senator Carroll seconded the motion, and the minutes were approved without objection.

There being no further business before the subcommittee, the meeting was adjourned at 9:49 AM.

**INTERIM JOINT COMMITTEE
ON APPROPRIATIONS AND
REVENUE**

**Budget Review Subcommittee on
Transportation**

**Minutes of the 3rd Meeting
of the 2022 Interim
September 21, 2022**

Call to Order and Roll Call

The third meeting of the Budget Review Subcommittee on Transportation of the Interim Joint

Committee on Appropriations and Revenue was held on Wednesday, September 21, 2022, at 10:30 AM, in Room 131 of the Capitol Annex. Representative Sal Santoro, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jimmy Higdon, Co-Chair; Representative Sal Santoro, Co-Chair; Senators Brandon J. Storm, Johnnie Turner, and Mike Wilson; Representatives Randy Bridges, Chris Fugate, Samara Heavrin, Thomas Huff, Shawn McPherson, Phillip Pratt, Rachel Roberts, Cherlynn Stevenson, and Ken Upchurch.

Guests: Jim Gray, Secretary, Kentucky Transportation Cabinet (KYTC); John Moore, Deputy State Highway Engineer, KYTC; Kenny Bishop, Legislative Liaison, KYTC; Sarah Jackson, Project Manager, Real ID Program, KYTC; and, Matt Cole, Commissioner, Department of Vehicle Regulation, KYTC.

LRC Staff: Justin Perry, David Talley, and Spring Emerson.

Approval of Minutes

A motion was made by Representative Upchurch to approve the minutes of the August 17, 2022 meeting. The motion was seconded by Representative Pratt, and the minutes were approved without objection.

Eastern KY Flood Recovery and Mitigation

Jim Gray, Secretary, KYTC, provided an overview of the steps being taken to assist in the recovery and mitigation of the flood damage in Eastern Kentucky. John Moore, Deputy State Highway Engineer, provided additional information regarding the state highways that were damaged.

In response to a question by Co-Chair Santoro regarding funding, Mr. Moore said Kentucky Emergency Management (KEM) staff had been working on needed repairs and will seek reimbursement through the Federal Emergency Management Agency (FEMA). As a result, the financial burden on KYTC Maintenance funds will be temporary.

Representative Fugate expressed his appreciation for everyone who has worked to assist with the disaster. He said everything in the area is beginning to look better and people are in the process of rebuilding.

Senator Turner commented that Knott, Letcher, and Floyd Counties had been hit hard by the disaster. He commended the KYTC and other agencies for their rapid response and hard work.

Co-Chair Higdon commented that seeing is believing, and the devastation was indescribable. He inquired about cost projections, and Secretary Gray said they are starting to estimate costs, but there is a lot of work yet to be identified. Mr. Moore added that due to fluctuating prices and current inflation rates, the full impact is unknown at this time.

In response to a question from Co-Chair Higdon regarding bridges, Mr. Moore said that inspections are required biannually on bridges over twenty feet long. He added that more structures were found than were previously known about, and were not listed in the inventory. That likely could reduce the reimbursement of funds from FEMA, and could cause a substantial impact to the budget. Secretary Gray added that

reimbursements will be vigorously pursued. He said the magnitude of necessary repairs and rebuilding amounts to more than what would be required throughout the entire state on an annual basis.

In response to a question from Co-Chair Santoro regarding the required matching rate for the various federal funds, Mr. Moore said the two pots of money they can pull from are Federal Aid Routes through the Federal Highway Administration (FHWA) which offers an 80/20 percent match, and the balance of the repair costs would go to FEMA, which is currently at a 75/25 percent match. They do offer a thirty day window that offers a 100 percent reimbursement, which will be set statewide by KEM. They are currently evaluating expenses to determine when to apply the thirty-day window for the enhanced funding. The matching rate that was applied during the Western Kentucky tornado disaster was a 90/10 percent match.

Regional Drivers Licensing Update

Sara Jackson, Real ID Project Manager, and Matt Cole, Commissioner, Department of Vehicle Regulation, provided an update of the expansion of Regional Drivers Licensing offices.

In response to a question from Co-Chair Santoro regarding the number of regional offices, Commissioner Cole said at the beginning of the program, there were eighteen offices and currently there are thirty-two. There are only seven counties that require customers to drive two counties over. Along with online and mail-in renewals, there is an option for everyone. Notices are posted on social media accounts and signage is used to redirect people to the appropriate office for their area. Ms. Jackson added that the use of stand-up laptops at the state fair this year was also successful. Commissioner Cole said there is signage in the offices indicating when the walk-in slots are full for the day, and the website shows this information as well.

Co-Chair Higdon commented that they have a good team that are proactive and resolve issues. He asked how close the program is to self-sustaining. Commissioner Cole said it is not fee based; however, the funds that are brought in go into the Road Fund and then are allocated to cover the cost of producing the license and cover the services provided. He said the Department of Vehicle Regulation brings in almost \$1 billion per year, and most of that goes into the Road Fund.

In response to a question from Co-Chair Higdon regarding the Kentucky Automated Vehicle Information System (KAVIS), Commissioner Cole said it is coming along nicely and the entire system is expected to be complete by June of next year, which will include the insurance verification process.

In response to a question from Representative Roberts regarding the pop-up locations being open on Saturdays, Commissioner Cole said a pilot project including extended hours is slated to begin on October 1.

In response to a question from Representative Roberts regarding serving the vulnerable population such as the homeless, Commissioner Cole said that is being addressed as well as a reentry program for inmates. Ms. Jackson added that they are reaching out

to local partners on that project. Commissioner Cole noted that includes county and circuit clerks and local libraries, among others.

In response to a question from Co-Chair Santoro regarding travelers who lose their license while out of the country, Commissioner Cole said those individuals should visit the US Consulate in that country. Another option would be to apply for the Transportation Safety Administration (TSA) process at the local airport, which requires a secondary two-day screening.

In response to a question from Co-Chair Santoro regarding hours of operation when the Real ID program is fully implemented, Ms. Jackson said the plan is to implement evening and weekend hours in selective areas, depending on demand. She added that currently there are over one million active passports in Kentucky.

Adjournment

There being no further business before the subcommittee, the meeting was adjourned at 11:35 AM.

INTERIM JOINT COMMITTEE ON BANKING AND INSURANCE

Minutes of the 3rd Meeting

of the 2022 Interim
September 20, 2022

Call to Order and Roll Call

The 3rd meeting of the Interim Joint Committee on Banking and Insurance was held on Tuesday, September 20, 2022, at 10:00 AM, in Room 149 of the Capitol Annex. Representative Bart Rowland, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Bart Rowland, Co-Chair; Senators Julie Raque Adams, Ralph Alvarado, Donald Douglas, Rick Girdler, Dennis Parrett, and John Schickel; Representatives Danny Bentley, Joseph M. Fischer, Patrick Flannery, Deanna Frazier Gordon, Jim Gooch Jr., Norma Kirk-McCormick, Adam Koenig, Derek Lewis, Matt Lockett, Shawn McPherson, Michael Meredith, Michael Sarge Pollock, Rachel Roberts, Tom Smith, and Cherynn Stevenson.

Guests: Representative Patrick Flannery, House District 96; Miranda Sloan, Executive Director, Kentucky Society of Clinical Oncology; Thomas Stephens, Executive Director, Kentucky Association of Health Plans (KAHP); Rusty Cress, AHIP; Sharon Clark, Commissioner, Department of Insurance.

LRC Staff: Jessica Sharpe, Breanna Patterson, and Elizabeth Hardy

Approval of June 2, 2022 Minutes and August 25, 2022 Minutes

Representative Lockett moved to approve the June 2, 2022 minutes, Senator Alvarado seconded the motion, and the minutes were approved by unanimous voice vote. Representative Lockett moved to approve the August 25, 2022 minutes, Senator Alvarado seconded the motion, and the minutes were approved

by unanimous voice vote.

Insurance coverage for fertility preservation services

Representative Flannery discussed the need for insurance coverage for fertility preservation services. Fertility preservation coverage helps encourage patients to start treatment when necessary rather than postponing because of fertility concerns.

Ms. Sloan stated that patients with cancer, autoimmune diseases, or other medical issues are at risk of needing fertility preservation. Survivors express a desire to have biological children and infertility subsequent to treatment is associated with distress. Ms. Sloan presented data on the costs and expenses of fertility preservation options. Thirty-three states and Washington D.C. have introduced fertility preservation insurance coverage legislation and 11 states have enacted coverage. She also discussed the rationales for coverage, including that it is medically necessary, treatments are standard of care, it promotes better medical outcomes, it is low cost and has potential cost offsets, and there is an ethical basis for coverage.

In response to Representative Rowland, Representative Flannery stated that he does not know the exact fiscal impact of this coverage, but there was a similar bill that was filed in 2018 and based on documents associated with that bill it appeared to cost zero to four cents per month.

In response to Representative Lewis, Ms. Sloan explained that she would have to gather research on annual storage costs. Representative Flannery stated that he thinks that \$300-\$600 is a typical range, but costs could differ depending on circumstances so he can't really be quoted on that figure.

In response to Senator Alvarado, Ms. Sloan said that she would provide research about what happens to biological material if storage is not maintained or it is not used by the donor. Representative Flannery stated that because the ages of cancer diagnosis differ greatly, the duration of storage will be an important piece of the legislation. He also stated that the age at which coverage is offered also needs to be addressed.

Representative Kirk-McCormick stated that she represents an area that has a thirty percent higher cancer rate than the national average and would like for the bill to include the cost of storage as many people do not have health insurance.

In response to Representative Smith, Representative Flannery stated that this legislation is intended for those that are already diagnosed but are pre-treatment because the treatment can impact fertility.

Senator Raque Adams shared that her niece passed away due to breast cancer and because she lived in Georgia, there was insurance coverage for her to preserve her eggs. She also explained that in Georgia, if there is not activity for a certain period of time, the eggs will be donated and transferred to a reproductive clinic.

Discussion of federal No Surprises Act

Mr. Stephens stated that the federal No Surprises Act (NSA) was one of the most significant mandates on the commercial market since the enactment of the

federal Affordable Care Act and has required massive implementation efforts. The NSA prohibits out-of-network providers from balance billing commercial insurance members.

Mr. Cress stated that AHIP supported the NSA because it checks and balances balance billing. Keeping costs low and off of the consumer's backs is the primary focus of AHIP. Before NSA was enacted, one out of five patients on an inpatient basis received a balance bill. Additionally, one out of six patients that had an emergency room visit received a balance bill.

Mr. Stephens discussed a timeline of implementation for the NSA and who is covered under the NSA, noting that ground ambulance services were not included. The act applies to, and prohibits charging more than in-network cost sharing for, most emergency services and some nonemergency services for plan years beginning January 1, 2022. It also requires providers and facilities to give patients a "plain-language" billing notice. For services subject to the NSA, additional discussion covered how a consumer's cost-sharing will be determined and the independent dispute resolution process for determining the amount to be paid when the insurer and provider cannot agree.

Mr. Cress added that a survey was released which indicated that in the first couple of months in 2022, the independent dispute resolution provisions prevented more than 2 million potential surprise medical bills across all commercially insured patients.

Mr. Stephens discussed provisions of the NSA that are subject to good faith compliance or are delayed pending further federal rulemaking. These provisions include requirements for provider directories and insurance identification cards and a requirement for plans and issuers to provide an advance explanation of benefits for scheduled services upon receipt of a provider's "good faith estimate". He also noted additional reporting requirements and an implementation checklist for reference.

With regard to air ambulance services, Mr. Stephens stated concern that there is a shift towards for-profit entities and that air ambulance providers are not allowed to send balance bills to privately insured individuals under the NSA as of January 1, 2022. Finally, there is litigation pending concerning the NSA, which has been raised by various interest holders in the health care system.

In response to Representative Rowland's question, Mr. Cress said that his understanding is that the air ambulance provisions in the NSA are helping in other states with unsettled air ambulance issues, but there is still an issue with private equity firms trying to get involved with ownership of the provider. Mr. Stephens added that a number of the legal actions pending are related to air ambulance implementation.

Representative Bentley stated that he believes all insurance identification cards should look the same to make it easier on consumers and providers.

Senator Alvarado commented that he worked on this issue for at least two and half years and was surprised that the federal government provided a solution for balance billing. Typically, the amount that insurance pays with balance billing is \$0 and this occurs when a provider is out-of-network and the insurance company says that it is not their

responsibility because they are out-of-network. The NSA prevents patients from being stuck with the entire amount because insurance is unwilling to pay. He also stated that when the Kentucky legislature tried to fix this problem on a state level, insurance companies and other lobbyists were saying that this was not an issue but the KAHHP presentation demonstrated that it was. Lastly, he was pleased to see that dispute resolution and transparency was included in the NSA to provide consistency and better help patients.

Commissioner Clark stated that in her 15 years of working for the Department of Insurance (DOI), this is one of the most significant pieces of enacted legislation to help Kentuckians. She agreed that there have been issues with balance billing in Kentucky.

Commissioner Clark also discussed the DOI's responsibilities with respect to enforcement of the NSA. When it was passed, DOI filled out an extensive survey from the federal government asking for statutory and regulation citations to DOI authority to enforce the act. The DOI does not have authority to enforce the NSA against providers. DOI has the ability to enforce certain provisions related to insurers, but the federal government will enforce provisions related to providers. The commissioner noted that many of the federal rules are still being developed. The air ambulance issue has been significant, but DOI does not have any data on air ambulance yet as this is a new law.

Representative Meredith shared his experience with surprise billing, stating that he was sent to collections for radiology services because the provider did not have his insurance information and did not attempt to collect any contact information. These nonintegrated services are not working with providers to get patients billed correctly. Commissioner Clark stated that in instances like that, it is an issue to take to the Attorney General, because DOI does not have authority over providers.

In response to Representative Meredith, Senator Alvarado stated that health care providers have been driven into corporate structures because it is tougher for independent providers to survive.

In response to Senator Alvarado, Commissioner Clark stated that there are not any nonprofit health insurance companies in Kentucky. Senator Alvarado commented that the top 10 most profitable companies in the country are not medical providers.

In response to Representative Frazier Gordon, Commissioner Clark stated there is not any data in yet, but personally, she does not see a need for air ambulance subscriptions now that the NSA has been enacted.

In response to Representative Smith, Commissioner Clark stated that her understanding is that air ambulance subscriptions are voluntary but that complaints and questions concerning the subscriptions would go to the Attorney General's office.

There being no further business, the meeting adjourned.

BOURBON BARREL TAXATION TASK FORCE

Minutes of the 3rd Meeting

of the 2022 Interim

September 1, 2022

Call to Order and Roll Call

The 3rd meeting of the Bourbon Barrel Taxation Task Force was held on Thursday, September 1, 2022, at 10:00 AM, in Room 169 of the Capitol Annex. Representative Chad McCoy, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Robert Stivers, Co-Chair; Representative Chad McCoy, Co-Chair; Senators Jimmy Higdon and Christian McDaniel; Representatives Jennifer Decker, Thomas Huff, and Cheryl Lynn Stevenson.

Guests: Timothy J. Eifler, Stoll Keenon Ogden PLLC; Jerry Summers, Judge-Executive, Bullitt County; Jim Henderson, Executive Director, Kentucky Association of Counties (KACO); and Kayla Carter, KACO.

LRC Staff: Jennifer Hays, Sarah Watts, Hunter Branham, and Lexi Bensberg.

Discussion of Industrial Revenue Bonds

Timothy Eifler, Stoll Keenon Ogden PLLC, presented a general overview of Industrial Revenue Bonds in the context of their usage as a mechanism to obtain a state and local property tax abatement.

Mr. Eifler testified that an Industrial Revenue Bond (IRB) is essentially a loan with an obligation to repay. Statutes were enacted and bonds were first authorized in 1946 and may be issued by specific governmental entities to finance projects. These statutes provide requirements and guidelines for what type of assets can be financed through IRBs. The tax exemption at the local level is automatic once an IRB is issued for a project, but a project must apply to the Kentucky Economic Development Finance Authority (KEDFA) to receive a lower state tax rate. The evaluation criteria for this application includes variables such as amount on project capital investment, county unemployment rate, size and percentage of the abated tax, and estimated tax revenues among other things. If KEDFA approves the application, the state property tax rate for the Project is reduced to \$0.015 per \$100 of fair cash value.

IRBs act as a locally administered economic development incentive, with specific cities or counties having authority over whether to issue an IRB to a project that is planning to locate in its jurisdiction. IRBs are an alternative method to finance capital assets of a project that allows the project to obtain a state and local property tax abatement on those assets while the IRB is outstanding.

The leasehold interest in a project is exempt from local property tax. However, it must be approved by KEDFA to receive the reduced state rate of \$0.015 per \$100 of fair cash value.

Mr. Eifler explained that to obtain this tax abatement, the IRB must be structured specifically so that the title to the assets is held by the city or county

during the bond's term (up to 40 years). Those assets are leased to the company by the city or county, and the IRBs are issued to pay the cost of those assets. The company's lease payments are used to repay the debt during the term of the bond. With the city or county acting as a conduit, projects that receive an IRB shall be exempt from taxation to the same extent as other public property used for public purposes during the term of the bond.

Due to this structure, the city or county is a conduit and the city or county is not obligated to levy a tax to repay the IRB if there is a default on the loan. Via statute and case law, an IRB is not considered a debt of the city or county for purposes of the limits on the city or county's ability to borrow.

KRS confirms that the purpose of an IRB is to promote economic development of the Commonwealth and to encourage the increase and retention of industry in the state. IRBs can finance the cost of any industrial building, as defined by KRS. There are 15 categories in the legal definition, though they are primarily used in manufacturing projects. Under Kentucky law, distilleries are considered to be manufacturers.

Mr. Eifler testified that the first step in the process of issuing an IRB is the adoption of a bond inducement resolution by the city or county's legislative body that will specify details of the project and the bond being issued. Once the project is constructed, the city or county will adopt the bond ordinance, which authorizes the issuance of the bond and specifies details such as amount and repayment term. Upon repayment of the bond, the lease terminates. The issuer transfers the project title to the company for a previously agreed upon nominal payment, and the property tax abatement ends.

In the context of distilleries, the barrels that hold the liquid can be financed through an IRB because the barrels are a depreciable asset.

Mr. Eifler testified that the issuer of the IRB may require payments in lieu of taxes (PILOT) to local taxing districts that may be impacted by the project's tax exemption. These payments are negotiated amounts that the company contractually agrees to pay during the term of the IRB.

In response to a comment from Co-Chair Stivers, Mr. Eifler testified that if an IRB is issued to a company to expand a preexisting project, the added value provided by the expansion will be exempt from local property tax.

In response to a question from Senator Higdon, Mr. Eifler testified that the maximum duration of an IRB increased from 30 to 40 years. There is no guaranteed escape clause, but one could be negotiated into the terms of an IRB.

In response to a question from Senator Higdon, Mr. Eifler testified that KEDFA will agree to the state tax property rate reduction if there is an agreement for a full school PILOT. If the company is required to make a PILOT payment to another district, KEDFA would require the company to enter into a PILOT agreement with the state to match it.

In response to a question from Senator McDaniel, Mr. Eifler testified that South Carolina and Georgia have very similar IRB structures. He continued that KEDFA, under KRS, can issue conduit bonds. He

also testified that he was unaware of any previous defaults on IRBs. When underwriters consider IRBs, they understand that the sole source of repayment is the revenue stream of the company. The city or county does not offer any collateral for repayment. If a company were to default on an IRB, it should not impact that city or county's ability to borrow in the future.

In response to a question from Chair McCoy, Mr. Eifler testified that the bourbon barrel tax is usually still being collected if a distillery has an IRB agreement. Mr. Eifler explained that it benefits a city/county to enter into an IRB agreement because it offers an incentive for economic development in their jurisdiction. He also testified that if the bourbon barrel tax disappeared there would be no breach of existing IRB contracts.

In response to a question from Senator McDaniel, Mr. Eifler testified that the IRB is a loan and that the interest on the loan is treated as ordinary income. There is no prohibition on an affiliate of the project company from purchasing the IRB debt, and this process is common on property tax abatement bonds.

In response to a question from Representative Decker, Mr. Eifler testified that it is not unusual to have a PILOT agreement written into the contract of an IRB.

Discussion of County Concerns

Jerry Summers, Judge-Executive, Bullitt County; Jim Henderson, Executive Director and Kayla Carter, Kentucky Association of Counties, testified to the concerns facing counties if the Bourbon Barrel Tax were to be abolished.

Mr. Summers testified that the Bullitt County barrel tax revenue is expected to double by 2026. The revenue from the tax provides funding for multiple local districts. Bullitt County does not have an occupational tax or a licensing fee, so it would be difficult to compensate for the lack of revenue if the tax were to be abolished.

Mr. Summers testified that counties have issues \$2.5 billion in IRBs since 2012. These IRBs were issued based on the expectation of future revenue growth from the bourbon barrel tax.

In response to a question from Senator McDaniel, Mr. Summers stated that he would provide the document with the annual unrealized property tax revenue by county at a later date. Mr. Summers clarified that his administration has not issued any IRBs, but historically there was an expectation of a revenue stream via the bourbon barrel tax from these projects.

In response to a question from Chair McCoy, Mr. Henderson testified that the interest is to maintain and grow the bourbon industry's interest in residing in Kentucky. The barrel tax is often a reason that a city or county would consider issuing an IRB to a distiller interested in locating in their jurisdiction.

Mr. Henderson testified that the 2021 barrel tax revenue provided over \$1.1 million to the Nelson county fiscal court. The 2021 barrel tax revenue provided over \$300,000 to the Marion county fiscal court. These counties issued millions of dollars in IRBs to distillers.

Henry County does not currently have a high

dependence on revenues from the bourbon barrel tax. However, it recently sold 40 acres of the county industrial park at a discounted rate, with the expectation of a return on investment through the barrel tax. Once current projects are completed, it is expected that there will be a 20 percent increase in fiscal court tax revenue.

Mr. Henderson testified that many smaller counties are heavily reliant on revenues from local property taxes to fund local districts, but forego this revenue by issuing IRBs with the expectation that the bourbon barrel tax would account for a portion of lost revenue. If the bourbon barrel tax were to be abolished, it would put a large hole in the budgets of many counties. It is uncertain how that hole would be filled.

Mr. Henderson also discussed the correlation between tangible property tax and real property tax rates. He expressed concern about the decrease in personal property tax having a bearing on the real property tax rate, due to the convoluted relationship between the two.

Senator Higdon commented that in 2014, the General Assembly eliminated the ad valorem tax by way of tax credits. The local governments would receive their tax revenue, but then the companies would receive a tax credit on the state return for local taxes paid to local tax districts.

Senator McDaniel commented that the General Assembly made a generous contribution to the bourbon industry in 2014. He acknowledged that the Commonwealth's budget reserve trust fund cannot act as a solution to the issue at hand, as the state must find solutions to state workforce wage and pension liabilities.

In response to a question from Representative Decker, Mr. Henderson testified that the escape clause in the IRB issued within the representative's district, which voids the contract if the bourbon barrel tax is abolished, is not common and likely was only negotiated because of the current discussion in the legislature to abolish the tax.

In response to a question from Co-Chair Stivers, Mr. Summers testified that a bourbon barrel costs around \$200. However, the rate at which the barrel is taxed differs by county. Mr. Summers agreed that any solution to a hole in revenue created by the abolishment of the bourbon barrel tax would have to vary based on the preexisting tax structure in each county.

In response to a question from Co-Chair Stivers, Ms. Carter testified that the liquid in the barrels is taxed at the tangible rate set by each county. She also stated that most of the IRBs that she has seen in Kentucky have had a 30-year repayment term.

In response to a question from Chair McCoy, Mr. Henderson testified that the graphs included in the KACo presentation were designed to showcase the financial impact of the barrel tax, but that the \$230,000 impact to the Nelson County sheriff's office is included in the other tax revenues listed. Also, Mr. Henderson testified that his office does not typically set tax policy. However, if the barrel tax were to be abolished the expectation that was set when the local government agreed to the IRB should continue to be filled. How this fulfillment would happen, once again,

would vary by county based on tax structure.

Chair McCoy commented that this conversation is not being heard at the local level because new distilleries are not choosing to locate within the state. Chair McCoy announced that he will not be attending the fourth meeting of the Bourbon Barrel Task Force and that Co-Chair Stivers will be chairing the meeting.

Seeing no other questions or comments, Chair McCoy adjourned the meeting at 11:50 a.m.

BOURBON BARREL TAXATION TASK FORCE

Minutes of the 4th Meeting

of the 2022 Interim
September 23, 2022

Call to Order and Roll Call

The 4th meeting of the Bourbon Barrel Taxation Task Force was held on Friday, September 23, 2022, at 10:00 AM, in Room 169 of the Capitol Annex. Senator Robert Stivers, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Robert Stivers, Co-Chair, Jimmy Higdon, and Christian McDaniel; Representatives Thomas Huff and Cherynn Stevenson.

Guests: Eric Kennedy, Director of Advocacy, Kentucky School Boards Association; Dr. Paul Coomes, Emeritus Professor of Economics; Eric Gregory, President, Kentucky Distillers' Association; Tim Eifler, Kentucky Distillers' Association; and Jennifer Hays, Committee Staff Administrator, Appropriations & Revenue Committee.

LRC Staff: Jennifer Hays, Hunter Branham, Cynthia Brown, Sarah Watts, and Lexi Bensberg.

Approval of Minutes

Upon motion and second, the minutes from the September 1, 2022, meeting were approved without objection.

School Issues

Eric Kennedy, Director of Advocacy, Kentucky School Boards Association (KSBA), testified on school-specific issues relevant to the bourbon barrel tax. These issues include 'nickel' levies, SEEK calculations, the necessity of a 100 percent fair cash value assessment, and the comparison of the current situation involving bourbon to the recent unmined coal valuation shift. These issues are vital to understand, as the amount of school districts in which distilleries are located has expanded notably from 2014 to 2021.

Mr. Kennedy agreed with an example given by Chair Stivers, testifying that removing a revenue stream after ten years from a twenty year bond issue would make it difficult to continue making bond payments.

Mr. Kennedy testified that if the bourbon barrel tax were repealed, the total assessed value of taxable property in a local school district would decrease. As a result, the amount of SEEK funding would need to increase in order to backfill a portion of the lost revenue from the decrease in value. It is important

for property to be assessed at 100 percent fair cash value, because the majority of the SEEK formula is dependent upon the property assessment of a school district; because of this, the KSBA cautions against any new exemptions.

In response to a question from Senator McDaniel, Mr. Kennedy clarified that the SEEK formula would not account for all revenue lost in school districts if this tax were to be repealed.

Using the drastic decrease in tax revenue caused by the unmined coal valuation shift in the mid-2010s as an example, Mr. Kennedy testified that repealing the bourbon barrel tax may cause impacted districts to request more money from the General Assembly to backfill lost revenue or to increase the compensating rate to a percentage that some taxpayers may not be able to afford.

Chair Stivers explained that the purpose of this task force is to understand the economic dynamics, and that there is more to consider than what Mr. Kennedy had explained in his testimony.

In response to a question from Senator McDaniel, Mr. Kennedy clarified that in some of the areas where the bourbon industry is expanding there is also expansion in population and other variables. It is difficult to look at one SEEK calculation and alter one variable in the formula and be able to predict precisely the impact of the change, because the multitude of variables in the formula are interdependent.

In response to a question from Senator Higdon, Mr. Kennedy agreed that if the barrel tax were to be repealed, the state would have to backfill the SEEK formula, but would not be able to backfill the gap by 100 percent. The district may be left with a sizable amount to backfill.

Economic Impact from the Bourbon Industry

Dr. Paul Coomes, Emeritus Professor of Economics; Eric Gregory, President, Kentucky Distillers' Association; and Tim Eifler, Kentucky Distillers' Association testified on the economic benefits that would result from abolishing Kentucky's aging barrel property tax.

Dr. Coomes testified that there has been exponential bourbon industry inventory in Kentucky since the early 2010s. From 2010 to 2020, the estimated tax revenue from the production of distilled spirits has grown from \$68 million to \$144 million. In 2022, the estimated property tax revenues from aging barrels was \$39.5 million, with schools receiving \$26 million. It is expected that this revenue will continue to increase. He explained that the continued growth in tax revenue from the production of distilled spirits emulates the economic theory of the Laffer Curve, which hypothesizes that lowering taxes will increase tax revenues.

In response to a question from Senator McDaniel, Dr. Coomes testified that if the tax on aging barrels were to be eliminated, the tax burden placed on the bourbon industry would decrease. This specific tax stands out because it is not something that is taxed anywhere else in the world. Dr. Coomes claims that the example provided by Mr. Kennedy is not applicable to Central Kentucky because it is a more economically diverse region. Mr. Gregory added that the industry is advocating eliminating the tax to ensure that these

jurisdictions are not economically dependent upon the industry, in order to avoid a situation similar to what happened in counties that were dependent on revenues from the coal industry.

In response to a question from Representative Huff, Mr. Gregory testified that the industry is growing so much that local communities are considering whether it is beneficial to use land for distillery warehouses.

In response to a question from Senator Higdon, Dr. Coomes reiterated that the central region is much more economically diverse than the coal region was, so there is a much smaller risk for the same scenario to occur.

In response to a comment from Representative Stevenson, Dr. Coomes clarified that the property tax revenue in some counties from 2010-2020 did increase even though the property tax rates decreased.

Refresher on Taxes Paid by the Industry

Jennifer Hays, Committee Staff Administrator, Appropriations & Revenue Committee; testified on the details of how and when the bourbon industry in Kentucky is taxed throughout the manufacturing, wholesaling, and retailing processes. Mrs. Hays provided members and the public with a one-page chart documenting how each tier is taxed in regards to the bourbon industry.

With there being no further business, the meeting was adjourned at 11:53 a.m.

BENEFITS CLIFF TASK FORCE Minutes of the 3rd Meeting of the 2022 Interim September 22, 2022

Call to Order and Roll Call

The 3rd meeting of the Benefits Cliff Task Force was held on Thursday, September 22, 2022, at 3:00 PM, in Room 129 of the Capitol Annex. Representative Jonathan Dixon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Jonathan Dixon, Co-Chair; Senators Gerald A. Neal, Michael J. Nemes, and Phillip Wheeler; Representatives Josh Bray, Pamela Stevenson, and Russell Webber.

Guests: Lesa Dennis, Deputy Commissioner, Department for Community Based Services, Cabinet for Health and Family Services; Andrea Day, Director, Division of Child Care, Department for Community Based Services, Cabinet for Health and Family Services; Laura Begin, Staff Assistant, Department for Community Based Services, Cabinet for Health and Family Services; Emily Beauregard, Executive Director, Kentucky Voices for Health; Cara Stewart, Director of Policy and Advocacy, Kentucky Voices for Health; Jessica Dixon, Citizen; Keisha Curry, Citizen; and Paul Gronowski, Director of Workforce Solutions and Training, Audubon Area Community Services.

LRC Staff: Janine Coy, Chris Joffrion, Kirk Smith, and Sasche Allen.

Approval of Minutes

A motion to approve the minutes of the August

24, 2022, meeting was made by Representative Bray, seconded by Senator Wheeler, and approved by voice vote.

Cabinet for Health and Family Services Update on Changes to the Child Care Assistance Program and Development of a Benefits Cliff Calculator and Job Posting Website

The Child Care Assistance Program (CCAP) is a public assistance program for eligible low-income families in which the child care provider directly receives a portion or entirety of a child's tuition costs from the Cabinet for Health and Family Services (CHFS). In early 2021, state and federal funding was appropriated with the intent of assisting child care providers in recovering from the COVID-19 pandemic. Providers received a \$2 per child per day increase in the CCAP reimbursement rate. Additionally, federal APRA funding was utilized to further increase the reimbursement rate to 80 percent of the market rate. As of May 2022, there were 15,096 families with a total of 26,946 children enrolled in the program with over 1,600 child care providers participating. Recent changes to CCAP increased program eligibility from 160 percent of the federal poverty level to 200 percent of the federal poverty level and then to 85 percent of the state median income. A transitional six month exit period for the program was also implemented for households exceeding income limits to combat the benefits cliff. The benefits cliff for CCAP is one the largest cliffs among public assistance programs.

House Bill 7 of the 2022 Regular Session required CHFS to develop a proposal to make a benefits cliff calculator available to the general public and all individuals applying for public assistance benefits. The Kentucky Center for Statistics (KYSTATS) partnered with the National Center for Children in Poverty to create a Family Resource Simulator (FRS). The FRS is a benefits cliff calculator designed to help families understand how changes in income will impact benefits. CHFS will work with KYSTATS to increase accessibility and functionality for public assistance recipients. House Bill 7 also required CHFS to develop an online job postings database available to the general public. Through collaboration with the Education and Labor Cabinet, an automatic job match engine containing online tools for career seekers and employers was launched, and in September 2022 several LinkedIn tools were added. CHFS will eventually link the database to KYNECT. Supplemental Nutrition Assistance Program data and participation was also discussed.

Addressing questions from Senator Neal, Andrea Day, Director of the Division of Child Care, stated there are many more families across the state that are eligible for CCAP and could benefit from the program. Additionally, she discussed the potentially negative impact on child care providers once ARPA funding is depleted. CHFS is currently analyzing the potential effects and formulating solutions.

Replying to questions from Representative Dixon, Lesa Dennis, Deputy Commissioner for the Department for Community Based Services, reiterated that CHFS is analyzing the potential effects on the child care sector once ARPA funding has been depleted and formulating possible solutions. Ms. Day

confirmed that ARPA funding is being utilized for the newly implemented transitional exit period program. Addressing follow up questions, she discussed the possibility of phasing individuals off public assistance benefits in a tiered system, which is highly encouraged federally.

Senator Neal suggested that CHFS reference other states, such as Tennessee, as an example for phasing individuals off public assistance benefits in a tiered system.

The Lived Experiences of Those on the Edge of the Benefits Cliff

Emily Beauregard, Executive Director, Kentucky Voices for Health, and Cara Stewart, Director of Policy and Advocacy, Kentucky Voices for Health, gave an overview of how benefit cliffs impact families across the Commonwealth. According to Kentucky Voices for Health, Kentuckians face multiple benefit cliffs that involve challenges related to accessing benefits, keeping benefits, and replacing those benefits when no longer income eligible. With most Kentuckians earning under \$50,000 per year, Ms. Beauregard explained that considering the minimum yearly earnings for self-sustainability, many individuals across the state are at the edge of a benefit cliff and gain and lose eligibility for benefits over time. Data was presented regarding the Supplemental Nutrition Assistance Program, the declining number of child care centers, a Medicaid participation study, a social services study currently being conducted that involves interviews with benefit recipients, and the Paths 2 Promise pilot program. Jessica Dixon and Keisha Curry testified about their lived experiences as recipients of public assistance benefits.

Answering a question from Representative Dixon, Ms. Dixon said from her experience, a tiered system for benefits would be beneficial to benefit recipients. Ms. Stewart described how easy it can be for individuals to no longer qualify for certain benefits with a small income increase.

Senator Nemes commented about providing better wrap around services for those receiving benefits and advertising education and workforce training programs available across the state.

Responding to questions from Senator Wheeler, Ms. Stewart stated she believes child care has the largest benefit cliff, and although health insurance may have the smallest benefit cliff, it is still a major issue. Answering a follow up question, Ms. Stewart discussed the state's early childhood apprenticeship programs and a child care training program available through ARPA funding.

Senator Neal made remarks about CHFS reexamining the communication amongst benefit programs and how information regarding accessibility to benefits is relayed to the public.

Kentucky Community Action Network and SNAP Employment and Training Services

Paul Gronowski, Director of Workforce Solutions and Training for Audubon Area Community Services, detailed his organization's client services, programs, and practices to promote stable employment and self-sufficiency in 34 counties across the Commonwealth. During the client intake process multiple data

collection methods are used to help identify enrollees. Once enrolled, clients' needs are addressed with a comprehensive skill-focused approach and efforts are made to improve financial well-being, combine technical with soft skills, and comprehensive services beyond program completion are discussed. Clients are then prepared for successful job placement through personal effectiveness skills training, specialized training, work-based learning, and preparation for changing needs. External engagement with employers crucial to meeting the changing needs of clients and responding to the changing demands of the workforce. Audubon Area Community Services has a dedicated program staff to foster employer engagement and provide business services to involve employers. Additionally, job retention services are available that consist of monthly follow up with clients to assist with challenges in maintaining employment stability, promote career advancement, and provide earned income tax information.

Answering a question from Representative Stevenson, Mr. Gronowski stated his organization serves 34 counties but the COVID-19 pandemic did affect program enrollment.

Replying to questions from Representative Dixon, Mr. Gronowski confirmed that his organization receives state and federal funding and has approximately a 96 percent job retention rate for clients. Advertising is also done throughout the state for program services.

There being no further business before the committee, the meeting adjourned at 4:53 p.m.

CHILD WELFARE OVERSIGHT AND ADVISORY COMMITTEE

Minutes of the 1st Meeting of the 2022 Interim

September 14, 2022

Call to Order and Roll Call

The Child Welfare Oversight and Advisory Committee meeting was held on Wednesday, September 14, 2022, at 1:00 PM, in Room 131 of the Capitol Annex. Representative David Meade, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Julie Raque Adams, Co-Chair; Representative David Meade, Co-Chair; Senators Karen Berg, and Brandon J. Storm; Representatives Kim Banta, Lynn Bechler, Josie Raymond, and Nancy Tate.

Guests: Dr. Jerry Milner, Director of Family Integrity and Justice Work, Public Knowledge; Melissa Currie, MD, FAAP, Kosair Charities Professor, Endowed Chair for Pediatric Forensic Medicine, Medical Director, Chief, Norton Children's Pediatric Protection Specialists; Steve Shannon, Executive Director, Kentucky Association of Regional Programs; Elisha Mahoney, Executive Staff Advisor, Office of Legal Services, Justice and Public Safety Cabinet; Eboni Thompson, Manager of Family Juvenile Services, Kentucky Administrative Office of the Courts; Cletus Poat, Chair, Citizen Foster

Care Review Board, Kentucky Court of Justice; and Jonathan Scott, Executive Advisor and Leslie Hoffman, Deputy Commissioner, Department for Medicaid Services, Cabinet for Health and Family Services.

LRC Staff: Ben Payne, Logan Bush, Becky Lancaster, and Eric Rodenberg.

Approval of Minutes

A motion to approve the minutes of the July 21, 2022, meeting was made by Senator Raque Adams, seconded by Representative Raymond, and approved by voice vote.

Proactive Prevention Strategies in Child Welfare

Dr. Jerry Milner, Director of Family Integrity and Justice Work, Public Knowledge, discussed the objective nature of the term "neglect," the need for more funding of prevention services, and supports for the initial occurrence of maltreatment. He discussed how prevention can address lifelong trauma, inequity, poverty, homelessness, and the pipeline from foster care to prison. He presented several recommendations and areas to address to move Kentucky toward being a more prevention focused state. He gave examples of community driven supports and programs that work well in other states.

In response to questions and comments from Senator Berg, Dr. Milner stated that a large portion of children that come into the foster care system, come from families where similar historical trauma exists. He stated that more resources need to be placed with community services for maltreatment prevention.

In response to questions and comments from Representative Raymond, Dr. Milner stated that data in regards to families that come in and out of poverty may be artificial, but many families struggle and have hardships, even if their income is not below the poverty line. He stated the importance of having a safe place in the community for families to admit their vulnerabilities and receive assistance and supports from without fear of losing their children to foster care. He stated that prevention needs to begin with community engagement.

Discussion of Administrative Regulation

Jonathan Scott, Executive Advisor, Department for Medicaid Services (DMS), Cabinet for Health and Family Services (CHFS), discussed DMS' progress related to the implementation of administrative regulation, 907 KAR 003:160 Current - Specialized children's services clinics. He discussed typical rate processes, research completed, plans for a new reimbursement methodology to have a true and actual cost, and the timeline for filing of a new regulation with a specialized fee schedule. He discussed DMS' timeline provided to the members, requirements for the managed care organizations (MCOs) to follow DMS cost surveys, and additional services and therapies to treat ongoing mental health issues.

In response to questions and comments from Senator Raque Adams, Mr. Scott stated that it has been difficult for DMS to determine how to determine the true and actual cost for reimbursements. DMS has examined different ways to establish a reimbursement rate to protect the child advocacy centers to not expose

the centers to extensive costs at the end of the year by substantial Medicaid overpayments. He stated that since the services are unbundled, DMS is introducing three new provider types, and seven new billable services, and that the front end costs will fluctuate.

In response to questions and comments from Representative Tate, Mr. Scott stated that 907 KAR 003:160 is a priority for CHFS and that DMS is working diligently to file the final amended version of the regulation and plan to share that version with the child advocacy centers. He stated that non-profit facilities were concerned with high repayment rates at the end of the year and could potentially close if amounts were unusually high.

In response to questions and comments from Senator Storm, Mr. Scott stated that the bill was signed into law April 1, 2022, the regulation is drafted, and DMS must do a state plan amendment process with the regulation that requires information to be forwarded to the federal government to approve the reimbursement changes. He stated that the regulation is a priority for CHFS but there has been more difficulty than expected.

Update from the Kentucky External Child Fatality and Near Fatality Review Panel

Steve Shannon, Executive Director, Kentucky Association of Regional Programs and member of the review panel, discussed the Child Fatality and Near Fatality External Review Panel membership, the design and steps in the panel's review process, the three components of the annual report, the number of cases reviewed by county of incident, the findings regarding maltreatment incidents per age adolescent age group, and other key findings.

Melissa Currie, MD, FAAP, Kosair Charities Professor, Endowed Chair for Pediatric Forensic Medicine, Medical Director, Chief, Norton Children's Pediatric Protection Specialists and member of the review panel, discussed the panel's recommendations to address the complexities of substance misuse within families, the comparison of substance abuse with co-occurring issues, the percentages of drug exposure per drug type in utero, implementation of Plans of Safe Care, and opportunities for improvement with medication-assisted treatment. Dr. Currie presented a case study that reflected the lack of a statewide, consistent collaborative approach to substance affected families. She discussed the need for the Department for Behavioral Health, Developmental and Intellectual Disabilities to expand the statewide utilization of a psychological autopsy in youth suicides, the overall increase in sudden unexpected death in infancy cases, and the need to fund and implement a safe sleep campaign. She gave additional recommendations regarding the Department for Community Based Services (DCBS), medical providers, coroners, law enforcement, and the Prosecutor's Advisory Council.

In response to questions and comments from Representative Banta, Dr. Currie stated that there could be more done to educate communities and that there should be more community based, community generated, and community owned supports to greater affect behavioral changes. Mr. Shannon gave an example of how Scotland prioritizes infant safe sleeping.

In response to questions and comments from Representative Bechler, Dr. Currie stated that the hospital does drug test for which drug is present, if a child is born with substances in their system. Mr. Shannon stated that drugs detected are marijuana, opioids, and methamphetamines, and are often a mixture of more than one substance. Dr. Currie stated that in regards to her presentation, an impaired caregiver who is under the influence of any substance is therefore unable to make adequate and safe decisions for the child. She stated that to label a person as an impaired caregiver, evidence must be found that they were using the substance at the time of the child's death.

In response to questions and comments from Senator Berg, Dr. Currie stated that the Child Fatality and Near Fatality External Review Panel is in support of mandatory reporting. She stated that DCBS is piloting a new type of report with an alternative response of support and services. She stated that there is not a lot of information on children that have committed suicide because the psychological autopsy is not being completed. She stated that children with gender differences or identify within the LGBTQIA+ community have a much higher risk of suicide. Elisha Mahoney, Executive Staff Advisor, Office of Legal Services, Justice and Public Safety Cabinet, stated that the panel reviewed eight suicide cases last year, only a small subset of all suicides in Kentucky because there must an abuse or neglect element to be referred to the panel.

In response to questions and comments from Representative Meade, Dr. Currie stated that child fatalities in daycare residential facilities will only be referred to the panel if someone makes an allegation of abuse or neglect related to the death. She stated that often times there is a lack of accurate information about the case to be concerned about abuse or neglect. She stated that the Office of Inspector General should have involvement with facility related deaths and near deaths. Mr. Shannon stated that DCBS, as the placing agency, may have information regarding facility related deaths and near deaths.

Update from the Kentucky Citizens Foster Care Review Board

Eboni Thompson, Manager of Family Juvenile Services, Kentucky Administrative Office of the Courts, gave a brief overview of the Kentucky Citizen Foster Care Review Board's (CFCRB) history, volunteer status, and the primary focus of the reviews. She discussed the expanded role for the CFCRB since the passage of 2018 Regular Session House Bill 1, fiscal year (FY) 2022 regional community forums, and the emerging needs from the meetings which have addressed cultural awareness and representation, several recommendations for supports and services needed for families, and overall system concerns and barriers for youth and families in the foster care system.

Cletus Poat, Chair, Citizen Foster Care Review Board, Kentucky Court of Justice, discussed the CFCRB legislative recommendations regarding family court, statewide expansion of broadband services, disproportionality and disparity for youth and families, and the continuance of services for

transition-age youth.

In response to questions and comments from Representative Raymond, Mr. Poat stated that when a case is received for review and the child has been removed, the case has a court assignment, and the reason for removal and a description of what led to the removal is listed in the report. The report is read and verified or clarified by all parties at the review.

In response to questions and comments from Representative Tate, Ms. Thompson stated that CFCRB does not provide recommendations to the Executive Branch but there are programs that will be implemented to address the concerns regarding other branches of government. Mr. Poat stated that the review board's recommendations go to legislators, the Governor, and the Chief Justice.

In response to questions and comments from Senator Berg, Ms. Thompson stated that each child in foster care has a review board meeting and review biannually. Ms. Thompson stated that the review board anticipates additional births of unwanted children whose families are unable or incapable of caring for the children and are having conversations as to what the review board program can do to prepare for that situation. Mr. Poat stated that statute requires a review for each child at least every 6 months but some cases are reviewed more often if circumstances create the need for review.

Adjournment

There being no further business, the meeting was adjourned at 3:09 PM.

EARLY CHILDHOOD EDUCATION TASK FORCE

Minutes of the 4th Meeting of the 2022 Interim September 22, 2022

Call to Order and Roll Call

The 4th meeting of the Early Childhood Education Task Force was held on Thursday, September 22, 2022, at 3:00 PM, in Room 149 of the Capitol Annex. Representative Samara Heavrin, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Danny Carroll, Co-Chair; Representative Samara Heavrin, Co-Chair; Senators Wil Schroder, Reginald Thomas, and Mike Wilson; Representatives Adam Bowling, Josie Raymond, and Scott Sharp.

Guests: Mary Kay Connolly, Director, Read Ready Covington; Laura Lewter, Executive Director, YMCA of Greater Louisville; Phillip Smith, DCBS/DCC; John Mountjoy, Executive Director, Kentucky Headstart.

LRC Staff: Ben Payne, Logan Bush, and Maurya Allen.

Approval of Minutes - August 24, 2022

Senator Wilson made a motion, seconded by Representative Bowling, to approve the minutes of the August 24, 2022 meeting. The motion passed by voice vote.

Co-Chair Heavrin made opening remarks reminding those present that the task force would not be voting on any legislation, and what the goals of the task force are. She asked for all parties to remain civil in their communications regarding the topics discussed.

Improving Early Care & Education Access and Quality Through Public-Private Partnership

Present to speak regarding public-private partnerships to improve access to early care were Benjamin Gies, Director of Early Childhood Policy & Practice, Prichard Committee; Janet Bock-Hager, West Virginia Pre-K Coordinator and West Virginia Pre-K Steering Team Representative, West Virginia Department of Education; Dr. Whitney Stevenson, Director of Early Childhood, Fayette County Public Schools; and Dr. Sarah Vanover, Policy and Research Director, Kentucky Youth Advocates.

The panel spoke to how mixed-delivery preschool models function and how they harness public-private partnerships to improve access to quality childcare. Mixed-delivery preschools are public preschool classrooms housed within private child care centers. This increases the wrap-around services available to children in public preschool and expands the hours of delivery for working families. Funding for these models combines public funding, such as federal funds and CCAP, with private pay tuition. They cautioned against simple expansion of the public preschool without mixed-delivery, because it can crash the private child care market. Centers can only financially cover the costs of care for very young children, ages infant through age 3, because of the tuition provided by older children, ages 3-4 attending their centers. Without that funding source, quality and access will decline. Several other states, such as West Virginia, have addressed this concern with a mixed-delivery model, and the panel gave a brief overview of the West Virginia preschool system.

Dr. Stevenson presented the mixed-delivery public-private partnership that is used in the Fayette County Public Schools, which has been in existence for several years. Mr. Gies gave an overview of the Greater Owensboro Partnership for Early Development which is also an example of a new public-private partnership for mixed-delivery preschool in Owensboro and Daviess County bringing all stakeholders together to improve access to quality child care. Dr. Vanover spoke more directly to the funding structure used in mixed-delivery models that ensures high quality childcare, especially for those children who qualify for Headstart or public preschool due to disability. When in a blended classroom, the private classroom must meet the minimum standard of a public preschool in terms of staff training, curriculum, and safety which frequently improves quality.

In response to questions from Senator Thomas, Dr. Stevenson said there is a place for universal preschool, if it remains optional for families and not mandatory. However, creating a universal preschool option will require the input of government agencies, private facilities, public schools, and families, to ensure the best level of funding, quality, and access. Dr. Vanover said the current model in Fayette County is limited to children who qualify for public preschool

or Headstart, but it does not need to be limited to only those children. If a dollar amount is assigned for the cost of child care for one child, similar to how funding is established using the SEEK formula for public school, that money can follow the child into whichever kind of child care is appropriate for the family, be that public or private. This would create more access and stabilize funding for private child care providers, who would still be required to meet minimum state standards if they are receiving any public funding to provide universal preschool.

Responding to questions from Co-Chair Carroll, Dr. Stevenson said that the current model for a public preschool classroom in a private facility does ensure that the teachers in those classrooms meet the minimum level of training necessary for public preschool teachers and have the opportunity to participate in many of the same benefits that public school teachers do. Dr. Vanover explained that for students who only qualify for half-day funding, and attend a public program housed in a private facility, the facility gets the funding for the half-day public preschool, and can apply for CCAP or charge tuition for the second half of the day, because they are still a licensed childcare facility. This financially supports the center and ensures full-day care for the child, which can be the best option for working families. There are multiple models for a mixed-delivery system, and each community can design a system that works best for them based on local needs.

In response to a question from Representative Raymond, Dr. Vanover said it is beyond her expertise to say whether preschool children should be included in the SEEK formula. She said they were using the SEEK formula as an example of how a dollar amount can be determined and assigned to children for publicly funding K-12 education, and a similar formula could be established for a universal mixed-delivery early childhood education program. Mandy Simpson, Chief Policy Officer, Metro United Way, came to the table to say that including preschool children in the SEEK formula would absolutely require an add-on amount because of the high cost of care for three and four-year-olds, and an average-daily-attendance model (as used in SEEK) would not be as appropriate for preschool children. SEEK funds are given to schools to administer and that would need to be monitored to ensure the preschool dollars were appropriately distributed.

Responding to further questions from Representative Raymond, Dr. Stevenson said that in the beginning of the mixed-delivery model at Fayette County, the preschool teachers were certified but did not receive the same pay which became an equity issue. Fayette County now pays certified public preschool teachers as they do any other classroom teacher to address concerns and attract the most qualified staff. Dr. Vanover said there are clear differences in pay between private childcare staff, Headstart teachers, and public-school preschool teachers, based primarily on the funding received by their employer and their level of education. Wage stabilization across the board for child care staff would help address this equity issue.

Child Care Opportunities & Challenges in Rural Communities

Present to speak regarding the challenges faced by early care providers, and the challenges for families in rural Kentucky to find quality child care providers, were Debbie Link, Executive Director, Child Care Council of Kentucky; and Becky Stacy, Executive Director, Appalachian Early Childhood Network.

Ms. Link spoke to the mission of the Child Care Council of Kentucky and their participation with the Family Childcare Network of Kentucky, who was represented at the August meeting of the task force. She briefly reminded the task force members about the different levels of certification for in-home child care providers and the reasons why families benefit from having certified and Type II in-home child care providers. There is a lack of quality child care in rural Eastern Kentucky and in-home child care providers can help address needs in that region. She reiterated how fragile the child care industry was even before the pandemic, and the need to invest in higher wages for child care providers. She asked for the legislature's support for funding stabilization and a cost study to evaluate the CCAP reimbursement rate, as well as increased funding for start-up grants for in-home child care providers.

Ms. Stacy said the Appalachian Early Childhood Network works to increase access to child care. In the 46 counties that comprise the network, there are 42 family child-care homes. This does not include the number of child care centers or Headstart, but in some of the counties there are no options for child care at all, especially for the very young children aged infant to age 3. She shared testimonials from parents and in-home child care providers to illustrate the value of in-home child care to families looking for choice and the value of becoming business owners for providers. The Network works to ensure that all the in-home providers are properly trained and have developmentally appropriate materials for the children in their care.

Co-Chair Carroll thanked the presenters and asked if there were any other legislative barriers that could be addressed, such as zoning regulations, to assist the development of in-home child care. Ms. Stacy said that zoning had not been an issue in her region. Ms. Link said that zoning fees were not a barrier in the urban area of Lexington, but in some of the more rural areas it had posed a challenge.

Responding to a question from Representative Raymond, Ms. Stacy said the start-up costs varied widely, and the Appalachian Early Childhood Network had been able to provide some start-up grants of \$2,500. While these are valuable, they do not come close to the costs of starting an in-home child care business. Additionally, the individuals who are starting an in-home child care frequently do not view themselves as business owners and they need training on how to properly manage costs. Ms. Link said one of the cost issues is that providers purchase items such as outdoor play equipment or educational materials that they can afford, but those materials do not last, causing them to need to repurchase them out-of-pocket. Funding to support purchase of things such as outdoor play structures and safety equipment would be very welcome and help reduce turn-over.

In response to a question from Senator Thomas, both Ms. Stacy and Ms. Link said they would work on a proposal for funding that would be necessary to provide adequate start-up grants for those wishing to open in-home child care businesses in their regions. However, it is a challenge to consider the hourly wage question from the perspective of providers who work from 6 am to 6 pm, or later. Dr. Vanover said that some states have established a recommended minimum wage for child care staff and providers which has made their programs easier to market to prospective child care entrepreneurs.

In response to an invitation from Co-Chair Carroll, Amy Neal, Executive Director, Governor's Office of Early Childhood came forward to share some remarks with the task force. She spoke to how confusing the landscape of early childhood education is for families, because there is no system for ages birth to 5 years like there is for K-12 education. This is a critical time for learning and development that is not getting the attention it deserves, which this task force is seeking to correct. Also, confusion comes from calling the best practice of mixed-delivery by several names such as 'blended funding' or 'public-private partnership.' There are examples of best practices going on throughout the state, such as that of Fayette County shown earlier, that can be used as a model for expanding access in all the communities of the Commonwealth.

With no further business to come before the task force, the meeting adjourned at 5:00 p.m. The next meeting of the task force will be October 20th at 3:00 p.m.

INTERIM JOINT COMMITTEE ON ECONOMIC DEVELOPMENT AND WORKFORCE INVESTMENT

Minutes of the 4th Meeting

of the 2022 Interim
September 29, 2022

Call to Order and Roll Call

The 4th meeting of the Interim Joint Committee on Economic Development and Workforce Investment was held on Thursday, September 29, 2022, at 9:00 AM, in Room 149 of the Capitol Annex. Representative Russell Webber, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Russell Webber, Co-Chair; Senators Christian McDaniel, Reginald Thomas, and Phillip Wheeler; Representatives Shane Baker, Tina Bojanowski, Josh Bray, George Brown Jr., Josh Calloway, McKenzie Cantrell, Daniel Elliott, Chris Freeland, Mark Hart, Thomas Huff, DJ Johnson, Kim King, Nima Kulkarni, William Lawrence, Matt Lockett, Scott Sharp, Steve Sheldon, and Timmy Truett.

Guests: Nancy Galvagni, President and CEO, Kentucky Hospital Association; Jim Musser, Senior Vice President, Policy and Government Relations; Kentucky Hospital Association; Chad Harpole, Director of Government and Community Affairs, Century Aluminum; Kenneth Calloway, Vice

President for Human Resources, Century Aluminum; Michael Early, Corporate Energy Director, Century Aluminum; Richard Vincent, Executive Vice President, Associated General Contractors of Kentucky, Inc.; and Kyle Johnson, Member, Frost, Brown, Todd.

LRC Staff: Janine Coy, Audrey Ernstberger, Kirk Smith, and Sasche Allen.

Approval of Minutes

A motion to approve the minutes of the July 21, 2022 meeting was made by Representative Bray, seconded by Representative Sharp, and approved by voice vote.

A motion to approve the minutes of the August 25, 2022 meeting was made by Representative Bray, seconded by Representative Sharp, and approved by voice vote.

The Role of Hospitals in Economic Development

Nancy Galvagni, President and CEO of the Kentucky Hospital Association (KHA) and Jim Musser, Senior Vice President of Policy and Government Relations for KHA, gave an overview of the economic impact of hospitals across the Commonwealth and discussed the KHA's proposal for the expansion of the Hospital Rate Improvement Program (HRIP). Hospitals add \$13.5 billion to the state's economy and employ nearly 75,000 people. Ms. Galvagni detailed current challenges for the industry and the increased costs of wages, services, and products. To combat rising costs, the KHA is proposing that the existing inpatient HRIP be expanded to outpatient Medicaid admissions. The program would allow hospitals to utilize federal dollars to increase Medicaid payments to a rate that is closer to the average commercial rate. The necessary infrastructure is already in place, and the expansion would be particularly beneficial to rural hospitals because they tend to have more Medicaid patients. Due to federal resources being utilized, the expansion would not cost the state according to Ms. Galvagni.

Senator McDaniel made comments regarding the healthcare system's financial model and the existing federal debt. Ms. Galvagni added that hospitals are only being paid 80 percent of cost for Medicaid patients which is not a sustainable model.

Responding to a question from Representative Bojanowski, Ms. Galvagni stated that Medicare is not the same in every state; Kentucky is paid less than some other states yet is facing the same labor shortages as the rest of the nation. Answering a follow up, she confirmed that the federal government determines how Medicare rates are set.

Addressing Representative Webber, Ms. Galvagni said of the 118 hospitals that the KHA represents, all are facing financial challenges and labor shortages.

Update on Kentucky's Primary Aluminum Industry

Century Aluminum operates aluminum smelters to produce high grade primary aluminum products. In June 2022, the company was forced to close its Hawesville plant and lay off 620 employees due to rising energy costs. The Hawesville smelter was the last smelter in a NATO country that produced

Department of Defense grade aluminum. The aluminum is now being sourced from the Middle East and Russia. The Century Aluminum plant located in Seebree remains operational but has had labor shortage challenges. Michael Early, Corporate Energy Director for Century Aluminum, discussed the current power market in the United States and what is driving the recent increases in energy costs.

Replying to questions from Senator McDaniel, Chad Harpole, Director of Government and Community Affairs for Century Aluminum, discussed an agreement made in 2012 with Big Rivers Electric Corporation and the Public Service Commission that allowed Century Aluminum to purchase power on the open market. In addition, he confirmed the company does not receive government subsidies. Addressing another question about nuclear facilities, Mr. Early explained that nuclear power plants have been relatively unsuccessful in the United States.

Answering a question from Representative Calloway, Mr. Early stated the war between Russia and Ukraine had a material impact on natural gas prices in the United States.

Responding to a question from Representative Johnson, Mr. Harpole reiterated that the Hawesville plant was the last primary aluminum smelter in a NATO country that produced Department of Defense grade aluminum. Producing the same type of aluminum at the Seebree location would require a \$1 billion dollar investment. Answering a follow up, Mr. Harpole said it would require Century Aluminum to make a significant investment and four to six months to reopen the Hawesville plant.

Addressing Representative Bray, Mr. Early stated the issues related to increasing energy prices could be solved by the ending of the war between Russia and Ukraine, the Department of Energy taking a more reasonable approach to liquefied natural gas facility permitting and export approvals, and an increase in domestic gas production.

Representative King made comments concerning the General Assembly's prediction of the current state of energy prices and gave her unfavorable opinion of the use of solar and wind power.

Replying to a question from Senator Wheeler, Mr. Early agreed that if the coal industry existed as it did 20 years ago, then the recent energy increases would not be occurring. Addressing a follow up, Mr. Harpole said there would be financing and permitting issues associated with opening new coal mining companies.

Answering a question from Senator Thomas, Mr. Early said there should be one central agency responsible for the permitting of natural gas pipelines and expressed the need for the revision of applicable standards. Mr. Harpole added that Century Aluminum monitors federal energy legislation and works closely with all parties involved.

Employee Misclassification

Richard Vincent, Executive Vice President of the Associated General Contractors of Kentucky, Inc., and Kyle Johnson, a Member of Frost, Brown, Todd, discussed administrative regulation 803 KAR 1:006 Employer – Employee Relationship, which was found deficient during the May 10, 2022 meeting of the Administrative Regulation Review Subcommittee.

In response to questions from Representative Webber, Mr. Johnson stated that the responsibility of enforcing employee classification depends on the situation, and any changes to employee classification should be addressed through legislative action.

Addressing a question from Representative King, Mr. Vincent said 803 KAR 1:006 was submitted in early 2022 and found deficient by the Administrative Regulation Review Subcommittee on May 10, 2022.

Representative Calloway made remarks about businesses use of independent contractors.

Representative Webber made comments about the reasons the regulation was found deficient.

There being no further business before the committee, the meeting adjourned at 10:41 a.m.

INTERIM JOINT COMMITTEE ON EDUCATION

Minutes of the 4th Meeting

of the 2022 Interim

September 20, 2022

Call to Order and Roll Call

The 4th meeting of the Interim Joint Committee on Education was held on Tuesday, September 20, 2022, at 11:00 AM, in Room 154 of the Capitol Annex. Senator Max Wise, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Max Wise, Co-Chair; Representative Regina Huff, Co-Chair; Senators Danny Carroll, David P. Givens, Denise Harper Angel, Jimmy Higdon, Stephen Meredith, Gerald A. Neal, Adrienne Southworth, Reginald Thomas, Stephen West, and Mike Wilson; Representatives Shane Baker, Kim Banta, Tina Bojanowski, Jeffery Donohue, Myron Dossett, Mark Hart, C. Ed Massey, Bobby McCool, Felicia Rabourn, Steve Riley, Killian Timoney, James Tipton, Russell Webber, and Lisa Willner.

Guests: Jim Flynn, Executive Director, KY Association of School Superintendents; Emma McCallie, Senior Director of Grow Your Own, Tennessee Department of Education; Senator John Schickel; Laura Edwards, parent; Mark Messingschlager, Director of Financial Aid, Thomas More University; Joel Edwards, 11th Grade, homeschool student; and Svava Ghering, 12th Grade, homeschool student.

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

Approval of Minutes – August 16, 2022

Representative Timoney made a motion to accept the minutes of the August 16, 2022, meeting. The motion was seconded by Senator West and passed by voice vote.

Tennessee Teacher Apprenticeship Program

Jim Flynn, Executive Director, KY Association of School Superintendents, briefly discussed the teacher shortage crisis facing Kentucky's schools. Mike Borchers, Superintendent, Ludlow Independent Schools, spoke of the results of a Northern Kentucky school district survey. The findings illustrate the

teacher shortages they are facing, including the fact that over 500 employees and teachers are eligible for retirement. Their retirements would further compound the difficulty schools are facing to fill positions, even using emergency certification expansion. Mr. Flynn said the education profession is worth the investment as the parent profession for all professions, as students get their foundations for future learning and careers in the primary and secondary schools. Schools are also fundamental building blocks of community, as every citizen is invested in the teaching of the next generation. Funding increases for schools, teachers, and school safety in the most recent budget was appreciated and much needed, but there is still more work to do. Making the teacher training pathway a high demand sector would allow utilization of work ready scholarships as well as elevating the profession in the minds of the public and students.

Emma McCallie, Senior Director of Grow Your Own, Tennessee Department of Education (TDE), introduced the innovative approach Tennessee took to address current staffing challenges as well as expanding the pool of quality teachers in the future. Educator shortages is not a new challenge, especially in the ESL and special education areas. Teacher apprenticeships address not only these high needs sectors, but also expand the pool of quality applicants to fill all vacancies. The fundamental challenges faced by candidates are the cost of becoming a teacher, the lack of preparation for the realities of teaching among new teachers, and the fact that teachers do not always reflect their communities. The Tennessee Grow Your Own program was designed to address these three challenges. Grow Your Own is a program that recruits and prepares local community members to enter the education profession through an apprenticeship program. The initial investment included \$2 million in state funded grants. They began with 14 educator preparation program partnerships, and there are now 65 partnerships in districts throughout Tennessee.

Tennessee was the first state to receive federal approval by the U.S. Department of Labor for a K-12 teacher apprenticeship model. By leveraging federal recognitions and funding sources, Tennessee can address shortages with state reviews, monitoring, and locally driven apprenticeship programs. The critical aspect for this program is getting on-the-job training and mentorship so that no new teacher who has come through the apprenticeship program is inexperienced, having acquired hands-on experience during their apprenticeship. They also incorporate an 'earn-as-you-learn' element to receive wage increases as they gain higher level skills. Program participants receive nationally-recognized credentials as they matriculate and can then take their skills to any school district, even nationally. The Grow Your Own program is a collaborative solution to expand the pool of quality teaching candidates through on-the-job learning, based on a proven apprenticeship model used in many career pathways.

In response to a question from Representative Banta, Mr. Borchers said he would research how many teachers have moved out of the classroom into consulting positions and return that data to the committee.

Responding to a question from Representative

Bojanowski, Ms. McCallie said the strategy has been to use state and federal funds to compensate mentors through stipends. Additionally, mentor teachers and apprentice teachers work closely together and the apprentice teachers gradually expand their responsibility and involvement to contribute more fully into the classrooms as they move through the programs.

Responding to a question from Representative Willner, Ms. McCallie said the initial launch of the Grow Your Own program in 2020-2021 started with \$4 million from state funds (\$2 million in each year). The \$20 million of federal investment came later and is being utilized to expand and stabilize the program.

In response to a question from Senator Wilson, Mr. Flynn said there is an option for a teaching assistant to teach while acquiring a teaching degree, but the Grow Your Own model is more robust. Ms. McCallie said there are 58 districts in Tennessee with the Teaching as a Profession pathway built into their school curriculums. Additionally, she said many teachers recruit against themselves, and it is important for high school teachers to speak highly of the profession at career fairs. Individual districts also know their own communities and know who to contact to recruit individuals changing careers or retirees looking to reenter the workforce. The program has been very successful largely thanks to the TDE's partnership with the Tennessee Department of Labor and using workforce investment messaging.

Responding to a question from Chair Wise, Ms. McCallie said some universities have gained enrollment, but other educator preparation programs have had to be convinced of the value of the apprenticeship program. TDE is working closely with traditional educator preparation programs to build programs responsive to the needs of districts.

In response to a question from Senator Thomas, Mr. Flynn said Kentucky has been a leader in education reform and has built systems that support children as they grow into citizens and contributors to their communities. Additionally, investment in school safety and resiliency has been critical to create the spaces for students to learn and teachers to teach. Collaborative discussions have historically been the best way to create strong solutions and similarly will be the way forward to address teacher shortages.

Responding to a question from Representative Tipton, Ms. McCallie said teachers that leave the profession in the first three years typically do not return. Those that stay through the fifth year are most likely to be in the classroom many years more. Teacher apprentices get to experience the aspects of a teacher's day-to-day, and receive support through compensation and mentorship. This greatly increases the likelihood that they will be prepared to weather the first three years of teaching in their own classrooms.

In response to a question from Representative Huff, Mr. Flynn said there is a significant challenge preparing teachers for handling students with special needs and those with behavior problems. There needs to be more resources devoted to staffing, as well as training teachers to work in these challenging environments. Teachers need to be better equipped to handle student behavior, as do administrative staff, and judges in the juvenile justice system to help get

troubled kids back on track. Mr. Borchers said districts need to address the social-emotional struggles for staff in the same ways they do for students. Teachers in special education face enormous challenges and deserve additional compensation to prevent burn-out and leaving the profession.

Proposed Legislation – KEES Scholarships for Homeschool Students

Senator Schickel spoke briefly to the history of the legislation and why it is necessary to invest in homeschool students going into higher education. Laura Edwards, parent, said she was an educator who went on to homeschool her own children. Her daughter was a very high achiever in homeschooling and yet when she went to college, she was ineligible for much of the KEES award. Students in certified high schools are eligible for up to \$10,000 in KEES, while homeschoolers are only eligible for \$2,000 in KEES based on ACT scores. Ms. Edwards explained that in Kentucky, college readiness is determined by GPA and test scores, yet some KEES money is awarded based on GPAs that would not indicate college readiness. To address the concern regarding homeschool transcripts, Ms. Edwards suggested alternatives for high school GPA to be used to award KEES to homeschoolers, primarily using dual credit course GPAs or using standardized test scores. She briefly discussed the merits of these suggestions as well as how other states have addressed this same issue. Mark Messingschlager, Director of Financial Aid, Thomas More University, spoke to the rigor of dual credit courses and the excellence of homeschool students in those courses. Additionally, homeschool students routinely apply for and receive merit-based scholarships based on their academic achievement and success.

Joel Edwards, a homeschooled junior from Northern Kentucky, said he enjoyed the ability to take coursework on an accelerated schedule through homeschooling. The flexibility of homeschooling has also allowed him to start a successful lawn care business. He said the expansion of KEES to homeschoolers would encourage more high achieving homeschoolers to pursue higher education. Svava Ghering, a homeschooled senior, also spoke to her experience as a homeschooled student and her apprenticeship with an optometrist.

In response to a question from Representative Bojanowski, Mr. Messingschlager said information regarding the impact of an expansion for homeschool students would be available from the Kentucky Higher Education Assistance Authority (KHEAA) who administers the KEES program. He added that because KEES is statutorily funded first, before the other lottery funded grants, any expansion would be fully covered.

In response to a question from Senator Higdon, Ms. Edwards said there are benefits for each of the proposed models, but the ones receiving the highest preference from homeschool groups is the ACT blended with a first year GPA.

Responding to questions from Senator Givens, Ms. Edwards said successful homeschools and traditional classrooms both make education relevant to the students. Students who are not engaged in

coursework struggle regardless of setting. Homeschool parents who get caught up in checking off curriculum checkboxes, will struggle to keep their students engaged and take ownership of their own learning. Ms. Ghering said she had a positive and personally successful experience with homeschooling, but two of her siblings did not benefit from homeschooling and went to public school. Mr. Edwards said his sister had excelled in homeschooling and that was largely because she was driven to achieve more. He has also seen friends that did not become as engaged in their homeschools and choose a more traditional path.

Senator Southworth shared her own experience as a homeschool student who did not even consider Kentucky colleges because of cost. If homeschool students must achieve a 3.0 GPA before applying to dual credit courses, that should be taken as a starting point for KEES awards as well.

In response to a question from Senator Wilson, Ms. Edwards said approximately 10 percent of children in Kentucky are enrolled in a homeschool, and typically 30 percent of that population are high-schoolers.

Senator West said the KEES program is a state program that should be fairly distributed to all Kentucky students, including homeschool students.

Representative Timoney said the time has come to address KEES equity for homeschool students and to ensure that students in homeschools are being adequately educated.

Consideration of Referred Administrative Regulations

Todd Allen, General Counsel, Kentucky Department of Education (KDE), was present to address questions regarding administrative regulation 702 KAR 1:140 – Student records, hearing procedures.

In response to questions from Senator Givens, Mr. Allen said the regulation is necessary to implement federal FERPA laws, as well as recently passed state laws. A school district had approached KDE with questions regarding the regulation in December of 2021, as portions of it were confusing. KDE took the opportunity to review the regulation for clarity and to align it to state and federal law. He does not believe that this regulation is used frequently, however, the department is not apprised of all such hearings held at the district level. The disinterested party requirement is required by federal law. The section regarding the certified individual was the part in question in December 2021. The desire was to expand the definition to clarify that a classified staff member, certified by EPSB, could serve as a hearing officer.

In response to a question from Senator Southworth, Mr. Allen said the local districts will develop more detailed procedures, based upon this regulation, for the structure of local hearings. The regulation forms the state guardrails and standard requirements for hearings. The intent of the regulation is to clarify that it is an informal process and that disputes can be settled before implementing formal hearing procedures. No action was required on this item.

With no further business to come before the committee, the meeting adjourned at 12:52 p.m. The next meeting of the committee will be Tuesday,

October 18, 2022, at 11 a.m.

EMERGENCY MEDICAL SERVICES TASK FORCE

Minutes of the 3rd Meeting

of the 2022 Interim

September 20, 2022

Call to Order and Roll Call

The 3rd meeting of the Emergency Medical Services Task Force was held on Tuesday, September 20, 2022, at 3:00 PM, in Room 171 of the Capitol Annex. Representative Ken Fleming, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator David P. Givens, Co-Chair; Representative Ken Fleming, Co-Chair; Senator Donald Douglas; Representatives Mark Hart and Lisa Willner.

Guests: Dr. Sheila Schuster, Ph.D., Executive Director, Kentucky Mental Health Coalition; Jason Wells, Fire Chief, Lexington Fire Department; Marc Bramlage, Battalion Chief, Office of EMS, Lexington Fire Department; Dr. Joe Middleton, DNP, Executive Director and Chief Executive Officer, Barren-Metcalf EMS; Shawn Estes, Assistant Director and Chief Financial Officer, Barren-Metcalf EMS; Lisa Lee, Commissioner, Department for Medicaid Services; and Steve Bechtel, Chief Financial Officer, Department for Medicaid Services.

LRC Staff: DeeAnn Wenk and Logan Schaaf.

On a motion and second, the August meeting minutes were approved.

EMS and Mental Health

Dr. Sheila Schuster, Ph.D., Executive Director of the Kentucky Mental Health Coalition, discussed problems relating to EMS transportation for patients with mental health issues. Dr. Schuster recommended increased crisis training for EMS personnel, reduction of stigma surrounding patients experiencing mental health issues, and the examination of administrative regulations that may be allowing EMS providers to deny transportation to patients with mental health concerns.

Responding to a question from Representative Fleming, Dr. Schuster said that she has heard of many instances of refusal of transportation for patients with mental health issues.

Responding to a question from Representative Hart, Dr. Schuster said that she would search for data on the refusal of transportation by private and public EMS providers.

Responding to questions from Senator Douglas, Dr. Schuster said that the most common instance of transportation refusal is facility to facility. She also discussed the criteria for an involuntary commitment, which may be seen more frequently when a patient is violent.

Responding to a question from Representative Willner, Dr. Schuster said that cases of transportation refusal usually do not happen during an emergency, defined as a life-threatening situation, and would be more likely during a non-emergency.

Eastern State and Lexington EMS

Jason Wells, Fire Chief, Lexington Fire Department (LFD), and Marc Bramlage, Battalion Chief, Office of EMS, Lexington Fire Department, spoke to the committee about their patient transport pilot program. The Lexington Fire Department is the only fire department in Fayette County. They respond to approximately 50,000 calls for service annually.

In 2021, a program was launched for the LFD to transport patients directly to Eastern State Hospital. The goals of this program include ensuring patients who do not require acute emergency medical services are placed in the most appropriate, cost effective level of care, reducing unnecessary readmissions for patients, and improving patient outcomes. The Behavioral Health Transport Advisory Committee communicates with LFD and Eastern State Hospital regularly to adjust the program as needed.

Potential obstacles to the program include the misunderstanding of the program by providers, unfamiliarity with the concept of patient destination choice, lack of patient familiarity with the system, and the stigma of being transported to a mental health facility.

Responding to questions from Representative Fleming, Chief Wells and Mr. Bramlage detailed the types of calls LFD has responded to under the pilot program, from substance abuse issues to manic episodes.

Responding to questions from Senator Givens, Mr. Bramlage explained the process of data collection and classification. Chief Wells said that the LFD does not refuse transportation to any patient.

Responding to a question from Representative Hart, Chief Wells expressed his hope that the pilot program would serve as a model for other regions in Kentucky.

Responding to questions from Representative Fleming, Mr. Bramlage discussed efforts to reduce rehospitalization. Chief Wells emphasized the importance of the amount of resources available to the LFD.

Regional Consolidation of EMS

Dr. Joe Middleton, DNP, Executive Director and Chief Executive Officer of Barren-Metcalf EMS, and Shawn Estes, Assistant Director and Chief Financial Officer of Barren-Metcalf EMS, discussed the Barren-Metcalf County EMS partnership model. The program has been active for 48 years. Barren and Metcalf counties share costs, share vehicles, and are more effectively able to provide services.

Co-chairs Fleming and Givens praised the work of Barren-Metcalf EMS and emphasized its potential as a model for other regions.

Medicaid Ambulance Reimbursement

Lisa Lee, Commissioner of the Department for Medicaid Services, and Steve Bechtel, Chief Financial Officer of the Department for Medicaid Services, discussed Medicaid coverage for ambulance services. They detailed the rates of reimbursement depending on the emergency or non-emergency status of the call and the level of life support (basic or advanced). They explained the Managed Care Directed Payment Program, which allows states with managed care programs to make enhanced payments to providers

to advance the goals of the Medicaid program. They highlighted the Ambulance Provider Assessment Program (APAP), implemented in 2021. It authorizes an enhanced payment program for ground ambulance services. The goals of the program are to promote access to high quality care by reducing ambulance response times and to increase the number of certified EMS practitioners.

Responding to questions from Senator Givens, Commissioner Lee said that allowing treatment in place to be covered by Medicaid would require approval by the Centers for Medicare and Medicaid Services (CMS) and an 1115 waiver, which she said they would be open to pursuing.

With no further business before the Task Force, the meeting was adjourned at 4:45 PM. The next meeting of the Emergency Medical Services Task Force will be Tuesday, October 18, 2022 at 3:00 PM in Annex Room 171.

EXECUTIVE BRANCH EFFICIENCY TASK FORCE

Minutes of the 4th Meeting of the 2022 Interim September 26, 2022

Call to Order and Roll Call

The 4th meeting of the Executive Branch Efficiency Task Force was held on Monday, September 26, 2022, at 1:00 PM, in Room 171 of the Capitol Annex. Representative Jerry T. Miller, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Robby Mills, Co-Chair; Representative Jerry T. Miller, Co-Chair; Senators Michael J. Nemes, and Whitney Westerfield; Representatives Shane Baker, Bobby McCool, and Patti Minter.

Guests: Dr. Ares Cedeno and Trey Grayson, Governor's Scholar Program; Ray Perry, D.J. Wasson, and Jacob Walbourn, Public Protection Cabinet.

LRC Staff: Daniel Carter, Alaina Spence, and Cheryl Walters.

Approval of Minutes

The minutes of the August 22, 2022, meeting were approved without objection, upon the motion by Senator Mills, and seconded by Representative Baker.

Charge of the Task Force

Representative Miller stated the objectives of the task force, which are to look into the functions of the executive branch of the Commonwealth; allow agencies to explain their structure, funding, and budget building practices; and grant agencies the opportunity to propose to the legislature future reorganization plans and proposals to make their internal processes more efficient.

Governor's Scholar Program

Presenting for the Governor's Scholar Program (GSP) were Dr. Ares Cedeno, Executive Director, and Trey Grayson Chair of the GSP board. Mr. Grayson explained the origins and funding of GSP. In 1983, Governor John Y. Brown decided the state needed

a "Governor's school", which were already being developed in Midwestern and Southern states. The legislature authorized funding for GSP during the 1983 session. The program began before funding was available, so private funding was immediately needed, and private donors began donating money to GSP. Roughly 75 percent of funding consists of state appropriations to GSP, Inc., a not-for-profit, 501(c)3, corporation. The remaining 25 percent is raised privately through a separate foundation, GSP Foundation, that raises money and transfers the funds to GSP, Inc.

Mr. Grayson stated GSP's mission, which is to enhance the next generation of civic and economic leaders. The program is a free, five week program held in Kentucky colleges and universities. Every three years, GSP allows Kentucky colleges and universities to submit bids to host the program.

In 2005, General Assembly passed a reorganization bill that required a separate foundation to raise private money, to resolve confusion with state and private dollars funneling together in one entity. The legislature appropriates money directly into GSP, Inc., and all private support and grants go into GSP Foundation. In early July, the state transfers money into GSP. The board of directors hire the executive director, and the executive director hires the remaining staff.

Mr. Grayson then briefly explained the board structure. There are three ex-officio members: the Commissioner of Education, President of the Council on Postsecondary Education, and the cabinet secretary of cabinet they are attached (Education & Labor). The Governor gets five appointees, staggered over each term, and 24 board members are appointed by the body according to by-laws and articles. In 2011, the oversight was transferred from Governor's office to the Education & Labor Cabinet. The Education & Labor Cabinet has oversight over GSP, even though GSP is not technically a state agency, due to the amount of state funds GSP receives through GSP, Inc.

Dr. Cedeno testified about his role and the day-to-day operations of GSP. Dr. Cedeno is hired by board of directors and is not a state employee. Currently, they have on staff a fiscal officer and two full-time and two-part time administrative assistants. GSP Foundation has a president of the foundation that also works in their office, but funded with private money from the foundation. GSP is one of three Governor's schools in Kentucky. The other two are Governor's School for the Arts, and Governor's School for Entrepreneurs; each are separate from GSP and have their own executive director and staff and structure.

GSP staff work year-round to organize the summer programs, which are held on three different campuses. Dr. Cedeno, along with the campus directors, hire and supervise the summer personnel, which are contractually hired for one summer. Applicants may reactivate their application and be hired for subsequent summers, but under no guarantee. On each campus, there is a campus director, approximately 19 faculty members, 19 residential staff members, and 8 office staff members. Each campus has 350 Governor's scholars, for a total of 1,050. The current appropriation allows for 1,020 students, but in last two years the Department of Education provided additional support for 30 more scholars.

The main objectives of the program are to provide tools to help students tackle problems and help others; be creative in life, school, workplace, and community; develop the ability to recognize when to be a leader and when to be a follower; and learn how to achieve their highest potential.

The selection of Governor's Scholars involve a highly competitive process at the school, district, and state level. Dr. Cedenó does outreach to each of the counties in the state, and has visited 80 so far this year. GSP would like to have students represented from all 120 counties but has not met that goal during the last two years. GSP received 1,756 applications in 2022, and accepted 1,051 students for a 60% acceptance rate. More females applied than males, which has been the case since 1995. The application is based on academic achievement, extracurricular activity, community service, honors and awards, a writing sample, and two letters of recommendation.

Students who are accepted into the program go on supervised field trips, participate in community service, and listen to convocation speakers. To maintain a safe and productive learning environment, students must follow rules and regulations created by GSP, which prohibit firearms, alcohol, and drugs on the campuses.

Once finished with the program, students complete a survey on their satisfaction with the program. Approximately 83% of GSP alumni attend Kentucky colleges and universities, and all Kentucky colleges and universities offer scholarships at different levels based on whether a student has completed GSP.

In response to questions from Rep. McCool, Dr. Cedenó stated that GSP tracks the number of students who have completed the program and attained a bachelor's degree. GSP works with Kentucky Statistics in obtaining the information. Other factors they review include where the students attend school, whether they attend college in-state or out-of-state, and if they have residence in Kentucky. They also have to maintain this information for their donors, and started collecting this information since 1999. Approximately 82.6% of GSP alum reside in Kentucky. Mr. Grayson added that with the goal of having every county represented, GSP is doing their best to recruit more students from different parts of the state and different backgrounds. The Department of Education and Churchill Downs have also provided support to target students who have overcome adversity.

In response to questions from Rep. Baker, Dr. Cedenó stated that GSP does not design the curriculum, per se. There are a number of classes that students select as focus areas which are taught by the faculty. The faculty consists of college professors and high school teachers. The classes that relate to focus areas are usually taught by the college professors, by lecture. Faculty are hired for specific subject areas. A faculty member will propose a course on the focus area to be reviewed by Dr. Cedenó and the three campus directors. The general study course that is assigned to the student is facilitated to be taught from different perspectives, and not to exclude anyone. The residential curriculum is voluntary and facilitated by RAs. Dr. Cedenó also stated that GSP did not receive any complaints about the program that were brought to Rep. Baker's attention. Dr. Cedenó met with the

representative who voiced the complaint last week about the activity, and GSP is currently reviewing whether the activity should remain.

Rep. Minter commented on the impact GSP has had in her observations of first generation college students and thanked them for their hard work and success.

In response to Rep. Miller's question on behalf of another member, Mr. Grayson stated that generally boys have a higher acceptance rate than girls, and some of that is due to logistics and bathroom allocation.

Sen. Westerfield commented and asked about a timeline to investigate the questions posed by Rep. Baker about the activities and curriculum of GSP, and to ensure not civil rights violations have occurred.

Public Protection Cabinet – Organizational, Operational, and Budgetary Overview

Presenting for the Public Protection Cabinet (PPC) were Secretary Ray Perry; D. J. Wasson, Chief of Staff; and Jacob Walbourn, General Counsel. Secretary Perry gave a brief overview of the cabinet structure, responsibilities, funding, and staff. PPC focuses on consumer protection through licensing and regulation of various industries and occupations. PPC is a shared service cabinet, which include administrative services, fiscal and human resources, IT, and communications throughout the various departments. PPC has developed internal databases which provide licensure and insurance tracking, which currently serves all agencies except the Department of Housing, Building, and Construction. The shared database allows for financial savings and allows PPC to adapt their database to any new laws created. IT staff have created additional applications for increased efficiency, which include STAR training for the Department of Alcoholic Beverage Control (ABC), evidence-tracking for ABC officers, and an internal system for purchase and travel requests that integrates with eMARS, the state system, reducing errors. PPC have also created an internal sign-in and sign-out program, to help track remote workers.

PPC primarily operates on restricted funds through licensing fees, but also some general and federal funds. House Bill 1 helped PPC hire additional physicians and vehicles for state fire marshal's office, and also hire more inspectors and plan reviewers.

PPC's agencies include the Office of the Secretary and 10 other departments. The Office of the Secretary provides services and oversight for all agencies within the cabinet. Some of the departments under PPC include the Department for Professional Licensing, the Kentucky Real Estate Authority, Kentucky Boxing and Wrestling Commission, ABC, Department for Charitable Gaming, Department of Financial Institutions, Kentucky Horse Racing Commission (administratively attached), Office of Claims and Appeals, Department of Housing, Building, and Construction, and the Department of Insurance. The Team Western Kentucky Tornado Relief Fund and the Team Eastern Kentucky Flood Relief Fund is administered through the Office of the Secretary.

PPC also received federal funding for the following programs: non-profit assistance to those that qualified and had negative revenue for calendar

years 2020 or 2021, a program to scan real estate appraisal documents into a national database, and a crime victims' compensation program under the federal Crime Victims Act.

In response to questions by Senator Mills, Mr. Walbourn stated that promoting large cash tournament poker style games are probably illegal. There is a license available for a special fundraising event for charitable organizations, however, a large cash tournament poker event would likely not qualify. Charitable gaming would be under PPC purview, but non-charitable gambling events would be referred to either local or state police. PPC does not regulate the Board of Embalmers, but PPC has regulated them before.

Secretary Perry noted that \$52 million was raised for the Team Western Kentucky Tornado Fund. PPC paid \$10 thousand per funeral for all tornado victims, then relied on FEMA, before providing additional assistance, to avoid duplication of efforts. Once FEMA compensated victims, PPC then provided additional money to victims. Private insurance was more likely to apply to tornado victims in Western Kentucky than to flooding victims in Eastern Kentucky. PPC was able to share information with the Department of Insurance to provide assistance on deductible claims for insureds. They are also working with non-profits to rebuild destroyed homes. They have committed \$16 million from the fund to build 300 homes in the area. They have also partnered with long-term recovery groups and gave \$12 million for long-term recovery assistance. They are also partnering with the Hope Initiative in Graves County to build 20-25 homes. There is a little over \$9 million left in the fund.

In response to questions from Senator Westerfield about IT infrastructure, Mr. Walbourn stated that the cabinet has created a shell system that handles licensing, and each board has a small branch to the shell system. The system can be customized for each board. Previously some agencies were using third-party vendors, and PPC tasked their IT professionals to bring these systems in-house, and customize for their boards. An example is the STAR Training through ABC. Secretary Perry added that PPC has prepared a list of their IT initiatives; what they have done, what they have saved, and what they are working on, with the goal to make licensing as easy and business-friendly as possible.

In response to a follow-up question from Senator Westerfield, Secretary Perry stated that Department of Financial Institutions is considering reorganization to address block chain technology and crypto and may need legislative assistance. Secretary Perry has also mentioned concerns with losing employees to other agencies, particularly with Department of Financial Institution employees. The Federal Reserve and FDIC have tried to recruit, offered to pay more money, and are now offering allow employees to work entirely from home. The positions are competitive and hard to find, which has put a strain on staffing. Currently PPC has 46 open positions, 7.7 percent of their staff.

In response to questions from Rep. Minter, Ms. Wasson stated they are working on drafting regulations for the bill of rights portion of student loan regulation, reviewing best practices, and incorporating a specific process into regulations they are drafting.

In response to questions from Sen. Mills, Secretary Perry stated that there is a new permanent policy that requires staff to be in the office at least three days a week. Currently, 48 percent of PPC staff participate in the hybrid telecommute policy in accordance with new state policy. All PPC employees are required to be in the office together one day a week. New employees have to be in the office five days a week for at least six months. They had difficulty training new employees during COVID, when staff were telecommuting all week. Mr. Walbourn added that of the other 52 percent who report to work all five days, most are field inspectors. Very few employees telecommute 100 percent and are only allowed if their position requires it. PPC has a log-in system that employees have to use to indicate whether they are working remote or on site. Secretary Perry stated it is for productivity and employee safety. The Secretary added there have been very few complaints with the system, and their current work flexibility methods keep them somewhat competitive with the market.

Representative Miller thanked the Public Protection Cabinet representatives for their testimony, and the meeting was adjourned at 2:27 p.m.

INTERIM JOINT COMMITTEE ON HEALTH, WELFARE, AND FAMILY SERVICES

Minutes

August 25, 2022

Call to Order and Roll Call

Pursuant to the approval of the President of the Senate and Speaker of the House, the joint meeting of the Senate Standing Committee on Health and Welfare, and the House Standing Committee on Health and Family Services was held on Thursday, August 25, 2022, at 12:00 PM, in the Freedom Hall Conference Room, Second Floor, Kentucky State Fair, Louisville, Kentucky. Representative Kimberly Poore Moser called the House meeting to order, and the secretary called the roll. Senator Ralph Alvarado, Chair, called the Senate meeting to order, and the secretary called the roll.

Present were:

Members: Senator Ralph Alvarado, Chair; Senators Karen Berg, Danny Carroll, Jason Howell, Stephen Meredith, Michael J. Nemes, and Max Wise;

Representative Kimberly Poore Moser, Chair; Representatives Danny Bentley, Adam Bowling, Ryan Dotson, Daniel Elliott, Ken Fleming, Deanna Frazier Gordon, Melinda Gibbons Prunty, Felicia Rabourn, Josie Raymond, Steve Riley, Scott Sharp, Steve Sheldon, Nancy Tate, Russell Webber, Susan Westrom, and Lisa Willner.

Guests: Shelby Somervell, Vice President, Government Affairs and Communications, The Metro Chamber of Commerce, Greater Louisville Incorporated; Dr. Brittney Welch DNP, RN, CNE cl, Chair, Governmental Affairs Cabinet, Kentucky Nursing Association, Director, Clinical Education, Galen College of Nursing; Kate Shanks, Senior Vice President, Public Affairs, LeKisha Miller, Executive Director, Workforce Center, Kentucky Chamber of

Commerce; Brenda Fitzpatrick, Center Director, Northwest Area Health Education Center; Juliana B. McGuinn, Director, North Central Area Health Education Center; Dr. Leslie Sizemore, Senior Fellow, Council on Postsecondary Education; Dr. Koffi Akakpo, President, Bluegrass Community and Technical College; Dr. David McFaddin, President, Eastern Kentucky University; Kelly L. Dauk, M.D., Board Member, Prevent Child Abuse Kentucky, Pediatric Specialist, Norton Children's Hospital; Jill Seyfred, Executive Director, Prevent Child Abuse Kentucky; Laura Begin, Regulation Coordinator, Department for Community Based Services, Cabinet for Health and Family Services; Adam Mather, Inspector General, Kara Daniel, Deputy Inspector General, Office of Inspector General, Cabinet for Health and Family Services; and

LRC Staff: DeeAnn Wenk, Ben Payne, Chris Joffrin, Samir Nasir, Logan Bush, Becky Lancaster, and D. J. Burns.

Welcome

Shelby Somervell, Vice President, Government Affairs and Communications, The Metro Chamber of Commerce, Greater Louisville Incorporated, welcomed the committee to Louisville, Kentucky.

Consideration of Referred Administrative Regulations

The following referred administrative regulation was placed on the agenda for consideration: **908 KAR 003:010 Proposed** - Patient's rights. A motion to defer the administrative regulation for the House Standing Committee on Health and Family Services was made by Representative Dotson and seconded by Representative Webber, and accepted by voice vote. A motion to defer the administrative regulation for the Senate Standing Committee on Health and Welfare was made by Senator Wise, seconded by Senator Carroll, and accepted by voice vote. The administrative regulation 908 KAR 003:010 Proposed was deferred.

The following referred administrative regulation was placed on the agenda for consideration: **922 KAR 005:070 Proposed** - Adult protective services. There was an agency amendment offered by the Cabinet for Health and Family Services, Laura Begin, Regulation Coordinator, Department for Community Based Services, Cabinet for Health and Family Services, explained how the agency amendment would change the regulation. A motion to accept the agency amendment for the House Standing Committee on Health and Family Services was made by Representative Fleming and seconded by Representative Raymond, and accepted by voice vote. A motion to accept the agency amendment for the Senate Standing Committee on Health and Welfare was made by Senator Wise, seconded by Senator Meredith, and accepted by voice vote.

The following referred administrative regulations were placed on the agenda for consideration: **201 KAR 002:020 Proposed** - Examination; **201 KAR 002:050 Proposed** - Licenses and permits; fees; **201 KAR 002:225 Proposed** - Special limited pharmacy permit - Medical gas; **201 KAR 020:070 Emergency** - Licensure by examination; **201 KAR 020:085**

Proposed - Licensure periods and miscellaneous requirements; **201 KAR 020:110 Proposed** - Licensure by endorsement; **201 KAR 020:240 Proposed** - Fees for applications and for services; **201 KAR 020:370 Proposed** - Applications for licensure; **202 KAR 007:545 Proposed** - License classifications; **201 KAR 007:545 Emergency** - License classifications; **202 KAR 007:560 Emergency** - Ground vehicle staff; **900 KAR 005:020 Emergency** - State Health Plan for facilities and services; **900 KAR 005:020 Proposed** - State Health Plan for facilities and services; **900 KAR 006:075 Emergency** - Certificate of need nonsubstantive review; **900 KAR 006:075 Proposed** - Certificate of need nonsubstantive review; **900 KAR 014:010 Emergency** - Essential personal care visitor programs; visitation guidelines; **900 KAR 014:010 Proposed** - Essential personal care visitor programs; visitation guidelines; **902 KAR 002:020 Emergency** - Reportable disease surveillance; **902 KAR 020:016 Proposed** - Hospitals; operations and services; **902 KAR 020:018 Proposed** - Operation and services; End Stage Renal Disease (ESRD) facilities; **902 KAR 020:106 Proposed** - Operation and services; ambulatory surgical center; and **906 KAR 001:110 Proposed** - Critical access hospital services.

In response to questions from Senator Alvarado, Kara Daniel, Deputy Inspector General, Cabinet for Health and Family Services, stated that the 900 KAR 006:075 Proposed - Certificate of need nonsubstantive review, regulation was part of the change made to the State Health Plan and the coordinated changes in the nonsubstantive review regulation. She stated that the primary changes were allowing the transferring of beds from one hospital to another hospital, aligning with 2022 House Bill Regular Session 777, neonatal beds, cardiac cath programs and emergency medical services (EMS).

In response to questions from Representation Moser, Adam Mather, Inspector General, Office of Inspector General, Cabinet for Health and Family Services, stated that that 900 KAR 006:075 Proposed, aligns with the statutory changes made from 2022 House Bill Regular Session 777. The administrative regulations were reviewed.

The Healthcare Workforce Shortage Overview

Dr. Brittney Welch DNP, RN, CNE cl, Chair, Governmental Affairs Cabinet, Kentucky Nursing Association, Director, Clinical Education, Galen College of Nursing, discussed the number of nurses in Kentucky, areas of opportunity available to help alleviate the shortage of nurses. She discussed workplace violence programs, loan forgiveness programs, retention programs, tax incentive programs for employers, pilot nurse emeritus programs, and other collaborative efforts to recruit and maintain healthcare staff.

In response to comments and questions from Representative Moser, Donna Meador, President, Kentucky Nurses Association (KNA), stated that there are scholarships available through the Kentucky Board of Nursing (KBN) but are not utilized as often and people are not aware of the scholarships.

In response to comments and questions from Representative Willner, Dr. Welch stated that the lack of onsite child care is an infrastructure issue for

healthcare workers and students especially in rural areas.

In response to comments and questions from Senator Alvarado, Dr. Welch stated that with more law suits and criminal charges against nurses and medical professionals than in the past there is an unknown impact to medical careers. Ms. Meador stated that it is important for patient safety to embrace a just culture and the every error needs to be individually investigated but many times there are system errors that contribute to unintentional medical errors.

The Talent Pipeline Program

Kate Shanks, Senior Vice President, Public Affairs, Kentucky Chamber of Commerce, discussed previous changes made to policy and program to handle the workforce challenges through foundation and advocacy work. LaKisha Miller, Executive Director, Workforce Center, Kentucky Chamber of Commerce, discussed how the talent pipeline management (TPM) program creates a stronger alignment between education and the needs of Kentucky employers. She discussed different types of employers working with the TPM program, examples of workforce solutions produced by the TPM program, and the statewide Healthcare Advisory Council.

In response to comments and questions from Representative Moser, Ms. Miller stated that the Healthcare Advisory Council came to together to align with a TPM program to deal with the state registered nurse aides shortage.

In response to comments and questions from Representative Fleming, Ms. Miller stated that the Kentucky Chamber of Commerce focuses on the future workforce and discussed the Bus-to-Business program to expose school children to various careers in healthcare and other key sectors in the state. She stated that the Kentucky Chamber of Commerce aligns regionally with programs across the state to spread to grow those programs.

In response to comments and questions from Representative Dotson, Ms. Meador stated that it was a very small number of people that left the nursing profession due to the mandatory COVID-19 vaccine mandates. Ms. Welch stated that no nursing students left because of the COVID-19 vaccine mandates

Area Health Education Centers Overview

Juliana B. McGuinn, Director, North Central Area Health Education Center, discussed how Area Health Education Centers (AHECs) were created, enhance access to quality healthcare, AHECs' eight locations, and the middle school, high school, and postsecondary pipeline programs for healthcare careers. She discussed the need for more funding for AHECs. Brenda Fitzpatrick, Center Director, Northwest Area Health Education Center, discussed how the expansion funds received will go to expand health career programs. She discussed how AHECs will implement a nursing pipeline to target secondary and postsecondary students, administering school-based health career programs, and expanding health career enrichment and pathway activities. Ms. McGuinn stated that AHEC is a grassroots organization.

In response to comments and questions from Representative Moser, Ms. McGuinn stated that

the North Central Area Health Education Center is partnering with Gateway Community and Technical College to work with the high schools to develop dual credit programs. She stated each AHEC is strategically located to survey and meet the needs of surrounding communities and the summer camp programs are very successful. She discussed the three main areas of AHECs. Ms. Fitzgerald stated that AHECs are partnering with 15 health magnet schools in the Louisville area.

The Healthcare Workforce Initiative Program

Dr. Leslie Sizemore, Senior Fellow, Council on Postsecondary Education (CPE), discussed the appropriation to CPE to create the Healthcare Workforce Collaborative (HWC), the focus of the HWC, participation by Kentucky public colleges, the HWC areas of focus, healthcare partners, expansion of clinical learning experiences, dedicated education units within hospitals, the extensive list of wrap around services for students, and the grant review process that includes an evaluation process.

Dr. David McFaddin, President, Eastern Kentucky University (EKU), discussed how EKU is dedicated to educating the next group of healthcare professionals, a grant that will enhance the EKU simulation center, the decline in students choosing nursing and healthcare professions, college readiness for stem-related degrees, and EKU's service to Veterans and their families.

Dr. Koffi Akakpo, President, Bluegrass Community and Technical College (BCTC), discussed BCTC's partnerships with high schools, hospitals, and universities to accelerate healthcare careers, shared faculty with the University of Kentucky, ways BCTC is increasing the number of students per year, BCTC's new paramedic programs, and the need for more funding to continue programs.

Corporal Punishment - 2022 Regular Session House Bill 119

Representative Steve Riley discussed how the pandemic has affected students' mental health with the use of corporal punishment, effects of a student's home life that play a role in school discipline, and possible liability issues for school employees that use corporal punishment. Kelly L. Dauk, M.D., Board Member, Prevent Child Abuse Kentucky, Pediatric Specialist, Norton Children's Hospital, discussed the definition of corporal punishment, the size of typical boards used for punishment, historical disparities relating to corporal punishment, trauma caused by corporal punishment, conflicting statutes, and trauma-informed discipline. She discussed how corporal punishment interferes with learning and key relationships, the success of schools not using corporal punishment, and advocated for children to be protected from being hit with boards in schools.

In response to questions and comments from Senator Alvarado, Representative Riley agreed that wording of the bill may need to be changed in regards to a situation where a minor child is physically larger than the adults supervising the class and who may need to subdue the student.

In response to questions and comments from Representative Bowling, Representative Riley stated

that he has seen more recent data that indicates the use of corporal punishment has continued to decrease.

In response to questions and comments from Senator Wise, Dr. Dauk stated that some corporal punishment cases have parental consent.

Adjournment

There being no further business, the meeting was adjourned at 1:52 PM.

INTERIM JOINT COMMITTEE ON HEALTH, WELFARE, AND FAMILY SERVICES

Minutes of the 3rd Meeting

of the 2022 Interim

September 28, 2022

Call to Order and Roll Call

The 3rd meeting of the Interim Joint Committee on Health, Welfare, and Family Services was held on Wednesday, September 28, 2022, at 1:00 PM, in Room 149 of the Capitol Annex. Senator Ralph Alvarado, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Ralph Alvarado, Co-Chair; Representative Kimberly Poore Moser, Co-Chair; Senators Julie Raque Adams, Karen Berg, Danny Carroll, David P. Givens, Jason Howell, Alice Forgy Kerr, Stephen Meredith, Michael J. Nemes, and Max Wise; Representatives Danny Bentley, Adam Bowling, Tom Burch, Ryan Dotson, Daniel Elliott, Ken Fleming, Deanna Frazier Gordon, Mary Lou Marzian, Felicia Rabourn, Josie Raymond, Steve Riley, Scott Sharp, Steve Sheldon, Nancy Tate, Russell Webber, Susan Westrom, and Lisa Willner.

Guests: Cathy Hanna, Chair, Board of Directors, Kentucky Pharmacists Association; Antonio Ciaccia, President, Three Axis Advisors; Josh Golden, Senior Vice President, Strategy, Capital Rx; Jessin Joseph, Senior Director, PBA Services, Capital Rx; Fred Barton, PharmD, Vice President, Account Management, EmsanaRx; George Huntley, Patient Pocket Protectors Coalition; Julie Babbage, Diabetes Patient Advocacy Coalition; Stewart Perry, Vice Chair, Diabetes Patient Advocacy Coalition; and Jim Musser, Senior Vice President, Policy and Government Relations, Kentucky Hospital Association.

LRC Staff: DeeAnn Wenk, Ben Payne, Logan Bush, Chris Joffrion, Samir Nasir, Becky Lancaster, and Eric Rodenberg.

Approval of Minutes

A motion to approve the minutes of the July 20, 2022, meeting was made by Representative Moser, seconded by Representative Sheldon, and approved by voice vote. A motion to approve the minutes of the August 25, 2022, meeting was made Representative Moser, seconded by Representative Burch, and approved by voice vote.

Consideration of Referred Administrative Regulations

The following referred administrative regulations

were placed on the agenda for consideration: **202 KAR 007:560 Proposed** - Ground vehicle staff; **902 KAR 004:030 Proposed** - Newborn screening program; **902 KAR 008:060 Proposed** - Salary adjustments for local health departments; **902 KAR 008:100 Proposed** - Disciplinary procedures applicable for local health department employees; **902 KAR 010:140 Proposed** - On-site sewage disposal system installer certification program standards; **902 KAR 030:120 Proposed** - Evaluation and eligibility; **907 KAR 023:020 Emergency** - Reimbursement for outpatient drugs; **908 KAR 003:010 Proposed** - Patient's rights. (Previously Deferred); **922 KAR 001:310 Proposed** - Standards for child-placing agencies placing children who are in the custody of a state agency; **922 KAR 001:315 Proposed** - Standards for child-placing agencies placing children who are not in the custody of a state agency; and **922 KAR 001:340 Proposed** - Standards for independent living programs. The listed administrative regulations were reviewed by the committee.

Discussion on 2022 Regular Session House Bill 457, Pharmacy and Pharmacist Services

Representative Sheldon discussed the importance of reforming pharmacy benefit managers (PBMs) to reduce drug costs, the impact of the 2020 Regular Session Senate Bill 50 for the Medicaid program, the state fiscal year (SFY) 2022 Medicaid benefits budget, the impact of PBM reform on insurance premium costs for patients and payers, and other solutions for comprehensive reform of PBMs.

Cathy Hanna, Chair, Board of Directors, Kentucky Pharmacists Association, discussed the roll PBMs have in determining the cost of prescription medications, the domination by super PBMs of the prescription market, the 2020 Regular Session Senate Bill 50 positive reform results, proposed legislation to prohibit PBMs from requiring patients to use a pharmacy owned or affiliated with the same PBM, and the services local pharmacies provide to patients.

In response to questions and comments from Senator Berg, Representative Sheldon stated that PBM reforms would be a savings for consumers. Rebates should be passed to the consumer.

In response to questions and comments from Senator Wise, Ms. Hanna stated that bills are being introduced on a federal level and the Federal Trade Commission had hearings to start addressing the PBM issues. Representative Sheldon stated that there was a unanimous federal decision to thoroughly investigate the PBMs' vertical integration.

In response to questions and comments from Representative Moser, Representative Sheldon stated that he has reviewed legislation similar to 2022 Regular Session House Bill (HB) 457 that passed in Tennessee, Colorado, and other states.

In response to questions and comments from Senator Givens, Representative Sheldon stated that HB 457 was intended to affect all PBMs that do business in Kentucky. The language in HB 457 ensures that PBMs cannot force a patient to only use a particular mail-order prescription service owned by the PBM. In order for the consumer to be serviced properly, the prescription must be accessible to the local pharmacy. The consumer needs to be charged at

the point of sale.

Presentation on Pharmaceutical Pricing, Pharmacies, Pharmacy Benefit Managers, and Managed Care Organizations

Josh Golden, Senior Vice President, Strategy, Capital Rx, discussed his knowledge of and experience working with PBMs, typical operating strategies of PBMs, key elements of the PBM model that are broken, and the use of National Average Drug Acquisition Cost (NADAC) pricing benchmark to create a baseline for reimbursement to pharmacies.

Antonio Ciaccia, President, Three Axis Advisors, discussed his experience and research in the prescription drug pricing field, the various participants in the drug distribution system, the various ways prescription drugs are priced creating price discrimination and manipulation, the complicated, evolving role of PBMs, the Ohio Medicaid audit of PBMs and following lawsuit settlements, and pricing research regarding small self-insured employers, rebates, and PBMs spread pricing.

Fred Barton, PharmD, Vice President, Account Management, EmsanaRx, discussed being a part of the coalition of Purchaser Business Group on Health employers that want to fix healthcare, a case study of CVS/Caremark, a PBM, and the Kentucky Employee Health Plan (KEHP) with examples of pricing variances for the same medications, generic drug utilization, average wholesale price (AWP) discounts from 2017 to 2021, variable contract rebate language, and opportunities for KEHP to cut spending and create revenue.

In response to questions and comments from Representative Bentley, Mr. Barton stated that most PBMs belong to the Pharmaceutical Care Management Association (PCMA). EmsanaRx is not a member of PCMA and was denied admission because of the company's mission and work.

In response to questions and comments from Senator Carroll, Mr. Barton stated that it is concerning that PBMs decide what they pay their pharmacies and essentially themselves with spread pricing. Mr. Golden stated that the prescription discount card companies are behind the scenes leveraging existing PBM network deals to get the lower prices.

In response to questions from Representative Marzian, Mr. Barton stated that PBM and pharmacy profits are determined by how much the pharmacy is purchasing the drug for from the wholesaler at a minimal amount. The example in the presentation, the PBM Caremark is paying CVS pharmacies, which is also paying themselves, because Caremark owns CVS pharmacies.

In response to questions from Representative Fleming, Mr. Ciaccia stated that his research has found that approximately half of the prescriptions dispensed at a pharmacy are done at a loss, 40 percent of claims are paid as a break-even proposition for the pharmacy, and there is the smaller percent where pharmacies are overpaid for medicines. His research shows that when pharmacies make a lot of money on specific drugs, those drugs are traditionally being disproportionately dispensed at pharmacies owned by the PBM.

In response to questions and comments from Senator Alvarado, Mr. Ciaccia stated that in

international drug pricing, some brand name products are cheaper than in the United States, but typically generic drugs are more expensive internationally. Other countries may engage in pricing controls but that can hinder access to the medications in those countries. Jessin Joseph, Senior Director, PBA Services, Capital Rx, stated that out-of-state pricing depends on the plan sponsor, however, the products are not necessarily covered by the Food and Drug Administration (FDA) but a different regulatory body.

Adjournment

There being no further business, the meeting was adjourned at 2:55 PM.

INTERIM JOINT COMMITTEE ON JUDICIARY

Minutes of the 4th Meeting

of the 2022 Interim

September 22, 2022

Call to Order and Roll Call

The 4th meeting of the Interim Joint Committee on Judiciary was held on Thursday, September 22, 2022, at 11:00 AM, in Room 149 of the Capitol Annex. Representative Kim Banta, acting Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative C. Ed Massey, Co-Chair; Senators Karen Berg, Danny Carroll, Alice Forgy Kerr, John Schickel, Wil Schroder, Johnnie Turner, Stephen West, and Phillip Wheeler; Representatives Kim Banta, John Blanton, Kevin D. Bratcher, McKenzie Cantrell, Daniel Elliott, Patrick Flannery, Samara Heavrin, Nima Kulkarni, Derek Lewis, Patti Minter, Kimberly Poore Moser, Jason Nemes, Jason Petrie, and Pamela Stevenson.

Guests: Steven P. Veno, Commissioner, Department for Income Support, Cabinet for Health and Family Services; Lily Patteson, Division Director, Child Support Enforcement, Cabinet for Health and Family Services; Dr. Jane Venohr, Center for Policy Research; Damon L. Preston, Public Advocate, Department of Public Advocacy; B. Scott West, Deputy Public Advocate, Department of Public Advocacy; Eric Schuller, President, Alliance for Responsible Consumer Legal Funding; Marc A. Wilson, Top Shelf Lobby; and Cary Silverman, American Tort Reform Association.

LRC Staff: Roberta Kiser, Matt Trebelhorn, Randall Roof, Michelle Spears, Lexington Souers, Stacy Byrns Taulbee, and Sasche Allen.

Acting Chair Kim Banta advised that Co-chair Massey had been delayed and requested that she begin the meeting.

A motion was made by Senator Wheeler and seconded by Senator Turner to approve the minutes of the August 18, 2022, meeting. Minutes were approved by voice vote without objection.

Consumer Legal Funding

Marc Wilson, Top Shelf Lobby, stated that his company represented the Alliance for Responsible Consumer Legal Funding and he expressed his opinion that there was need for legislation regarding

consumer legal funding. Eric Shuller, President of Responsible Consumer Legal Funding, explained that the consumer legal funding being proposed for recognition and regulation in Kentucky is a nonrecourse product. This means that if the consumer has no legal recovery or does not recover sufficient funds to cover priority liens and costs, the consumer owes nothing. Mr. Shuller stated that the company offering legal funding reviews a claim at the request of the consumer and confirms that the consumer has secured legal representation. If the claim is valid, and the attorney representing the consumer agrees, legal funding is provided. The funding provided is only to be used for household needs such as housing costs, utilities, and food. Funding cannot be used for litigation expenses and the funding company can have no influence in the case.

Mr. Shuller advised that the proposal for Kentucky would include required registration of the funding company and a rate cap restriction of 36 percent plus 7 percent. If the funding amount provided is less than \$5,000 the company may charge an additional document preparation fee of \$250, and if more than \$5,000 the company may charge an additional document preparation fee of \$500.

Senator Wheeler stated that he has used this product in his cases before and while it is not a cheap product, it is needed. Senator Wheeler expressed appreciation to Representative Flannery for addressing this need and proposing regulation of the product.

In response to a question from Senator Schickel, Mr. Shuller stated that the funding company makes its money on the profits generated and the amount earned is not tied to the amount of the verdict or settlement.

In response to a question from Representative Nemes, Mr. Shuller verified that the attorney representing the client provides no guarantees regarding the outcome of the case and signs the documents to confirm that the funding contract has been reviewed with the client and that payment will be made as provided under the contract from the proceeds of the case.

In response to a question from Senator Turner, Mr. Shuller confirmed that if there is no recovery, no repayment is required. In response to a follow-up question, Mr. Wilson stated that companies represented by Mr. Shuller receive up to 2000 calls per year but without regulatory legislation, they do not offer the product in this state.

Representative Flannery stated that this product is offered by others in the state, and while it is not a transaction that occurs frequently, he believes that what is being proposed is good as it sets up guardrails and protections for the consumer and for the businesses that occupy this space.

In response to a question from Senator Berg regarding predatory lending, Mr. Shuller discussed traditional financial product lending and noted that with consumer legal funding, there is no credit check and no requirement to make payments along the way. This is why this product is not considered a loan in most states.

In response to a question from Senator Wheeler, Mr. Shuller discussed what income tax consequences might apply if no recovery is made.

Cary Silverman, American Tort Reform

Association (ATRA), expressed concern regarding what he referred to as lawsuit loans and lawsuit lending. He stated that these lending practices can encourage litigation and current Kentucky law prohibits these types of arrangements. ATRA does not support this legislation. He stated that lawsuit loans should be subject to the state's usury laws and should be disclosed to all parties to the litigation, including the court.

In response to a question from Senator Schroder, Mr. Silverman stated that this industry is operating in a legal gray area and is seeking this legislation to have a way to collect the money it provides to consumers. Mr. Shuller stated that the companies do not engage in outbound marketing. They respond only to inquiries received from consumers.

Representative Flannery offered comments regarding how long it can take to resolve litigation and this is one of the reasons these types of products are needed.

In response to a question from Senator Wheeler, Mr. Silverman stated that he thinks adequate consumer protection laws are already in place and what is being requested here weakens those protections. Senator Wheeler responded that in some situations these products are necessary and should be regulated.

Child Support Update

Co-chair Massey discussed the recent updates to the child support tables and discussed some of the information that has been reviewed over the past several years to address adjustments to child support, to provide for the statutory parenting credit. Work continues on this with input from Family Court judges, practitioners, and other experts.

Lily Patteson, Child Support Enforcement Authority Director, advised the committee that when this process started the goal was to have a formula that was easy to use, fair, sensible, appropriate, provided for a gradual change with more overnights, and also reduced litigation. Kentucky's proposal takes into account the actual child-rearing costs along with the standard shared parenting schedule that many judges utilize. This proposal is unique to Kentucky and designed specifically for Kentucky.

Co-chair Massey discussed shared parenting and future adjustments to the legislation that should be addressed early in the 2023 Regular Session.

Dr. Jane Venohr, an economist with the Center for Policy Research, stated that the Center provides technical assistance to approximately 30 states on their child support guidelines. She stated that many options were considered for Kentucky with input from many different sectors.

In response to a question from Co-chair Massey, Dr. Venohr stated that Kentucky has a very simple table that contains income intervals that match what Kentucky uses for time-share ranges making this very Kentucky specific. The ranges are designed to prevent or limit any gaming of the system just to affect a child support order.

Department of Public Advocacy (DPA) Update

Co-Chair Massey discussed the funding provided to DPA under the most recent budget and stated that discussions continue on what future needs have been

identified and how to meet those needs.

Damon Preston, Public Advocate, expressed appreciation to the committee for the funding that has been provided. Mr. Preston explained a new pay schedule that he hopes will help ease staffing concerns but stated there was still work to do. He discussed turnover, the costs associated with training new staff, and hiring obstacles. He stressed the need for DPA to maintain independence.

In response to a question from Senator Turner, Mr. Preston stated that statistics he has provided include the total workload of all misdemeanors, felonies, and juvenile matters.

Senator Berg expressed concern about the low starting salaries for attorneys with DPA.

In response to a question from Co-chair Massey, Mr. Preston stated for years the emphasis has been on caseload for attorneys. This has resulted in a reduction in support staff. Each office, with very few exceptions in larger areas, has only one investigator and one alternative sentencing worker, often dealing with as many as 4000 cases. In most offices, three attorneys share one secretary who also serves as the receptionist and the person who goes to the clerk's office to obtain the files that are needed.

In response to a question from Representative Flannery, Mr. Preston agreed to provide a numerical breakdown of the types of cases handled by DPA.

There being no further business the meeting adjourned at 12:31 P.M.

LEGISLATIVE OVERSIGHT & INVESTIGATIONS COMMITTEE

Minutes of the 4th Meeting

of the 2022 Interim

September 15, 2022

Call to Order and Roll Call

The 4th meeting of the Legislative Oversight & Investigations Committee was held on Thursday, September 15, 2022, at 1:00 PM, in Room 131 of the Capitol Annex. Senator Danny Carroll, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Danny Carroll, Co-Chair; Representative Jason Nemes, Co-Chair; Senators Morgan McGarvey, Michael J. Nemes, and Reginald Thomas; Representatives Lynn Bechler, John Blanton, Ken Fleming, Joni L. Jenkins, Steve Riley, and Scott Sharp.

Guests: Wendy Morris, Commissioner, Department of Behavioral Health, Developmental and Intellectual Disabilities; Phyllis Millspaugh, Assistant Director, Department of Behavioral Health, Developmental and Intellectual Disabilities; Gerina D. Whethers, Cabinet Secretary, Kentucky Personnel Cabinet; Mary Elizabeth Bailey, Commissioner, Department of Human Resources Administration; Jamie Link, Cabinet Secretary, Kentucky Education and Labor Cabinet; Sam Flynn, Chief of Staff and General Counsel, Kentucky Education and Labor Cabinet; and Buddy Hoskinson, Executive Director, Office of Unemployment Insurance.

LRC Staff: Gerald W. Hoppmann, Committee

Staff Administrator; Committee Analysts William Spears, Jacob Blevins, Joel Thomas, Jeremy Skinner, Shane Stevens, Chris Hall, Ryan Brown, Taylor Johnston, McKenzie Ballard; and Jennifer Luttrell, Committee Assistant.

Minutes for August 11, 2022

Upon motion by Representative Flemming and second by Senator Nemes, the August 11, 2022, meeting minutes were approved without objection.

Committee Testimony (not related to assigned study topics)

Court-Ordered Assisted Outpatient Treatment (2022 RS HB 127)

Wendy Morris introduced herself as the Commissioner of the Department for Behavioral Health, Developmental and Intellectual Disabilities (DBHDID) and Phyllis Millspaugh as Assistant Director of the Division of Mental Health, DBHDID.

The commissioner presented information about court-ordered assisted outpatient treatment (AOT) and the implementation of HB 127 (2022 RS), which amended KRS 202A.0811 and KRS 202A.0815, also known as Tim's law. The law allows for patients under a civil court commitment to receive AOT, instead of receiving treatment in a facility or hospital; but implementation of the law was contingent upon funding after its passage in 2017.

Kentucky received a \$4M million Substance Abuse and Mental Health Services Administration (SAMHSA) grant award in July 2020 for \$1M per year from 2020-2024. Commissioner Morris stated they have submitted a request to SAMHSA regarding the potential for changing the scope of work in the grant to include community referrals for AOT. The grant implementation consists of two phases to reach counties in the Central State Hospital Region and the Western Kentucky Hospital Region and covers client support funds, community mental health center provider staff costs, and administration and oversight of the program. An additional \$1.5M from the legislature for BFY 2022-2024 allows expansion in the Eastern State Hospital region and the Appalachian Regional Hospital region.

Representative Flemming discussed the importance of Tim's Law as a means to keep the mentally ill in our communities out of the jails and hospitals. However, he is concerned about a May 2021 whistleblower case, which seems to indicate efforts to thwart the law, a delay in the state's application to SAMHSA, very little communication between courts and judges, and an unwillingness to implement the law due to lack of funding.

Commissioner Morris responded that she believes that DBHDID has done a good job with the law's implementation, given some of the past funding constraints. Regarding the whistleblower case, she noted it did not have anything to do with Tim's law, regardless of what the terminated employee might have stated.

She said they do interact with judges and noted that Judge Burke is on their state standing committee and that several judges have been through the department's training. Ms. Millspaugh added that

other judges will be attending a national symposium in Texas to learn about best practices, which is allowed by the grant.

In response to Representative Fleming's question about the number of people who have received AOT services, Commissioner Morris responded that 46 individuals have been through the program, with five of them cycling back through a second time, resulting in a total of 51 episodes, which is 82 percent of projections. Representative Fleming noted that the number he had was 56. According to the commissioner, the state AOT team recently met, where the number 46 was cited specifically.

Commissioner Morris agreed to provide the most recent federal reporting numbers in writing, while Stephanie Craycraft, the deputy commissioner, also stated that during the first year of the grant \$373,746 was expended. Out of that amount, \$269,998 went to community health centers for implementation of AOT, \$54,000 for staffing and travel associated with a project director, and \$49,689 to the University of Kentucky for the assessment and evaluation of the grant.

In response to Representative Fleming's question about how the department expended the first year of grant funds, Commissioner Morris explained that out of the first \$1 million, which was to be used to serve the Central State Hospital Region, \$626,254 was not expended. Out of that amount, \$250,000 will carry forward to the second year, but the remaining \$376,254 reverted to the federal government. For the second year of the grant, DBHDD has \$1.25M to expend, which will expand service to community mental health centers in both the Central State Hospital Region and the Western State Hospital Region. Deputy Commissioner Craycraft added that asking to carry forward more than the \$250,000 would have required a 6-9 month federal review. Representative Fleming reiterated that his primary concern is what appears to be a lack of urgency and coordination among the primary players, including the courts.

Responding to Representative Fleming's question about how quickly the new criteria has been accommodated, the commissioner said the new criteria were put into place immediately. They also updated pamphlets and flow charts to reflect the recent changes. The Administrative Office of Courts posted the new criteria on their website by the middle of July. Representative Fleming stated that he will continue to follow up on this issue because of its importance and reiterated his request for a full accounting of grant expenditures and related purposes. Commissioner Morris said they will provide the most recent federal report, which is very detailed.

Senator Carroll revisited the money that was sent back to the federal government and asked if the department felt as though it needed immediate access to the \$250,000, instead of waiting for the 9-month federal review process to pass. The commissioner stated there are three options related to grant money that is not expended. The first option is not to request any carry forward money, the second option is to request the 25 percent, and the third option is to request the full amount. Because of an immediate need for services in other parts of the state, the department chose to request the 25 percent. She also

said that whether the state requested the 25 percent or the full amount, the money has to be used for purposes different than what was proposed in the original grant. Senator Carroll requested that the cabinet submit to the committee something in writing that fully details grant expenditures and purposes, as well as providing the federal policy that lead the cabinet to request a 25 percent carry forward of unexpended funds.

Representative Jenkins asked why funds were sent back to the federal government when the Louisville region has a need for AOT services. The commissioner responded that unexpended funds could not be used for the same region or for the same programs. Representative Jenkins also asked whether circumstances at the time kept the cabinet from gearing up in time to spend more money or if processes simply were not in place to provide services. Commissioner Morris responded that the program started slowly because of COVID-19, which impacted seeing patients, hiring staff, as well as holding court hearings. Representative Jenkins stated she is still concerned that available resources in Jefferson County were not used to expend the federal money.

Representative Nemes discussed the money that reverted back to the federal government and emphasized the impact to the Louisville area, given its mental health issues due to COVID-19 and the opioid crisis. He discussed his intention to submit written questions on the record for a formal response and indicated he may request responses under oath. He also asked whether referrals have been taken from jails. Commissioner Morris stated referrals from jails have not been taken, since the grant requirements discuss hospitals specifically.

Personnel Cabinet-Executive Branch Teleworking

Secretary Gerina D. Whethers and Commissioner Mary Elizabeth Bailey presented information related to the current status of teleworking among executive branch employees. Senator Carroll noted that he has personally experienced difficulty contacting various state entities, waiting a week for return calls and up to two weeks to receive results of a background check. He has heard similar concerns from other providers in the state. He wants to understand the process better, as well as the latitude granted to cabinets to carry out Personnel Cabinet guidance.

Secretary Whethers explained that 56 percent of executive branch employees work fulltime in an office and eligibility depends on work duties. She noted that the cabinet is embarking on a new work environment with five different generations in the workforce for the first time in history. Within the last two years, things have improved with respect to telework and customer service.

The Secretary stated that they still have to recognize the needs of state employees in an evolving work culture. It is important to retain top talent and promote and train new people. State agencies need options, flexibility, and opportunities to work within the new work environment and still serve the citizens. She also took the opportunity to thank the legislature for the recent pay increases for state employees.

Commissioner Bailey said that the Personnel Cabinet sets the telecommuting policy for the executive branch, but the determination of eligibility

is made by the agency's appointing authority. Even though 56 percent of the employees in the executive branch are working full-time in the office every day, the cabinet still offers flexible work schedules. She stated that 35 percent of executive branch employees telecommute on a partial level, while 9 percent telecommute full-time. She also noted that the cabinet reviews positions for telecommuting eligibility on a quarterly basis and require employees to abide by the policy, the terms and agreement, the safety checklists, and have flexible work schedules.

Commissioner Bailey responded to Senator Carroll's question about how agencies are monitoring teleworking staff's production by stating that the cabinet requires each agency's leadership to put procedures in place to monitor workload. Some common methods include keeping a daily log, monitoring phone activity, status reports, and staff meetings. Secretary Whethers added that the Personnel Cabinet is working with agency human resource directors to ensure they have the training and tools needed to manage a teleworking workforce.

Asked by Senator Carrol if the Personnel Cabinet is hearing about instances where the cloud-based phone systems used by many teleworkers is causing problems, Commissioner Bailey responded that she was not aware of any problems beyond those experienced early in the pandemic as they were rolling out new technology. Senator Carroll commented that customer service has suffered since COVID-19 related to constant delays, which reflects negatively on the Commonwealth. Although things have improved, he stated that additional work needs to be done regarding checks and balances to ensure that customer service is timely.

In response to Representative Blanton's question about how the Commonwealth benefits from state employees teleworking, Secretary Whethers noted that the modern work force is different. All state agencies have to maintain a high level of customer service while retaining current employees and being able to recruit new employees. Representative Blanton stated he is not opposed to teleworking as long as employees complete their jobs and are available to the public.

Commissioner Baily replied in the affirmative to Representative Blanton's question about whether agencies are still doing the same type of employee evaluations they used prior to teleworking. She noted that they also require all managers to take their performance management training.

Representative Nemes noted that the occupational tax rate varies between counties and asked what the state is doing to ensure those taxes collected on teleworking employees will make it to the correct county. Commissioner Bailey responded that teleworkers must fill out a form that indicates in what county they will be teleworking. This allows occupational taxes to be collected at the correct rate and ensures those dollars make it back to the right place.

Representative Nemes noted that Franklin County in particular could take a significant hit to the revenue it collects through occupational taxes, since state property is not taxed. He asked if the cabinet knows how much teleworking reduces tax revenue for counties such as Franklin. Commissioner Bailey said

that she knows it has some impact on county-based tax revenue, but was not sure of the exact number. Representative Nemes requested information on the Commonwealth's contribution to the occupational tax base for the city of Frankfort and Franklin County, using 2019's occupational tax base as a control year and 2022's tax base as a comparison year.

Representative Nemes asked if the state has realized any efficiencies related to personnel complement or in a reduction of rented office space. Commissioner Bailey noted that they have seen a slight increase in the number of employees, but that numbers have remained relatively flat for the past 5 years. She added that some leases have been terminated, but that she would defer to the Finance and Administration Cabinet for details and cost-savings.

Senator Carroll noted that this subject would make a good study topic for LOIC staff to study in a couple of years.

Kentucky Education and Labor Cabinet Unemployment Insurance Contracts

Secretary Jamie Link, General Counsel Sam Flynn, Executive Director Buddy Hoskinson, and Executive Director Shelby Lewis introduced themselves to the committee.

Secretary Link stated that the pandemic of 2020 caused an unprecedented increase in unemployment insurance claims, which was essentially ten years of claims in one year. When the pandemic struck, a lot of people were out of work and needed assistance, so the objective of contracting with Ernst & Young was to get Kentuckian's help who were impacted by the pandemic as quickly as possible. The company had national and global experience in this area, which is why it was selected.

Mr. Flynn discussed the timeline starting in 2017 when UI services were removed from Kentucky's career centers, with a reduction of 95 employees. The UI processing was moved back to the central office, where a call center was built up. Mr. Hoskinson discussed the pop-up locations where people could go to receive assistance. He also discussed the surge of claims that exceeded the amount of UI staff and manageable workloads.

The first contract to provide immediate support, was a \$7.6 million dollar sole source emergency exemption procurement, which the Finance and Administration Cabinet approved and the Government Contract Review Committee reviewed in July of 2020. The second contract to provide continued support was a \$4.9 million "not feasible to bid" procurement, which was approved by the Finance Cabinet. Mr. Flynn also stated that the Government Contract Review Committee reviewed the contract on October 13, 2020. For the first four weeks of the contract, UI had 100 personnel from Ernst & Young assisting them. Following the first four weeks, UI then had 25 personnel from Ernst & Young assisting with reviewing claims. The first contract was for over 141,000 claims and issues worked and the second contract had almost 36,000 claims and issues worked. Senator Carroll followed up and requested the cabinet to provide the committee with a breakdown of the cost per claim for Ernst & Young's services.

In response to Representative Sharp's question about the scope of work for the Ernst & Young contract, Mr. Hoskinson stated the purpose of the procurement was for them to work through aspects of the initial and continued claims the cabinet asked them to review. Secretary Link also noted that it was a lump-sum contract based on the terms delineated within the contract.

Responding to Representative Sharp's follow-up question about whether any other firms were considered for this contract, Secretary Link said that he would have to get that information to the committee at a later date. The secretary confirmed that no other contractor was doing this kind of work on unemployment insurance claims for the state during the pandemic. Representative Sharp followed up by requesting a copy of the Ernst & Young contract that includes the scope of work, as well as all invoices for expenses that were paid.

Senator Thomas thanked the secretary for the work he and his staff did to ensure that people received unemployment benefits during the pandemic. With the expectation of one constituent with residence eligibility questions, Senator Thomas stated that 57 people who requested his help ultimately received their UI benefits.

Senator Carroll asked about fraudulent claims and the total financial loss to the Commonwealth. He also asked about pending court cases and if any state employees were prosecuted. Secretary Link noted that fraud was a significant problem early in the pandemic. He noted that the cabinet implemented an additional line of security called "ID.me" that has multi-factor identification requirements, which has all but eliminated fraudulent claims.

Mr. Hoskinson stated that the overall amount of fraud related to the federal UI programs will end up topping over \$100 billion nationwide. He added that federal and state task forces are actively prosecuting individuals for fraudulent claims. Mr. Flynn further stated that when they identify a possible fraudulent claim within the state, they forward that information along to local prosecutors for further legal action. Regarding individuals within the cabinet suspected of filing fraudulent claims, he noted that the Governor immediately called for an independent investigation into claims that cabinet employees were among those filing fraudulent claims. This resulted in a report being published that investigated 35 people. Of that total, 31 were employed by the cabinet and had filed claims. Seventeen of those individuals were paid and the remainder had stops put on their claims before payment occurred. However, all 17 were required to pay those funds back. One individual who worked on their own claim was dismissed. Senator Carroll followed up by requesting that the cabinet provide the committee the total dollar amount the state lost due to all fraudulent UI claims. Mr. Hoskinson stated they would provide the exact dollar amounts for both the state and federal UI programs. Representative Bechler later requested an anonymized list of the 35 fraudulent claims investigated, the purpose of the investigations, the results of the investigations, and the resulting disciplinary actions.

Senator Nemes said that Ernst & Young was not qualified by the federal government to do anything

other than receive calls and obtain basic information. Senator Nemes further stated that the office closures had nothing to do with a shortage of UI employees to process claims, and that the initial claims work could have been performed by LRC staff.

Mr. Flynn responded that the Kentucky Constitution and statutory law prohibits LRC staff from providing UI services, and federal regulation specifically prohibits it. Overall, allowing LRC staff to help process the UI claims would cause a concern with separation of powers.

Representative Nemes noted that the closure of 12 offices and the cutting of 95 trained staffers that provided UI and employment related services to the Commonwealth during the pandemic had no consequence at least for the first 13 months because those offices would have been shut down anyway. Mr. Hoskinson responded that when funding for the career centers shrinks, staffing will as well. Representative Nemes said that the constant blame of cutting the 12 UI offices and staff being placed on the Bevin administration is wrong.

Senator Nemes noted that some of those positions were taken away because of lack of federal funding. Mr. Hoskinson concurred and noted that most of those positions were federally funded and time limited. Secretary Link added that this is why Ernst & Young was engaged; the cabinet simply did not have the personnel to handle the volume of claims that started in March 2020.

In response to Representative Sharp's question about the status of the new unemployment insurance system, Secretary Link responded that they had procured a new vendor, but in August 2022 there was a federal indictment of two people affiliated with the vendor. As a result, the cabinet decided to cancel and reissue a Request for Proposal (RFP). He indicated that the RFP should be issued by the end of September 2022 and could take between 36 to 42 months before full implementation, which should start in spring 2023.

In response to Representative Sharp's question about how much the state has paid that vendor, the secretary noted that no money has been paid. Secretary Link also responded to Representative Sharp's question about a possible off-the-shelf product for claims processing by noting they have not been able to find such a product nor have other states.

In response to Representative Bechler's question about how close the cabinet is to finishing all the pandemic claims, Mr. Hoskinson noted that backlog is continuous, but that he hopes they are finished with nearly all the 2020 claims by February, the same for 2021, and that 2022 claims are being processed in local offices on a month-to-month basis.

Mr. Hoskinson responded in the affirmative to Senator Thomas's questions about whether there were people working in those offices that were closed.

Senator Carroll noted that none of the comments or concerns they had expressed as a body had anything to do with the front-line workers. He stated that part of the committee's frustration came from the long period of time where it appeared things were not working or getting any better, and that there did not appear to be a sense of urgency from the Governor's Office. He did state however, that reorganizing the office into the

right cabinet helped as well.

Senator Carroll adjourned the meeting.

INTERIM JOINT COMMITTEE ON LICENSING, OCCUPATIONS, AND ADMINISTRATIVE REGULATIONS

Minutes of the 4th Meeting

of the 2022 Interim

September 29, 2022

Call to Order and Roll Call

The 4th meeting of the Interim Joint Committee on Licensing, Occupations, and Administrative Regulations was held on Thursday, September 29, 2022, at 11:00 AM, in Room 154 of the Capitol Annex. Representative Adam Koenig, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator John Schickel, Co-Chair; Representative Adam Koenig, Co-Chair; Senators Donald Douglas, Jimmy Higdon, Jason Howell, Christian McDaniel, Michael J. Nemes, Damon Thayer, and Reginald Thomas; Representatives Kevin D. Bratcher, Tom Burch, Patrick Flannery, Al Gentry, Thomas Huff, Matthew Koch, Chad McCoy, Michael Meredith, Jerry T. Miller, Kimberly Poore Moser, Phillip Pratt, Sal Santoro, Killian Timoney, and Susan Westrom.

Guests: State Representative Mark Hart; Brigadier General (Retired) Steve Bullard, Executive Director, Kentucky Commission on Military Affairs; Allen Neal, Scott County Electrical Inspector; Mike Stone, Executive Director; John Arnett, Jr., Board Member, Kentucky Council on Problem Gambling; Scott Hunt, PhD, Associate Dean, College of Justice, Safety, and Military Science, Eastern Kentucky University; Curtis Barrett, PhD, Kentucky Council on Problem Gambling Professional Advisor, University of Louisville; and Joshua Gaines, Project Manager, Corrections and Reentry, The Council of State Governments Justice Center.

LRC Staff: Wendy Craig, CaraBell Preece, and Lisa W. Moore

Approval of Minutes from August 24, 2022, Meeting

Representative Miller motioned to approve the minutes from the August 24, 2022, meeting and Representative Koch seconded the motion. Motion carried and the minutes were approved by voice vote.

Emergency Medical Services (EMS) Compact

State Representative Mark Hart and Brigadier General (Retired) Steve Bullard, Executive Director, Kentucky Commission on Military Affairs, Ray Molliers, Executive Director, Interstate Commission for EMS Personnel Practice, Doug Wolfberg, Founding Partner, Page, Wolfberg & Wirth, Counsel to the EMS Compact Commission, and Eric Sherman, Southeast Liaison, Department of Defense State Liaison Office, explained the proposed legislation for the EMS Interstate Compacts and answered questions from members. Many military spouse professionals must relicense each time they move to a new state with

their active-duty spouse. The state can facilitate the ability of professionals, including military spouses, to work across state lines by enacting occupational licensure interstate compacts.

Brigadier General Bullard noted the Kentucky General Assembly has been a national leader in occupation licensing compacts. It has already reviewed and passed seven professional licensure interstate compacts and supporters feel the timing is right to include the EMS Compact. Responses to the previously expressed opposition to the EMS Compact by Charles R. "Chuck" O'Neal, MS, NRP, FACPE, when he served as Deputy Executive Director of the Kentucky Board of Emergency Medical Services, are included in members' folders. Concerns related to protecting state sovereignty have been addressed and his position on the issue has changed from opposed to neutral. Many other agencies are in full support.

Mr. Mollers said there are 22 states that have joined the compact and five of those states neighbor Kentucky. This would be advantageous for Kentucky to join its surrounding states in the compact.

Mr. Sherman said the United States Department of Defense has established a Defense-State Liaison Office (DSLO) that works with state policymakers to change laws and policies to improve military family well-being. Each year, the DSLO focuses on 10 key issues. For each issue, the Military State Policy Source website provides background information, official Defense Department data and status updates on relevant information across states. The EMS Compact provides immediate recognition for transitioning service members and spouses, while expediting their applications and alleviating confusion for military spouses transferring between member states.

Representative Hart said the legislation has been amended to satisfy concerns including costs, background checks, standardized disciplinary processes, felonies, and anonymous complaints. All Emergency Medical Technicians (EMT's) who obtain a privilege to practice in another state are obligated to be informed of and to abide by the scope of practice in all other member states including Kentucky if it joins the EMS Compact. Under the compact, each member's state has the responsibility to vet the licenses of those seeking to engage in multistate EMS practice. While Kentucky statutes allow for EMS professional to come to our state during emergencies where the Governor has issued a state of emergency, the compact will allow for license portability on a regular basis. He urged the members to support the legislation in the 2023 Kentucky General Assembly Legislative Session.

Senator Schickel said the Licensing, Occupations, and Administrative Regulations Committee has been supportive of interstate compacts. The EMS Compact will be reviewed carefully and the committee will approve cautiously as state sovereignty is taken seriously.

Responding to a question from Representative Meredith, Representative Hart said the EMS compact will do nothing to affect how we license EMT's and paramedics in the state. It will not make licensure for in-state folks more difficult or strict, such as with the National Registry. The EMS applicant will apply for license as the "home state," which is then recognized

as the equivalent of a license to practice in all other member states similar to the manner in obtaining a driver's license.

Electrical Inspections

State Representative Phillip Pratt and Allen Neal, Scott County Electrical Inspector, discussed the shortage of electrical inspectors in the region. Under current Kentucky law, electrical inspectors cannot perform any electrical work in their county in which they perform inspections nor surrounding counties. Mr. Neal said he would like to be able to perform electrical work in counties outside of the county he inspects. Representative Pratt said he has heard no opposition from any local groups and will be working on a bill draft for the 2023 General Assembly Session. There were no questions from members.

Problem Gambling

Mike Stone, Executive Director, Kentucky Council on Problem Gambling (KYCPG), said the KYCPG is not anti-gambling. The Council's mission is to increase awareness of problem gambling, promote prevention and research, and advocate for the availability of treatment. KYCPG cites evidence that excessive gambling is a public health issue that can be best addressed through a state-operated program of evidence-based approaches to prevention, mitigation and counseling. KYCPG is not advocating to get funding for itself. It is advocating for publicly funded services for the problem gambler and his or her family, and for society, managed through the Department of Behavioral Health, Developmental and Intellectual Disabilities (DBHDID).

KYCPG does not oppose nor advocate for gambling. Statistics indicate tens of thousands of Kentuckians are already at risk or have a problem or an addictive gambling disorder. The latest research in Kentucky showed as many as 64,000 addicted gamblers, 165,000 problem gamblers, and 15,000 Kentucky college students with a gambling problem. KYCPG's advocacy efforts focus on raising awareness of problem gambling, promoting responsible gambling, and helping the problem and addicted gambler and his or her family. KYCPG does oppose illegal and unregulated gambling that preys on the vulnerable and makes no contribution to the public welfare.

The Council notes two of the most significant factors for individuals to gamble in excess are opportunity and proximity. KYCPG urges the Kentucky General Assembly to authorize such a program and establish a recurring funding mechanism from existing and projected revenue the state will receive from legally approved gambling. Last year, more than \$2 billion was spent on legal gambling in Kentucky. The state government will receive about \$400 million in revenue in the coming year. In addition, it is anticipated the General Assembly will consider legislation in its 2023 session to legalize sports gambling and "grey" or "skill" machines in the state.

The Kentucky Incentives for Prevention (KIP) most recent survey conducted by REACH of Louisville of sixth, eighth, tenth and twelfth grade public school students showed more than 26

percent of high school senior gambled for money or possession during their lifetimes. The KIP survey indicated almost two percent of the more than 100,000 respondents reported gambling money or time spent gambling led to financial problems with family, work, school, or personal life, which are criteria for gambling addiction.

A gambling problem is evident when someone continues to gamble in spite of recurring negative consequences resulting from the gambling activity. A gambling disorder can increase the chance of an individual developing a psychological disorder, particularly major depressions and phobias and is linked to behavioral health conditions, including alcohol use disorder, drug use disorder, nicotine dependence, and anxiety disorder. Addicted gamblers have a higher suicide rate than any other addictive disorder, and are six times more likely to be divorced. A study showed 25-50 percent of spouses of compulsive gamblers were abused, and research has shown that children with parents who have gambling problems are up to 10 times more likely to develop their own. Problem gamblers have increased involvement in criminal activity and miss work, lose productivity, and get fired from employment.

Society pays for the criminal justice and government social services in place to address the societal problems. Each addicted gambler costs society between \$1,200 and \$19,000. The impact on state social costs is greater than \$10 million to as much as \$300 million.

John Arnett, Board Member, KYCPG, shared his personal story of overcoming gambling addiction. New and more comprehensive data can provide a better understanding of the scope of the problem and plan an effective public health initiative. The KYCPG estimates funding for a problem and addicted gambling program stats at \$1.4 million in the first year, and increases to \$3.7 million in the fifth year. KYCPG urges the Kentucky General Assembly to designate a portion of the revenue received from legal gambling to fund a public program of problem and addicted gambling education, prevention, and treatment services.

Chairman Koenig said House Bill 607 passed in the 2022 Regular Session of the General Assembly ensured that the Historical Horse Racing (HHR) facilities would provide a self-exclusion list for anyone who is having issues and maintain and share with other facilities. He challenged the committee to continue to identify revenue streams to provide funding for gambling addiction.

Senator Schickel recognized Mr. Arnett and said he was a dear friend from Boone County. He acknowledged his courage in testifying about his gambling addictions before the committee.

Responding to a question from Representative Timoney, Mr. Stone said that "grey" or "skill" machines are considered to be gambling.

Responding to a question from Representative Moser regarding insurance coverage for gambling addiction, Mr. Stone said not all insurance companies cover gambling problem treatments. It is their recommendation that funds for treatment would flow through a certified gambling counselor who would bill for services rendered very much like treatment

of substance abuses. Representative Moser is a huge proponent for treatment of any addiction, and said after a diagnosis, there should be a specific billing code for gambling treatment. She also said that \$150,000 may not be enough funding to cover treatments programs, but it is a start for an awareness campaign. Mr. Stone said one half of one percent that the state would take in the coming year would be between \$1.5 and 2 million dollars that would be distributed to the Department of Behavioral Health and administered by established regulations.

Responding to a question from Senator Thomas, Mr. Stone said families are involved in the treatment program for gambling addictions. Mr. Arnett said self-awareness, professional counseling, and a long-term support group, such as Gamblers Anonymous, are the keys to the road to recovery. He said Kentucky needs more adequate certified gambling therapists. Legislation should cover employing gambler therapists and offer treatment programs. It is a \$12,000 to \$50,000 cost for a 30-day program and private insurance companies typically do not cover gambling addiction issues. Senator Thomas is shocked that Lexington does not have a certified gambling counselor.

Responding to Senator Thomas regarding alcohol support programs, Mr. Stone said he will contact Dr. RonSonlyn Clark, Senior Director of Substance Abuse Services, RiverValley Behavioral Health, in Owensboro, Kentucky, and have her provide him a response for alcohol treatment program questions. Chairman Koenig said there tends to be crossover between gambling and alcohol issues in people.

Responding to a question from Representative Gentry, Mr. Stone said the National Association of Administrators of Disorder Gambling Services recommends 23 cents per person is average public funding across the states for budgeting for treating gambling programs, approximately \$1 to \$1.5 million. Representative Gentry said there is a need for treatment programs and it needs public assistance to be effective and efficient and \$150,000 will not be enough to adequately fund a quality program for the state.

Responding to a question from Representative Burch, Mr. Arnett said his treatment was too late. He said in-patient treatment would have been helpful and possibly made his three year prison sentence avoidable. He said the Gamblers Anonymous support group and the 1-800 phone number were not sufficient treatment in itself and does not provide certified therapists. He had the tools to beat addiction, but the winning proved too powerful. Representative Burch believes the gambling industry should be contributing funding for treatment programs.

Senator Douglas said there is not enough certified gambling therapists in the Commonwealth, however he suggested utilizing universities to produce therapists instead of identifying new funding streams. The Kentucky taxpayers would probably appreciate utilizing existing facilities and resources to address the problem.

Responding to a question from Representative Koch, Mr. Stone said the KYCPG contributes \$80,000 a year towards awareness and it provides the 1-800-GAMBLER help line phone number service in

cooperation with RiverValley Behavioral Health. The Kentucky Lottery pays for part of the tax services in the contract and billboards across the state addressing problem gambling. The horse racing industry uses signage at their venues and in their program books advertising the 1-800 help line. He said prevention and awareness is just as important as treatment.

Responding to a question from Senator Thayer, Mr. Stone said studies show there is a significant social cost from gambling. Senator Thayer said human activity is addictive and he is not sure it is the taxpayer's job to fund treatment on legal activities.

Offender Reentry

Joshua Gaines, Project Manager, Corrections and Reentry, The Council of State Governments Justice Center, showed members a PowerPoint and said nearly one in four jobs in the United States require a government-issued license. Many people with a criminal record are prohibited from receiving occupational licenses or discouraged from seeking jobs in licensed fields. Barriers to work can have devastating effects on people with criminal records, but fair chance licensing legislation can reduce these barriers. Nearly 300 provisions of state law limit access to licensure for Kentuckians with criminal records.

Over half of the states have enacted broadly applicable fair chance licensing laws in one form or another. Three key principles have emerged: 1) Licensing bodies should have the authority to deny applicant with past convictions that directly relate to the tasks and duties of a licensed activity such that licensure would create an appreciable risk to public safety; 2) Workers should not be barred from licensure solely on the basis of a past conviction; instead, they should be given individualized consideration that accounts for their past and current circumstances and the unique nature of their criminal conduct; and 3) Licensing policies and practices involving determinations about the criminal history of applicants should be transparent and consistently applied.

There are economic benefits to putting people back to work who have been involved with the criminal justice system. One study has shown that \$87 billion dollars are lost annually due to barriers to work faced by people with felony convictions.

Responding to a question from Chairman Koenig, Mr. Gaines said an individual's criminal history cannot change between the time of the application and approval to the final licensure. Chairman Koenig said offender reentry can assist with workforce issues and Kentucky's growing incarceration problem. Kentucky still has overflowing prisons and getting people back to work and out of the criminal justice cycle would be beneficial.

Co-Chair Schickel said he is disappointed in the Council's work on the offender reentry issue. He does not believe this approach will be successful because of the public safety aspects and determining who sets the standards for the profession.

Representative Moser said she sponsored and passed a bill in the 2021 Regular Session dealing with certification employability for incarcerated individuals. The bill allows these individuals to move forward in society and receive the job training they

need. Kentucky is making strides and she feels that providing a "pre-application determination" process for prospective applicants to know whether their record is disqualifying before investing in the training and education required for a license is a good idea.

Responding to a question from Representative Moser, Mr. Gaines clarified that the pre-application process is procedural in nature. It will require a determination that takes place at a later time. The standards that are used to determine whether a board approves or denies an application would not be any different and would be consistent with current Kentucky law. The only difference is that the person would get that determination before having to make the investment in education and training.

Representative Moser said the goal is to move individuals from the criminal justice system to employment, which reduces relapse and recidivism. Kentucky can learn from other states and she supports this.

With no further business before the committee, the meeting adjourned at 12:25 p.m.

INTERIM JOINT COMMITTEE ON LOCAL GOVERNMENT

Minutes of the 4th Meeting

Of the 2022 Interim
September 27, 2022

Call to Order and Roll Call

The 4th meeting of the Interim Joint Committee on Local Government was held on Tuesday, September 27, 2022, at 10:00 AM, in Room 171 of the Capitol Annex. Senator Robby Mills, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Robby Mills, Co-Chair; Representative Michael Meredith, Co-Chair; Senators Ralph Alvarado, Christian McDaniel, Morgan McGarvey, Michael J. Nemes, Wil Schroder, Adrienne Southworth, Damon Thayer, and Phillip Wheeler; Representatives Danny Bentley, Josh Bray, Jeffery Donohue, Ken Fleming, Deanna Frazier Gordon, Mary Beth Imes, DJ Johnson, Adam Koenig, Matt Lockett, Mary Lou Marzian, Jerry T. Miller, Brandon Reed, Rachel Roberts, and Walker Thomas.

Guests: Tom Crawford and Cathy Thompson, Department of Revenue; David O'Neill, Fayette County PVA; Kellie Lang, Franklin County PVA; Tabatha Clemons, Grant County Clerk; Jason Denny, Anderson County Clerk; Debbie Donnelly, Hardin County Clerk; Chris Cockrell, Montgomery County Clerk; Trey Grayson, Kentucky County Clerks Association; Mack Bushart, Property Valuation Administrators Association; Calloway County Judge/Executive Kenneth Imes; Stuart Baird, SMI; and Bryanna Carroll, Kentucky League of Cities.

LRC Staff: Mark Mitchell, Joe Pinczewski-Lee, Christopher Jacovitch, and Cheryl Walters.

Approval of Minutes

Upon the motion of Senator Alvarado, seconded by Representative Lockett, the minutes from the July 19 and August 25, 2022 meetings were approved.

Online Tangible Personal Property Tax Filing System

Mr. Tom Crawford, Director, Division of Local Support, Office of Property Valuation, Department of Revenue (DOR), told the Committee that DOR would implement and manage an online system for tangible personal property returns, recommended by the Property Valuation Administrator task force and envisioned by 2022 SB 232 should it be authorized by the General Assembly.

Ms. Cathy Thompson, Director, Division of State Valuation, Office of Property Valuation, Department of Revenue, stated that DOR, Office of Property Valuation, administers a centralized ad valorem system for processing tangible personal property taxes. The current system developed in 1988 provides the Property Valuation Administrator (PVA) offices the ability to manually enter tangible returns for their respective counties. The tax roll is produced at the state level and sent to the counties to maintain for retention purposes and for producing tax bills.

An on-line filing system for tangible property tax returns would serve to allow taxpayers and taxpayer representatives to file their business personal property tax returns via an on-line portal. The returns filed online would then be available electronically for each county's tax roll program.

There are currently two systems which include the Tangible Property Tax System (TPT), which is used by PVAs, and Omitted Property Tax System (OPT) which is used by DOR. There are more than 101,000 returns manually statewide. Returns filed after the statutory due date are processed in the OPT by DOR. There are more than 10,200 returns processed annually in the OPT system and numerous audits of business personal property. In fiscal year 2021, \$31.7 million was collected with \$17.9 million of that having been distributed to local taxing jurisdictions.

Examples of tangible personal property tax return were shown and discussed via a PowerPoint presentation.

The adoption of an on-line tangible property system in lieu of the centralized mainframe system, will result in increased efficiencies for all parties. The amount of manual data entry would be reduced and it would eliminate duplication efforts. Tax rolls can then be produced efficiently to assist local taxing jurisdictions in setting tax rates, and provide cost savings concerning mailing and processing returns.

Additional benefits of electronic filing include convenience, security, accuracy, and proof of filing. Taxpayers and authorized agents would have the ability to review historic returns and certain information could be already filled out on future returns.

The OPT is used to process omitted personal property taxes and bill for audits. Since a portion of the omitted tangible collections must be distributed to the local jurisdictions, state and local tax rates must be maintained by the system. Of the two systems, the OPT is much more complex.

Ms. Kellie Lang, Franklin County PVA, stated that her office has four full-time employees and two part-time employees. It takes one full-time employee to enter the data, which happens from January through May. Another employee checks the information that is

entered, which is very time consuming. The online tax filing system would greatly benefit the PVAs.

Mr. David O'Neill, Fayette County PVA, said his office has 18 full-time employees and a couple of part-time employees. His office process around 7,500 tangible tax returns each year. He agreed that the on-line tax filing would benefit the PVAs.

In response to a question from Senator Mills, Mr. Crawford stated that there are two components for tax filing at present--the TPT, and OPT. A vendor that frequently works with local officials has been consulted for an estimated price for on on-line tangible property tax system. The vendor has not yet completed their estimate. The back end costs dealing with the OPT are expected to be greater than the front end costs dealing with the TPT. The department will share that estimate when it is received from the vendor.

Update on the Progress of the County Clerks' Recorded Instrument Electronic Filing Portal

Ms. Tabatha Clemons, Grant County Clerk, thanked the members of the General Assembly for passing 2022 SB 135, which modernizes the handling of recorded instruments.

Mr. Jason Denny, Anderson County Clerk, told the Committee that SB 135 requires that county fiscal courts establish a separate account into which clerks will transfer \$10 fees that are collected until the county clerk seeks payment for expenditures relating to recorded instruments. The payments are to be made by the county upon presentation of an invoice to the county treasurer without fiscal court approval.

The Auditor's Office provided guidance to the clerks about how they planned to audit the \$10 separate fee accounts. The office opined that fiscal court approval was not needed before payment. The clerk need only present an invoice to the county treasurer for the treasurer to pay the invoice. While a clerk and fiscal court could jointly decide to use a purchase order system, if desired, the clerk is not required to use one according to guidance from the Auditor's office. In addition, the office confirmed that recurring payments do not need to be on the fiscal court's standing orders, because the fiscal court itself doesn't play a role in the approval or disapproval of payments from the account.

The Auditor's Office confirmed that they will only audit fiscal courts with regard to the \$10 fee separate accounts for the following reasons: if the payment was made to the vendor in a timely manner after the clerk presents the invoice to the treasurer; if the account had all of the \$10 fees properly deposited into it and contained no other deposits; and if expenditures were made in the appropriate amounts based upon valid receipts. The clerks will be audited separately to ascertain if the expenditures themselves were appropriate.

The auditor's guidance came after the Department for Local Government (DLG) issued guidance calling for fiscal court approval before any payments could be made from the \$10 fee separate account. DLG's incorrect guidance continues to create confusion despite the clear language of SB 135.

Despite this confusion, in most counties, the

new treatment of the \$10 fee is being implemented as envisioned in the bill.

However, some county treasurers have refused to establish a separate account to hold the \$10 fee saying that the fees should stay with the county clerks.

Other concerns exist, also. In western Kentucky, a county treasurer has refused to pay any invoices unless the county clerk asks for payment at a fiscal court meeting. Another fiscal court reduced that clerk's budget by the yearly estimated amount of \$10 fees collected.

County clerks would appreciate any help to ensure that SB 135 is implemented correctly in all counties.

Mr. Chris Cockrell, Montgomery County Clerk, stated that there are concerns with the Kentucky Department of Libraries and Archives' (KDLA) grant process. While communication between KDLA and clerks about deadlines and upcoming grant opportunities has improved, KDLA staff are still too often nitpicking grant applications and updating policies without informing clerks, as opposed to providing assistance to ensure that applications can be approved and the money can be used as intended.

KDLA is also turning down qualified applications. Staff refuse invitations to attend the association's monthly in-person trainings because they generally are working from home. Ms. Debbie Donnelly, Hardin County Clerk, was told that she was not eligible to receive funding to help with converting digital images to microfilm for permanent storage.

Ms. Donnelly noted that when she applied for the grant, she was told that it had to be for converting files for 2014 and earlier. She needed funding for converting recent filings, so she will reapply.

Mr. Cockrell said Mr. Denny was able to get funding for microfilm conversion after two application cycles. Another county was told that it could not use KDLA funding to pay for digitization because that was modernization, not historic preservation.

Clerks serving on the grant approval committee, who forfeit their ability to secure grants for their offices to serve the Commonwealth, are given a handpicked list of grants to review. KDLA staff have already selected the grants that they want awarded.

KDLA is preparing to issue its latest grant funding application. The clerks hope that some of these issues will be resolved.

In light of the state librarian's pending retirement, the clerks' hope that the state librarian's successor will be chosen from duly qualified candidates.

Ms. Clemons stated that counties are moving towards meeting the first SB 135 deadline to offer a portal for filing recorded instruments electronically by June 30, 2023. Approximately 56 counties currently offer such a portal. Around 115 counties are under contracts with vendors to offer one. Since 2020, over 60,000 documents have been electronically recorded in counties that accept electronic filing. Those clerks with portals, as well as the vendors, are using their acquired knowledge base to assist counties with problems.

The appropriation in the recently approved budget for financial assistance becomes effective the day after the June 30, 2023 deadline. The clerks request that deadline be pushed back by six months

so that the counties needing extra assistance beyond the \$10 fee and KDLA money—especially the small counties—can access that money to be able to meet the requirement. A six-month delay for the first deadline should be all that is required.

Ms. Donnelly has identified a few minor clean-up changes that need to be made. The clerks will work with the business stakeholders and legislators to make these changes.

The clerks are concerned that the vendors will be overwhelmed in the rush of all the counties to convert millions of documents. It is hoped that the financial designations and protocols associated with the bill will address the issue, but only if the money is actually unlocked. It is important for fiscal courts and KDLA to follow the letter and spirit of SB 135 as has been outlined.

In response to a question from Representative Meredith, Ms. Clemons replied that the status of the five remaining counties that do not have contracts with vendors is unknown, however the clerks are aware of the deadlines and are, perhaps, concerned about making the changes, and getting funding. Vendors and other clerks are making efforts to assist them in meeting the deadlines.

In response to a question from Senator Mills, Ms. Clemons answered that for each document filed in the clerk's office, \$1 is paid to the clerk and transferred to the KDLA fund for the grant program. Regarding the difficulties with the grant payouts discussed earlier, conversations have been taking place, and communication has improved.

Senator Mills announced that the next meeting of the Committee would be October 25th.

There being no further business, the meeting was adjourned at 10:40 a.m.

INTERIM JOINT COMMITTEE ON NATURAL RESOURCES AND ENERGY

Minutes of the 4th Meeting

of the 2022 Interim

September 22, 2022

Call to Order and Roll Call

The 4th meeting of the Interim Joint Committee on Natural Resources and Energy was held on Thursday, September 22, 2022, at 1:00 PM, in Room 154 of the Capitol Annex. Representative Jim Gooch Jr., Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Brandon Smith, Co-Chair; Representative Jim Gooch Jr., Co-Chair; Senators Adrienne Southworth, Johnnie Turner, Robin L. Webb, and Phillip Wheeler; Representatives John Blanton, Adam Bowling, Randy Bridges, Tom Burch, Ryan Dotson, Jim DuPlessis, Patrick Flannery, Chris Fugate, DJ Johnson, Norma Kirk-McCormick, Mary Lou Marzian, Suzanne Miles, Pamela Stevenson, Bill Wesley, and Richard White.

Guests: Clay Larkin, Partner, Dentons Bingham Greenebaum; Vic Maddox, Deputy Attorney General, Office of the Attorney General (OAG); John Horne,

Executive Director of the Office of Rate Intervention, OAG; and Blake Christopher, Deputy General Counsel and Director of Legal Policy, OAG.

LRC Staff: Stefan Kasacavage, Kayla Carroway, Tanya Monsanto, and Rachel Hartley.

The minutes from the meeting of August 18, 2022, were approved by voice vote.

Discussion of the United States Supreme Court's Decision in West Virginia v. Environmental Protection Agency

Clay Larkin stated on June 30, 2022, the United States Supreme Court held that the United States Environmental Protection Agency (EPA) exceeded its statutory authority under the Clean Air Act in adopting the Clean Power Plan (CPP) of 2015. The CPP required electric generating sources to shift from fossil fuels to other sources of generation.

The CPP relied on Section 111(d) of the Clean Air Act for authority to reduce greenhouse gas emissions from electric generating units. Under Section 111(d), EPA can adopt standards of performance (emission standards) which represent the "best system of emission reduction...adequately demonstrated." For the CPP, EPA determined that the best system of emission reduction for electric generating units was three building blocks: (1) improve efficiency of coal-fired power plants; (2) shift generation from coal-fired to natural-gas-fired power plants; and (3) eventually shift generation from fossil fuels to zero emission sources, such as wind and solar.

The rule was challenged by 27 states and other parties, and the Supreme Court granted a stay preventing the rule from taking effect in 2016. Under the Trump administration, the EPA repealed the rule and adopted a replacement, but that replacement rule, including its repeal of the Clean Power Plan, was struck down in the U.S. Court of Appeals for the D.C. Circuit. The Supreme Court agreed to hear the case on the Clean Power Plan to resolve the issue for the states and EPA.

The Court found that requiring the country's mix of electricity generation to shift from 38 percent coal to 27 percent coal by 2030 is not a "best system of emission reduction" within the meaning of Section 111(d) of the Clean Air Act. Prior to 2015, the EPA considered the best system of emission reduction to be technology applied at the source, and never claimed it could force a change to different electric generating sources. The United States Congress has consistently rejected changes that would have required generation shifting. The decision does not resolve the policy issue of whether states can maintain their fossil fuel power fleets.

The EPA's Good Neighbor Plan (GNP) could force the closure of numerous fossil fuel generation units based on the need to reduce emissions in distant states. According to the Utility Information Exchange of Kentucky, the GNP could result in a 2,600 megawatt shortfall in Kentucky by early 2026.

Investors are increasingly applying environmental, social, and governance (ESG) factors when measuring the ethical and sustainability impact of an investment with a company. Kentucky passed SB 205 during the 2022 Regular Session to address the issue.

Representative Gooch stated the revised Clean Air Act of 1990 was an attempt to use existing technology to reduce pollutants at the source.

Senator Webb agreed with the United States Supreme Court's decision and stated existing technology can be used to comply with the Clean Power Plan.

In response to Representative DuPlessis, Mr. Larkin stated the GNP affects more than electric power generation. It includes any emissions source, so it could affect other industries.

Representative Gooch and Senator Smith attended a meeting with the Southern States Energy Board. A resolution was unanimously passed by 17 states that declared their opposition to the GNP.

Senator Smith criticized investors that participate in energy company boycotts and stated the EPA has become too powerful.

In response to Representative Miles, Mr. Larkin stated the Division of Air Quality within the Energy and Environment Cabinet addresses air quality credits.

Representative Burch stated companies must have pressure applied to change their policies to a more sustainable model.

Senator Wheeler stated Kentucky should use technology to our benefit and agrees with the United States Supreme Court's decision.

In response to Representative Kirk-McCormick, Mr. Larkin stated since no one knows how fossil fuels will be replaced, Kentucky should not be forced to shift its power generation sources.

In response to Senator Turner, Mr. Larkin stated the Center for Applied Energy Research at the University of Kentucky studies carbon capture and sequestration for coal-fired and natural gas power generators. Carbon dioxide has valuable commercial uses in other industries. There are no plans to build a nuclear power plant in Kentucky, but there are discussions regarding using existing uranium.

Representative Gooch stated small scale nuclear reactors are more feasible than large scale. Nuclear technology is carbon free, but is not pollutant free.

The Impact of West Virginia v. Environmental Protection Agency on the Office of the Attorney General

Blake Christopher stated a 14 state coalition of attorneys general filed a comment letter to the EPA opposing the Good Neighbor Plan.

Vic Maddox stated the emphasis on environmental, social, and governance (ESG) factors is an effort by major corporations, banks, and asset managers to encourage financial decisions based on their preferred political ideologies. In May 2022, Allison Ball, Kentucky State Treasurer, requested an opinion from the OAG regarding the extent that ESG investment practices regarding management of pension assets are consistent with fiduciary laws in Kentucky. The OAG opinion stated the investment practices are not consistent.

BlackRock Investment Management and Financial Services (BIMFS) is one of the largest asset managers in the world and managed \$1.5 billion of Kentucky's pension assets. BIMFS has signed on to the Net Zero Financial Asset Managers initiative, which is an international group of asset managers

committed to achieving net zero carbon emissions by 2050.

In April 2021, Kentucky joined a lawsuit with Louisiana that is currently in the Fifth Circuit Court of Appeals with oral arguments scheduled for November 2022. The lawsuit challenged the Biden administration's attempt to put a stronger emphasis on potential damage from greenhouse gas emissions when creating rules for polluting industries.

In response to Representative Nemes, Mr. Maddox stated the General Assembly could do more to protect taxpayers and pension beneficiaries from ESG investment practices.

John Horne stated the Office of Rate Intervention (ORI) represents ratepayers before the Public Service Commission to keep utility rates low and utility service reliable. ORI has advocated that Kentucky utilities should use an all-of-the-above approach to energy generation. Fossil fuels should be used to their full potential and are crucial components to maintaining a reliable electric grid.

The Public Service Commission will have an important role in determining how Kentucky responds to advancements in carbon-free policies. The ORI is concerned that federal policy that favors a transition from fossil fuels to renewable energy will have a negative impact on Kentucky ratepayers.

Representative Blanton criticized federal policies relating to fossil fuels and investors that participate in fossil fuel energy company boycotts.

In response to Representative DuPlessis, Mr. Maddox stated Kentucky has begun to address the issue of ESG by passing SB 205 during the 2022 Regular Session.

In response to Senator Turner, Mr. Maddox stated the Net Zero Financial Asset Managers initiative has listed all of their members on its website.

There being no further business, the meeting was adjourned.

CHFS ORGANIZATIONAL STRUCTURE, OPERATIONS & ADMINISTRATION TF Minutes of the 4th Meeting of the 2022 Interim September 21, 2022

Call to Order and Roll Call

The 4th meeting of the CHFS Organizational Structure, Operations & Administration TF was held on Wednesday, September 21, 2022, at 3:00 PM, in Room 131 of the Capitol Annex. Representative David Meade, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stephen Meredith, Co-Chair; Representative David Meade, Co-Chair; Senator Ralph Alvarado; Representatives Danny Bentley, Keturah Herron, and Kimberly Poore Moser.

Guests: Eric Friedlander, Secretary, Cabinet for Health and Family Services; Victoria Elridge, Commissioner, Department for Aging and Independent Living; Cabinet for Health and Family Services; Lala Williams, Deputy Commissioner,

Department for Aging and Independent Living, Cabinet for Health and Family Services; Steven Veno, Commissioner, Department for Income Support, Cabinet for Health and Family Services; and Staci Cain, Deputy Commissioner, Department for Income Support, Cabinet for Health and Family Services.

LRC Staff: Samir Nasir, Eric Rodenberg, and Mariah Derringer-Lackey.

Approval of the August 17, 2022, meeting minutes

With a motion from Senator Alvarado, second from Representative Moser, the minutes from the August 17, 2022, meeting were adopted.

Kentucky Department for Aging and Independent Living

Victoria Elridge, Commissioner, Department for Aging and Independent Living (DAIL), Cabinet for Health and Family Services (CHFS); Lala Williams, Deputy Commissioner, DAIL, CHFS; and Eric Friedlander, Secretary, CHFS, provided testimony and a presentation regarding the mission, population served, federal and state funded programs, administrative oversight and support, operating budget, personnel, accomplishments, and goals of the Department for Aging and Independent Living.

In response to questions from Senator Meredith, Commissioner Elridge stated that the average guardianship caseload is now between 40 and 70 cases while the previous caseload average was between 80 and 100. The discussion included funding for additional positions and guardianship floaters staff.

In response to questions from Senator Meredith, Commissioner Elridge has data she can provide on the number of guardianship and traumatic brain injury cases with some connection to adult protective services.

In response to questions from Senator Alvarado, Commissioner Elridge explained the Office of Ombudsman process in conjunction with facilities. Senator Alvarado discussed his experiences with the ombudsman office.

In response to questions from Senator Alvarado, Commissioner Elridge explained the collaboration between the Department for Public Health and DAIL. The programs and information are geared towards 60 years of age and older. One program highlighted is called bingo-cise, a combination of bingo and exercise, funded through the Older Americans Act which has to be overseen by the state unit on aging director. Programs created through the Older Americans Act must remain together.

In response to questions from Senator Alvarado, Commissioner Elridge explained the Kentucky State Health Insurance Assistance Program (SHIP) is through the Older Americans Act. It ensures older adults have a direct line to review their prescriptions and health insurance. Secretary Friedlander spoke on the complications of Medicare's rules and the benefits offered. Commissioner Elridge proposed that DAIL SHIP staff could possibly be trained to be Kynectors within the health benefit exchange.

In response to questions from Senator Alvarado, Commissioner Elridge clarified two of the state funded programs and the connections to the waivers. Secretary Friedlander spoke about the difference in

the waivers as well. He discussed about the decision of placing the waivers where the programmatic expertise is, as opposed to the fiscal expertise.

In response to questions from Senator Meredith, Commissioner Elridge spoke about the REAP (Remove, Educate, Adjust, Pace) Concussion Management Program and the representatives of the Department for Public Health.

In response to questions from Representative Moser, Commissioner Elridge spoke about the guardianship program and how gaps in coverage may reside there. She testified about how DAIL is working on expanding the knowledge of and collaboration with the managed care organizations (MCOs) and Medicare providers so there are not gaps in coverage. Secretary Friedlander added that some gaps exist because of the lack of available trained healthcare personnel and mentioned that another challenge is housing.

In response to questions and comments from Representative Moser regarding strong partnerships with other cabinets and departments, Secretary Friedlander spoke about how there are no easy answers but discussions are happening.

In response to questions from Representative Herron, Commissioner Elridge clarified information regarding the Family Caregiver Program. The federal program has an age requirement and the state program has removed the age requirement.

In response to questions from Representative Herron, Commissioner Elridge discussed how DAIL is preparing for the increased aging population and what partnerships or collaborations have been established to help with the staffing needed. Highlighted was the collaboration with the Health Occupation Students of America.

In response to questions from Representative Herron, Commissioner Elridge said the department should be able to provide a specific number of staff needed to support the aging population.

In response to questions from Senator Meredith, Commissioner Elridge clarified the senior meals program was established in the Older Americans Act. Also, the meals are delivered to the individual's home, and DAIL ensures the home is secure enough for independent living. Secretary Friedlander spoke about the creation of DAIL.

In response to questions from Representative Meade, Commissioner Elridge clarified that the federal rule states the Older Americans Act must have a state unit on aging and one person that oversees the programs.

Kentucky Department for Income Support

Steven Veno, Commissioner, Department for Income Support (DIS), CHFS; Staci Cain, Deputy Commissioner, DIS, CHFS; and Eric Friedlander, Secretary, CHFS provided a presentation and information regarding the mission of DIS, budget, statistics about the Disability Determination Services (DDS), functions of the child support enforcement (CSE), statistics about funds, local involvement, and cost effectiveness of CSE, and department reorganization.

In response to questions from Senator Alvarado, Commissioner Veno confirmed approximately 56

percent of total child support has been collected and 44 percent of cases are not current in payments. The total amount of child support arrearages in Kentucky is \$1.4 billion. Commissioner Veno explained DIS receives some cases where the non-custodial parent may be more than \$20,000 behind, and the arrearages are added into the total for the department.

In response to questions from Senator Alvarado, Commissioner Veno discussed the federal performance measures and how DIS uses the measures to navigate the political nature of the county attorneys.

In response to questions from Senator Alvarado regarding Jefferson County, Commissioner Veno testified that Jefferson County is ranked in the lower tier. He spoke to the unique challenges Jefferson County has faced such as being a large urban county and having high staff turnover. Information was given about solutions for the high staff turnover.

In response to questions from Senator Alvarado, Commissioner Veno confirmed the department does approve pay increases for staff that administer the child support enforcement program. The pay increase is not presently tied to performance. It is based on whether money in the budget and the reasonableness of the raise.

In response to questions from Senator Alvarado, Commissioner Veno confirmed that child support employees did receive raises during the recent budget.

In response to questions from Senator Alvarado, Commissioner Veno confirmed his Chief of Staff is a second cousin of the governor and he was doing the federal tax offset security before becoming chief of staff.

In response to questions from Senator Meredith, Commissioner Veno testified the leverage he had over county attorneys was budgetary.

In response to questions from Senator Meredith, Commissioner Veno stated the next step in working with Jefferson County would be to initiate meetings to hire staff, facilitate trainings, have other staff help with the workload, then work closely on a performance improvement plan.

In response to questions from Senator Meredith, Commissioner Veno confirmed the changes came as a result of both looking at an assessment of the county and the county attorneys. A few county attorneys meet monthly with the commissioner to hear from them about what issues are occurring.

In response to questions from Senator Meredith, Commissioner Veno stated if counties do not improve on the child support collections, then he is the one that accepts responsibility.

In response to questions from Senator Meredith, Commissioner Veno said if Jefferson County doesn't improve, the department may have to look at other options such as a private contractor; but, the commissioner wants to give them the opportunity to get staffed up and trained, then possibly reevaluating a year from now.

In response to a question from Senator Meredith regarding privatization, Commissioner Veno confirmed the department has looked into privatization but not for Jefferson County. The department has looked at what other states have done as well.

In response to questions from Senator Meredith, Commissioner Veno said the trigger point for looking

at other options would be a lack of progress on the performance measures. For Jefferson County specifically, a year.

In response to comments from Senator Meredith, Commissioner Veno said the rankings of the counties are available online and were publicized in July. Secretary Friedlander mentioned another trigger point he has observed is the waste, fraud, and abuse angle, when county attorneys have gotten into trouble and been investigated. Those contracts typically go to another county.

In response to questions from Representative Meade, Commissioner Veno clarified the goals and thresholds with performance measures are different for each county.

In response to questions from Representative Meade, Commissioner Veno discussed what has been observed from Tennessee's partial privatization of some counties.

In response to questions from Representative Bentley, Commissioner Veno confirmed that staff in the CSE is not paid by Social Security.

In response to questions from Representative Bentley, Commissioner Veno said that Social Security has regulations and guidelines that must be followed and they follow the progress of the division. Performance within DDS is measured against other states within the region. Secretary Friedlander spoke about staff within DDS and how they work as direct contractors with social security. The DDS staff are classified as federally funded time-limited (FFTL) employees.

In response to comments from Representative Bentley, Commissioner Veno clarified that child support funding comes from the Agency for Children and Families, and funding would not decrease because of the amount in arrearages for Kentucky. The agency does provide incentive monies based off performance measures. Last year, Kentucky was paid \$7.5 million in incentive monies.

Cabinet for Health and Family Services Secretary's Office: General Administration and Program Support

Eric Friedlander, Secretary, Cabinet for Health and Family Services, provided a presentation and testimony on the General Administration and Program Support (GAPS) associated with the Secretary's office. Testimony involved information on the functions and overviews of the offices. Discussion of the budget and funding for GAPS included a recap on the cost allocation system.

In response to questions from Representative Meade, Secretary Friedlander discussed the connection between the Office of Human Resource Management and the Personnel Cabinet. With the cabinet having about 6,000 employees, the office helps with personnel actions.

In response to questions from Representative Meade, Secretary Friedlander discussed examining the hiring process within the cabinet and how to make that as efficient as possible. He spoke on working to streamline communications between CHFS and Personnel Cabinet.

In response to questions from Representative Meade, Secretary Friedlander talked about the role

the Office of Legislative and Regulatory Affairs has in implementation of laws and regulations.

In response to questions from Representative Meade, Secretary Friedlander confirmed that complaints are received in the Office of Ombudsman. The Office of Ombudsman do not see people from the public.

Representative Meade provided his concerns about the Office of the Ombudsman.

In response to questions from Senator Alvarado, Secretary Friedlander confirmed that the Office for Children with Special Healthcare Needs are not affiliated with the Secretary's office, it is independent.

Representative Meade announced the next meeting to be October 19, 2022 at 3 p.m. in Room 131 Annex.

With no further business, the meeting adjourned at 4:56 p.m.

COMMISSION ON RACE & ACCESS TO OPPORTUNITY Minutes of the 3rd Meeting

of the 2022 Interim
August 23, 2022

Call to Order and Roll Call

The 3rd meeting of the Commission on Race & Access to Opportunity was held on Tuesday, August 23, 2022, at 3:00 PM, in Room 129 of the Capitol Annex. Representative Samara Heavrin, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator David P. Givens, Co-Chair; Representative Samara Heavrin, Co-Chair; Senators Karen Berg and Whitney Westerfield; Representatives George Brown Jr., Nima Kulkarni, and Killian Timoney; Hannah Drake, Dr. OJ Oleka, and Erwin Roberts.

Guests: Cathy Dykstra, President & CEO of Family Scholar House; Danita Hunt, Family Scholar House Graduate; Dr. Roland Johnson, Interim President, Kentucky State University; Dr. Daarel Burnette, Chief of Staff & COO, Kentucky State University; Dr. Gerald Shields, CFO, Kentucky State University; Dr. Aaron Thompson, President, Kentucky Council on Postsecondary Education; Dr. Marty Pollio, Superintendent, Jefferson County Schools.

LRC Staff: Brandon White and Brett Gillispie.

Family Scholar House

Cathy Dykstra, President & CEO of Family Scholar House (FSH) and Danita Hunt, FSH Graduate, presented to the commission. FSH's mission is to combat poverty by helping families to gain access to quality education and achieve self-sufficiency. FSH manages both residential and non-residential programs dedicated to this mission. They are headquartered in Louisville and are particularly focused on Kentucky, but they serve 34 states. Their services are focused primarily on single parent households and at-risk children, and they provide families educational and financial resources as well as housing assistance. FSH has outreach centers servicing several colleges and

universities around the Commonwealth, including Kentucky State University (KSU). Additionally, they operate a web app called myky.info, which helps families connect with free resources available to them in their area. Ms. Dykstra provided demographic information on the population served by FSH. Additionally, she provided a broad overview of FSH's demographics broken down by program. Ms. Dykstra emphasized childcare as a key issue facing FSH participants. Other than the residential program, FSH's services include comprehensive academic coaching, apprenticeship coaching, family advocacy, and financial education. FSH provides services to 32,864 households across the Commonwealth.

Danita Hunt provided testimony about her experience with FSH. She described how FSH made a positive impact on her life and how she was able to pursue a career and care for her daughter as a result of aid she received from FSH. She came to FSH due to her relocation with her daughter to escape an unhealthy relationship. Because of the assistance she received, particularly the stable housing that FSH afforded to her, she was able to obtain a college education including a master's degree. Additionally, her daughter has been able to become valedictorian of her high school class and has been awarded a full academic scholarship from the University of Louisville.

In response to a question from Hannah Drake, Ms. Dykstra stated that FSH is measuring graduates' success based on their education, whether or not they graduate to stable employment and/or move on to graduate studies, whether they come off of government benefits, and whether they are able to access stable housing. Additionally, FSH tracks whether or not the children who participate in their programs go on to college as a separate metric from their other educational statistics.

In response to a question from Representative Kulkarni, Ms. Dykstra said that there are FSH locations in Covington and Elizabethtown, and that they are working to expand to locations outside of Kentucky.

In response to a question from Erwin Roberts, Ms. Dykstra said that there are two single fathers on the path to graduation, and that there is a pre-parent program that targets people who were formerly in the foster care system. 40% of the participants in the pre-parent program are male.

In response to a question from Senator Givens, Ms. Dykstra stated that FSH has 26 full-time staff and 26 part-time staff. Many of those staff are FSH graduates. They are receiving approximately \$1 million in funding annually, as well as an undefined amount from SNAP ENT. FSH was also awarded a \$2.8 million public health grant from AmeriCorps.

In response to a question from Senator Givens, Ms. Hunt said that she was motivated to succeed in FSH by the example of her mother working and caring for her while pursuing an education. She was motivated by the example of her grandmother and by her love for her daughter.

Kentucky State University & the Kentucky Council on Postsecondary Education

Dr. Roland Johnson, Interim President, Kentucky State University (KSU); Dr. Daarel Burnette, Chief of Staff & COO, KSU; Dr. Gerald Shields, CFO, KSU; Dr. Aaron Thompson, President, Kentucky Council on Postsecondary Education presented an update on the future of KSU. The remarks covered four key areas:

Restoring KSU's purpose and financial viability – The presenters discussed prioritizing programs at KSU based on their financial viability and the impact they have on the student body.

KSU's transformation – The presenters talked about how they plan to improve leadership and organization at KSU and increase the institution's resources and partnerships.

Enabling an intended future for KSU – They detailed a three phase plan to first stabilize KSU, then improve its performance, then ensure its sustainability.

The road ahead

The presenters also reaffirmed their commitment to HB 250 and the importance of KSU as an institution.

In response to a question from Senator Givens, Dr. Thompson stated that KSU's minority enrollment is up by 14.1% with a 6.9% decrease in overall enrollment, and the degree output for underrepresented minorities is up 41.3% with an overall increase of 17.8%.

In response to a question from Senator Givens, Dr. Johnson emphasized the experience of himself and his team in dealing with issues like those faced by KSU. Dr. Burnette added that retention would be a difficult problem to tackle, and that the university is losing about 60% of its students before they graduate. Dr. Shields said that the number one issue that he has faced as CFO is accountability and accuracy.

In response to a question from Dr. Oleka, Dr. Johnson stated that KSU's funding comes from three main sources: local/donor funding, state funding, and federal funding. Dr. Johnson also said that he was unsure of the exact amount of time for KSU's institutional transformation plan, and Dr. Burnette estimated 3-4 years as the timeline to not only stabilize the institution, but also to begin to build the infrastructure to meet its mission.

In response to a question from Hannah Drake, Dr. Johnson said that KSU is looking for students with intellectual vitality. He added that KSU is looking for students with curiosity, a passion for learning, and the grit to work hard for their educational goals.

In response to a question from Representative Kulkarni, Dr. Thompson said that universities such as KSU can have trouble retaining students due to several factors. Roughly 20% of students who leave during their freshman year leave due to academic reasons, but that more commonly, the students are leaving due to the university social, emotional, and cultural misfit with the capabilities of the university. Students leaving KSU during their sophomore, junior, and senior years either no longer see the value of a college education or are experiencing financial difficulties. Students need greater access to aid, mentoring, internships, and tutoring, and that KSU needs to improve on its infrastructure to allow students the opportunity to learn and succeed both inside and outside of the classroom.

Jefferson County Public Schools

Dr. Marty Pollio participated in a question and answer session with the Commission regarding the JCPS new student assignment plan. Dr. Pollio believed that the previous JCPS student assignment plan was possibly the most racially inequitable system of any major metropolitan area in the United States.

In response to a question from Senator Givens, Dr. Pollio stated that children's classroom performance is strongly correlated with their socioeconomic status. He added that 25.2% of JCPS students on free or reduced lunch achieved proficient or higher test scores while 53.8% of non-economically disadvantaged students achieved these scores.

In response to a question from Senator Givens, Dr. Pollio said that JCPS is planning pay increases for educators and staff at high poverty schools in Jefferson County in order to attract quality candidates. He added that they have replaced a \$1,500 stipend with a \$8,000-14,000 addition to a teacher's salary and a \$10,000 addition to a principal's salary in order to attempt to reduce staff turnover.

In response to a question from Senator Givens, Dr. Pollio said that they have seen improvements in the achievement gaps and graduation rates for JCPS students, but COVID has negatively impacted lower income students at a greater rate than higher income students.

In response to a question from Hannah Drake, Dr. Pollio stated that JCPS implemented a racial equality commitment in 2018. He said that JCPS is committed to fostering a diverse learning environment. He added that since 1984, 95% of students bussed out of their communities in order to achieve diversity in JCPS schools were Black students from West Louisville. Dr. Pollio believes that this inequitable bussing has had a negative impact on student belonging for our neediest children in this community.

In response to a question from Dr. Oleka, Dr. Pollio said that he is looking for teachers who have the will to work with children, and that is more important than already having the skill set.

In response to a question from Dr. Oleka, Dr. Pollio said that concentration of poverty and homelessness in certain JCPS schools negatively impacts the students in those schools. Additionally, many of the students in these schools are English as a Second Language (ESL) learners. The challenges on school personnel to meet these needs is great, and he believes that labeling struggling schools as "failing" is not constructive or helpful to the faculty and staff working under these conditions at struggling schools. Louisville is one of the most heavily segregated large cities in the United States, both in terms of race and socioeconomic status. JCPS has been asked for many years to bridge this gap of diversity in the school system when there is no diversity in the surrounding community. As a result of these factors, the burden of diversifying JCPS schools has been placed on lower income students who are bussed outside their communities for school, while wealthier students have not faced this same burden. He is hoping to alleviate some of these issues by better funding at-risk schools and incentivizing talented teachers and staff to work in these schools.

In response to a question from Erwin Roberts,

Dr. Pollio said that placing metal detectors in JCPS schools is impractical due to the number of staff that would be required to manage them, but that it is not impossible. He added that children are having greater access to illegal firearms and that this issue needs to be addressed.

In response to a question from Senator Berg, Dr. Pollio believes that there is a correlation between trauma and poverty, and that the strongest negative impact on students is childhood poverty.

With there being no further business, the meeting was adjourned at 5:18 p.m.

COMMISSION ON RACE & ACCESS TO OPPORTUNITY

Minutes of the 4th Meeting

of the 2022 Interim
September 28, 2022

Call to Order and Roll Call

The 4th meeting of the Commission on Race & Access to Opportunity was held on Wednesday, September 28, 2022, at 3:00 PM, in Room 129 of the Capitol Annex. Senator David P. Givens, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator David P. Givens, Co-Chair; Representative Samara Heavrin, Co-Chair; Senators Karen Berg and Whitney Westerfield; Representatives George Brown Jr., Nima Kulkarni, and Killian Timoney; Dr. OJ Oleka and Erwin Roberts.

Guests: Myra Covault, First Vice-Chair, Lincoln Trail Area Development District Workforce Crisis Task Force; Donielle Lovell, Co-Chair, Lincoln Trail Area Development District Removing Obstacles Subcommittee; Julia Springsteen, Co-Chair, Lincoln Trail Area Development District Removing Obstacles Subcommittee; Dale Robinson, Co-Founder, Wanda Joyce Robinson Foundation; Amy Snow, Co-Founder and President, Wanda Joyce Robinson Foundation; Kasandra Brown, Program Recipient, Wanda Joyce Robinson Foundation; Xzayvion Brown, Program Recipient, Wanda Joyce Robinson Foundation; Nariyah Tillman, Program Recipient, Wanda Joyce Robinson Foundation.

LRC Staff: Brandon White and Brett Gillispie

Lincoln Trail Area Development District – Workforce Crisis Task Force

Myra Covault, First Vice-Chair of the Lincoln Trail Area Development District (LTADD) Workforce Crisis Task Force; Donielle Lovell, Co-Chair of the LTADD Removing Obstacles Subcommittee; and Julia Springsteen, Co-Chair of the LTADD Removing Obstacles Subcommittee, presented to the commission. LTADD's mission is to facilitate public/private partnerships on issues in the Lincoln Trail Area in order to further the region's economic development. The goal of the Workforce Crisis Task Force is to utilize these public/private partnerships to address the workforce supply shortage currently affecting the region by identifying strategies to increase workforce participation.

Ms. Lovell stated the sanctions that follow an

individual when they are finished serving time in prison are that a person is often not eligible for certain professional certifications and job opportunities, no voting rights, and lack of public and housing benefits, and stereotypes that harm their reentry process. People of color are further harmed by these stereotypes, which most heavily impact Black men, stating that a Black man without a felony record has roughly the same chance of receiving a call back for a job interview as a white man with a felony record. Employment opportunities are a key factor in recitivism for former offenders, as they help create new networks and social capital for the individual and help foster autonomy and increased self-efficacy. However, even traditionally felon-friendly industries often have a demonstrable aversion to hiring Black community members. While prisoners are able to acquire credentials while in prison, they are often viewed with a negative stigma when the offender is released due to their record.

Ms. Springsteen said that the leisure and hospitality, machine worker, and non-profit industries are recovering from the pandemic at a slower rate than other industries, and that expanding expungements in Kentucky will help those industries to find workers. Additionally, she said that expunging a prior offender's criminal record leads to an average of 25% increase in their wage earnings, providing them with much needed relief and increasing the Commonwealth's tax base. Describing the program provided by Baptist Health Hardin, she stated that if the expungement applicant provides the initial application fee of \$40, the hospital will provide an expungement benefit of up to \$1,000 for each 12 months of continuous employment. The maximum benefit is not to exceed \$5,000. Ms. Springsteen added that Ms. Lovell's research indicated that employers often do not distinguish between a misdemeanor and felony conviction when considering a candidate. Ms. Springsteen suggested that the General Assembly needs to reduce or eliminate the waiting period for expungement, which currently lasts five years after the end of their incarceration plus any probationary period.

Ms. Covault said that in her previous role as Vice President of Human Resources at Baptist Health Hardin led to her involvement in the expungement program. She said seeing the issues faced by offenders struggling to return to the workforce and the retention issues in staffing Baptist Health Hardin led her to partner with Dr. Lovell and Ms. Springsteen to develop the expungement program.

In response to a question from Rep. Timoney, Dr. Lovell stated that when offenders earn credentials in prison, it can often negatively affect their chances when applying for jobs due to the stigma against prior offenders, and that employers need to be educated in order to realize that prior offenders might be able to fill their needs. She added that prior offenders are often told that if they serve their debt to society and do the work they need to get ahead, that they will be able to reenter the workforce, but this often doesn't happen due to the existing stigma that they are trying to combat among employers.

In response to a question from Sen. Westerfield, Dr. Lovell stated that there are heightened impacts on

communities of color regarding criminal offenses, and that she will be providing specific data points on that issue.

Sen. Westerfield voiced his opposition to the legislation passed in the General Assembly allowing the expungement of records and to the reduction of the fees to apply for expungement.

In response to a question from Sen. Westerfield, Ms. Covault said that recruitment and retention is continually a frustration of HR managers, and that she hoped that the expungement program would be an example for private sector employers to look to.

In response to a question from Sen. Westerfield, Ms. Covault said that Baptist Health Hardin will hire candidates with felony convictions as long as that conviction does not directly relate to the job that they are performing, but that the expungement program is an added step in employee retention and helping employees reach their goals.

In response to a question from Sen. Givens, Ms. Covault further specified that they would not hire candidates with felony convictions relating to the position that they would be performing, and she provided the examples that they would not hire an individual with abuse-related convictions to work with patients or finance-related convictions to work in a finance-related position. Dr. Lovell added that for many individuals with prior convictions, expungement can help them not only successfully get a job but also have upward mobility with their new employer beyond entry-level positions.

Rep. Kulkarni expressed her support for the expungement program and added that she does not believe that the state should not require a prior offender to pay for expungement.

In response to a question from Rep. Kulkarni, Ms. Springsteen stated that the federal Work Opportunity Tax Credit provides funding for employers who will hire several different disadvantaged groups including disabled veterans and individuals with felony convictions. That program will make up to \$2,400 per employee available to an employer once an individual with a felony conviction has worked 120 hours for that employer.

In response to a question from Rep. Heavrin, Ms. Springsteen suggested one or two years as a new waiting period for expungement as opposed to the current five years. Dr. Lovell added that recidivism is high in the United States due to both the stigma and the lack of resources faced by individuals with criminal records. She added that individuals are far more likely to be incarcerated if they have experienced poverty, and in particular, if they've experienced childhood poverty.

In response to a question from Rep. Heavrin, Ms. Covault said that Baptist Health Hardin does not ask a candidate whether or not they have a criminal record on their application.

In response to a question from Dr. Oleka, Ms., Covault said that they have tried to discuss the expungement program at any available opportunity. She added that she has been disappointed in the response from employers to the program, and that the level of interest that LTADD and Baptist Health Hardin was hoping would be generated in the expungement program has not materialized.

Rep. Brown expressed his support for the expungement program and stated that he thinks that the five year waiting period is too long. He said that the General Assembly needs to be doing more to increase access to opportunity for disadvantaged groups.

Wanda Joyce Robinson Foundation

Dale Robinson, Co-Founder, Wanda Joyce Robinson Foundation (WJRF); Amy Snow, Co-Founder and President, WJRF; Kasandra Brown, Program Recipient, WJRF; Xzayvion Brown, Program Recipient, WJRF; and Nariyah Tillman, Program Recipient, WJRF presented to the commission. The Wanda Joyce Robinson Foundation is a nonprofit founded to support youth impacted by incarceration. WJRF works with families with an incarcerated parent in three key areas: education, connection, and prevention. They provide financial support and resources to school-based K-12th grade Kids Rising Up through Support and Healing (KRUSH) groups based in Frankfort and Franklin County. They provide assistance with college and career planning and the Adam Hyatt Memorial Scholarship for graduating seniors impacted by incarceration. The foundation facilitates connections between families and their incarcerated caregiver. They partner with the Franklin County Regional Jail in order for children to visit virtually or in person with their incarcerated parent. They provide support groups for children and families impacted by incarceration. They work to prevent children impacted by incarceration from becoming involved with the criminal justice system by offering mentoring programs to these children, and through the Operation Making A Change (OMAC) program for at risk youth.

Ms. Snow said that WJRF is focused on healing justice and strengthening families. Kentucky's incarceration rate is more than double the national average, and that 12% of Kentucky children are impacted by parental incarceration. WJRF provides families a monthly caregiver support group, parent cafes, quarterly family fellowship events, and assistance with basic needs. WJRF provides mentors for her children, and that she loves having a support group of people who are dealing with the same issues that she and her family are struggling with.

Ms. Snow said that many parents remain incarcerated due to a lack of funds to post bond. Incarcerated parents have 12 months to come up with a permanency plan with the Department of Community Based Services. Children of color are entering the foster care system at a much higher rate than their white counterparts. Local schools need 2-5 KRUSH groups per school in order to meet their needs, and she is advocating for a statewide KRUSH program. Greenup County is experiencing a 60% improvement in test scores for students who participate in KRUSH.

Ms. Tillman said that she likes that KRUSH provides her with a safe space to discuss how she struggles with having an incarcerated parent without fear of judgement, and that it helps children come together and make friends.

Mr. Brown said that he is a part of the high school outreach program, and that his mentor and the other teenagers in his group are there to support him.

Ms. Snow said that 30% of the highest tiered

students in Kentucky's Persistence to Graduation report are impacted by incarceration, which can be reduced with programs like the ones provided by WJRF. Drug prevention has to start in elementary school because fourth and fifth graders are using drugs due to mental health and incarceration-related issues.

Ms. Snow said that WJRF is seeking support for a Kentucky Bill of Rights for Children of the Incarcerated. Mr. Robinson went over the list of rights in a similar bill passed by the state legislature of Oregon.

Mr. Robinson said that this bill of rights is important to him personally because he spent 10 years in federal prison while he had two children. Incarceration is often generational, saying that his father was imprisoned. Mr. Robinson made a point to stay in contact with his children while he was incarcerated and told them that he planned on opening a gym. He faced setbacks due to his criminal record, but he now owns a gym franchise. If he had not been able to communicate with his sons and if they had not had good mentors while he was incarcerated, that it was very likely that they would have also been incarcerated. Mr. Robinson believes that WJRF needs the funding to expand into different cities in Kentucky. He also advocated for the adoption of a bill of rights for children with incarcerated parents.

In response to a question from Sen. Westerfield, Mr. Robinson stated that there would be exceptions in the bill of rights when it may be harmful or dangerous for the children to be in a relationship with an incarcerated parent. Ms. Snow added that she was not aware of any funding allocated to the bill of rights by the state of Oregon, and that they would consider whether or not parental rights have been terminated and whether the child has been neglected or abused. All visitation done by WJRF is screened through DCBS. Mr. Robinson added that the bill might come with a price tag, and Sen. Givens expressed support for funding that might need to be allocated towards it.

In response to a question from Dr. Oleka, Ms. Snow said that she would need to discuss with the board of directors what level of funding WJRF would need to achieve their statewide vision. They would welcome any discussion about state resources in order to reach that goal.

In response to a question from Rep. Brown, Mr. Robinson stated that the Wanda Joyce Robinson Foundation is named for his mother.

There being no further business, the meeting was adjourned at 4:37 p.m.

INTERIM JOINT COMMITTEE ON STATE GOVERNMENT

Minutes of the 4th Meeting

of the 2022 Interim

September 27, 2022

Call to Order and Roll Call

The fourth meeting of the Interim Joint Committee on State Government was held on Tuesday, September 27, 2022, at 1:00 PM, in Room 149 of the Capitol Annex. Representative Jerry T. Miller, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Robby Mills, Co-Chair; Representatives Jerry T. Miller, Co-Chair, and Kevin D. Bratcher, Co-Chair; Senators Ralph Alvarado, Christian McDaniel, Michael J. Nemes, Wil Schroder, Adrienne Southworth, Damon Thayer, and Phillip Wheeler; Representatives John Blanton, Adam Bowling, McKenzie Cantrell, Jim DuPlessis, Jim Gooch Jr., Derrick Graham, Richard Heath, Samara Heavrin, Mary Beth Imes, DJ Johnson, Matthew Koch, Scott Lewis, Savannah Maddox, Patti Minter, Kimberly Poore Moser, Jason Nemes, Tom Smith, Nancy Tate, James Tipton, Ken Upchurch, Russell Webber, and Buddy Wheatley.

Guests: Sharron Burton, Chris Chamness, Lindy Casebier, Rosemary Holbrook, Mary Elizabeth Bailey, and Alan Hurst - Kentucky Personnel Cabinet; Michael Board, Kentucky Public Pensions Authority; Carlos Luna and Judge Palmer, Kentucky Interactive; John Steffen, Kentucky Registry of Election Finance.

LRC Staff: Alisha Miller, Daniel Carter, Alaina Spence, and Peggy Sciantarelli.

Motions to approve the minutes of the July 19 and the August 25 meetings were seconded and passed without objection by voice vote.

2023 Kentucky Employees' Health Plan

Lindy Casebier, Deputy Secretary/Legislative Liaison of the Personnel Cabinet, introduced Sharron Burton and Chris Chamness as the new Commissioner and Deputy Commissioner of the Department of Employee Insurance (DEI), effective October 1, 2022. Their testimony included a PowerPoint presentation.

Mr. Chamness testified that over half (54 percent) of KEHP members are school board employees. Early retirees comprise 23 percent of membership, state agencies 18 percent, and quasi groups five percent. Planholder enrollments have gradually decreased, with approximately 6,000 fewer planholders in 2022 than in 2019. Covered lives have declined by approximately 7,500 since 2020. Although membership is decreasing, average net payments per claim continued to grow over the years, from \$199.26 in 2019 to \$217.32 in 2021. A decrease in claims in 2020, likely due to the pandemic, was followed by a sizeable claims increase in the first half of 2021. Actuarial consultants expect a rising claims trend to continue. KEHP maximizes the use of premiums to provide coverage at low administrative cost. DEI salaries represent less than one-fifth of a penny of KEHP expense; 95.8 percent of plan expense is for claims payments.

Ms. Burton testified that KEHP continues to monitor factors affecting the health plan, such as price inflation, chronic conditions, and use of specialty and traditional drugs. There has been increased utilization in the area of behavior health. Year-to-date claims experience for 2022 is favorable and better than what had been projected. For the 2023 plan year, there will be a 10 percent increase in employer premium contributions. There will be no increase in employee premium contributions and no changes to co-pays, co-insurance, deductibles, or maximum out-of-pocket amounts. The LivingWell High Deductible Plan has been eliminated, and the LivingWell Basic CDHP (without HRA funds) will be the new default plan.

Concluding the overview, Ms. Burton stated that KEHP is constantly reviewing programs and coverages to ensure it is being fiscally responsible and taking care of the needs of its members.

Responding to a question from Representative Graham, Ms. Burton stated that the 6,000 reduction in planholders is due mostly to a general reduction in the employee population.

In response to questions from Senator Southworth on communication with members and the new acupuncture pilot program, Ms. Burton stated that KEHP staff frequently communicate with plan members; e-mails are sent almost weekly. Mr. Chamness stated that the new acupuncture pilot program is ongoing.

Senator Alvarado expressed concern that the savings negotiated by pharmacy benefit managers (PBMs) are not being passed on to consumers who purchase the medication. He referred to past abuse in the state's Medicaid program and stated that there is need for more transparency and for possible reforms statewide across all insurance lines, including the health plan for state employees. He suggested that KEHP's future PBM contract require that planholders receive a substantial percentage of negotiated savings. Ms. Burton responded that CVS is the pharmacy benefit manager for KEHP, and she believes their contract is transparent. It includes several programs with a goal to reduce cost. The Department of Employee Insurance is currently conducting a market check with CVS to ensure that the health plan is paying the indicated market price for drugs. DEI would be open to possible reform but would hope to be part of any discussion. The Department is readying a PBM request for proposal and is researching different models that are compatible with the state's procurement code. Mr. Chamness stated they are also looking at best practices in other states. DEI has membership in industry organizations where PBM transparency is a frequent topic.

Senator McDaniel stressed the need for society to do a better job in promoting the benefits and importance of individuals being personally responsible for their health. Ms. Burton agreed and stated that is a focus and priority of KEHP's wellness program.

Representative DuPlessis stated that he has been told that rebates intended for the consumer are being cashed in by the PBMs. Ms. Burton explained that the rebates are intended to be passed through 100 percent to the health plan. They are then entered into the trust fund in order to keep premiums down.

Responding to a question from Senator Mills, Ms. Burton explained the reasoning behind increasing the employer premium contribution in 2023 without increasing employee premiums, copays, coinsurance, deductibles, and maximum out of pocket. She also noted that over the last several years employees have seen an increase in their premiums, copays, and coinsurance.

Follow-up on KY Registry of Election Finance Software and Systems

Carlos Luna, General Manager, and Judge Palmer, Director of Technology for Kentucky Interactive (KI), testified in response to concerns that were raised at the committee's August 2022 meeting. Their testimony

included a PowerPoint presentation. John Steffen, Executive Director, Kentucky Registry of Election Finance, also participated in the discussion.

Mr. Luna stated that when Kentucky Interactive began serving the Registry, 89 requirements were initially set; after execution of the Statement of Work (SOW), the requirements increased to 683. KI has never increased the cost for added requirements or anything that it has built. The SOW included four milestones, and he discussed the progress of each milestone. Milestones 1 and 2a have been delivered, accepted, and paid by the Registry; milestone 2b awaits KREF acceptance and is unpaid; milestone 3 is in progress; milestone 4, the mobile app, will be done when the whole system is complete. Operational support is ongoing but unpaid. Legislative changes enacted in SB 216 and HB 740 (2022 RS) have been delivered and accepted but are unpaid by the Registry. Challenges faced by KI include agency process improvements, such as moving from paper to online; change in the original scope of the project; and increase in the software development cycle and delivery timelines.

Mr. Luna discussed strengths of the system in the areas of campaign finance reporting, public search, Registry office procedures; and system user feedback relating to suggested improvements in reporting and public search capability. He stated that KI is committed to continuous improvements and wants the system to be useful to not only the end user but also to the Registry. KI will continue to seek feedback, while coordinating with the Registry to ensure that changes conform to statute, regulations and business process. KI intends to work closely with the Registry to streamline delivery of the remaining system requirements and to apply new project management methodology or changes to minimize system issues or bugs. KI wants to work with the Registry and system end-users to make sure that the campaign finance reporting system is intuitive. They will continue the necessary allocation of resources to address needs of system end-users and Registry staff. In conclusion, Mr. Luna stated that KI has worked successfully with over 300 agencies in the Commonwealth and is open to feedback.

Mr. Steffen stated that the project with KY Interactive should have been completed 2½ years ago. He believes that the work which KI has identified as “additional” belongs under the umbrella of the original Statement of Work. The Registry worked with KY Interactive’s team for nine months to resolve the scope of the project before entering into an agreement. The Registry accepted and paid for Milestone 2a (committee filing dashboard/backoffice) after assurance that work would continue on the remaining issues, but there are still issues with that milestone. Payment has not been made for Milestone 2b (public search) because the Registry is still awaiting completion of a problem-free reporting period. The system still lacks the ability to view and print financial statements, which was identified as a needed enhancement 2½ years ago. Some aspects of the system work successfully, but it has not been made more user friendly and functional for in-house staff. The database sometimes misses information and is still not reliable.

Senator McDaniel spoke of the crucial role of campaign treasurers and the difficulties they face in navigating the campaign filing system. He stated that the new electronic filing system has failed to perform. In anticipation of the upcoming general election, he questioned what KI is doing to restore confidence in the system. Mr. Luna stated that the goal is to make the system succeed. He assured that KI is working to improve the process. They will be adding additional resources and working to ensure that they can meet deadlines and goals for successful filing. He also expressed a desire to receive feedback directly from campaign treasurers and other end users of the system.

In response to a question from Representative Bratcher whether KI is using up-to-date technology, Mr. Luna stated that the system uses the best and most recent technology but that, as specific functionalities are built into the system, there is need for more end user input from campaign treasurers who use the system. Mr. Palmer said that KI has been considering inclusion of a comment feedback section as part of the filing submission process.

In response to a question from Representative Bratcher whether there had been a pilot program for the new electronic filing system, Mr. Steffen said he had hoped to have it tested by user groups prior to implementation, but that was precluded by the existing timeframe and the need to go live with electronic filing.

Senator Thayer stated that he sponsored the 2019 legislation that declared mandatory electronic filing, and he feels its implementation has been a complete and utter failure. The inability to print reports is a huge problem. He questioned why there are still problems with the system three years, and two election cycles, after passage of the legislation—and why did KI not respond to concerns raised by the State Government Committee two years ago. He stated that there are no regularly scheduled legislative elections in 2023, and he believes the General Assembly needs to consider passing a bill with an emergency clause in January to temporarily suspend mandatory electronic filing for one year and allow filing of paper reports. He stated for the record that he believes it is time we give the Registry the authority to start over with a product that lives up to the original premise and tenets of the 2019 legislation.

Responding to Senator Southworth, Mr. Luna stated that KI has worked in various states and previously had worked on the electronic filing system for the Federal Election Commission. The company was recently purchased by Tyler Technologies.

Responding to questions from Representative Miller, Mr. Luna affirmed that Mr. Steffen had been provided a list of the 594 requirements that were added after execution of the Statement of Work. He discussed some of the system requirements and stated that the feature for printing a report was not included in the original requirements. He stated that KI is in the process of instituting a “warning” feature that was requested by the Registry.

In response to a question from Senator Wheeler, Mr. Steffen stated that the Registry has paid KI \$314,517 and has yet to pay an additional cost of \$233,255. Mr. Palmer and Mr. Luna detailed some of the system requirements that KI has found difficult to

implement.

Representative Heath stated that his wife is his campaign treasurer and that she has had problems using the system. He suggested that it might be helpful for KI staff to spend time in the Registry’s office to field actual phone calls from users of the system.

Representative Minter expressed concern about the approaching filing deadline and the possibility that the system might again “crash” or become unavailable. Mr. Palmer stated that KI has made resource adjustments to prevent system overload at critical times. They will also be able to respond quickly if any problems occur.

In response to Representative Tate, Mr. Palmer discussed their improved project management methodology and ticketing system. He also confirmed that they have a documented testing process.

When asked by Representative Graham, Mr. Luna stated that KI is a Kentucky based company and that the parent company has a presence in various other states. However, KI has not created an electronic filing system like the Registry’s in any other state. He stated that it would be possible for KI to have staff available in person to address any glitches that might occur with the December report filing.

Senator Thayer stated that during his attendance at today’s meeting he received messages from three executive branch agencies regarding issues that they have with KI. He reiterated his opinion that it is time to start over with a new vendor.

Representative DuPlessis stated that he can empathize somewhat with KI because he knows how extremely difficult it is to make changes in computer code. The COVID outbreak also may have negatively impacted implementation of the new filing system. He hesitated to place blame but emphasized that now is the time to fix the problem.

Consideration of Referred Administrative Regulations

Nine administrative regulations from the Personnel Cabinet and one administrative regulation from the Kentucky Public Pension Authority (KPPA) were referred to the committee and available on the agenda for consideration. The Personnel Cabinet was represented by Rosemary Holbrook, Assistant General Counsel, Office of Legal Services; Mary Elizabeth Bailey, Commissioner, Department of Human Resources; and Alan Hurst, Acting Executive Director, Office of Employee Relations. KPPA was represented by Michael Board, Executive Director, Office of Legal Services.

Senator Southworth inquired about the amendments in Section 12 of 101 KAR 2:102 and 101 KAR 3:015 relating to leave time for blood donation. Ms. Holbrook and Commissioner Bailey explained that the amendments were merely for clarification purposes.

Discussion concluded, and the meeting was adjourned at 2:45 p.m.

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

Minutes of the 4th Meeting

of the 2022 Interim

September 29, 2022

Call to Order and Roll Call

The 4th meeting of the Interim Joint Committee on Tourism, Small Business, and Information Technology was held on Thursday, September 29, 2022, at 1:00 PM, in Room 149 of the Capitol Annex. Representative Kim King, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Wil Schroder, Co-Chair; Representatives Kim King, Co-Chair, and Phillip Pratt, Co-Chair; Senators Alice Forgy Kerr, Phillip Wheeler, and Mike Wilson; Representatives Shane Baker, Lynn Bechler, Tina Bojanowski, Josh Branscum, George Brown Jr., Josh Calloway, Jeffery Donohue, Ryan Dotson, Daniel Fister, Deanna Frazier Gordon, Chris Freeland, Jim Gooch Jr., David Hale, Thomas Huff, Norma Kirk-McCormick, William Lawrence, Ruth Ann Palumbo, Michael Sarge Pollock, Josie Raymond, Brandon Reed, Rachel Roberts, Cherlynn Stevenson, Ashley Tackett Laferty, Nancy Tate, Timmy Truett, Bill Wesley, and Richard White.

Guests: Rich Storm, Commissioner, Department of Fish and Wildlife Resources; Jenny Gilbert, Legislative Liaison, Department of Fish and Wildlife Resources; Major Jeremy McQuary, Conservation Officer, Department of Fish and Wildlife; Les Stapleton, Mayor, Prestonsburg; Samantha Johnson, Executive Director, Prestonsburg Tourism; Jimmy Carter, Mayor, Pikeville; Paul Bowles, Director, Pikeville Tourism; and Lauren McCoart, Assistant Director, Pikeville Tourism.

LRC Staff: Janine Coy, Kirk Smith, Crystal Thompson, and Sasche Allen.

Approval of Minutes

A motion to approve the minutes of the July 21, 2022 meeting was made by

Representative Fister, seconded by Representative Hale, and approved by voice vote.

A motion to approve the minutes of the August 25, 2022 meeting was made by

Senator Wilson, seconded by Representative Hale, and approved by voice vote.

Department of Fish and Wildlife Resources Update

Commissioner Rich Storm detailed the Department's active role in the Western Kentucky tornado response and the Eastern Kentucky flood response. An update was given on Chronic Wasting Disease (CWD). Although CWD has not been detected in the Commonwealth, voluntary check stations for harvested deer or elk have been placed in Bell and Harlan Counties. The Commissioner provided an update on bear and elk hunting in the Commonwealth. The number of black bears harvested

has increased drastically since 2009, and the largest elk ever harvested in Kentucky was taken in 2021. The Commissioner also discussed other state wide programs including the Kentucky Wild program, fish stocking, invasive carp harvesting, improving fish habitats, categorizing wildlife management areas, prescribed fire for habitat enhancement, and the newly launched fishing pole loaner program.

Answering questions from Representative King regarding the Eastern Kentucky flood response, Major Jeremy McQuary stated the rescue and recovery efforts were a collaborative effort amongst the Department of Fish and Wildlife Resources, statewide emergency management, and law enforcement. The Department is responsible for handling drownings that occur in public waters, and the approximate number of drownings reported was 33. Commissioner Storm and Jenny Gilbert, the Department's legislative liaison, discussed their own personal accounts and told stories of Department personnel aiding flood victims.

In response to Representative Frazier Gordon, Commissioner Storm commented about the robust and huntable bear population in the Commonwealth.

Representative Freeland made remarks about the invasive carp and thanked the Department for their assistance during the Western Kentucky tornado outbreak.

Addressing questions from Senator Wheeler, the Commissioner said he would like to see some type of trading post in the future for the Elk Hunt Drawing.

Representative Wesley thanked the Department and the Commissioner for the Eastern Kentucky flood response.

Replying to questions from Representative Kirk-McCormick, Commissioner Storm stated that there is no way to determine when or how CWD will cross state lines into the Commonwealth. There is no treatment or live test for CWD. Five counties in Western Kentucky remain under special regulations for disease monitoring for 2022-2023 seasons. CWD differs from Epizootic Hemorrhagic Disease (EHD) and effects are seen over a comparably long period of time. Answering a follow up question, Major McQuary confirmed that a college degree is no longer required for an individual to become a conservation officer. An applicant must be 21 years of age and have a high school diploma or GED.

Answering questions from Representative Hale, Commissioner Storm explained that the subsidized market of invasive carp is strong and will continue to grow. Commercial fishers harvested over 10 million pounds of invasive carp in the last year. Replying to a follow up question, the Commissioner said a possible CWD case was detected in a Tennessee county less than 10 miles from Bell County. Representative Hale also discussed the state's bear population.

Representative Tackett Laferty discussed the Eastern Kentucky flood response and Jenny Wiley State Resort Park.

Eastern Kentucky Tourism Update

Representative Tackett Laferty introduced guests who provided an update on Eastern Kentucky tourism including the effects of the Eastern Kentucky floods on the 95th district.

Prestonsburg

Samantha Johnson, Executive Director of Prestonsburg Tourism, provided an update on Prestonsburg tourism. In 2021, the tourism industry in Floyd County had a total economic impact of over \$53 million, supported 352 jobs, and generated over \$9 million in income and wages. Ms. Johnson discussed types of travelers that visit Prestonsburg including family travelers, outdoor adventurers, and motor coach travelers. In addition, she detailed events that take place at the Mountain Arts Center, the creation of the Appalachian Arts and Entertainment Awards, and sport tourism events hosted at the Sugarcamp Mountain Trails, and the Prestonsburg Passage Rail Trail, in partnership with Jenny Wiley State Resort Park.

In response to a question from Representative King, Prestonsburg Mayor, Les Stapleton, spoke about the Prestonsburg Passage Rail Trail and the process of debris removal due to inclement weather.

Answering questions from Representative Kirk-McCormick, Mayor Stapleton said the pool that was located at Jenny Wiley State Resort Park is damaged beyond repair, but there are plans to place a splash pad at the park.

Replying to an inquiry from Representative Stevenson, Mayor Stapleton and Ms. Johnson spoke about the Jenny Wiley Amphitheater and transitioning the location to an entertainment venue.

Pikeville

Jimmy Carter, Mayor of Pikeville, Paul Bowles, Director of Pikeville Tourism, and Lauren McCoart, Assistant Director of Pikeville Tourism, discussed the outdoor recreation, Appalachian heritage, arts and culture, and entertainment offered by the city of Pikeville. Ms. McCoart highlighted the creation of the Story Trail, the five mile long Real McCoy Trail, the Pikeville Cut-Through, the Hillbilly Days Festival, the Big Sandy Heritage Center Museum, the Appalachian Moonshine, Music, and Makers Festival, the Appalachian Center for the Arts, the Hoptoberfest KY, and events held at Appalachian Wireless Arena.

Senator Wheeler made comments about the economy and tourism industry in the eastern region of the state.

Representative Kirk-McCormick commended the speakers for their work in the tourism industry and discussed the progress of the economy in Eastern Kentucky.

Representative Fister thanked the speakers for their efforts and made remarks about the beauty of the region.

Representative Pollock made comments about several upcoming events taking place in Eastern Kentucky.

Representative Tackett Laferty made closing remarks regarding infrastructure, economic development, and tourism in Eastern Kentucky.

Representative King conveyed her appreciation for Senator C.B. Embry and thanked him for his years of service to the Commonwealth.

There being no further business before the committee, the meeting adjourned at 2:53 p.m.

INTERIM JOINT COMMITTEE ON TRANSPORTATION

Minutes of the 4th Meeting

of the 2022 Interim

September 20, 2022

Call to Order and Roll Call

The 4th meeting of the Interim Joint Committee on Transportation was held on Tuesday, September 20, 2022, at 1:00 PM, in Room 149 of the Capitol Annex. Senator Jimmy Higdon, Chair, called the meeting to order, and the secretary called the roll. The minutes from the committee's August 16, 2022, meeting were approved.

Present were:

Members: Senator Jimmy Higdon, Co-Chair; Representative Ken Upchurch, Co-Chair; Senators Karen Berg, Johnnie Turner, Phillip Wheeler, Mike Wilson, and Max Wise; Representatives Josh Branscum, Kevin D. Bratcher, Randy Bridges, Jonathan Dixon, Ken Fleming, Samara Heavrin, Thomas Huff, Derek Lewis, Bobby McCool, Shawn McPherson, Charles Miller, Ruth Ann Palumbo, Sal Santoro, Tom Smith, Cherlynn Stevenson, Ashley Tackett Laferty, Walker Thomas, Susan Westrom, and Buddy Wheatley.

Guests: Matt Cole, Commissioner, Department of Vehicle Regulation, Kentucky Transportation Cabinet (KYTC); Sarah Jackson, REAL ID Project Manager, Office of the Transportation Cabinet Secretary, KYTC; Captain Marshall Johnson, Driver Testing Branch, Kentucky State Police (KSP); Shannon Frey, Services and Volunteer Coordinator, St. John Center; and George Eklund, Education and Advocacy Director, Coalition for the Homeless.

LRC Staff: Dana Fugazzi, Ashley Nash, and Christina Williams.

Regional Driver's License Issuance

Matt Cole, Commissioner, Department of Vehicle of Regulation, KYTC and Sarah Jackson, REAL ID Project Manager, Office of the Transportation Cabinet Secretary, KYTC, updated the committee on regional driver's license issuance. There are now 32 driver licensing regional offices in Kentucky. The newest regional offices include locations in Bellevue, Covington, Independence, Lexington (Spindletop), London, Maysville, Pikeville, and Pineville. There are three options available for renewing credentials: visiting a regional or pop-up office, renewing online, or renewing by mail.

Pop-up driver licensing offices visit counties throughout the state where a regional office is not located. In the first nine months of 2022, the pop-up program has held more than 160 local events in Kentucky's 94 pop-up eligible counties. With its local partners, the program will host a total of 220 events in 2022. The Pop-up Driver Licensing Program also helped Eastern Kentuckians in the aftermath of the July flooding. The program's disaster-related services spanned nearly 700 business hours over 23 days, with more than 40 KYTC employees from regional offices across the state working in the affected areas and credentials were issued to more than 3,300

Kentuckians.

Several legislators expressed their gratitude to the KYTC employees for their efforts in ensuring the regional driver's license office transition has been a success.

In response to a question asked by Representative Branscum concerning glitches with online renewals, Commissioner Cole stated improvements have been made with the online renewal process. He stated one issue that has arisen is the online system will not currently renew expired credentials, but that issue is being addressed. Ms. Jackson stated another issue being looked into is that some people will attempt to renew their credentials with a picture that is older than 16 years old, which the system will not accept.

In response to a question asked by Chairman Higdon, Ms. Jackson stated a person may renew their standard license or identification card, or their REAL ID license or REAL ID identification card online. Currently, a change of address is not able to be completed online, but is able to be completed through mail-in renewals. Reporting a lost or stolen credential may also be done by mail. Commercial driver's licenses (CDLs) must be renewed in person per federal regulation, however, that may change in the future.

In response to a question asked by Chairman Higdon, Ms. Jackson stated KYTC has not ruled out the addition of more regional offices, but for now, they are holding at 32 regional offices for further evaluation of the process and the daily volume of visitors in those offices before any additions are made.

Regional Driver's License Testing

Captain Marshall Johnson, Driver Testing Branch, KSP, updated the committee on regional driver's license testing. There are 27 regional driver testing locations, as well as one pending in Bellevue. Instructions for scheduling appointments online are located on the KSP driver testing website at kentuckystatepolice.org/driver-testing. Schedules release three weeks at a time, and this timeframe is automatically maintained. For example, on Tuesday, September 20, 2022, at 8:00 AM, the scheduling system will release new appointments three weeks out, for Tuesday, October 11, 2022. When applicants consume all of these appointments, the "No Availability" message will appear. The following morning at 8:00 AM, October 12 appointments will automatically release. Appointments will generate at 8:00 AM every day the office is operational.

On July 5, 2022, testing availability was expanded by allowing applicants to schedule testing appointments at any testing location they choose. Written test availability increased significantly for some locations, but road test appointments saw a decrease in availability statewide. To compensate, the ratio of written tests to road tests is carefully monitored and adjusted. Training and software updates are ongoing and both are expected to increase efficiency and testing capacity.

Eleven locations are now using tablets for administering the written tests. Eventually all locations will be outfitted with tablets. Kentucky State Police has added staff to improve wait times and availability.

Captain Johnson gave statistics comparing the number of tests administered year-to-date (January 1 to September 15) for 2022 against the same period in 2021. The total number of all skills test administered declined three percent, from 64,744 in 2021 to 62,820 in 2022. Motorcycle testing was up, while tests in vehicles decreased.

As for written tests, there was a 2.3 percent increase from 2021 to this year, with the KSP administering 115,769 to date. Written testing in all areas (regular operators, motorcycles, CDLs, and CDL add-on endorsements) increased in 2022.

Captain Johnson thanked the committee members as well as the KYTC employees for their cooperation and aiding in the smooth driver testing transition.

In response to a question asked by Chairman Higdon, Captain Johnson stated the full personnel expansion efforts will begin on October 1, 2022.

Chairman Higdon urged for a possibility of having the written and knowledge test taken at a local location to eliminate one of the two trips needed to a regional testing office.

In response to a question asked by Senator Berg, Captain Johnson stated the testing numbers are reflective of pre-pandemic numbers.

In response to a question asked by Senator Berg, Captain Johnson stated KSP has adjusted the scheduling window a number of times, and are not opposed to further adjustment. He added the three week scheduling window was set because historically when scheduling was allowed to be set beyond a two week period, there were more no-shows to appointments. The window was extended out to three weeks so that people would be able to plan a little further out than just a two week period.

In response to a question asked by Representative Tackett Laferty, Captain Johnson stated he would defer to KYTC the issue of testing still being a possibility on the scheduled day if the correct documentation is not brought to the initial written test. Representative Tackett Laferty suggested the possibility of the person bringing the correct documents when they return for the skills portion of the test, and the person still being allowed to take their written test. Captain Johnson stated if KSP can work it out that the person does not have to make two trips simply because of a document, they will test them as KSP does not want to impose any greater strain than necessary. Captain Johnson stated KSP will work with people when it comes to documents in connection with KYTC and the requirements that are in place for that.

ID's and Driver's Licenses for Individuals without a Fixed Permanent Address (2023 RS BR 222 Sponsored by Representative Randy Bridges)

Representative Randy Bridges, District 3, presented BR 222 for the 2023 Regular Session, which expands and modifies procedures for the issuance of personal IDs and driver's licenses for individuals without a fixed permanent address. Representative Bridges was joined by Shannon Frey, Services and Volunteer Coordinator, St. John Center and George Eklund, Education and Advocacy Director, Coalition for the Homeless, in briefing the committee on the issue. Identification cards are essential to obtaining housing, getting a job, opening a bank account,

picking up a prescription, voting, going to the doctor, providing proof of identification to law enforcement, and accessing government buildings. The proposed bill will lower the ID cost from \$10 to \$5, allow homeless youth to independently obtain an ID without parental consent in limited circumstances, and allow for driver's license renewal for homeless individuals. Kentucky could guarantee low-cost IDs for people experiencing homelessness for approximately \$25,000 per year. Under the proposed bill, an unsheltered person needs a birth certificate, a social security card, and a social service provided form stating that they lack a fixed address. A social service provider could include shelters, health clinics, or other organizations that serve the homeless.

A driver's license could be needed for an unsheltered person because people who lose their housing often still have a car and a job. Creating a pathway to renew their driver's license will help them to get back into housing faster and prevent them from needing more expensive interventions. This proposed bill will not impact REAL ID, it will only change how some people establish residency for a standard ID or driver's license. Official documents must also still be provided such as a birth certificate or a social security card to get an ID or a license.

In response to a question asked by Chairman Higdon, Mr. Eklund stated that under this proposal, requirements for establishing identity and proof of citizenship or legal presence remain the same in obtaining a homeless ID as for a person with a fixed address.

In response to a question asked by Chairman Higdon, Mr. Eklund stated the address that is used on the ID obtained by the homeless person would be the address of the social service provider from which the applicant obtained the form required for the application.

In response to a question asked by Chairman Higdon, Ms. Frey stated the St. John Center provides a bus ticket for their homeless population to the Nia Center on Broadway in Louisville to turn their paperwork in to obtain the credential.

Senator Wheeler shared his concern that Chairman Higdon also voiced about minors obtaining IDs without parental consent. Mr. Eklund and Ms. Frey assured the committee minors receiving these IDs would not be rebellious runaways, but minors needing extensive aid and resources without any parental support.

With no other business to come before the committee, Chairman Higdon adjourned the meeting at 2:05 P.M.

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

**Minutes of the 4th Meeting
of the 2022 Interim
September 28, 2022**

Call to Order and Roll Call

The 4th meeting of the Interim Joint Committee on Veterans, Military Affairs, and Public Protection

was held on Wednesday, September 28, 2022, at 10:00 AM, in Room 154 of the Capitol Annex. Senator Stephen Meredith, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stephen Meredith, Co-Chair; Representative Walker Thomas, Co-Chair; Senators Jimmy Higdon, Wil Schroder, Whitney Westerfield, and Mike Wilson; Representatives John Blanton, Kevin D. Bratcher, Chris Freeland, Al Gentry, Jim Gooch Jr., Mark Hart, Matthew Koch, Scott Lewis, C. Ed Massey, Bobby McCool, Scott Sharp, Pamela Stevenson, Ashley Tackett Laferty, Bill Wesley, and Buddy Wheatley.

Guests: Mike Coyle, Madison County Sheriff; Martin Wesley, Deputy, Madison County; Jennifer Kermeen, Deputy, Madison County; Jeremy Hamilton, Deputy, Madison County; Lieutenant Colonel (Ret.) Whitney Allen, Commissioner, Kentucky Department of Veterans Affairs (KDVA); Lieutenant Colonel (Ret.) Keith Jackson, Deputy Secretary, Justice and Public Safety Cabinet; Sam Flynn, General Counsel, Kentucky Labor Cabinet; Mark Bowman, Executive Director, Office of Kentucky Veterans Centers; Larry Potter, Executive Director, Kentucky Fire Commission; Bruce Roberts, Deputy Executive Director, Kentucky Fire Commission; and Trace Chesser, President and Chief Executive Officer, USA Cares.

LRC Staff: Mark Mitchell, Jessica Zeh, and Mariah Derringer-Lackey.

On a motion from Representative Koch, seconded by Representative Thomas, the July and August meeting minutes were approved.

On a motion from Senator Westerfield, seconded by Senator Wilson, the committee adopted a citation honoring the service of Senator C.B. Embry, Jr.

Distinguished Guests

Madison County Sheriff Mike Coyle, Deputy Martin Wesley, Deputy Jennifer Kermeen, and Deputy Jeremy Hamilton were honored as distinguished guests. They conducted a K-9 demonstration after the meeting for members of the committee.

Kentucky Department of Veterans Affairs

Lieutenant Colonel (Ret.) Whitney Allen, Commissioner of the Kentucky Department of Veterans Affairs (KDVA); Lieutenant Colonel (Ret.) Keith Jackson, Deputy Secretary of the Justice and Public Safety Cabinet; Sam Flynn, General Counsel for the Kentucky Labor Cabinet; and Mark Bowman, Executive Director of the Office of Kentucky Veterans Centers spoke to the committee and fielded questions.

Deputy Secretary Jackson and Mr. Flynn covered the history of KDVA's assistance with Unemployment Insurance (UI) issues during the COVID-19 pandemic. Responding to a request from the Governor, KDVA provided fifteen employees to support the Office of Unemployment Insurance. From early March to early April of 2020, weekly UI claims increased from 2,400 to 117,000. By early May of 2020, 680,000 claims were filed. KDVA employees assisted during this period by providing customer service and soft skills, allowing trained UI personnel to adjudicate claims.

Responding to questions from Representative

Blanton, Mr. Flynn said that instances of potential fraud are referred by the Labor Cabinet to federal law enforcement if the fraud comes from outside of Kentucky, and to local prosecutors if it does not. Many instances of potential fraud are a matter of prosecutorial discretion, and the Labor Cabinet is required by state and federal law to attempt to collect fraudulently obtained funds.

Responding to questions from Representative Sharp, Mr. Flynn said that the assistance of LRC employees was offered to the Labor Cabinet, but they were prohibited from using legislative branch employees by federal and state law, as well as United States Department of Labor policies. Commissioner Allen said that the shift to remote work and the disruptions caused by the pandemic initially caused a slowdown in claims processing.

Responding to questions from Senator Higdon, Commissioner Allen said that KDVA employees have returned to in-person office work. Mr. Flynn said that the overhaul of the state UI computer system is in the rebidding process.

Responding to questions from Representative Hart, Mr. Flynn emphasized the potential separation of power issues that could arise if legislative staff were used to perform executive branch functions.

Responding to questions from Representative Wheatley, Mr. Flynn said that increased fraud attempts in 2020 and 2021 added to the workload of the UI staff.

Responding to a question from Representative Gentry, Mr. Flynn noted that the Attorney General does not play a large role in UI fraud cases.

Responding to questions from Senator Meredith, Mr. Flynn said that additional funds were allocated to Ernst & Young to extend the time in which they could assist in adjudicating UI claims.

Kentucky Fire Commission

Larry Potter, Executive Director of the Kentucky Fire Commission, and Bruce Roberts, Deputy Executive Director, explained the operations of the Fire Commission.

Responding to questions from Senator Meredith, Mr. Potter said that there are approximately 13,000 volunteer firefighters in Kentucky, fewer than in the past.

Responding to questions from Senator Higdon, Mr. Potter noted that the Fire Commission's budget is fifty million dollars. Mr. Roberts explained the oversight of firefighter training conducted by the Fire Commission. Auditors verify compliance of fire departments at least once per year.

Representative Koch praised the work of the fire departments in Bourbon County.

Responding to a question from Representative Wesley, Mr. Potter estimated that fifty fire departments in Kentucky are paid, meaning the majority are volunteer departments.

Responding to a question from Representative Bratcher, Mr. Potter said the merging of Fern Creek and Buechel Fire Departments in Louisville did not affect funding.

Responding to a question from Representative Tackett Laferty, Mr. Roberts said that a volunteer firefighter tax credit could improve recruiting and

retention.

USA Cares

Trace Chesser, President and Chief Executive Officer of USA Cares, explained his organization's efforts to support veterans. Over the past ten years, USA Cares has provided over seven hundred and fifty thousand dollars to struggling Kentucky military families, which helped prevent evictions and foreclosures, auto reposessions, utility disconnections, and provided food assistance. They are also providing help for military families affected by the recent flooding in eastern Kentucky.

Responding to a question from Senator Meredith, Mr. Chesser said that the legislature could assist USA Cares by providing funding for their operations.

Responding to a question from Representative Bratcher, Mr. Chesser detailed the increase in demand for veteran assistance during the COVID-19 pandemic. He also highlighted many of the issues and challenges faced by combat veterans.

With no further business before the committee, the meeting was adjourned at 11:30 AM. The next meeting of the Interim Joint Committee on Veterans, Military Affairs, and Public Protection will be Wednesday, October 26, 2022 at 10:00 AM in Room 154 of the Capitol Annex.

CAPITAL PLANNING ADVISORY BOARD

Minutes of the 2nd Meeting

of the 2022 Calendar

September 14, 2022

Call to Order and Roll Call

The 2nd meeting of the Capital Planning Advisory Board was held on Wednesday, September 14, 2022, at 10:00 AM, in Room 169 of the Capitol Annex. Representative Bobby McCool, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Adrienne Southworth, Co-Chair; Representative Bobby McCool, Co-Chair; Senator Phillip Wheeler, Representative Derek Lewis; Pat Abell, Rocky Adkins, Charles Byers, Laurie Givens, John Hicks, Patsy Jackson, Holly Johnson, and Mark Overstreet.

Guests: Dr. Aaron Thompson, President, Shaun McKiernan, Executive Director for Finance and Budget, and Bill Payne, Vice President for Finance, Council on Postsecondary Education (CPE); Angie Martin, Chief Budget Officer, and Kevin Locke, Associate Vice President for Planning, Design, and Construction, University of Kentucky; Jordan Smith, Executive Director of Government and Institutional Relations, Murray State University; Andy Casebier, Assistant Vice President of Facilities and Support Services, and Sandy Atkins, Director of Capital Projects and Budgeting, Kentucky Community and Technical College System (KCTCS); Chay Ritter, Division Director, Division of District Support, Kentucky Department of Education (KDE); and John Akers, Kentucky Center for School Safety.

LRC Staff: Shawn Bowen, Korey Sallee, and Jennifer Luttrell.

Approval of Minutes

A motion to approve the minutes of the July 20, 2022, meeting was made by Senator Wheeler, seconded by Representative Lewis, and approved by voice vote.

Presentation – Council on Postsecondary Education – Asset Preservation Pool Projects – 2022 Kentucky General Assembly

Dr. Thompson and Mr. McKiernan updated members on the Postsecondary Education Asset Preservation Pool authorized in House Bill 1, 2022 Regular Session of the Kentucky General Assembly. General fund bonds in the amount of \$683.5 million will provide funding for individual asset preservation, renovation, and maintenance projects at Kentucky public postsecondary institutions. The state budget also appropriated \$16.5 million for a stand-alone asset preservation project for KCTCS. In total, the General Assembly authorized \$700 million for asset preservation.

In reference to a statement in which Dr. Thompson said 47.8% of all high school graduates attend Kentucky colleges, Senator Wheeler asked if this figure includes vocational and trade school attendees. Dr. Thompson responded affirmatively, explaining that vocational schools are considered college.

In response to a question from Senator Southworth, Dr. Thompson said two return-on-investment reports, prepared by CPE and the Kentucky Center for Statistics (KYSTATS), tracked the progress of graduating high school seniors for eight and ten years following graduation. The reports included demographics such as current location, salaries/wages, and job position.

In response to a question from Ms. Johnson, Dr. Thompson said KYSTATS collects vocational data on students earning a trade certificate in high school, and at traditional vocational schools and technology centers. KCTCS utilizes this data to offer students upgraded certificates in the area of choice. The certificates are stackable, and build on each other.

In response to another question from Ms. Johnson, Dr. Thompson said KCTCS schools are accredited colleges, and students attending are eligible to apply for student loans and federal financial aid.

Mr. Hicks said KYSTATS is an organization within the Kentucky Education and Labor Cabinet guided by an advisory committee that involves the Council on Postsecondary Education. KYSTATS has one of the most advanced databases in the country on statewide longitudinal data systems related to education. The General Assembly has supported this organization and is replacing lost federal funds to maintain its capacity.

In response to a question from Mr. Hicks, Mr. McKiernan said institutional funds in the amount of \$1.2 billion were utilized for postsecondary institution asset preservation between 2008-2022. This figure does not include other sources of funds such as guaranteed energy savings projects and third-party partnerships.

In response to a question from Mr. Adkins

regarding CPE's role in streamlining the transfer of credit hours between Kentucky's public institutions, Dr. Thompson said that the vast majority of credits transfer successfully. Common issues have been addressed through the general education transfer policy. There are some instances that lie outside of the transfer policy, such as programs with specialized accreditation, technical courses that do not have equivalents at universities, and programs that require specific general education courses.

Mr. Adkins said a company that recycles lithium-ion batteries into sustainable battery materials has announced it will locate a new facility in Hopkinsville. He further stated that the Hopkinsville Community College project will be of vital importance.

Representatives from the University of Kentucky, Murray State University, and KCTCS briefly discussed their asset preservation plans. Speakers included Angie Martin and Kevin Locke, University of Kentucky; Jordan Smith, Murray State University; and Andy Casebier and Sandy Adkins, KCTCS.

In response to a question from Representative Lewis, Mr. Locke said a safety assessment is part of the design process to ensure the buildings have the appropriate controls, including building entrance and security vestibule type arrangements.

Presentation – Kentucky Department of Education – The impact of inflation on current school facility construction projects (K-12)

Mr. Akers and Mr. Ritter provided follow-up responses to questions received at the July meeting about the impact of inflation on current school facility construction projects (K-12). Mr. Akers said the Kentucky Center for School Safety coordinates with the Department of Education and the State School Security Marshal's Office on school security. The Center has also worked with the Department of Education to develop approximately 25 indicators that architects and Boards of Education should consider when planning new facilities.

Mr. Ritter said after the July meeting, the Kentucky Department of Education surveyed 122 school districts to further refine data requested by the board. A project list containing 21 school districts statewide was developed based on previously defined criteria. The list is current as of August; however, due to inflation and other factors, the project estimates will most likely increase. School districts have delayed planned projects due to rising construction costs, the increased cost of materials, and the tight labor market. Additionally, the floods in Eastern Kentucky have created a higher demand for facility construction or renovation.

In response to questions from Representative McCool, Mr. Ritter said that every school district levies the Facilities Support Program of Kentucky nickel as required in statute. Some schools have levied multiple nickels, as is the case of Breathitt County, which has a recallable nickel as part of its Facilities Support Program. Historically, the General Assembly has provided, through legislation, additional opportunities for local school boards to levy additional nickels. For example, the growth nickel was incorporated into statute in 1994. Currently, local school boards may levy the recallable nickel. These nickels would be in

addition to the required Facilities Support Program of Kentucky nickel.

In response to a question from Representative McCool, Mr. Ritter said the project listing provided to board members could be sorted or prioritized based on other defined variables. Representative McCool stated that a prioritized listing of school construction needs will identify what projects can be completed at present, and which projects can wait. He further stated that the General Assembly is trying to find a mechanism to help, however, his concern was the gap in project funding due to the high cost of construction and materials.

In response to a question from Senator Wheeler, Mr. Ritter replied that he did not know why some of the project estimates are higher. Architects provide different estimates at different stages of construction, and the estimates are refined as the project advances. Some projects have not broken ground, and others were reduced in scope to bring them under budget.

Other Business

Representative McCool said the committee will discuss the results of the member survey at the October meeting when Senator Southworth can join the discussion.

The next meeting is scheduled for October 11 at 1:00 PM. The Department of Parks will appear before the board to discuss their equipment needs.

Adjournment

The next meeting is scheduled for Tuesday, October 11, 2022, in Room 169, Capital Annex starting at 1:00 PM. There being no further business, the meeting adjourned at 11:25 AM.

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

August 24, 2022

Call to Order and Roll Call

The August Capital Projects and Bond Oversight Committee was held on Wednesday, August 24, 2022, at 2:00 PM, in Room 169 of the Capitol Annex. Senator Jason Howell, Chair, called the meeting to order and the secretary called the roll.

Present were:

Members: Senator Jason Howell, Co-Chair; Representative Chris Freeland, Co-Chair; Senators Christian McDaniel and Robin L. Webb; Representatives Keturah Herron and Walker Thomas.

Guests: Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services; Sandy Williams, Executive Director, Kentucky Infrastructure Authority; Sarah Butler, Deputy Commissioner, Department for Financial Services, Cabinet for Economic Development; and Ryan Barrow, Executive Director, Office of Financial Management.

LRC Staff: Katherine Halloran, Committee Staff Administrator; Korey Sallee, Committee Analyst; Liz Hardy, Committee Assistant.

Approval of Minutes (July 21, 2022)

Senator McDaniel moved to approve the July 21, 2022, meeting minutes. Representative Thomas seconded the motion and the committee approved without objection.

Information Items

Ms. Halloran referenced three information items. Pursuant to KRS 45.760(5), the University of Kentucky reported three medical equipment purchases totaling about \$1.8 million in restricted funds for UK Chandler hospital and a \$300,000 research equipment purchase for UK's College of Pharmacy. Pursuant to KRS 45.812(1), six school districts, none of which needed an additional tax levy to pay debt service, transmitted upcoming debt issues for new projects through their fiscal agents. The school districts were Breathitt County, Clay County, Corbin Independent (Knox and Whitley Counties), Estill County, Harrison County, and Livingston County. Pursuant to House Bill 1, Eastern Kentucky University reported its anticipated Postsecondary Education Asset Preservation Pool projects for the upcoming fiscal year.

Lease Report from the Finance and Administration Cabinet

Mr. Aubrey reported an amended Transportation Cabinet, Kentucky Division of Highways emergency lease for space in Graves County. The amended emergency lease is to house travel trailers [KYTC purchased 200 with House Bill 5 proceeds for the Commonwealth Sheltering Program] for families whose primary residences were majorly damaged, destroyed, or not habitable due to the December 2021 tornadoes. The site had utility hookups; therefore the lease, for seventeen lots, was procured through non-competitive negotiation at \$325 per site per month. DRP amended the lease to add mowing services at \$40 per site per month for a \$365 per lot total.

Kentucky Infrastructure Authority

Representative Freeland moved to roll the Infrastructure Revolving Fund (Fund B) Program loan and Cleaner Water Program sewer grant reallocation into one roll call vote, Representative Herron seconded the motion, and the committee approved without objection.

Ms. Williams submitted a Fund B loan and Cleaner Water Program sewer grant reallocation. The City of Mount Washington (Bullitt County) requested a \$700,000 Fund B loan for its Pleasant Grove Pump Station Improvements; the pump station, which serves the majority of the sewer customers in the western portion of the city, replacement. The loan term is 20 years with a two and a quarter percent interest rate. The City of Elkton (Todd County) requested to reallocate its previously approved \$146,193 Cleaner Water Program sewer grant from its Elkton - Wastewater System Rehabilitation and Improvements project; repairs and upgrades to the city's wastewater collection system to address excessive wet weather sanitary sewer overflows.

Senator Webb moved to approve the Fund B loan and Cleaner Water Program sewer grant reallocation, Representative Thomas seconded the motion, and the

committee approved by unanimous roll call vote.

Cabinet for Economic Development

Ms. Butler submitted a \$500,000 Economic Development Fund Kentucky Product Development Initiative program [administered in conjunction with the Kentucky Association for Economic Development and codified in House Bill 745, uses EDF monies for industrial site upgrades] grant to the City of Winchester on behalf of the Winchester Clark County Industrial Development Authority. The \$2.2 million project is the grading of a 70 acre site in Winchester Industrial Park. The IDA will provide \$1.6 million [and Kentucky Utilities will provide \$100,000]. An independent site selection consultant identified the infrastructure project as having potential for future economic development opportunities. CED disburses funds, to the project applicant through the local government entity, on a reimbursement basis upon review and approval of supporting documentation including invoices, proof of payment, matching funds, and progress report.

In response to Senator McDaniel, Ms. Butler stated that the site occupant has not been identified yet.

Representative Thomas moved to approve the EDF grant, Representative Freeland seconded the motion, and the committee approved by unanimous roll call vote.

Office of Financial Management

Mr. Barrow submitted a State Property and Buildings Commission debt issue and reported a Turnpike Authority of Kentucky debt issue. The State Property and Buildings Commission Revenue Bonds, Project No. 127, Series 2022 A and Federally Taxable Series 2022 B is general fund appropriation-supported debt to fund \$255 million of projects in various appropriations bills. The taxable component is the "Bucks for Brains" Endowment Match Program; \$30 million for research institutions (Research Endowment Trust Fund) and \$10 million for comprehensive institutions (Comprehensive University Excellence Trust Fund). The estimated all-in true interest cost is just over 3.8 percent.

In response to Senator McDaniel, Mr. Barrow stated that the "Bucks for Brains" piece did not qualify as tax exempt because it finances operating expenses.

The Turnpike Authority of Kentucky Economic Development Road Revenue Bonds (Revitalization Projects), 2022 Series B is road fund appropriation-supported debt to finance the remaining \$50 million in projects authorized prior to 2022. The estimated all-in true interest cost is just over 3.5 percent.

Representative Thomas moved to approve the SPBC debt issue, Representative Herron seconded the motion, and the committee approved by unanimous roll call vote.

School District Debt Issues with School Facilities Construction Commission Debt Service Participation

Senator McDaniel moved to roll the four school district debt issues with SFCC debt service participation into one roll call vote, Senator Webb second the motion, and the committee approved

without objection.

Mr. Barrow submitted four school district debt issues with SFCC debt service participation totaling \$16 million for new projects; about 91 percent, \$14.6 million, with locally supported debt service and nearly nine percent, \$1.4 million, with SFCC debt service participation. The school districts, none of which needed an additional tax levy to pay debt service; were Carroll County, Russell Independent (Greenup County), Somerset Independent (Pulaski County); and Williamstown Independent (Grant County).

Senator Webb moved to approve the four school district debt issues with SFCC debt service participation, Representative Herron second the motion, and the committee approved by unanimous roll call vote.

Next Meeting Date and Adjournment

Senator Howell announced Thursday, September 29 as the next meeting date. With there being no further business the meeting adjourned at 2:16 p.m.

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

September 29, 2022

Call to Order and Roll Call

The September Capital Projects and Bond Oversight Committee meeting was held on Thursday, September 29, 2022, at 2:00 PM, in Room 169 of the Capitol Annex. Representative Chris Freeland, Chair, called the meeting to order and the secretary called the roll.

Present were:

Members: Senator Jason Howell, Co-Chair; Representative Chris Freeland, Co-Chair; Senator Rick Girdler; Representatives Jason Petrie and Walker Thomas.

Guests: Elizabeth Baker, Senior Director, Strategic Capital Planning and Legislative Analysis, University Budget Office, University of Kentucky; Janice Tomes, Deputy State Budget Director, Office of State Budget Director; Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services, Finance and Administration Cabinet; Sandy Williams, Executive Director, Kentucky Infrastructure Authority; Sarah Butler, Deputy Commissioner, Department for Financial Services, Cabinet for Economic Development; and Ryan Barrow, Executive Director, Office of Financial Management.

LRC Staff: Katherine Halloran, Committee Staff Administrator; Korey Sallee, Committee Analyst; Liz Hardy, Committee Assistant; and Spring Emerson, Committee Assistant.

Approval of Minutes

Representative Thomas moved to approve the August 24, 2022, meeting minutes, Senator Howell seconded the motion, and the committee approved without objection.

Information Items

Pursuant to KRS 45.760(5), the University of Kentucky reported three basic life support ambulance purchases totaling \$844,100 in restricted funds for UK Chandler Hospital. Pursuant to KRS 45.760(9), the Office of State Budget Director transmitted its annual capital projects report. Pursuant to KRS 45.812(1) six school districts, none of which needed an additional tax levy to pay debt service, reported upcoming debt issues for new projects through their fiscal agents. The school districts were Casey County, Harlan Independent (Harlan County), Lawrence County, Livingston County, Nelson County, and Pulaski County. Pursuant to KRS 45A.180(2), the University of Louisville reported its intent to use the design-build project delivery method for its Renovation Patterson Baseball Stadium project. Pursuant to KRS 48.111(6)(a), the Division of Real Properties transmitted its advertisement for the Department of Juvenile Justice office/classroom space in Christian County to house a day treatment center. Pursuant to KRS 56.813(2)(a)3.b. and KRS 56.823(11)(a), the Division of Real Properties reported a lump-sum leasehold improvement costing between \$1,000 and \$10,000 and four square footage lease modifications under \$50,000.

Lease Report from the University of Kentucky

Ms. Baker submitted a new lease with Easter Seals, 25,017 square feet at a \$988,922.01 annual rental cost (\$22.00 per square foot base plus \$17.53 per square foot amortized fit-up costs), for space at the former Shriners Hospital property on Richmond Road in Lexington. The space will house three clinics (NICU Graduate Clinic, Complex Care Clinic, and Developmental Pediatric Clinic) serving children with special healthcare needs; thereby providing services in one location so that patients will not have to travel to multiple sites.

Co-Chair Howell moved to approve the new lease, Senator Girdler seconded the motion, and the committee approved by unanimous roll call vote.

Project Report from the Finance and Administration Cabinet

Co-Chair Howell moved to roll two new projects into one roll call vote. Representative Thomas seconded the motion, and the committee approved without objection.

Ms. Tomes submitted two new projects and reported four pool allocations and a Postsecondary Education Asset Preservation Pool allocation. The first new project, submitted under KRS 164A.575(15), was the Kentucky Community and Technical College System Renovate Newtown Campus North Buildings - Bluegrass CTC project, revising the prior authorization from \$12.4 million to \$16 million (\$14 million in restricted funds and \$2 million from a Lexington-Fayette Urban County Government grant). The new space will allow for expansion of academic programs providing community outreach services.

The second new project, submitted under KRS 45.760(7), is the General Government Cabinet, Department of Military Affairs, Bowman Field Annex Readiness Center Interior Restoration project, amending the prior authorization from \$3.5 million to \$5,449,900 due to higher than expected bids. The

initial \$3.5 million was comprised of \$3 million in federal funds (Military Construction Cooperative Agreement) and \$500,000 from the Department of Military Affairs' 2020-2022 investment income maintenance pool. The amended project authorization will change the \$500,000 from the investment income maintenance pool to \$2,449,900 from the general funded Armory Installation Facility Maintenance pool. The readiness center was constructed in 1951 and served as the U.S. Army Reserve Readiness Center until it was replaced by the adjacent new facility. The building has largely laid dormant since 2016 when the acquisition transfer process to the Kentucky Army National Guard began. The project is a complete interior renovation (upgrades include latrines, HVAC, lighting, electrical, antiterrorism/force protection windows, flooring, and walls) and the Kentucky Army National Guard plans to station a newly assigned 200 soldier divisional artillery headquarters within the renovated facility.

Co-Chair Howell moved to approve the two new projects; Representative Thomas seconded the motion, and the committee approved by unanimous roll call vote.

The first pool allocation was for the Finance and Administration Cabinet, Department for Facilities and Support Services (DFSS), \$1.5 million Capitol Annex Exterior Repairs project; brick and stone repairs as well as exterior lighting, downspout, and sealant replacement funded from DFSS's 2020-2022 bond-funded maintenance pool. The next three allocations were for Tourism, Arts, and Heritage Cabinet, Department of Fish and Wildlife Resources projects, all of which were authorized by the U.S. Army Corps of Engineers and funded from the restricted funded Fees-In-Lieu-of Stream Mitigation Projects Pool. The first was the \$19.1 million Rolling Fork WMA Stream and Wetland project, which will restore and permanently protect over 66,000 linear feet of Stillwell Branch and tributaries in LaRue County. The second was the \$4 million to the Staggs Creek project, which will restore and permanently protect over 19,000 linear feet of Staggs Branch and tributaries in Lewis County. The final was the \$7.5 million Mud Camp project, which will physically restore and permanently protect over 31,000 linear feet of Mud Camp Creek and tributaries in Cumberland County.

The Postsecondary Education Asset Preservation Pool allocation was for the \$1.188 million Kentucky Community and Technical College System, Roof Repairs Glema Mahr Arts Center — Madisonville Community College, funded with \$1,033,085 in bond funds and \$154,915 in restricted funds for its fifteen percent match.

Lease Report from the Finance and Administration Cabinet

Mr. Aubrey reported two Transportation Cabinet, Kentucky Division of Highways emergency leases; both month-to-month to house travel trailers for families whose primary residences were majorly damaged, destroyed, or not habitable due to the December 2021 tornadoes and the July 2022 flooding and procured through non-competitive negotiation as the sites had utility hookups. The first was an amended emergency lease in Graves County, which increased

the base monthly rent from \$325 to \$425 per site and mowing services from \$40 to \$60 per lot per month, resulting in a \$485 monthly rate per site, as well as decreased the sites from seventeen to thirteen. The second was a new emergency lease in Owsley County for twenty-five sites at \$500 per month per site.

Report from the Office of Financial Management Kentucky Infrastructure Authority – Cleaner Water Program Grants

Co-Chair Howell moved to roll the thirty-eight Cleaner Water Program (CWP) grants into one roll call vote, Senator Girdler seconded the motion, and the committee approved without objection.

Ms. Williams submitted thirty-eight CWP grants; funding twenty-eight new projects (providing service to 1,200 households) from the unserved drinking water pool, three new water projects from the county pool, and three sewer and four water project reallocations from the county pool.

Co-Chair Howell moved to approve the CWP grants, Co-Chair Freeland seconded the motion, and the committee approved by unanimous roll call vote.

Cabinet for Economic Development – Economic Development Fund Grants

Co-Chair Howell moved to roll two Economic Development Fund (EDF) grants into one roll call vote, Senator Girdler seconded the motion, and the committee approved without objection.

Ms. Butler submitted two EDF Kentucky Product Development Initiative program [administered in conjunction with the Kentucky Association for Economic Development and codified in House Bill 745, uses EDF monies for industrial site upgrades] grants. An independent site selection consultant identified the infrastructure projects as having potential for future economic development opportunities. The Cabinet for Economic Development (CED) disburses funds to the project applicants through the local government entities on a reimbursement basis upon review and approval of supporting documentation including invoices, proof of payment, matching funds, and progress reports.

The County of Muhlenberg, in partnership with the Paradise Park Regional Industrial Development Authority, requested a \$250,000 EDF grant for entrance enhancements and sewer and water service for 620 acres in the Industrial Business Park. The Industrial Development Authority identified matching funds (\$153,200 Regional Development Agency Assistance Program and \$96,800 Felix E. Martin Jr. Foundation grant). The Ohio County Fiscal Court, in partnership with the Ohio County Industrial Development Authority, requested a \$300,000 EDF grant to upgrade its electric to 9.5 megawatts at Bluegrass Crossings Business Center. The Fiscal Court will match the grant.

Representative Petrie moved to approve the two EDF grants, Co-Chair Howell seconded the motion, and the committee approved by unanimous roll call vote.

Office of Financial Management

Senator Girdler moved to roll the three new Kentucky Housing Corporation (KHC) conduit

debt issues into one roll call vote. Co-Chair Howell seconded the motion, and the committee approved without objection.

Mr. Barrow discussed the increase in interest rates, referencing the over 200 basis point Municipal Market Data ten-year rate increase since January, and the impact on state agency, postsecondary, and K-12 borrowing costs.

Mr. Barrow requested approval for three new KHC conduit debt issues. The first was the Kentucky Housing Corporation Conduit Multifamily Housing Revenue Bonds (Flats at Bardstown), Series 2022; \$21.5 million net proceeds with a \$40.7 million project cost for 192 units in Louisville. The second was Kentucky Housing Corporation Conduit Multifamily Housing Revenue Bonds (The Prestonian), Series 2022; \$55 million net proceeds with a \$124.5 million project cost for 343 units in Louisville. The third was the Kentucky Housing Corporation Conduit Multifamily Housing Revenue Bonds (Starks Artist Lofts), Series 2022 A and B; \$55 million net proceeds with a \$107 million project cost for 288 units in Louisville.

The KHC conduit debt issues are applied towards the state's private activity volume cap for the tax-exemption and affect neither the Commonwealth's nor the agencies' financials.

In response to Representative Petrie, Mr. Barrow said that decisions as to whether entities will pay increased debt service or decrease the project scope are dependent upon the type of entity. For K-12, some school boards have scaled back their projects while others have kept the project scope the same and for state agencies, scope and debt service are dependent upon the appropriations bill.

Representative Thomas moved to approve the three new KHC conduit debt issues, Co-Chair Howell seconded the motion, and the committee approved by unanimous roll call vote.

Mr. Barrow reported five previous debt issues. The first two were KHC conduit debt issues: the \$22.5 million Kentucky Housing Corporation Conduit Multifamily Revenue Bonds (Bowling Green Towers), Series 2022; 202 units in Bowling Green with a \$67.4 million project cost and the \$9.678 million Kentucky Housing Corporation Conduit Multifamily Revenue Bonds (Carl D. Perkins), Series 2022; 150 units in Pikeville with a \$19.6 million project cost. The respective sale dates were August 16 and August 10 of this year.

The three others were postsecondary general receipts debt issues. The first two financed projects reauthorized during the 2022 Regular Session. The \$50.53 million Eastern Kentucky University General Receipts Bonds, 2022 Series A financed the Residence Hall Renovation Pool and the \$41.685 million Western Kentucky University General Receipts Bonds, 2022 Series A financed the Construct, Renovate and Improve Athletic Facilities (Hilltopper Fieldhouse and Houchens-Smith Stadium Press Box). The competitively sold transactions priced within a few days of each other in mid-July with respective 4.1 percent (thirty-year term) and 3.24 percent (twenty-year term) true interest costs. The final was the \$10.315 million Western Kentucky University General Receipts Refunding Bonds, 2022 Series B

(City of Bowling Green); a refinancing to consolidate WKU's debt and produce \$205,500 (1.991 percent) in net present value savings, which also sold mid-July.

School District Debt Issues with School Facilities Construction Commission Debt Service Participation

Co-Chair Howell moved to roll the four school district debt issues with School Facilities Construction Commission (SFCC) debt service participation into one roll call vote. Representative Thomas seconded the motion, and the committee approved without objection.

Mr. Barrow submitted four school district debt issues with SFCC debt service participation totaling \$49.3 million for new projects; over 95 percent, \$47.1 million, with locally supported debt service and over four percent, \$2.2 million, with SFCC debt service participation.

The four school districts, none of which needed an additional tax levy to pay debt service, were McCreary County, Monroe County, Paris Independent (Bourbon County), and Pulaski County.

Senator Girdler moved to approve the four school district debt issues with SFCC debt service participation. Co-Chair Howell seconded the motion, and the committee approved by unanimous roll call vote.

Adjournment

The next meeting date is October 27, 2022 at 2:00 PM in Room 169 of the Capitol Annex. There being no further business, the meeting adjourned at 2:34 PM.

ADMINISTRATIVE REGULATION REVIEW SUBCOMMITTEE

Minutes of the October Meeting October 11, 2022

Call to Order and Roll Call

The October meeting of the Administrative Regulation Review Subcommittee was held on Tuesday, October 11, 2022, at 1:00 PM, in Room 149 of the Capitol Annex. Senator Stephen West, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stephen West, Co-Chair; Representative David Hale, Co-Chair; Senators Julie Raque Adams, Ralph Alvarado, and David Yates; Representatives Randy Bridges, Deanna Frazier Gordon, and Mary Lou Marzian.

Guests: Cassie Trueblood, Education Professional Standards Board; Taylor Brown, State Board of Elections; Charles Jones, Charla Sands, Jeremy Slinker, Department of Military Affairs; Leanne Diakov, Board of Medical Licensure; Christopher Hunt, Board of Cosmetology; Kelly Jenkins, Jeffrey Prather, Board of Nursing; Eddie Sloan, John Wood, Board of Emergency Medical Services; Craig Potts, Sarah Cronin, Heritage Council; Rich Storm, Brian Clark, Dave Dreves, Department of Fish and Wildlife Resources; Bethany Fields, Clint Quarles, Department

of Agriculture; Captain Bradley Arterburn, Brenn Combs, Department of Kentucky State Police; Amy Barker, Kentucky Law Enforcement Council; Abigail Gall, Shaun Orme, Department of Insurance; Doug Hardin, Ambrose Wilson, Department of Charitable Gaming; Kara Daniel, Adam Mather, Office of Inspector General; Julie Brooks, Wes Duke, Department for Public Health; Jonathan Scott, Department of Medicaid Services; Jennifer Wiseman, April Hester, Kentucky Association of Nurse Anesthetists; Jiapeng Huang, Katelyn Williams, Kentucky Society of Anesthesiologists; Joe Barnett, Maria Lewis, Child Support Enforcement; Laura Begin, Andrea Day, Department for Community Based Services.

LRC Staff: Stacy Auterson, Emily Caudill, Emily Harkenrider, Karen Howard, Carrie Nichols, and Christy Young.

Administrative Regulations Reviewed by this Subcommittee:

EDUCATION AND LABOR CABINET: Education Professional Standards Board: Alternative Routes to Certification

016 KAR 009:100. Alternative route to certification institute. Cassie Trueblood, general counsel, represented the board.

A motion was made and seconded to approve the following amendments: (1) to amend the STATUTORY AUTHORITY and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 1 through 9 to comply with the drafting requirements of KRS Chapter 13A; (2) to amend Section 5 to clarify that this is a reconsideration process, not a formal appeal; and (3) to amend Section 7 to clarify that an applicant with a terminal degree shall be exempt from the requirement of a passing score on the admission assessments. Without objection, and with agreement of the agency, the amendments were approved.

STATE BOARD OF ELECTIONS: Statewide Voter Registration

031 KAR 003:031E. Voting precinct and address of overseas voter whose last place of residence is in the Commonwealth is no longer a recognized residential address. Taylor Brown, general counsel, represented the board.

In response to questions by Co-Chair West, Mr. Brown stated that this package of administrative regulations was in response to House Bill 564 from the 2022 Regular Session of the General Assembly and House Bill 574 from the 2021 Regular Session of the General Assembly, and included other necessary technical corrections.

031 KAR 003:031. Voting precinct and address of overseas voter whose last place of residence is in the Commonwealth is no longer a recognized residential address.

A motion was made and seconded to approve the

following amendments: to amend Section 2 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Forms and Procedures

031 KAR 004:071E. Recanvas procedures.

031 KAR 004:071. Recanvas procedures.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO paragraph and Sections 1 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.

031 KAR 004:131E. Delivery and return of absentee ballots transmitted to covered voters via facsimile or electronically.

031 KAR 004:131. Delivery and return of absentee ballots transmitted to covered voters via facsimile or electronically.

A motion was made and seconded to approve the following amendments: to amend the STATUTORY AUTHORITY paragraph and Sections 1 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.

031 KAR 004:141E. Submission of the federal postcard application via electronic mail.

031 KAR 004:141. Submission of the federal postcard application via electronic mail. (Filed with Emergency) (Deferred from August)

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

031 KAR 004:170. Exceptions to prohibition on electioneering.

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

031 KAR 004:196E. Consolidation of precincts and precinct election officers.

031 KAR 004:196. Consolidation of precincts and precinct election officers.

A motion was made and seconded to approve the following amendments: (1) to amend Section 1

to clarify when the board may request resubmission of the petition; and (2) to amend the RELATES TO and STATUTORY AUTHORITY paragraphs and Sections 1 through 3 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

031 KAR 004:201E. Chain of custody for records during an election contest.

031 KAR 004:201. Chain of custody for records during an election contest.

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

031 KAR 004:210E. Establishment of risk-limiting audit pilot program.

031 KAR 004:210. Establishment of risk-limiting audit pilot program.

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

Voting

031 KAR 005:011E. Use of the federal write-in absentee ballot.

031 KAR 005:011. Use of the federal write-in absentee ballot.

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

031 KAR 005:026E. Ballot standards and election security.

031 KAR 005:026. Ballot standards and election security.

A motion was made and seconded to approve the following amendments: (1) to amend Section 6 to use statutory terminology; (2) to amend Sections 6 through 11 to cross-reference relevant statutes and align with statutory requirements; and (3) to amend the RELATES TO; STATUTORY AUTHORITY; and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 1 and 3 through 12 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:
Department of Military Affairs: Disaster and
Emergency Services**

106 KAR 001:141. Emergency management funding. Charles Jones, executive director; Jeremy Slinker, division director; and Charla Sands, attorney, represented the department.

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

106 KAR 001:171. Local emergency management agency program quarterly report.

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

106 KAR 001:181. Project application.

A motion was made and seconded to approve the following amendments: to amend the TITLE, the RELATES TO; STATUTORY AUTHORITY; and NECESSITY, FUNCTION, AND CONFORMITY paragraphs, and Sections 1 through 3 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

106 KAR 001:191. Project application reimbursement.

A motion was made and seconded to approve the following amendments: to amend the TITLE; the STATUTORY AUTHORITY and NECESSITY, FUNCTION, AND CONFORMITY paragraphs; and Sections 1 through 3 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

106 KAR 001:201. Local plan.

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 through 3 to comply with the drafting and formatting requirements of KRS Chapter 13A; (2) to amend Section 3 to clarify that the plan draft and adopted local plan are due annually; and (3) to add Section 4 to incorporate material.

Without objection, and with agreement of the agency, the amendments were approved.

106 KAR 001:211. Local emergency management training.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO; STATUTORY AUTHORITY; and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 1 through 4 and 6 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

106 KAR 001:221. Local exercise.

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

106 KAR 001:231. Local emergency management agency ordinance requirement.

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

106 KAR 001:241. Local emergency management director appointment process.

A motion was made and seconded to approve the following amendments: to amend the RELATES TO and STATUTORY AUTHORITY paragraphs and Sections 2, 3, and 5 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

106 KAR 001:251. Workers' Compensation Enrollment Form.

A motion was made and seconded to approve the following amendments: to amend the TITLE; the STATUTORY AUTHORITY and NECESSITY, FUNCTION, AND CONFORMITY paragraphs; and Section 3 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

106 KAR 001:261. Supplementary state fund expense reimbursement eligibility list.

A motion was made and seconded to approve the following amendments: to amend the TITLE, the RELATES TO; STATUTORY AUTHORITY; and

NECESSITY, FUNCTION, AND CONFORMITY paragraphs, and Sections 1 and 2 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

106 KAR 001:291. Specialized rescue squad alternative affiliation agreement process.

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

106 KAR 001:341. Rescue aid fund allocation.

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

106 KAR 001:371. Rescue aid fund expenditure documentation.

A motion was made and seconded to approve the following amendments: (1) to amend the STATUTORY AUTHORITY and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 1 and 2 to comply with the drafting requirements of KRS Chapter 13A; and (2) to delete Section 3 because the form is incorporated in another administrative regulation, which this administrative regulation cross references. Without objection, and with agreement of the agency, the amendments were approved.

Military Assistance Trust Funds

106 KAR 002:021. Military Family Assistance Trust Fund.

A motion was made and seconded to approve the following amendments: to amend the STATUTORY AUTHORITY and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 2 through 4 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

106 KAR 002:031. National Guard Adoption Benefits Program.

A motion was made and seconded to approve the following amendment: to amend Section 2 to correct the form title. Without objection, and with agreement of the agency, the amendment was approved.

BOARDS AND COMMISSIONS: Board of Medical Licensure

201 KAR 009:305. Continued licensure of athletic trainers. Leanne Diakov, general counsel, represented the board.

In response to a question by Co-Chair Hale, Ms. Diakov stated that this administrative regulation did not establish additional requirements. Previously, specific hours were required for HIV/AIDS training; however, the specificity was being deleted. Overall continuing education-hour requirements remained the same.

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

Board of Cosmetology

201 KAR 012:030. Licensing and examinations. Christopher Hunt, general counsel, represented the board.

A motion was made and seconded to approve the following amendments: to amend the TITLE and Sections 3 through 5, 7, 9, 11 through 16, and 21 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 012:060. Inspections.

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

201 KAR 012:082. Education requirements and school administration.

A motion was made and seconded to approve the following amendments: to amend Sections 9, 19, 23, 33, and 34 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 012:190E. Complaint and disciplinary process.

201 KAR 012:190. Complaint and disciplinary process.

A motion was made and seconded to approve the following amendments: to amend the STATUTORY AUTHORITY paragraph and Sections 3 and 6 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

201 KAR 012:230. Code of ethics.

201 KAR 012:260. Fees.

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

201 KAR 012:290. Permits.

A motion was made and seconded to approve the following amendments: to amend Sections 2, 3, 5, 7, 8, and 10 through 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.

Board of Nursing

201 KAR 020:260. Organization and administration standards for prelicensure registered nurse or practical nurse programs of nursing. Kelly Jenkins, executive director, and Jeffrey Prather, general counsel, represented the board.

In response to questions by Co-Chair West, Ms. Jenkins stated that the board was working toward addressing Kentucky's nursing shortage. 400 new nursing program spots were created, establishing opportunities for approximately 15,000 new potential nurses in total.

A motion was made and seconded to approve the following amendments: (1) to amend Section 2 to comply with Senate Bill 10 from the 2022 Regular Session of the General Assembly, KRS 314.111(5); and (2) to amend the RELATES TO paragraph and Sections 1 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.

201 KAR 020:310. Faculty for prelicensure registered nurse and practical nurse programs.

201 KAR 020:490. Licensed practical nurse infusion therapy scope of practice.

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

201 KAR 020:620. Licensing requirements for licensed certified professional midwives.

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

201 KAR 020:650. Licensed certified professional midwives permitted medical tests and formulary.

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

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

202 KAR 007:701. Scope of practice matters. Sam Lowe, deputy director, and John Wood, counsel, represented the board.

A motion was made and seconded to approve the following amendments: (1) to amend supplemental procedures an EMT may perform to: (a) delete the reference to the use of end tidal CO₂ monitoring; and (b) add a reference to quantitative and qualitative capnography and capnometry; and (2) to amend Section 11 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

TOURISM, ARTS AND HERITAGE CABINET: Heritage Council

300 KAR 006:011. Historic rehabilitation tax credit certifications. Sarah Cronin, general counsel, and Craig Potts, director, represented the council.

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

Department of Fish and Wildlife Resources: Fish

301 KAR 001:410. Taking of fish by nontraditional fishing methods. Brian Clark, deputy commissioner; Dave Dreves, fisheries director; and Rich Storm, commissioner, represented the department.

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

Game

301 KAR 002:142. Spring turkey hunting.

GENERAL GOVERNMENT CABINET: Department of Agriculture: Agricultural Pest Control

302 KAR 027:011. Repeal of 302 KAR 027:010, 302 KAR 027:020, 302 KAR 027:040, 302 KAR

027:050, and 302 KAR 027:060. Bethany Fields, intern, and Clint Quarles, counsel, represented the department.

Mr. Quarles introduced Ms. Fields, who was running for national office with Future Farmers of America.

Ornamental Turf Lawn and Interior Plantscape Pest Control

302 KAR 028:011. Repeal of 302 KAR 028:010, 302 KAR 028:020, 302 KAR 028:030, 302 KAR 028:040, 302 KAR 028:050, and 302 KAR 028:060.

Structural Pest Control

302 KAR 029:011. Repeal of 302 KAR 029:010, 302 KAR 029:020, 302 KAR 029:040, 302 KAR 029:050, 302 KAR 029:060 and 302 KAR 029:070.

JUSTICE AND PUBLIC SAFETY CABINET: Department of State Police: Law Enforcement Officers Safety Act of 2004

502 KAR 013:010. Application for certification under the Law Enforcement Officers Safety Act of 2004 (“LEOSA”), 18 U.S.C. 926C, for honorably retired elected or appointed peace officers. Captain Bradley Arterburn, records branch, and Brenn Combs, staff attorney, represented the department.

In response to questions by Co-Chair West, Mr. Combs stated that these administrative regulations only pertained to peace officers and retired peace officers. A qualifying option was added.

A motion was made and seconded to approve the following amendments: (1) to amend Section 8 and the forms incorporated by reference to include additional statutory requirements; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 4, 6, and 8 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

502 KAR 013:030. Range qualification for certification under the Law Enforcement Officers Safety Act of 2004 (“LEOSA”), 18 U.S.C. 926C, for honorably retired elected or appointed peace officers.

A motion was made and seconded to approve the following amendments: (1) to amend Section 4 and the form incorporated by reference to include an additional statutory requirement; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 3 and 4 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

502 KAR 013:040. Issuance, expiration, and renewal of certification to carry a concealed deadly weapon pursuant to the Law Enforcement Officers Safety Act of 2004 (“LEOSA”), 18 U.S.C. 926C, for

honorably retired elected or appointed peace officers.

A motion was made and seconded to approve the following amendments: (1) to amend Sections 3 and 5 and the form incorporated by reference to include additional statutory requirements; and (2) to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph and Sections 1 through 3 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.

502 KAR 013:050. Replacement of licenses to carry a concealed deadly weapon pursuant to the Law Enforcement Officers Safety Act of 2004 (“LEOSA”), 18 U.S.C. 926C, for honorably retired elected or appointed peace officers.

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

502 KAR 013:060. Change of personal information regarding certification to carry a concealed deadly weapon pursuant to the Law Enforcement Officers Safety Act of 2004 (“LEOSA”), 18 U.S.C. 926C, for honorably retired elected or appointed peace officers.

A motion was made and seconded to approve the following amendments: to amend the NECESSITY, FUNCTION, AND CONFORMITY paragraph; Sections 1 and 2; and the material incorporated by reference to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

502 KAR 013:080. Incomplete application for certification to carry a concealed deadly weapon pursuant to the Law Enforcement Officers Safety Act of 2004 (“LEOSA”), 18 U.S.C. 926C, for honorably retired elected or appointed peace officers.

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

Kentucky Law Enforcement Council

503 KAR 001:140. Peace officer, telecommunicator, and court security officer professional standards. Amy Barker, assistant general counsel, represented the council.

A motion was made and seconded to approve the following amendments: to amend Sections 8 and 15 and the material incorporated by reference to comply with the drafting requirements of KRS Chapter 13A.

Without objection, and with agreement of the agency, the amendments were approved.

PUBLIC PROTECTION CABINET: Department of Insurance: Insurance Holding Company Systems

806 KAR 037:010. Insurance holding company systems. Abigail Gall, executive advisor, and Shawn Orme, executive advisor, represented the department.

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, 5, 6, 11, and 13 through 18 to comply with the drafting and formatting requirements of KRS Chapter 13A; (2) to amend Section 11 to remove references to the fifteen (15) day amendment deadline; and (3) to amend Section 19 to revise incorporated material. Without objection, and with agreement of the agency, the amendments were approved.

Department of Charitable Gaming: Charitable Gaming

820 KAR 001:001. Definitions. Doug Hardin, staff attorney, and Ambrose Wilson, commissioner, represented the department.

In response to questions by Senator Yates, Mr. Hardin stated that the department was establishing a definition for “primary office location.” This definition did not prohibit an organization from having gaming devices at those types of locations, but those locations would have to be licensed charitable gaming facilities, rather than the charity’s primary office location. The department intended that the primary office location be where the charity did its charity business, not, for example, the back room of a bar. A charity would be allowed to collect money from a charitable gaming machine in a bar if the facility were somewhere else.

In response to questions by Co-Chair West, Mr. Hardin stated that the definition for “primary office location” was established to be used in conjunction with 820 KAR 1:032, Section 33, which listed the locations where a licensed charitable organization may install electronic pull-tab devices. One of those locations was the primary office location. Pull-tab machines may be installed at a bar, gas station, and similar, if that would not constitute the primary office location. That charitable establishment would have to have a charitable gaming facility license. Grey machines were not licensed or regulated by the department; therefore, this administrative regulation would not impact grey machines.

In response to questions by Senator Raque Adams, Mr. Hardin stated that the typical time for a complete, non-deficient application to be processed was sixty (60) days or less. Senator Raque Adams stated that there were entities in Louisville that had been waiting for six (6) months for a charitable gaming license.

A motion was made and seconded to approve the

following amendments: to amend Section 1 to comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

820 KAR 001:032. Pull tabs.

A motion was made and seconded to approve the following amendments: to amend Sections 1, 5, 12, 16, 20, 21, 25, 27, 30, and 32 through 34 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

CABINET FOR HEALTH AND FAMILY SERVICES: Office of Inspector General: Telehealth

900 KAR 012:005E. Telehealth terminology and requirements. Kara Daniel, deputy inspector general, and Adam Mather, inspector general, represented the office.

Department for Public Health: Vital Statistics

901 KAR 005:120E. Abortion reporting. Julie Brooks, regulation coordinator, and Wes Duke, general counsel, represented the department.

In response to questions by Co-Chair Hale, Ms. Brooks stated that this administrative regulation implemented House Bill 3 from the 2022 Regular Session of the General Assembly and did not establish additional provisions.

Communicable Diseases

902 KAR 002:020. Reportable disease surveillance.

Programs for the Underserved

902 KAR 021:040. Community health worker certification.

A motion was made and seconded to approve the following amendments: to amend Sections 1, 3, and 6 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

Department for Medicaid Services

907 KAR 001:104. Reimbursement for advanced practice registered nurse services. Jonathan Scott, regulatory and legislative advisor, represented the department. April Hester, CRNA, and Dr. Jennifer Wiseman, president, represented the Kentucky Association of Nurse Anesthetists and appeared in support of this administrative regulation. Drs. Jiapeng Huang and Katelyn Williams, represented the Kentucky Society of Anesthesiologists, and appeared in opposition to this administrative regulation.

In response to questions by Co-Chair West, Mr. Scott stated that KRS 205.520(3) provided the

statutory authority for this administrative regulation. The department also worked with the federal government in developing these reimbursement rates. This change amended a billing code modifier for anesthesia services in order to align Medicaid rates with Medicare rates. Previously, Certified Registered Nurse Anesthetists (CRNAs) received seventy-five (75) percent of the rate that a physician anesthesiologist would receive for anesthesia services. Removing the billing code modifier allowed CRNAs to be reimbursed at the same rate as physician anesthesiologists. Senator Alvarado stated that this change removed the billing code modifier so that CRNAs and physician anesthesiologists would receive equal reimbursement. Mr. Scott agreed with that statement.

In response to a question by Co-Chair Hale, Mr. Scott stated that removing the billing code modifier would allow CRNAs to be reimbursed at the same rate as physician anesthesiologists.

Representative Marzian stated that this administrative regulation was equalizing reimbursement rates for anesthesiologist services, rather than for providers. Kentucky was experiencing a shortage of physician anesthesiologists. Quality care was essential, and this was a good policy.

Senator Alvarado stated that he was in opposition to this policy. In response to questions by Senator Alvarado, Mr. Scott stated that Kentucky was experiencing a shortage of physician anesthesiologists, and there were healthcare deserts in both rural and urban areas. This administrative regulation did not differentiate provisions separately for rural and urban areas. This policy was not intended to attract or detract new physician anesthetists. Senator Alvarado stated that this would detract people from becoming physician anesthesiologist because the training was more costly and rigorous than to become CRNAs. Physician anesthesiologists were better suited to treat patients with complex cases. This modified reimbursement billing code should be targeted to only underserved areas.

In response to a question by Senator Yates, Mr. Scott stated that a physician anesthesiologist was authorized to supervise up to four (4) CRNAs. Senator Yates stated that Kentucky was experiencing a shortage of anesthesia providers. This subcommittee had made changes to other administrative regulations in order to compensate for shortages of other types of providers. It was important to ensure patient safety.

In response to a question by Senator Raque Adams, Mr. Scott stated that this matter pertained to a change to a reimbursement billing code modifier.

In response to a question by Co-Chair West, Dr. Wiseman stated that this administrative regulation had been in development for over eighteen (18) months. It became necessary for Kentucky to broaden reimbursement billing codes for anesthesia due to complications regarding patients who used services in neighboring states with a different coding

system. All anesthesia stakeholders met to discuss the issue and determined that it would be advisable to align Medicaid reimbursement billing codes for anesthesiology to Medicare billing codes for the same services. This was not a pay equity issue. Additionally, this change was intended to prevent fraudulent billing. This reimbursement billing code was for anesthesia services that did not meet the seven (7) required medical direction criteria.

In response to questions by Senator Yates, Dr. Wiseman stated that, previous to this version of this administrative regulation, the reimbursement billing rate for services performed by a physician anesthesiologist was established at 100 percent of the physician fee schedule. A service provided by a CRNA was established at seventy-five (75) percent of the physician fee schedule. Ms. Hester stated that this administrative regulation allowed a facility to use whatever billing model was appropriate. Dr. Wiseman stated that there was no scenario in which a CRNA could not perform the services. There were certain situations in which it was necessary to work as a team to perform services.

In response to a question by Senator Alvarado, Dr. Wiseman stated that this administrative regulation did not pertain to issues of medical training. The purpose was to align the reimbursement schedule with that of Medicare and private insurers. This would not disincentivize potential physicians from choosing anesthesiology. Senator Alvarado stated that he did not support this administrative regulation. Medicaid represented thirty-six (36) percent of billing; therefore, this would have a major impact and might result in fewer physician anesthesiologists in the long term.

In response to a question by Representative Marzian, Dr. Wiseman stated that, if anesthesia services did not meet the seven (7) required medical direction criteria and a CRNA was involved, the 100 percent reimbursement billing code could not previously be used. This complexity might have incentivized billing code fraud.

In response to a question by Co-Chair West, Dr. Williams stated that a physician anesthesiologist may supervise up to four (4) CRNAs and two (2) trainee physicians. There was a difference between a CRNA and a physician anesthesiologist. Many patients in Kentucky had comorbidities and needed a physician anesthesiologist. Reimbursing these professionals at the same compensation level implied that both were valued at the same rate. Ten (10) years after making changes, there was still a shortage of anesthesia providers, both CRNAs and physician anesthesiologists. Applicants for physician anesthesiologists were down. This policy change could further erode students choosing the field of physician anesthesiology.

In response to questions by Co-Chair West, Dr. Huang stated that the solution for improving healthcare in Kentucky was not increasing pay for CRNAs; the solution was increasing pay for all anesthesia care. There was a severe shortage of CRNAs and

physician anesthesiologists in Kentucky. This change would discourage careers in Kentucky for physician anesthesiologists. Physician anesthesiologists provided some services that were not performed by CRNAs, such as diagnosis and treatment in certain situations. There could be serious negative anesthesia outcomes, even for simple surgeries on young, healthy patients. This policy would put Kentucky patients in danger. Dr. Williams stated that the reimbursement rates were federally established. Rates should be increased based on training and expertise.

In response to questions by Senator Yates, Dr. Williams stated that there were additional reimbursements for some diagnosis and treatment work provided by physician anesthesiologists. Some anesthesia-related diagnosis and treatment were not billed separately. Complex situations could arise suddenly; therefore, it sent the wrong message to compensate CRNAs and physician anesthesiologists equally. Dr. Huang stated that, because complications could arise, it was necessary to reimburse physician anesthesiologists at a higher rate than CRNAs.

In response to a question by Senator Raque Adams, Dr. Huang stated that the Kentucky Society of Anesthesiologists was opposed to this administrative regulation. Dr. Williams stated that CRNAs and physician anesthesiologists provided two (2) different levels of service, and it was incorrect to bill at the same level. Senator Raque Adams stated that this was a reimbursement billing code issue, not a scope of practice issue.

Representative Marzian stated that this was a reimbursement billing code issue. Senator Alvarado stated that this markedly expanded reimbursement and disincentivized physician anesthesiologists. This was not the proper policy approach, and Kentucky would regret this decision in the future if this policy continues.

Co-Chair West stated that this matter would be discussed further once this administrative regulation was referred to the Interim Joint Committee on Health, Welfare, and Family Services.

Kentucky Children's Health Insurance Program

907 KAR 004:020E. Kentucky Children's Health Insurance Program Medicaid Expansion Title XXI of the Social Security Act.

907 KAR 004:030E. Kentucky Children's Health Insurance Program Phase III Title XXI of the Social Security Act.

Medicaid Eligibility

907 KAR 020:020E. Income standards for Medicaid other than Modified Adjusted Gross Income (MAGI) standards or for former foster care individuals.

907 KAR 020:100E. Modified Adjusted Gross Income (MAGI) Medicaid eligibility standards.

Department for Community Based Services: Child Support

921 KAR 001:400. Establishment, review, and modification of child support and medical support orders. Joe Barnett, branch manager, and Maria Lewis, assistant director, represented the department.

Daycare

922 KAR 002:160E. Child Care Assistance Program. Laura Begin, regulation coordinator, and Andrea Day, director, represented the department.

In response to questions by Co-Chair West, Ms. Begin stated that some increases had already gone into effect, and the department was continuously monitoring expenditures. The approximate cost for the increase in eligibility was \$1.7 million for a six (6) month period, which would extrapolate to approximately \$6 million to \$7 million per biennium. Federal funding would remain available until September 30, 2024, and advocates were asking Congress to invest more in child care. If Congress did not opt to invest more in child care and if the Kentucky General Assembly did not choose to continue this funding in the next biennium, the department would consider scaling back eligibility. These American Rescue Plan Act of 2021 (ARPA) funds were specifically earmarked for childcare purposes.

Senator Alvarado stated that Kentucky needed a long-term plan if these federal funds were exhausted. If federal funds were exhausted, cuts to this program might be seen as the responsibility of the General Assembly. The department should consider using some of its Medicaid advertising funds for this program instead. Kentucky was experiencing an all-time high in Medicaid sign-ups. Co-Chair West stated that he agreed with Senator Alvarado's comments.

In response to questions by Co-Chair West, Ms. Day stated that ARPA stabilization funds were based on a three (3) tier system. Tier I was base level, which indicated that health and safety requirements were being met. Tier II indicated that health and safety requirements were being met and employees were compensated at least ten (10) dollars per hour. Tier III indicated that health and safety requirements were being met and employees were compensated at least thirteen (13) dollars per hour. There was no distinction between nonprofit and for profit if guidelines were met and if the entities were regulated. The department was required to report how ARPA stabilization funds were used. This was accomplished through a monthly report by the provider. If the report was missed or late, funds could be reinstated upon future compliance. The report was easy to complete, and an email reminder and telephone reminder was sent by the third-party vendor.

A motion was made and seconded to approve the following amendments: (1) to update the DCC-300, "Kentucky Child Care Maximum Payment Rate Chart," to correct a typographical error relating to the value for Boyd County, certified providers for school-

age, part day care to be "13" rather than "12"; and (2) to amend Section 20 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

922 KAR 002:160. Child Care Assistance Program.

A motion was made and seconded to approve the following amendments: (1) to amend Section 1 to clarify the definition for "child care"; (2) to amend Sections 1 and 3 to change the defined term from "qualified alien" to "qualified immigrant" for consistency with 921 KAR 2:006 and 2:016; (3) to amend Section 8 to: (a) clarify that a reference is to the Kentucky Works Program; (b) revise references to "Indian" to "Native American"; and (c) include the abbreviation for the Low Income Home Energy Assistance Program; (4) to amend Section 10 for clarity on the rates; (5) to update the DCC-300, "Kentucky Child Care Maximum Payment Rate Chart" to correct a typographical error, relating to the value for Boyd County, certified providers for school-age, part day care to be "13" instead of "12"; and (6) to amend Section 20 to comply with the drafting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

The following administrative regulations were deferred or removed from the October 11, 2022, subcommittee agenda:

EDUCATION AND LABOR CABINET: Education Professional Standards Board: Alternative Routes to Certification

016 KAR 009:110. Expedited route to certification. Cassie Trueblood, general counsel, represented the board.

In response to questions by Co-Chair West, Ms. Trueblood stated that this administrative regulation established the Option 9 alternative route to teacher certification. The board had received two (2) applications under Option 9 and had approved those in accordance with the emergency version of this administrative regulation. This program was authorized by House Bill 277 from the 2022 Regular Session of the General Assembly.

In response to questions by Co-Chair Hale, Ms. Trueblood stated that the board's intention was to allow any district to partner with a college or university. Co-Chair Hale stated that the criteria might be difficult to meet for some regions, especially rural areas.

In response to questions by Representative Bridges, Ms. Trueblood stated that the field requirements in Section 3 of this administrative regulation were mandatory and were also established for teacher candidates in 16 KAR 5:040. The board had the statutory authority pursuant to KRS 161.028(1) (n) to waive regulatory requirements for extenuating circumstances, but had not received a waiver request

for these type of field requirements. Representative Bridges stated that the criteria seemed difficult for rural districts to comply with.

In response to a question by Senator Yates, Ms. Trueblood stated that most regulatory requirement waiver requests pertained to incomplete clock hours or student-teaching days. The board had not received concerns regarding these field requirements.

In response to a question by Representative Frazier Gordon, Ms. Trueblood stated that compliance with field hours was tracked by the education preparation provider and the district.

Co-Chair West stated that the ultimate goal of this subcommittee was to consider if an administrative regulation implemented the authorizing statute as intended. If this administrative regulation would be deferred, ideally the board would meet with stakeholders, consider feedback, and endeavor to reach an agreement. Deferral should not hamper efforts to hire new teachers because the emergency version of this administrative regulation was currently effective.

In response to a question by Representative Marzian, Ms. Trueblood stated that this administrative regulation was intended to help ameliorate Kentucky's teacher shortage.

A motion was made and seconded to approve the following amendments: to amend the STATUTORY AUTHORITY and NECESSITY, FUNCTION, AND CONFORMITY paragraphs and Sections 1 through 10 to clarify various provisions and comply with the drafting and formatting requirements of KRS Chapter 13A. Without objection, and with agreement of the agency, the amendments were approved.

In response to questions by Co-Chair Hale, Ms. Trueblood stated that the board's intent was to establish an administrative regulation in accordance with the authorizing statute. Ms. Trueblood agreed to defer consideration of this administrative regulation to the November meeting of this subcommittee. Without objection, and with agreement of the agency, this administrative regulation was deferred.

FINANCE AND ADMINISTRATION CABINET: Kentucky Retirement Systems: General Rules

105 KAR 001:415E. Reimbursement of hospital and medical insurance premiums for Medicare eligible retired members reemployed with a participating employer.

105 KAR 001:415. Reimbursement of hospital and medical insurance premiums for Medicare eligible retired members reemployed with a participating employer.

Kentucky Infrastructure Authority

200 KAR 017:111E. Guidelines for Kentucky Infrastructure Authority drinking water and

wastewater grant program.

200 KAR 017:111. Guidelines for Kentucky Infrastructure Authority drinking water and wastewater grant program.

BOARDS AND COMMISSIONS: Board of Pharmacy

201 KAR 002:380E. Board authorized protocols.

Board of Licensure for Long-Term Care Administrators

201 KAR 006:060. Fees.

Board of Dentistry

201 KAR 008:520. Fees and fines.

Real Estate Commission

201 KAR 011:121. Standards of professional conduct.

TRANSPORTATION CABINET: Department of Highways: Traffic

603 KAR 005:350. Off-highway vehicles, safety, and routes.

EDUCATION AND LABOR CABINET: Department of Education: Office of Instruction

704 KAR 003:305. Minimum requirements for high school graduation.

Department of Workplace Standards: Labor Standards; Wages and Hours

803 KAR 001:090. Workers with disabilities and work activity centers' employee's wages.

Department of Workers' Claims

803 KAR 025:089. Workers' Compensation medical fee schedule for physicians.

CABINET FOR HEALTH AND FAMILY SERVICES: Office of Human Resource Management: Administration

900 KAR 001:050. Child and adult protection employees subject to state and national criminal background checks.

Office of Health Data and Analytics: Kentucky Health Benefit Exchange

900 KAR 010:120. KHBE eligibility and enrollment in qualified health plan, SHOP, and SHOP formal resolution process.

Department for Public Health: Vital Statistics

901 KAR 005:120. Abortion reporting.

901 KAR 005:130. Certificate of abortion.

901 KAR 005:140. Permit to transport fetal remains.

Office of Inspector General: Health Services and Facilities

902 KAR 020:365. Kentucky abortion-inducing drug certification program and registration of qualified physicians.

Department for Medicaid Services: Medicaid Services

907 KAR 001:008. Ambulatory surgical center services and reimbursement.

907 KAR 001:065. Payments for price-based nursing facility services.

907 KAR 001:082. Coverage provisions and requirements regarding rural health clinic services.

Department for Aging and Independent Living: Aging Services

910 KAR 001:090. Personal care attendant program and assistance services.

Department for Community Based Services: Child Welfare

922 KAR 001:290. Background checks for private child-caring or child-placing staff members.

922 KAR 001:300. Standards for child-caring facilities.

922 KAR 001:350. Requirements for public child welfare agency foster parents, adoptive parents, and respite care providers.

Other Business: Co-Chair West clarified that the subcommittee's general rule mandating in-person attendance was not intended to be so prohibitive as to require someone who was out of state to travel to Kentucky. Virtual attendance would be allowed for unique situations, if approved by the subcommittee chair.

The subcommittee adjourned at 3:10 p.m. The next meeting of this subcommittee was tentatively scheduled for November 9, 2022, at 1 p.m.

GOVERNMENT CONTRACT REVIEW COMMITTEE

Committee Minutes
October 11, 2022

Call to Order and Roll Call

The Government Contract Review Committee met on Tuesday, October 11, 2022, at 9:00 AM, in Room 131 of the Capitol Annex. Senator Stephen

Meredith, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stephen Meredith, Co-Chair; Representative Matthew Koch, Co-Chair; Senators Donald Douglas, Adrienne Southworth, and David Yates; Representatives Adam Bowling, and Mark Hart.

Guests: Tammy Brown, Jenny Lafferty, Orlan McFarlan, Dondra Meredith, Karen Wirth, Chrystal Rowland, Gretta Hylton, Thomas Tucker, Damien Sweeney, Scott Alvey, Karen Marlowe, Karen Sellers, Taylor Brown, Aaron Jones, Andrew Yunt, Emily Messerli, Astrud Masterson, Vivian Lasley-Bibbs, Micki Ray, Danna Steele, Brian Boisseau, Elizabeth Goode, Laura Hagan, Jason Siwula, Ryan Fisher, Mary Carpenter, Amy Burke, and Stacy Woodrum.

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

A motion was made by Representative Hart to approve minutes of the September 2022, meeting of the committee. Representative Koch seconded the motion, which passed without objection.

PERSONNEL - OFFICE OF THE SECRETARY

Korn Ferry (US), Inc., 2200002760. A motion was made by Representative Koch to defer the contract to the November 2022 committee meeting. Senator Douglas seconded the motion, which passed without objection.

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

A motion was made by Representative Koch 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 Douglas seconded the motion, which passed without objection.

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

A motion was made by Representative Koch 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 Douglas seconded the motion, which passed without objection.

A motion was made by Representative Koch to consider as reviewed the Kentucky Entertainment Incentive Program Agreements List, with exception of those items selected for further review by members of the committee. Senator Douglas seconded the motion, which passed without objection.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE REVIEWED WITHOUT OBJECTION:

DEPARTMENT FOR ENVIRONMENTAL PROTECTION
Stantec Consulting Services, Inc., 2300000721.

DEPARTMENT FOR MEDICAID SERVICES
Gainwell Technologies, LLC, 2300000977.

DEPARTMENT OF HIGHWAYS
Michael Baker International, Inc., 2300000752; Palmer Engineering Company, 2300001039; HDR Engineering, Inc., 2300001040; Leslie M. Haney & Albert W. Gross Partner, 2300001112.

DEPARTMENT OF MILITARY AFFAIRS
Troy Spencer Gibson, 2300001025; Third Rock Consultants, LLC, 2300001047.

DEPARTMENT OF VETERANS AFFAIRS
Trilogy Pro Services, LLC, 2200003084-1.

EASTERN KENTUCKY UNIVERSITY
Robert Ehmet Hayes & Associates, PLLC, 1608-2023; Sturgill, Turner, Barker & Moloney, PLLC, 1645-2023.

FACILITIES & SUPPORT SERVICES
Sherman Carter Barnhart Architects, PLLC, 2300000276; Paladin, Inc., 2300000624; Kerr-Greulich Engineers, Inc., 2300000625; Sherman Carter Barnhart Architects, PLLC, 2300000712; CMTA Inc., 2300000770; John A. Newman Consulting Engineers, 2300000772; Patrick D. Murphy Company, Inc., 2300000775; Paladin, Inc., 2300001056.

KENTUCKY EMPLOYERS MUTUAL INSURANCE
NAMIC, 23-NMC-001.

KENTUCKY FISH AND WILDLIFE RESOURCES
Third Rock Consultants, LLC, 12FW003126; Stantec Consulting Services, Inc., 14FW000625; Sustainable Streams, LLC, 16FW000034; Third Rock Consultants, LLC, 16FW000239; Stantec Consulting Services, Inc., 19FW004505; Sustainable Streams, LLC, 20FW000076; Res Kentucky LLC d/b/a Redwing Ecological Services, 20FW000086; Riverine Systems, LLC, 20FW000378; NOMI, Inc., 20FW002477; Sustainable Streams, LLC, 22FW000471; National Association of State Boating Law Administrators In, 2300000708; Nature Conservancy, 2300000948.

KENTUCKY LOTTERY CORPORATION
Ellipse Solutions, LLC, 23-17-016.

LEGISLATIVE RESEARCH COMMISSION
CGI Technologies and Solutions, Inc., 2300000961.

MOREHEAD STATE UNIVERSITY
GRW Engineers, Inc., 23-019; CMTA, Inc., 23-020.

UNIVERSITY OF KENTUCKY
JRA Architects, A231110; THP Limited, Inc., A231130; Bluegrass Law Group, PLLC, K23-185; Norley Carbon & Graphite Consultants, LLC, K23-186; APAX Software, K23-187; EPI-USE America, Inc., K23-188; Equine Medical Associates, PSC, K23-189; Rood & Riddle Equine Hospital, K23-190.

UNIVERSITY OF LOUISVILLE
Corporate Health Partners, 23-064.

WESTERN KENTUCKY UNIVERSITY
University Professional and Continuing Education Association, 222339.

THE FOLLOWING PERSONAL SERVICE AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

BEHAVIORAL HEALTH, DEVELOPMENTAL & INTELLECTUAL DISABILITIES
Multi, 2200000093; Locumtenens.Com, 2200001464.

BOARD OF MEDICAL LICENSURE
Multi, 2200000053.

DEPARTMENT OF HIGHWAYS
QK4, 1000000927; Stantec Consulting Services, Inc., 1200001743; American Engineers, Inc., 1300002023; HDR Engineering, Inc., 1400000344; Burgess and Niple, Inc., 1400001672; Strand Associates, Inc., 1600000642; Stantec Consulting Services, Inc., 1800002069; HRV Conformance Verification Associates, Inc., 1900002383; Parsons Transportation Group, Inc., 1900004224; American Engineers, Inc., 2000000647; Strand Associates, Inc., 2000000850; HDR Engineering, Inc., 2100000776; Integrated Engineering, 2100000807; Palmer Engineering Company, 2100000812; QK4, Inc., 2100000814; HDR Engineering, Inc., 2100000815; Stantec Consulting Services, Inc., 2100000817; Leslie M. Haney & Albert W. Gross Partners, 2100003404; American Engineers, Inc., 2100003406; American Engineers, Inc., C-03060711; QK4, Inc., C-03349284.

EASTERN KENTUCKY UNIVERSITY
Paul Blodgett of PJB Marketing, 1404-2022.

FACILITIES & SUPPORT SERVICES
Schnabel Dam Engineering, Inc., 1200002448; Ross Tarrant Architects, Inc., 2000002652; EOP Architects, PSC, 2100003158; Brandstetter Carroll, Inc., 2200000259; EOP Architects PSC, 2200003831.

KY HOUSING CORPORATION
KPMG, LLP, 2021-50.

MURRAY STATE UNIVERSITY
Dinsmore & Shohl, 024-22; Robert W. Baird & Company, Inc., 025-22.

UNIVERSITY OF KENTUCKY
Omni Architects, A181090.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE REVIEWED WITHOUT OBJECTION:

BEHAVIORAL HEALTH, DEVELOPMENTAL & INTELLECTUAL DISABILITIES

Drug Free America Foundation, Inc., 2300000707; University of Louisville Research Foundation, 2300000716; Revive Ministries, Inc., 2300000753.

COUNCIL ON POSTSECONDARY EDUCATION

Kentucky Educational Development Corporation, 2300000917.

DEPARTMENT FOR COMMUNITY BASED SERVICES

Center for Employment Opportunities, Inc., 2300000333; University of Kentucky Research Foundation, 2300000387; Brighton Center, Inc., 2300000565.

DEPARTMENT FOR ENVIRONMENTAL PROTECTION

Friends of Clarks River National Wildlife Refuge, 2200004446; Kentucky Association for Environmental Education, 2200004483; Community Action Kentucky, Inc., 2200004561; Trigg County Board of Education, 2200004603; Breathitt County Board of Education, 2200004815.

DEPARTMENT FOR LIBRARIES & ARCHIVES

Council On Postsecondary Education, 2300000918.

DEPARTMENT FOR LOCAL GOVERNMENT

Newport Millennium Housing Corporation, 2300000179; The Appalachian Wildlife Foundation, Inc., 2300000199; Audubon Area Community Services, 2300000258; KCEOC Community Action Partnership, 2300000274; Kentucky 4-H Foundation, 2300000364; City of Elizabethtown, 2300000368; Pulaski County Fiscal Court, 2300000403; Isaiah House, 2300000485; Franklin County Women and Family Shelter, 2300000570; Morgan County Fiscal Court, 2300000645; Bell County, 2300000691; City of Corbin, 2300000696; Ohio County Fiscal Court, 2300000711; Columbia-Adair County Economic Development Authority, Inc., 2300000714; Floyd County Fiscal Court, 2300000728; Christian County Board of Education, 2300000730; Edmonson County Fiscal Court, 2300000735; Kentucky Science and Technology Corporation, 2300000739; Harlan County Fiscal Court, 2300000756; Harlan County Fiscal Court, 2300000763; Harlan County Fiscal Court, 2300000764; Harlan County Fiscal Court, 2300000765; Johnson County Fiscal Court, 2300000776; Johnson County Fiscal Court, 2300000777; Johnson County Fiscal Court, 2300000778; Floyd County Fiscal Court, 2300000782; USA Cares, Inc., 2300000940; Menifee County Fiscal Court, 2300000941; Floyd County Fiscal Court, 2300000947; Harlan County Fiscal Court, 2300000955.

DEPARTMENT FOR PUBLIC HEALTH

Kentucky Mountain Health Alliance, Inc.,

2300000710.

DEPARTMENT FOR WORKFORCE INVESTMENT
Goodwill Industries of Kentucky, Inc.,
2300000685.

DEPARTMENT OF AGRICULTURE

Gods Pantry Food Bank, Inc., 2300000602; Feeding America, Kentucky's Heartland, 2300000648; Pennyroyal Regional Mental Health Mental Retardation Board, 2300000959.

DEPARTMENT OF EDUCATION

Jessamine County Board of Education, 2200003903; Berea Makerspace, 2200004638; Kentucky Authority for Educational Television, 2200004714; Collaborative for Teaching & Learning, 2300000076; Allen County Board of Education, 2300000083; University of Louisville Research Foundation, 2300000094; Christian County Board of Education, 2300000138; Fayette County Board of Education, 2300000141; Spencer County Board of Education, 2300000422; Wolfe County Board of Education, 2300000438; Jefferson County Board of Education, 2300000440; Bullitt County Board of Education, 2300000449; Caldwell County Board of Education, 2300000454; Whitley County Board of Education, 2300000455; Calloway County Board of Education, 2300000456; Campbell County Board of Education, 2300000458; Fairview Independent School District, 2300000463; Pineville Independent School District, 2300000472; Rockcastle County Board of Education, 2300000476; Walton-Verona Independent School District, 2300000478; Trimble County Board of Education, 2300000480; Casey County Board of Education, 2300000482; Clark County Board of Education, 2300000486; Clay County Board of Education, 2300000487; Corbin Independent School District, 2300000489; Cumberland County Board of Education, 2300000491; Daviess County Board of Education, 2300000493; Elizabethtown Independent School District, 2300000501; Ft. Thomas Independent School District, 2300000509; Greenup County Board of Education, 2300000530; Raceland Independent School District, 2300000543; Pulaski County Board of Education, 2300000544; Monroe County Board of Education, 2300000555; Owensboro Independent School District, 2300000557; Owsley County Board of Education, 2300000559; Todd County Board of Education, 2300000561; Webster County Board of Education, 2300000564; Nicholas County Board of Education, 2300000585; Monroe County Board of Education, 2300000595; Henry County Board of Education, 2300000600; Jackson County Board of Education, 2300000605; Knox County Board of Education, 2300000610; Larue County Board of Education, 2300000611; Lee County Board of Education, 2300000613; Boys & Girls Club of Greater Cincinnati, 2300000643; Family and Children's Place, Inc., 2300000649; Save the Children Federation, Inc., 2300000662; YMCA of Greater Cincinnati, 2300000663; Barren County Board of Education, 2300000688; Bluegrass Community and Technical College, 2300000698; Kentucky Community and Technical College System, 2300000699; Eastern Kentucky University, 2300000700; University

of Kentucky Research Foundation, 2300000741; Danville Independent School District, 2300001001; Green River Regional Educational, 2300001008.

DEPARTMENT OF MILITARY AFFAIRS

Kentucky Division of Water, 2200004307; University of Kentucky Research Foundation, 2200004325; University of Kentucky Research Foundation, 2200004757.

ECON DEV - OFFICE OF THE SECRETARY

Waterfront Park Foundation, 2300001017; Waterfront Park Foundation, 2300001022; Newport Southbank Bridge Company, 2300001034.

EDUCATION AND LABOR CABINET

Monroe County Board of Education, 2200003887; Tek Center, Inc., 2300000672; Home Builders Associates of Northern Kentucky, 2300000946.

JUSTICE - OFFICE OF THE SECRETARY

Kentucky Casa Network, 2300000971; Kentucky Association of Sexual Assault Programs, 2300000973; Kentucky Coalition Against Domestic Violence, Inc., 2300000974; Childrens Advocacy Centers of Kentucky, 2300000975.

KENTUCKY DEPARTMENT OF PARKS

Breaks Interstate Parks Commission, 2200003434.

KENTUCKY ENVIRONMENTAL EDUCATION COUNCIL

Multi, 2300000018.

KENTUCKY FISH AND WILDLIFE RESOURCES

SHM Beaver Creek, LLC, 2300000212.

KY INFRASTRUCTURE AUTHORITY

Connected Nation, Inc., 2300001109.

PUB PROTECTION - OFFICE OF THE SECRETARY

Education and Labor Cabinet, 2300000723.

TOURISM - OFFICE OF THE SECRETARY

African American Heritage Foundation, Inc., 2300000914; The Friends of the Holt Home, Inc., 2300000922.

TRANSPORTATION - OFFICE OF THE SECRETARY

Students Against Destructive Decisions, 2300000287; The Children's Hospital Foundation, Inc., 2300000288; The Children's Hospital Foundation, Inc., 2300000289; University of Kentucky Research Foundation, 2300000298; University of Kentucky Research Foundation, 2300000299; University of Kentucky Research Foundation, 2300000300; University of Kentucky Research Foundation, 2300000301; University of Kentucky Research Foundation, 2300000302; University of Kentucky Research Foundation, 2300000303; University of Kentucky Research Foundation, 2300000305; University of Kentucky Research Foundation, 2300000306; Mothers Against

Drunk Driving, 2300000428; Mothers Against Drunk Driving, 2300000429; Center for Women Children and Families, Inc., 2300000666.

THE FOLLOWING MEMORANDA OF AGREEMENT AMENDMENTS WERE REVIEWED WITHOUT OBJECTION:

ADMINISTRATIVE OFFICE OF THE COURTS

Mountain Comprehensive Care Center, 2200004828.

BEHAVIORAL HEALTH, DEVELOPMENTAL & INTELLECTUAL DISABILITIES

Pennyroyal Regional Mental Health Mental Retardation Board, 2200001499; Kentucky Partnership for Families and Children, Inc., 2200002163; University of Kentucky Research Foundation, 2200002369; Community Action Kentucky, Inc., 2300000327.

CHFS - DEPARTMENT FOR AGING AND INDEPENDENT LIVING

Multi, 2200000040; Nursing Home Ombudsman Agency of the Bluegrass, Inc., 2200004259.

COUNCIL ON POSTSECONDARY EDUCATION

Central Kentucky Educational Cooperative, 2200002340; Onegoal, 2200003713; Monroe County Board of Education, 2200003956.

DEPARTMENT FOR COMMUNITY BASED SERVICES

Audubon Area Community Services, 2200001788; Kentucky Coalition Against Domestic Violence, Inc., 2200001824; Daniel Boone Community Action Agency, Inc., 2200001857; Community Action Lexington Fayette, 2200001860; Blue Grass Community Action Partnership, 2200001862; Community Coordinated Child Care, 2200001895; Lake Cumberland Community Action Agency, Inc., 2200002010; Licking Valley Cap., 2200002012; LKLP Community Action Council, 2200002014; Multi Purpose Community Action Agency, Inc., 2200002040; Northeast Kentucky Community Action Agency, 2200002043; Northern Kentucky Community Action, 2200002045; Pennyryle Allied Community Services, Inc., 2200002049; Tri-County Community Action Agency, Inc., 2200002050; Central Kentucky CAC, Inc., 2200002894; Early Childhood Consumer Education and Technical Assistance Center, Inc., 2200002996; Community Action Kentucky, Inc., 2200003098.

DEPARTMENT FOR LOCAL GOVERNMENT

City of Hindman, 1900003660; City of Hindman, 2000002437; Lewis County Fiscal Court, 2200001041.

DEPARTMENT FOR PUBLIC HEALTH

University of Kentucky Research Foundation, 2200002414.

DEPARTMENT OF AGRICULTURE

Multi, 2100001484; Multi, 2100001484; Multi, 2100001485; University of Kentucky Research

Foundation, 2200000452; University of Kentucky Research Foundation, 2200000453; University of Louisville Research Foundation, 2200000454.

DEPARTMENT OF EDUCATION

Jefferson County Board of Education, 2100002707; Adair County Board of Education, 2100002731; Allen County Board of Education, 2100002732; Ashland Board of Education, 2100002743; Ballard County Board of Education, 2100002744; Barren County Board of Education, 2100002745; Berea Independent Board of Education, 2100002746; Bourbon County Board of Education, 2100002749; Boyd County Board of Education, 2100002750; Bracken County Board of Education, 2100002753; Bullitt County Board of Education, 2100002754; Campbell County Board of Education, 2100002755; Clinton County Board of Education, 2100002756; Cloverport Independent School District, 2100002757; Corbin Independent School District, 2100002758; Covington Independent School District, 2100002759; Crittenden County Board of Education, 2100002760; Cumberland County Board of Education, 2100002761; Fayette County Board of Education, 2100002775; Fulton Independent Board of Education, 2100002776; Glasgow Independent School District, 2100002777; Greenup County Board of Education, 2100002781; Hardin County Board of Education, 2100002782; Harlan Independent School District, 2100002783; Harrison County Board of Education, 2100002784; Hart County Board of Education, 2100002785; Johnson County Board of Education, 2100002788; Leslie County Board of Education, 2100002789; Lincoln County Board of Education, 2100002790; Livingston County Board of Education, 2100002793; Ludlow Independent School District, 2100002795; Martin County Board of Education, 2100002796; Mayfield Independent School District, 2100002797; McCracken County Board of Education, 2100002798; Menifee County Board of Education, 2100002801; Metcalfe County Board of Education, 2100002803; Middlesboro Independent School District, 2100002805; Monroe County Board of Education, 2100002806; Nelson County Board of Education, 2100002807; Newport Independent School District, 2100002808; Paris Independent School District, 2100002810; Spencer County Board of Education, 2100002816; Taylor County Board of Education, 2100002817; Washington County Board of Education, 2100002818; Wayne County Board of Education, 2100002819; Webster County Board of Education, 2100002820; Williamstown Board of Education, 2100002860; Whitley County Board of Education, 2100002861; Wolfe County Board of Education, 2100002862; Henderson County Board of Education, 2100002863; Boys & Girls Club of Greater Cincinnati, 2100002867; Family and Children's Place, Inc., 2100002872; Global Game Changers Children's Education Initiative, Inc., 2100002873; Harlan County Boys and Girls Club, 2100002874; Save the Children Federation, Inc., 2100002877; YMCA of Greater Cincinnati, 2100002878; Ohio Valley Educational Cooperative, 2100003455; Bullitt County Board of Education, 2200000328; Campbell County Board of Education, 2200000329; Covington Independent School District, 2200000330; Dayton

Independent School District, 2200000331; Fayette County Board of Education, 2200000333; Jefferson County Board of Education, 2200000334; Marshall County Board of Education, 2200000335; Newport Independent School District, 2200000336; Paducah Independent School District, 2200000337; Whitley County Board of Education, 2200000338; Kentucky Center for the Arts, 2200001011; Bullitt County Board of Education, 2200001112; Covington Independent School District, 2200001113; Dayton Independent School District, 2200001114; Eminence Independent Board of Education, 2200001115; Fayette County Board of Education, 2200001116; Harlan County Board of Education, 2200001117; Jefferson County Board of Education, 2200001118; Jessamine County Board of Education, 2200001119; Letcher County Board of Education, 2200001120; Newport Independent School District, 2200001121; Pike County Board of Education, 2200001122; Whitley County Board of Education, 2200001123; Kentucky Authority for Educational Television, 2200001240; Danville Independent School District, 2200003736; Jefferson County Board of Education, 2200004389; Murray State University, 2200004436; Kentucky Educational Development Corporation, 2200004754; Ohio Valley Educational Cooperative, 2300000019.

DEPARTMENT OF MILITARY AFFAIRS

University of Kentucky Research Foundation, 2100001145; Office of Vocational Rehabilitation, 2200001075.

THE FOLLOWING KENTUCKY ENTERTAINMENT INCENTIVE PROGRAM AGREEMENTS WERE REVIEWED WITHOUT OBJECTION:

ECON DEV - OFFICE OF THE SECRETARY

HD2, LLC, 2300001010; Love Finds A Way, LLC, 2300001033; World of Wonder Production Processing, Inc., 2300001035.

THE FOLLOWING PERSONAL SERVICE CONTRACTS WERE SELECTED FOR FURTHER REVIEW:

ADMINISTRATIVE OFFICE OF THE COURTS

Dinsmore & Shohl, LLP, 2300001009. Tammy Brown and Jenny Lafferty discussed the contract with the committee and requested that it be withdrawn from the agenda. A motion was made by Representative Koch to withdraw the contract. Representative Bowling seconded the motion, which passed.

DEPARTMENT FOR WORKFORCE INVESTMENT

Policy and Research, LLC, 2300000057. Orlan McFarlan and Dondra Meredith discussed the contract with the committee. A motion was made by Representative Hart to consider the contract as reviewed. Representative Koch seconded the motion, which passed.

DEPARTMENT OF EDUCATION

Hands On Therapy PSC, 2300000633. Karen Wirth, Chrystal Rowland, Gretta Hylton, and Thomas Tucker discussed the contract with the committee. A

motion was made by Representative Koch to consider the contract as reviewed. Senator Yates seconded the motion, which passed.

KENTUCKY HISTORICAL SOCIETY

Healing Your Almond, PLLC, 2300000412. Scott Alvey and Karen Marlowe discussed the contract with the committee. A motion was made by Representative Hart to consider the contract as reviewed. Representative Koch seconded the motion, which passed with Senator Southworth voting no.

THE FOLLOWING MEMORANDA OF AGREEMENTS WERE SELECTED FOR FURTHER REVIEW:

BOARD OF ELECTIONS

Whitley County Fiscal Court, 2300000367. Karen Sellers and Taylor Brown discussed the contract with the committee. A motion was made by Representative Bowling to consider the contract as reviewed. Representative Koch seconded the motion, which passed.

DEPARTMENT FOR LOCAL GOVERNMENT

City of Williamsburg, 2300000999. Aaron Jones discussed the contract with the committee. A motion was made by Representative Koch to consider the contract as reviewed. Senator Douglas seconded the motion, which passed.

DEPARTMENT FOR PUBLIC HEALTH

Norton Healthcare Foundation, 2200004185. Andrew Yunt and Emily Messerli discussed the contract with the committee. A motion was made by Senator Yates to consider the contract as reviewed. Representative Koch seconded the motion, which passed with Senator Southworth and Representative Hart voting no and Senator Douglas voting to pass.

DEPARTMENT FOR PUBLIC HEALTH

Change Today, Change Tomorrow, Inc., 2300000528. Brian Boisseau, Andrew Yunt, and Elizabeth Goode discussed the contract with the committee. A motion was made by Representative Koch to consider the contract as reviewed. Senator Yates seconded the motion, which passed.

DEPARTMENT FOR PUBLIC HEALTH

Project Ricochet, 2300000627. Astrud Masterson, Andrew Yunt, and Vivian Lasley-Bibbs discussed the contract with the committee. A motion was made by Senator Yates to consider the contract as reviewed. Representative Hart seconded the motion, which passed with Senator Douglas voting to pass.

DEPARTMENT FOR WORKFORCE INVESTMENT

Multi, 2300000014. Orlan McFarlan and Dondra Meredith discussed the contract with the committee. A motion was made by Representative Hart to consider the contract as reviewed. Senator Douglas seconded the motion, which passed.

DEPARTMENT OF EDUCATION

Buck Institute for Education, 2200004516. A motion was made by Representative Koch to defer the

contract to the November 2022 committee meeting. Representative Bowling seconded the motion, which passed.

DEPARTMENT OF EDUCATION

Caldwell County Board of Education, 2300000459. Karen Wirth, Chrystal Rowland, Micki Ray, Thomas Tucker, and Danna Steele discussed the contract with the committee. A motion was made by Senator Yates to consider the contract as reviewed. Representative Koch seconded the motion, which passed.

TRANSPORTATION - OFFICE OF THE SECRETARY

Unite Corporation, 2300000286; Kentucky Association of Chiefs of Police, 2300000290; Kentucky Association of Chiefs of Police, 2300000291; Kentucky Association of Chiefs of Police, 2300000292; Kentucky Association of Chiefs of Police, 2300000293; Kentucky Association of Chiefs of Police, 2300000294; Kentucky Association of Chiefs of Police, 2300000295; Kentucky Association of Chiefs of Police, 2300000296; University of Kentucky Research Foundation, 2300000297. Laura Hagan, Jason Siwula, and Ryan Fisher discussed the contracts with the committee. A motion was made by Representative Bowling to consider the contracts as reviewed. Senator Yates seconded the motion, which passed.

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

DEPARTMENT FOR COMMUNITY BASED SERVICES

University of Kentucky Research Foundation, 2200003214. Mary Carpenter discussed the contract with the committee. A motion was made by Representative Hart to consider the contract as reviewed. Representative Koch seconded the motion, which passed with Senator Douglas voting to pass.

DEPARTMENT OF EDUCATION

Ohio Valley Educational Cooperative, 2200001718; Ohio Valley Educational Cooperative, 2200002288. A motion was made by Representative Hart to defer the contracts to the November 2022 meeting of the committee. Representative Koch seconded the motion, which passed.

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

ATTORNEY GENERAL

Alliance for Hope International, 2300000684. Amy Burke and Stacy Woodrum discussed the contract with the committee. A motion was made by Senator Meredith to consider the contract as reviewed. Representative Hart seconded the motion, which passed.

BOARD OF ELECTIONS

Garrard County Treasurer, 2300001000.

Karen Sellers and Taylor Brown discussed the contract with the committee. A motion was made by Representative Hart to consider the contract as reviewed. Representative Koch seconded the motion, which passed.

DEPARTMENT OF EDUCATION

Boyd County Board of Education, 2300000312; Laurel County Board of Education, 2300000314; Perry County Board of Education, 2300000316; Green River Regional Educational, 2300000334. Karen Wirth, Thomas Tucker, and Damien Sweeney discussed the contracts with the committee. A motion was made by Senator Yates to consider the contracts as reviewed. Representative Koch seconded the motion, with Senator Douglas, Senator Meredith, Senator Southworth, and Representative Hart voting no.

There being no further business, the meeting adjourned at 11:38 AM.

MEDICAID OVERSIGHT AND ADVISORY COMMITTEE

Minutes

September 15, 2022

Call to Order and Roll Call

The Medicaid Oversight and Advisory Committee met on Thursday, September 15, 2022, at 10:00 AM, in Room 131 of the Capitol Annex. Representative Daniel Elliott, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stephen Meredith, Co-Chair; Representative Daniel Elliott, Co-Chair; Senators Ralph Alvarado, Danny Carroll, Jimmy Higdon, and Morgan McGarvey; Representatives Jim Gooch Jr., Melinda Gibbons Prunty, and Lisa Willner.

Guests: Veronica Judy-Cecil, Deputy Commissioner, Department for Medicaid Services, Cabinet for Health and Family Services; Todd Trapp, Assistant Director, Division of Family Support, Department for Community Based Services, Cabinet for Health and Family Services; Ryan Sadler, Plan President; Nicole Basham, Vice President for Network and Operations; and David Hanna, Program Director, Health Services, Passport Health Plan; Frances Feltner, DNP, MSN, RN, Director, University of Kentucky Center of Excellence in Rural Health; William Mace Baker, RN, BA, Director, Kentucky Homeplace; and Ernie Scott, Director, Kentucky Office of Rural Health.

LRC Staff: Chris Joffrion, Logan Bush, and DJ Burns.

Approval of Minutes

A motion to approve the August 11, 2022, minutes was made by Senator Meredith, seconded by Representative Gibbons-Prunty, and approved by voice vote.

Medicaid Eligibility Redeterminations

Veronica Judy-Cecil, Deputy Commissioner, Department for Medicaid Services, Cabinet for Health

and Family Services, discussed the flexibilities granted to states during the federal public health emergency declared on January 31, 2020, by the Secretary for the Department of Health and Human Services. She discussed Kentucky's plan for unwinding those flexibilities and the renewal process for Medicaid eligibility redeterminations that have been waived since the public health emergency was declared.

In response to questions and comments from Representative Elliott, Ms. Judy-Cecil stated that an algorithm estimated 210,741 Medicaid recipients may lose eligibility due to income information pinged from the federal hub.

In response to questions and comments from Senator Meredith, Ms. Judy-Cecil stated that she is concerned about having enough resources for the redetermination process. She discussed how efforts by the Commissioner of the Department for Community Based Services to increase salaries have helped with retaining and recruiting employees. She stated that the Centers for Medicare and Medicaid Services have given states some flexibility on how to allocate the population over the 12 month period which is helpful in creating monthly caseloads. Todd Trapp, Assistant Director, Division of Family Support, Department for Community Based Services, stated that staff turnover and retention are a big concern, but that staff raises have helped and moral is on the rise. Ms. Judy-Cecil stated that the Medicaid enrollment total number will grow by about 100,000 compared to pre-Covid numbers after this redetermination process is completed. She discussed the contract with Anthem Blue Cross Blue Shield and the process of transitioning those members to new MCOs.

In response to questions and comments from Senator Carroll, Ms. Judy-Cecil stated that if the cabinet receives notice from the federal government in November for the PHE to end in January, the state will continue to receive the additional 6.2 percent point increase in the federal share of Medicaid funding through the first quarter. She stated that recipients can ask for continued coverage during their 120 day appeal period which will be covered by the federal match. Mr. Trapp stated that as of this week, all staff are back in the office at least three days a week. Ms. Judy-Cecil stated that the federal Department for Health and Human Services will announce by the end of October if they will extend the PHE beyond January.

In response to questions and comments from Senator Alvarado, Ms. Judy-Cecil stated that the Center for Medicaid and Medicare Services has required the continuous coverage in order for states to receive increased federal funding, but states did get to choose which flexibilities to implement. She also stated no one automatically gets enrolled in Medicaid; they have to file an application and that if someone is dual enrolled in programs and receives a request for back payment they can request to not pay those capitation payments back to the state.

In response to questions and comments from Representative Willner, Ms. Judy-Cecil stated that the cabinet has been sending text messages and e-mails to communicate to recipients that the PHE is ending soon and to make sure their contact information is updated. She stated Kynectors and the DCBS office are the

best resources for recipients looking for information on eligibility.

In response to questions and comments from Representative Gibbons-Prunty, Ms. Judy-Cecil stated that the cabinet has put the system changes on hold every time the federal PHE has been extended. It has used the extra time to focus on staff training and reaching out to the public to inform them of the changes once the PHE ends.

In response to questions and comments from Senator Higdon, Ms. Judy-Cecil stated that the cabinet verifies addresses for recipients using different databases, both on the state and federal level.

In response to questions and comments from Senator Meredith, Ms. Judy-Cecil stated that telecommuting has enabled the Department for Medicaid Services to hire and retain new employees. Since the change in policy, it has tried to be flexible with employees based on their situation. She stated the cabinet has granted an extension until January for the return to a 3 days in the office policy.

In response to questions and comments from Senator Carroll, Ms. Judy-Cecil stated that it is her understanding the personnel cabinet makes the rules on the telecommuting policy.

Medicaid Managed Care Organizations' Efforts to Improve Health Outcomes, Network Adequacy, and Access to Care – Part 4

Ryan Sadler, Plan President, Passport Health Plan, discussed member stories, Passport's commitments to the Commonwealth, and Medicaid membership count by region. Nicole Basham, Vice President for Network and Operations, Passport Health Plan discussed initiatives Passport Health Plan has developed to ensure network adequacy and strategies for addressing the financial position of rural health care providers. David Hanna, Program Director, Health Services, Passport Plan Health discussed initiatives Passport is implementing to improve the health of the Medicaid population in Kentucky, the effectiveness and efficacy of their substance abuse treatment programs, and strategies for ensuring equity in health care delivery across Kentucky.

In response to questions and comments from Senator Meredith, Ms. Basham stated that Passport was able to secure a dental provider in a region that had previously not had a Medicaid dental provider. She stated Passport is discussing mobile behavior health services to provide access to regions that do not have services currently, as well as expanding telehealth services to members who do not have internet access with one stop shops. She stated Passport contacted providers in eastern and western Kentucky during the natural disasters to inquire if they needed help getting facilities set up after the destruction.

In response to questions and comments from Representative Willner, Mr. Sadler stated Passport has housing specialist to help members find housing. Mr. Hanna stated that Passport accepts referrals from all members and passport has a relationship with the Housing Authority in Louisville because of the specialist it employs. He stated Passport is looking to expand its housing program into other regions and hoping to make connections throughout the state.

Update from the University of Kentucky Center of Excellence in Rural Health

Frances Feltner, DNP, MSN, RN, Director, University of Kentucky Center of Excellence in Rural Health, discussed the center's efforts to improve the health of Kentuckians in rural communities who are on Medicaid, the role of community health workers in rural communities, and 22 RS HB 525. William Mace Baker, RN, BA, Director, Kentucky Homeplace, discussed the center's role in training community health workers. Ernie Scott, Director, Kentucky Office of Rural Health, discussed an overview of the Small Rural Hospital Improvement Program grant awarded to the Office of Rural Health Policy in 2021.

In response to questions and comments from Representative Elliott, Dr. Feltner stated that there is a need for more community health workers in the workforce.

In response to questions and comments from Senator Meredith, Dr. Feltner stated that the academic programs are limited to what the university offers, the residency program is through the federal program, and the center can only graduate 4 residents a year for rural health. She stated the center receives \$15 million a year in grants but are limited to the outcome measures set forth in those grants. Dr. Feltner stated the center also receives money in state funding and that she welcomed the opportunity to lobby for more state funding to expand the center's programs.

In response to questions and comments from Senator Carroll, Dr. Feltner stated that when Kentucky Homeplace was first funded it received \$1.9 million in state funds and it now receives \$900,000 a year. The center has cut community health workers due to loss of funding and raises in salaries. He also stated the loss in funding led to the closure of the center's operations in western Kentucky.

Adjournment

There being no further business, the meeting was adjourned at 12:30 PM.

LEGISLATIVE OVERSIGHT & INVESTIGATIONS COMMITTEE

Minutes of the 5th Meeting

of the 2022 Interim
October 13, 2022

Call to Order and Roll Call

The 5th meeting of the Legislative Oversight & Investigations Committee was held on Thursday, October 13, 2022, at 1:00 PM, in Room 131 of the Capitol Annex. Representative Jason Nemes, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Danny Carroll, Co-Chair; Representative Jason Nemes, Co-Chair; Senators Michael J. Nemes, Reginald Thomas, and Wil Schroder; Representatives Lynn Bechler, John Blanton, Ken Fleming, Joni L. Jenkins, Steve Riley, and Scott Sharp.

Guests: Kerry Harvey, Cabinet Secretary, Justice and Public Safety Cabinet; Vicki Reed, Commissioner,

Department of Juvenile Justice; Brent Hagan, Mayor, City of Lyndon; and Michael Ross, former supervisor, Jefferson Regional Juvenile Detention Center.

LRC Staff: Gerald W. Hoppmann, Committee Staff Administrator; Committee Analysts William Spears, Jacob Blevins, Jeremy Skinner, Shane Stevens, Chris Hall, Ryan Brown, Taylor Johnston, McKenzie Ballard; and Jennifer Luttrell, Committee Assistant.

Minutes for September 15, 2022

Upon motion by Representative Fleming and a second by Senator Nemes, the September 15, 2022, meeting minutes were approved without objection.

Co-chair Nemes stated the purpose of the meeting is to discuss issues regarding Kentucky's regional juvenile detention centers, but more specifically the Jefferson Regional Juvenile Detention Center in the city of Lyndon and Jefferson County. He introduced the guests and invited Secretary Harvey and Commissioner Reed to make opening remarks.

Committee Testimony (not related to assigned study topics)

Jefferson Regional Juvenile Detention Center (JRJDC)

Secretary Harvey stated that the Department of Juvenile Justice (DJJ) operates eight juvenile detention centers statewide. These relatively small facilities typically house less than two dozen youths per facility, who are detained by court order. The DJJ has no control over the offenders sent to the centers. Currently, there are approximately 207 offenders in detention across the state and between 11-13 offenders at JRJDC. He noted that the number of detainees and the severity of the crimes for which they have been charged is increasing. He added that many of these detainees are charged with gun crimes and many have serious mental health issues. As a result, the demands on facilities are increasing, but without an increase in staff.

Secretary Harvey acknowledged that staffing is a major problem, with only two facilities having adequate staff. He noted that DJJ has a particularly difficult time meeting staffing needs at their Campbell County and Jefferson County detention facilities, which he attributed to high turnover, inadequate compensation, and the dangerous nature of the job. He stated that for FY 2021 DJJ hired 214 youth workers and lost 253 and in FY 2022, DJJ hired 205 and lost 236. The Boyd and Breathitt facilities have robust staff, but the other facilities struggle with staffing. Overall, starting pay is at \$17.20 and is one of DJJ's primary focuses to change.

Speaking specifically about JRJDC, Secretary Harvey stated that DJJ took over operations from Louisville Metro in January 2020. This facility was not designed to detain offenders and thus lacks many of the necessary security features. He noted that this, along with inadequate staffing, has recently lead to some newsworthy incidents. In August 2022, a female detainee at JRJDC smuggled in a cigarette lighter and a cell phone. She passed the lighter to a male detainee who started a fire in the dayroom. The fire did no significant damage but the lighter was not recovered

following the incident and four days later, it was used to start another fire. The fire department was called to extinguish the fire, during which time a male detainee charged with a misdemeanor assault escaped, but was later apprehended. The police department was also called to the facility, but there was confusion as to whether officers could carry their weapons inside. According to the secretary, the cabinet's internal investigations branch is currently investigating the incident, which should never have happened. He stated that he and DJJ take full responsibility for the mistakes leading up to the two fires.

Secretary Harvey stated that one way DJJ is addressing staffing issues is by using money originally allotted for some of the 175 vacant youth worker jobs statewide to improve compensation for current and future staff. The plan will raise the hourly rate for existing employees to the mid-point for six facilities facing staffing issues (Campbell, Fayette, McCracken, Warren, Jefferson, and Adair). For these facilities, this calculates to a base hourly rate of \$21.45 (youth worker 1), \$24.37 (youth worker 2), \$26.54 (youth worker 3), and \$28.93 (supervisor). The plan also includes locality premiums for the six facilities and shift premiums for all facilities.

DJJ is also in the process of increasing training and staff accountability. It will ensure that disciplinary processes are reviewed to ensure they are adequate to address staff failures and will increase overall training. He noted that DJJ has significantly reduced the detainee population at JRJDC by only housing those youth awaiting a detention hearing and sending those requiring longer detention to the facility in Adair County. DJJ also plans to increase security in all facilities by installing body scanners and addressing structural issues. The secretary also mentioned two facilities with dropped ceilings that have been problematic, so they are fixing those ceilings, which may take some beds offline.

In response to Representative Blanton's question about whether other facilities would see the same monetary incentives implemented, the secretary stated that facilities in the eastern part of the state would see an increase in shift premiums, but not locality pay. Representative Blanton stated that all juvenile detention centers should benefit, especially when employees in the eastern part of the state are suffering from recent flooding. He also stated that living costs in rural parts of the state can be more expensive than those in urban areas.

Representative Fleming discussed workforce issues, facility issues, and judicial issues that have to be addressed by DJJ. With respect to judicial issues, he also mentioned mental health as an important component that should be included. He asked the secretary to comment on whether best practices are being reviewed for all issues, not just related to staffing and pay. Secretary Harvey said that DJJ has primarily focused on improving compensation to alleviate staffing problems, but Commissioner Reed added that DJJ tries to attract new hires by posting job openings on social media and holding job fairs, neither of which has worked. DJJ is in regular contact with agencies from other states and DJJ staff attends national conferences to stay current on best practices. The issue of staffing according to the Commissioner,

is prevalent across the nation.

Representative Nemes noted that the August 2022 arson and escape incidents are not isolated incidents. He proceeded to list multiple incidents communicated to him from July 31st through October 3rd involving riots, fights, loss of control over the facility, injuries to staff, arson, stolen keys used to open cell doors, police and fire calls, firefighters at risk for physical attack, one escape, multiple days where more than 20 youth were assigned to the facility, altered staff reports, and one instance where staff was told not to contact police. The secretary stated that DJJ would work with LOIC staff to visit the facility and to review various documents.

Representative Nemes also questioned the appropriateness of housing male and female youth offenders together. Commissioner Reed said that detention facilities have been co-ed for as long as she can remember and that this is permissible by law. She noted that while DJJ would like to have the ability to separate particular detainees, the facilities are too small and understaffed for parallel programs. However, she stated they generally meet the Prison Rape Elimination Act (PREA) guidelines and standards, but sometimes violations do occur related to separation of youth offenders.

Representative Nemes stated that he believes female detainees should immediately be separated and asked the secretary to look into making that change. Secretary Harvey agreed to look into it, but noted that there are other issues related to separating detainees based on gender that could be problematic. He also mentioned a 2017 audit of DJJ facilities where staffing was identified as an issue, which contributes to increased attacks and physical harm to both staff and youth offenders. He hopes that with an increase in staff, these instances can be prevented and that staff can intervene more quickly.

After commenting on quicker releases of juveniles leaving the more serious offenders for detention, Senator Carroll asked whether it was time for Kentucky to reassess its model for juvenile detention facilities, such as beginning to use other Department of Corrections (DOC) services to help alleviate some of the problems. The commissioner said everything needs to be on the table because DJJ is in a very rapidly changing environment. She noted, however, that DOC facilities are also experiencing similar problems with respect to staffing. The secretary stated that lower-level offenders are diverted partly because of the success of SB 200 (2014 RS), which focused resources on detaining higher-level offenders.

Responding to Senator Carroll's follow-up comments about the need to rebalance the penalties for severe offenders, he asked if other states partner with jails, where support services can be shared. Commissioner Reed said that she was not aware of any state that share resources, but noted that some do house youth detainees in an adult jail or prison. She stated that Kentucky is one of eight states where offenders under the age of 18 are not kept in an adult facility. As an aside, the commissioner noted the success of DJJ's post-depositional facilities, which are treatment-based and include program such as vocational training. On any given day, the Commissioner noted the state may handle 1,400 youth offenders in various

facilities. Representative Nemes agreed that staff is very important and that recent proposed legislation to revise SB 200 may prove beneficial.

In response to Senator Thomas's question about the root causes of increased crime in Lexington and other cities in Kentucky, Secretary Harvey said that addressing mental illness in youth is important because by the time a youth commits a crime they are often too violent to get help from a psychiatric facility. Commissioner Reed added that gang issues are also becoming more serious, noting that more prevention and youth programs are needed to keep kids out of gangs. She mentioned the state just received Office of Juvenile Justice Delinquency Prevention (OJJDP) dollars that will be used at the community level for youth advocacy.

Representative Jenkins noted that as stewards of the budget, the legislature is responsible for ensuring that DJJ has the money it needs to run juvenile detention centers properly and to adequately fund intervention and trauma-based treatment programs. Representative Nemes noted however, that DJJ has not made additional budget requests during the past two administrations regarding JRJDC.

In response to Representative Sharp's question about whether staffing problems were related to the COVID pandemic, Secretary Harvey said that COVID exacerbated an already existing problem. He reiterated that an external audit identified problems with turnover and staffing shortages back in 2017. Responding to a follow-up question by Representative Sharp, the secretary noted that while they have staffing problems in nearly all facilities, problems are most problematic at the Campbell and Jefferson county detention centers. The Commissioner stated that new staff often experience emotional hardship as well, regarding the work at the detention facilities. Secretary Harvey acknowledged that his staff would get the committee a copy of the 2017 external audit, as requested by Representative Sharp.

Michael Ross introduced himself as a former supervisor at JRJDC and that he left his position in November 2021. When asked by Representative Nemes to provide his comments, he noted that he was not present for the August 2022 incident, but described the intake procedures that should have occurred when the female detainee arrived at the facility, as well as when the lighter was not found on her person.

In terms of staffing, Mr. Ross said four to five staff per shift are needed to operate the JRJDC properly and safely. He added that, even with the reported reduction of youth numbers, the facility remains understaffed. He confirmed Representative Nemes' statement that no more than 16 detainees are supposed to be held at the JRJDC. He also stated he complained about youth numbers exceeding the cap beginning in July 2021. Other issues he brought to DJJ's attention included units that did not have restroom facilities, detention rooms without suitable locks, lack of written policies and procedures, violation of detainee rights, improper procedures used on isolation units, and staff working positions for which they were not certified (i.e., cooking meals).

Mr. Ross stated that he and others were detailed to JRJDC because of a lack of staff. When he arrived late in 2019, he found a lack of procedures, which

caused him to file grievances in 2020. He stated that he was moved to 3rd shift after he complained and was told he was just trying to get others in trouble. Ultimately, his camera access was taken away, which prevented him from properly monitoring activity in certain areas. He also said that he has copies of staffing records showing inconsistencies regarding leave, which created unnecessary overtime and lack of adequate staffing. He ultimately ended up leaving his position because of the safety violations.

Mr. Ross stated his primary purpose in front of the committee was to get everything out there regarding the problems at the center. Representative Nemes asked whether it was appropriate for females and males to be housed together. Mr. Ross responded that he has not personally witnessed problems when he was supervisor, but is aware of two incidents when females and males interacted. He added that these incidents should not have occurred if staff had followed proper policies and procedures.

Responding to Representative Nemes' question about whether juvenile detainees are safe, Mr. Ross said that they are not. He also noted that, at least at JRJDC, many of the offender's rights related to receiving telephone calls, taking showers, and having clean blankets are being violated.

Brent Hagan introduced himself as the mayor of Lyndon, Kentucky. When asked by Representative Nemes if he had anything to add about the state of JRJDC, he stated that policies and procedures are not being followed, which is causing the citizens of Lyndon to fear for their safety. When the fire department responded to one incident, staff did not know which keys opened the appropriate doors in order to access and fight the fire. One firefighter was placed at risk for attack during the same incident by a juvenile brandishing a piece of metal, which prompted the fire chief to state they would no longer enter the JRJDC, unless staff could guarantee his firefighters' safety. Mr. Hagan noted that the Jefferson county facility is surrounded by single-family homes and that recent incidents have left citizens feeling unsafe in their own homes.

Representative Nemes assured Mayor Hagan that he believes Secretary Harvey is serious about making the necessary changes and that committee staff will be looking into the matter also.

Senator Carroll commented that DJJ should have never decided to use the facility to detain offenders, since it was never designed for that purpose. He noted there also appears to be issues with DJJ's reporting protocols, since incidents at JRJDC may not have been brought to the commissioner's attention. In response to Senator Carroll's question about the breadth of the cabinet's investigation, Secretary Harvey replied that all of the issues would be reviewed and none are off the table. He added that the ultimate goal is to find solutions that keep detainees, staff, and local community residents safe. The secretary also added that the facility had been used in the past to house offenders, but was not used to detain them.

Senator Carroll noted that DOC has utilized probation and parole officers to help with staffing shortfalls in prisons and asked whether DJJ had considered similar solutions. Secretary Harvey said that staff from DJJ's home office have logged hundreds

of hours helping at JRJDC to fill staffing gaps.

Senator Carroll asked if Lyndon citizens and the surrounding community are safe and questioned whether things are better off today than they were when the incidents discussed earlier happened. Secretary Harvey said that things are better because DJJ has taken steps to significantly reduce the population in that facility. He noted that the installation of body scanners at the facility will only enhance security, but staffing is a primary issue that should be addressed. Senator Carroll commented that staffing is an issue, but it appears there were many other issues that were not addressed.

Senator Carroll asked why DJJ did not make a capital expenditure budget request during the 2021 regular session of the General Assembly to secure JRJDC better. Secretary Harvey stated that at the time his staff was preparing DJJ's budget request, the problems discussed today had not come to his attention. For example, he was not aware at that time of defective doors at JRJDC or the use of false ceilings at two other facilities. Senator Carroll noted that with levels of experience and expertise at DJJ, someone dropped the ball on these matters by not properly reporting problems. Secretary Harvey agreed and noted they are currently reviewing DJJ's disciplinary procedures, as well as related failures.

Sen. Thomas stated that legislators are in a position to help fix many of the issues brought up today, but noted the problems are simply manifestations of larger problems in our communities. And, that the law allows for certain things such as housing male and female offenders together. He also stated it is important to reduce the population of youth offenders at the state's detention facilities.

Representative Nemes acknowledged that the increase in violent crimes in our communities is being driven by youth offenders and is something that needs to be addressed. However, he stated that the purpose of today's meeting was about JRJDC, as well as the other juvenile detention facilities statewide. He said that the staff and offenders at JRJDC are in danger, as well the community because of problems at the center.

Representative Nemes adjourned the meeting.

PUBLIC PENSION OVERSIGHT BOARD

Minutes of the 6th Meeting of the 2022 Interim August 22, 2022

Call to Order and Roll Call

The 6th meeting of the Public Pension Oversight Board was held on Monday, August 22, 2022, at 3:00 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 James Tipton, Co-Chair; Senators Michael J. Nemes, Dennis Parrett, Damon Thayer, and Mike Wilson; Representatives Ken Fleming, Derrick Graham, Jerry T. Miller, Jason Petrie, Phillip Pratt, Russell Webber, and Buddy Wheatley; Mike

Harmon and Victor Maddox.

Guests: Beau Barnes, Deputy Executive Secretary and General Counsel, Teachers' Retirement System and Edward Koebel, Chief Executive Officer, Cavanaugh MacDonald Consulting, LLC; Bo Cracraft, Executive Director, Judicial Form Retirement System; and David Eager, Executive Director, Kentucky Public Pensions Authority.

LRC Staff: Brad Gross and Angela Rhodes.

Approval of Minutes

Senator Parrett moved that the minutes of the July 19, 2022, meeting be approved with a small change. Representative Tipton seconded the motion, and the minutes were approved without objection.

Sick Leave Update and Temporary Reemployment after Retirement Provisions/Investment and Cash Flow Update – Teachers' Retirement System

Mr. Barnes, Teachers' Retirement System (TRS), discussed some of the details of a July 1, 2022 letter from Cavanaugh Macdonald Consulting, LLC (Cavanaugh) regarding the cost of the sick leave program for members of TRS that was in response to a June 7, 2022 memorandum from the Public Pension Oversight Board.

Mr. Barnes went over some of the actuarial fundamentals to familiarize members with the actuarial goals for TRS in order to pay the normal cost and the unfunded liability. TRS receives a number of contributions in order to meet those goals: the fixed statutory employer contribution, fixed statutory employee/member contribution, and the actuarially determined employer contribution (ADEC). Until now, there was another funding contribution called Green Box dollars that reflected special appropriations that were a distinct line item request in each budget. Those Green Box dollars were going towards past benefit adjustments and liabilities, which most recently included only old supplemental cost of living adjustments above the normal 1.5 percent amount and sick leave salary credit. During the 2022 Regular Session, the General Assembly appropriated \$479 million to pay off all of the Green Box dollars.

In response to a question from Senator Thayer, Mr. Barnes stated that the annual cost to taxpayers for sick leave enhancements after the payoff of the Green Box dollars is 1.2 percent or \$47 million a year.

Mr. Barnes explained that sick leave salary credit will trend downward in the future. For teachers in Tier 3 (entry between 07/01/2008 and 12/31/2021), sick leave is capped at 300 days. For the new Tier 4 teacher, who began on or after January 1, 2022, there is no sick leave payment for salary credit that is incorporated into the defined benefit plan.

Mr. Barnes discussed details of the Cavanaugh July 2, 2022 letter. First, regarding TRS' budget request of \$78 million total (\$39 million per fiscal year) for the Green Box dollars, TRS requested this item prior to the budget appropriation to pay off the Green Box dollars. Therefore, Mr. Barnes confirmed that TRS did receive from the General Assembly more than what TRS needed now that the Green Box dollars are paid off. However, the monies could be applied to the overall unfunded liability. Second, there is no cost to the Commonwealth for the new TRS 4 members

regarding sick leave salary credits.

In response to questions from Representative Petrie regarding if TRS had the authority to repurpose the \$78 million (\$39 million per fiscal year) that was appropriated for the specific purpose of the annual cost of the sick leave program, Mr. Barnes stated that TRS will apply the \$78 million in appropriated monies toward the overall unfunded liability. Representative Petrie duly noted that, if the General Assembly appropriates money for a particular purpose, there is no statutory authority by which an agency may reappropriate or repurpose that money. Otherwise, there is no point for the General Assembly putting in details or purpose behind any appropriation made. The money was appropriated for a purpose, if the purpose is no longer necessary, there is no authority to reappropriate a decision passed by the General Assembly.

In response to questions from Senator Higdon, Mr. Barnes stated that the fiscal year payment toward the Green Box dollars of \$39 million, which represented sick leave liability for retired teachers, has been funded by the Commonwealth since approximately the 1980s or 1990s. The normal cost and unfunded liability for active teachers' sick leave as salary credit, is part of the ADEC and has been funded by the Commonwealth since the 2000s. He added that TRS did not receive the full ADEC every year.

Mr. Koebel interjected, explaining that Cavanaugh did not start valuing sick leave within liabilities and normal cost until 2005. He explained how in a traditional defined benefit plan contributions are saved in a trust fund while the member is in active status so that enough money is available to fund the member's benefits when they retire. Sick leave used to increase a member's benefit is included in the normal cost. The total normal cost is about 16 percent of pay each year for a non-university active member with approximately 0.4 percent of that attributable to the cost of annual sick leave accruals or an annual cost of about \$15.7 million in today's dollars. This will decline over time with the limit placed on Tier 3 and exclusion for Tier 4 teachers. The Green Box dollars were for retirees that began receiving their pension benefits well before 2005, when TRS was not putting aside money for their sick leave accruals during their active status. So, TRS needed the \$39 million appropriation per year to pay down that liability. Now, they are left with the 1.2 percent of payroll going forward.

In response to a question from Senator Higdon regarding the calculation of the 1.2 percent of payroll total, Mr. Koebel stated that in 2021 TRS's trust fund was about \$25 billion. The liability for all retirees and active members who have accrued a benefit is about \$40 billion. So, there is a portion that is unfunded of about \$17 billion from the last valuation. Another portion of the fund's total unfunded liability accrued to date is an estimated \$407.6 million for pre-2005 active teachers' sick leave enhancements for which monies were not held back, which is amortized over many years (according to TRS' funding policy). In response to a follow-up from Senator Higdon, Mr. Koebel stated that an appropriation of \$407.6 million from the General Assembly would pay off the unfunded liability for active teachers' sick leave,

leaving only the normal cost, which is decreasing.

In response to a question from Representative Tipton, Mr. Barnes stated that all unfunded liabilities are targeted to be paid in 2040. In response to a follow-up regarding the different components to the ADEC, Mr. Koebel stated that the ADEC includes normal cost and liabilities all of which go to retirement benefits, which include pension, disability, and life insurance. Representative Tipton requested that in the future when the ADEC is requested, that the components like sick leave costs are categorized within the request.

In response to a question from Senator Higdon, Mr. Koebel stated that interest is being paid on the \$408 million unfunded liability due to active teacher sick leave accruals. So, if paid over the full 20 year period, the total would be a little less than double the \$408 million.

In response to a question from Senator Thayer, Mr. Barnes stated that sick day spiking is a statute within the Kentucky Department of Education's range of statutes enacted in the early 1980s, which says the school districts may compensate retiring teachers at 30 percent daily rate. All have chosen to do so. In response to a follow-up, Mr. Barnes stated that the unused sick days for pension enhancement is within the same statute and agreed it is outside the inviolable contract.

In response to questions from Senator Higdon, Mr. Barnes stated that TRS has not received an overpayment. The two streams of payment were going towards the ADEC (normal cost and unfunded liability) and the Green Box dollars (including unfunded liability for retiree sick leave), which totaled \$787 million. With the payoff of the Green Box dollars, the General Assembly has eliminated \$380 million of that sick leave unfunded liability, and TRS is down to \$407 million for this specific benefit. In response to a follow-up, Mr. Barnes agreed that some school districts take unused personal days and convert them into sick leave days, much like state employees with 20 or more years of service with an excess of 60 annual leave days at the end of a calendar year is converted to sick leave. Senator Higdon asked that TRS look into the statutory authority for this rollover by these districts, and what the actuarial impact may be on TRS.

Mr. Barnes discussed the provisions and rules for retiring members who return to work (RTW) for a TRS employer. He stated these RTW provisions and rules are in place to allow school districts to address staffing needs by using retired teachers but do so in an actuarially sound manner and in compliance with federal law. RTW rules include making TRS contributions, limits on days and earnings, observing required breaks in service, and having no prearranged agreements. He also explained the critical shortage program, which is available to school districts only, has no earnings limit, but has a statutory cap on the number of critical shortage teachers per district.

Mr. Barnes discussed HB 1 from 2022 Regular Session. HB 1 made temporary adjustments to the RTW provisions for local school districts only to address staffing concerns by relaxing certain aspects of the RTW and critical shortage programs. The law sunsets June 30, 2024, when all rules revert to permanent provisions.

In response to a question from Representative Tipton, Mr. Barnes confirmed that within the RTW temporary provisions of HB 1, upon advice of their outside tax counsel, TRS will be reporting retirees to the IRS as a potential in-service distribution if they are under 59 ½ years of age and return with only a one month break in service. If members are over 59 ½ or they observe the traditional three or 12 month break in service, they will not be reported. In response to a follow-up question, Mr. Barnes stated that TRS's tax counsel is the Ice Miller law firm. He stated that while the firm may be the same for Kentucky Public Pensions Authority (KPPA), which does not report in-service distributions for hazardous retirees observing the statutory one month break in service, Ice Miller advised TRS that a one month break is different than the typical three month summer break for teachers.

Mr. Barnes continued by stating that with the teacher shortage, TRS has communicated to their members the temporary provisions will revert back to the permanent provisions June 30, 2024. He then communicated that both classified and certified positions are eligible; the break in service for the temporary rule is reduced to one month for all RTW positions and for school district critical shortage positions; and the critical shortage employer limits are increased from one percent of the active teachers per district to 10 percent.

Mr. Barnes discussed the critical shortage program positions. There are 622 critical shortage positions allowed statewide under the permanent program with 34 or 5.4 percent being used. In the temporary program, there are 5,423 allowed with 178 or 3.28 percent being used. It should be noted that 73 percent of school districts are not using the critical shortage program.

Mr. Barnes discussed what did not change for the RTW program, including that federal and state law continue to prohibit a prearranged agreement for retiring members to come back to work after retirement; retirees who RTW still have day and wage limits; reciprocity will affect retirees break in service; and retirees will have to drop retiree health insurance coverage from any system. As of June 30, 2022, TRS has 73,198 active members with 8,890 eligible to retire.

Mr. Barnes discussed investment performance for the pension fund for the June 30, 2022 quarter, which was -10.28 percent net, and discussed the gross and net performance for the fiscal-year-to-date, 1-, 3-, 5-, 10-, and 20-year trailing time periods, and the 30-year compounded gross return of 7.75 percent. The health insurance trust returns were -10.47 percent net for the quarter as of June 30, 2022, and a 10-year return of 7.24 percent net.

Mr. Barnes reviewed cash flow for the pension fund FYTD 2022 compared to FYTD 2021. He pointed out the cash inflows, outflows, investment gains or losses, and the total net plan assets across both time periods.

In response to a question from Representative Tipton, Mr. Barnes stated that without the \$479.2 million funding, the cash flow would have been -\$429 million.

Mr. Barnes reviewed cash flow for the health fund FYTD 2022 compared to FYTD 2021. He pointed out

the cash inflows, outflows, investment gains or losses, and the total net plan assets across both time periods.

In response to a question from Senator Higdon, Mr. Barnes stated the health trust is funded at about 60 percent before the impact of the recent experience study. He continued by discussing the impact of the new assumptions and five year smoothing of returns. Finally, in response to a question regarding proxy voting, Mr. Barnes stated that TRS uses ISS for its proxy voting but all recommendations are reviewed internally.

In response to a comment from Auditor Harmon regarding proxy voting motivated by environmental, social, and governance (ESG) reasons, Mr. Barnes stated that TRS votes for what will increase the value of that company; TRS does not participate in ESG investing.

Investment and Cash Flow Update – Judicial Form Retirement System

Bo Cracraft, Judicial Form Retirement System, began his presentation reviewing the investment performance for the Judicial Retirement Plan and the Legislators' Retirement Plan. He discussed the gross and net performance for the fiscal-year-to-date, 3-, 5-, 10-, 20-year, and inception-to-date trailing time periods for the June 30, 2022 quarter.

Mr. Cracraft discussed the asset allocation for both plans. He reviewed the equity, fixed income, and cash allocations. The plans executed three rebalancing events during the course of the fiscal year to remain on target.

Lastly, Mr. Cracraft discussed cash flow for both plans for the FYTD 2022 compared to FYTD 2021. He reviewed the cash inflows, outflows, investment gains or losses, and the total net plan assets across both time periods.

Investment and Cash Flow Update – Kentucky Public Pensions Authority

David Eager, KPPA, began his presentation stating that KPPA also uses Ice Miller as its tax counsel. He announced the hiring of and introduced Steve Willer, Chief Investment Officer, with 25 years' experience in the investment industry.

Mr. Eager discussed some KPPA highlights. The FY 2022 market losses were across the board. KPPA was down 5.73 percent and has met or exceeded their benchmarks in the 1-, 3-, 5-, and 10- year periods. Net cash flows were positive in all pension funds except the County Employees Retirement System nonhazardous fund. The \$215 million budget appropriation to the State Police Retirement System reduced the contribution rate from 140.51 to 99.43 percent and increased the funded status from 30.7 to 51.1 percent. A number of asset allocations remained outside of their ranges.

Mr. Eager discussed the pension and insurance investment returns for all plans for the 1-, 3-, 5-, 10-, 20-, and 30- year trailing time periods for the June 30, 2022 quarter.

Mr. Eager provided charts on cash flow for all plans for the FYTD 2022 compared to FYTD 2021. He reviewed a few of the cash inflows, outflows, investment gains or losses, and the total net plan assets across both time periods.

Mr. Eager discussed asset allocations for all plans. He reviewed the equity, fixed income, and inflation-protected asset classes, providing data for the asset classes that are outside of the range.

Mr. Willer provided further information on the allocation variances for the June 30, 2022 quarter. He reviewed the real estate, specialty credit, and other cash investment class variances.

Finally, Mr. Eager presented a chart of the Tier 3 interest credits for FY 2017 through FY 2022.

With no further business, the meeting was adjourned.

PUBLIC PENSION OVERSIGHT BOARD

Minutes of the 7th Meeting

of the 2022 Interim

September 27, 2022

Call to Order and Roll Call

The 7th meeting of the Public Pension Oversight Board was held on Tuesday, September 27, 2022, at 3:00 PM, in Room 154 of the Capitol Annex. Representative James Tipton, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jimmy Higdon, Co-Chair; Representative James Tipton, Co-Chair; Senators Christian McDaniel, Gerald A. Neal, Michael J. Nemes, Damon Thayer, and Mike Wilson; Representatives Jim DuPlessis, Ken Fleming, Derrick Graham, Jerry T. Miller, Jason Petrie, Phillip Pratt, Russell Webber, and Buddy Wheatley; Mike Harmon, Victor Maddox, and Sharon Mattingly.

Guests: Chris Biddle, Executive Director, Kentucky Public Employees Deferred Compensation Authority, and Christina Stephenson, Nationwide Retirement Plans; Rebecca Adkins, Deputy Executive Director, Erin Surratt, Executive Director, Office of Benefits, and Carrie Bass, Staff Attorney Supervisor, Kentucky Public Pensions Authority; and Beau Barnes, Deputy Executive Secretary and General Counsel, Teachers' Retirement System.

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

Approval of Minutes

Representative DuPlessis moved that the minutes of the August 22, 2022 meeting be approved. Representative Webber seconded the motion, and the minutes were approved without objection.

Deferred Compensation Authority Update

Chris Biddle, Executive Director, Kentucky Public Employees Deferred Compensation Authority (KDC), began his presentation with a brief overview. KDC offers 457(b) Pre-Tax/Roth, 401(k) Pre-Tax/Roth, and IRA Pre-Tax/Roth plans, and member benefits that include investment flexibility, lower taxes, best-in-class fees, virtual or in-person access, free financial planning, and beyond retirement benefits. He stated that KDC has \$3.3 billion in assets.

Mr. Biddle discussed the impact of auto-enrollment as passed by the legislature. Since July

2019, the Commonwealth has auto-enrolled 10,938 employees with an average of 287 per month. Unique among its peer group, KDC has maintained a 94 percent retention rate of all auto-enrollees. As of September 2022 there are 80,512 participants in KDC, making it a growing plan.

Mr. Biddle stated that the minimum deferral for an auto-enrollee is \$30 per month, but as of the close of September 2022, the average deferral is \$48.60. The total assets for the auto-enroll pool are approaching \$8 million.

Christina Stephenson, Certified Financial Planner with Nationwide Retirement Plans, discussed the free KDC financial planning service. The goal is to help participants answer the fundamental question: Will I have enough money in retirement to do things I want to do? The consultant meets with each participant to review the analysis and address other financial topics, including short- and long-term goals; saving for emergencies, college, and healthcare; identifying retirement income resources; and addressing potential gaps between retirement needs and resources. Participants receive an electronic version of their financial plan along with annual and as-needed follow-up.

Ms. Stephenson discussed the 2022 demographics. She stated that KDC financial planning is providing services to 54 percent females, 46 percent males, with an average age of 52. The average participant income is \$77,000, average household income is \$111,775, with average KDC holdings of \$169,500. The participant feedback has been overwhelmingly positive.

In response to a question from Senator Higdon, Mr. Biddle stated that the financial planning service has had close to 1,000 participants in total between the pilot and live program, which started this year. In response to a follow-up question, Mr. Biddle stated that some of the other award-winning efforts KDC has made include: redoing their line-up of funds, during which KDC picked up about \$5 million in savings; removing duplicate funds and less than 1 percent funds; and providing webinars through Nationwide that are attended at a higher rate than any other employee plan in its peer group.

In response to a question from Representative Pratt, Mr. Biddle stated KDC only does business in Kentucky with no employer match with the Commonwealth, but some school systems can and have done an employer match. In response to a follow-up question, Mr. Biddle stated that KDC does inform their members closer to retirement age to invest in funds with less risk.

In response to a question from Representative Wheatley, Mr. Biddle stated that there is no prohibition from doing business with another deferred compensation entity.

In response to a question from Representative Tipton, Mr. Biddle stated that \$48.60 is the average deduction for members of KDC, which is 62 percent above the minimum. In response to a follow-up question, Mr. Biddle stated that the 94 percent retention rate is superior to other states with similar plan options.

House Bill 8 Reporting & Retiree Health Update – Kentucky Public Pensions Authority

Rebecca Adkins, Deputy Executive Director, Kentucky Public Pensions Authority (KPPA), began her presentation discussing the process, requirements, and results of HB 8 reporting by certain quasi-governmental employers participating in the Kentucky Employees Retirement System (KERS), which constitute 102 agencies. KRS 61.5991 requires local and district health departments governed by KRS Chapter 212, state-supported universities and community colleges, mental health/mental retardation boards, domestic violence shelters, rape crisis centers, child advocacy centers or any other agency that is eligible to voluntarily cease participation in KERS to report specific data to KPPA at the end of each fiscal year.

The timeline for HB 8 reporting consists of four dates. April 15th is the deadline for Form 6756 (incorporated by administrative regulation) and any required documentation to be submitted to KPPA for non-contributing employees. June 30th is the deadline for Form 6756 and any required documentation for employees hired after the form deadline (April 16-June 30). By August 29th, KPPA sends to the Office of the State Budget Director (OSBD) and the Legislative Research Commission (LRC) the list of non-contributing employees/contract employees as specified by statute. Finally, September 30th is the last date for KPPA to notify employers of the determination regarding the contract employees that were submitted for review.

Ms. Adkins discussed the reporting requirements of HB 8. Employers must submit Form 6756 along with a copy of each contract, and any other documentation that explains the services provided by each person serving as an independent contractor, leased employee (through a staffing company), or via any other similar arrangement. The exclusions are: any contracts entered into prior to January 1, 2021; contracts for professional services that have not historically been provided by employees of the employer; and non-core services provided by independent contractors.

Ms. Adkins discussed the incentives to report. She stated that KRS 61.5991(6) expresses the intent of the General Assembly to provide subsidies towards retirement costs only to those employers who have a percentage of employees reported to the system that is equal to or greater than: 60 percent for any subsidies in fiscal years occurring on or after July 1, 2022 to June 30, 2024; and 80 percent for any subsidies provided in fiscal years occurring on or after July 1, 2024.

Ms. Adkins discussed the actions taken by KPPA once the reported data is received. KPPA's legal team reviews the persons that were not reported as participating in KERS and applies the IRS Common Law Factors to determine their participation status under KRS 61.510-61.675. Of the 3,246 non-participating contractors/employees reported by 89 employers, 1,479 or 45.5 percent were determined to meet the criteria to require participation in KERS. The KPPA compiles the data and provides a summary to the LRC and the OSBD.

Ms. Adkins noted that KRS 61.5991 also requires KPPA to audit the agencies. The Kentucky Retirement Systems board of trustees approved KPPA staff to

complete an audit of one large and one small agency by February 1, 2023. In doing so, KPPA staff will use the audited agencies as a metric to set a percentage of audits to be completed by August 15, 2023.

Ms. Adkins discussed the listing of data that is provided to LRC and OSBD along with the results: 87 percent of employers submitted the Form 6756 and required documentation; there were no instances of fraud/falsification; an average of 85 percent of employees are being reported; and 13 employers did not report. Regarding the question of subsidies, which is for the General Assembly to consider, 79 of the 89 agencies reporting (89 percent) were at 60 percent or more of employees reported to the system and 67 of the 89 (75 percent) were at 80 percent or more of employees reported to the system.

In response to a question from Representative DuPlessis regarding the 13 employers that failed report, Ms. Adkins confirmed that two agencies had known reasons (they are inactive and involved in litigation with KPPA) but she did not know the reason for the other 11 agencies. KPPA communicated the reporting requirements in multiple emails, through its employer self-service portal, and via its newsletter to the heads of agencies. The audit process may reveal the underlying issues for the failure to report. In response to a follow-up question, Ms. Adkins stated that it is the discretion of LRC to apply penalties.

In response to a question from Representative Tipton, Ms. Adkins named the 13 agencies that did not report. Representative Tipton commented that KRS 61.5991 states that agencies may lose their subsidy for not reporting.

In response to a question from Senator McDaniel, Carrie Bass, Staff Attorney Supervisor, KPPA, stated the IRS Common Law Factors applied to determine participation primarily address the amount of control an organization exerts over an employee or a person providing services under a contract.

Erin Surratt, Executive Director, Office of Benefits, KPPA, presented a retiree health update. She discussed the non-Medicare eligible health insurance coverage through the Kentucky Employees Health Plan (KEHP) and the Medicare eligible health insurance coverage provided by Humana. She noted that a new group that is now being offered KEHP coverage are members impacted by the Medicare Secondary Payer Act. Prior to the passage of HB 297 in 2022, KPPA did not have a plan that could pay as primary insurance to Medicare when a retiree who was over 65 returned to work with a participating employer. A recent court ruling required KPPA to offer a plan effective October 1, 2022.

Ms. Surratt discussed the board-established single monthly contribution rates for the last five years. For the KEHP LivingWell PPO, the single rate has increased from \$729.34 in 2019 to \$833.64 in 2022. The Humana Medicare Advantage Premium single rate has remained flat at \$252.51 since 2017.

Ms. Surratt discussed the cost impacts of retiree health insurance in the past, present, and future. In its recent past, through its contract with Humana, KPPA received gain share payments in 2017, 2019, and 2020 in the amounts of \$7.5 million, \$12.6 million, and \$18.6 million, respectively, and received an additional \$30.2 million in COVID-19 premium credits in 2020.

The establishment of the 1 percent non-refundable member health insurance contribution for members who began participation on or after September 1, 2008, has contributed to increased funding levels, including the receipt of \$27.6 million into the insurance trust in 2021. For fiscal years 2022 and 2023, Ms. Surratt stated that there will be a meaningful liability gain on the Medicare eligible plans due to favorable premiums and claims experience. The non-Medicare eligible plans will see a loss due to the 7.9 percent increase in premiums, which is higher than the 6.3 percent trend for 2023. Some possible future impacts are: the federal Inflation Reduction Act, the cost impacts of which are unknown at this time; and SB 209 passed during the 2022 Regular Session, which added an additional \$5 per month in health subsidies for certain retirees upon reaching certain career thresholds, and, effective January 1, 2023, dollar contribution reimbursements for retirees who do not take health insurance through KPPA.

Ms. Surratt provided a chart showing the 2021 insurance funded ratio levels for all plans.

In response to a question from Representative Tipton, Ms. Surratt stated that she would have to check with their actuary, but believes that KPPA will see an impact from high rates of inflation in the future. In response to a follow-up, Ms. Surratt confirmed that the Teachers' Retirement System (TRS) and KPPA have separate Medicare eligible health plans, but do have dialogue between the two systems and health care directors about best practices, pilot programs, etc.

Representative Tipton announced to the members that KPPA recently released a report on previous investment activities performed by Calcaterra Pollack, LLC. A link to the report was emailed to the members, and the report is posted on the KPPA's website – <http://kyret.ky.gov>.

In response to a question from Representative DuPlessis in regards to one of the agencies KPPA had listed as non-compliant with HB 8 reporting, Ms. Adkins confirmed that the list indicated that KPPA had not received the report. Representative DuPlessis stated he contacted an agency in his district who is not reporting and they informed him they had submitted their data in March. Ms. Adkins responded she would have someone check for the report or what may have happened. In response to a follow-up question from Representative DuPlessis regarding what constitutes compliant with the reporting requirements of HB 8, KPPA legal staff stated that submission of the required report in this first year was considered being compliant but certainly this may change as audits of agencies in the future are completed by KPPA staff.

Retiree Health Update – Teachers' Retirement System

Beau Barnes, Deputy Executive Secretary and General Counsel, TRS, began his presentation discussing the two health plans offered through TRS. The Kentucky Employee's Health Plan (KEHP) is offered to those retirees under age 65, which is the same health plan used by active teachers and state employees. The Medicare Eligible Health Plan (MEHP) is for those retirees age 65 and over and is provided exclusively for TRS retirees who

are Medicare eligible. He noted that, under the inviolable contract, Kentucky law guarantees retired teachers access to group coverage, but the details of that coverage, including costs, subsidy, and level of coverage, can change.

Mr. Barnes discussed the TRS board approved maximum rates for the 2023 premiums: the KEHP premium is \$767.56 per member per month, and the MEHP is \$217 per member per month. Mr. Barnes provided a chart showing that MEHP premiums have held relatively constant over a 20 year period (2002-2023), with rates over the last few years being slightly less.

Mr. Barnes provided a breakdown of the MEHP prescription plan's 2021 retiree health care monthly cost per member. Specifically, shared responsibility (2010), federal subsidies, formulary rebates, drug purchasing discounts, and early adoption of Medicare programs have worked together to hold down premiums. However, none of these funding sources are guaranteed. Mr. Barnes provided a chart of the Medicare Part B premiums history showing annual cost impacts over 20 years, with the largest increase of 14.5 percent in 2022.

Mr. Barnes discussed shared responsibility and stated that, before the 2010 legislation, the Commonwealth was voluntarily paying almost the entire cost of retired teachers' health insurance. With the adoption of shared responsibility, retired teachers phased into paying towards their health care an amount equal to the Medicare Part B premium in addition to the healthcare option they choose. Active teachers phased into paying an additional 3 percent out of their pay towards the health insurance trust to help prefund this benefit. Finally, school districts phased into an additional 3 percent of payroll towards the health insurance trust. All of which helped grow the TRS health insurance funded status from 7.5 percent in 2010 to 60 percent in 2021.

Mr. Barnes discussed personalized health plan programs for TRS retirees, including "Know Your Rx Coalition," which provides free counseling with live pharmacists, and the "Personalized Medicine" program that uses voluntary DNA testing to inform retirees which drugs and dosages work or do not work for them due to their genetic makeup. The Journal of Personalized Medicine has peer-reviewed initial results from TRS' program, which has resulted in a \$37 million savings in direct medical charges over 32 months; 66 percent of participants had genetic risks detected in a currently prescribed medication; 14.9 percent reduction in inpatient visits; 6.8 percent reduction in emergency room visits; \$218 savings a month per member; and an investment return of about 1,422 percent.

Senator McDaniel commented that the best pill to take is the one that never has to be taken. Anything that can be done would be well served if people engaged in prevention at an early age. The health system as a whole would do well to engage in wellness and lifestyle changes to try to avoid ending up on medications.

In response to a question from Representative Tipton, Mr. Barnes stated that TRS does check their rates against the medical inflation rates each year.

In response to a question from Representative

Graham, Mr. Barnes stated that about 41,000 out of 60,000 teachers and retired teachers participate in the health insurance plan. He stated that less than 1/3 of members do not participate in the health insurance plan.

With no further business, the meeting was adjourned.

TOBACCO SETTLEMENT AGREEMENT FUND OVERSIGHT COMMITTEE

Minutes of the 4th Meeting

of the 2022 Interim
September 15, 2022

Call to Order and Roll Call

The 4th meeting of the Tobacco Settlement Agreement Fund Oversight Committee was held on Thursday, September 15, 2022, at 10:30 AM, in Room 129 of the Capitol Annex. Representative Myron Dossett, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Myron Dossett, Co-Chair; Senator Robin L. Webb; Representatives George Brown Jr., Kim King, Phillip Pratt, Brandon Reed, and Rachel Roberts.

Guests: Brian Lacefield, Executive Director, Kentucky Office of Agricultural Policy (KOAP); Bill McCloskey, Deputy Executive Director, KOAP; and Ellen H. Cartmell, Tobacco Prevention and Cessation Manager, Kentucky Department of Public Health, Cabinet for Health and Family Services.

LRC Staff: Stefan Kasacavage, Hillary Abbott, Kelly Ludwig, and Rachel Hartley.

The minutes from the meeting of August 11, 2022, were approved by voice vote.

Kentucky Office of Agricultural Policy Report

Brian Lacefield provided a brief overview of various events and meetings including: the Kentucky State Fair, the Louisville Agriculture Club, and the Kentucky Center for Agriculture and Rural Development.

Beginning Farmers is the largest loan program within the Kentucky Agricultural Finance Corporation (KAFC). Beginning Farmers receive 62 percent of the KAFC funds. Large animal veterinarians currently receive 0.67 percent of KAFC funds; however, this amount will increase.

Bill McCloskey described the Agricultural Development Board's projects under the program. Mr. McCloskey highlighted programs including the County Agricultural Investment Program (CAIP), Deceased Farm Animal Removal, and Shared-Use Equipment Program.

The requested program amendments discussed included:

Rockcastle County Conservation District requested an additional \$153,135 in Rockcastle County funds for CAIP. The board recommended approval, which would bring the program total to

\$321,308.

Wayne County Agricultural Development Council requested an additional \$30,000 in Wayne County funds for CAIP. The board recommended approval, which would bring the program total to \$210,000.

The projects discussed included:

Loretto Butcher Shop, LLC was approved for \$239,645 in state funds to purchase and renovate its current facility.

Country Charm Event Barn, LLC was approved for up to \$26,265 in county funds to improve its facility.

In response to Representative King, Mr. McCloskey stated transitioning farmers from tobacco to a new industry is a challenge. Technical assistance must be provided to farmers, along with cost-share programs to help farmers become successful in new industries.

Kentucky Tobacco Prevention and Cessation Program

Ellen H. Cartmell stated the Tobacco Prevention and Cessation Program is funded by the Master Settlement Agreement (MSA) funds and two grants from the Centers for Disease Control and Prevention. Kentucky collected \$493 million in tobacco tax revenue, but the state spent \$1.92 billion on direct health care costs related to tobacco use. For fiscal year 2023, the CDC allocated \$1.6 million and the MSA allocated \$2 million for the Kentucky program. The largest portion of the funding goes directly to local health departments. According to the CDC, for every \$1 invested in comprehensive tobacco control programs, Kentucky will get a \$55 return on investment.

The goals of the Tobacco Prevention and Cessation Program are prevention, helping Kentuckians who want to quit tobacco products, and protecting Kentuckians from secondhand smoke. Tobacco use is the leading cause of preventable death and disability in Kentucky. Every year, smoking is the cause of death for nearly 8,900 Kentuckians.

In response to Representative Roberts, Ms. Cartmell stated 99 percent of e-cigarettes contain nicotine and they are not a safe alternative to traditional cigarettes. The Quitline Services are available to any user of nicotine.

In response to Senator Webb, Ms. Cartmell stated she will provide data regarding the financial healthcare costs of tobacco users versus e-cigarette users. Ms. Cartmell stated Jule entered into a settlement with 33 states regarding marketing to teen smokers for \$439 million, but she is unsure the amount Kentucky will receive.

There being no further business, the meeting was adjourned.

TOBACCO SETTLEMENT AGREEMENT FUND OVERSIGHT COMMITTEE

Minutes of the 5th Meeting

of the 2022 Interim

October 13, 2022

Call to Order and Roll Call

The 5th meeting of the Tobacco Settlement Agreement Fund Oversight Committee was held on Thursday, October 13, 2022, at 10:30 AM, in Room 129 of the Capitol Annex. Representative Myron Dossett, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Paul Hornback, Co-Chair; Representative Myron Dossett, Co-Chair; Senators Dennis Parrett, Robin L. Webb, and Whitney Westerfield; Representatives Kim King, Phillip Pratt, Brandon Reed, and Rachel Roberts.

Guests: Bill McCloskey, Deputy Executive Director, Kentucky Office of Agricultural Policy; Dean Schamore, State Executive Director, Farm Service Agency (FSA), United States Department of Agriculture (USDA); and Angella Watson, Farm Program Specialist, FSA, USDA.

LRC Staff: Stefan Kasacavage, Hillary Abbott, Kelly Ludwig, and Rachel Hartley.

The committee adopted a citation in memory of Senator C.B. Embry, Jr.

The minutes from the meeting of September 15, 2022, were approved by voice vote.

Kentucky Office of Agricultural Policy Report

Bill McCloskey stated the Kentucky Agricultural Finance Corporation approved 10 loans for a total of \$1,796,200 to the Agriculture Infrastructure and Beginning Farmer programs. Six of the loans are farm service agency (FSA)-guaranteed.

Mr. McCloskey described the Agricultural Development Board's projects under the program. The highlighted programs include the County Agricultural Investment Program (CAIP), Deceased Farm Animal Removal, Next Generation Farmer, and Shared-Use Equipment Program, and Youth Agriculture Incentives Program.

The requested program amendments discussed included:

Oldham County Farm Bureau requested an additional \$12,615 in Oldham County funds for CAIP. The board recommended approval, which would bring the program total to \$42,615.

The projects discussed included:

Cierra Enterprises was approved for \$6,000 in county funds to construct a building for community education classes and a commercial kitchen.

Greenup County Extension District Board was approved for \$250,000 in state and county funds to build a farmers market pavilion.

Beechwood Independent Schools was approved for \$76,500 in county funds to build a greenhouse and to purchase lab equipment.

Gav's Meat Processing, LLC was approved for \$202,676 in state funds and \$45,000 in Butler County funds to renovate a meat processing facility.

Grain Day, Inc. was approved for \$5,000 in Daviess County funds to host a program at Grain Day for producers to learn the latest production practices, agricultural policy, and marketing information.

Drought Assistance Update

Angella Watson stated the FSA has several disaster programs that can assist producers who are facing a drought. The United States Drought Monitor observes national, regional, and state drought conditions and indexes areas by drought severity. The United States Farm Bill (USFB) states that in cases of extreme drought (D3) and exceptional drought (D4), USDA assistance is automatically triggered. For regions that are experiencing severe drought (D2), they must remain in D2 status for eight consecutive weeks to receive assistance. Any drought conditions lower than D2 or for less than eight consecutive weeks do not qualify for USDA assistance.

The disaster programs offered by the FSA include the Livestock Forage Disaster Program (LFP), the Emergency Assistance for Livestock, Honeybees, and Farm-raised Fish Program, and the Noninsured Crop Disaster Assistance Program.

In response to Senator Hornback, Ms. Watson stated Graves County and Calloway County are currently rated as severe drought, but were rated as extreme drought a few weeks prior. Both counties were eligible for LFP because extreme drought conditions were met, and they have received payments. Mr. Schamore stated some of the FSA County committees are understaffed and others are overstaffed.

In response to Representative Dossett, Ms. Watson stated some counties in Kentucky received drought assistance through the USDA's Conservation Reserve Program. Mr. Schamore stated legislators should reach out to United States Senator Mitch McConnell who is heavily involved in the USFB to consider changes to the law to address drought conditions in Kentucky.

Mr. Schamore stated the USDA will distribute \$20 million to build temporary grain storage facilities in western Kentucky due to the tornadoes in December 2021.

Ms. Watson stated the USDA website, Farmers.gov, is a resource for locating a USDA Service Center, which will connect the farmer with the FSA. There is also a farm loan discovery tool and a disaster assistance discovery tool.

There being no further business, the meeting was adjourned.

2022 Interim

**LEGISLATIVE
RECORD**

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KENTUCKY GENERAL ASSEMBLY

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